Barloworld
Leading brands

Managing for VALUE

Integrated Report 2017

Forward-looking information

We seek to report transparently on challenges and uncertainties we are likely to encounter in pursuing our strategy. As a result, this report may contain forward-looking statements with respect to our prospects.

Our reporting theme – managing for value

The theme of our 2017 integrated report is "Managing for value". As we move into our next strategic evolution, we seek to maximise value by actively managing our portfolio to create sustainable value, staying true to our code of conduct, being customer-centric and unlocking the talent of our people while contributing meaningfully to our stakeholders.

Our report structure and material matters

In line with our ambition and value creation, this report is structured around our stakeholders and reflects our transition, successes, challenges and future aspirations.

Our primary stakeholders that Barloworld impacts, and who influence our ability to achieve our vision, have been identified as our people, shareholders, principals, suppliers, customers, communities, and the environment.

Our material matters are derived by considering the factors that could substantially affect our ability to create value in the short, medium, or long term and these matters have informed the content of the report.

See page 7 for more information.

Statement by the board of directors

The board of directors acknowledges its responsibilities to ensure the integrity of the integrated report. The board believes the report addresses all material issues and fairly presents the integrated performance of the group. We as a board believe the integrated report has been prepared in line with best practice set out in the International Integrated Reporting Framework and the King IV code.

Signed on 8 December by

Dumisa Ntsebeza
Chairman

Dominic Sewela
Chief executive

Don Wilson
Finance director

Supplementary documents

This report and the annual general meeting (AGM) booklet are available online at www.barloworld.com along with:
- Full remuneration report
- Full consolidated financial statements
- Responses to the GRI G4 Sustainability Reporting Guidelines

GRI 4.13, 4.18, 4.19, 4.23 and 4.32

Barloworld
Leading brands

Customers

Pages 63 to 66

Our customers are vital to our success and we are committed to supporting their ambitions. Our partnership approach and customer-centric solutions help to foster mutually beneficial long-term relationships with them.

People

Pages 74 to 80

We strive to instil a high-performance culture where **our people will drive the delivery of our ambition and create value for all our stakeholders** and we seek to create a stimulating work environment that delivers career growth prospects.

Principals and suppliers

Pages 67 to 73

We are part of our principals' value chains and suppliers are part of ours with alignment an essential part of our shared success. Some of our relationships span decades, testament to the **strong alignment we have to our shared outcomes**.

Navigation guide

W Web links www.barloworld.com

GRI Global Reporting Initiative (GRI G4) links to http://www.barloworld-reports.co.za/integrated-reports/ir-2017/gri-index/index.php

It is recommended that the relevant GRI responses in the integrated report are referenced to gain a comprehensive perspective on aspects contained in the report.

About this report

Our audience

While the primary purpose of our integrated report is to explain to our long-term providers of financial capital how Barloworld creates value over time, we also reflect on the wider impact of our value-creation activities on all our key stakeholders.

Reporting frameworks

Our integrated reporting is guided by various codes and standards. These include:

- The King Report on Corporate Governance for South Africa, and the accompanying Code on Corporate Governance for South Africa (King IV)
- The International Integrated Reporting Council Framework
- The Companies Act 71 of 2008 (as amended)
- The JSE Listings Requirements
- Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

Our reporting contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

Report scope and boundary

Our integrated report covers the performance of Barloworld Limited for the financial year October 2016 to September 2017 in all geographic regions in which the Barloworld group and its subsidiaries operate. Associates and joint ventures are equity accounted and thus not included in consolidated non-financial data. The consolidated data incorporates the company and all entities controlled by Barloworld as if they are a single economic entity. There are no other entities over which the group has significant influence that it believes should be included in the report. Both financial and non-financial data is aligned to the same financial reporting period allowing for comparison of performance data. Any limitations are disclosed in the relevant section. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Significant changes during the reporting period

A decision was reached to exit the Barloworld Equipment Iberia business in the coming financial year. As such, this business is presented as a discontinued operation and assets and liabilities held for sale. This has resulted in the restatement of financial and non-financial information, including affected targets and baselines. The disposal of Handling and Agriculture SA into a joint venture with BayWa was effective 1 March 2017. Automotive finalised the sale of one BMW dealership and the closure of one BMW and three General Motors (GM) dealerships following GM's decision to exit from South Africa. In Logistics, the buy-out of minorities in the Transport business was concluded in June 2017. These transactions did not require restatement of any reported data. All data in this report, and our 2017 integrated reporting, reflects continuing operations only.

Assurance

The board, with the support of the audit committee, is ultimately responsible for Barloworld's system of internal control, designed to identify, evaluate, manage, and provide reasonable assurance against material misstatement and loss.

We apply a combined assurance model, which seeks to optimise the assurance obtained from management and internal and external assurance providers while fostering a strong ethical climate and mechanisms to ensure compliance. Please refer to page 135 for an understanding of our assurance matrix.

The financial information in this report, together with material non-financial indicators, is independently assured by our external auditors, while our B-BBEE status is verified by Empowerdex.

GRI 4.33

Contents

MILESTONE

Celebrating
90 years
as a Caterpillar dealer.

The sustainability of our business and the success of our stakeholders are **inextricably intertwined**.

Communities

Pages 81 to 91

Sustainable and thriving communities support our success. We recognise that to be a respected corporate citizen we have to play a **positive role in our communities through social investment and responsible environmental stewardship**.

Shareholders

Pages 92 to 95

Our shareholders entrust us with their capital and expect competitive returns and capital appreciation on their investment. **Maximising shareholder value is key to our sustainability**.

Send us your feedback

Help us understand what matters to you by sending your comments and feedback on our integrated report to invest@barloworld.com or sustainability@barloworld.com or visit www.barloworld.com to download the feedback form.

About us

What managing for value means for us

Inspiring a world of difference through

Accountability	Ambition	Delivery
Active management of portfolios	Realising full potential in market value	Clear metrics and approach to value creation

115 YEARS

of heritage, built on a foundation on which to delight our customers, maximise shareholders' value, allowing us to better create sustainable employment and play a more meaningful role in society.

We are driven by our values

Integrity
… the power of honesty

Excellence
… the power of intense focus

Teamwork
… the power of working together

Commitment
… the power of responsibility

Sustainability
… the power of endurance

Financial highlights

	2017 Rand	2016 Rand	2017 $	2016 $
Revenue (million)	**61 959**	62 074	**4 627**	4 208
EBITDA (million)	**6 694**	6 486	**500**	440
Operating profit (million)	**4 082**	4 087	**305**	277
Net cash inflow before financing activities (million)	**2 602**	3 507	**194**	238
Net debt (million)	**5 753**	8 016	**426**	583
HEPS continuing (cents)	**974.5**	840.9	**72.8**	57.0
Ordinary dividends per share declared in respect of current year's earnings (cents)	**390**	345	**29**	23
Total assets (million)	**46 324**	46 022	**3 431**	3 347
Net asset value per share (cents)	**9 533**	8 997	**706**	654

Barloworld Worldwide Code of Conduct

Our year in numbers

FINANCIAL

Revenue (from continuing operations)
R62.0 billion
(2016: R62.0 billion)

Operating profit (from continuing operations)
R4.1 billion
(2016: R4.1 billion)

HEPS (from continuing operations)
975 cents
(2016: 841 cents)

MANUFACTURED

Return on net operating assets (%)
16.4%
(2016: 15.5%)

Group net debt to equity (%)
27.6%
(2016: 40.7%)

SOCIAL/RELATIONSHIP

B-BBEE rating*
Level 3
(2016: Level 3)

Corporate social investment (Rm)
R18 million
(2016: R17 million)

NATURAL

Petrol and diesel consumption (ML)
74.71 ML
(2016: 73.41 ML)

Water withdrawals (ML)^
674 ML
(2016: 755 ML)

Non-renewable energy consumption (GJ)†
3 087 269 GJ
(2016: 3 037 034 GJ)

GHG emissions (tCO_2e, scope 1 and 2)
270 707 tCO_2e
(2016: 266 769 tCO_2e)

Grid electricity consumption (MWh)
77 630 MWh
(2016: 78 067 MWh)

HUMAN

Number of employees
18 085
(2016: 19 547)

Lost-time injury frequency rate (LTIFR)#
0.75
(2016: 0.75)

Number of work-related fatalities
3
(2016: 1)

* *Barloworld Limited 2017 rating based on revised dti Codes of Good Practice.*
^ *Municipal sources.*
† *Excludes energy from rental fleets.*
# *LTIFR = Lost-time injuries multiplied by 200 000 divided by total hours worked.*

Performance per region

Barloworld has a proven track record of **long-term relationships with global principals and customers.** We have an ability to develop and grow businesses in multiple geographies including challenging territories with high growth prospects.

Over **18 000** employees

in **15** countries

South Africa

Revenue
R49 853 million
2016: R48 038 million

Operating profit
R2 948 million
2016: R2 928 million

Net operating assets
R16 703 million
2016: R18 023 million

Number of employees
14 981
2016: 16 372

Rest of Africa and Middle East

Revenue
R6 805 million
2016: R8 964 million

Operating profit
R636 million
2016: R623 million

Net operating assets
R5 035 million
2016: R5 036 million

Number of employees
2 162
2016: 2 316

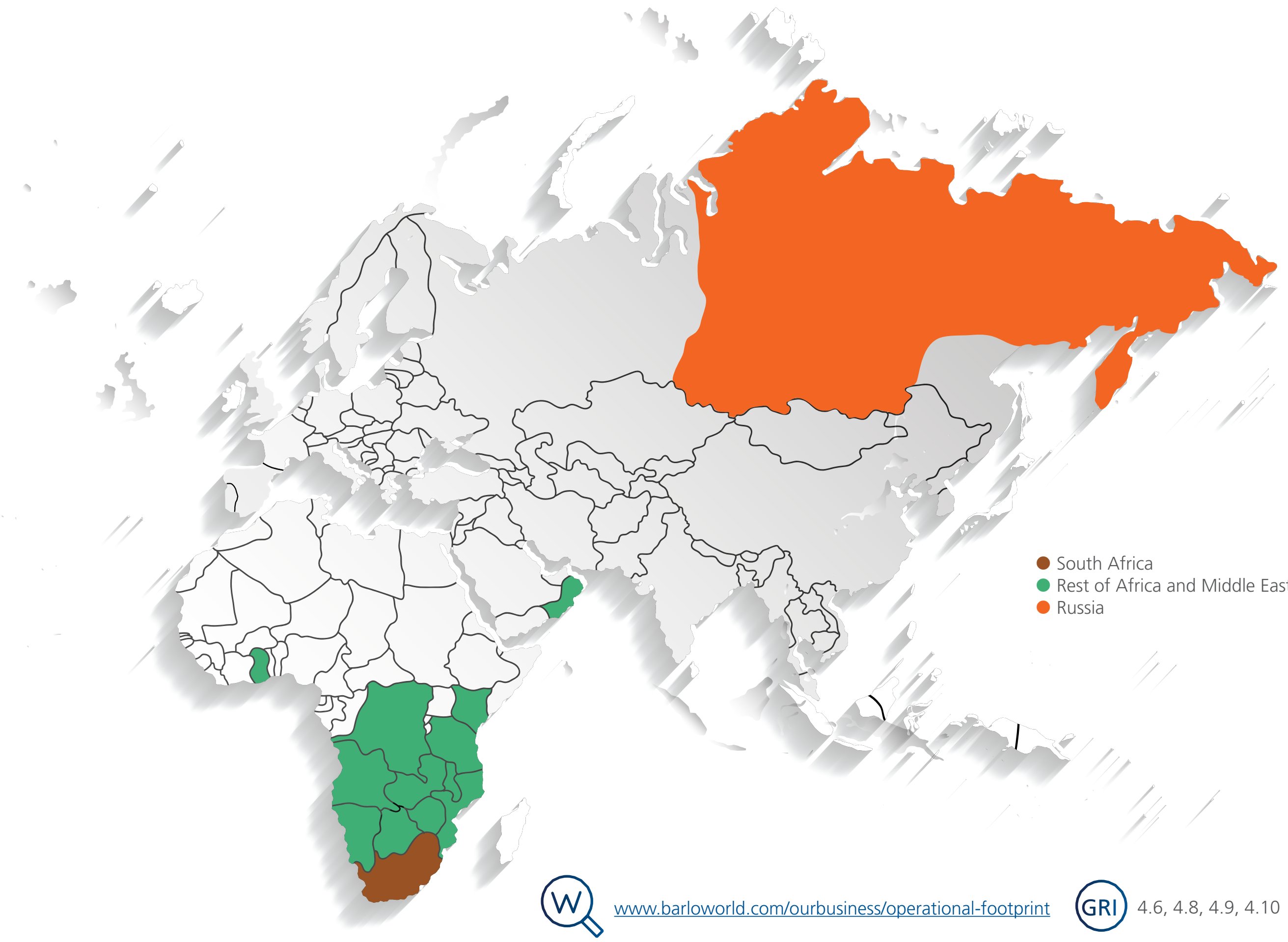
Russia

Revenue
R5 141 million
2016: R4 837 million

Operating profit
R582 million
2016: R599 million

Net operating assets
R2 544 million
2016: R2 402 million

Number of employees
942
2016: 859



www.barloworld.com/ourbusiness/operational-footprint

GRI 4.6, 4.8, 4.9, 4.10

Countries of operation

● Equipment ● Automotive ● Logistics

Angola	Equipment	Russia	Equipment
Botswana	Equipment, Automotive, Logistics	South Africa	Equipment, Automotive, Logistics
Democratic Republic of Congo	Equipment	Swaziland	Equipment, Automotive, Logistics
Ghana	Automotive	Tanzania	Automotive
Lesotho	Equipment, Automotive, Logistics	United Arab Emirates	Logistics
Malawi	Equipment, Logistics	Zambia	Equipment, Automotive, Logistics
Mozambique	Equipment, Automotive, Logistics	Zimbabwe	Equipment, Logistics
Namibia	Equipment, Automotive		

Group profile

Barloworld is a distributor of leading global brands, providing integrated rental, fleet management, product support and logistics solutions. We offer flexible, value adding, integrated business solutions to our customers backed by leading global brands.

Established in 1902, inspiring leadership, a reputation for ethical conduct, innovation and a commitment to giving back has ensured Barloworld's longevity over the past 115 years.

Barloworld has a proven track record of sustaining long-term relationships with global principals and customers. We have an ability to develop and grow businesses in multiple geographies including challenging territories with high growth prospects.

Our core divisions are Equipment, Automotive and Logistics.

Core divisions

Equipment

Barloworld Equipment is the official dealer for the Caterpillar construction, mining and industrial machine range in 11 southern African countries, Siberia and the Russian Far East.

Mining
Surface and underground earthmoving equipment and drills.

Construction
Infrastructure earthmoving and surface preparation equipment.

Energy and Transportation
Diesel and gas generators, industrial, marine and diesel engines.

www.barloworld-equipment.com
www.stet.pt
www.vost-tech.ru
www.finanzauto.es/es
www.barloworldpower.com
www.bawglobalpower.com/en/
www.vtenergo.ru/
www.mytractor.com/en

Automotive

Barloworld Automotive delivers a range of integrated vehicle usage solutions that create shared value for our customers, company and stakeholders.

Car Rental
Short-term vehicle rental solutions.

Avis Fleet
Vehicle leasing and fleet management products and solutions.

Motor Trading
Franchise motor vehicle retailing and asset disposal through online platforms and toolsets.

www.avis.co.za
www.budget.co.za
www.avisfleet.co.za
www.mywheels.co.za
www.barloworldautomotive.co.za
www.smd.co.za
www.barloworldmotor.com
www.tradersonline.co.za

Logistics

Barloworld Logistics has grown into a significant transportation and supply chain solution business in southern Africa with complementary operations in the Middle East.

Supply Chain Management
Dedicated and contracted solutions offering a full range of logistic services to leading clients.

Transport
A range of transport solutions across sub-Saharan Africa including fuel, chemicals, gas, abnormal loads, consumer products, refrigerated and general freight services.

www.barloworld-logistics.com

GRI 4.4, 4.8

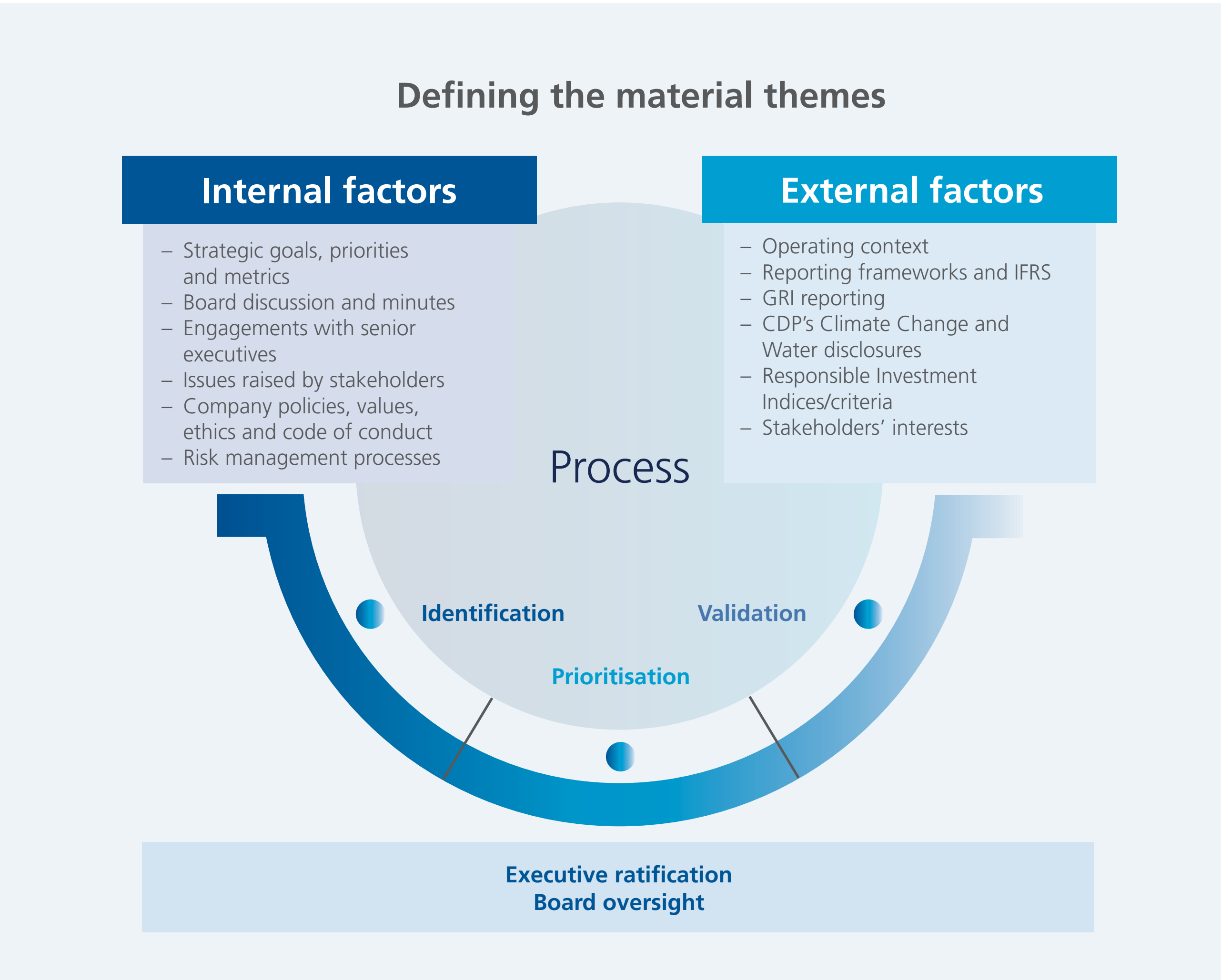
Materiality and our response to stakeholders' interests

Barloworld underwent material planned changes over the last few months with a different strategic planning approach.

Core to these changes was a robust, systematic and structured strategic review process through which the key determinants for maximising value were identified, prioritised and targets set against them. These key determinants are the areas that have a material impact on value creation for each of our identified stakeholder groups.

The report focuses on those internal and external factors that are considered to have a substantive impact on our value maximisation activities and interactions, and the ongoing monitoring of performance is a key component of the management cycle to drive a value-based organisation.

The Barloworld Worldwide Code of Conduct, which sets out the group's five core values that govern our behaviour and interactions, also informs the group of what is regarded as material.



GRI 4.18 to 4.20

Business model

Inputs

The resources and relationships we rely on to sustain our operations

Manufactured capital

Wide geographic footprint, with world-class facilities.

Financial capital

- An appropriate mix of debt and equity funding
  R9.7 billion in debt
  R20.9 billion in equity.
- An integrated financial value model (pages 20 and 94).

Human capital

- A skilled, diverse and motivated workforce.
- An integrated employee value model (page 76).
  18 085 employees
  5 085 women (28%)
  14 981 localised workforce (83%) (pages 78, 79 and 80).

Social and relationship capital

Strong relationships with our principals, suppliers, customers, employees, investors and communities are integral to our business (pages 60 to 92).

Natural capital

- We are directly dependent on natural resources such as water and fossil fuels.
- Indirectly, our customers in mining sectors rely on the underlying natural assets to support their sustainability (pages 87 to 91).

Intellectual capital

Our unique way of doing business, that includes our worldwide code of conduct, our governance framework and process (pages 2, 97 and 118).

What we do – our business activities

Guided by our vision and underpinned by our values, our business activities across the world focus on creating shared value.

Barloworld is a distributor of leading global brands, providing integrated rental, fleet management, product support and logistics solutions.

Operating through our primary business units (see page 6), we . . .

Enhancing value

We understand that we create value not only through our business activities but also through the strategic initiatives undertaken to manage our portfolio of businesses.

Our revised strategy seeks to balance our long-term growth ambitions with medium-term returns for our stakeholders, underpinned by our responsible citizenship programme (page 28).

To maximise the value created, we believe that the answer to these questions lies in addressing three critical levers in the short to medium term.

1. Fix and optimise our existing businesses (see page 29)
2. Implement a more activist business model (see page 29)
3. Add a high growth leg to our portfolio (see page 29)

Outputs

The products, services, waste and byproducts that result from our business activities

Key products, solutions and impact

Flexible, value-adding, innovative customer solutions and services

- Earthmoving: mining and infrastructure
- Power systems: electric power, marine, petroleum and industrial
- Short-term vehicle usage
- Vehicle ownership solutions
- Long-term vehicle leasing and fleet management
- Asset disposal and technology-enabled solutions
- Supply chain solutions
  > Transport, warehousing, freight, forwarding

Waste and byproducts

Greenhouse gas emissions:

GRI EN15 to EN16

Waste:

GRI EN23

Outcomes

The results of our activities on our stakeholders (pages 60 to 92)

Customers

Provide innovative solutions and customer service that help meet business objectives.

Value measure 1 Net promoter scores
Value measure 2 Market share

Principals and suppliers

Deliver unparalleled management of principal brands and a diverse value-adding supply chain.

Value measure 1 Market share
Value measure 2 Brand loyalty and recognition

People

A high-performing environment that provides personal growth and career opportunities.

Value measure 1 Employee engagement
Value measure 2 Performance driven
Value measure 3 Diverse and inclusive workforce

Communities

Enable growth and progress in society through social development and environmental stewardship.

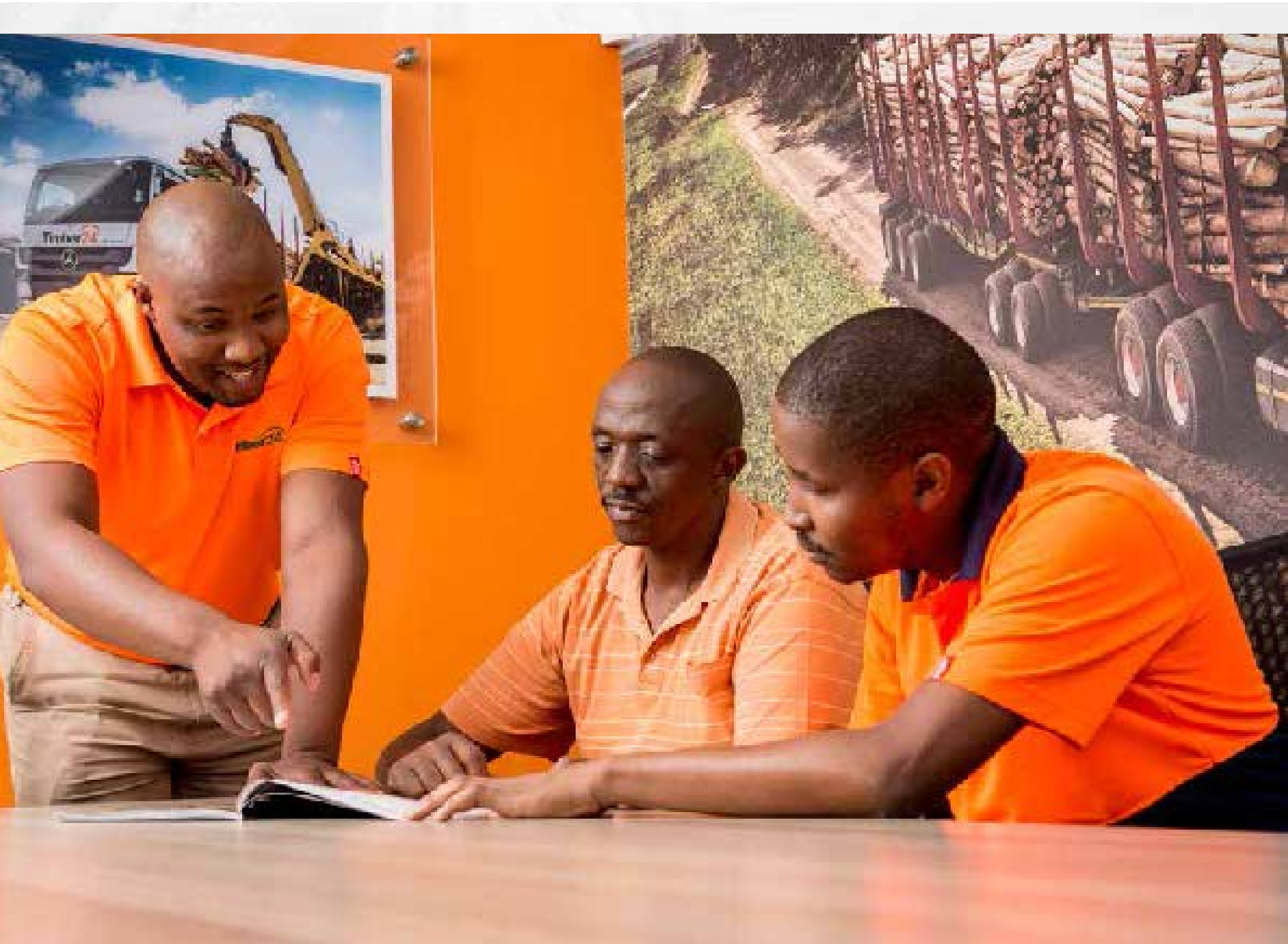
Value measure 1 Corporate social investment
Value measure 2 Socio-economic development
Value measure 3 Environmental sustainability

Shareholders

Deliver superior value through top quartile returns*, profitable growth for all businesses and positive cash flows.

Dividends per share 390 cents
Total dividends paid R830 million
Returns on equity 10.5%
Cash flow R2.6 billion

** Returns in the top 25% of JSE listed companies.*



Our aspirations for the future, our high ethical standards and our **commitment to leadership and excellence determine the Barloworld way of doing business.**

LEADERSHIP REVIEWS

2

Chairman's review

Key performance indicators

Adapting and evolving is in our DNA
Barloworld has been in existence for 115 years. 2017 has been a year of change and review in defining our bold future.

Revenue	Operating profit
R62 bn	**R4.1 bn**
(2016: R62 bn)	(2016: R4.1 bn)
In difficult circumstances we delivered a good set of financial results.	Equipment Russia had an outstanding year and our Automotive division's excellent performance was delivered against a tough industry backdrop.

It is my privilege, on behalf of the board, to present the 2017 Barloworld integrated report. During the year under review, the Barloworld management team continued to demonstrate **resilience, underscored by the group's established values of integrity, commitment, excellence, teamwork and sustainability.**

Operating context and performance

The operating context remained challenging, characterised by high levels of uncertainty in both global and local terms.

South Africa, Barloworld's home base and core market, was adversely impacted by two cabinet reshuffles in 2017 that resulted in political uncertainty and a sovereign ratings downgrade to junk status. Following these developments, business confidence fell to its lowest point in more than three decades, exacerbated by the anticipation created by the upcoming ANC leadership election conference in December 2017.

As a result, the country's economic growth prospects were forecast to remain below 1% in 2017. The World Bank projected a flat 0.6% growth rate in 2017, forecast to rise to a flat 1.1% in 2018.

A new wave of political changes internationally, notably the United States (US) and United Kingdom (UK), sanctions against Russia and heightened perception of an Asia-Pacific nuclear threat, presented new geo-political dynamics, fuelling fears of increases to global trade barriers and economic uncertainty.

Africa experienced its own headwinds during the year due to some deceleration in China's growth, low commodity prices, albeit with a gradual improvement, and the second-order effects of the Arab spring. Africa stands to benefit from the improvements that we saw towards the end of our year in review in commodity prices, improved macro-economic policy management and a more favourable business environment.

Despite some of these external factors, the group has done well to produce the set of results considering the challenging trading environment that we faced. It points to the focus that our executive teams have placed in driving what we can control, while

Dumisa Ntsebeza, *Chairman*

effectively balancing both short- and long-term objectives. Overall group revenue for the year of R62.0 billion remained at similar levels to 2016, buoyed by solid performance from Automotive and very strong growth from our Russian Equipment business, which showed impressive results in spite of the political challenges in that country and the governance burden of sanctions.

The constraints brought on by both commodity price pressures and sovereign factors, along with policy uncertainty on the issues raised by the South African Mining Charter draft proposal negatively impacted the mining industry. However, while Equipment southern Africa business saw a slight decline in revenue, aftermarket performance contributed well to our margins, supported by tight cost and cash management initiatives instituted in that business as part of our strategy to optimise performance. The resumption of mining activity in the Katanga region of the DRC saw a notable improvement in the profitability of the Equipment joint venture.

The Logistics business experienced a challenging year with disappointing performance, exacerbated by some impairments. A programme of fixing the business is underway and I am confident this will bear fruit in the coming financial year.

A year of change – evolving our operating model

We have a number of material changes in the group, key to which was the change in the company leadership. Former chief executive, Mr Clive Thomson, retired as part of a structured succession plan and Dominic Sewela succeeded him as chief executive for the Barloworld group. Along with the operating context, this change was the catalyst to the completion of a comprehensive strategic review, the outcome of which was a model of managing for value and driving economic profit. Strategic priorities outlined include to fix and optimise underperforming businesses and address the shortfall in returns from our existing portfolio; and look at high growth opportunities that will leverage our capabilities.

Extensive engagements with our key stakeholders internally and externally were critical inputs into charting the way forward for Barloworld and as a board we have confidence in the process that was employed to arrive at defining the group's ambition, our new way of managing through the cycles and positioning Barloworld firmly for an environment that presents both risk and opportunities.

Our strategic geographic perspective is to maintain southern Africa as our core market with a presence across Africa, Russia and selectively in Europe, managing a balanced portfolio of business-to-business customers in Equipment, Automotive, Logistics as well as a view of future growth into attractive counter-cyclical segments that ride on the back of high growth trends.

Following an extensive review of the prospects of our Iberian Equipment business, the board approved the disposal of this business as it was deemed to have no probability of meeting the group's hurdle rates. This followed the implementation of initiatives that entailed extensive restructuring, operational improvements and service footprint rationalisation. This action has been endorsed by our principal Caterpillar with whom we were aligned throughout both the business improvement process as well as the sale of that business. A prospective buyer was identified and the business was held for sale at year end. The group will continue to assess should opportunities be presented for a Caterpillar dealership in emerging markets where capital can be more effectively deployed.

Part of the review included ensuring optimal use of all our assets, which led to the decision to relocate the Barloworld South African head office from Barlow Park, Sandton, and the Barloworld home since 1977 and develop the prime location into a mixed-use precinct with office,

Chairman's review

recreational, retail and residential property. This is a notable break with tradition aimed at unlocking the potential of the Park, allowing us to contribute to the achievement of our ambition, while at the same time we believe this will be a legacy that will deliver value over the long term.

The implementation of our strategy has assisted in the turnaround experienced towards the tail end of the year under review. I am confident that the optimisation initiatives underway in our Equipment southern Africa business and in Logistics, and those already taken in Automotive will further solidify the foundation as we gear up for the ambitious growth that is earmarked.

Enduring relationships built on trust

Barloworld has a proud history of building enduring relationships, founded on mutual respect and trust. It is gratifying to note that Barloworld Equipment and Caterpillar this August celebrated a 90-year partnership, one that played a significant role in South Africa's mining industry with associated, material benefits to the infrastructure and manufacturing sectors.

Barloworld Equipment is today one of Caterpillar's leading dealers across its global geographic footprint. A major milestone in this relationship is the opening of a co-located parts warehouse in Kempton Park, Johannesburg, shared by both Barloworld and Caterpillar. This places us well to serve our customers, while providing a platform for the distribution of parts into the rest of the African continent.

Responsiveness to our stakeholders and investing in the future

Key to our long-term sustainability is finding solutions that work for both the stakeholder and ourselves, an ideal we work towards in a proactive manner and by not only being responsive to stakeholder needs and perspectives, but also conducting effective stakeholder engagement.

The turnaround strategy in the group has resulted in significant restructuring prompted by the operating context and addressing underperformance. Managing the relationship with our employees through this change has not been without challenges. However we have placed a great deal of focus on due process with consideration to limiting the social impact of these changes. Our executive is committed to focusing on a change management and education process that will assist the internalisation of our new way of doing business.

In reviewing our approach to our ambitious strategy, we have considered our stakeholder views and inputs to ensure that we address particular areas of concern and opportunity. The board has acted as a guide and sounding board in striving to always effectively carry out informed oversight in the crafting of the strategy through a stakeholder inclusive approach.

The group is committed to investing in the future and we have continued to be involved in a range of diversity and inclusion initiatives to support gender diversity, entrepreneurship, localisation and industrialisation in South Africa. We also aim to ensure that the drive for greater diversity and inclusion expands beyond South Africa, but encompasses all the territories and regions where Barloworld operates.

We are also mindful of climate change and the environmental impact of our activities. We strive to minimise the environmental footprint of our businesses and consider our responsibility for the world we leave to future generations.

Focus on safety

I am sad to report that three fatalities occurred during the year in the Logistics business, where our employees tragically lost their lives in work-related accidents involving work machinery, working with electricity and in a vehicle collision. The company provided support and assistance to the families and colleagues of the deceased employees. This included thorough investigation of the accidents' scenes; visits by management to the families and employees working at the sites of the incidents; counselling services for the families and employees through the company's employee wellness programme; access to the benefits the company provides and general assistance.

On behalf of the board I wish to extend our sincere condolences to the family, friends and colleagues of these employees. Our focus on safety is a continuous process and we are committed to ensuring that we remain vigilant on upholding safety standards, creating a safe working environment and driving awareness initiatives to sensitise our employees to practise due care as it is our wish that employees go back safely to their loved ones.

Leadership changes

Further leadership changes took place at the group's annual general meeting with the following directors:

- Independent non-executive director, Mr Steven Pfeiffer, retired having reached the retirement age for non-executive directors of 70 years.
- Mr Peter Bulterman also retired as an executive director of the board in terms of a planned process to reduce the number of executives represented on the board. Mr Bulterman remains in the employ of the company as the chief executive of the Equipment division.
- Mr John Blackbeard retired from the board of Barloworld Limited and its sub-committees at the end of April 2017 following the disposal of the Handling and Agriculture South Africa businesses into a 50:50 JV with BayWa AG.
- Ms Babalwa Ngonyama resigned from the Barloworld Limited board with effect from 11 May 2017 due to increased external executive commitments.
- Ms Hester Hickey and Messrs Peter Schmid and Michael Lynch-Bell were appointed as independent non-executive directors of the Barloworld Limited board with effect from 1 April 2017
- Ms Nomavuso Mnxasana was appointed with effect from 6 October 2017, in line with a structured board nomination process
- Mr Kamogelo Mmutlana was appointed chief executive of the Barloworld Logistics division with effect from 1 March 2017, following Mr Steve Ford's resignation at the end of February 2017.

On behalf of the board, I would like to extend our thanks to the non-executive and executive directors for their invaluable service to Barloworld over the years and look forward to the contribution of our new board members.

Vote of thanks

I would like to take this opportunity to thank my fellow board members, for their strategic counsel, direction, support and oversight of Barloworld, and welcome the new members who have joined us in this financial year.

To the executive management, my appreciation for your tireless dedication and drive under challenging circumstances. The board and I have confidence in the new direction that has been articulated and excited at the ambitious goals we have set for ourselves.

Finally, to our stakeholders, thank you for your ongoing support of Barloworld and we look forward to taking you along on this journey towards our ambition.

While times may be marked by turbulence and volatility, we believe the group, with its new strategic direction, is well positioned to flourish and maximise value for our shareholders and other stakeholders at large.

Dumisa Ntsebeza
Chairman

8 December 2017

Chief executive's review

Return on equity (from continuing operations)

10.5%

(2016: 9.3%)

Managing for value – our journey of change

– Focus time and resources on value-enhancing activities
– Agility in decision making and delivery
– Simple, efficient and effective processes
– Be clear on business performance at every stage
– Individual and collective accountability
– How we manage our people, performance and remuneration
– An active value-adding corporate centre

2017 marked the 115th year of Barloworld's existence; a year of change and transition as we focused on how to ensure our continued existence for more years to come. **It is a privilege to have been given the opportunity to lead the organisation into the future since my February 2017 appointment as chief executive of the group.**

Barloworld is one of a handful of companies that have remained listed on the Johannesburg Securities Exchange for over seven decades and this is testament to the strong and dedicated leadership, management teams and people who have seen the organisation through the cycles and upheavals that we have gone through as a company. We are focused on building on this foundation.

The combination of an increasingly volatile global and local operating context, together with our conviction that there is further scope to unlock and maximise the latent potential of Barloworld, saw a review of our strategy and portfolio of businesses.

Central to that exercise was defining in explicit terms what winning is for Barloworld; doubling our intrinsic value every four years and minimum return on equity (ROE) of 15%; maximising value and ensuring that we meet the interests and expectations of all our key stakeholders. Importantly, we have assessed what it would take to attain this goal and the extent of change this requires.

We have a clear view of the group's long-term strategy and path towards this ambition, ratified by the Barloworld board with an executive team that is committed to driving this bold goal forward. My role as chief executive with the executive team as we embark on this journey of change has been to define the following:

- The governing objective and ultimate measure of success for Barloworld
- The agenda for value enhancement
- Clear standards and processes by which to allocate appropriate resources
- Monitoring and managing performance at every stage of progress.

Assessing our ability to win and competitiveness

We have assessed the full potential of the organisation in terms of financial performance and understand the gap towards our value maximisation ambition; and have unpacked these value gaps across all the businesses to have a more granular and fact-based perspective of their market attractiveness and ability to win.

In light of the variations in our portfolio's abilities we have adopted a focused approach outlining key strategic imperatives and work continues in respect of all four areas identified in the group strategy, namely:

- **Fix** – The board has taken the decision to continue with the disposal of Equipment Iberia. The turnaround within the Logistics business is ongoing and progress on the exit of the Middle East Logistics operations is advancing well with several offers being negotiated. All options remain under consideration as we continue to closely monitor the performance of the business against this plan.
- **Optimise** – Equipment southern Africa has commenced the roll out of the operational transformation project, while Motor Trading has completed the bulk of the work around the restructuring contemplated through various dealership closures and further cost rationalisations.
- **Grow** – Steady progress is being made in assessing countercyclical opportunities that offer synergies to

Dominic Sewela, *Chief executive*

the group and with our strong cash position the drive will be to deploy capital to an emerging market mining territory where we can best harness our core competence, and pursuing adjacency opportunities within the automotive space.

– **Active shareholder model** – The group has adopted an approach of managing for intrinsic value which focuses on value creation through the structured assessment of opportunities, a strong focus on resource allocation (capital, talent and operating costs) and robust business performance management. The roll out of this programme is continuing. Good progress has been made on the project for the redevelopment of the Barlow Park property with legal agreements with co-investors now in place.

Critical to managing for value we are making the following fundamental changes:

– Setting clear metrics and redefining value creation to ensure alignment with the desired performance with focus on return on invested capital (ROIC); economic profit (EP); and free cash flow
– Carrying out notable structural changes that address our cost base and driving simple, efficient and effective processes
– Driving a high performance culture that prioritises actions that are value adding coupled with agility and focus in decision making and delivery
– Enabling the change with a review of talent management, performance management, remuneration and reward philosophy to drive the appropriate behaviour and foster individual and collective accountability
– Streamlining group and governance processes to optimise management time
– Clearly defining the role and value add from the corporate centre which includes a more active operating model
– Defining an enterprise value-focused culture linked to the ambition and deployment of talent.

Operational review

We moved swiftly to implement our medium-term strategy to fix and optimise underperforming businesses, and these actions have started to bear fruit as we see the benefits thereof in our positive performance in the 2017 financial year. Despite low business and consumer confidence levels, our group revenue of R62 billion and operating profit of R4.1 billion (from continuing operations) remained resilient at similar levels to the prior year.

Headline earnings per share of 975 cents (2016: 841 cents) from continuing operations was 16% up on last year. Moreover, the group generated a strong cash inflow before financing activities of R2.6 billion mainly driven by a R1.5 billion decrease in working capital and lower cash applied to investing activities. Net debt of R5.8 billion was R2.2 billion down on September 2016 net debt of R8.0 billion.

Our focus on returns delivered an improved position with an ROE from continuing operations of 10.5% compared to 9.3% in the prior year. A total dividend for the year of 390 cents per share was declared in respect of the current year's earnings (2016: 345 cents).

Equipment southern Africa performance showed resilience while strong mining and aftermarket in Equipment Russia drove the solid performance in that business. The discontinued Iberian Equipment operation is now held for sale. It was a record year for the Automotive division despite challenging market conditions with both revenue and operating profit exceeding 2016 levels. Despite an improvement in revenue, the loss of a major customer and once-off costs had a material negative impact on operating performance in our Logistics business.

Equipment southern Africa

Equipment southern Africa business benefited from improvement in mining and increased activity in our joint venture in the Katanga province of the Democratic Republic of Congo (DRC). The business transformation initiatives to optimise and streamline processes and address the cost base also contributed to overall positive performance.

Chief executive's review

The division saw a 12.6% improvement in operating profit, the operating margins increased from 8.5% to 9.8% and a pleasing performance in returns from 9.1% to 15.2%; this is despite a 1.4% decline in revenue from R18.5 billion to R18.3 billion. The stronger Rand compared to the prior year shaved R431 million off revenue for the year.

The Bartrac joint venture in the Katanga province of the DRC saw an increase from R13 million to R97 million as activity resumed at the Glencore Katanga Mine during the current year and improved commodity prices.

In August, Equipment southern Africa celebrated its 90th anniversary as a Caterpillar dealer. This coincided with the official opening of the new Caterpillar/Barloworld parts facility at Kempton Park which will further improve parts availability to our customers.

We will continue to monitor the discourse on the Mining Charter amid the policy uncertainty this has created. A resolution in this will encourage a more positive greenfield outlook.

Equipment Russia

Equipment Russia delivered excellent results driven by significant growth in aftermarket and equipment sales on the back of a buoyant mining environment particularly into opencast gold mining, some improvement in the macro-economic environment, stable oil prices and Rouble strengthening. Revenue of $385 million and operating profit of $43.7 million was 17.1% and 6.8% up in Dollar terms on prior year's results respectively, with a 16% growth in aftersales revenue.

The operating margin of 11.3% was down on the 12.4% achieved in 2016 mainly as a result of lower new machine margins.

Automotive

The Automotive division delivered another record result with operating profit up 5.6% on prior year off a revenue growth of 0.5%, impacted by dealer network restructuring with the sale of one BMW dealership and closure of one BMW and three GM dealerships. If one excludes the closure and disposal of dealerships, revenue increased by 2.3% on prior year.

While the operating margin at 8.7% was slightly down on the prior year, impacted by higher parts and vehicle prices and increased damage cost, Car Rental increased rental days and rate per day with a strong used vehicle contribution. Operating profit of R562 million was 4.9% up on the R536 million and fleet utilisation for the year improved by 1% to 76%.

In Avis Fleet revenue for the year decreased by R71 million (1.9%) to R3.6 billion while operating profit increased by 11% to R621 million. The current year produced a much improved used vehicle margin compared to the prior year which was impacted by the disposal of the defleeted vehicles from the government of Lesotho contract. Consequently operating margin for the year increased to 17.4% compared to 15.4% in the prior year.

Motor Trading was impacted by a weaker new vehicle market, depressed consumer confidence, price increases and dealer network restructuring; however, the business benefited from cost alignment initiatives and good aftermarket revenues. Operating margin increased to 5.5% (2016: 5.3%).

The division continued to deliver an ROE and ROIC above the group hurdle rates and generated positive cash flow.

Logistics

Revenue for the year of R6.2 billion was R415 million (7.2%) ahead of last year driven by the acquisitions of KLL and Aspen in January 2016, as well as the full impact of additional contracts within Supply Chain Management and Transport won last year.

The Logistics business was notably impacted by once-off items and losses in the KLL group and the focus for the management team is implementation of the turnaround strategy with structure changes and cost reduction initiatives, to simplify and streamline the organisation for greater efficiencies.

We also acquired the remaining minority share to increase our holding to 100% of Barloworld Transport, allowing for better integration of the transport business going forward, a process that has already commenced. We expect the full benefit of this turnaround in the 2018 financial year.

Change management

Our journey of change has been a challenging one considering the impact on our people in the various businesses and significant restructuring that has taken place. Open and transparent engagements with our people and union representatives have been critical; while this has not been without challenges and learnings, we enjoy sound relationships with our employees, notwithstanding the difficult nature of change.

We focused on education and change management in the organisation which we envisage will continue well into 2018 as we align our management teams and people on the new strategy.

Our performance in safety and environmental stewardship

Despite our ongoing strong focus on safety across the group, we regrettably had three tragic work-related fatalities during the year in our Logistics operations in unrelated incidents. We extend our sincere condolences to the bereaved families to whom we offered support. We continue to drive awareness of health and safety in the workplace. We implemented a review which included assessing all our sites for risk exposure, safety culture, behaviours and compliance, reviewing key performance indicators on safety and instituted a safety awareness campaign throughout our Logistics sites.

Sustainability plays a key role in how Barloworld does business and this is embedded in our practices and our values. As a result of the sustainability practices we have adopted over the years, we are a constituent of the

Dow Jones Sustainability Emerging Markets Index, the FTSE/JSE Responsible Investment Top 30 Index and the FTSE4Good Emerging Index.

Our role in social development and diversity

Our active corporate citizenship through investment in the future is aligned to the UN Sustainable Development Goals and the national development priorities of the countries in which we operate.

We continue to engage emerging and black-owned service providers to drive diversity in our supply chain and provide them with access to the broader market through our enterprise and supplier development arm, Barloworld Siyakhula. Since inception in 2007 we have indirectly supported over 700 jobs and provided comprehensive assistance to 98 small and medium enterprises.

We have also engaged our various principals to advance the localisation of some of their products and services. The equity equivalent investment programme in partnership with the Department of Trade and Industry recently announced by Caterpillar will assist in increasing the local content in CAT equipment and supporting the national imperative of creating jobs and enhancing manufacturing capabilities; whilst assisting with our competitiveness in the market.

We have invested R18 million in 2017 in our social development focus areas and partnerships in education, youth development and empowerment, environment and conservation, health and welfare.

A critical component of our talent management is diversity and inclusion that will deliver on our strategic ambitions. We take a holistic view of diversity in all its facets from race, gender, age, religion and skills set. This comprehensive view, we believe, sets us apart from our peers. Our gender diversity target is to have 40% female representation by 2020 in all levels of our organisation and a workforce that is representative of the areas where we operate.

2018 outlook

The South African economy is projected to grow by 1.1% in 2018. The markets, however, remain focused on the December 2017 ANC elective conference, the result of which could impact the sovereign rating, confidence levels as well as the value of the Rand.

The outlook for mining in Equipment southern Africa remains positive with demand for commodities and related commodity pricing holding up. With the firm order book growing to R2.9 billion (2016: R1.3 billion) we are forecasting mining unit sales and mining aftersales to show continued growth in 2018.

Equipment southern Africa has embarked on a number of cost-saving measures driven by achieving process efficiencies that will address weaknesses in the current IT environment, together with procurement-saving initiatives. The project will run into the 2020 financial year and will further improve the operating performance of the division.

The Russian economy is likely to show growth of just under 2% in 2017 with further growth improvement into 2018 expected. Our significant firm order book of $202 million (2016: $21 million) along with a number of other potential mining projects under discussion should ensure strong growth in machine revenue in the coming year.

In Car Rental we expect to see further growth in the foreign in-bound segment while the corporate and local leisure markets will remain subdued. Avis fleet will continue to benefit from retaining the existing customer portfolio and gain new business. The South African motor industry is going through a period of transition with the exit of GM from South Africa and dealer footprint realignments. The closure and disposal of the GM and BMW dealerships will reduce annualised revenue by close to R1.5 billion in 2018 with marginal impact at the operating level. We expect vehicle sales in 2018 to be in line with the current year and the premium market to remain challenging.

In early October, Logistics embarked on a turnaround strategy aimed at improving performance through operational efficiency, and to simplify and optimise the operating an organisational model. This initiative entails multiple initiatives of cost reduction and procurement savings with a focus on returning underperforming businesses to required performance targets. Logistics has been successful in securing a number of new contracts in the current year which will underpin further growth in 2018.

The group is making good progress in implementing its strategy to fix and optimise existing businesses. We ended the year in review with a strong positive cash generation and well-managed debt levels and going forward we are well placed to capitalise on acquisitive growth opportunities as they arise. The full benefit of initiatives progressed in the current year will continue to have a positive impact into 2018.

Vote of thanks

In conclusion, I would like to acknowledge my predecessor, Clive Thomson, for his wise counsel, who handed over a business that had shown resilience over the years, a strong balance sheet and a strong foundation of values on which my executive team and I are building.

It has been a year with both challenges and triumphs and I would like to thank my executive team for their continued and unwavering dedication and commitment; their ongoing support and advice; and the board for their counsel and oversight.

I look forward to our journey towards our ambition as we reimagine and redefine winning for Barloworld.

Dominic Sewela
Chief executive

8 December 2017

Finance director's review

Key performance indicators

Adapting and evolving is in our DNA
In difficult circumstances we delivered a good set of financial results.

Equipment Russia had an outstanding year and our Automotive division's excellent performance was delivered against a tough industry backdrop.

Barloworld has been in existence for 115 years. 2017 has been a year of change and review in defining our bold future.

Profit from continuing operations up 4% to	HEPS growth 16% to
R2 026 m	**975 cps**
(2016: R1 950 m)	(2016: 841 cps)

Following the board's decision to sell the group's Equipment Iberia operations, the group has, in terms of IFRS 5, reported the results of Equipment Iberia separately as a discontinued operation and assets and liabilities held for sale in the financial statements for the year ended 30 September 2017. **The following commentary regarding current year trends is against restated comparatives to reflect the results from continuing operations unless specifically stated.**

Financial performance from continuing operations for the year ended 30 September 2017
Revenue for the year of R62.0 billion remained resilient and in line with the prior year (2016: R62.1 billion) on the back of an impressive performance in Equipment Russia while our Logistics business was boosted by the full year impact of contracts and acquisitions in the prior year. Equipment Russia benefited from strong mining unit and aftersales demand, generating revenue growth of 17.1% in US Dollar terms. Demand for mining equipment in southern Africa showed some improvement as commodity prices held up. Automotive revenues were marginally up by 0.5% notwithstanding the sale and closure of a number of BMW and General Motors dealerships in Motor Trading. With approximately 20% of the group's revenue generated outside of South Africa the stronger Rand negatively impacted revenues by R1.1 billion.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of R6.7 billion improved by 3.2% while operating profit and the operating margin remained consistent with the prior year at R4.1 billion and 6.6% respectively. Key to this achievement amid tough trading conditions was the high level of aftersales in both Equipment southern Africa and Russia and the continued profitability from the sale of used vehicles in Automotive.

Operating profit in Equipment southern Africa was up 13% on the prior year with Equipment Russia increasing by 6.8% in US Dollar terms. Automotive produced another record result increasing operating profits by 5.6% to R1.8 billion. Avis fleet produced a strong performance increasing its operating margin to 17.4% (2016: 15.4%). In Logistics the loss of a key customer, restructuring and other costs associated with

Don Wilson, *Finance director*

implementing a turnaround strategy have negatively impacted operating margins in this business with operating profit falling to R101 million (2016: R223 million).

The net negative fair value adjustments on financial instruments of R209 million (2016: R209 million) mainly represent the cost of forward points on foreign exchange contracts and translation gains and losses on foreign currency denominated monetary assets and liabilities in Equipment southern Africa. During the year, the strengthening of the Rand resulted in exchange losses in respect of US Dollar deposits held.

Finance costs of R1.3 billion are down by R2 million on the prior year due to lower average borrowings despite higher short-term rates in South Africa.

Losses from non-operating and capital items of R155 million consist largely of impairments of goodwill, other intangibles and other assets of R158 million in Automotive and Logistics and losses on disposal of the Handling business of R46 million. Offsetting these losses were gains of R63 million recognised by Automotive on the sale of properties and a dealership.

The taxation charge decreased by R231 million and the effective tax rate (excluding prior year taxation and non-operating and capital items) reduced to 23.9% (2016: 27.0%) largely as a result of local currency fluctuations against the US Dollar functional currency of the offshore operations. In this respect Barloworld's taxation charge was favourably impacted by movements in the Russian Ruble, Angolan Kwanza, and the Mozambican Metical against the US Dollar.

The increase in income from associates and joint ventures in the year is mainly attributable to the profitability of the Equipment joint venture in the Katanga province of the DRC and follows from improved copper and cobalt prices and the resumption of mining activities at the Katanga Mine.

The discontinued Equipment Iberia operations generated losses of €17.7 million (R269 million) in the year which were negatively impacted by restructuring costs of €9.1 million (R137 million) and an impairment of €5.1 million (R78 million) for the investment and goodwill in the associate Energyst. In addition, the deferred tax asset in Spain was impaired by €3.4 million (R52 million) following the change in Spanish legislation regarding the annual recovery of such losses. The decision to sell this business is expected to release capital for allocation to new growth opportunities for the group.

Overall, profit from continuing operations increased by R76 million (3.9%) to R2.0 billion (2016: R1.9 billion) and HEPS from continuing operations increased by 16% to 974.5 cents (2016: 840.9 cents). Total HEPS including discontinued operations increased by 5% from 838.1 cents to 883.4 cents, a pleasing result against challenging trading conditions and illustrative of our ability to deliver sustainable financial results.

Cash flows

Generating free cash flow is a strategic imperative for the group. Despite a strong reduction in working capital in the current year of R1.5 billion (2016: R2.1 billion), cash generated from operations of R6.0 billion was down on the prior year (2016: R7.8 billion). These cash flows were impacted by increased net investment in leasing assets and vehicle rental fleet of R2.9 billion (2016: R1.5 billion).

Investing activities of R329 million (2016: R1.4 billion) were driven by additional investment in Angolan US Dollar linked government bonds of R201 million ($15 million) using Kwanza cash on hand as protection against currency devaluation. The total investment in Angolan US Dollar linked government bonds at September was $66 million (2016: $51 million). The disposal of the Handling and Agriculture assets generated proceeds of R301 million.

Net cash flows before financing activities for the year to R2.6 billion were down from R3.5 billion in the prior year but were well up on our forecasts.

Finance director's review

Financial position

Total assets employed in the group increased by R302 million driven by investments in leasing assets and vehicle rental fleet together with the improved cash position of the group. This was offset by a decrease in inventories. Assets held for sale of R3.3 billion comprise Equipment Iberia and the Logistics Middle East business.

For the second consecutive year total debt dropped substantially, reducing by R1.3 billion to R9.7 billion (2016: R11.0 billion). Coupled with the increase in cash at the year end, net debt of R5.8 billion was R2.3 billion down on the prior year (2016: R8.0 billion).

The UK pension scheme deficit decreased from R2.8 billion (£161 million) to R2.2 billion (£123 million) due to an increase in the AA corporate bond yield and changes in demographic factors which impacted the estimated future pension liability. We hope the recent interest rate increase by the Bank of England (the first in 10 years) represents a first step in the gradual increase of UK rates which should have a positive impact in the reduction of the scheme deficit going forward.

Return on equity from continuing operations increased to 10.5% from 9.3% last year while return on equity including discontinued operations increased from 9.2% to 9.5%.

Debt

In April 2017, the R450 million BAW13 bond matured and was redeemed through available banking facilities. During May and June 2017, R1 582 million was raised through bond issuances of four three to five-year floating rate notes under our existing South African Domestic Medium Term Note programme. The issuance of these notes effectively refinanced and prefunded the settlement of notes (totalling R925 million) which matured late September and early October 2017. Overall debt maturity is well balanced in future years.

In South Africa, closing short-term debt includes commercial paper totalling R643 million (September 2016: R807 million). This market saw a change in investor appetite in the current year with a shift in liquidity from three-month paper to six-month paper resulting in higher spreads for this debt instrument. We aim to maintain our participation in this market but this is dependent on overall liquidity and relative pricing in the market.

In June 2017, Moody's affirmed the Barloworld long-term and short-term issuer Global Scale Ratings of Baa3 and P-3 respectively, raised the long-term National Scale Rating to Aa1.za from Aa3.za and affirmed the short-term National Scale Rating P-1.za. The outlook on the ratings of Barloworld changed from stable to negative following the change of outlook on the Baa3 sovereign rating of South Africa.

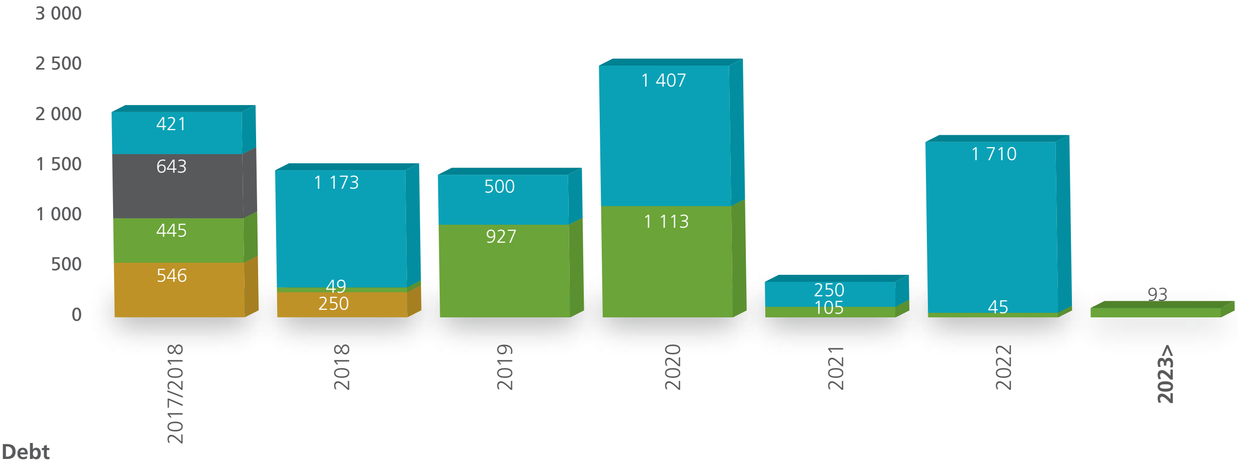
At September, R7.6 billion (79%) of our total debt of R9.7 billion was long term, which was slightly up on the 76% last year while R2 billion (21%) is short-term debt.

At year end, we had total unutilised facilities of R10.7 billion (2016: R9.6 billion) of which R8 billion was committed (2016: R7.2 billion).

Net debt to EBITDA of 0.9 times is a strong improvement on the prior year of 1.2 times and supports our capacity for future transactions. Net debt to equity has also reduced to 27.6% from 40.7% in the prior year with 94% of our year-end net debt in the Leasing and Car Rental business segments.

Total debt to equity (%)	Trading	Leasing	Car Rental	Group debt	Group net debt
Target range	30 – 50	600 – 800	200 – 300		
Ratio at 30 September 2017	21	560	203	46	28
Ratio at 30 September 2016	29	720	216	56	41

Group debt maturity profile at 30 September 2017 by calendar year (Rm)



Dividends

Barloworld's dividend policy is to pay dividends within an annual headline earnings per share (HEPS) cover range of 2.5 to 3.0 times. On the back of the results of the year dividends totalling 390 cents per have been declared, representing cover of 2.5 times.

2018 outlook

We remain committed to optimising the returns of our existing businesses with specific focus on the turnaround of Logistics and gaining cost efficiencies across the group. With the recovery of global mining, we expect to see higher returns across our Equipment businesses in the year ahead. The local automotive industry is facing a number of challenges yet we remain positive that our integrated model can withstand these pressures. Generating free cash flows remains an imperative together with ensuring that the group's assets generate a return on invested capital above our stated target weighted average cost of capital target of 13%. We continue to explore options to rationalise the group's asset base and unlock capital to take advantage of future high growth opportunities.

Don Wilson
Finance director

8 December 2017


AVIS Preferred

The full benefit of strategic initiatives **progressed in the year in review** will continue to have a positive impact going forward.

STRATEGY AND RISK MANAGEMENT

3

Operating context

The context in which we operate our business in, both now and in the future, is informed by global macro-economic as well as industry and geographic trends. **Our strategy is a direct response to our operating context.**

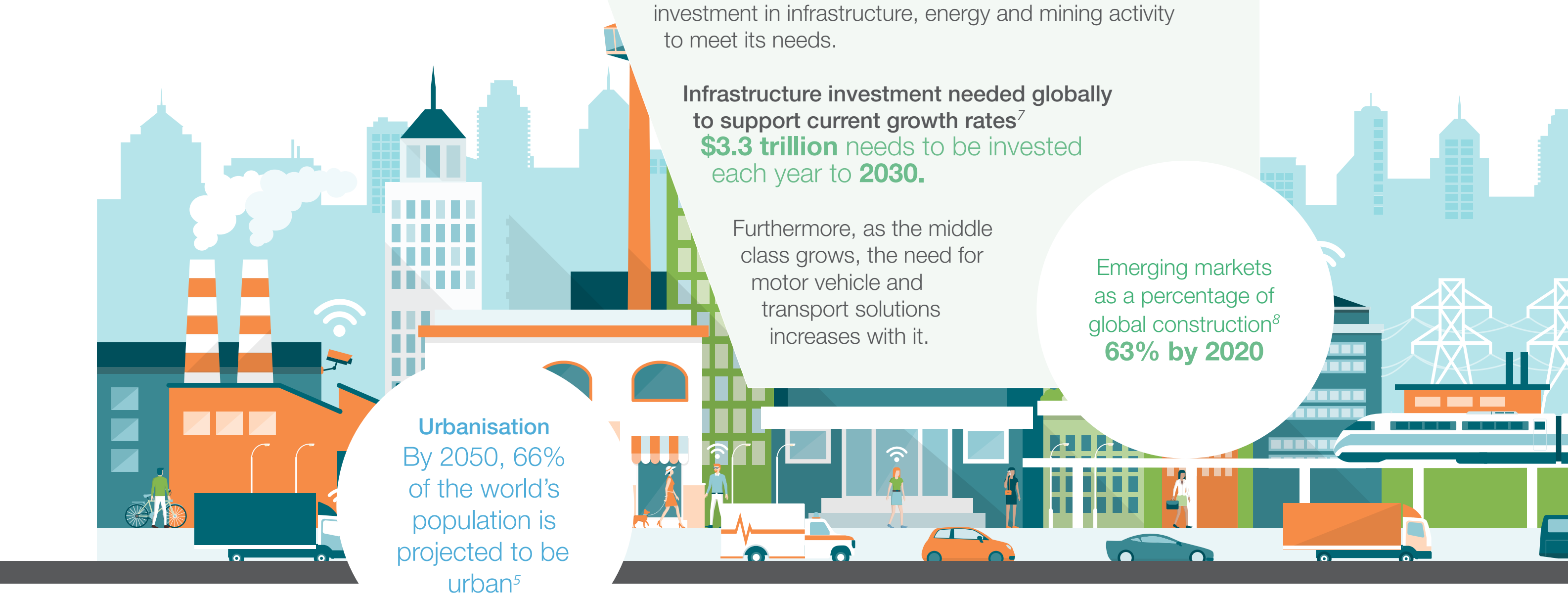
Infrastructure opportunities

Every community needs infrastructure to thrive. As the population grows and urbanises, it will require increased investment in infrastructure, energy and mining activity to meet its needs.

Infrastructure investment needed globally to support current growth rates[7]
$3.3 trillion needs to be invested each year to **2030.**

Furthermore, as the middle class grows, the need for motor vehicle and transport solutions increases with it.

Emerging markets as a percentage of global construction[8]
63% by 2020



Urbanisation
By 2050, 66% of the world's population is projected to be urban[5]

Future trends

Population growth trends
Almost 30% growth expected between 2017 and 2050

Global population[1]
2017: 7.6 billion
2030: 8.6 billion
2050: 9.8 billion

Where is this growth expected?
90% of the increase in population is expected to be concentrated in Asia and Africa[2].

Between 2017 and 2050, the populations of 26 African countries are projected to expand to at least double their current size[3].

High population growth expected, but what are the expected economic trends?
Real expected GDP growth[4]
- Worldwide: 3.8%
- Emerging and developing markets: 5.0%
- Africa: 4.2%
- Sub-Saharan Africa: 3.9%
- Russia: 1.5%

Global middle class expansion[6]
2020: 3.2 billion
2030: 4.9 billion

The developing world's emerging middle class is a critical economic and social engine of growth.

What does this mean for Barloworld?
Global growth offers a number of opportunities for our businesses.

GRI 4.2

[1] *https://www.un.org/development/desa/en/news/population/world-population-prospects-2017.html*
[2] *https://www.compassion.com/multimedia/world-urbanization-prospects.pdf*
[3] *https://www.un.org/development/desa/en/news/population/world-population-prospects-2017.html*
[4] *http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD*
[5] *https://esa.un.org/unpd/wup/publications/files/wup2014-highlights.Pdf*

Africa:
42 vehicles per 1 000 inhabitants.

Automotive trends driving African opportunities

Low rate of motorisation presents opportunities

In 2015, Africa only reflected 3% of the total passenger vehicle ownership worldwide[9].

Including commercial and passenger vehicles, Africa's motorisation rate in 2015 was well below the global average[10].

Global:
182 vehicles per 1 000 inhabitants

Central and South America:
176 vehicles per 1 000 inhabitants

Asia, Oceania and the Middle East:
105 vehicles per 1 000 inhabitants

What does this mean for Barloworld?
While the concepts of car ownership are changing globally with car-pooling and ride sharing gaining momentum in European and American markets, this trend is not expected to be adopted quickly in sub-Saharan Africa, as the ownership of a vehicle is still seen as an aspirational value[11].

Instead, given the low levels of car ownership, the expected growth on the continent and the aspirational status of motor vehicles, demand is expected to increase, offering a clear opportunity for our Automotive business.

Current operating context

The key commodities showed some recovery in the 2017 financial year. Despite the recovery in commodity prices, mining houses remained conservative with regards to capital investment. Investment in infrastructure remained subdued due to political uncertainty in several geographies.

Across the board, the operating conditions in all of our geographies remained challenging in 2017.

Southern Africa

Indicators
Sub-Saharan Africa: Real GDP growth: 2.7%[12]
South Africa: Real GDP growth: 0.7%[13]

- Subdued growth in South Africa and very low activity in the rest of Africa
- Political and policy uncertainty continued to impact business and investment
- Interest rates remained high across most geographies
- South Africa: Consumer and business confidence remained subdued.

See page 42 for more information.

Russia

Indicators
Real GDP growth: 1.8%[14]

- Lack of structural reforms, declining productivity and high unit labour costs dampened economic growth prospects
- Reduced Ruble volatility
- Historically low inflation levels maintained below 5%
- Limited impact from EU and US sanctions
- Ongoing concern regarding the potential impact of the volatile geopolitics situation
- Limited investment in infrastructure projects due to lack of federal finance.

See page 45 for more information.

Given the challenging operating context, we needed to relook at our strategy and determine how we will position ourselves to capture future opportunities.

6 *http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html*
7 *http://www.pwc.com/gx/en/industries/assets/pwc-giia-global-infrastructure-investment-2017-web.pdf*
8 *http://www.pwc.com/gx/en/industries/assets/pwc-giia-global-infrastructure-investment-2017-web.pdf*
9 *http://www.oica.net/category/vehicles-in-use/*
10 *http://www.oica.net/category/vehicles-in-use/*
11 *http://www.engineeringnews.co.za/article/trends-driving-the-african-automotive-industry-in-2016-and-2017-2016-06-14/rep_id:4136*
12 *http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/SSQ*
13 *http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/SSQ*
14 *http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/SSQ*

Strategy

Barloworld is positioning itself for **long-term sustainability.**

This year marks 115 years of contribution to the communities and societies to which we belong. It is a proud history that we are committed to upholding. Our transition to a new leadership has provided an opportunity to think strategically about the future and reflect on our past performance.

Completely revisiting the corporate level strategy has allowed us to reflect on the group and the businesses we have today, our performance against the goals previously set and, as an organisation, we have considered what we as a business want to achieve over the medium term and what legacy we want to leave for future generations. This laid the foundations for a bold ambition, clarity of what was required from each of the business and the group and a clear pathway to achieve this.

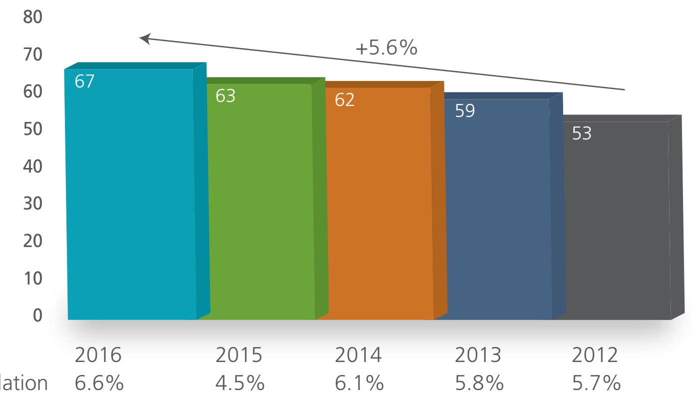
Our ambition is bold – to double the intrinsic value of our business every four years.

Achieving our ambition by: **Facing our challenges**

Over the last five years, our revenues (including discontinued operations) have increased in line with inflation, but return on equity has been below our internal target of 15%. This has limited our ability to create value for shareholders.

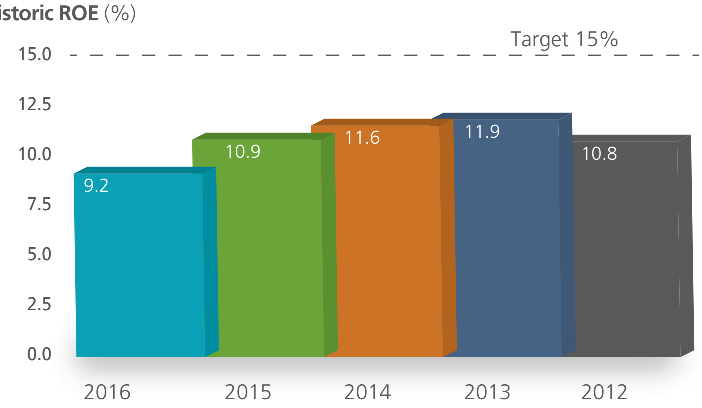
Revenues have grown with inflation. . .

Historic revenue (Rbn)



. . . but returns have been below target

Historic ROE (%)



Our vision is bold – to delight our customers and maximise shareholder value.

Our vision is grounded in the understanding that we must run a successful business that generates superior returns for our shareholders in order for us to create value for stakeholders and contribute meaningfully to the societies in which we operate.

After this intensive process, which concluded in March when the board approved the group's new strategy, we are well placed to deliver on the bold ambition.

GRI 4.2

Forging a **new path**

During the corporate level strategy review process, we considered all aspects of the group and its businesses. This review caused us to reflect on the following items:

– What is the full potential of each business in the portfolio today in the context of the constraints of their existing markets?
– Are there opportunities within each of our chosen business segments to further expand the group?
– What else would we need to deliver on our growth for value ambitions?

Our new strategy seeks to create value by balancing our long-term growth ambitions while focusing on achieving acceptable returns for our shareholders in the medium term. This will continue to be underpinned by our responsible citizenship programme. In order to adapt to this new operating context and achieve our ambition, the group will drive the strategy by addressing three critical levers in the short to medium term:

Fix and optimise our existing portfolio

Implement a more active shareholder operating model

Add high growth businesses to our portfolio

Our vision will remain while these levers will change over time as we implement our strategy and adapt to a changing environment. As this change occurs we continue to find the right levers to pull to ensure the ongoing creation of shared value for our stakeholders.

PURPOSE – Inspiring a world of difference, enabling growth and progress in society

VISION – To delight our customers and maximise shareholder value

AMBITION – Double the intrinsic value created every four years

Deliver top quartile shareholder returns	Drive profitable growth	Instil a high-performance culture

WHERE TO FOCUS

GEOGRAPHY	CUSTOMERS	OFFERING
A core presence in southern Africa, with operations in Africa, Russia and Europe	A balanced portfolio, primarily consisting of business to business (B2B) customers	Industrial equipment, automotive, logistics and branded goods and services

HOW TO DELIVER

LEADERSHIP STYLE	TALENT	LEVERAGE OUR SCALE AND ASSETS	DIFFERENTIATED RELATIONSHIPS	LEADING BRANDS
Role-modelling customer centricity, living our values, ensuring accountability and One Barloworld	Robust talent management and diversity to drive excellence and winning behaviour	Superior capabilities and footprint with active portfolio management	Deep relationships built on trust, service and delivery	Quality local and global brands that are leaders in their categories

FIX AND OPTIMISE EXISTING BUSINESS PORTFOLIO TO GET FULL POTENTIAL

IMPLEMENT AN ACTIVE SHAREHOLDER OPERATING MODEL

ACQUISITIVE GROWTH – FOCUSED ON ADDING HIGH GROWTH BUSINESSES TO OUR PORTFOLIO

KEY INITIATIVES – medium-term goals

FIX
Equipment Iberia: business improvement, restructuring and asset held for sale

Logistics: business improvement and restructuring (Project Tsutsumani) and Middle East asset held for sale

OPTIMISE
Equipment southern Africa: operational transformation (Project Akhani)

Automotive: motor dealership portfolio assessment (Project Optimize) and cost-base review (Project Align)

RESOURCE ALLOCATION
Allocate capital, talent and time to highest value opportunities, while ensuring group alignment

MANAGING FOR VALUE
Mobilising and focusing talent on the most critical group issues

PORTFOLIO REBALANCING
Driving corporate strategy and mergers and acquisitions (M&A) to support value creation and profitable growth

UNLOCK VALUE
Release value tied up in underutilised assets, including sale and redevelopment of corporate head office in Sandton (Barlow Park)

VALUE CREATION
Inorganic, value-accretive growth into attractive markets identified through a set of clear guardrails, based on industry attractiveness and our ability to win, for existing, adjacent and new businesses

CORPORATE PORTFOLIO REBALANCING DRIVEN BY **MANAGING FOR VALUE** PHILOSOPHY AND **HIGH-PERFORMANCE CULTURE**

Strategy

Our strategy: Progress against our strategic goals

Our revised strategy seeks to balance our long-term growth ambitions with medium-term returns for our stakeholders, underpinned by our responsible citizenship programme. We believe that in order to double the intrinsic value of our business every four years, we must deliver against our strategic pillars on an ongoing basis.

Deliver top quartile shareholder returns

Drive profitable growth

Instil a high-performance culture

Deliver top quartile shareholder returns

Objective	Progress
Our objective is to be the investment of choice by delivering top quartile returns to our shareholders, as measured by the return we generate on the capital invested	During the year, we undertook a strategic review to identify and address underperforming areas of the business through targeted interventions and projects focused on improving efficiency, while exploring acquisitive opportunities

Key performance indicators

Measure	Target	Performance
Return on equity	≥15.0	10.5%*
Return on invested capital	13.0	11.2%*

** For continuing operations.*

Drive profitable growth

Objective	Progress
To deliver on our ambition, we actively drive profitable growth across all businesses, to ensure we meet the expectations of our stakeholders	During the year, we reviewed and revised the measures used to assess the profitability of our operations, moving towards a more balanced view of value creation

Key performance indicators

Measure	Target	Performance
Economic profit (Rm)	>0	–286
Economic profit delta (Rm)	>0	574
Free cash flow (Rm)	>0*	3 410

** Positive free cash flow after interest, before dividends and before major corporate actions.*

Instil a high-performance culture

Objective	Progress
To deliver, we need to ensure we instil a high-performance culture that emphasises and rewards delivery	During the year, we embarked upon a progress of understanding the human capital capabilities we need to support our new strategic ambition. We identified key talent within the business and have developed interventions to support their growth

Key performance indicators

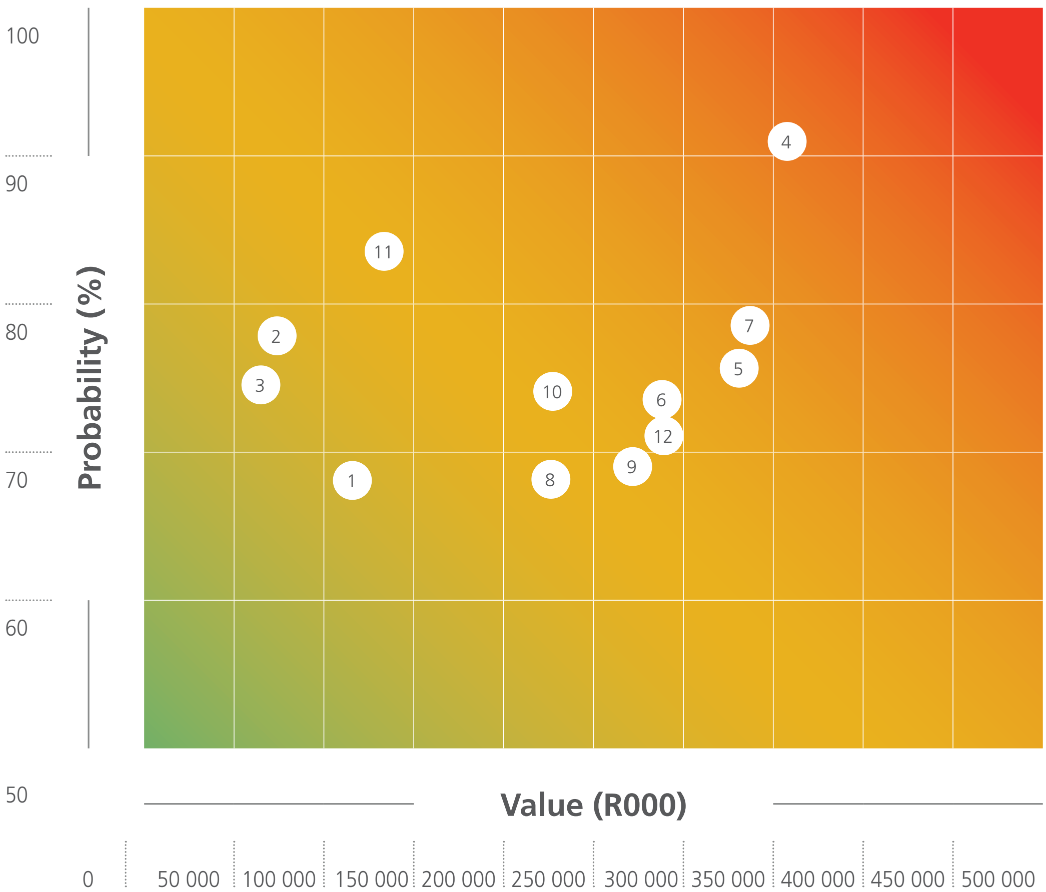
Measure	Target	Performance
Safety		
Work-related fatalities	Zero	3
Lost-time injury frequency rate (LTIFR)	≤0.5	0.75
Development		
Total direct training spend per employee	≥R8 000	R6 472
Diversity and inclusion (2020 targets)		
% women of total headcount	≥35%	27%
% women in middle management level and above	≥40%	36%
% African, Indian and coloured (AIC) employees of total headcount	≥75%	74%
% AIC employees in middle management level and above	≥50%	42%
Rating level under the dti codes	Level 4 or better	Level 3

GRI EC1, LA6, LA9, LA10, LA12

Risk management

Risk heat map

The heat map reflects the relative position of the group's residual risks which are assessed on their probability, severity and quality of existing control environment. The occupational health and safety risks are **not** reflected on the heat map as our practice is not to attach a value to injuries or fatalities.



Strategic risk profile 2017 (listed in alphabetical order)

1 Acquisition underperformance	9 IT and information security
2 Climate and environment	7 Political, terrorism, sanctions
3 Competitor actions	6 Principals and suppliers
4 Currency volatility	10 Regulatory environment
8 Customers and markets	11 Strategic employee skills
5 Defined benefit scheme exposure	12 Weak commodity prices

GRI 4.2

Barloworld's 2017 CDP climate change and 2017 CDP water disclosure responses

Barloworld group top risks and opportunity – 2017 (in alphabetical order)

Key risks	Category of risk and management response
1 Acquisition/joint venture underperformance The risk of future net cash flows from acquisitions and/or joint ventures failing to realise the projections upon which the initial purchase consideration or arrangement was based may lead to value destruction for shareholders and a need to impair the related goodwill or assets.	**Acquisition risk** – A business acquisition policy and procedure is in place that sets out a structured approach and framework to be used when acquisitions and/or joint ventures are being made or entered into. This includes a pre-acquisition phase that includes the requirement to conduct a comprehensive strategic analysis of intended targets, development of acquisition criteria for both strategic and financial aspects, and the quantification of risk-adjusted value creation potential for the respective business unit and the group. – The acquisition phase includes legal, financial, tax, human resources, transformation, information systems and technology, technical, risk, governance and responsible corporate citizenship and environmental due diligence processes to verify and validate assumptions and future projections. – Following acquisitions and/or the formation of joint ventures, planning and task teams are established to focus on the realisation and management of identified value creation opportunities, including synergies.
2 Climate change and environmental stewardship Barloworld considers a number of environmental-related risks to its operations and value chain. These include climate change and related physical risks due to changing weather patterns; regulatory risks associated with greenhouse gas emissions; financial risks resulting from carbon taxes; operational risks due to constraints in energy supply and the availability of natural resources, such as water. The group identifies the predominant use of fossil fuel-based energy in its supply chain, operations, products and solutions as a risk to itself and its value chain.	**Environmental/operational/strategic/financial/regulatory risk** Minimise exposure through in-depth risk assessments and strategic responses. Ensure organisational resilience through aligned and integrated management activities and policies. These include: – Implementation of aspirational efficiency improvement targets in non-renewable energy consumption, greenhouse gas emissions (scope 1 and 2) and water usage, as well as an aspirational target for renewable energy consumption. – Association with leading principals, provision of products and solutions with reduced environmental footprint and which assist customers to achieve their sustainable development objectives. – Geographic, industry and product diversification.
3 Competitor actions Competitors' actions will erode the group's competitive position and have a significant impact on the value created for shareholders.	**Competitor risk** – Continually reduce costs by focusing on operational efficiencies and staff training. – Continually improve service and the provision of innovative solutions to customers. – Develop key customer plans which contain all the information and strategies to ensure value creation for the customer. – Robust strategic planning process assists in identifying industry trends and uncertainties and developing appropriate strategies in response.

Risk management

Key risks	Category of risk and management response
4 Currency volatility 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. There are also constraints on the repatriation of funds due to shortages of hard currencies in some of the countries in which the group operates and possible losses as a result of local currency devaluations.	**Financial risk** – 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 and guideline parameters within which to operate, and permissible financial instruments to be utilised. – Preventive measures are implemented in respect of the determination of pricing mechanisms and the structuring of commercial contracts to reduce the impact of any adverse currency fluctuations. – Geographic, industry and product diversification.
5 Defined benefit scheme exposure One of the key risks for the United Kingdom's defined benefit scheme over the past few years has been the reduced real yield on AA rated corporate bonds which is used to value the liabilities. In addition, increased life expectancy of members will have an adverse impact on the scheme's funding position. Market volatility remains a risk, with 50% of the scheme's assets invested in growth assets (largely equities), which includes diversification into absolute return funds. The year-end valuation resulted in the deficit decreasing to £123 million, largely due to a marginal increase in interest rates, good asset returns and changes in the demographic assumptions. The scheme was closed to accrual at the end of 2016, and the Handling Pension members were assigned to BW UK. The scheme is maturing with the average age of deferred members of 54 years and pensioners of 74 years. This will lead to the trustee board adopting a more prudent assumption in future as it will become increasingly necessary to match the investment strategy with the cash outflows necessary to fund the pension payments. The triannual valuation is currently in process, when the maturity profile of the liabilities will be reviewed in detail.	**Market risk** – A suitably qualified representative board of trustees, which includes a professional independent trustee, manages the scheme and is responsible for regularly evaluating the effectiveness of investment decisions, the setting of actuarial factors for the liabilities and managing the administration. Professional investment advisers are used to assist 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 advisers and actuaries to assess optimum risk balance. The actuary also conducts a formal triennial valuation and provides updated figures on a real-time basis. – Funding shortfalls are planned to be made up within sensible time frames via market-anticipated increased interest rates, positive returns on investments and additional contributions from the company agreed at the 2014 triannual valuation as part of a 10-year recovery plan to bring the fund back to full funding. – The risk of a S75 funding requirement arising on all the liabilities of the scheme is carefully monitored by the company and trustees. This can be managed by ensuring the company anticipates an event which could trigger a liability. – The company and trustees have agreed a long-term strategy for reducing funding risk as and when appropriate. This includes a liability-driven investment (LDI) policy which aims to reduce volatility of the funding level of the pension plan by investing in bonds which operate as interest rate hedges, and matching annuities (buy-ins) for pensioners which perform in line with the liabilities. In 2013 and 2016, the fund purchased buy-in insurance policies representing approximately 25% of the assets, and in 2017 invested in interest rate hedges via a pooled fund managed by Legal and General. The combination of the existing hedging, the buy-ins and the bond holdings means the scheme is now 31% hedged against interest rate volatility and 17% hedged against mortality. – The accounting deficit has been reflected on the company's balance sheet as a liability in line with International Accounting Standards.

Key risks	Category of risk and management response
6 Dependence on principals and suppliers Significant businesses in the group are dependent on a small number of principals and/or suppliers. Barloworld's success is therefore linked to its ongoing reputation and good standing, financial stability, the competitiveness and quality of their products and services and the availability of equipment to meet customers' needs. In order to ensure sustainable value creation, the group depends on suppliers of infrastructure in the countries in which it operates. Most of the group's businesses are dependent, inter alia, on reliable power and water supply and appropriate transport networks.	**Strategic risk** – Add value by giving constant feedback to the principals on customer requirements and expectations, market movements and product competitiveness. – Continually improve/build relationships with principals and major suppliers and strive to be a preferred dealer/customer. – Provide excellent customer service and lead in our markets. – Build long-term partnerships with customers. – Perform supplier due diligence assessments. – Build relationships with local authorities. – Align strategies and targets with those of the major principals as far as possible. – Implement initiatives to reduce dependency on infrastructural deficiencies and increase organisational resilience.
7 Exposure to political risks, sanctions, terrorism and crime in the countries in which Barloworld operates The group's people and assets are spread through numerous countries around the world, while its activities are conducted in many more. The possibility exists that the group's people and assets, and the viability of the businesses, may be exposed to sanctions, 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 identified for expansion. Business growth initiatives require that new markets and territories are the focus of business expansion. These opportunities come with their own distinct risk exposures.	**Operational risk** – Minimise exposure in high-risk countries through in-depth risk assessments, coupled with the application of preventive and corrective risk management activities. – Monitor and ensure compliance with international sanctions. – Maintain flexible business models. – Maintain business continuity plans that incorporate emergency response actions, crisis management and business recovery plans specific to the businesses and the respective territories in which the businesses operate. – Optimise the geographic spread of operations.

Risk management

Key risks	Category of risk and management response
8 Exposure to significant customers and dependence on channels to market Barloworld is exposed to certain large customers and/or industries and well-established distribution and support channels that may change or consolidate.	**Market risk** – Build long-term partnerships with customers. – Develop customer solutions which differentiate and expand the group's offering from product-based businesses to service and solutions focused. – Diversify customer base. – Develop new channels. – Monitor and anticipate competitor activity.
9 IT and information security-related risks Barloworld makes extensive use of IT systems and digital technology in its operations and to deliver services to its customers. The growing threat landscape posed by cyber-attacks from both cyber-crime and cyber-warfare poses an increasing risk to the business. This threat landscape includes operational disruption, the threat of information theft and damage to the group's reputation.	**Employee/operational/strategic risk** Barloworld continues to mature its information security approach in line with the evolving threat landscape. The approach is based on the ability to: – Prevent, detect and respond to attempts to access the group's information. – Restore confidentiality, integrity and availability of systems, information and data in the event of a breach. – Proactively train, promote and raise information security awareness. – The approach includes all appropriate security mechanisms, physical, technical, organisational, human orientated and legal to keep all information protected against threats. – Insurance cover has been effected to offset any losses that may arise from cyber-risk.
10 Occupational health and safety risks Barloworld's key asset is its employees. The occupational health and safety risk is the likelihood of a person being harmed or suffering adverse health effects if exposed to a hazard in the workplace.	**Employee/operational/strategic risk** – Minimise exposure through in-depth risk assessments, coupled with the application of preventive and corrective risk management activities and policies. – Extensive communication and safety awareness programmes, training in accident prevention, accident response, emergency preparedness and the use of protective clothing and equipment, and extensive monitoring, reporting and review of safety data, all with the aim of ensuring a healthy and safe workplace.

Key risks	Category of risk and management response
11 Regulatory environment The group is subject to an ever-changing statutory universe across all its divisions and geographies. These are monitored and assessed using both internal and external resources. However, the scope of these changes is such that it is difficult to ensure full compliance.	**Regulatory risk** – Management is responsible for the ongoing monitoring of all pending and actual changes to the group's regulatory environment. Due to both the large number of and new jurisdictions in which the group operates, this monitoring is an ongoing process. – A risk-based approach is followed to ensure compliance.
12 Talent Absence of the requisite diverse talent leading to an inability to deliver on the group strategy. If we do not become a company that reflects the demographics of the countries where we operate, our competitiveness and legitimacy will be negatively impacted, and we may lose our licence to trade in the respective regions.	**Strategic/employee risk** – Focus on group-wide talent management by the group executive emanating from a redesign of our talent management strategy. – Key focus on our D&I targets including the percentage of women in the group and having the targets set at group executive and social, ethics and transformation committee levels.
13 Weak commodity prices The effect of weak commodity prices including the decline in oil prices have contributed to the slow recovery of the group's businesses, customers, suppliers and funders and to the continued risk that funding constraints within the supply chains could result in a recurring recession and/or impede growth. This, in turn, has negatively impacted many company investments.	**Financial risk** – Inflationary pressures to be carefully monitored and managed, as appropriate, in each business. – Focus on costs and cost reduction opportunities, and improve operating efficiencies. – Monitor customers' ability to spend, access credit, and settle debt. – Reduce working capital, limit capital expenditure and improve cash flow. – Secure adequate committed borrowing facilities. – Maintain credit rating.

GRI 4.2

W Barloworld's 2017 CDP climate change and 2017 CDP water disclosure responses


Timber


CJ

We moved swiftly to implement our **medium-term strategy** and these actions have started to **bear fruit**.

OPERATIONAL REVIEWS 4

Equipment

Vision: To be the leading Caterpillar dealer creating shared value through expertise and partnership.

Highlights

Revenue down	Operating profit	Operating margin improved to
- 0.3%	**+ 6.6%**	**9.8%**
(2017: R24.2 billion) (2016: R24.9 billion)	**(2017: R2 362 million)** (2016: R2 216 million)	(2016: 8.9%)

Leadership

Peter Bulterman
Chief executive officer
Equipment southern Africa, Iberia and Russia

Emmy Leeka
Chief executive officer
Equipment southern Africa

Gavin Knight
General director
Equipment Russia

Brands

Equipment has been a Caterpillar dealer for 90 years. We sell and support the broadest opencast mining, construction and energy and transportation equipment product line in the territories in which we operate.

GRI 4.2, 4.4

Divisional key performance indicators

Economic
Year ended 30 September

	Revenue		Operating profit/(loss)		Net operating assets	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Equipment	**23 428**	23 384	**2 367**	2 191	**15 091**	15 642
– Southern Africa	**18 287**	18 547	**1 785**	1 585	**10 106**	10 546
– Europe				7	**2 441**	2 694
– Russia	**5 141**	4 837	**582**	599	**2 544**	2 402
Handling	**765**	1 505	**(5)**	25	**443**	910
	24 193	24 889	**2 362**	2 216	**15 534**	16 552
Share of associate income			**97**	6		

Environmental
Year ended 30 September

	Petrol and diesel (ML)		Grid electricity (MWh)		Non-renewable energy (GJ)		GHG emissions (tCO_2e) (scope 1 and 2)		Water withdrawals^ (ML)	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Equipment	**6.30**	7.73	**19 615**	22 026	**301 809**	364 569	**33 033**	38 532	**170**	227
– Southern Africa	**5.43**	6.87	**16 137**	18 222	**258 237**	319 537	**29 656**	35 030	**158**	216
– Europe	**0.00**	0.00	**115**	128	**693**	1 312	**67**	103	**1**	1
– Russia	**0.87**	0.86	**3 363**	3 676	**42 879**	43 720	**3 310**	3 399	**11**	10
Handling	**0.36**	0.92	**213**	621	**14 169**	36 357	**1 131**	2 979	**2**	5
	6.66	8.65	**19 828**	22 647	**315 978**	400 926	**34 164**	41 511	**172**	232

^ Municipal sources.

Social
Year ended 30 September

	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating*	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Equipment	**5 766**	5 792	**0.32**	0.32	**0**	0		
– Southern Africa	**4 824**	4 941	**0.31**	0.35	**0**	0	**1**	3
– Europe	**17**	16	**0.00**	0.00	**0**	0		
– Russia	**925**	835	**0.45**	0.12	**0**	0		
Handling	**24**	444	**0.97**	1.52	**0**	1	**–#**	3
	5 790	6 236	**0.34**	0.38	**0**	1		

** 2017 B-BBEE ratings were done under the revised dti Codes of Good Practice.*
 # Not rated in 2017.

GRI 4.9

Equipment

Southern Africa

Operating context

Economic

- Key commodities showed some recovery in the 2017 financial year.
- Ongoing currency supply constraints were experienced in Angola.
- Political and policy uncertainty continued to constrain growth in the economies in which we operate.

Industry

- Mining houses continued to exercise capital discipline:
  - Tight controls on capital spend
  - Deferred recapitalisation
  - Expansion tonnages outsourced to contract miners.
- Investment in infrastructure remained subdued due to political uncertainty in several geographies.

Impact

- Focus on operational efficiency improvements continued to mitigate margin pressure.
- Marginal improvement in primary equipment sales, primarily due to the contract mining sector.
- Increased demand for parts and components, as customers cleared maintenance backlogs.
- Good performance in our Rental and Used business as certain customers chose to rent equipment rather than buy.
- In Angola, business was restricted to US Dollar transactions to mitigate against the ongoing currency constraints.

Cash generation before financing and dividends

R1 377 million

(2016 cash generation: R2 976 million)

Business overview

With 4 824 employees, Barloworld Equipment operates in 11 countries in southern Africa in close alignment with Caterpillar across these territories. Countries represented in southern Africa include South Africa, Lesotho, Swaziland, Namibia, Botswana, Angola, Malawi, Mozambique, Zambia, Zimbabwe and the Katanga province of the DRC (in joint venture with Tractafric Equipment, a Cat dealer based in France).

2017 performance review

Despite the decrease in revenue from R18.5 billion to R18.3 billion, operating profit improved by 12.6% to R1.78 billion from R1.58 billion in 2016, driven by strong aftersales performance. We delivered an operating margin of 9.8%, an improvement from 8.5% in the prior year.

Tight working capital management measures have resulted in a pleasing positive cash generation of R1.38 billion.

The benefits of the business transformation aimed at optimising and streamlining processes has started to yield results and we expect the division to be increasingly better placed to weather the cyclical nature of the mining and construction sectors.

Mining

Despite a recovery in commodity prices, mining customers remained cautious in capital purchases and continued to outsource expansion tonnages to contract miners. Mining unit sales improved on the back of improved mining activities in the Limpopo and Middelburg regions, largely in the contract miner sector. We continued to experience margin pressure on new equipment due to aggressive competitor activities.

The demand for parts and components remained strong in 2017, buoyed by demand for component and machine rebuilds due to increased equipment utilisation.

As a result of the continued currency shortages in Angola, we have curtailed Kwanza-based business with emphasis on mitigating the inherent risk in local currency cash balances in the event of a further devaluation of that currency.

Income from associates and joint ventures improved, largely from improved copper and cobalt prices. A $35 million investment is planned to develop a new facility in Lubumbashi to drive efficiencies and create opportunities to extend our service offerings to the territory.

Construction, Rental and Used
Revenue from construction increased by 6% from R5.4 billion in 2016 to R5.8 billion in 2017. The industry remains under pressure with a number of projects delayed in the southern Africa region, and elections having taken place in several of our dealer territories in the plan period. However, the ongoing need for infrastructure development will support construction demand in the future.

In light of economic pressures, our Rental and Used business offers an attractive alternative for customers to access equipment with reduced capital outlay. Revenue from the Used business improved from R2.2 billion in 2016 to R2.7 billion in 2017, an increase of 22.7%.

Energy and Transportation
Revenue in southern Africa decreased from R1.6 billion in 2016 to R1.3 billion in 2017, mainly due to the significantly reduced contribution from our Angola business as a result of foreign currency constraints, subdued growth in South Africa and very low activity in the rest of Africa.

In Angola, we have restricted our Energy and Transportation business to US Dollar transactions to mitigate ongoing currency constraints, but maintained ongoing business, albeit at significantly reduced levels.

In South Africa, local assembly of generators continues and gas generation shows growth with some success in natural gas, biogas and landfill gas applications. We are looking at co-development of a gas co-generation independent power plant, and solar PV installations continue to be rolled out to all Barloworld facilities. We are also in negotiations for several external projects.

2018 outlook
Driving economic returns is central to managing our operations and this, coupled with our robust push to drive operational efficiencies to minimise the impact of troughs and optimise the peaks, will be our key focus.

Based on our dedicated efforts to increase market share, we anticipate continued organic growth in our existing business, while defending parts market share and utilising technology to enhance our solutions offering.

In 2017, we reintroduced repair options for mid-size construction machines, and will be expanding this offering into 2018, thus enabling our construction customer base to extend the useful lives of their machines before considering a replacement decision. Caterpillar's drive to accelerate the connection of earthmoving machines in 2018 will further enhance customer experience and enable us to develop proactive value-adding services.

We expect energy rental market growth to continue to strengthen as we reposition our customer portfolio to take advantage of rental opportunities with higher returns. Growth will also continue in used sales (both rental roll out and purchase/rebuild) while new engine sales are likely to be stifled in retail but improved in power projects.

We continue to pursue several greenfield projects that offer opportunities into 2018.

Equipment

Future trends and operating context

Despite coming off a very low base, commodities such as coal, copper and iron ore will show a gradual recovery and have a positive outlook in the coming years to 2022.

Customers will continue to drive efficiencies and employ capital discipline, putting further pressure on our margins; however, we expect the need for aftermarket to continue with an increase in demand for component change-outs.

Our geographic and commodity diversity will help mitigate against the pressures in the various economies that we operate in. We will monitor the outcome of Mining Charter III and its impact on greenfield investments by mining houses.

We will continue developing both e-business channels and technology solutions to enhance our customer experience, as well as rebuild and remanufacture solutions in our Power Rental and Used business.

Celebrating our 90-year partnership with Caterpillar with the launch of an advanced distribution warehouse

The relationship between Barloworld Equipment and Caterpillar has stood the test of time since its consummation on 17 August 1927, when Charles Sydney "Punch" Barlow, eldest son of Barloworld founder Major Ernest "Billy" Barlow, signed the official agreement with Caterpillar in the US.

Leading dealer

Since the introduction of Caterpillar in South Africa 90 years ago, both Barloworld Equipment and Caterpillar have grown exponentially to become successful multinationals, with Barloworld Equipment emerging to be one of Caterpillar's leading dealer in the world, with a presence in 11 other southern African markets, along with Iberia and Siberia in Russia's Far East.

Not only has the combination of the two companies played an essential role in the development of South Africa's mining industry and impressive physical infrastructure, it has also been a strong contributor to job creation and tax revenues across the countries where we have a footprint.

As part of celebrating our 90-year partnership with Caterpillar, we launched an advanced distribution warehouse that will radically reduce the time it takes for customers to order and collect spare parts for their machines. This $100 million (R1.3 billion) distribution facility, located in Kempton Park, will supply all our customers in southern Africa.

The significance of these investments is that they will help extend the lifespan of old machines, while the quick turnaround in the availability of replacement parts will allow customers to carry out repairs and maintenance work on their equipment speedily. This will reduce production disruptions.

We believe that the investment decisions we have made – including the adoption of digital and technology-enabled solutions in our machines – in response to prevailing market dynamics will position our customers to take advantage of improving in commodity markets.

Russia

Operating context

Economic

- The economy remains highly dependent on oil and gas exports.
- Lack of structural reforms, declining productivity and high unit labour costs continue to dampen economic growth prospects.
- Reduced Ruble volatility.
- Historically low inflation levels reached below 5%.
- The Russian economy is expected to recover by 1.5% to 2% in 2017/2018 with long-term GDP growth estimated at similar levels.
- Marginal impact from EU and US sanctions due to limited exposure to oil and gas segment.
- Ongoing concern regarding the potential impact of the volatile geopolitical situation, including further sanctions against Russia.

Industry

- Increased investment in capital expenditure from mining houses due to commodity price stabilisation and the beneficial Ruble exchange rate.
- Modest recovery in coal prices resulting in increased mining activity from both surface and underground miners.
- Limited investment in infrastructure projects due to lack of federal finance.

Impact

- Improvements in the mining segment and in mining unit sales, despite weak economic growth in Russia.
- Growth in the aftermarket segment contributing to a well-balanced revenue mix.

Cash generation before financing and dividends

R221 million

(2016 cash generation: R974 million)

Business overview

At the end of the 2017 financial year, Equipment Russia had 925 employees operating from more than 30 locations across a territory covering 9.9 million km².

Our business model focuses on growing our market share by driving profitability in both prime product and aftermarket in our dealership territory. Sales of new engines and machines during the 2011 – 2014 period are contributing to improved aftermarket revenues.

Although the Russian business environment has become increasingly competitive and complex, our outlook remains positive and we are confident in our ability to capture the available opportunities.

We protect and grow our business by focusing on our customers' needs, utilising our core competencies and distribution network as well as improving our processes and capabilities to align with the changing marketplace.

During the year, we remained committed to growing revenues, enhancing returns, improving customer service and exploring new areas of opportunity.

2017 performance review

The Russian economy has demonstrated signs of stability with limited currency volatility and a recovery of commodity prices.

Equipment Russia delivered a strong performance for the year ended September 2017, with revenue of $385 million, up 17% on the prior year. Operating profit increased by 7% from $41 million in 2016 to $44 million in 2017, driven by a strong aftermarket performance and recovery in the mining segment which was supported by tight cost controls and balance sheet management. Overall, the Russian Equipment business unit delivered a positive cash flow and improved financial returns.

While gold mining customers remained the largest portion of our business portfolio, improved commodity prices positively impacted the mining sector as a whole.

The improvement in the sector resulted in increased capital investment, and the highlights of 2017 included the delivery of mining truck fleet and underground equipment to major customers.

Equipment

We initiated a successful joint project with Caterpillar to improve our focus in the surface coal mining sector, with new machine deliveries significantly increasing over the prior year supported by a commensurate increase in aftermarket revenues. The trend by major mining houses to extend the length of underground long wall mining faces continues and we were instrumental in successfully commissioning such an extension that has enabled our customer to post record production achievements. In our Power Rental business, 2017 was a year of relative stability.

2018 outlook

Given the volatile operating environment, our outlook has assumed that sanctions and political situation will remain, commodity prices will improve or remain stable, with coal maintaining momentum and oil prices to remain above $50/barrel in the short to medium term.

Growth forecasts are based on the organic growth of our existing business by improving market penetration in equipment, defending our market share in aftermarket and utilising technology to enhance our solution offering, with the focus on making these applicable to the Russian market.

The sustained gold price and low unit production costs of the Russian gold mining sector is anticipated to play a major role in our 2018 performance. The strengthening coal price, particularly coking coal, is forecast to improve revenue through demand for new equipment and overhauls.

Growth in 2018 will also be boosted by greenfield projects which will increase machine sales. These include Nord-Gold's Gross project and Polyus Gold's large mining truck deliveries. Our focus on other gold customers and coal customers is anticipated to improve sales further.

We expect to see growth in the power rental market. Returns are expected to continue to strengthen as we reposition our customer portfolio to take advantage of rental opportunities with higher returns.

Growth in used engine sales (both rental roll out and purchase/rebuild) is also expected to continue, while new engine sales are likely to be stifled in retail but improved in power projects.

Our focus on expanding the aftermarket team to support specific projects and customer sites will continue.

Developing both e-business channels and technology solutions to enhance our customer experience, as well as our rebuild and remanufacture Power Rental and Used business, remain important priorities.

Future trends and operating context

Our Mining business represents our biggest opportunity with several greenfield projects progressing to feasibility stage and beyond. Our sales and application teams are actively participating in ongoing consultations and tenders with customers who are planning to commence operations – with the majority of these deposits being situated in remote locations.

We expect the Russian business environment to remain highly competitive, with customers utilising formal tenders and online purchasing practices to obtain optimal pricing from competitors.

We have adjusted our business model to align with the rapidly changing marketplace by encouraging customers to enter long-term aftermarket agreements, bundling value-adding services such as SOS oil sampling or remote equipment monitoring, and piloting the online e-commerce platforms together with Caterpillar.

The business will focus on securing future revenues for the extended mining product range business unit which has been negatively impacted by the downturn in coal in past years.

We are well positioned to take advantage of future growth supported by our extensive distribution and regional facility infrastructure with key hubs in Irkutsk, Kemerovo, Krasnoyarsk, Magadan, Norilsk, Novokuznetsk and Novosibirsk.

Automotive

Vision: A business that inspires a world of difference by creating shared value as a leading provider of innovative vehicle usage solutions, generating superior shareholder returns and delivering sustainable societal outcomes.

Highlights

Revenue up	Operating profit up	Higher operating margin
0.5%	**5.6%**	**5.5%**
(2017: R31.6 billion) (2016: R31.4 billion)	**(2017: R1.75 billion)** (2016: R1.65 billion)	(2016: 5.3%)

Leadership

Keith Rankin
Chief executive officer
Barloworld Automotive

Brands

Automotive provides customers with a range of innovative vehicle usage solutions to meet their specific requirements for short-term vehicle usage, outright ownership through franchised motor vehicle retailing representing leading original equipment manufacturer (OEM), long-term vehicle usage and fleet management solutions.

GRI 4.2, 4.4

Divisional key performance indicators

Economic
Year ended 30 September

	Revenue		Operating profit/(loss)		Net operating assets	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Automotive	**31 593**	31 427	**1 747**	1 654	**8 675**	8 686
– Car Rental	**6 446**	5 967	**562**	536	**2 750**	2 534
– Avis Fleet	**3 570**	3 641	**621**	560	**3 687**	3 786
– Motor Trading	**21 577**	21 819	**564**	558	**2 238**	2 366

Environmental
Year ended 30 September

	Petrol and diesel (ML)		Grid electricity (MWh)		Non-renewable energy (GJ)		GHG emissions (tCO_2e) (scope 1 and 2)		Water withdrawals^ (ML)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Automotive	**9.55**	9.94	**37 296**	38 986	**469 130**	488 542	**60 413**	63 022	**348**	388
– Car Rental	**3.40**	3.43	**6 454**	6 157	**139 618**	139 749	**14 332**	14 110	**117**	126
– Avis Fleet	**0.63**	0.69	**1 329**	1 516	**26 771**	29 637	**2 769**	3 111	**10**	12
– Motor Trading	**5.52**	5.82	**29 513**	31 313	**302 741**	319 156	**43 312**	45 801	**221**	250

^ Municipal sources.

Social
Year ended 30 September

	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating*	
	2017	2016	2017	2016	2017	2016	2017	2016
Automotive	**7 397**	8 033	**1.12**	1.09	**0**	0		
– Car Rental	**2 099**	2 091	**0.44**	0.36	**0**	0	**3**	3**
– Avis Fleet	**539**	573	**0.61**	1.01	**0**	0	**2**	2
– Motor Trading	**4 759**	5 369	**1.48**	1.41	**0**	0	**3****	3**

** 2017 B-BBEE ratings were done under the revised dti Codes of Good Practice.*
*** Ratings under Barloworld Limited.*

GRI 4.9

Automotive

Operating context

→ Economic

- Interest rates, consumer and business confidence and overall economic activity remained under pressure during the financial year.
- Exchange rate affected vehicle pricing and inbound tourism.

→ Industry

- Total new vehicle market declined by 2.2%, compared to the previous financial year, reflecting challenging market conditions.
- Higher than normal vehicle and parts price increases in the financial year.
- The used vehicle market provided good opportunities as new vehicle prices increased further.
- Car rental market grew by 3.6%[1].
- A weak economy led to customers facing financial pressure, leading to fleet reductions.

→ Impact

- The division performed well, increasing operating margin and growing operating profit through organic growth, portfolio and cost management and a continued focus on prudent management actions.

[1] *Statistics from the South African Vehicle Rental and Leasing Association (SAVRALA).*

Cash generation before financing and dividends

R794 million

(2016 cash generation: R17 million)

Business overview

The Automotive division employs 7 397 permanent employees and operates in nine countries through three business units, using an integrated model to service customers.

Through our integrated business model, customers are offered a range of innovative solutions from single-unit transactions to bespoke solutions, customised to clients' specific needs, complemented by Barloworld's service excellence. Through a structured approach, the division ensures that each business unit applies best practice and a strong focus on operational excellence within its core businesses, and strives for a market-leading position in each key segment. This approach maximises the direct and indirect synergies that exist between the business units through running an integrated business focused on the automotive sector.

The divisional platform provides leadership and guidance across key areas of the business. Our leadership approach recognises the important role of every employee and institutionalises initiatives and structures aimed at developing, harnessing and directing collective employee wisdom towards our value-creation objectives, while ensuring that employees share in the value created. An integrated approach to good people management is entrenched throughout the division.

Business units

Car Rental

Avis Budget Rent a Car operates short-term vehicle rental from over 160 customer service centres. It is focused on, among others, the tourism, corporate, local and replacement market segments throughout southern Africa. At peak, Car Rental manages a fleet of more than 31 500 vehicles.

The operations in South Africa, Botswana, Mozambique, Namibia and Swaziland are owned by the company and the remainder are sub-licensed.

Avis Point 2 Point is a chauffeur-driven inner-city transfer service, while Avis and Budget Van Rental operate through a sub-licensee network in South Africa. Avis Car Sales disposes of ex-rental vehicles into the trade and to retail customers.

Avis Fleet

Avis Fleet provides long-term lease vehicles and a range of fleet management services to operators of passenger and commercial vehicles in southern Africa, Ghana and Tanzania. The business accepts residual value and maintenance risk on behalf of its leasing customers, while adding value through the design of customised fleet solutions. The solutions include the leasing of fit-for-purpose vehicles, the administration of service and maintenance plans, vehicle licensing, managed maintenance services, fuel management including billing, analysis and forensics, accident claims management, traffic fines and open-road tolling management, vehicle procurement, telematics and disposal.

Motor Trading

Motor Trading operates 42 leading motor vehicle franchise dealerships in South Africa and Botswana. Brands include Audi, BMW, Chrysler, Ford, Jaguar Land Rover, Mazda, Mercedes-Benz, Toyota and Volkswagen. Products include the sale of new and used vehicles with supporting finance and insurance products, and aftermarket services including parts sales, service and accident repair centres. Complementing the dealer footprint, Barloworld Fleet Marketing develops and maintains strong relationships with key corporate customers requiring a range of ownership solutions. The business also invests in online platforms and toolsets for asset disposals.

2017 performance review

Automotive business recorded revenue of R31.6 billion and a record operating profit of R1 747 million for the year under review, increasing operating margin to 5.5% (2016: 5.3%). The division's well-balanced integrated portfolio showed resilience against industry and socio-economic volatility and depressed consumer sentiment, resulting in its business units delivering a good result under challenging trading conditions.

Car Rental grew rental days on the back of a well-controlled fleet utilisation rate and improved revenue per day. Revenue grew by 8.0% to R6.4 billion while operating profit increased by 4.9% to R562 million. The business continues to extract value from the dual brand strategy and benefited from strong used vehicle profits. Returns were negatively impacted by increased damage expenses and higher parts and vehicle prices, all at a higher rate than the rate per day increases. Car Rental remains the market leader in a highly competitive market influenced by technology innovation.

Avis Fleet delivered a strong result in a very price competitive market. Operating profit increased by 11% to R621 million and increased operating margin to 17.4% (2016: 15.4%). Marginal decline in revenue due to defleet of the government of Lesotho vehicles in the prior year. Performance was enhanced through profits from the used vehicle segment and good performance from large contracts. The business implemented turnaround strategies to address underperforming businesses, specifically in the African countries.

Motor Trading's operating profit increased by 1.1% to R564 million while maintaining an operating margin of 2.6% (2016: 2.6%). The result was impacted by a tough trading environment, a declining new vehicle dealer market, down 4.0%, and dealer network restructuring with the sale of one BMW dealership and the closure of one BMW and three General Motors dealerships. The acquisition of two Union Motors Mercedes-Benz dealerships and the Salvage Management and Disposals business made in the 2016 financial year contributed to the overall result with good contributions from aftermarket revenues. The business focused on aligning costs and optimising the existing portfolio.

2018 outlook

We expect 2018 to be another challenging year as the new vehicle market remains under pressure due to low consumer confidence and the continuation of pricing pressures. Although limited growth in all business units is expected we believe the depressed market conditions are certain to open new lines of thinking, innovation and implementation.

Optimising the inherent synergies of our innovative South African vehicle usage offering continue to deliver value and remains central to our strategy.

Automotive

The Car Rental operations will focus on managing rental yields and vehicle damage costs, while maintaining high fleet utilisation and optimising the asset base. We expect a more normalised contribution from used vehicle disposals in the year ahead and additional products and services are being developed to cater for evolving customer needs. The business will further leverage technology to drive efficiencies and improve customer service and offerings.

Avis Fleet is well positioned for organic growth. It will continue to seek attractive growth opportunities in various markets and focus on improving returns in African countries. The renewal of certain contracts within Avis Fleet remains critical to maintaining our leading market position.

Our Motor Trading operations will continue with the "Fewer, Bigger, Better" strategy and focus on portfolio and cost management. The business will continue to leverage customer synergies that exist with other business units while maximising the cash flows from the unit.

A focus on meeting and exceeding divisional ROE targets, achieving ROIC above cost of capital, becoming the lowest cost producer and generating positive cash flow within each business unit will remain a key priority.

Future trends and operating context

Urbanisation, together with a preference for vehicle usership over ownership, are key trends affecting all areas of the business. The division is considering various alternatives, including technology innovation, to deal with the consequences of changing customer needs. The business notes the growth of the rapidly urbanising middle class as a catalyst to boost usership revenues.

Shared mobility services, such as car sharing and ride hailing, is a positive, disruptive force that tracks socio-demographic trends. It comprises technology-enabled solutions to provide the mobile user with an all-encompassing travel experience.

The future of motor vehicle retailing in large city centres will continue to evolve as property values increase, requiring the optimal use of space and technology to serve a dynamic customer base.

Automotive continues to manage all aspects of the business in this macro-economic context, through our strategic planning process that supports astute capital allocation in identified growth areas that exceed internal hurdle rates, while developments in the future of mobility will continue to be closely monitored.

The division will remain closely aligned to its principals as they are actively pursuing ways to service and address growing trends.

Optimising the Car Rental business through a principal-aligned multi-brand strategy is a key success factor for the unit's future growth. Avis Fleet continues to focus on profitability in its African operations and on growing its business pipeline in the public sector.

Motor Trading will continue to align to well-established OEM brands in the South African market to support the optimisation of our motor retail dealership portfolio to complement the overall vehicle usage strategy. The business is well positioned to maximise opportunities that are present in the asset disposal market while serving the growth of our Automotive business.

14th consecutive win for Avis at the Sunday Times 2017 Top Brands Awards

Avis has won for the 14th consecutive year the prestigious Sunday Times 2017 Top Brands Award in the Business to Business car hire category at the awards ceremony held on 27 September in Parktown, Johannesburg.

Now in its 19th year, the Sunday Times annual Top Brand Awards honours brands rated by users and non-users in the business and consumer sector. Its extensive research and fieldwork provides businesses with key insights into understanding market perception of their brands.

Rainer Gottschick, chief executive for Avis Rent a Car southern Africa says, "it is a privilege to win the Sunday Times Top Brands Award. We accept this award graciously and are humbled by the recognition."

GRI PR5

Logistics

Vision: To be an integrated supply chain and mobility logistics solutions group, delivering market leading performance in partnership with leading clients.

Highlights

Revenue up	Operating profit down	Operating margin down to
7.2%	**54.7%**	**1.6%**
(2017: R6.2 billion) (2016: R5.8 billion)	**(2017: R101 million)** (2016: R223 million)	(2016: 3.9%)

Leadership

Kamogelo Mmutlana
Chief executive officer
Barloworld Logistics

Brands

Logistics offers integrated supply chain and transport solutions to leading customers, including: warehousing and distribution, transportation management services, dedicated transport, managed rail solutions, multi-temperature route-to-market, freight forwarding and environmental solutions.

GRI 4.2, 4.4

Divisional key performance indicators

Economic
Year ended 30 September

	Revenue		Operating profit/(loss)		Net operating assets	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Logistics	6 171	5 756	101	223	2 082	2 472
– Southern Africa	6 011	5 527	102	226	1 970	2 348
– EMEA	160	229	(1)	(3)	112	124

Environmental
Year ended 30 September

	Petrol and diesel (ML)		Grid electricity (MWh)		Non-renewable energy (GJ)		GHG emissions (tCO_2e) (scope 1 and 2)		Water withdrawals^ (ML)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Logistics	58.49	54.81	19 953	15 935	2 300 034	2 145 218	175 552	161 684	152	133
– Southern Africa	58.44	54.75	18 088	14 299	2 291 740	2 137 213	174 196	160 450	148	129
– EMEA	0.05	0.06	1 865	1 636	8 294	8 005	1 356	1 234	4	4

^ *Municipal sources.*

Social
Year ended 30 September

	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating*	
	2017	2016	2017	2016	2017	2016	2017	2016
Logistics	4 780	5 172	0.77	0.79	3	0		
– Southern Africa	4 671	5 032	0.78	0.81	3	0	2	2
– EMEA	109	140	0.00	0.00	0	0		

* *2017 B-BBEE ratings were done under the revised dti Codes of Good Practice.*

GRI 4.9

Logistics

Operating context

Economic

- Low GDP growth had a negative effect on volumes throughout the business.
- Depressed business and consumer confidence and overall economic activity affected pricing.

Industry

- Highly unionised environment, new B-BBEE codes and ongoing skill shortages continue to require proactive monitoring and management.
- The industry continues to become more competitive, commoditising large parts of the value chains on offer, coupled with new entrants and disruptive technologies.

Impact

- Collaborating with labour through various talent initiatives to bolster the depth of skill within the industry at large and creating opportunities for new talent segments.
- Proactive implementation of B-BBEE code requirements to remain competitive.
- Aggressively pursuing efficiency and cost rationalisation through, among others, the conclusion of the 100% acquisition of Barloworld Transport and the strategic review of the Middle East operation.

Cash generation before financing and dividends

R264 million

(2016 cash generation: R88 million)

Business overview

Partnership for integrated supply chain solutions

Established in 2001, Barloworld Logistics has grown into a significant supply chain solutions business through partnerships with blue-chip clients. With operations in southern Africa, we connect with our clients' businesses to deliver innovative and sustainable supply chain solutions.

By combining strategy, planning and management with excellent operational execution, we are able to leverage our network of service offerings, creating integrated end-to-end supply chain and logistics solutions for our clients. Our world-class freight, road transport and distribution offerings provide customers with sustainable solutions serving multiple industries and geographies.

Our offerings include:

- Transport: a variety of transport solutions including energy, freight, line-haul, abnormal, multi-temperature and specialised transport.
- Supply Chain Management: dedicated integrated contracted logistics solutions that include supply chain advisory, planning, design and software, inventory solutions, warehousing and distribution, freight forwarding and clearing, road transportation and waste management.

2017 performance review

Revenue for the year of R6.2 billion was R415 million (7.2%) ahead of last year driven by the acquisitions of KLL and Aspen in January 2016, as well as the full impact of additional contracts within Supply Chain Management and Transport won last year.

Year-to-date operating profit of R101 million was, however, R122 million (54.7%) below the prior year due to the low growth in the South African economy, difficult trading conditions, the negative impact of the loss of a major client, as well as the retention impairments in the close out of the supply chain software disposal reported in 2016.

The Middle East business also continues to face challenging market conditions and therefore disposal options within this region are being reviewed. Barloworld Logistics Africa concluded a minority buyout during the year and now owns 100% of Barloworld Transport, providing for better integration efficiencies into the new financial year.

2018 outlook

A key focus is to implement our business performance improvement strategy while retaining long-term customers through contract renewal negotiations and the finalisation and implementation of deals concluded during late 2017.

The business improvement strategy is focused on aggressively streamlining our operations, simplifying our structure and reducing our cost-base to achieve organisational efficiency.

The pursuit of an agile, efficient, integrated logistics business will allow for competitive pricing in the market, enabling both internal and external value creation through deep, sustainable customer partnerships; this includes achieving a balanced portfolio of primarily business-to-business customers and diversifying our market exposure by targeting identified high-value verticals.

We expect to benefit from the full year effect of wholly integrating our Barloworld Transport business into the division, creating an optimised organisation. We expect the Middle East operations to be sold in the coming financial year. Further to this, we intend to expand our end-to-end supply chain capabilities in, among others, our multi-temperature service and mobility logistics offering and the diversification of our customer base in targeted industries and geographies.

Future trends and operating context

Ongoing industry disruption fuelled by both technological development and continued economic constraints requires innovative thinking to remain competitive. Remaining relevant to the market, and our shareholders, calls for an unrelenting focus on efficiency, operational excellence and differentiated client relationships.

Business model rationalisation, innovation, the development of smart industry solutions and ongoing proactive management of talent attraction, development and retention will enable the creation of competitive advantage and profitable growth of core business units.

Our immediate focus is to improve the financial performance of the business through a more customer-centric operating model and by driving operational efficiencies. In the medium term, we are also focusing on the strategic repositioning of certain business lines and building scale in segments where we can earn top quartile returns.

The Logistics Achiever Awards 2017

The Logistics Achiever Awards (LAA) recognise and reward organisations who have shown excellence in supply chain in southern Africa. It is a renowned industry event with top supply chain and logistics companies in attendance, those who have shown remarkable work in their supply chain initiatives and solutions and, more importantly, who stand out among the rest are celebrated for their contribution to supply chain innovation. In recent years the impact of supply chain and logistics processes on the environment has come into question with consumers becoming more and more concerned with whether or not these processes meet environmental standards when making a purchasing decision. Governments and supply chain bodies have since begun issuing mandates on the adaptation of these processes to minimise their risk on the environment.

The LAA Enviro Award is set to reward organisations that have taken this to heart and who are indeed implementing solutions to curb the impact that their supply chain processes have on the environment. One such organisation is the Barloworld Logistics Transport division. The performance-based standards (PBS) pilot project which began in 2007 has since expanded to become the future of vehicle design and development. Pioneered by Timber24 and now in its fifth year of trial the PBS has covered more than 60 000 000 km, over 30% of which was covered by our Transport division.

Driven by our objective to deliver smart transport solutions, we are breaking new ground for smart trucks with innovative features that will improve overall performance of the transport industry while ensuring safety and efficiency standards are continually improved. The new smart trucks which are safer and more economical to own and operate are designed using sophisticated computer software which make use of simulations to test and improve the vehicle's response to a variety of situations and emergencies that occur on the road. Their current fleet generates on average 31% less road damage per ton of payload and has accomplished fuel savings as high as 25% per ton of payload transported.

Through the use of these smart trucks, we have achieved a trip reduction of around 12 500 trips, saved 2 000 000 litres of fuel and reduced CO_2 emissions by 5 700 tons from September 2012 to June 2017. Our Transport division has, on average, maintained an overload rate of less than 0.2% and currently operates 60 smart trucks in various sectors of the transport industry. Furthermore, the minister of transport, provincial departments and various key stakeholders are in full support of the PBS pilot project.

We are very proud of our transport team on this excellent project, their win of the LAA 2017 Enviro Award and their contribution to the industry at large.

GRI EN7

A focused approach creating **long-term value creation for our stakeholders** is consistent throughout our operations.

CREATING VALUE FOR OUR STAKEHOLDERS

5

Stakeholder inclusivity

Central to our ambition is **understanding our stakeholder needs and priorities**, recognising that value creation is in turn predicated on our ability to create an economically profitable and resilient organisation.

Barloworld's long-term sustainability is secured through the practice of relationship building as a key management activity, supported by a group stakeholder engagement policy and operational guidelines. This approach ensures that key stakeholders' concerns and aspirations are understood and considered across all our business units and operating locations.

To achieve this, stakeholder mapping is done at corporate and business unit level as a first step to appropriately validate and respond to Barloworld's material stakeholder issues. Stakeholder engagement takes place at group, corporate and divisional levels, guided by our group policy that has operational guidelines and a reporting framework. This approach helps identify important commercial and relationship issues and the formulation of workable solutions which are often industry specific.

Our stakeholder engagement policy is presented bi-annually to the executives and board for review and adoption. The group stakeholder engagement champions forum is mandated by the executive and board to implement the policy and guidelines across the company through representatives selected by divisional CEOs. The forum meets four times a year to share information and address a range of issues. The internal audit function reviews compliance with group policy and guidelines, and adherence to the recommendations of King IV across the entire company functions and divisions.

In our engagements with stakeholders, shared value prompts us to think differently about our approach to social and environmental issues. The result is a strategy focused on addressing future market needs while also supporting economies and communities, at the same time ensuring corporate success.

We strive for differentiated value-creating relationships with key stakeholders.

Stakeholder	Stakeholder goal
Customers	Gain large economic share of customers and net promoter score by delivering solutions that help them succeed Pages 63 – 67
Principals and suppliers	Strategically align with our principals and suppliers to leverage mutual success Pages 67 – 73
People	Create a high-performance culture and develop talent as a competitive advantage Pages 74 – 80
Communities	Gain licence to operate through meaningful contribution to our communities and environmental stewardship Pages 81 – 91
Shareholders	Maximise value by delivering top quartile returns for our shareholders Pages 92 – 95

GRI 4.24 to 4.27

W Barloworld group stakeholder engagement policy

Value added statement

for the year ended 30 September

A measure of the value created by the group (from continuing and discontinued operations) by its diverse trading, distribution and other activities to the cost of products and services purchased. This statement shows the total value created and how it was distributed.

	2017 Rm	%	2016 Rm	%
Revenue from continuing operations	**61 959**		62 074	
Revenue from discontinued operation	**4 076**		4 473	
Paid to suppliers for products and services	**49 622**		50 494	
Value added	**16 413**		16 053	
Income from investments^	**76**		119	
Total value created	**16 489**		16 172	
Value distribution				
Employees (note 1)	**9 948**	**62**	9 522	59
Capital providers:	**2 141**	**13**	2 095	13
Finance costs	**1 338**		1 346	
Dividends to Barloworld Limited shareholders	**755**		733	
Dividends to non-controlling interest in subsidiaries	**48**		16	
Government (note 2)	**904**	**5**	961	6
Communities (corporate social investment)	**18**		17	
Reinvested in the group to maintain and develop operations	**3 479**	**20**	3 577	21
Depreciation	**2 589**		2 426	
Retained profit	**850**		1 013	
Deferred taxation	**40**		138	
	16 489	**100**	16 172	100
Value added ratios				
Number of employees (30 September)	**19 201**		20 786	
Continuing operations	**18 085**		19 547	
Discontinued operations	**1 116**		1 239	
Revenue per employee (Rand)#	**3 302 823**		3 201 552	
Value created per employee (Rand)#	**824 326**		778 042	
Corporate social investment – % of profit after taxation, excluding exceptional items	**1%**		1%	
Notes				
1. Employees				
Salaries, wages, overtime payments, commissions, bonuses and allowances**	**7 902**		7 465	
Employer contributions+	**1 000**		1 034	
Total continuing operations	**8 902**		8 499	
Discontinued operation	**1 046**		1 024	
Total group	**9 948**		9 522	
2. Central and local government				
Current taxation	**744**		805	
Rates and taxes paid to local authorities	**68**		67	
Customs duties, import surcharges and excise taxes	**41**		41	
Skills development levy	**51**		49	
	904		961	

^ *Includes interest received, dividend income and share of associate companies' and joint ventures' retained profit.*
\# *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.*

GRI EC1

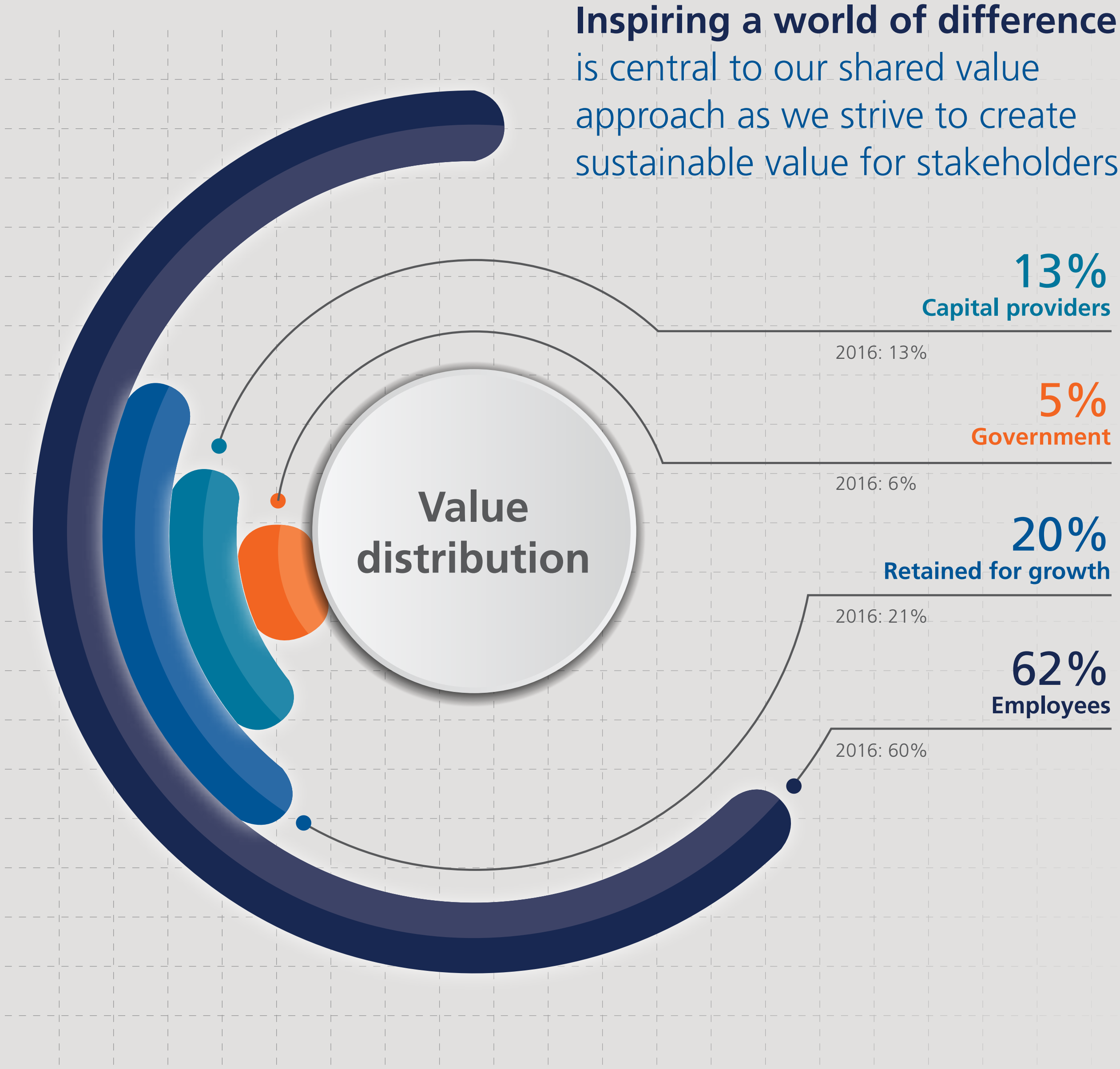
Value added highlights

Total value created

R16 489 million

(2016: R16 172 million)

Inspiring a world of difference is central to our shared value approach as we strive to create sustainable value for stakeholders.



GRI EC1

We want to be a trusted business partner and adviser to our **customers.**

Customers

Creating value for our customers

At a glance

Why are our customers material stakeholders?

Without our customers' ongoing support, Barloworld would be unable to create and sustain value for any of our other material stakeholder groups.

How did we create value for our customers in 2017?

Our businesses range from business-to-business in our Automotive, Equipment, Power and Logistics operations, to business-to-consumer in the Automotive businesses of Avis Budget Car Rental and Motor Trading.

Despite the diversity of our customer base, we deliver value to them by engaging proactively to understand their needs and delivering innovative solutions for exceptional customer performance.

– Net promoter score
– Market share

How do we engage with them?	What are their concerns?	Our response/our strategic response	Related strategic goals
– Visits and feedback by appointed representatives (key account management) – Telephonic and email communication – Call centres – Group website and emails – Independent complaints channels – Direct marketing – Customer satisfaction surveys – Quarterly customer forums	– Innovative solutions – Operational excellence – Trust and reliability – Partnership/relationship	– Job creation/opportunities – Social cohesion – Diversity and inclusion – Solutions to help manage customers' environmental footprint	– Drive profitable growth

Looking ahead

We will continue to drive customer centricity and leverage technology to deliver on our value proposition while nurturing long-term value-creating relationships with our customers.

Introduction

While our operations, locations and customers are diverse, we have an unwavering commitment to exceptional customer service no matter where we operate. We know that this is key to the sustainability and profitability of our business.

Where appropriate, we work in conjunction with our principals to both develop new solutions and leverage existing offerings to support our customers. This alignment gives us access to the latest technology, improving productivity in both our own and our customers' businesses. We share information with our principals to enhance their analytics, which in turn enables a more proactive response to customers.

How we create value for our customers

Integrated solutions for our customers			
Technology-enabled solutions – Real-time fleet management through connected assets – Reducing of operating costs – Big data and predictive analytics – Developing customer insights that drive productivity – Safety and sustainability benefits	**e-Business** – Customer portals to facilitate seamless online transactions – Online marketing and lead management for faster response – Mobile and social media strategy to increase interactions and customer feedback	**Collaborative solutions** – Alliances to expand product and service offerings – Alignment with principals to improve customer experience – Integrated solutions from a trusted partner and adviser – Offering solutions that assist them to manage their environmental footprint	**Ownership to usership** – Motor vehicle and fleet management solutions in the automotive space – Rental solutions in car rental, mining, construction and power

Creating value through our IT investments

Technology is evolving at an exponential pace and is facilitating new business forms, gains in efficiency and productivity, disruption in industry value chains, competition from hitherto unrelated industries and new, more attractive ways to deliver products and services to clients. Customer expectations are shifting and the connected world is driving customers to more convenient ways to acquire a product or service.

In all our businesses, technology has the potential to be a key differentiator, facilitating the shift from pure products towards more consultative and solutions offerings, adding more value for our customers and assisting in developing deeper partnerships, while improving operational efficiencies and returns.

We enhance the trust our customers place in us through a variety of reliable systems and solutions and the effective management of this area is key to maintaining the sustainability of the group's businesses.

Our systems also support triple bottom-line reporting using a cloud-based system that enables the measurement of sustainability statistics across the group. The focus on IT and new technology entrenches Barloworld's competitive position and the sustainability of the business in a rapidly changing world.

Technology/Supporting our Equipment and Power clients through technology

We aim to offer a consistent customer experience management, aiming for a premium experience at every touch point. We have mapped our customer journey, with 12 touch points from solution awareness, knowledge, consideration, selection and acquisition to product performance and serviceability, through parts acquisition, planned maintenance, warranty experience, unscheduled and scheduled repairs to equipment monitoring and communications to product divestiture. Each of these touch points has the possibility of digitalisation.

The digital initiatives in the Caterpillar dealerships have focused on two key thrusts, technology-enabled solutions and e-commerce. In close collaboration with Caterpillar, significant progress has been made in both these areas.

Our e-commerce solutions offer integrated procurement to improve the convenience of the parts ordering process by streamlining the order interface and allowing visibility into parts availability at dealer and Caterpillar stocking locations.

Our technology-enabled solutions aim to have every Barloworld Equipment machine connected with the purpose of anticipating customer problems before they interrupt production.

We are progressing the ability to digitally transform customer service touch points, which enables us to offer onsite service support and address the

GRI 4.4

Creating value for our customers

technical skills shortage through remote support. This includes providing onsite training of customer staff to perform some of the repair work themselves.

Innovative solutions for our Automotive customers

Barloworld Automotive continues to drive customer satisfaction, develop new customer relationships and strengthen existing ones. We leverage technology to provide flexibility for our customers and increase the ease of doing business. We continue to innovate products and services to provide the best end-to-end solution with the highest quality at the right price with exceptional service.

We align closely with our car rental principal, the Avis Budget Group Inc (ABG), to leverage their significant e-commerce capabilities. Our Car Rental business implemented ABG's new e-commerce system, which enhanced both the customer experience and the ability of the business to manage this channel more effectively. The new system has been built "mobile first". The business is in the process of implementing a paperless rental process which will enhance the customer experience and the speed of the rental process further.

At Avis Fleet, we continue to develop solutions that will integrate our technology to provide self service capabilities, while partnering with our customers to increase the value derived from their fleets through delivering intelligence that affects business decisions over the life of the vehicles.

Our Motor Trading operation continues to invest in digital channels and technology to enhance our capabilities to trade with the market utilising e-commerce systems, with a specific focus on digital auctioning which has resulted in ongoing growth in used vehicle sales through the various digital channels.

Creating supply chain solutions to meet our customers' needs

Through a combination of technology and experience, we optimise individual logistics functions through an integrated approach to supply chain management. By combining strategy, planning and management with excellent operational execution, we analyse, design, implement, manage and operate the entire supply chain.

Measuring our customers' experience

We understand that obtaining honest customer feedback through a variety of channels is key to enhance our customers' experience.

Division	How we measure our performance
Equipment	– Transactional satisfaction for the sale and rental of machines, parts and service are measured monthly. – The two main indices measured are customer satisfaction and net loyalty. – Brand attribute surveys are conducted to understand how well we are performing on the key touch points we have with customers. – All scores and feedback are monitored and analysed to inform future interactions and drive continuous improvement.
Automotive	– All our Motor Retail dealers participate in external, independent customer satisfaction index surveys, normally conducted by the OEM. In addition, dealerships conduct their own customer surveys on an ongoing basis. – Car Rental and Avis Fleet conduct detailed independent customer surveys for all significant and relevant aspects of the business. – Overall Avis Rent a Car in South Africa is highly rated by customers with CSI scores generally above 90% (peaks up to 92%) and consistently voted the best car rental company. – Avis Fleet scores during the past year averaged around 93%. – CSI remains an important focus area and continues to receive attention.
Logistics	– Customer satisfaction measures and key performance indicators are managed and tracked monthly. – Client interviews and market perception surveys are conducted annually. – Formal feedback sessions (management meetings, steercoms, workshops) are held in alignment to client-specific requirements. – Customised management reports are compiled monthly.

GRI PR5

We have long-standing relationships with our principals and **committed to driving a diverse value-adding supply chain.**

Principals and suppliers

Creating value for our principals and suppliers

At a glance

Why are our principals and suppliers considered material stakeholders?

Our principals and suppliers are critical components of our value chain. To deliver on our ambitions, we need to be closely aligned with both material stakeholders to create mutual value.

How did we create value for our principals and suppliers in 2017?

By partnering with our principals to better serve our customers, we ensure their brands are well represented, enhancing both companies' reputations and creating profitable returns.

By being mindful of where we invest our money, we can deliver on our localisation and supplier diversity objectives, creating meaningful change for the countries we operate in.

- Market share
- Reputation
- Brand recognition and loyalty

How do we engage with them?	What are their concerns?	Our response/our strategic response	Related strategic goals
– Visits and feedback by appointed representatives – Principal conferences and forums (https://www.youtube.com/watch?v=_BbB6rLugKw) – Supplier forums – Telephonic and email communication – Customer relationship management portals	– Dealer performance – Partnership/relationship – Supplier diversity – Operational performance	Facilitate alignment with principals – Alignment and partnership – Innovative solutions – Operational excellence – Supplier development	– Deliver top quartile shareholder returns – Drive profitable growth – Instil a high-performance culture

Looking ahead

We will continue with the close alignment with our principals and drive initiatives that will enhance the diversity of our supply chain.

GRI 4.12

Principals – leveraging opportunities through alignment

We are committed to strategic alignment with our principals to leverage opportunities that will enable us to better serve our customers. The relationships between our principals and us are built on trust and usually span decades.

How we engage with our principals

Equipment

Across the table (AtT)

The AtT initiative aims to enhance mutual performance and trust between Caterpillar and its dealer organisations. AtT brings Caterpillar and Barloworld Equipment across the table to proactively develop and share world-class solutions that enable us to better serve customers, increase market leadership and ensure consistency in services and performance across geographies.

From more information: https://www.youtube.com/watch?v=YwDaf1tPEMY

Dealer growth and profitability initiative

The dealer growth and profitability initiative, which is operated by the Caterpillar Network, is aimed at leveraging and capturing the significant upside potential across territories in sales and aftersales.

Automotive

We remain close to our principals, ensuring that we are part of future solutions. Various ongoing strategic consultations take place between operations and the principals as well as key suppliers covering all areas of operation. These include informal engagements, formal structured agreements and meetings, and regular reporting.

In addition to these formal channels, we engage regularly through information channels to ensure we provide excellent customer service.

Long-term relationships built on alignment

This year, 2017, marks the 90th anniversary of our partnership with Caterpillar. One of the secrets to this successful partnership is our mutual commitment to alignment. We consistently work together with Caterpillar to ensure that we collectively deliver value to our stakeholders.

We jointly support our customers' success by being responsive to their needs, and developing products and solutions that help them achieve their operational objectives, including greater productivity. An open and honest approach between Caterpillar and ourselves is key to this relationship's longevity. We have always strived to ensure that this commitment to quality is experienced by all our customers in every interaction with either a Barloworld or a Caterpillar representative.

This is a legacy we look to carry forward into the next 90 years and beyond.

Creating value for our principals and suppliers

Automotive

Our Automotive division is committed to value creation for our principals. This is achieved by investing in infrastructure and business systems, addressing brand exposure, growing market share and improving business performance. Our OEM's confidence in our capability is reflected in new opportunities offered to represent their brands and ongoing commitment to our operations, and OEM accolades.

Equipment

We operate in close cooperation and alignment with Caterpillar in all our territories. Together with Caterpillar, we strive to ensure that correct segments and product lines receive sufficient marketing support to enhance market penetration and secure aftermarket revenues. We consistently strive for top quartile dealer performance as measured by the global dealer scorecard that Caterpillar uses for all their dealers.

We actively participate in Caterpillar initiatives driving innovation and in pilot projects that match our business and distribution network. Barloworld invests in facilities that best serve our customer needs and ensure effective coverage while providing us with a competitive advantage, superior service platforms and a diverse geographic footprint. Collectively the goal is to enhance our customers' experience.

Demonstrating our partnership through co-location

This year saw a step forward in improving a world-class, end-to-end aftermarket supply chain through a co-location agreement between Barloworld Equipment and Caterpillar. On 17 May 2017, Barloworld Equipment announced an agreement with Caterpillar to establish a Barloworld Equipment parts operation in the brand new Caterpillar parts distribution centre in Kempton Park near Johannesburg. The over the counter aftermarket parts activities have subsequently moved from Linbro Park and Isando. The consolidated operation is now located at the R21/R25 regional road junction in Gauteng.

The project was jointly managed by Caterpillar and Barloworld Equipment. It followed a supply chain study which revealed multiple benefits of co-locating operations at a new site. Benefits of this approach include not only the improved availability of parts but also speed in executing orders, given the proximity of the parts sales counter to the regional distribution centre and an expanded ability to invest in capacity across southern Africa.

The Caterpillar investment in the efficient 60 000 m² facility demonstrates Caterpillar's commitment to customers and dealers in Africa. As a result of the capital investment, we can now deliver replacement parts to customers quicker than before, reducing their idle time and saving them money. A key innovation is an electronic tracking system that reduces queues and keeps customers informed about their order when they visit the facility to collect spare parts.

Together we continue to deliver on the long-standing commitment to support our products through the aftermarket supply chain and building on Barloworld Equipment's 90-year history of serving customers.

Suppliers – embedding supply chain diversity

As a large, multi-national organisation, our purchasing power has the potential to create meaningful change in the communities in which we operate. By being mindful of where we spend our money, we can deliver on our localisation and supplier diversity objectives.

Our supplier diversity and localisation initiatives create legitimacy and credibility in the eyes of our stakeholders. This enhances our reputation while creating commercial opportunities for both our suppliers and ourselves.

Barloworld Siyakhula

Founded in 2007, Barloworld Siyakhula is Barloworld's primary enterprise and supplier development arm, driving black economic empowerment and transformation in our South African operations. Through comprehensive support programmes aimed at empowering small, micro and medium-sized enterprises (SMMEs), Siyakhula promotes B-BBEE, not only within Barloworld, but the broader South African community.

In support of the dti's revised Codes of Good Practice, which position supplier diversity, localisation and small business support as essential prerequisites for corporate competitiveness, we continue to drive transformation both in our own supply chain and in our broader environment through our enterprise development programmes. Through a blend of financial and non-financial support, Barloworld Siyakhula provides SMMEs with the assistance they need to be competitive within Barloworld's value chain as well as the larger marketplace.

Since inception, Siyakhula has invested an accumulative spend of over R230 million on enterprise and supplier development, indirectly sustaining over 700 jobs

Comprehensive assistance provided to 98 SMMEs in South Africa – fostering economic growth

For more information: http://www.barloworldsiyakhula.com

GRI EC7

Key partnerships

To maximise value creation, we partner with a number of organisations in both the private and public sectors. Some of these key partnerships are:

South African Supplier Diversity Council (SASDC)

SASDC provides training, corporate compliance support and certification services for black-owned SMMEs.

Through our partnership with SASDC, Siyakhula fosters market access for emerging suppliers to corporates beyond just Barloworld.

Empowerdex

As part of our development strategy, Siyakhula has partnered with Empowerdex to implement broad-based black economic empowerment within our value chain, including our SMME beneficiaries.

Standard Bank

Siyakhula and Standard Bank have entered into a supplier development partnership, aimed at providing finance to eligible SMMEs within Barloworld's value chain.

Creating value for our principals and suppliers

Supplier development

Barloworld Siyakhula Incubation Hub

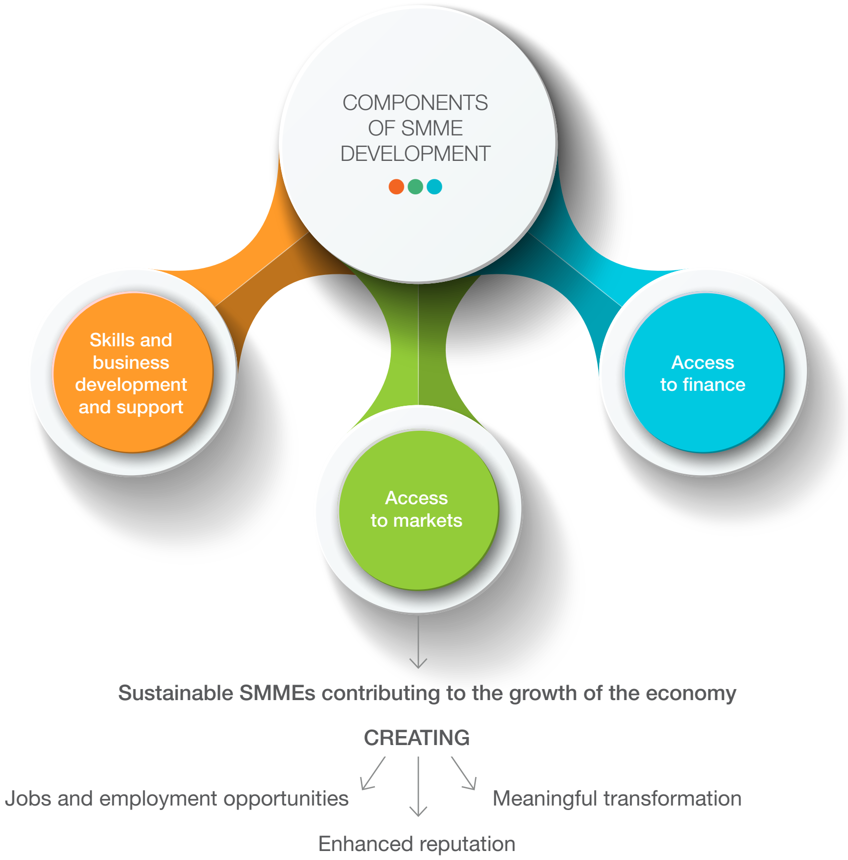
As part of our drive to foster an empowered, world-class supply chain, we officially launched the Barloworld Siyakhula Incubation Hub during the year.

The Barloworld Siyakhula Incubation Hub targets black-owned SMMEs, who are existing suppliers within the group, while also providing support to eligible SMMEs within our larger value chain. Through the hub, Barloworld has incubated 94 SMMEs in the first year, helping them achieve the agreed objectives as outlined.

Housed on the campus of Barloworld's head office, the hub helps SMMEs build the capacity required to become competitive and sustainable within the marketplace, while adding sustainable value to Barloworld's supply chain.

Leveraging Barloworld's preferential procurement spend, the hub pairs eligible suppliers with strategic opportunities across the group. To mitigate the risk normally associated with smaller enterprises, the hub employs a range of accredited enterprise and supplier development programmes aimed at building skills and capacity.

Through its development partnership with Standard Bank, supplier finance for eligible SMMEs who are awarded procurement contracts is facilitated.



Creating opportunities through targeted intervention

We are developing black-owned engineering companies with capability in the following areas:

- Manufacturing and repair of parts/components for earthmoving equipment;
- Fabrication, milling, machining, grinding;
- Component or equipment manufacture, repair or assembly; and
- Engineering services including design, repair, installation.

We partner with these emerging suppliers and contractors by including them in our supply chain. We assist with training and advice, product development and funding where necessary. We have identified a range of components that can be manufactured or fabricated locally, for both the local and regional markets, and where possible, our emerging supplier partners will supply these.

Barloworld is also working on a programme to increase availability of Caterpillar earthmoving machines to emerging contractors who historically had limited/no access to asset finance. This will allow emerging contractors to increase their involvement in large scale infrastructure and mining projects.

Supplier engagements

In 2017, we continued with our group-wide supplier outreach campaign which began in 2014. Through this ongoing series of workshops and consultative business forums, Barloworld Siyakhula and various business units have partnered with SMMEs on Barloworld's strategy, to foster development, procurement and networking opportunities within the group.

Localisation

We support the dti's goal of increasing local manufacturing and beneficiation to drive economic growth and to reduce unemployment, poverty and inequality in South Africa. Localisation means doing as much as we can in South Africa, an approach that extends beyond compliance. We have identified localisation as a prime business opportunity for which Barloworld must prepare itself.

To drive local beneficiation, we have increased the amount of machine assembly and remanufacturing at both the Barloworld Remanufacturing Centre and the Barloworld Condition Monitoring Centre, the latter incorporating a Caterpillar SOS Services oil, fuel and wear analysis laboratory, one of only five such Caterpillar facilities worldwide.

GRI EC6

Innovative localisation to create change

In October 2017, Caterpillar announced an equity-equivalent investment programme with the dti that will result in the cumulative localisation of components worth R1.3 billion over the next 10 years. The programme is expected to create 3 900 direct and indirect jobs and numerous opportunities for black-owned supplier companies. The biggest ever equity-equivalent investment programme in South Africa and one of Caterpillar's biggest in Africa to date, the programme demonstrates Caterpillar's long-term commitment to the continent.

The programme is the result of collaboration and introspective discussions that started more than four years ago, demonstrating the power of mutually beneficial relationships we enjoy with our principals.

The programme comprises five integrated and interdependent components: local and supplier development, enterprise development, localisation of component content, skills transfer and job creation. Caterpillar provides free, best-in-class local supplier development training for both new and existing suppliers.

The investment will allow local, empowered South African suppliers to develop world-class capabilities and the capacity to plug into Caterpillar's global supply chain, opening up export opportunities for them to regional and global markets.

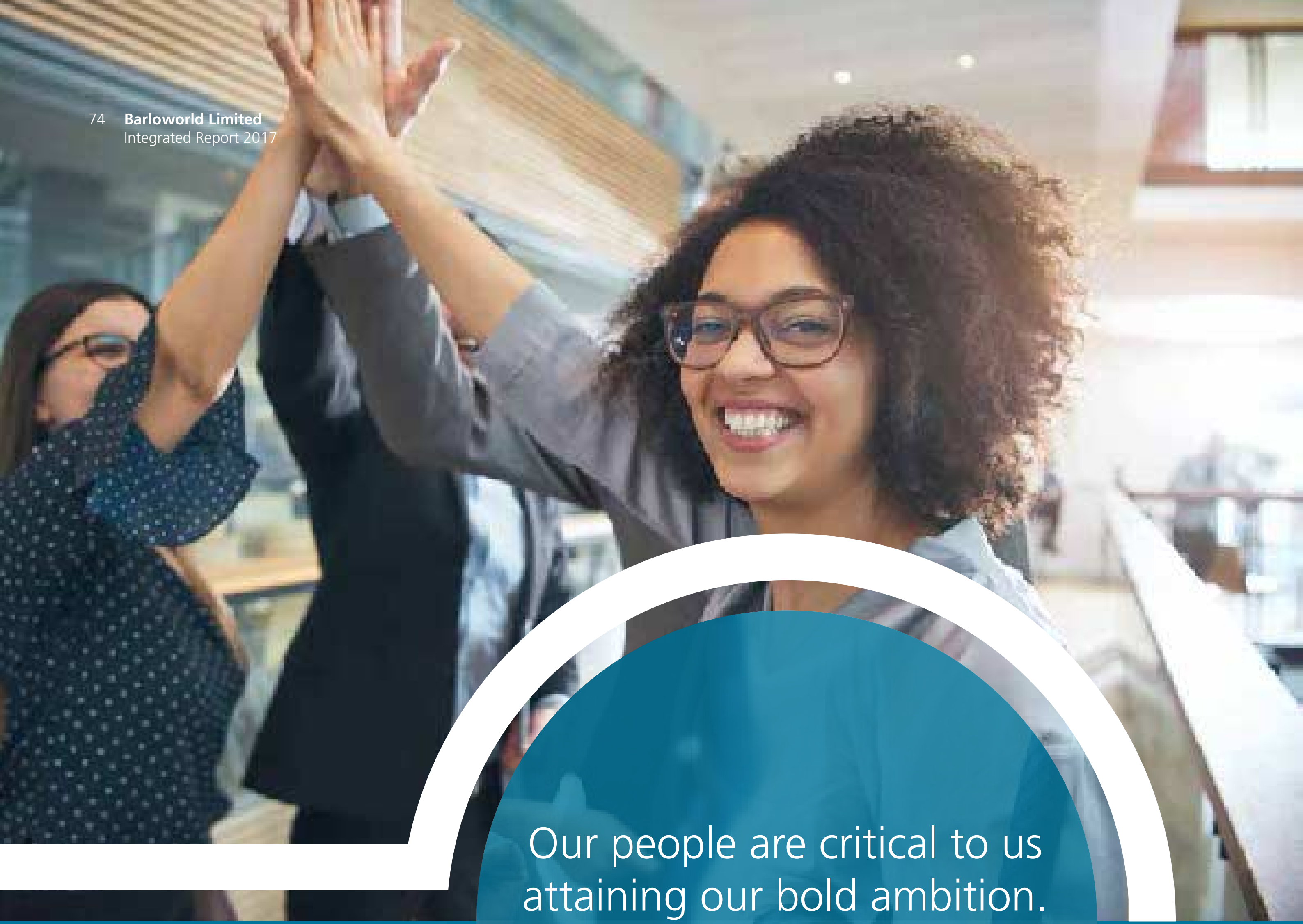
We are working with Caterpillar to identify other components that can be manufactured locally. We are also furthering efforts to improve the capabilities of local manufacturers, through training and investment.

2018 outlook

We want to leave a legacy of transformation and empowerment by offering black-owned businesses access to capital and skills development. As we strengthen diversity and inclusion within our workforce, we will also strive to maintain our levels of black ownership, with the ultimate goal of achieving minimum level 3 B-BBEE status across the majority of our operations.

We believe we can effect real change across our supply chain and continue to find opportunities to harness the power of the Barloworld group and the Siyakhula Incubation Hub. This will be achieved in collaboration with our partners to drive SMME growth within our supply chain, while shifting our procurement spend towards targeted supplier groups.

The enhancement of a competitive and leading value chain has been, and will remain, one of our foremost priorities.



Our people are critical to us attaining our bold ambition. **Their success contributes to us winning.**

People

Creating value for and through our people

At a glance

Why are our employees considered material stakeholders?

In an increasingly challenging operating context, it is the innate passion, knowledge, skills, attitude and innovative spirit of our employees that enable our collective success.

How did we create value for our employees in 2017?

Through our employee value proposition (EVP), we attract, develop and retain high-performing people and reward their contributions in a fair and commensurate manner.

- R8 902 million paid to employees
- 18 085 employees worldwide
- Training spend R110 million

How do we engage with our employees?	What are their concerns?	Our response/our strategic response	Related strategic goals
– Individual balanced scorecards aligned to strategic plans – Individual Perception Monitor (IPM) survey – Workplace safety training – Employee wellness programmes – Mentorship and coaching – Leadership and executive development programmes – Staff forums – Bargaining and negotiation forums with trade unions – Town hall meetings	– Inspiring work environment – Career development – Workplace health and safety – Recognition and reward – Diversity and inclusion	– Proactive learnerships and talent engagement programmes – Foster relationships with unions through employee representative forums – Intellectual capital reviews – Talent and measurable performance management – Improve diversity and inclusiveness through women in leadership – Graduate development programmes	– Drive profitable growth – Instil a high-performance culture

Looking ahead

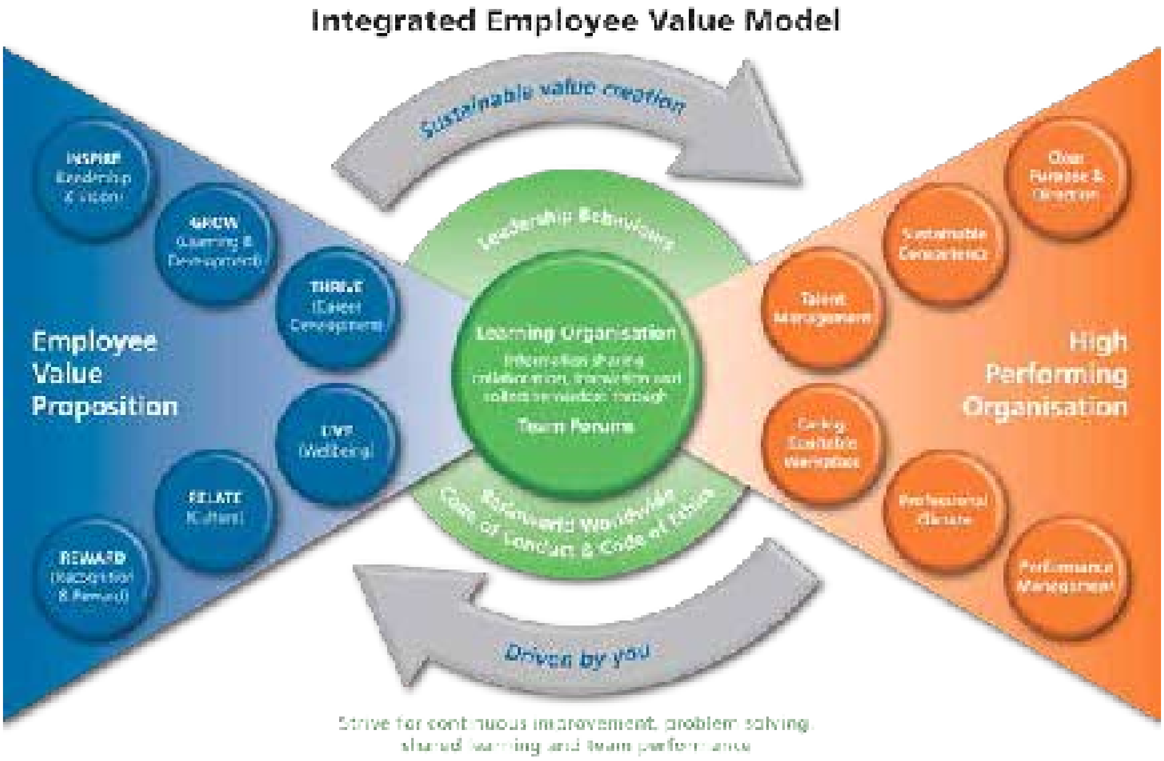
The focus will be on change management and education for our people aimed at driving the appropriate value-enhancing behaviours aligned to our bold ambition.

GRI LA1 to LA16

Creating value for and through our people

Understanding the value balance

We understand that a balance exists between the value we deliver to our employees and the value we receive from them. We seek to communicate the value our organisation can offer employees – both our existing and potential employees. This value refers to the unique differentiators that define Barloworld as an employer and what our organisation stands for, including our vision and distinctive culture, as well as rewards for their contribution and professional growth. To help create a high-performance organisation, this set of unique benefits is encapsulated in our employee value proposition (EVP) and demonstrates the value we offer to our employees in return for the passion, skills, and capabilities they bring to Barloworld.



Holding ourselves accountable

Our Individual Perception Monitor (IPM) is traditionally conducted every second year and was last conducted in 2017. The survey measures employees' perception of the degree to which they experience the various elements of our EVP. Detailed analysis is undertaken for each dimension, identifying the areas for improvement and formulating appropriate responses.

2017 areas of development	Progress
In 2017, the dimensions of "Grow" and "Thrive" remained a challenge for a number of divisions to meet the target rating.	During the year, these areas were addressed through additional emphasis on management's role in employee development, career progression and the creation of career opportunities.

Considering the high level of change permeating the organisation, we believe it is important to maintain our finger on the pulse regarding employee sentiment, especially concerning our achievement of EVP elements we believe enable us to attract and retain top talent. The survey was, therefore, once again undertaken in 2017. It uses a four-point scale with the aim to achieve an overall rating of 3 or better. Our target is to achieve an overall rating of 3.20.

In 2017, all divisions participated in the survey. The results of the survey indicated below. We are looking at ways to address the concerns raised from the survey.

Division/business unit	Overall (maximum score 4 points)
Equipment – Southern Africa	2.98
Equipment – Russia	3.25
Equipment – UK	2.66
Automotive Head Office	3.29
Avis Fleet	3.04
Avis Budget Car Rental	3.20
Motor Retail	3.10
Digital Disposal Solutions	3.25
Logistics	2.99
Power South Africa	2.97
Corporate Office	3.09

The role of human capital in delivering against our revised strategy

As part of our revised group strategy, we identified human capital as a critical enabler of delivery. We recognised that there is a need to actively manage our human capital centrally to ensure we are driving group targets forward.

Four critical areas have been identified as key areas of focus:
1. Talent management
2. Performance management, including remuneration and reward
3. Communication and change management
4. Diversity and inclusion

Talent management

Against the backdrop of the strategic repositioning of the group and the challenges that lie ahead, having the right people in the right place is a priority for us. We assessed our existing human capital matrix to leverage the skills and practical experience already available within the organisation. We seek to undertake a gap analysis in order to acquire or grow talent from within to help position the group for long-term sustainable performance. Part of this process involves a futuristic view of employees in their aspirational roles rather than their current roles.

During the year, Barloworld successfully launched a new talent management programme. Through focused talent identification, recruitment, individual employee development plans, career paths, training and development programmes, competitive reward systems and tailored succession planning, we are in a strong position to meet the organisation's future needs without losing sight of the current perspective.

It is important to note that the divisions and their business units also conduct training and education programmes aimed at employee development, some of which are aimed at addressing gender imbalances in technical career choices.

In line with a goal to strengthen management and leadership capabilities, we continue to develop our leaders through leadership and management training programmes. Our leadership ethos of coaching and development focused our efforts on creating an "inclusive" culture for all Barloworld employees. Similar programmes have been cascaded to lower levels within the organisation.

Development programmes

Apprenticeships/learnerships
1 797 apprentices/learners

Executive development programmes
184 executives to date

Leadership development programmes
687 to date

Training outside public practice (Chartered Accountants)
51 TOPP students trained

Bursars
39 bursars

Study support
218 employees

Performance management, including remuneration and reward

Compensation plays an integral role in the successful delivery of Barloworld's revised strategic objectives. As such, talent acquisition and retention is carefully linked to compensation strategy, enabling us to meet material targets. The cornerstone of this strategy involves an alignment of pay and performance and driving sustainable performance at all levels.

Our group remuneration philosophy addresses financial and non-financial elements. It includes guaranteed pay, short-term incentives, long-term incentives at the senior levels, quality of working life, performance, recognition, development and career opportunities. Guaranteed pay is generally benchmarked to local remuneration surveys.

Creating value for and through our people

As we seek to align compensation to evolving external and internal expectations, reward structures are regularly reviewed and adapted on a needs basis. During the year, our remuneration and reward philosophy and policies were revised to align with the amended operating model, emphasising alignment with the business strategy and bold ambition. We have also identified key performance indicators for each individual and are tracking these.

For more information – see page 106.

Addressing the gap

The group is committed to removing unfair discrimination in pay scales. Analysis is conducted across the group on the gender pay parity.

Communications and change management

2017 was characterised by the restructuring measures that formed part of the group's revised strategy. The focus was on optimising efficiencies across the business. Beyond the actual number in job reductions, we recognise that these changes have had profound implications for the group's entire workforce, affecting personal and professional morale, company culture and productivity. In seeking to manage these changes in a socially responsible manner, we ensured close cooperation with relevant parties based on mutual trust and sought to engage and communicate with our employees regularly to foster a more open and transparent environment and improve the flow of information during this difficult time of change.

During the year, the group unfortunately reduced staff through retrenchments and redundancies by 767, to better align the business to its revised strategy, improve efficiencies and prepare it for future challenges under tough market conditions.

Ensuring strength through diversity

At Barloworld, we see diversity, a confluence of race, gender, demographics and experience, as a competitive advantage.

While great progress has been made, diversity and inclusion remain a key focus area for Barloworld and continues to be central to our success in all of the jurisdictions we operate in. The principle of equal opportunities for all is applied fairly and justly.

Central tenets of the group's approach to equality include:

- Prohibition of unfair discrimination on the grounds of gender, race, religion, disability, age or sexual orientation
- Proactive pursuit of programmes and initiatives to achieve our equality objectives
- Complying with legislation in all countries in which it operates
- Identification and elimination of employment barriers which unfairly discriminate.

By identifying diversity and inclusion as a strategic focus area, we ensure group and individual commitment to equality in the workplace across all operations.

Race, gender and disability are addressed in employment equity, transformation and empowerment targets in South Africa, in line with legislation. Localisation and gender objectives are set in non-South African operations in accordance with local demographics and legislation. Required employment equity plans and progress reports are submitted in South Africa and other southern African countries. These plans set out employment targets that address race, gender and disability.

In South Africa, Barloworld follows the Department of Trade and Industry's (dti's) Broad-Based Black Economic Empowerment (B-BBEE) scorecard with the target for all South African operations to achieve a level 4 or better according to the revised B-BBEE Codes of Good Practice.

We would like to reach a point where we no longer view diversity and inclusion as a separate imperative but as a natural extension of the way we conduct ourselves in business.

Gender

The empowerment of women remains one of Barloworld's top priorities under the transformation umbrella. We made significant strides towards this objective in 2017. Of the total headcount of 18 085 employees, female employees account for 28.12% of the workforce. Female employees constituted 35% of our total recruitment drive during this period. 945 new women recruits joined the organisation.

The percentage of women at the executive level fell to 21.95% – a decrease from 22.22% the previous year, while women at senior management improved to 27.59%, up from 26.41%. Through external recruitment or promotion, five women were added to the top three levels of our organisation.

2017 also saw an increase in the number of women at middle management level, from 35.45% to 36.59%.

Programmes that support gender diversity

Women in leadership development programme

One of the leading Barloworld Equipment imperatives for 2020 is to develop a diverse and inclusive workforce through achieving high performance. One of the initiatives to support this imperative is the women in leadership development programme (WLDP). This programme was piloted at the beginning of the 2016 financial year and aimed at emerging and current women leaders within the organisation.

The outcome of the WLDP is to engender self-mastery through real world behavioural change and leadership confidence. The WLDP is not a traditional management training programme, nor is it an academic qualification; it is an integrated, coaching-based system of development that challenges participants to enhance their existing leadership skills as well as experiment with new behaviours. The WLDP challenges participants to rethink their leadership brand and to build a personalised leadership toolkit that works in the way they need it.

Throughout the course the 17 women formed a close bond of camaraderie, enabling them to ideate new business initiatives, including assisting the 2018 WLDP cohorts and facilitate coaching.

The Barloworld Transport Training Academy

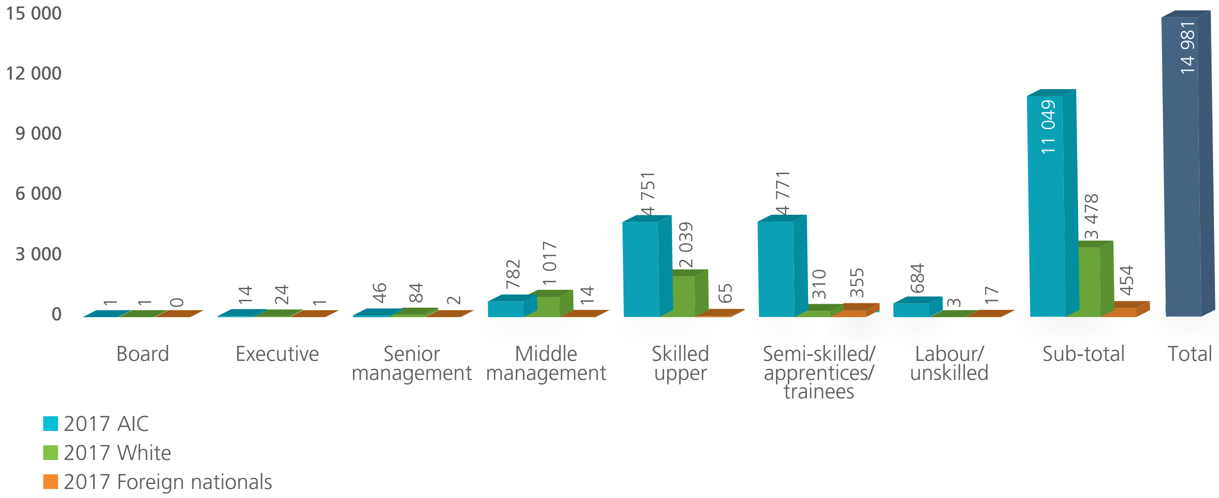
The Barloworld Transport Training Academy is a fully accredited training centre, registered with the Transport Education Training Authority (TETA) and Department of Higher Education, and was established to address key skills requirements and development needs in the transport sector.

Numerous learnership and apprenticeship programmes are available through the academy for both employed and unemployed learners throughout southern Africa, one of them being the professional driver learnership programme (PDLP). The objective of the PDLP is to equip learners with theoretical and practical work experience that will enable them to develop tangible skills that are employable and income-generating. The academy has spearheaded a first-of-its-kind PDLP for women drivers and during the year, 40 additional learners were incorporated into the programme.

Broad-Based Black Economic Empowerment (B-BBEE)

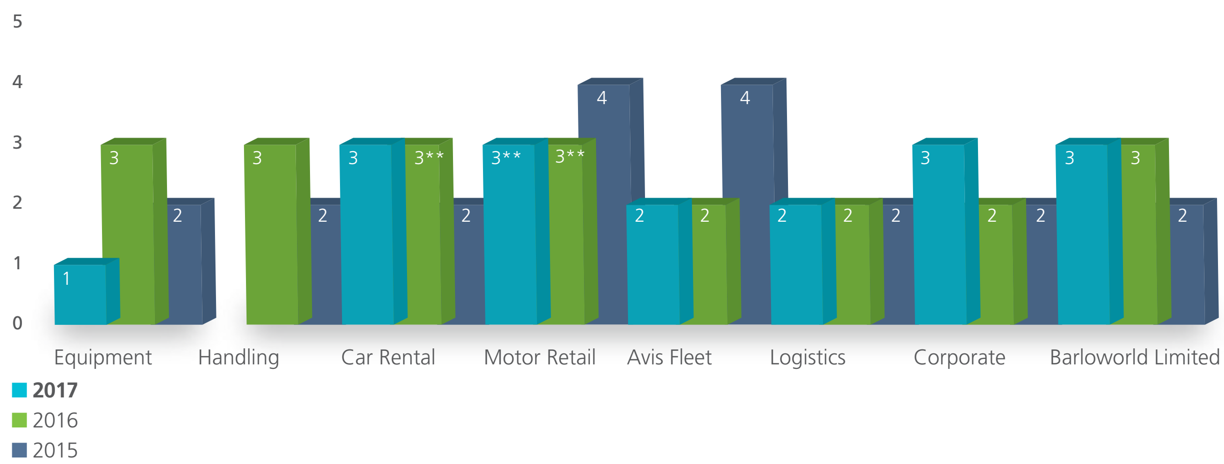
In our South African operations, the number of African, Indian and Coloured (AIC) employees grew to 74%. There was an AIC decline at the executive level from 40.00% to 35.89%, while senior management level AIC increased to 34.85% from 29.58%.

Employees by ethnic background



Creating value for and through our people

SA business unit



* *2017 B-BBEE ratings were done under the revised dti Codes of Good Practice.*
** *Rating under Barloworld Limited.*

Localisation of employment

As a part of the communities in which we operate, Barloworld continues to focus on the reduction in the number of expatriates and the localisation of the workforce. We seek to acquire and draw from local skills, localise job creation and develop skills. This makes economic and social sense and gives us our licence to operate in the varied geographies that we operate in.

The percentage of expatriates reduced from 1.15% in 2016 to 1.06% in 2017.

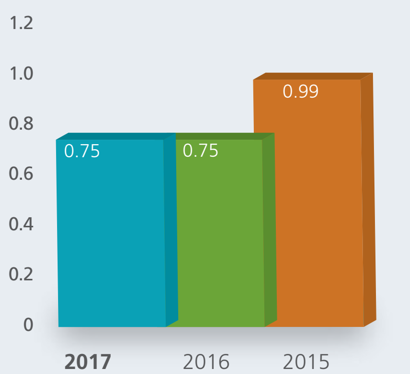
Keeping our people safe and healthy

The safety and well-being of our employees is vital. We want our employees to go home each day not only unharmed but also thriving. We continue to roll out safety training initiatives that aim to eliminate work-related injuries and entrench a culture of safety.

Our health and safety scorecard

We regretfully had three work-related fatalities in 2017 (2016: one) but continue to strive to have zero-harm in our operations.

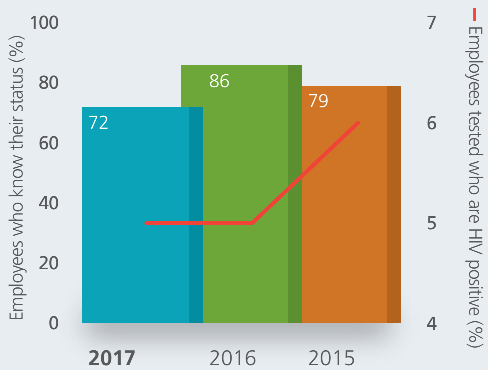
LTIFR*



**LTIFR = (number of LTIs x 200 000)/hours worked.*

LTIFR remained static against prior year.

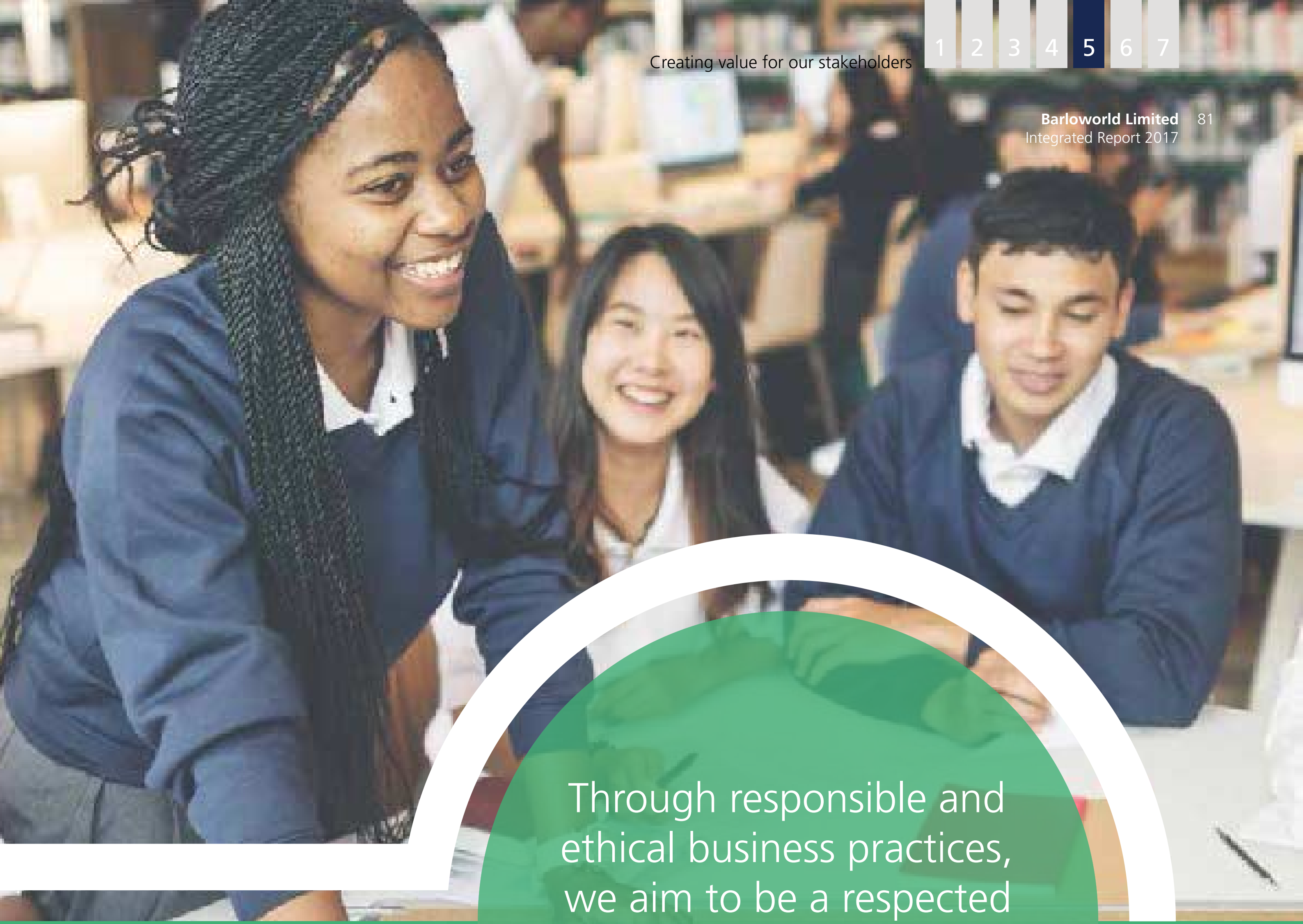
HIV statistics (South Africa only)*



**Three-year cumulative figures.*

GRI LA6
For data including discontinued operation see: 4.13

Barloworld LTIFR approach



Through responsible and ethical business practices, we aim to be a respected member of society in the **communities** in which we operate.

Communities

Creating value for our communities

At a glance

Why are our communities considered material stakeholders?

Barloworld is committed to exponential growth for all stakeholders. This enables societal progress where we operate, as we believe thriving communities in turn enables businesses to succeed.

How did we create value for our communities in 2017?

Barloworld makes a difference in society by contributing to socio-economic development in the areas in which we operate through business practices that limit the company's environmental footprint, targeted community investment and innovative solutions that assist customers meet their sustainable development objectives.

- R18 million invested in CSI programmes

How do we engage with them?	What are their concerns?	Our response/our strategic response	Related strategic goals
– Engaging with principals, suppliers and customers to offer environmental solutions – Industry body participation – Partnerships and funding support to the broader civil society on issues impacting underserved and marginalised communities – Engagement and collaboration with public sector on socio-economic development	– Managing and limiting their environmental footprint – Job creation/opportunities – Responsible corporate citizenship – Social cohesion, safety and justice – Access to quality education and skills development – Diversity and economic inclusion	– Implementing energy and water efficiency initiatives internally – Identify and incorporate sustainable development aspects in our customer solutions – Striving to be a responsible corporate citizen with social relevance – Engage, collaborate and funding support to civil society on community challenges – Participate in sector and industry bodies on government policy – Partner with communities and government on socio-economic development agenda	– Diversity and inclusion – Enterprise and supplier development – Sustainable development

Looking ahead

Amplify our efforts on entrepreneurship, youth development and empowerment initiatives.

GRI S01 to S011

Barloworld was included in a number of environmental, social and governance-related indices during the financial period, including the:
- FTSE/JSE Responsible Investment Top 30 Index
- FTSE4Good Emerging Markets Index
- Dow Jones Sustainability Emerging Markets Index.

We are committed to "inspiring a world of difference" and supporting organisational resilience in the context of increasing social and environmental activism.

We focus our efforts and investment on education, youth development, economic inclusion, diversity and the environment, understanding that by supporting the socio-economic development and environmental well-being of these communities.

Ensuring positive social impact

By exhibiting a commitment to social responsibility and ethical business practices and ensuring these values form part of every element of our supply chain, we ensure the integrity of our business, avoiding reputational damage while making a positive contribution to the lives of thousands of individuals beyond the bounds of our direct business.

The group has developed a set of conduct criteria and standards for suppliers which form part of our supplier due diligence initiative aimed at assessing and limiting any potential risks emanating through our supply chain. Our commitment is also reflected in our Worldwide Code of Conduct.

Investing in our communities

Barloworld's commitment to positive social change is seen in our involvement in community development interventions. We have continuously invested in education, youth development and empowerment, as well as health and welfare through strategic partnerships with broader civil society and collaboration with our customers as well as the public sector as we strive to inspire a world of difference.

Overall CSI investment R18 million (2016: R16.8 million)

Area	Education	Youth development and empowerment	Health and welfare
% of expenditure	60%	22%	10%
Description	Programmes focusing on access to quality basic education with emphasis on improving science, technology, engineering and mathematics (STEM) subjects at high school level, as well as teacher development programmes.	We believe in enabling access to higher education. Programmes that focus on youth leadership skills development, as well as social entrepreneurship programmes that resolve local community challenges.	This includes initiatives that focus access to basic health care services as well as improved life expectancy.
Beneficiaries	– Teach SA – Leap Science and Maths Schools – Penreach – Thandulwazi Trust – Bridge	– Enactus SA – President's Award for Youth Empowerment – Rural Education Access Programme – Africa Leadership Initiative – Afrika Tikkun	– Nelson Mandela Children's Hospital – Stop Hunger Now (employee volunteer programme)

Creating value for our communities

Barloworld Social Innovation Youth Awards

We believe that proactive and creative interventions can help address some of the socio-economic needs of South Africa. We see real value in supporting initiatives that encourage entrepreneurship and innovation among our youth and are committed to investing in ideas that uplift people and communities, and empowering youth with the skills and opportunities to make these ideas happen.

During 2017, Barloworld, in partnership with entrepreneurial development NGO Enactus South Africa, launched the Barloworld Social Innovation Youth Awards. The aim of this initiative was to encourage, support and celebrate emerging young social entrepreneurs. The awards received 14 Enactus SA participating university applications.

In July 2017, the three winners were announced. The winners were chosen based on their ability to highlight the socio-economic challenges or opportunities that were addressed by their organisation or business' innovative application, product or service offering, showcase how their application, product or service was meaningful, measurable and effective in creating sustainable positive change for disadvantaged and rural communities and the degree to which they incorporated collaborators or partnerships into their work.

Each team received prize money and will benefit from support in the form of leadership and entrepreneurship training from Barloworld Siyakhula Incubation Hub. In first place was the University of Venda for the Mukondeni Ceramic water filters and pottery project, which addresses the issue of clean water scarcity in Limpopo. Vaal University of Technology took second place for its Bantu Bonke Agricultural Farm project, which showcases how the power of skills training in different forms of farming, business and marketing can contribute to social development, job creation and sustainability for communities, as it did for the Bantu Bonke community Midvaal. Third position went to the University of Zululand for their Vukuzenzele project, which identified that sweet potato farming can provide a lucrative source of income for the community of Zululand.

The creative ideas and projects that stem from this programme, we believe can make a great contribution towards solving the challenges facing our communities. We eagerly anticipate what will come from these endeavours, as well as the fresh ideas that will be presented as part of the process during the 2018 awards.

R110 million

Spent on employee training across all levels in 2017.

R230 million

Spent in support of SMMEs since inception of Barloworld Siyakhula.

R146 million*

Invested in apprenticeships, internships and learnerships. A total of 632 trainees per year.

**South Africa AIC only.*

Barloworld invests in social impact.

At Barloworld, we do things differently. Our social commitment is through initiatives in education and skills development. We strive for a world that is inspired to make a positive change.

Over R3.8 million

bursaries granted in 2017.

Over 700 suppliers

engaged to transform our supply chain.
98 companies assisted supporting more than

1 100 jobs.

Creating value for our communities

Safeguarding our communities

Ensuring the health and safety of the communities surrounding our operations remains a top priority for the group. During the year, a lack of a pedestrian bridge outside Equipment's Isando site was identified as a key risk to our community and thus to the business. Between 60 and 70 students cross that road daily and are placed at risk of road accidents. To support our aim of protecting our community, a bridge was constructed over the road.

Employee volunteer programme

Barloworld encourages active citizenship and volunteerism by employees around the world, to make a difference in their communities and within their spheres of influence. On Mandela Day, our employees supported Stop Hunger Now South Africa.

2018 social impact outlook

Barloworld remains committed to creating shared value for stakeholders through inclusive opportunities that create pathways to sustainable livelihoods. We believe that our business can make a positive contribution to society by making responsible choices that support value for Barloworld and those in our supply chain. We will, therefore, continue our initiatives to better understand, assess and respond to any identified risks and opportunities within our supply chain.

Communities will remain an important stakeholder for Barloworld and we will strive to:

- Ensure that they benefit from our operations
- Consult with them appropriately
- Minimise any negative impact we may have on their environment
- Conduct our operations in a responsible manner
- Remain a respected corporate citizen.

Make a world of difference to them and that they are better off having Barloworld operations than they would be without us.

For more information, please see:
Barloworld Corporate Social Investment Policy
www.barloworld.com

Reducing our environmental footprint and managing our impact

Minimising our environmental footprint remains a business imperative for Barloworld. Beyond our ethical responsibility as a good corporate citizen, reducing our consumption of natural resources through increased efficiencies and a focus on sustainable technologies has commercial benefits through decreasing our operating costs and increasing our operational resilience. We also strive to provide our customers with solutions that assist them to achieve their sustainable development objectives. Reducing our impact on natural resources also contributes to building trust with our stakeholders, assisting us to maintain our social licence to operate in the areas and communities in which we conduct our business.

This focus underpins the group's response to climate change and is incorporated into our sustainable development imperatives, with sustainability identified as one of the group's five core values in our Worldwide Code of Conduct.

We recognise that some of our activities have certain adverse environmental impacts, such as those associated with the use of fossil fuels, and therefore mitigation measures are integrated into our operational management systems and customer offerings. We mainly represent original equipment manufacturers (OEMs) and recognise the environmental impact from the manufacture and use of our vehicles, plant and equipment, as well as our transport and logistics solutions. We engage with our suppliers and customers in striving to reduce the impact of our operations and products on the environment.

Our key areas of monitoring and management are:
– Energy consumption
– Greenhouse gas emissions
– Water stewardship
– Waste management.

Barloworld's approach to environmental stewardship is informed by and embodied in a range of group-wide policies, including climate change; energy efficiency; environmental; water use and management; and waste management policies.

W
– Barloworld environmental, energy efficiency, climate change, waste management, water use and management policies
– Barloworld 2017 CDP climate change and CDP water disclosure responses
– External certifications and accreditations coverage 2017
– Barloworld Worldwide Code of Conduct

GRI
EN1 to EN34
For data including discontinued operation see 4.13

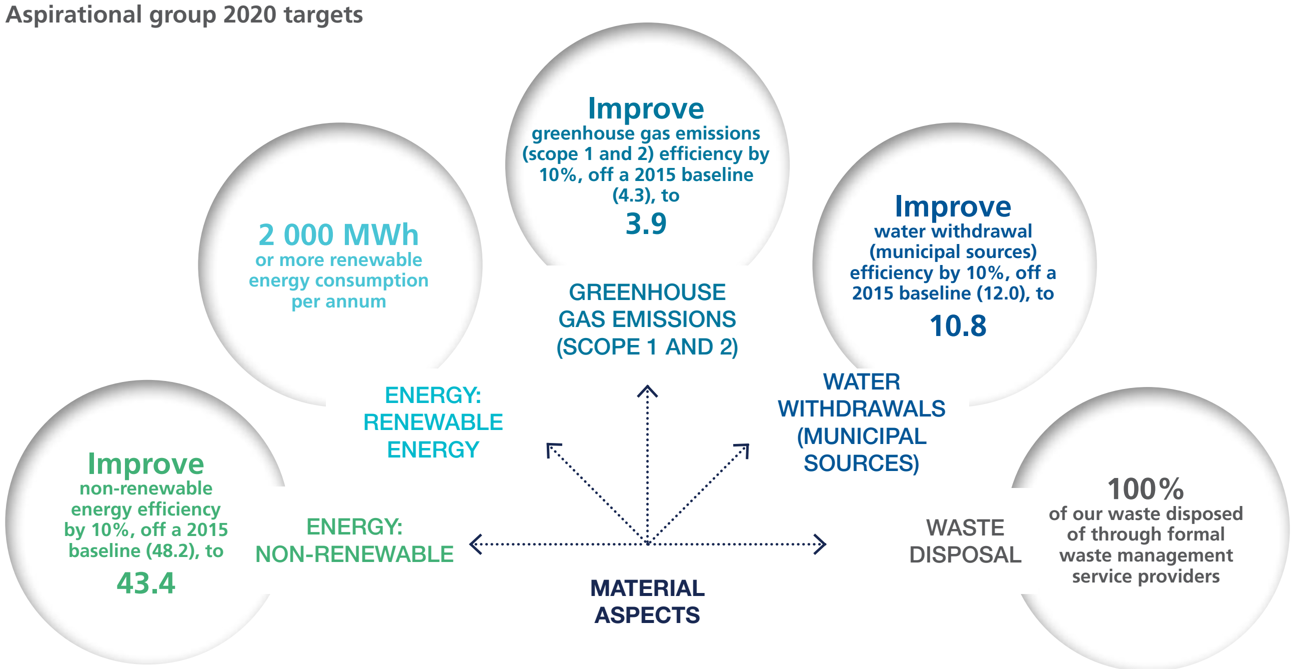
Our environmental performance scorecard

Environmental imperatives

The group has identified the material aspects of its environmental impact. To ensure these aspects receive attention, and are closely monitored and managed, aspirational group five-year targets have been set for each aspect. The targets assist in prioritising internal resources towards initiatives that contribute to responsible environmental stewardship.

Our targets are set for the end of our 2020 financial period, off a 2015 baseline. While progress against targets may not be linear over the target period, this is monitored and disclosed.

Aspirational group 2020 targets



Creating value for our communities

Energy

Non-renewable energy

Barloworld recognises the economic importance and environmental relevance of non-renewable energy consumption and strives to improve the group's efficiency and consumption patterns.

In light of increasing energy costs and energy supply challenges, the group has adopted the measure, avoid, reduce, switch and offset (MARSO) approach to managing its energy consumption. Some of our operations are entering the switch phase and have begun implementing solar photovoltaic (PV) solutions.

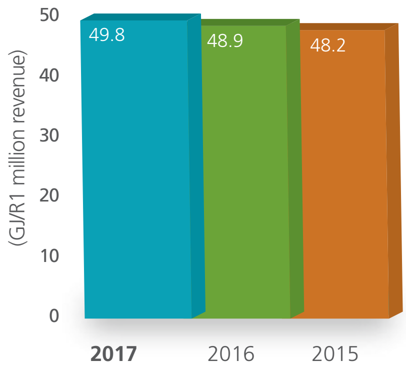
Non-renewable energy consumption increased by 2% during 2017, largely due to increased activity within Logistics' road transportation businesses. Logistics accounted for 75% of the group's total non-renewable energy consumption in the reporting period.

Non-renewable energy consumption* (GJ)

Direct energy: diesel | Direct energy: petrol | Indirect energy: grid electricity | Direct energy: other (LPG, CNG)

**Excludes energy from rental fleets.*

Non-renewable energy intensity*



**Excludes energy from rental fleets.*

Renewable energy

Barloworld appreciates the benefits of renewable energy. In addition to installing such capacity internally, we also offer solar PV solutions to customers. A 300 kW (peak) solar PV application was installed last year. This has produced some 510 MWh of renewable energy for the reporting period, resulting in cost and emissions savings of some R0.8 million and approximately 525 tCO_2e respectively by avoiding grid electricity consumption. A similar installation commenced during the period and will be commissioned in FY18.

Greenhouse gas emissions

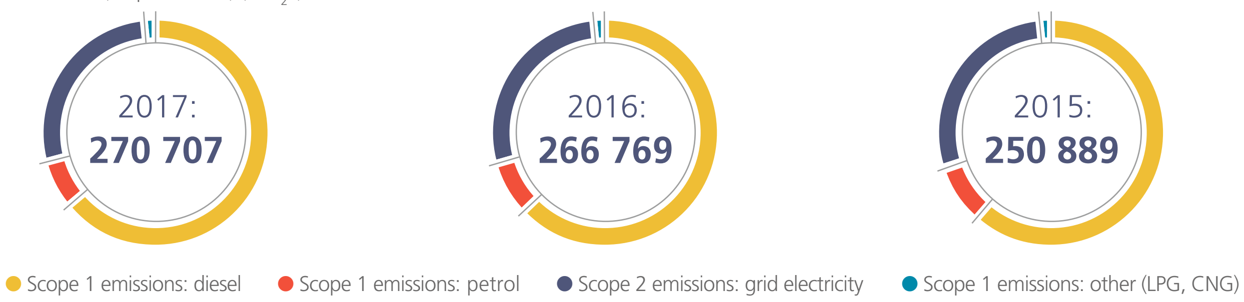
We remain concerned about climate change and the impact of greenhouse gas emissions on global warming. While emissions-related regulations pose risks to Barloworld and our value chain, including our customer base, these also present opportunities, such as increased demand for products and solutions with limited or reduced carbon emissions. The group reports greenhouse gas emissions in terms of the GHG Protocol Corporate Standard and in units of tCO_2e, the universal unit measure adjusted for the global warming potential of the Kyoto Protocol greenhouse gases. Emissions from customer use of our rental fleets are classified as scope 3 emissions.

Scope 1 and 2 emissions

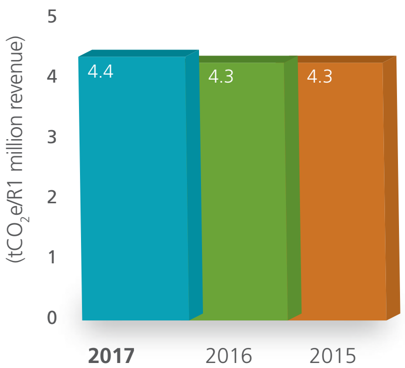
Aligned with the increase in energy consumption, group emissions increased by 1% during 2017.

Since our material greenhouse gas emissions are linked to energy consumption, particularly petrol and diesel and, indirectly, electricity (which is principally generated from coal), many of our energy efficiency initiatives have a secondary benefit of reducing greenhouse gas emissions.

Emissions (scope 1 and 2) (tCO_2e)



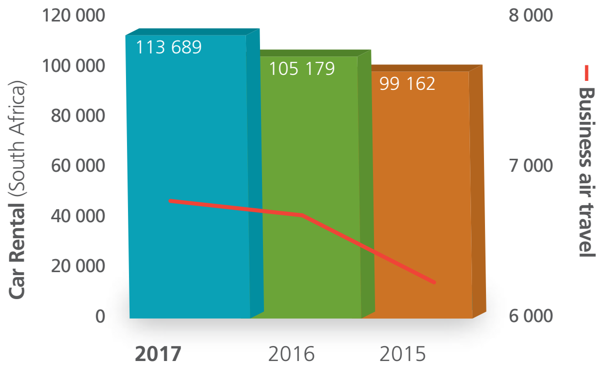
Emissions intensity (scope 1 and 2)



Creating value for our communities

Scope 3 emissions (tCO_2e)
Recognising our broader activities and the nature of our products and solutions, we report certain scope 3 emissions. These cover business air travel and emissions from Avis Budget's South African rental fleet.

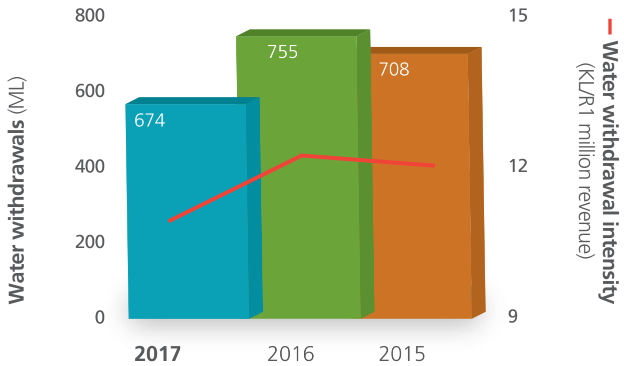
Scope 3 emissions (tCO_2e)



Water

Water withdrawals
Despite being a limited consumer of water, Barloworld recognises water scarcity as a serious social and business concern. We strive to use it efficiently and responsibly. Water withdrawals from municipal sources decreased by 11% during 2017.

Water withdrawals (municipal sources)

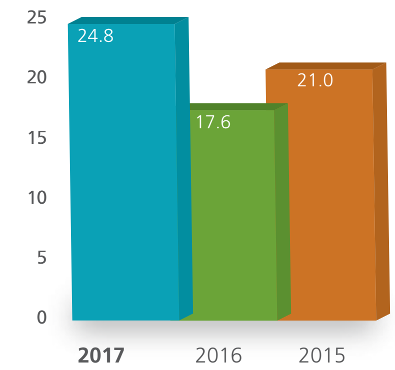


Water is predominately used to wash vehicles, plant and equipment. While water harvesting initiatives are in place, water is mainly sourced from municipal and local government supply systems. All withdrawn water is discharged back into municipal and local government systems, after passing through filtration and separation processes.

Water conservation

Water recycling, rain water harvesting and efficiency of use are among the water stewardship initiatives implemented within the group. Overall, 24.8% (2016: 17.6%) of water was recycled in the group, an improvement from the prior year.

Withdrawn* water recycled (%)



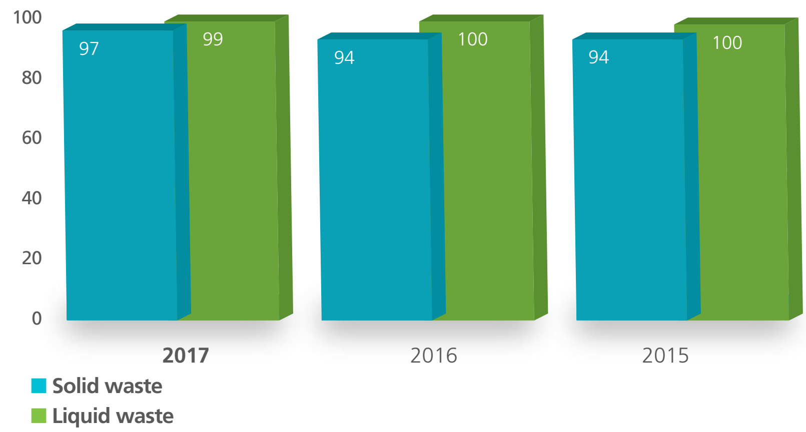
Municipal sources.

Waste management

Given the nature of our business, the group does not generate significant volumes of waste. Waste generated is monitored by systems that are evolving and improving, and which currently monitor waste type, volume, disposal method and destination.

Paper, tyres and oil filters constitute the majority of our solid waste and lubricants make up most of our liquid waste.

Waste disposed through formal waste management service providers (%)



Most waste is disposed of through certified contractors and no waste was shipped internationally.

An important aspect of our waste management and product lifecycle stewardship is extending product use and life through extensive Caterpillar component remanufacture and rebuild activities. Significant investment and resources are committed to these initiatives in South Africa and Russia. The group's SmartMatta waste management company also has a significant role in managing the group approach to responsible waste management.

2018 outlook for reducing our environmental footprint and managing our impact

We will continue our initiatives to improve efficiencies in non-renewable energy use, greenhouse gas emissions and water use; and progress renewable energy installations and responsible waste management. Progress against our 2020 aspirational targets will be reported to both our internal and external stakeholders. Synergies and opportunities presented by Barloworld Equipment's rebuild and remanufacture operations, our environmental solutions company, SmartMatta, and our solar PV offering through Barloworld Power will be leveraged and incorporated into our customer solutions offerings where appropriate.

Supplying cleaner power solutions for our customers

During the year, Barloworld was appointed by B2Gold to supply a seven megawatt (MW) solar power plant at its Otjikoto mine in Namibia. Barloworld is supplying engineering, procurement and construction services for the project.

The project constitutes one of the largest solar installations in Namibia and will reduce reliance on the heavy fuel oil power plant currently used, while improving the quality of life for nearby communities.

The system offers reliable and predictable energy in all climates and applications with modules that are independently tested to pass accelerated life and stress tests beyond industry standards. The technology is designed to reduce fuel expenses, lower utility bills, decrease emissions, and reduce the total cost of ownership while increasing energy efficiency in challenging environments.

Installation of the system is underway, with the completion of the project expected in early 2018.

GRI EN7

Our **shareholders** entrust us with their capital and expect returns on their investment.

Shareholders

Creating value for our shareholders

At a glance

Why are our shareholders considered material stakeholders?

As the primary providers of financial capital, our shareholders are critical to the success of our business. Through their ongoing support, we are able to raise the financial capital necessary to grow our business and deliver on our vision

How did we create value for our shareholders in 2017?

Through the responsible investment of the capital received from our investors, we return value to them in the form of sustainable distributions and share capital appreciation at responsible levels of risk.

- Dividends per share **390 cents**
- Total dividends paid **R830 million**
- Return on equity **10.5%**
- Cash flow **R2.6 billion**

How do we engage with them?	What are their concerns?	Our response/our strategic response	Related strategic goals
– Individual investor meetings – Investor relations website updates – Securities Exchange News Service (SENS) announcements – Conference calls – Annual general meetings – Industry and broker conferences	– Sustainable financial returns – A clear growth strategy – Disciplined allocation of capital	– Reward shareholders as the providers of financial capital – Active portfolio management – Achieve and maintain ROE above the cost of capital – Exposure to high growth industries	– Deliver top quartile shareholder returns – Drive profitable growth

Looking ahead

We will focus on fixing, optimising, and growing our business to offer shareholders top quartile financial returns.

GRI 4.13, 4.23, EC1 to EC9

Creating value for our shareholders

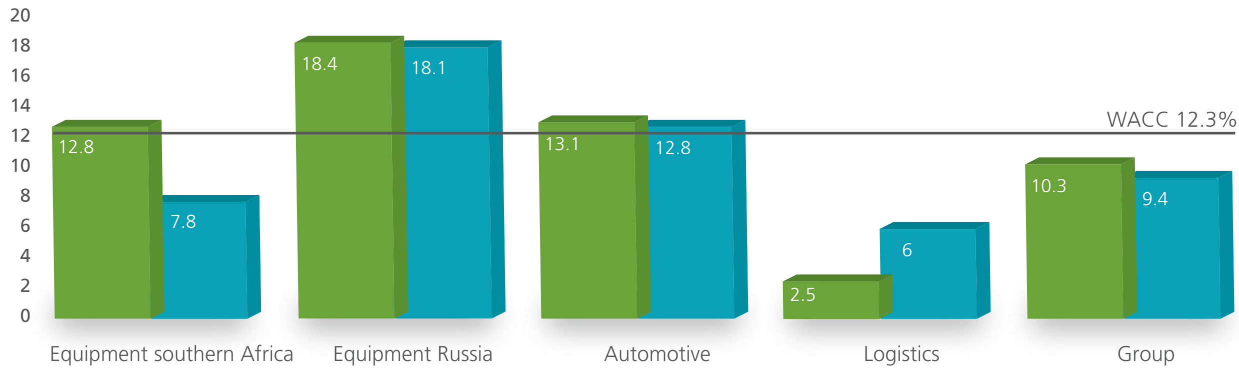
Value creation during 2017

In an ever-changing and dynamic business environment strong cash generation, disciplined capital allocation and earning financial returns above our cost of capital are essential elements in delivering long-term shareholder value.

Our integrated financial value model (IFVM) assists in identifying our businesses' most important value drivers, developing meaningful financial and operational targets, determines our progress through the application of key financial metrics and measuring the value created over the strategic plan period.

Shared value creation supports Barloworld's business philosophy of sustainable value creation for all stakeholders. This philosophy has resulted in the evolution of our IFVM which aims to provide the tools to model and measure long-term shareholder value creation.

ROIC segmental (%)



Average invested capital

	Equipment southern Africa	Equipment Russia	Automotive	Logistics	Group
FY17	**R10.2 billion**	**R2.6 billion**	**R10.1 billion**	**R2.4 billion**	**R27.1 billion**
FY16	R11.5 billion	R2.8 billion	R9.8 billion	R2.6 billion	R29.4 billion

We generate value for our shareholders primarily through the payment of dividends and growth in our share price. Against a challenging economic backdrop, for the five-year period ending 30 September 2017, a total value of over R3.7 billion has been generated for shareholders with dividend yields consistently above 2.5% in the last five years. In this same period, our share price has grown 73%, from R71.90 to R124.51 with an earnings yield in the current year of 7.8%.

Barloworld's dividend policy is to pay dividends within an annual HEPS cover range of 2.5 to 3.0 times. In the year to 30 September 2017, HEPS from continued operations increased by 16% to 974.5 cents (2016: 840.9 cents). The continued strength of our HEPS and dividend payments demonstrates our commitment to returning the value created to those who invest in Barloworld.

While our share price is impacted by a wide variety of external and internal factors, we remain committed to an active shareholder model. Our key strategic initiatives together with our achievements in the year are summarised below:

Key strategic initiatives	Achievements in the year
Fix and address underperforming businesses	– Management has taken the decision to exit the Barloworld Iberia business. This business contributed a net loss of R269 million in the current year. – The disposal of Handling and Agriculture SA into a joint venture with BayWa AG was effective 1 March 2017. – Turnaround initiatives have commenced within the Logistics business that, coupled with the acquisition of minorities in the Transport business and planned disposal of our Logistics business in the Middle East, are expected to deliver stronger returns in 2018. – There is continued focus in all businesses on ensuring that acquired businesses deliver value.
Optimise returns from existing portfolio	– The sale of one BMW dealership and the closure of one BMW and three GM dealerships following GM's exit from South Africa is anticipated to increase the returns on capital employed in the Motor Retail business. – Despite tough trading conditions, revenue, EBITDA and operating profit have remained resilient. – Focus on cost containment and increasing the efficiency of the asset base has delivered higher returns from continued operations with HEPS growth of 16% to 974.5 cents (2016: 840.9 cents). – Return on net operating assets (RONOA) increased from 16.0% in 2016 to 18.4% in 2017. – ROE from continuing operations increased from 9.3% in 2016 to 10.5% in 2017. – Introduced ROIC as profitability measurement target going forward and achieved growth in ROIC from 9.4% to 10.3% in 2017. – Operating cash flows before financing activities have remained strong at R2.6 billion (2016: R3.5 billion).
Pursue targeted high growth opportunities	– Despite a sovereign downgrade in the year, Moody's raised Barloworld's long-term National Scale to Aa1.za from Aa3.za and affirmed the short-term National Scale Rating P-1.za, citing resilient operating cash flows underpinned by our integrated business model, diversified product mix and strong liquidity profile as Barloworld's credit strengths. The outlook on the ratings of Barloworld changed from stable to negative and subsequently to rating under review on 29 November 2017 following the change of outlook on the Baa3 sovereign rating of South Africa. – Our balance sheet is geared for growth with a reduction in net debt in the year to R5.8 billion and debt is within target ranges for all businesses. – Debt maturity profile is well balanced and fund raising was successfully completed in the year in advance of bond maturities.

For more information on our financial performance and value created during 2017, refer to our finance director's report on page 20.


Timber24
MAN
ABNORMAL


CAT

Our governance, values and worldwide code of conduct **serve as a guide for all we do.**

GOVERNANCE AND REMUNERATION 6

Governance review

Barloworld is committed to the highest standards of governance, ethics, and integrity. For us, corporate governance means far more than legislative compliance and best-practice principles. Excellent corporate governance is key to ensuring we deliver on our commitments to our stakeholders, through enhanced accountability, rigorous risk and performance management and transparency.

Ethical leadership

We are committed to doing business ethically while building a sustainable company that recognises the short and long-term impact of its activities on the economy, society, and the environment. We believe ethical leadership is the foundation upon which we create value for our stakeholders.

The board provides effective leadership based on a principled foundation and is ultimately responsible for the company's ethics performance.

Executive management is, in turn, responsible for setting up a well-designed and properly implemented ethics management process.

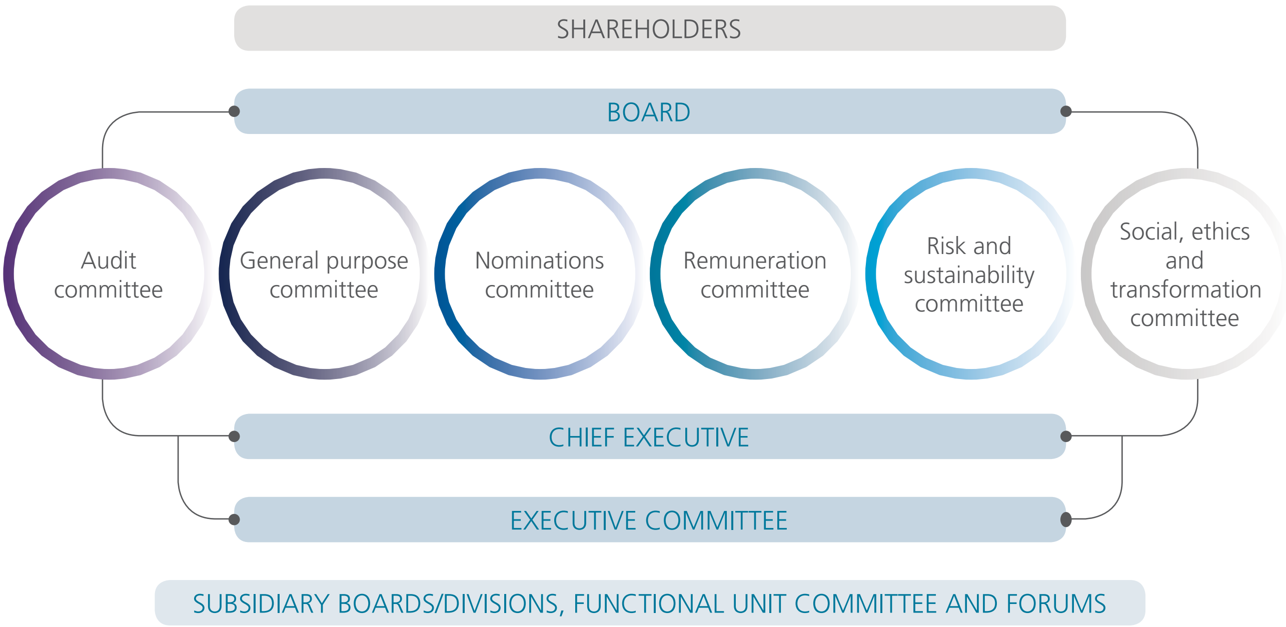
The group is governed by the Barloworld Worldwide Code of Conduct and Code of Ethics. The Code of Ethics requires Barloworld directors, management, and employees to obey the law, to respect others, to be fair, honest and to protect the environment. The Worldwide Code of Conduct articulates Barloworld's commitment to doing business the right way, according to best practices, guided by our values.

Our ethics and compliance programme is designed to further entrench and integrate good corporate governance throughout the group. We continue to perform assessments of ethical risks and opportunities and integrate these into the risk management processes.

GRI 4.34 to 4.58

Our governance framework

Our governance framework supports our value creation process and enables the delivery of our vision. The board ensures that there are the necessary committee structures, including the executive committee, empowered with clear terms of reference that assist the board in discharging its responsibilities.

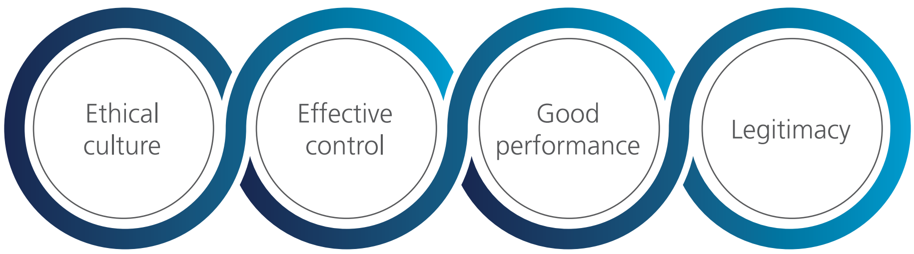


King Report on Corporate Governance for South Africa 2016 (King IV)

King IV is a principle and outcomes-based approach to corporate governance.

Barloworld embraces the principles and outcomes of King IV. During the year, work was performed to embed the principles of King IV into our business. We are materially compliant with King IV, and a statement on our application of the principles of King IV is available on www.barloworld.com

Outcomes of King IV



Governance review

Executive directors

Dominic Malentsha Sewela
(CE)
Age: 52
Qualification: BSc Chemical Engineering
Nationality: South African
Committees:

Donald Gert Wilson
(Finance director)
Age: 60
Qualification: BCom, CTA, CA(SA)
Nationality: South African
Committees:

The company's governance framework supports our strategic focus areas. The board plays a pivotal role in strategy planning and establishes clear benchmarks to measure the company's strategic objectives.

It ensures that a sound structure and governance framework that will enhance good corporate governance, improve internal controls and company performance is in place.

Governance framework and committee membership key:

- Audit committee
- General purpose committee
- Nominations committee
- Remuneration committee
- Risk and sustainability committee
- Social, ethics and transformation committee

Non-executive directors

Dumisa Ntsebeza
(Independent non-executive director)
(Chairman)
Age: 67
Qualification: BA, BProc, LLB, LLM (International Law)
Nationality: South African
Committees:

Peter Schmid[1]
(Independent non-executive director)
Age: 54
Qualification: BCom (Hons), CA(SA)
Nationality: South African
Committees:

Steven Pfeiffer and Clive Thomson retired from the board of Barloworld Limited and its sub-committees at the annual general meeting on 8 February 2017. John Blackbeard retired on 31 April 2017 and Babalwa Ngonyama resigned on 11 May 2017 from the board of Barloworld Limited and its sub-committees. Peter Bulterman retired as executive director of the board of Barloworld Limited on 8 February 2017 and remained in the employ of the company.

Michael Lynch-Bell[1]
(Independent non-executive director)
Age: 64
Qualification: BA (Hons) Economics and Accountancy, FCA of the ICAE
Nationality: British
Committees:

Frances Ngozichukwuka Oluwatoyn Edozien
(Independent non-executive director)
Age: 52
Qualification: BA Social Studies, MBA, MA
Nationality: Nigerian
Committees:

Sibongile Susan Mkhabela
(Independent non-executive director)
Age: 61
Qualification: BA Social Work (Hons), Dip Business Management, MAP
Nationality: South African
Committees:

Hester Hickey[1]
(Independent non-executive director)
Age: 63
Qualification: BCompt (Hons), CA(SA)
Nationality: South African
Committees:

Nomavuso Patience Mnxasana[2]
(Independent non-executive director)
Age: 61
Qualification: BCompt (Hons), CA(SA)
Nationality: South African
Committees:

Neo Phakama Dongwana
(Independent non-executive director)
Age: 45
Qualification: BCom (Hons), MCom, CA(SA)
Nationality: South African
Committees:

Sango Siviwe Ntsaluba
(Independent non-executive director)
Age: 57
Qualification: BCom, BCompt (Hons), HDip Tax Law, CA(SA), MComm
Nationality: South African
Committees:

Oupa Isaac Shongwe
(Independent non-executive director)
Age: 55
Qualification: BA (Hons), MPhil (Oxon)
Nationality: South African
Committees:

[1] *Appointed 1 April 2017.*
[2] *Appointed 6 October 2017.*

For directors' detailed CVs, refer to the full corporate governance report on www.barloworld.com.

Governance review

Composition

Designation

Executive	Independent non-executive
2	10

Tenure

0 – 3 years	4 – 8 years	>9 years
4	3	5

Nationality

South African	International
10	2

Race

Black	White
8	4

Gender

Female	Male
5	7

Age

40 – 50	51 – 55	56 – 60	>60
1	4	2	5

Skills and experience

The board's diverse backgrounds ensure a wide range of skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

- Skills and experience
- Finance
- Legal
- Mergers and acquisitions
- Strategy
- Risk
- Corporate governance

Board of directors

Role and function of the board

The board steers and sets the direction of the group and brings independent judgement and leadership to material decisions, while ensuring strategy, risk, performance and sustainable development considerations are integrated into decision-making and appropriately balanced.

The board functions in accordance with the requirements of King IV and within the context of the Companies Act, the Listings Requirements of the JSE Limited and other applicable laws, rules and codes of governance. The board is responsible for, among other things, the governance of risk and information technology, and has ensured that the company has an effective, independent audit committee and an effective risk-based internal audit function. The board is satisfied that it fulfilled all its duties and obligations in the 2017 financial year.

Composition of the board

Considerable thought is given to board balance and composition. Collectively, the board believes the current mix of knowledge, skill and experience meets the requirements to lead the company effectively.

There is clear balance of power and authority at board of directors' level and no one director has unfettered powers of decision-making.

The board has evaluated the rationale and meaning of the requirements of independence of directors in accordance with King IV. An assessment of the factors and circumstances of each non-executive director is performed annually. The independence of non-executives who have served on the board for longer than nine years is also assessed annually. The board is satisfied that all the non-executive directors are independent. Mr Isaac Shongwe, who transitioned from an executive director to a non-executive director of Barloworld Limited on 1 June 2014, has fulfilled the requirements of King IV and is now considered to be an independent non-executive director.

Ms Ngozi Edozien and Messrs Sango Ntsaluba and Dominic Sewela are required to retire by rotation in accordance with the Memorandum of Incorporation (MOI) at the forthcoming AGM. Ms Hester Hickey and Nomavuso Mnxasana and Messrs Michael Lynch-Bell, Peter Schmid, having been appointed as directors during the course of the 2017 calendar year, are required to stand for election at the AGM.

Chairman and chief executive officer (CE)
The roles of the chairman and CE are clearly differentiated.

Chairman	Responsible for leading the board, ensuring its effectiveness and setting its agenda.
CE	Leads the executive team in running the business, developing strategy and coordinating proposals for consideration by the board.

Board appointment process
Barloworld has a rigorous and transparent policy regarding the appointment of directors to the board.

Nominations committee	→ Board	→ Shareholders
Proposes directors to the board for consideration on the basis of their skills, knowledge and experience, and taking into account gender and race diversity appropriate to the needs of the company.	Considers the recommendations of the nominations committee before making an appointment.	All newly appointed directors are subject to confirmation at the next annual general meeting of shareholders following their appointment.

Succession planning
Barloworld is committed to forward-thinking succession planning to ensure stability within the leadership. The board ensures that it has robust succession plans that recognise the businesses' current and future needs, taking into account the group's strategy.

During 2015/2017, through a careful and rigorous process, the group's new CE was identified and appointed. Looking ahead, an equally thorough process will be conducted to identify the next board chairperson.

Director development
The development of industry and group knowledge is a continuous process. Directors are briefed on legal developments and changes in the risk and general business environment on an ongoing basis. We inform newly appointed directors of Barloworld's business as well as their own duties and responsibilities as directors.

Directors are able to seek independent professional advice concerning the company's affairs should they require.

Board evaluation
To assess the board's effectiveness and that of its committees, we conduct an external board evaluation every two years and internal assessments in the intervening years. Due to the appointment of new non-executive directors during the year, the board decided to postpone the next assessment to 2018. This will allow sufficient time for the changes to bed down and allow for a more effective and meaningful evaluation.

Progress against our 2016 evaluation
The results of the 2016 evaluation indicated that, overall, the board was functioning well. Two areas of improvement were raised and addressed as follows.

Concerns highlighted	Action undertaken
The size of the board and the mix of skills, experience and demographic diversity need to be reviewed	✓ As part of the strategic review process and the board succession plan, the board reviewed its composition in depth. The analysis included the review of skills, knowledge, expertise and experience, qualifications, tenure, diversity in relation to gender, race and nationality, and composition in respect of executive directors and non-executive directors. This exercise resulted in a number of changes on the board.
The board needs to prioritise and address appropriate issues accordingly	✓ As part of the strategic review process and managing for intrinsic value, the board has realigned the agenda to ensure that the board prioritised a list of issues and opportunities that require decisions from the board and deliver on the approved strategy.

Governance review

In accordance with the JSE Listings Requirements, the board has considered and satisfied itself that:

Finance director
Don Wilson, finance director, has appropriate expertise and experience to meet the responsibilities of his appointed position.

The board has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

Company secretary
Lerato Manaka demonstrates the requisite level of knowledge and experience to carry out her duties and maintains an arm's length relationship with individual directors.

Furthermore, she is neither a director nor a public officer of the company or any of its subsidiaries.

Board and committee meetings report back

Committees	Length of service	Board	Audit[1]	GPC[2]	Nomco[3]	Remco[4]	R&S[5]	SETC[6]
	Non-executive directors							
Dumisa Ntsebeza (Chair)	18.4 years	6/6˜		7/7˜	6/6˜	5/5		6/6
Neo Dongwana	5.5 years	6/6			3/3	3/3˜	4/4	6/6
Ngozi Edozien	3.6 years	6/6	7/7					
Hester Hickey	0.6 years	3/3					1/1˜	
Michael Lynch-Bell	0.6 years	3/3	2/2					2/2
Sibongile Mkhabela	11.8 years	5/6			6/6			5/6˜
Nomavuso Mnxasana	N/A	N/A	N/A					
Sango Ntsaluba	9.2 years	5/6	7/7˜	7/7		5/5	4/4	
Peter Schmid	0.6 years	3/3		2/3		1/2		
Isaac Shongwe	10.8 years	6/6		5/5	6/6	2/2		4/4
	Executive directors							
Donald Wilson	11 years	6/6	Invite				4/4	
Dominic Sewela	3.6 years	6/6	Invite	5/5	Invite	Invite	4/4	4/4

˜ *Chairman of the board and chairmen of the respective committees.*
[1] *Audit: appointment of Michael Lynch-Bell on 11 May 2017.*
[2] *General purpose: appointment of Dominic Sewela on 8 February 2017 and Peter Schmid on 11 May 2017.*
[3] *Nomination: appointment of Neo Dongwana on 11 May 2017.*
[4] *Remuneration: appointment of Neo Dongwana on 8 February 2017 and Peter Schmid and Isaac Shongwe on 11 May 2017.*
[5] *Risk and sustainability: appointment of Hester Hickey as chair on 11 May 2017.*
[6] *Social, ethics and transformation: appointment of Dominic Sewela on 8 February 2017 and Michael Lynch-Bell on 11 May 2017. Isaac Shongwe stepped down from the committee on 11 May 2017.*

The audit, general purpose, nominations and social, ethics and transformation committees each held an additional one special meeting.

Board and committees responsibilities

Board	– Reviewed and approved the new group strategy – Adopted a formal board appointment and diversity policy which recognises and embraces the benefits of diversity at board level, to enhance the range of directors' perspectives – Exercised independent, informed and effective judgement to bear on material decisions of the company and group companies
Audit	– Assisted the board in its responsibilities, covering the internal and external audit processes for the group, taking into account the significant risks, the adequacy and functioning of the group's internal controls and the integrity of financial reporting. (For more details on the responsibilities of the audit committee refer to the audit committee report included in the 2017 financial statements on our website, www.barloworld.com.)
General purpose	– Reviewed significant transactions and legal matters, including matters of a strategic nature
Nominations	– Provided advice and guidance on succession planning, director appointments and director induction and training
Remuneration	– Advised and provided guidance to the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards and administration of share-based incentive schemes. (For more details on the responsibilities of the remuneration committee, refer to the remuneration report on pages 106 to 117)
Risk and sustainability	– Set the group risk culture, appetite, framework, policies and strategy and ensured that robust risk management processes are in place – Addressed sustainable development in the company including climate change and environmental stewardship
Social, ethics and transformation	– Assisted the group in discharging its social, ethics and transformation responsibilities and implementing practices consistent with good corporate citizenship. (For more details on the responsibilities of the social, ethics and transformation committee, refer to the chairman's report on page 118)

For more details on the responsibilities, powers, policies, practices and processes of the board, directors and committees, refer to the board charter and committee terms and reference, as well as the company's memorandum of incorporation, on our website, www.barloworld.com.

Remuneration report

Part 1: Background statement

Dear shareholders

I am pleased to provide you with the Barloworld Limited (Barloworld or the company) remuneration report for the year ended 30 September 2017.

We have considered the impact of the King IV Code on Corporate Governance on the remuneration policy and disclosure and have adopted a number of the recommended practices in this year's report. This report is set out in three parts: part 1 contains the background statement. Part 2 sets out the company's remuneration philosophy and policy, and part 3 details the implementation of the policy in the 2017 financial year.

The committee is pleased with the previous voting results achieved at the 2017 AGM, 80.62% of shares voted, and will continue to engage with shareholders on important issues relating to remuneration.

As part of the strategic review process that is underway, the current group remuneration philosophy and policy was reviewed to ensure alignment with the new strategy and determine how the policy could enhance the organisational alignment that the company is seeking to create.
The proposed remuneration approach is key to delivering the strategic objectives of the company, instilling the company's desired performance culture, as well as remunerating and rewarding people accordingly.
Engagements in respect of the proposed models were held and will continue to be held with shareholders.
The company is in the process of considering the implementation impact of the proposed changes and will fully report on the new policy in the company's 2018 remuneration report. The new remuneration philosophy will come into effect during the 2018 financial year.

The company continues with the practice of fair, responsible and equitable remuneration. In this regard, the remuneration committee regularly reviews the company's internal wage gap. In addition, lower increases are generally granted to executive management compared to the rest of the employees. The remuneration committee further seeks to find a balance between the interests of executives and shareholders to ensure fair and responsible outcomes – for this reason a significant portion of the pay of our senior employees is at risk and subject to stretching performance conditions.

As in the past, our hope is that this report evidences the company's continued focus on responsible remuneration that is performance-based and driven by sound governance principles.

We trust that we have provided a clear summary of the remuneration policy and detailed explanations of the executive management team's remuneration and that you find this to be a comprehensive overview. The committee will continue to maintain an open and constructive dialogue with investors and their representative bodies.

NP Dongwana
Chairperson of the remuneration committee

16 November 2017

Part 2: Policy

In order to provide full context to the implementation of the policy during 2017, an overview of the company's current remuneration policy is provided and to the extent possible, the changes applicable from 2018 have also been summarised. As mentioned in part 1 of the report, the highlights of the new policy have been discussed with shareholders and the company, and remuneration committee will undertake further work during the year to refine and fully implement the proposed changes.

Governance and the remuneration committee

Role of remuneration committee

The remuneration committee operates under terms of reference, a copy of which can be found on our website www.barloworld.com. The remuneration committee also complies with King III recommendations insofar as reporting to the board and attendance at the annual general meeting is concerned and have reviewed the King IV proposals.

Members of remuneration committee

The remuneration committee is constituted as follows:
- NP Dongwana (chairperson) (independent non-executive), appointed on 8 February 2017
- SB Pfeiffer (previous chairperson) (independent non-executive), retired on 8 February 2017
- DB Ntsebeza (independent non-executive and chairperson of the company)
- SS Ntsaluba (independent non-executive)
- B Ngonyama (independent non-executive) resigned 11 May 2017
- P Schmid (independent non-executive) appointed 11 May 2017
- OI Shongwe (independent non-executive) appointed 11 May 2017.

The CE attends remuneration committee meetings by invitation, but does not participate in the voting process, and is not present when his own remuneration is discussed or considered. PricewaterhouseCoopers (PwC), the company's independent advisers, attend the meetings in an advisory capacity. The company secretary, Ms L Manaka, acts as secretary to the remuneration committee.

Advisers

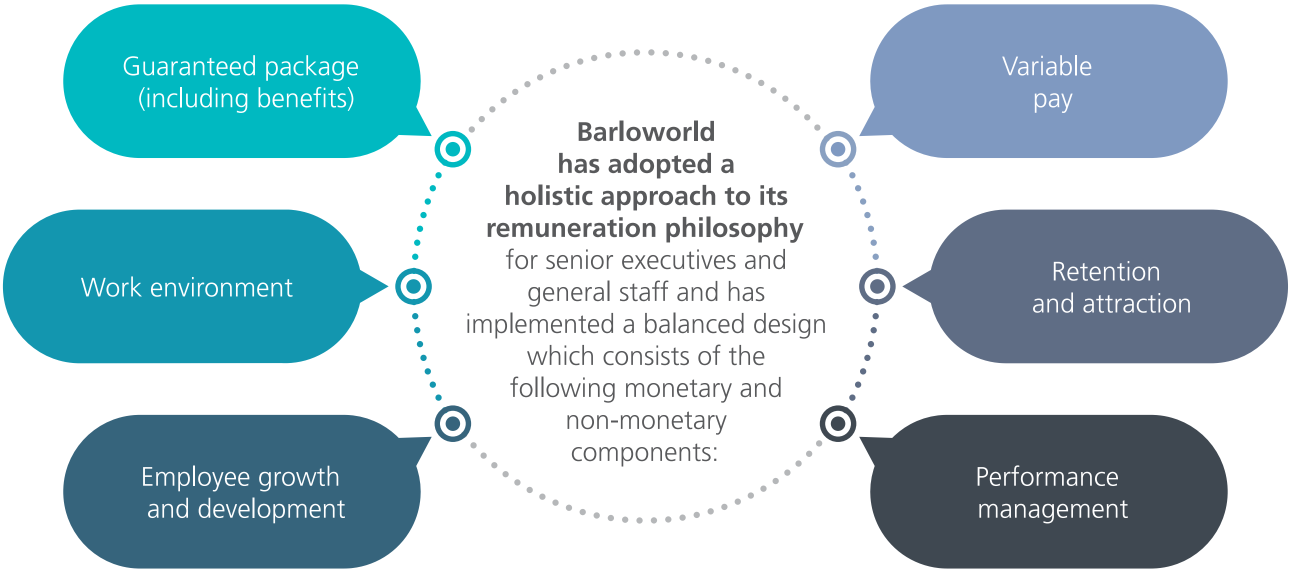
During the 2017 financial year, the remuneration committee received advice and guidance from the following independent advisers:
- PwC – standing adviser to the remuneration committee on all executive and non-executive remuneration matters including guaranteed pay, short-term incentives, long-term incentives, non-executive directors' fees, remuneration reporting and general corporate governance standards

- PE Corporate Services – executive salary benchmarking and job grading
- 21st Century Pay Solutions – review of the remuneration strategy and policy for the 2018 financial year to align with the objectives of the company's new strategy as approved by the board in March 2017.

Shareholder engagement
The remuneration committee is committed to shareholder engagement and will take necessary measures in the event that 25% or more of the shareholders vote against the remuneration policy or implementation report, including actively engaging with its shareholders and will report on the outcomes of the discussions and measures taken.

Overview of remuneration for executive directors and prescribed officers
Our business strategy concentrates on our strategic focus areas, which are supported by key performance indicators.

The reward of our employees, executive directors and prescribed officers aligns with our dedication to achieving our strategic objectives.



Divisional incentive plans are aligned such that divisional executives and management are incentivised on similar financial targets to executive directors, with total incentives benchmarked against market comparisons for equivalent levels of management.

Barloworld's remuneration philosophy and the reward of our employees, executive directors and prescribed officers aligns with our dedication to achieving our strategic objective to be the investment of choice by delivering top quartile returns to our shareholders, as measured by the return we generate on the capital invested. Based on our philosophy, we are committed to providing remuneration that is competitive in relation to market benchmarks reviewed by the company annually.

Role of benchmarking, and salary adjustments
Barloworld operates the Towers Watson global grading methodology and structure. This assesses an executive's remuneration against an independently determined grade which is based on a number of factors including the "size" of the job (as measured by revenue and number of employees) as well as its "complexity" (incorporating aspects such as whether it is a domestic, international or global business).

Remuneration of divisional executives and senior management below executive director level is also benchmarked to independent market information based on the same grading system.

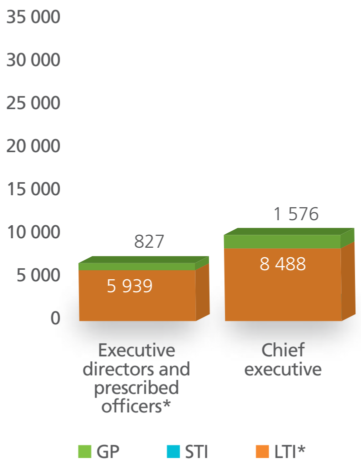
The remuneration committee approves salary increases and incentives for executive directors and prescribed officers on an individual basis. The salary adjustments for other employees are cascaded downwards throughout the group to the appropriate heads of divisions starting with the divisional CE that approves the salary increases and incentives for executives on the divisional management boards.

Package design
Below we set out the potential executive director and prescribed officers' total remuneration including guaranteed pay (GP), short-term incentive (STI) and long-term incentive (LTI) at different levels of performance.

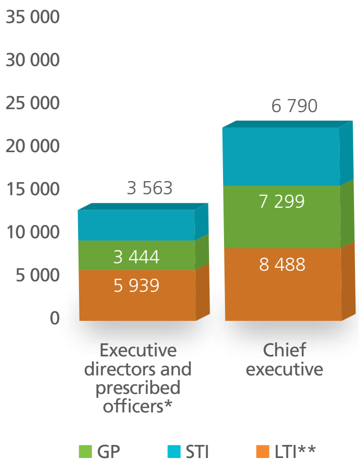
Executive remuneration is heavily weighted toward variable remuneration. The graphs set out the chief executive's, as well as the average of the executive directors' and the prescribed officers' pay mix at below threshold performance, at targeted performance and at stretch target or outperformance.

Remuneration report

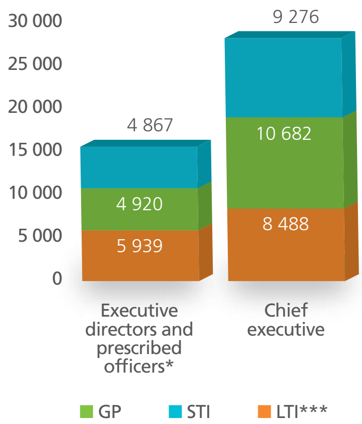
Below threshold performance (R000)



At targeted performance (R000)



At stretch or outperformance (R000)



Note: the tables reflect the current policy.

** Indicative LTI expected value on grant date for retention element of award only.*

*** Indicative LTI expected value on grant date.*

**** Indicative LTI expected value on grant date assuming full vesting.*

Elements of remuneration

The table below summarises the composition of the total remuneration package for executive directors and prescribed officers during the 2017 financial year and contains details on the LTI as it applies to all eligible employees. There were no material changes to the remuneration philosophy and practices in respect of executive directors and prescribed officers during the year under review. The changes applicable for 2018 are indicated below:

Element		Objective	Policy	Changes for 2018
Fixed	**Base salary**	Reflects scope and nature of role, performance and experience.	In most cases, base salary is benchmarked to the market median. Variations around the median may be influenced by factors such as the nature of the assignment, level of experience of the executive, changes in responsibilities, performance track record, and strategic importance of the role. The company uses independent consultants, PE Corporate Services, to conduct the annual benchmarking exercise, and the results are discussed with PwC, as standing advisers to the remuneration committee. The level of base pay paid to executives is considered to be competitive.	None
	Benefits	Provides employees with contractually agreed basic benefits such as medical aid, retirement funding and a company car or car allowance as per the human resource policy.	The percentage of company contribution to benefits varies by country. In South Africa, a 14% company contribution to retirement funds and risk benefits applies.	No proposed changes

Element		Objective	Policy	Changes for 2018
Variable	**Short-term incentives (STIs)**	Rewards and motivates achievement of agreed group, divisional and individual performance objectives.	STIs are paid in cash and are based on achievement of 12-month targets aimed at increasing shareholder value. The STI operates on an additive basis and is capped at 125% of annual basic salary for executives and 150% for the CE. The criteria for earning a bonus consists of three elements: – personal scorecard objectives (incorporating non-financial measures). The attainment of agreed personal objectives will yield a maximum value of up to 30% of annual basic salary. The participant will need to have achieved a minimum of 70% of these objectives to qualify for this portion of the bonus – diversity objectives, yielding a maximum value of up to 10% of annual basic salary – financial performance targets, counting 60% of annual salary for an on-target performance. The attainment of financial objectives will yield a maximum value of up to 85% of annual basic salary for executives and 110% for the CE. Threshold, target and stretch performance targets are set by the remuneration committee annually in advance. The remuneration committee reviews the actual performance of the executives against the targets set. The ultimate bonus payment is at the discretion of the remuneration committee.	From 2018 onwards, all members of executive management will have a greater weighting towards group performance measures. In addition, the performance conditions and weightings will be reviewed (further details are provided below). Finally, the on-target and stretched percentages will also be reviewed.
	Long-term incentives (LTIs)	Creates loyalty and ownership among eligible employees and acts as a retention mechanism. Also aligns with shareholder interests and long-term value creation.	The company operates the following LTI plans: – forfeitable share plan (FSP) – share appreciation rights (SAR) scheme. The long-term incentivisation and retention of executive directors and prescribed officers are essential to drive sustainable value creation over multiple reporting periods and for shareholders of the company. This is achieved through the FSP and SAR scheme. In line with these objectives, in the case of the executive directors and prescribed officers, the FSP is 25% retention driven and 75% performance driven, and the SAR scheme is 100% performance driven. From 2016 participants who are not executive directors and prescribed officers no longer participate in the SAR scheme and receive a combination of performance and retention awards under the FSP. An aggregate limit of 22 744 049 (twenty-two million, seven hundred and forty-four thousand and forty-nine) shares, equating to approximately 10% (ten percent) of the current issued share capital of the company applies to all the share plans. The maximum number of unvested FSP awards which may be made to any one participant is 0.25% of the issued ordinary share capital of the company. Similarly, the maximum number of unvested SARs granted to any one participant may not exceed 1% of the issued ordinary share capital of the company. On an annual basis, the remuneration committee determines the quantum of awards to be made, the performance targets and mix of instruments to be granted to eligible employees.	Both LTI plans will be retained during 2018, but the mix between FSP and SAR awards will be reviewed. In the case of the LTI awards for the CE, executive directors and prescribed officers, 70% of the LTI award will be in the form of SAR and 30% in the form of FSP.

Remuneration report

Element		Objective	Policy	Changes for 2018
Variable continued	**Long-term incentives (LTIs)** continued		**Forfeitable share plan (FSP)** Awards are structured as forfeitable share awards, ie participants receive shares (including dividend and voting rights) on the date of award but those shares are subject to restrictions and a risk of forfeiture during a three-year vesting period. In respect of executive directors and prescribed officers, the vesting (over a three-year period) of the majority of the forfeitable share awards is subject to the satisfaction of performance targets. To the extent that the performance targets are not achieved, those shares will be forfeited and there will be no retesting of the performance targets. The total shareholder return (TSR) peer group used for the FSP was reviewed during 2016 and the relative weightings for the FSP performance conditions were reviewed (full details are set out in Part 3 of this report). **Share appreciation rights (SAR)** The SAR was developed to provide employees with an opportunity to benefit from growth in the value of the ordinary shares of Barloworld. From 2016 onwards, only executive directors and prescribed officers participate in the SAR scheme. The SARs are subject to three, four and five-year vesting periods. All SARs will lapse if not exercised within six (6) years from date of grant. The first four awards (2006 to 2009) were cash settled. From 2011 onwards, awards are equity settled. From 2007, the entire SAR award was subject to a performance target, as set out below.	

Performance targets

The financial metrics for short and long-term incentives are set by the remuneration committee on an annual basis, and are carefully selected based on key business drivers over the short and long term.

The current metrics are as follows:

Short-term incentive

Financial metrics (60% weighting)

A combination of the following metrics are used and equal weightings are applied (the weightings of the measures are evaluated on an annual basis):
- Operating profit
- Cash flow
- Return on equity (ROE)
- Headline earnings per share (HEPS)

Group targets apply to the CE and financial director. These are considered appropriate due to the strategic nature of these roles in relation to the performance of the group as a whole.

Divisional targets apply for the rest of the executive directors and prescribed officers, with the exception of HEPS, which is measured for all participants on a group basis in recognition of the collective responsibility for group performance.

The targets set take into account the current trading conditions and challenges faced by the company or relevant division and incorporate a meaningful level of stretch to motivate and retain senior employees. The threshold targets are set at a level which represents the minimum level of acceptable performance for the business.

Personal scorecard objectives (30% of annual basic salary)

In respect of personal scorecard objectives, these would typically include aspects such as:
- Safety performance
- Market share targets
- People development and training
- Sustainable development key performance indicators
- Customer loyalty and satisfaction
- Relationships with principals
- Aftermarket growth targets
- Acquisitions and disposals
- Special projects.

The personal objectives component of the scheme is the same for the CE, executive directors and prescribed officers. The percentage of annual basic salary paid as the portion of the STI which is attributable to personal performance, is represented in the table below.

Diversity objectives (10% of annual basic salary)

The attainment of specific workforce diversity targets (gender, race, localisation) will have a value of up to 10% of annual basic salary.

Earning levels

The percentage of basic salary paid as a bonus based on relative achievement against targets (threshold, target and stretch) is:

CE	Threshold	Target	Stretch
Performance metric	**%**	**%**	**%**
Bonus based on financial targets	25	75	110
Bonus based on personal scorecard objectives	15	22.5	30
Bonus based on diversity objectives	–	5	10
Total bonus	**40**	**102.5**	**150**

Executive directors and prescribed officers	Threshold	Target	Stretch
Performance metric	**%**	**%**	**%**
Bonus based on financial targets	25	60	85
Bonus based on personal scorecard objectives	15	22.5	30
Bonus based on diversity objectives	–	5	10
Total bonus	**40**	**87.5**	**125**

Anticipated changes

In terms of the new policy, it is anticipated that all executives will have a greater weighting towards group performance. The rationale for the change is to enhance the organisational alignment and ensure alignment with the new strategy. The weighting between financial targets, personal scorecard and diversity objectives will be 65%, 25% and 10% respectively. Finally, the on-target and stretch percentages will be reviewed.

Long-term incentives

Details surrounding the current performance conditions for the LTIs are set out below:

	SAR	FSP
Performance condition(s) and weighting	**Headline earnings per share (HEPS)** SARs are also subject to the inherent performance condition of share price appreciation above the strike price (being the current share price at the date of issue).	The following performance targets are used: – Relative total shareholder return (TSR) – HEPS – Return on net operating assets (RONOA). The relative weighting of the performance conditions are reviewed on an annual basis.
Vesting of awards at threshold performance.	25%	30%
Vesting of awards at on-target performance.	100%	100%
Performance period	The performance conditions are measured over a three-year period, commensurately with the financial years of the company.	

Remuneration report

Executive contracts

The main terms of the service contracts applicable to executive directors are summarised below:

Provision	Policy
Contract term	Indefinite – (or until normal retirement age in the relevant jurisdiction) subject to specified notice periods by the executive and the company.
Notice period	Nine months for the group CE. Six months for other executive directors.
Termination of employment and change of control payments and/or automatic vesting of long-term incentives	Change of control provisions are covered by FSP and SAR rules and allow for proportionate vesting of awards. Change of control clauses in employment contracts provide for redundancy terms, based on established guidelines, in the event of termination of employment within six months of change of control.
Restraint of trade	Not applicable.
Other benefits	Certain executives may be employed in terms of expatriate contracts which include typical expatriate benefits in addition to the standard benefits.

Non-executive directors

Non-executive directors are appointed subject to the provisions set out in a letter of appointment. The letter sets out, among other things, the term of appointment, duties and responsibilities, fees and other payments, and provisions related to termination of services.

NEDs receive a standard fee for their services on the board and board committees. The remuneration committee reviews the level of fees and makes recommendations to the board for consideration. In November 2017, a benchmarking exercise was conducted by PwC, the company's independent remuneration adviser. The benchmark analysis was against a comparator group comprising JSE listed companies. The PwC report indicated that Barloworld NED fees continued to significantly lag the comparator group median. The CE recommended that increases should be made to fees that were significantly below market levels. However, a staggered approach would be followed to align the fees to market levels overs a few years. Pursuant to the binding ruling of the South African Revenue Service dated 10 February 2017, with effect from 1 June 2017, a non-executive director, who earns in excess of R1 million in non-executive director's fees from all appointments in any 12-month consecutive period, is required to register for and charge VAT on such fees, subject to certain exceptions. The NED fees approved by shareholders at the annual general meeting (AGM) held 8 February 2017 did not make provision for VAT to be charged by the NED. Accordingly, the company took the view that the approved fees were deemed to be inclusive of VAT, to the extent that VAT is payable by any NED. This resulted with NEDs liable for VAT forfeiting 7% of the approved annual fees from 1 June 2017. The proposed fees for the 2018 financial year are set out in the notice to the AGM on page 6 of the AGM booklet. The fees have been increased to align Barloworld NEDs to the comparator group median.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on the aforementioned Part 2 of this report.

Part 3: Disclosure of the implementation of the policies for the period under review

Key remuneration decisions taken during the year

The remuneration committee discussed the following matters during 2017:

- Reviewed the company's existing remuneration policy
- Approval of the long-term incentive awards, inclusive of the mix of instruments to be used and company performance conditions relating thereto
- Review of the TSR peer group for the FSP awards
- Approval of the targets and weighting of the performance measures of the short-term incentive plan
- Approval of executive salary increases
- Approval of the short-term incentive payments
- Reviewed personal scorecard objectives of the executives and included separate targets and weighting on diversity and inclusion
- Reviewed and selected appropriate peer group companies for benchmarking in 2017
- Reviewed and approved the company's remuneration report and policy
- Reviewed and recommended increases to non-executive director fees
- Reviewed King IV principles
- Reviewed global and national developments in respect of executive remuneration
- Reviewed the remuneration committee terms of reference
- Reviewed and considered executive shareholding requirements
- Reviewed pay equity trends in the group.

Guaranteed package/base salary adjustments

On average executives received a 6% increase. Details of the basic salary and guaranteed packages (basic salary plus benefits) paid to each of the executive directors and prescribed officers during the 2017 financial year are set out on page 115 of this report.

2017 short-term incentive outcomes

Performance against group financial targets

Operating profit

Operating profit for the year ended 30 September 2017 maintained at

R4.1 billion

This exceeded threshold and fell short of target as approved by the remuneration committee

Return on equity

ROE of

10.5%

exceeded threshold and fell short of target

Headline earnings per share

HEPS from continuing operations increased by

16%

to 975 cents

This exceeded outperformance as approved by the remuneration committee

Cash flow

Cash inflow was

R2.6 billion

before financing activities

This inflow exceeded the outperformance target approved by the remuneration committee

Clive Thomson (former Chief executive), Dominic Sewela (Chief executive) and Don Wilson (Finance director) were measured against group financial targets.

Remuneration report

Performance against divisional financial targets

Specific divisional financial targets for operating profit, ROE and cash flow are approved by the remuneration committee for the divisional executive directors and prescribed officers. However, group HEPS is also used as one of the targets in view of their group-wide responsibility as members of the Barloworld executive committee.

Peter Bulterman's responsibilities include Equipment southern Africa, Iberia and Russia and he was therefore measured against divisional financial targets weighted appropriately for all three businesses. The divisional performances were as follows:

- Equipment southern Africa exceeded the stretch for operating profit and cash flow, and met target for ROE
- Equipment Russia exceeded the stretch target for ROE, met the target for operating profit and met threshold for cash flow
- Equipment Iberia exceeded the stretch for cash flow, but did not meet the threshold for operating profit and ROE
- Automotive exceeded target for operating profit and met threshold for ROE, while exceeding stretch for cash flow
- Logistics exceeded stretch for cash flow, but did not meet operating profit and ROE threshold.

STI payments

Annual bonus payments are paid in cash following finalisation of the company's audited financial results for the year in question, and are not deferred.

Annual bonus payments made to executive directors and prescribed officers are disclosed on page 115 of this report.

Financial metric components carried an equal weighting. In this context, STIs, represented as a percentage of basic salary for the year ended 30 September 2017, were calculated as follows, displayed against the potential maximum bonus which each executive could receive:

	Personal and diversity scorecard component (% of basic)	Financial metric component (% of basic salary)				Total bonus as % of basic	Potential maximum bonus as a % of basic
		Operating profit	ROE	Cash flow	HEPS		
CE							
D Sewela	23.5	12.7	7.5	27.5	27.5	98.7	150
Executive directors							
DG Wilson	23	10.8	7.1	21.3	21.2	83.4	125
Prescribed officers							
PJ Bulterman	24.4	17.2	14.2	19.9	21.2	96.9	125
E Leeka	24.5	21.2	15.4	21.3	21.2	103.6	125
PK Rankin	24	17.9	12.1	21.3	21.2	96.5	125

(Note: The actual short-term incentive Rand amount expressed as a percentage of the basic salary may differ slightly with the above percentages owing to exchange rate fluctuations during the year on offshore salaries, where applicable).

Payments to outgoing directors

Mr Clive Thomson retired as executive director of the board, member of sub-committees and CE of the Barloworld group as part of a structured succession plan at the AGM held 8 February 2017. He remained in the employ of the company in an advisory capacity until 30 June to ensure an effective handover process and seamless leadership to incoming CE, Mr Dominic Sewela. His remuneration is disclosed below and his other benefits include severance pay, leave pay, long service awards and a pro rata STI up until the date he left the company.

Mr John Blackbeard retired as executive director of the board and from the company on 30 April 2017. His remuneration is disclosed below and his other benefits include severance pay, leave pay, long service awards and a pro rata STI up until the date he left the company.

2017 total remuneration outcomes

	Salary	Retirement and medical contribu-tions	Car benefit	Other benefits	Bonus	Total 2017
2017	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**
Executive directors						
Residents						
PJ Bulterman (retired 8 February 2017)*	2 316	383	90	1	5 154	7 944
CB Thomson (retired 8 February 2017)**	3 490	703	95	32 847	5 852	42 987
DG Wilson	4 239	1 056	246	2	3 605	9 148
DM Sewela	7 121	1 096	268	3	7 079	15 567
Non-resident						
PJ Blackbeard (resigned 31 April 2017)	4 071	674	154	14 817		19 716
Total executive directors	21 237	3 912	853	47 670	21 690	95 362
Prescribed officers						
PJ Bulterman	2 942	477	161	2		3 582
E Leeka***	3 548	621	430	1 369	3 527	9 495
PK Rankin***	4 020	756	161	1 369	3 879	10 185
Total prescribed officers	10 509	1 854	752	2 740	7 406	23 262
Grand total	31 746	5 766	1 605	50 410	59 096	118 624

* *On retirement from the board, PJ Bulterman became a prescribed officer.*
** *Other benefits relate to severance pay, leave pay and long service awards.*
*** *Other benefits relate to retention bonuses.*

LTI vesting outcomes

Historic and outstanding awards

The table below provides an overview of the actual vesting and likelihood of vesting of historic and outstanding awards made under the SAR and FSP.

Award	SAR	FSP
2012	100% (A)	84% (A)
2013	100% (A)	71.7% (A)
2014	0% (A)	39.3% (A)
2015	0% (L)	64.0% (L)
2016	100% (L)	89.1% (L)
2017	100% (L)	100% (L)

(Actual (A), proportion likely to vest (L).)

Remuneration report

Awards with a performance period ending during the 2017 financial year

The vesting profile for awards made during March 2015 with a performance period ending 30 September 2017, vesting during March 2018 are as follows:

FSP performance conditions for the 2015 award	Achievement of performance conditions
TSR	100%
HEPS	0%
RONOA	64%
Resultant vesting %	64%

SAR performance conditions for the 2015 award	Achievement of performance conditions
HEPS	0%
Resultant vesting %	0%

LTI awards made during the year

As in prior years, executive directors and prescribed officers received a combination of awards under the SAR scheme and FSP. Details of the applicable awards, performance conditions and targets are set out below.

2017 FSP awards

FSP awards were granted on 30 March 2017 and the vesting period will expire on 30 March 2020. The following performance targets, weighting and performance periods were applicable to the number of shares awarded to executive directors and prescribed officers and are tested over a three-year performance period. Linear vesting on a sliding scale will be applied between threshold and target performance:

	Weighting of performance conditions	Below threshold	Threshold	Target
Performance condition	(%)	(vesting %)	(vesting %)	(vesting %)
TSR	30	–	6.75	22.5
HEPS	30	–	6.75	22.5
RONOA#	40	–	9	30
Maximum vesting	100	–	22.5	75

 # Return on net operating assets.

The following targets were set for the respective performance conditions, and are considered by the remuneration committee to be a stretch in the context of the company's business strategy and the market conditions. Linear vesting applies between threshold and target performance.

Condition	Threshold (30% vesting)	Target (100% vesting)
TSR	Median of peer group	Upper quartile of peer group*
HEPS	0% real growth	6% real growth
RONOA	15%	20%

** The following comparator group was set for the 2017 TSR condition:*
- *Aveng Limited*
- *Bell Equipment Limited*
- *Bidvest Group Limited*
- *Eqstra Holding Limited*
- *Finning (Canada)*
- *Grindrod Limited*
- *Imperial Holdings Limited*
- *KAP Limited*
- *Remgro Limited*
- *Supergroup.*

2017 SAR awards

SAR awards were granted on 30 March 2017 and a third of the SARs will vest on the third, fourth and fifth anniversary of the grant date, respectively. The following performance targets, weighting and performance periods were applicable to the number of shares awarded and are tested over a three-year performance period. Linear vesting on a sliding scale will be applied between threshold and target performance:

Condition	Threshold (25% vesting)	Target (100% vesting)
Real growth in HEPS	0% real growth	2% real growth

Total LTI awards

The total interests of executive directors and prescribed officers of the company in FSPs and SARs are disclosed in detail on pages 90 to 95 of the consolidated annual financial statements.

Non-executive directors' fees for 2017

Fees for NEDs during the current financial year are set out on page 88 of the consolidated annual financial statements, as approved by the remuneration committee and by the board, on authority granted by shareholders at the annual general meeting held on 8 February 2017.

Proposed non-executive director fees for 2018

Refer to special resolution 1 set out in the notice of annual general meeting for approval by shareholders in terms of section 66 of the Companies Act on page 6 of the AGM booklet.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on the aforementioned part 3 of this report.

NP Dongwana
Chairperson of the remuneration committee

Social, ethics and transformation report

The committee operates under terms of reference, a copy of which can be found on our website www.barloworld.com. The committee has a clearly defined framework, aligned to the Companies Act, King IV and other relevant legislation and standards, to determine the most effective processes and reporting formats to deal with matters under the committee's mandate. The committee recognises the fact that some of its statutory functions overlap with the functions or mandates or terms of reference of other committees of the board. Where appropriate, the committee, without derogating from its duties and responsibilities, works closely with and relies upon the work of other committees of the board.

The committee carried out the following duties:

Human capital: Considered the initiatives underway in the context of the new strategy and the alignment thereof on the key people enablers, namely talent management, remuneration and reward and performance management.

Diversity and inclusion: Approved the revised diversity and inclusion targets for the group for 2018, 2020 and 2022 by gender, race and grade. The strategy involves identifying and eliminating any employment barriers, perceived or real, and to promote demographic representation in the workplace that more closely resembles that of the communities in which we operate.

Ethics: The ethics line reporting process was revised to further promote and instil an ethical culture. The amended process has enhanced the effectiveness and independence of the investigations carried out across the group.

Stakeholder engagement: The company continues to evolve its approach and strategic intent to stakeholder engagement. The process of mapping stakeholder relationships was being undertaken across the group. Stakeholder engagement continued to be key in enhancing the group's sustained value creation.

Empowerment and transformation: The committee reviewed and approved the new approach to the empowerment and transformation by the company in line with the group strategy. The Barloworld Siyakhula strategy of enterprise and supplier development focusing on access to markets and access to finance for SMEs was also reviewed and approved. In addition, the company has engaged with various principals to advance the localisation of some of their products, thereby supporting emerging local suppliers and helping to bring to fruition the black industrialist programme in South Africa.

In a continued effort to meet the responsibilities, the committee will continue to review, monitor and report on areas under its mandate.

SS Mkhabela
Chairman
Social, ethics and transformation committee

Shareholder profile

Register date: 30 September 2017
Issued share capital: 212 692 583

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	10	0.12	704 856	0.34
– Directors, prescribed officers and associates	9	0.11	670 915	0.32
– Education trust	1	0.01	33 941	0.02
Public shareholders	8 369	99.88	211 987 727	99.66
Total	**8 379**	**100**	**212 692 583**	**100**

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	5 796	69.17	1 602 664	0.75
1 001 – 10 000 shares	1 984	23.68	5 055 932	2.38
10 001 – 100 000 shares	411	4.91	13 160 135	6.19
100 001 – 1 000 000 shares	150	1.79	45 827 868	21.55
1 000 001 shares and above	38	0.45	147 045 984	69.14
Total	**8 379**	**100**	**212 692 583**	**100**

Beneficial shareholders holding 4% or more

Beneficial shareholdings	Total shareholding	%
Government Employees Pension Fund (PIC)	34 557 345	16.25
WGI Emerging Markets Fund LLC	9 256 592	4.35
Total	**49 075 322**	**23.07**

Investment managers holding 5% or more

Investment manager	Total shareholding	%
PIC	31 195 990	14.67
Westwood Global Investments LLC	20 482 164	9.63
Investec Asset Management	17 031 339	8.01
Dimensional Fund Advisers	13 658 142	6.42

Geographical analysis of beneficial shareholders – 2017

Region	Total shareholding	% of issued capital
South Africa	94 945 969	44.64
United States of America and Canada	71 337 092	33.54
United Kingdom	13 165 671	6.19
Rest of the World	33 243 851	15.63
Total	**212 692 583**	**100.00**


MANLINE
ABNORMAL


CAT
12K

Our financial performance has been resilient despite challenging trading conditions.

FINANCIAL, GOVERNANCE AND ASSURANCE STATEMENTS

7

Summarised consolidated income statement

for the year ended 30 September

	Note	Audited 2017 Rm	Restated* 2016 Rm	% change
CONTINUING OPERATIONS				
Revenue		**61 959**	62 074	(0)
Operating profit before items listed below (EBITDA)		**6 694**	6 486	
Depreciation		**(2 468)**	(2 294)	
Amortisation of intangible assets		**(144)**	(105)	
Operating profit		**4 082**	4 087	(0)
Fair value adjustments on financial instruments		**(209)**	(209)	
Finance costs		**(1 329)**	(1 331)	
Income from investments		**109**	111	
Profit before non-operating and capital items		**2 653**	2 658	(0)
Non-operating and capital items		**(155)**	85	
Profit before taxation		**2 498**	2 743	
Taxation		**(565)**	(796)	
Profit after taxation		**1 933**	1 947	(1)
Income from associates and joint ventures		**93**	3	
Profit for the year from continuing operations		**2 026**	1 950	4
DISCONTINUED OPERATION				
(Loss)/profit from discontinued operation	3	**(269)**	29	
Profit for the year		**1 757**	1 979	
Net profit attributable to:				
Owners of Barloworld Limited		**1 643**	1 883	(13)
Non-controlling interest in subsidiaries		**114**	96	
		1 757	1 979	
Earnings per share from group (cents)				
– basic		**779.6**	890.5	
– diluted		**774.7**	888.2	
Earnings per share from continuing operations (cents)				
– basic		**907.2**	876.8	
– diluted		**901.5**	874.5	
(Loss)/earning per share from discontinued operation (cents)				
– basic		**(127.6)**	13.7	
– diluted		**(126.8)**	13.7	

** Restated to classify Equipment Iberia as discontinued operation. Refer to notes 3 and 4.*

Summarised consolidated statement of comprehensive income

for the year ended 30 September

	Audited 2017 Rm	2016 Rm
Profit for the year	**1 757**	1 979
Items that may be reclassified subsequently to profit or loss:	**75**	(550)
Exchange gains/(loss) on translation of foreign operations	**8**	(377)
Translation reserves realised on disposal of foreign joint venture and subsidiaries		(83)
Gain/(loss) on cash flow hedges	**89**	(121)
Deferred taxation on cash flow hedges	**(22)**	31
Items that will not be reclassified to profit or loss:	**535**	(1 134)
Actuarial gains/(losses) on post-retirement benefit obligations	**678**	(1 343)
Taxation effect of net actuarial (losses)/gains	**(143)**	209
Other comprehensive income/(loss) for the year, net of taxation	**610**	(1 684)
Total comprehensive income for the year	**2 367**	295
Total comprehensive income attributable to:		
Owners of Barloworld Limited	**2 253**	199
Non-controlling interest in subsidiaries	**114**	96
	2 367	295

Summarised consolidated statement of financial position

at 30 September

	Note	Audited 2017 Rm	Audited 2016 Rm
ASSETS			
Non-current assets		**18 613**	20 179
Property, plant and equipment		**12 659**	13 806
Goodwill		**1 932**	2 015
Intangible assets		**1 602**	1 713
Investment in associates and joint ventures		**1 093**	923
Finance lease receivables		**240**	147
Long-term financial assets		**404**	448
Deferred taxation assets		**683**	1 127
Current assets		**24 368**	25 015
Vehicle rental fleet		**3 222**	2 789
Inventories		**8 457**	10 317
Trade and other receivables		**8 676**	8 826
Taxation		**88**	55
Cash and cash equivalents		**3 925**	3 028
Assets classified as held for sale	3	**3 343**	828
Total assets		**46 324**	46 022
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium		**441**	441
Other reserves		**5 144**	5 134
Retained income		**14 690**	13 367
Interest of shareholders of Barloworld Limited		**20 275**	18 942
Non-controlling interest		**602**	737
Interest of all shareholders		**20 877**	19 679
Non-current liabilities		**10 852**	12 446
Interest-bearing		**7 623**	8 379
Deferred taxation liabilities		**538**	703
Provisions		**19**	111
Other non-current liabilities		**2 672**	3 253
Current liabilities		**13 798**	13 830
Trade and other payables		**10 697**	10 054
Provisions		**929**	931
Taxation		**117**	180
Amounts due to bankers and short-term loans		**2 055**	2 665
Liabilities directly associated with assets classified as held for sale	3	**797**	67
Total equity and liabilities		**46 324**	46 022

Summarised consolidated statement of changes in equity

at 30 September

Audited	Share capital and premium Rm	Other reserves Rm	Retained income Rm	Attributable to Barloworld Limited shareholders Rm	Non-controlling interest Rm	Interest of all shareholders Rm
Balance at 1 October 2015	282	5 793	13 351	19 426	616	20 042
Total comprehensive income for the year		(550)	749	199	96	295
Transactions with owners, recorded directly in equity						
Other reserve movements		(109)		(109)		(109)
Acquisition of subsidiary					96	96
Other changes in minority shareholders' interest and minority loans					(55)	(55)
Dividends			(733)	(733)	(16)	(749)
Share buy-back during the year	(127)			(127)		(127)
Share issue during the year	286			286		286
Balance at 30 September 2016	441	5 134	13 367	18 942	737	19 679
Total comprehensive income for the year		**75**	**2 178**	**2 253**	**114**	**2 367**
Transactions with owners, recorded directly in equity						
Other reserve movements		**(154)**	**32**	**(122)**		**(122)**
Other changes in minority shareholders' interest and minority loans		**89**	**(132)**	**(43)**	**(201)**	**(244)**
Dividends			**(755)**	**(755)**	**(48)**	**(803)**
Balance at 30 September 2017	**441**	**5 144**	**14 690**	**20 275**	**602**	**20 877**

Summarised consolidated statement of cash flows

for the year ended 30 September

	Audited 2017 Rm	2016 Rm
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**7 307**	7 161
Movement in working capital	**1 539**	2 119
Cash generated from operations before investment in leasing and rental fleets	**8 846**	9 280
Fleet leasing and equipment rental fleet	**(1 661)**	(506)
Additions	**(3 550)**	(2 580)
Proceeds on disposal	**1 889**	2 074
Vehicles rental fleet	**(1 220)**	(947)
Additions	**(4 373)**	(3 798)
Proceeds on disposal	**3 153**	2 851
Cash generated from operations	**5 965**	7 827
Finance costs	**(1 338)**	(1 346)
Realised fair value adjustments on financial instruments	**(270)**	(105)
Dividends received from investments, associates and joint ventures	**13**	31
Interest received	**108**	113
Taxation paid	**(744)**	(805)
Cash inflow from operations	**3 734**	5 715
Dividends paid (including non-controlling interest)	**(803)**	(772)
Cash retained from operating activities	**2 931**	4 943
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, investments and intangibles	**(393)**	(1 057)
Proceeds on disposal of subsidiaries, investments and intangibles	**379**	258
Movements in investments in leasing receivables	**(134)**	9
Acquisition of other property, plant and equipment	**(774)**	(980)
Replacement capital expenditure	**(315)**	(459)
Expansion capital expenditure	**(458)**	(521)
Proceeds on disposal of property, plant and equipment	**593**	334
Net cash used in investing activities	**(329)**	(1 436)
Net cash inflow before financing activities	**2 602**	3 507
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares repurchased for equity-settled share-based payment	**(154)**	(95)
Share buy-back		(162)
Share issue		286
Purchase of non-controlling interest	**(201)**	(142)
Non-controlling interest loan and equity movements	**4**	24
Proceeds from long-term borrowings	**4 260**	2 500
Repayment of long-term borrowings	**(5 005)**	(3 311)
Movement in short-term interest-bearing liabilities	**(546)**	(1 853)
Net cash from financing activities	**(1 642)**	(2 753)
Net increase in cash and cash equivalents	**960**	754
Cash and cash equivalents at beginning of year	**3 028**	2 372
Effect of foreign exchange rate movement on cash balance	**39**	(112)
Effect of cash balances classified as held for sale	**(102)**	14
Cash and cash equivalents at end of year	**3 925**	3 028
Cash balances not available for use due to reserving restrictions	**444**	580

Summarised notes to the consolidated financial statements

for the year ended 30 September

1. Basis of preparation

The summarised consolidated financial information presented in this integrated report is a summary of the complete set of financial statements which, together with the reports of the audit committee and external auditors, are available for inspection at our registered office or online at www.barloworld.com. Our external auditors, Deloitte and Touche, issued an unmodified audit opinion on the complete set of the consolidated financial statements. The accounting policies applied in the preparation of the summarised financial information were derived in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements.

	Audited	
	2017 Rm	Restated 2016* Rm
2. Reconciliation of net profit to headline earnings		
Net profit attributable to Barloworld shareholders	**1 643**	1 883
Adjusted for the following:		
Loss/(profit) on disposal of subsidiaries and investments (IFRS 10)	**25**	(168)
Profit on disposal of plant, property, equipment and intangibles excluding rental assets (IAS 16 and IAS 38)	**(43)**	(11)
Impairment of goodwill (IFRS 3)	**73**	15
Impairment of investments in associates and joint ventures (IAS 36)		37
Impairment of plant and equipment (IAS 16), intangibles (IAS 38) and other assets	**98**	6
Taxation effects of remeasurements	**(5)**	10
Associate and non-controlling interest in remeasurements	**71**	
Net remeasurements excluded from headline earnings	**219**	(111)
Headline earnings	**1 862**	1 772
Headline earnings from continuing operations	**2 053**	1 778
Headline loss from discontinued operation	**(191)**	(6)

** Restated to classify Equipment Iberia as discontinued operation. Refer to notes 3 and 4.*

Summarised notes to the consolidated financial statements

for the year ended 30 September

		Audited	
		2017 Rm	2016 Rm
2.	**Reconciliation of net profit to headline earnings** continued		
	Weighted average number of ordinary shares in issue during the year (000)		
	– basic	**210 780**	211 425
	– diluted	**212 095**	211 973
	Headline earnings per share (cents)		
	– basic	**883.4**	838.1
	– diluted	**877.9**	836.0
	Headline earnings per share from continuing operations (cents)		
	– basic	**974.5**	840.9
	– diluted	**968.0**	838.8
	Headline loss per share from discontinued operation (cents)		
	– basic	**(91.1)**	(2.8)
	– diluted	**(90.1)**	(2.8)
3.	**Discontinued operation and assets classified as held for sale**		
	Following the decision to dispose of the Equipment Iberia business, this segment is classified as a discontinued operation. Management believes the sale of this business will take place in the next financial year.		
	Results from discontinued operation are as follows:		
	Revenue	**4 076**	4 473
	Operating profit before items listed below (EBITDA)^	**58**	188
	Depreciation	**(121)**	(132)
	Amortisation of intangible assets	**(14)**	(8)
	Operating (loss)/profit	**(77)**	48
	Finance costs	**(9)**	(15)
	Income from investments	**1**	2
	(Loss)/profit before non-operating and capital items	**(85)**	35
	Non-operating and capital items		35
	(Loss)/profit before taxation	**(85)**	70
	Taxation	**(51)**	(13)
	Net (loss)/profit of after taxation	**(136)**	57
	Loss from associates#	**(133)**	(28)
	(Loss)/profit from discontinued operations per income statement	**(269)**	29

^ Operating loss in 2017 includes restructuring costs of R137 million (€9.1 million).
 # Loss from associates includes an impairment of investment and goodwill of R78 million (€5.1 million).

	Audited 2017 Rm	2016 Rm
3. Discontinued operations and assets classified as held for sale continued		
The cash flows from the discontinued operation are as follows:		
Cash flows from operating activities	**381**	(26)
Cash flows from investing activities	**(65)**	(81)
Cash flows from financing activities	**(326)**	156
The major classes of assets and liabilities classified as held for sale are as follows:		
Property, plant and equipment	**1 131**	152
Investments	**97**	
Long-term financial assets	**9**	
Deferred tax assets	**166**	
Intangible assets	**42**	2
Inventories	**823**	650
Trade and other receivables*	**973**	24
Cash balances	**102**	
Assets classified as held for sale	**3 343**	828
Interest-bearing long-term loans	**(33)**	
Trade and other payables – short and long-term**	**(637)**	(67)
Deferred tax liability	**(2)**	
Provisions	**(125)**	
Total liabilities associated with assets classified as held for sale	**(797)**	(67)
Net assets classified as held for sale	**2 546**	761
Per business segment:		
Equipment Iberia	**2 424**	746
Logistics Middle East	**122**	15
Total group	**2 546**	761

* *Include financial assets of R798 million.*
** *Include financial liabilities measured at amortised cost of R369 million.*

Summarised notes to the consolidated financial statements

for the year ended 30 September

4. Changes in comparatives

Equipment Iberia has been classified as a discontinued operation in the current year. Per IFRS 5: Non-current assets held for sale and discontinued operations, the income statement comparatives for this business have been reclassified to discontinued operation.

	2016		
	Previously stated Rm	**Discontinued operation Rm**	**Restated Rm**
CONSOLIDATED INCOME STATEMENT			
Revenue	66 547	(4 473)	62 074
Operating profit before items listed below (EBITDA)	6 674	(188)	6 486
Depreciation	(2 426)	132	(2 294)
Amortisation of intangible assets	(113)	8	(105)
Operating profit	4 135	(48)	4 087
Fair value adjustments on financial instruments	(209)		(209)
Finance costs	(1 346)	15	(1 331)
Income from investments	113	(2)	111
Profit before exceptional items	2 693	(35)	2 658
Non-operating and capital items	120	(35)	85
Profit before taxation	2 813	(70)	2 743
Taxation	(809)	13	(796)
Profit after taxation	2 004	(57)	1 947
Income from associates and joint ventures	(25)	28	3
Net profit from continuing operations	1 979	(29)	1 950
Discontinued operation			
Profit from discontinued operation		29	29
Net profit for the period	1 979		1 979
Attributable to:			
Owners of Barloworld Limited	1 883		1 883
Non-controlling interest in subsidiaries	96		96
	1 979		1 979
Earnings per share (cents)			
– basic	890.5		890.5
– diluted	888.2		888.2
Earnings per share from continuing operations (cents)			
– basic	890.5	(13.7)	876.8
– diluted	888.2	(13.7)	874.5
Earnings per share from discontinued operation (cents)			
– basic		13.7	13.7
– diluted		13.7	13.7

5. Operating segments (audited)

	Revenue Year ended 30 September		Operating profit/(loss) Year ended 30 September		Fair value adjustments on financial instruments Year ended 30 September		Operating profit/(loss) including fair value adjustments Year ended 30 September		Net operating assets/ (liabilities) Year ended 30 September	
	2017 Rm	Restated* 2016 Rm	2017 Rm	Restated* 2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Equipment	**24 193**	24 889	**2 362**	2 216	**(184)**	(201)	**2 178**	2 015	**15 534**	16 552
Automotive and Logistics	**37 764**	37 183	**1 848**	1 877	**(6)**	(7)	**1 842**	1 870	**10 757**	11 158
Corporate	**2**	2	**(128)**	(6)	**(19)**	(1)	**(147)**	(7)	**(1 709)**	(2 330)
Total group	**61 959**	62 074	**4 082**	4 087	**(209)**	(209)	**3 873**	3 878	**24 582**	25 380

* *Restated to classify Equipment Iberia as discontinued operation. Refer to notes 3 and 4.*

Certificate by secretary

for the year ended 30 September 2017

In my capacity as company secretary, I hereby certify that, to the best of my knowledge and belief, Barloworld Limited has lodged with the Registrar of Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act 71 of 2008 (as amended). Further, I certify that such returns and notices are true, correct and up to date.

LP Manaka
Company secretary

Sandton
17 November 2017

Independent auditor's report

To the directors of Barloworld Limited

Limited assurance report on the sustainability key performance indicator disclosures as contained in the integrated report.

We have undertaken a limited assurance engagement on selected subject matter disclosures to be published in the Barloworld Limited integrated report and GRI modular response (the reports) for the year ended 30 September 2017.

Subject matter

The subject matter comprises the sustainability key performance indicators disclosed in accordance with management's basis of preparation, supported by the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the Greenhouse Gas (GHG) Protocol Corporate Standard as prepared by the responsible party for the year ended 30 September 2017.

The terms of management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines comprise the criteria by which the company's compliance is to be evaluated for purposes of our limited assurance engagement.

The subject matter includes the following:

Value created

- Statement of total value added (R million)

Community support

- Group corporate social investment spend (R million)

People

- Total number of employees
- Employee breakdown by race (RSA only) and gender

Safety

- Number of work-related fatalities
- Lost-time injury frequency rate

Energy

- Fuel consumption – petrol and diesel (ML)
- Grid electricity consumption (MWh)
- Non-renewable energy consumption (GJ): including consumption by primary energy source

Carbon emissions (tCO_2e)

- Scope 1 emissions: including emissions by primary energy source
- Scope 2 emissions
- Scope 3 rental fleet emissions – Avis Budget South Africa

Water

- Water withdrawals (municipal sources) (ML)

GRI 4.33

Directors' responsibility

The company's directors, being the responsible party, and where appropriate, those charged with governance, are responsible for the selection, preparation and presentation of the subject matter in accordance with the criteria as disclosed in the reports for the year ended 30 September 2017.

This responsibility includes ensuring that the subject matter is prepared in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard, the identification of stakeholders and stakeholder requirements, material matters, for commitments with respect to the sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the reports, that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express our limited assurance conclusion on the above sustainability key performance indicators for the year ended 30 September 2017, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement to obtain sufficient appropriate evidence about whether the selected subject matter is free from material misstatement.

We do not accept any responsibility for any reports previously given by us on any sustainability performance information used in relation to the subject matter beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Our independence, ethical requirements and quality control

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board to Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the International Standard on Quality Control 1, Deloitte & Touche maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

Independent auditor's report

Summary of work performed

We have performed our procedures on the subject matter, the sustainability key performance indicators of Barloworld, as prepared in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard, for the year ended 30 September 2017.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the reports
- Inspecting supporting documentation and performing analytical review procedures
- Evaluating whether the selected sustainability performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes at Barloworld.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the sustainability key performance indicators have been presented, in all material respects, in accordance with management's internal basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard.

Our limited assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 30 September 2017, are not prepared, in all material respects, in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the reports.

The maintenance and integrity of the Barloworld website is the responsibility of Barloworld management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information on the website, the reports or our independent assurance report that may have occurred since the initial date of presentation.

Restriction on use and distribution

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected subject matter to the directors of Barloworld in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the entity, for our work, for this report, or for the conclusion we have reached.

Claire Hoy
Director

Deloitte & Touche

8 December 2017

Assurance matrix

Reporting aspect assured	Independent assurance providers	Scope of review	Framework/ standard	Output	Frequency
Annual financial statements	External audit	Annual financial statements audit	IFRS	External audit opinion	Annual
			Companies Act		
			International Standards on Auditing (ISA)		
Interim financial results	External audit	Review of interim financial results	International Standard on Assurance Engagements (ISAE 2410)	Assurance statement	Annual
			Companies Act		
			International Standards on Auditing (ISA)		
Internal controls, governance and risk management process	Group internal audit	Review of risk management, governance, operational and non-financial reporting processes	Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing	Internal audit opinion on the adequacy and effectiveness of controls, governance and risk management processes	Annual
	External audit		Barloworld group internal audit methodology		
Internal financial controls	Group internal audit	Assurance on the adequacy and effectiveness of financial controls	Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing	Internal audit opinion on financial controls	Annual
	External audit		Barloworld group internal audit methodology		
			Barloworld internal financial control framework	External audit reports	
Key sustainability indicators	External audit	Assurance on selected key non-financial performance indicators	International Standard on Assurance Engagements (ISAE 3000) (Revised)	Assurance report	Annual
Black economic empowerment rating	Empowerdex	Verification of empowerment status	Department of Trade and Industry (dti) Broad-Based Black Economic Empowerment (B-BBEE) scorecard	Empowerment rating certificate	Annual

GRI 4.33

Corporate information

Barloworld Limited
(Registration number 1918/000095/06)
JSE codes: BAW and BAWP
ISIN codes: ZAE000026639 and ZAE000026647

Registered office and business address
Barloworld Limited
180 Katherine Street, PO Box 782248, Sandton 2146,
South Africa
Tel: +27 11 445 1000
Email: invest@barloworld.com

Transfer secretaries – South Africa
Link Market Services South Africa (Pty) Limited
(Registration number 2000/007239/07)
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein,
Johannesburg 2001
(PO Box 4844, Johannesburg 2000)
Tel: +27 11 630 0000

Registrars – United Kingdom
Equiniti Limited
Aspect House, Spencer Road, Lancing,
West Sussex BN99 6DA, England
Tel: +44 190 383 3381

Transfer secretaries – Namibia
Transfer Secretaries (Pty) Limited
(Registration number 93/713)
Shop 8, Kaiser Krone Centre, Post Street Mall, Windhoek,
Namibia
(PO Box 2401, Windhoek, Namibia)
Tel: +264 61 227 647

Enquiries
Lethiwe Motloung
Head: Group Communication & Investor Relations
Tel: +27 11 445 1000
Email: invest@barloworld.com

For background information visit
www.barloworld.com.

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