



**Barloworld**  
*Leading brands*

# One Barloworld

Delivering  
value while  
adapting and  
transforming

BARLOWORLD LIMITED  
INTEGRATED REPORT

# 2020





# About Barloworld

Barloworld is an industrial processing, distribution and service company which distributes leading international brands. In our Original Equipment Manufacturers (OEM) businesses we provide integrated sales, rental, fleet management and product support through offering flexible, value adding, and innovative business solutions to our customers backed by leading global brands. The brands we represent on behalf of our principals include Caterpillar, Avis, Budget, Mercedes-Benz, Toyota, Volkswagen, Audi, BMW, Ford, Mazda, among others. The divisions of the Group comprise Equipment (earthmoving equipment and power systems), Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions), Logistics (transport management, supply chain optimisation and freight forwarding solutions) and Consumer Industries (Ingrain – starch and glucose).

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. One of our core competencies is an ability to leverage systems and best practices across our chosen business segments. As an organisation we are committed to sustainable development and playing a leading role in empowerment and transformation. The Company was founded in 1902 and currently has operations in 16 countries around the world.



## SEND US YOUR FEEDBACK

Help us to understand what matters to you by sending your comments and feedback on our integrated report to [invest@barloworld.com](mailto:invest@barloworld.com) or [sustainability@barloworld.com](mailto:sustainability@barloworld.com) or visit [www.barloworld.com](http://www.barloworld.com) to download the feedback form.







## Our purpose

To inspire a world of difference, enabling growth and progress in society

## Our vision

To delight our customers and maximise shareholder value

## Our sustainability commitment

To be a responsible corporate; delivering products, services and solutions that generate sustainable outcomes



# Contents

PAGES

## IFC – 10 OUR REPORT OVERVIEW

About Barloworld	IFC
Aim of our Report	04
Scope and Boundary	04
Materiality Approach	04
Outlook	04
Reporting Frameworks	04
Internal Controls and Combined Assurance	04
Board Approval	04
Forward Looking Statements	04
Navigation Tools	05
Our Reporting Suite	06
Towards long term value creation	06
Recent Milestones	08
2020 in Review	09
Chairman’s Review	10

SECTION

1

PAGES

## 14– 40 OUR BUSINESS

One Barloworld structured to deliver value	15
Our Global Presence (longer term approach)	16
Our Operating Context	18
Our Material Matters, Risks, Opportunities and Responses (ensuring longevity)	20
Our response to the global pandemic	36
Our Business Model (adaptable/delivering results)	38
Value Creation through the Capitals (for the long term) and our Trade-Offs	40

SECTION

2

PAGES

## 46 –57 OUR STRATEGY

Chief executive officer’s Review	46
Our Strategy (short, medium and long term)	50
Creating a Platform for Growth (Mongolia and Ingrain)	54
Strategy Execution (the BBS)	56

SECTION

3



PAGES

58 – 75

OUR GOVERNANCE

Board Overview	58
Governance	63
Board Committee Focus Areas	67
Board Committee Meetings and Attendance	68
Executive Committee Overview	72

SECTION

4

PAGES

76 – 153

OUR PERFORMANCE

Group finance director's Review	76
Overall Performance (financial and non-financial key performance indicators)	80
Unpacking our strategic enablers (Leveraging our scale and assets and maintaining leading brands)	84
Equipment southern Africa	85
Equipment Eurasia	89
Automotive	94
Logistics	100
Corporate	105
Khula Sizwe	108
Managing Talent	110
Developing Leaders	113
Differentiated Relationships	115
Stakeholder Engagement	116
Transformation	122
Socio-economic development	125
Social Investment (CSI)	130
Sustainability	136
Value added Statement	148
Assurance report for selected non-financial indicators	150
Assurance Matrix	153

SECTION

5

PAGES

154 – 222

OUR STATUTORY REPORTS AND ANCILLARY INFORMATION

Remuneration Report	155
Social, ethics and transformation committee Report	192
Audit Committee Report	194
Summarised Annual Financial Statements	198
Shareholder Profile	220
Glossary	221
Corporate Information	222
AGM notice	Separate Booklet

SECTION

6

# Our report overview

## AIM OF OUR REPORT

Our integrated report aims to provide a balanced and accurate reflection of our strategy, performance, risks, opportunities and future outlook in relation to material financial, economic, social and governance issues. This report primarily addresses how we create value over the short, medium and long term and, as such, is of particular interest to our long term investors while also providing appropriate information to all our key stakeholders.

## SCOPE AND BOUNDARY

This integrated report covers the performance of Barloworld Limited for the financial year ended 30 September 2020 for all geographic regions in which the Barloworld Group and our subsidiaries operate.

The consolidated data incorporates the company and all entities controlled by Barloworld as if they were a single economic entity. During the reporting period, a decision was taken not to divest from Avis Fleet and 2019 was restated to include Avis Fleet as part of continuing operations. 2019 was also restated for reclassification of contract liabilities from other liabilities, disaggregation of non-operating and capital items, and inclusion of inventory in transit and the related payables. These restatements were disclosed as prior year errors.

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 are aligned to the same financial reporting period allowing for comparison of performance data. The decision taken not to divest from Avis Fleet has resulted in the restatement of natural capital indicators. Any limitations are disclosed in the relevant section.

Any material events up to the board approval of this report on 14 December 2020 are also included.

## MATERIALITY APPROACH

This report aims to disclose information about matters that substantively affect our ability to create value over the short, medium and long term. For us, short term refers to the next 18 months, while 19 months to five years is considered medium term. Anything beyond that is deemed long term. We discuss our materiality determination process on pages 20 – 21 of this report.

## OUTLOOK

Outlook information is considered to be all information that considers the challenges, opportunities and uncertainties we are likely to

encounter in pursuing our strategy, and what the potential implications for our business model and future performance are.

Outlook information can be found throughout this report, however, the majority of this information can be found in Section 1.

## REPORTING FRAMEWORKS

Our integrated report is guided by various codes and standards, including the:

- King IV report on Corporate Governance for South Africa (King IV)
- International Integrated <IR> Framework (<IR> Framework)
- Companies Act 71 of 2008 (as amended) (Companies Act)
- Johannesburg Stock Exchange Listings Requirements (JSE Listings Requirements)
- Global Reporting Initiative Sustainability Reporting Standards (GRI standards)
- United Nations Sustainable Development (SDGs)
- International Financial Reporting Standards (IFRS)

## INTERNAL CONTROLS AND COMBINED 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 as well as internal and external assurance providers while fostering a strong ethical climate and mechanisms to ensure compliance. The process is monitored and evaluated under the direction of internal audit, while external audit teams cover key controls and accounting matters in the course of their audits.

Other levels of external assurance are obtained as and when required. The board and the audit committee assessed the effectiveness of controls for the year ended 30 September 2020 as satisfactory, primarily through a process of management self-assessment, including formal confirmation from executive management and also considered reports from internal audit, external audit and other assurance providers.

The summarised annual financial statements in this report has been extracted from the preliminary report of 30 November 2020 independently assured by our external auditors.

Selected non-financial information, including natural and human capital indicators, are

independently assured (limited assurance) by independent external auditors – refer pages 150 – 153. Reporting criteria for the selected Natural and Human Capital indicators can be accessed via <https://www.barloworld.com/pdf/sustainability/policies/2020/barloworld-non-financial-reporting-criteria-fy2020.pdf>

## BOARD APPROVAL

The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its collective mind and, in its opinion, this integrated report addresses all material matters, and offers a balanced view of its strategy and how it relates to the organisation's ability to create value in the short, medium and long term. This report adequately addresses the use of and effects on the capitals, and the manner in which the availability of these capitals are impacting Barloworld's strategy and business model.

We, as the board, believe that this report has been prepared in accordance with the International <IR> Framework. This report was approved by the board on 14 December 2020.

Signed on behalf of the board of directors by

**NEO PHAKAMA DONGWANA**  
Chairman

**DOMINIC SEWELA**  
Group chief executive officer

**NOPASIKA LILA**  
Group finance director

## FORWARD LOOKING STATEMENTS

We may, in this report, make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies, taking into account, among other factors, the impact of the COVID-19 global pandemic on Barloworld.



# Navigational tools

Throughout this report, we use the following navigational icons to show the interconnectivity between core concepts and various sections of this report. Our strategic levers take into account the six capitals, the sustainable development we are actioning as an organisation, the stakeholders with whom we interact, the risks and opportunities and the material matters within our operating context. Working together and also separately, these elements have the potential to substantially affect, both positively and negatively, our ability to create value over the short, medium and long term.

## SIX CAPITALS



### Financial capital

We use cash generated by our operations, divestments, debt and equity financing to sustain our business and fund growth. We balance an appropriate mix of debt and equity funding to meet our working capital needs and growth ambitions. We are disciplined in the way we allocate our financial capital.



### Human capital

Our more than 12 000 skilled and diverse people enable us to serve our customers and compete effectively in our chosen markets. We focus on being an inclusive organisation, building and retaining critical skills and developing our leadership capabilities.



### Intellectual capital

Our unique way of doing business has stood the test of time of over 118 years and includes the Barloworld Business System and our governance frameworks and processes. Through various initiatives that include our Fix, Optimise and Grow strategy, we enhance our robust foundation.



### Manufactured capital

Our extensive assets spread across a wide geographic footprint. We continue to assess new opportunities to grow organically and inorganically.



### Natural capital

We depend on certain natural resources such as water, fossil fuels and other natural assets both directly within our operations and indirectly via our value chain. We are cognisant of the impact our activities, products and services may have on the environment. Our approach and systems enable us to monitor, manage and appropriately minimise negative impacts.



### Social and relationship capital

We actively engage stakeholders to ensure we progress our purpose, vision and strategy. We maintain strong relationships with our principals, suppliers, customers, employees, investors and communities.

## OUR STRATEGIC LEVERS

Through our strategic levers, we seek to drive sustainable value creation, by balancing our long term growth ambitions while focusing on achieving acceptable returns for our shareholders in the short to medium term.



### Fix and optimise



### Active shareholder operating model



### Acquisitive growth

## OUR MATERIAL MATTERS

Material matters are those issues that could substantially affect our ability to create value in the short, medium and long term. Responding to the volatile macroeconomic environment, the severe economic and humanitarian effects of the COVID-19 pandemic, optimising our portfolio and managing the balance sheet have become our primary focus and will significantly impact all our material matters that are described in chapter 02.



### Responding to COVID-19 impacts



### Managing macroeconomic volatility



### Ensuring long term business viability



### Optimising our portfolio



### Advancing sustainably

## OUR STAKEHOLDERS

Our stakeholder communications, interactions and ongoing focused engagements ensure that we continually improve our understanding of our stakeholder needs and interests, enabling long term value creation.



### Employees and unions



### Customers



### Business partners, principals, suppliers, industry bodies



### Shareholders, investors, funders



### Governments, regulators



### Communities

## OUR KEY RISKS



The main purpose of risk and opportunity management is to adequately position Barloworld to understand and respond to the potential risks that could materially impact the execution of our strategy and value creation over the short, medium and long term.

## SUSTAINABLE DEVELOPMENT GOALS

As part of our sustainability commitment, we have aligned the relevant SDGs to ensure our business is environmentally, socially and economically sustainable.

## OUR REPORTING SUITE

Our reporting suite comprise the following reports which are available on our website, [www.barloworld.com](http://www.barloworld.com), or on request from our Investor Relations team



### IR

Our **Integrated Report** is our primary report to our stakeholders and comprises concise communication about how Barloworld creates value over the short, medium and long term through our strategy, business model, the six capitals and strategic enablers



### AFS

Our **Annual Financial Statements** contains full analysis of the Barloworld Group's financial results, with detailed financial statements, as well as, with detailed notes and the audit committee report



### GRI

Our **GRI Index** is a summary of Barloworld's economic, environmental, social and governance disclosures. Refer GRI Content Index: <http://www.barloworld-reports.co.za/integrated-reports/ir-2020/gri-index/index.php>



### IV

Our **King IV Application Register** is a summary of how we have applied the 16 principles of King IV

## OTHER ICONS USED THROUGHOUT THE REPORT



COVID-19



Reference to our website



King IV™ Report on Corporate Governance for South Africa



Limited Assurance over selected FY2020 non-financial indicators by PwC

## TOWARDS LONG TERM VALUE CREATION

On the back of a solid business and operational performance in 2019, we started the 2020 financial year with hope and optimism, seeking to diversify our asset base and optimising our existing portfolio.

What few would have predicted was how dramatically and fundamentally the global landscape would shift owing, in large part, to the outbreak of the novel coronavirus (COVID-19) and its pandemic status.

The challenges faced in 2020 have been truly unprecedented in our 118-year history. We took immediate action to respond to the crisis while also reinforcing our strategic levers and managing the factors within our control.

Despite the short term pressures and expected longer term uncertainties, we have maintained our course and focus of delivering value to our shareholders and broader stakeholder base. Although we acknowledge that near-term opportunities may be limited, we are gearing up and remain committed to achieving long term value by proactively adapting to the ever-evolving external environment.





# Recent milestones

2014

Barloworld celebrates 20 years as a Caterpillar dealer in Zambia, Angola, Mozambique and Malawi; and 50 years in Botswana.

2015

Sustainability as a core value is added to the Barloworld Worldwide Code of Conduct.

Avis Budget Group (ABG) grants Barloworld the licence to operate the Budget brand in southern Africa in addition to the AVIS brand.

2017

Barloworld and Caterpillar celebrate 90 years of partnership and launch a new advanced R1.3 billion distribution facility in Ekurhuleni, South Africa in recognition of this milestone.

2016

Barloworld celebrates 75 years on the JSE.

2018

20 years of Barloworld as a Caterpillar dealer in Russia.

2020

Khula Sizwe Property Holdings B-BBEE empowerment transaction was implemented on 1 October 2019.

The company appointed, for the first time in its history, a female Chairman, NP Dongwana.

In terms of growth, two acquisitions that are in line with the Group strategy were made, Equipment Mongolia which closed on 1 September 2020 and Tongaat Hulett Starch (Ingrain) which closed on 31 October 2020.

2019

Barloworld Mbewu launched, a R30 million fund next generation approach to corporate social development geared towards scaling up social enterprises.

Khula Sizwe Property Holdings B-BBEE empowerment transaction approved by shareholders, launched and oversubscribed.

We celebrate 50 years' partnership with Avis.



# 2020 in review

## REVENUE

R49.7bn

(2019: R60.2bn)\*

## OPERATING PROFIT

R1.8bn

(2019: R3.9bn)\*

## NORMALISED HEADLINE EARNINGS PER SHARE

(30) cents

(2019: 1 167 cents)

## TOTAL SAVINGS FROM AUSTERITY MEASURES TAKEN DURING THE PERIOD

R402m

## FUNDING CAPACITY OF

R15.6bn

at 30 September

## FREE CASH GENERATED DURING THE YEAR

R575m

(2019: R3.1bn)


## 2020 RECOGNITION

Barloworld is a constituent of:

- Dow Jones Sustainability Emerging Markets Index (DJSI)

MEMBER OF

**Dow Jones  
Sustainability Indices**

In collaboration with  **SAM**

- FTSE/JSE Responsible Investment Index

- FTSE4Good Index Series



Barloworld Awards:



- Gender mainstreaming Champions 2020 for JSE listed companies
- Investing in young women and women empowerment in the WORKPLACE

\* 2019 restated for inclusion of Avis Fleet as a continuing operation.

# Lost-time injury frequency rate=  
(Number of LTIs x 200 000)/hours worked)

## Safety

LOST-TIME INJURY FREQUENCY  
RATE (LTIFR)<sup>#</sup> 0.53, REGRETTABLY  
TWO WORK-RELATED FATALITIES

(2019: LTIFR 0.57;  
One work-related fatality)

## Resilient Group performance

UNDER AN UNPRECEDENTED  
TRADING ENVIRONMENT  
IMPACTED BY THE COVID-19  
PANDEMIC



PROACTIVE MITIGATING  
MEASURES IMPLEMENTED

2020 OVERHEAD COST SAVINGS  
AT R691m BEFORE RETRENCHMENT  
IMPLEMENTATION COSTS

## RETURN ON INVESTED CAPITAL

1.0%

(2019: 11.9%)

## Khula Sizwe

B-BBEE TRANSACTION,  
57 OF THE 64 PROPERTIES  
TRANSFERRED FOR R2.4bn

## Progress made

ON THE STRATEGY WITH THE  
ACQUISITION OF EQUIPMENT  
MONGOLIA AND TONGAAT HULETT  
STARCH (NOW INGRAIN)

## Decisive measures

TAKEN TO ENSURE THE LONG  
TERM VALUE CREATION BY THE  
GROUP



For further details of awards and accolades in 2020, please go to: [www.barloworld.com](http://www.barloworld.com)

# Chairman's review



“

The COVID-19 pandemic has reinforced the view that not only has the world undergone some profound change, but also that uncertainty and change are constants. Although the pandemic has impacted global economies and businesses, including Barloworld, I firmly believe however, that with a clear vision, focus and teamwork, there is no challenge we cannot overcome.

”

**NEO PHAKAMA DONGWANA**  
Chairman



## MACROECONOMIC OVERVIEW

In 2019 the International Monetary Fund forecast 2020 global economic growth to be 3.6%, a target that was undermined by the onset of the novel coronavirus (COVID-19) pandemic. The pandemic and the measures put in place by governments to contain its spread, resulted in a global recession. The World Bank's 2020 'Global Economic Prospects report' considers this the deepest recession since the Second World War with per capita incomes declining significantly, plunging millions of people into extreme poverty.



South Africa entered 2020 in a tenuous economic position accompanied by the perennial ills of sluggish growth, a weakened currency and low business confidence. The government's initial swift response to COVID-19 was the implementation of a national lockdown on 27 March 2020, one of the strictest globally. The lockdown inhibited trading activity, resulting in significant economic contraction and increasing unemployment levels to 30.1% in the first quarter of 2020, according to the Quarterly Labour Force Survey released on 23 June 2020. Statistics South Africa reported that South Africa's economy suffered a significant contraction during April, May and June, when the country operated under widespread lockdown restrictions. Gross domestic product (GDP) fell by just over 16% between the first and second quarters of 2020, resulting in an annualised negative growth rate of 51%. The economic stimulus packages and social grant programmes implemented by the government contributed significantly in assisting many in financial distress. Contributions made to the Solidarity Fund by several corporations, including Barloworld and other organisations to assist government efforts have been quite commendable.

## BARLOWORLD RISES TO MEET THE CHALLENGES OF A NEW WORLD ORDER

In less than a year, the world has been radically transformed and we have had to accept the reality that the effects of COVID-19 will not be short-lived and we have been forced to reconfigure how we do business, thus creating a new world order. It is fair to say that the financial year has been characterised by a combination of a tough trading cycle and the ongoing impact of the COVID-19 pandemic. While the Group reported lower performance compared to 2019, the quick implementation of austerity measures by management combined with the recovery seen in recent months on the back of the relaxation of lockdown restrictions is expected to bolster performance in the short term and support results in the medium to long term. The potential threat and possible impact of the second wave of COVID-19 is a concern, however we believe the Group is now well positioned to weather any impending consequences thereof. The Group has retained its strong balance sheet with good liquidity, which has ensured the successful execution of the strategy and ultimately ensuring resilience. More importantly, changes to the operating model have allowed the Group to be responsive to change and better positioned to act swiftly to address the consequences of a volatile economic environment.

Generating long term value for all stakeholders has long been a priority for Barloworld with the company being at the forefront of practice and policy in terms of Environmental, Social and Governance (ESG) issues in South Africa. This is exhibited by the company's transparency and effective engagement while investing in employees, delivering value to customers, dealing fairly with suppliers and supporting

communities in which businesses operate as well as promoting diversity and inclusion. Barloworld recognises that stakeholder interests are best served through an integrated and coordinated value creation approach addressing economic, environmental and social aspects. Adapting and transforming to the new world order will be accompanied by a continued focus on ESG which has become increasingly important in the drive to deliver sustainable value creation to all our stakeholders. The board and management is committed to implementing meaningful interventions that transform our society by investing in initiatives that drive economic inclusion, social cohesion and build resilient communities.

## HEALTH AND SAFETY OF OUR PEOPLE AND CUSTOMERS

Safety is a focus area across the Group and we continue to target zero harm. This notwithstanding, during this period we unfortunately and tragically had two work-related fatalities, both of which were motor vehicle accident related. In addition, we suffered six COVID-19 related deaths. I extend my sincere condolences to the families, friends and colleagues of the deceased to whom we offered support during the difficult time and continue to support where assistance is required.

## GOVERNANCE

Barloworld has a long and proud legacy of being a values-driven organisation and therefore its leadership remains committed to implementing the highest standards of good corporate governance and embraces the pillars of integrity, responsibility, fairness, transparency, honesty and accountability to all stakeholders. These pillars preserve the Group's long term sustainability and ensure value can be created and delivered to all stakeholders. The outcomes

## CHAIRMAN'S REVIEW CONTINUED

of good corporate governance ensure an ethical and cohesive culture, effective internal controls, compliance, accountability, responsive and transparent stakeholder engagements, performing to strategic expectations, legitimacy and trust. 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.

Over the years, I have witnessed Barloworld's evolution and the growth of its global interest's first-hand. I assumed my role as Chairman of the board at the February 2020 AGM, and am profoundly aware of my responsibility to the Group as we navigate the challenging time ahead.

### DIVERSITY AND INCLUSION TARGETS

We achieved our goal of a gender mix of 40% women in 2020 which is a remarkable milestone for Barloworld. Diversity & Inclusion (D&I) is a critical part of our strategic targets and we continue to work towards creating a diverse and inclusive workforce. At the recent Gender Mainstreaming Awards, our D&I commitment was recognised with awards in Investing in Young Women, Women Empowerment in the Workplace (JSE-listed Company as well as OVERALL winner in this category) and Gender Mainstreaming Champions for 2020 awards.

### OUTLOOK

The COVID-19 pandemic has reinforced the view that not only has the world undergone some profound change, but also that uncertainty and change are constants. Although, the pandemic has impacted global economies and businesses were not spared its devastation, including Barloworld, I firmly believe however that with a clear vision, focus and teamwork, there is no challenge we cannot overcome. Our rallying

cry is "Defy limits and rise as one... with soul." I believe that we need to put that into action now more than ever. Perhaps a 'silver-lining' that has emerged from the pandemic is the recognition that our shared humanity and an acknowledgment that serving others and the greater community is good business. Compiling this report I was reminded of the words of the inimitable Rosa Parks: "To bring about change, you must not be afraid to take the first step. We fail when we fail to try." Barloworld has taken many brave new steps in recent months and will continue to adapt to the uncertain macroeconomic environment.

### APPRECIATION AND ACKNOWLEDGEMENT

It is appropriate at this point to reflect on the more than two decades of service and commitment to Barloworld, its board and its people, 12 of which in the role of Chairman of my predecessor, Advocate Dumisa Buhle Ntsebeza. He instilled the board with his unshakable sense of justice and pursuit of equity, which helped shape Barloworld into the values-driven organisation it is today. It is these principles of integrity and enlightened leadership which have stood the Group in such good stead in this uncertain time in global history and has enabled us to embrace the modern standard of corporate governance and continue to make 'a world of difference'. We are grateful and humbled by the legacy he has left us. We also want to acknowledge the outgoing Chairman of our audit committee, Sango Siviwe Ntsaluba. We are grateful for his dedication and commitment to his portfolio and his meaningful contribution to the board. He has been a valued member of the board since 2008 and his contributions and insights will be greatly missed.

I would also like to thank Barloworld's management team for their unwavering commitment to the welfare of the Group during this difficult and uncertain time. They have

faced unprecedented challenges head-on with swift and decisive action, which has been to the benefit of the long term sustainability of the business.

To the Barloworld family, thank you to each one of you for entrusting me with this legacy. I believe our people are important and we should treat them as such. Shareholders are key, but so are all of our stakeholders. Our customers, suppliers, employees and communities are of paramount importance as companies serve at the behest of the communities they operate in. If communities decide that the company no longer serves a need for them, the company will cease to exist.

We acknowledge and appreciate the continued role and support of our principals, such as Caterpillar, Avis Budget and all other OEM's with whom we are in business – we are 'team Barloworld'. All of us in the organisation represent Barloworld every day in both our personal and professional capacities. If we live our values together, we will be able to navigate most things with commitment, integrity, always striving for excellence and sustainability in everything we do.



**NEO PHAKAMA DONGWANA**  
Chairman

“

Our rallying cry is  
"Defy limits and rise as  
one... with soul."

I believe that we need  
to put that into action  
now more than ever.

”

Gender Mainstreaming Awards 2020:

Investing in Young Women

Women Empowerment in the Workplace (JSE-listed companies as well as OVERALL winner in this category)







# Our business

The Group's core divisions comprise of:

## EQUIPMENT

Earthmoving equipment and power systems

## AUTOMOTIVE

Car rental, motor retail, fleet services, used vehicles and disposal solutions

## LOGISTICS

Logistics management, supply chain optimisation and freight forwarding solutions

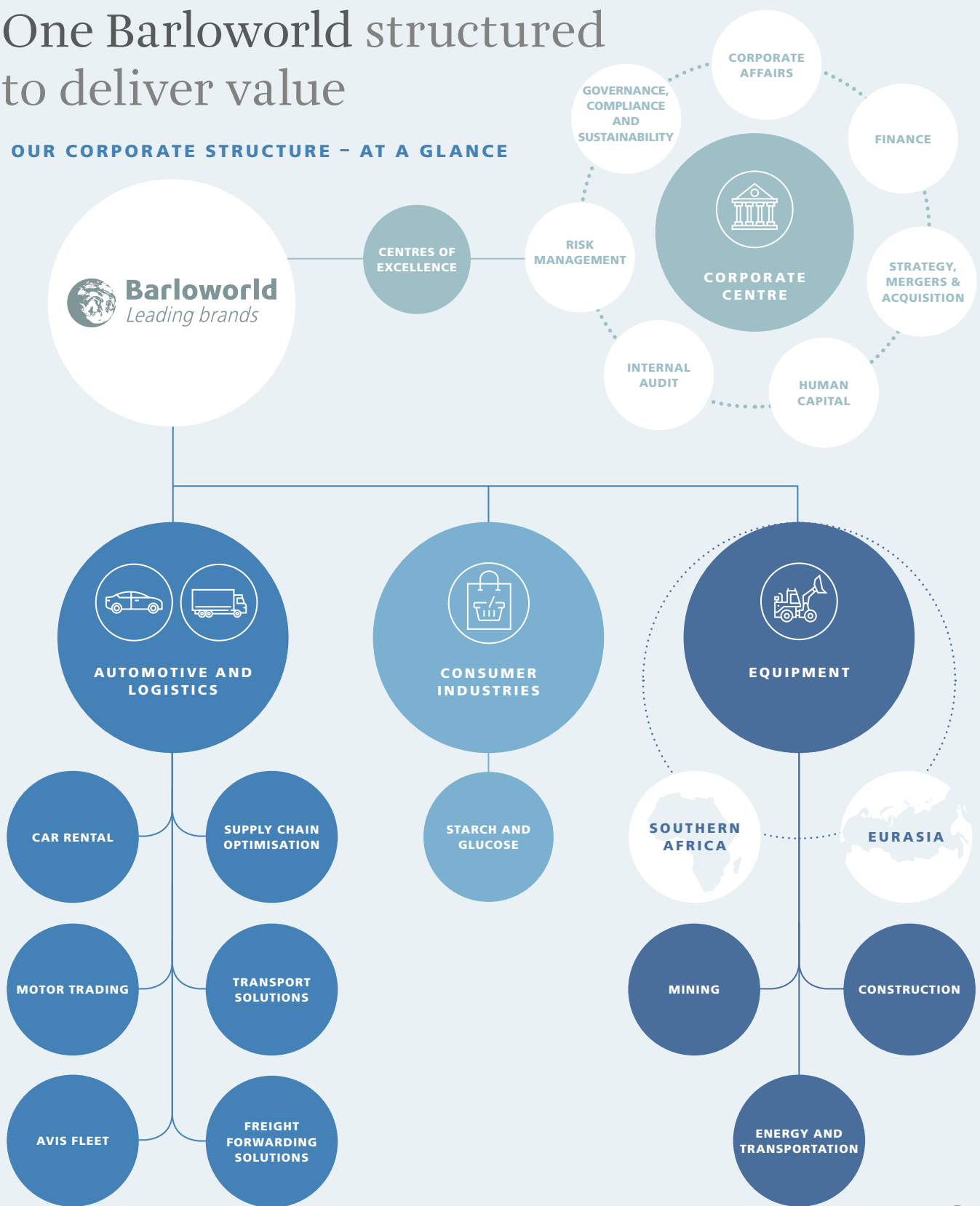
## CONSUMER INDUSTRIES \*

Starch and glucose

\* Effective 31 October 2020

# One Barloworld structured to deliver value

## OUR CORPORATE STRUCTURE - AT A GLANCE



# Our global presence

Geographic diversity, as well as business diversity and our exposure to a mix of commodities, principals, our brands, goods and services, and sector opportunities, underpin and enhance resilience throughout the business cycle.

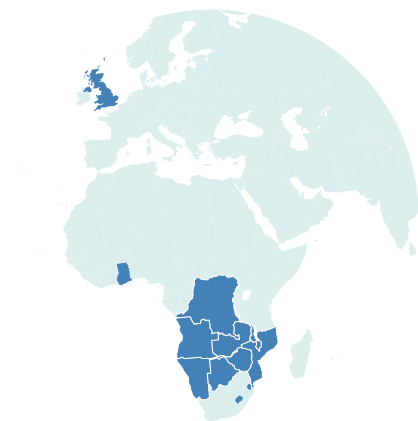
KEY	
●	Equipment
●	Automotive
●	Logistics
●	Corporate
●	Consumer Industries*

## SOUTH AFRICA



●	South Africa
●	Australia*

## REST OF AFRICA AND EUROPE



●	Angola	●	Namibia
●	Botswana	●	eSwatini
●	DRC	●	Zambia
●	Ghana	●	Zimbabwe
●	Lesotho	●	United Kingdom
●	Malawi		
●	Mozambique		

### REVENUE

R35.3bn

(2019: R45.2bn)\*

### OPERATING PROFIT

R682m

(2019: R2.6bn)\*

### INVESTED CAPITAL

R16.9bn

(2019: R17.5bn)\*

### NUMBER OF EMPLOYEES

9 543

(2019: 12 352)

### REVENUE

R6.9bn

(2019: R8.8bn)\*

### OPERATING PROFIT

R281m

(2019: R633m)\*

### INVESTED CAPITAL

R2.2bn

(2019: R4.1bn)\*

### NUMBER OF EMPLOYEES

1 676

(2019: 1 976)

\* restated



EURASIA



- Siberia
- Russian Far East
- Mongolia

REVENUE

R7.5bn

(2019: R6.2bn)

OPERATING PROFIT

R834m

(2019: R719m)

INVESTED CAPITAL

R5.6bn

(2019: R3.4bn)

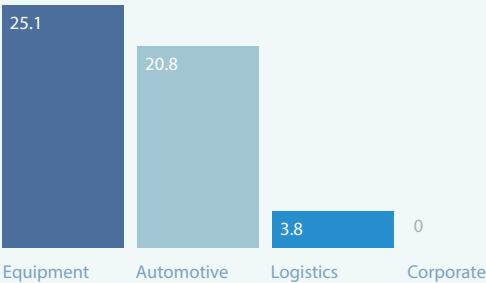
NUMBER OF EMPLOYEES

1 686

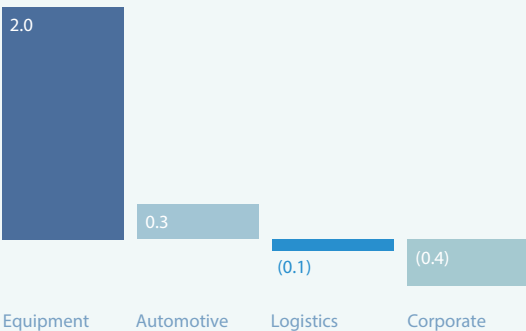
(2019: 1 068)

GROUP

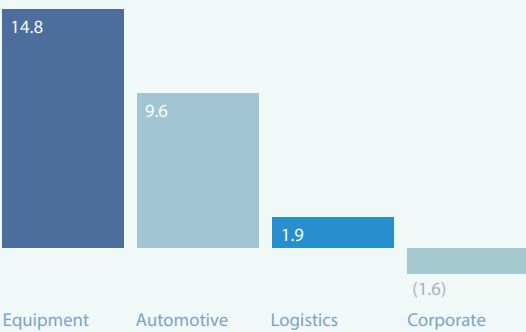
REVENUE (R'bn)



OPERATING PROFIT (R'bn)



INVESTED CAPITAL (R'bn)



# Our operating context

We operate in diverse countries, and as such we are exposed to global market forces; fluctuations in national economies; societal unrest and geopolitical uncertainty; a range of consumer trends; evolving legislation and changes made by competitors. Failure to recognise and appropriately respond to any of these factors could directly impact the profitability of our operations but also allows us to consider the opportunities presented.

The context in which we operate our businesses, both now and in the future, is informed by global macroeconomic as well as industry and geographic trends. Our strategy is a direct response to our operating context in our quest to achieve our stated ambition. More specific operating context details, relevant to each division are outlined on pages 84 to 104.

## SOUTH AFRICA

The loss in momentum behind growth to 1.2% in the past decade from 3.5% in the previous decade reflects chronic policy uncertainty, stretched government finances, infrastructure constraints and dwindling confidence.

The South African government established the Solidarity Fund as a vehicle to enable the international community, citizens of South Africa and the business community to contribute to the national disaster response. As at 18 September 2020 R3.8 billion had been raised.

The South African Sovereign credit rating was downgraded from BB to BB- by Fitch, while Standard and Poor's local currency rating of BB and foreign currency at BB- was maintained. On 26 November 2020 Moody's downgraded Barloworld's Global Scale Rating from Ba1 to Ba2 while maintaining a negative outlook. The National Scale Rating for Barloworld has been maintained at Aa2.za. The Reserve Bank reduced the repurchasing rate from 6.25% to 3.50% between March and July.

The Medium-Term Policy Statement outlines the economic recovery plan that will focus on infrastructure, electricity generation, digital spectrum allocation, employment and rapid industrialisation, despite an expected contraction of the SA economy by 7.8% in 2020.

The appointment of an 18-member Economic Advisory Council by President Ramaphosa in September 2019 offers medium term opportunity, as does National Treasury's recently released growth plan. The plan presents the prospects of creating a more stable and predictable policy environment expected to stimulate investor confidence and job-rich growth.

Policy uncertainty around the fate of state-owned enterprises bolstered with the appointment of 10 people to the Presidential State-Owned Enterprises Council to support government in repositioning SOEs as "effective instruments of economic transformation and development". Evidence of some decisive actions taken at Eskom, despite several loadshedding schedules during 2020, and SAA in business rescue.

## GLOBAL

The IMF reports that the global economy is slowly climbing out of the depths to which it had plummeted during the hard lockdown in April 2020. However, with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While there are early signs of recovery in some regions, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Global growth is projected at -4.4 percent in 2020 and at 5.2 percent in 2021. Following contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 percent above that of 2019. Growth projections imply wide negative output gaps and elevated unemployment rates in 2020 and 2021 across both advanced and emerging market economies.

## REST OF AFRICA

In sub-Saharan Africa, the World Bank predicts economic growth to fall from 2.4% to -3.3%. Real GDP is expected to pick up to 2.1% in 2021. Massive investments are required across countries and support from the international community and a bold reform agenda including policies that create fiscal space and policies to speed up job creation.

In Angola the economy is expected to fall deeper into recession due to the double shock of low oil prices and the pandemic. Next year, GDP is seen to be rebounding in line with gradually recovering activity, although growth will remain marginal. An increased external debt burden amid a depreciating Kwanza and risk of default, which threatens macro stability, cloud the outlook. Development challenges include reducing its dependency on oil and diversifying the economy by rebuilding its infrastructure as well as improving institutional capacity.

Botswana's economy deteriorated sharply as COVID-19 related restrictions hammered activity. Diamond exports, (90% of all exports), fell by 99.4% y-o-y, due to lockdowns and disrupted supply chains. Developments in the global diamond industry will have a telling impact on the short term recovery given Botswana's dependence on the commodity. While a mild recovery is expected for 2021, the economic impact of COVID-19 is likely to be deep and long-lasting. Government's ability to advance key reforms in the 2020 – 2023 Economic Recovery and Transformation Plan are key for broad-based growth.

The DRC economy was impacted by COVID-19 to a lesser extent than expected – particularly due to the resilience of the mining sector – as the confinement of workers at mine sites contributed to an increase in production. Prices for the country's export commodities trended higher after the coronavirus-induced slump, with prices for copper in particular, its main export, rallying thanks to firming demand from China. Economic sentiment improved in August – highlighting slowly recovering confidence among businesses.

The Mozambique economy is poised to contract for the first time in nearly three decades. Exports, especially coal and aluminium, are set to decline amid subdued foreign demand. Output is expected to rebound next year as activity gradually recovers. The country's sizeable external debt burden continues to cloud the outlook.

Zambian GDP data revealed output contracted as a result of a shrinking wholesale and retail trade sector. Containment measures reduced demand and exports fell. Merchandise exports rebounded in July after nearly two full years of decline. Some concern exists around the abrupt dismissal of the Central Bank governor by the President, raising some concerns over central bank independence and uncertainty regarding talks with the IMF for a much-needed loan programme. High exposure to copper (single commodity) creates uncertainty. The IMF says a combination of lockdown measures, currency volatility, high inflation, wage erosion, lack of foreign currency and reduced capacity of businesses, has accelerated company closures.

Zimbabwe's economy contracted by 10.4%, but expects a rebound next year. With all the challenges, the long term growth fundamentals remain, supported by favourable high population growth trends, including urbanisation and consumer spend growth. If confidence comes back in to the market, growth will return.

Link to material matters



4, 7, and 13

## MONGOLIA

The economic impact of the pandemic is projected to be severe, but temporary. The economy contracted sharply in 1H2020 due to fall in external demand and domestic containment measures. Economic activity will begin to recover 2H2020 with loosening in the policy mix, a resumption in mining exports to China, a pickup in credit growth, and lifting of containment measures. The agricultural sector (20% of GDP), has been somewhat insulated from the crisis. On an annual basis, real GDP is likely to contract by 1% in 2020 – 6% points lower than the pre-COVID-19 projection – but authorities see upside risks to this forecast. Inflation should remain low due to low international oil prices and weak domestic demand.

## RUSSIA

2020 GDP is set to contract at the sharpest pace in over a decade. The pandemic has reduced domestic activity as investment and consumer demand decreases, while a devastated oil industry and weak foreign demand bode badly for the external sector. Fiscal and monetary stimulus should soften the downturn and bolster next year's recovery. The unemployment rate rose to an almost nine-year high in August, which, coupled with a depreciating ruble in September, likely capped the recovery in consumer spending. After diving in July, merchandise exports continued to plummet in August – September amid depressed oil output and prices. Government approved the 2021 – 2023 budget that includes cutting military spending in favour of social spending, increasing borrowing and raising taxes on mining companies and high earners.

## 2020 – THE WORLD CHARACTERISED BY THE DEVASTATING EFFECTS OF THE COVID-19

The COVID-19 pandemic has, with alarming speed, dealt a heavy blow to an already-weak global economy, which is expected to slide into its deepest recession since the Second World War, despite unprecedented policy support. The global recession will be deeper if countries take longer to bring the pandemic under control, if financial stress triggers defaults, or if there are protracted effects on households and firms. Economic disruptions are likely to be more severe and protracted in emerging markets and developing economies with larger domestic outbreaks and weaker medical care systems; greater exposure to international spill overs through trade, tourism, and commodity and financial markets; weaker macroeconomic frameworks; and more pervasive informality and poverty. Beyond the current steep economic contraction, the pandemic is likely to leave lasting scars on the global economy by undermining consumer and investor confidence, human capital, and global value chains. Being mostly a reflection of the recent plunge in global energy demand, low oil prices are unlikely to provide much of a boost to global growth in the near term. While policymakers' immediate priorities are to address the health crisis and moderate the short term economic losses, the likely long term consequences of the pandemic highlight the need to forcefully undertake comprehensive reform programmes to improve the fundamental drivers of economic growth, once the crisis abates.

### Citation

"World Bank. 2020. *Global Economic Prospects, June 2020*. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/33748> License: CC BY 3.0 IGO."

### Economic Advisory Council report

- <https://www.redefine.co.za/view-file/rating-action-moodys-takes-rating-actions-on-south-african-corporates-following-sovereign-do-04apr201.pdf>
- <https://www.moneyweb.co.za/in-depth/budget/nine-things-to-watch-out-for-in-the-medium-term-budget/>
- <https://www.worldbank.org/en/news/press-release/2020/10/08/world-bank-confirms-economic-downturn-in-sub-saharan-africa-outlines-key-policies-needed-for-recovery>
- <https://www.focus-economics.com/countries>
- [http://www.treasury.gov.za/comm\\_media/press/2020/20200731%20OEC%20Economic%20Survey%20SA%202020.pdf](http://www.treasury.gov.za/comm_media/press/2020/20200731%20OEC%20Economic%20Survey%20SA%202020.pdf)
- <https://data.imf.org/?sk=5778F645-51FB-4F37-A775-B8FEC6D8C69B>
- [http://www.xinhuanet.com/english/2020-10/09/c\\_139426598.htm](http://www.xinhuanet.com/english/2020-10/09/c_139426598.htm)
- <https://allafrica.com/stories/202010160251.html>
- <https://www.miningweekly.com/article/diamond-market-outlook-at-even-odds-2020-06-05>
- <https://www.cnbc.com/2020/09/14/oil-and-coronavirus-opeec-cuts-2020-demand-forecast-trims-2021-outlook.html>

Link to material matters



2, 7, 9, 10, 12, and 13

## COMMODITIES

OPEC cuts 2020 oil demand forecast and trims 2021 outlook on pandemic fallout. Energy market participants are becoming increasingly more concerned about a faltering economic recovery and stumbling fuel demand in the wake of the pandemic. OPEC suggests the negative impact on oil demand in Asia was expected to persist through the first six months of 2021.

Demand for thermal coal in South Africa will remain high due to Eskom's reliance on coal, but will decline in export markets. However, there is strong demand for coking coal on the back of growth in India and China.

Copper demand is expected to stay strong in the medium to long term, while the outlook for iron ore and manganese is positive, but not as much for diamonds. Our exposure to various commodities protects performance from cyclicality.

Global population growth to nine billion by 2050 should have a significant impact on commodities – this population will require cars, white goods, laptops, and smartphones, while expecting to live in increasingly technological urbanised areas with adequate infrastructure.

## TRANSPARENCY

In light of past corporate global failures, stakeholders are demanding greater levels of transparency.

Corruption commissions and investigations in South Africa continue with several arrests made in 2020.



## SOCIAL AND ENVIRONMENTAL CHALLENGES

Localisation – emphasis on employing and procuring locally continues to be important.

Increasing demand for greater social equity.

Millennials' focus on work/life balance.

Technology threatens job security as certain skills become redundant.

COVID-19 responses to social needs (CSI and Solidarity fund).

Climate change and pressure for greater levels of environmental responsibility in terms of greenhouse gas emissions, the circular economy, reducing waste and water usage, continue to gather momentum and are high on the agenda of the United Nations, governments and boardrooms across the world.

Escalating demand for renewable energy.

## TECHNOLOGICAL INNOVATION AND DIGITISATION

The Fourth Industrial Revolution encompasses technologies such as artificial intelligence (AI), nanotechnology, quantum computing, synthetic biology and robotics.

These technologies are blurring the lines between the physical, digital and biological spheres across all sectors, ushering in profound changes to the world of business.

Fast tracking of digital strategies has been a pervasive response by companies to the pandemic



# Our material matters, risks, opportunities and responses

## RESPONSIBILITY FOR RISK

The board is responsible for overseeing the overall risk management approach in the Group. This oversight role is exercised through various committees at the board and executive committee level, including the board's audit committee, the risk and sustainability committee, the strategy and investment committee and the social, ethics and transformation committee.

## INTEGRATING RISK AND MATERIALITY

As Barloworld operates in various geographic regions and continues to develop new businesses and expand into new markets and territories, we are faced with increasingly complex and changing environments. By integrating our risk management process with our material matters, we enhance our understanding of our operating environment; optimising our risk-return trade-off and shared value approach. This improves our longevity, competitiveness, growth and deployment of capital. The material risks and issues outlined on the following pages are those that impact our ability to create shared value.

Taking into account the outcomes of our bi-annual risk assessment, we identify material issues. Our material matters are those issues that could substantially affect Barloworld's ability to create value in the short, medium or long term. Given the nature of these material matters, our ability to execute on our strategy, meet our financial and non-financial targets and remain competitive may be significantly hampered.

Our risk management process is summarised in the diagram to the right of the page, while our materiality determination process is described on page 21.

In assessing our risks and opportunities, the risk and sustainability committee confirmed the material matters outlined on pages 22 to 25.

## DETERMINING RISK AND MATERIALITY

A bi-annual high-level risk assessment engages various levels of the organisation and involves ongoing review and reporting to management, executive and board levels. Through this process, we also determine the material matters for the Group.

### BARLOWORLD BOARD

Our risk and sustainability committee establishes the risk appetite and assists the board in overseeing the material risks and in identifying the material matters; ensuring that the requisite risk management culture, practices, policies and systems are implemented and functioning effectively.

Risk registers at divisional and Group level prioritise risks to allow for the strategic allocation of resources to address the identified risks and to monitor performance.

Divisional boards and senior Barloworld managers conduct regular risk assessments. They identify critical business, operational, financial, project and compliance risks and opportunities, while also rating the quality of controls.

The process begins with divisional management who are responsible for the ongoing monitoring and management of their operational risks.

Our definition of substantive risks is those with a residual (as opposed to inherent) score of 'critical' or 'high' relative to the set risk appetite which may have the ability to substantively change Barloworld's business model or business operations, revenue or expenditure. Such risks are identified in our risk assessment process together with related impacts and mitigation.

WE USE THE FOLLOWING PROCESS TO MANAGE OUR MATERIAL MATTERS

1

**IDENTIFY**

**By reviewing:**

- our external context
- stakeholder key issues (including impact on ESG issues) and our top risks
- our Fix, Optimise and Grow strategy
- executive committee and board inputs
- shareholder views and specialist inputs

2

**PRIORITISE**

**By assessing:**

- the materiality of matters and grouping the themes
- potential impact of risks
- impact of delivering on our strategy
- our stakeholder expectations

3

**RESPOND**

**Through:**

- actions required to manage material issues
- assessing the impact on risk tolerance and appetite
- evaluating scenario-planning outcomes
- evaluating trade-offs between the six capitals

4

**REPORT**

**To:**

- our executive committee
- our board
- our shareholders
- our broader stakeholder base

5

**EXECUTE, MONITOR AND REVIEW**

**On an ongoing basis:**

- reassessing and monitoring external context, local and global landscape
- conduct an annual review; evaluating new and emerging issues
- evaluate the link to the Group strategy, risks, capitals and adopted SDGs
- map out and execute short term and longer term actions

# Our material matters

Our material matters cut across the following recurring materiality themes:



Responding to COVID-19 impacts



Managing macro economic volatility










Ensuring long term business viability



Optimising our portfolio



Advancing sustainably

 <b>RESPONDING TO THE IMPACT OF COVID-19</b>	
<ul style="list-style-type: none"><li>COVID-19 health and safety concerns</li><li>COVID-19 business impacts</li></ul>	
<b>Why is this issue important to us?</b> <ul style="list-style-type: none"><li>Ensuring a healthy, safe working environment while always a priority to us has become paramount in the COVID-19 environment.</li><li>The need for us to be confident that our strategy remains sound to ensure that we remain resilient beyond the pandemic given the effect on our business operations by restrictions on trade and various lockdowns as well as the challenges faced in predicting further potential business interruption.</li></ul>	<b>Our short term response</b> <ul style="list-style-type: none"><li>The health and safety of our employees remain of paramount importance to management and the board.</li><li>In addition to ensuring adherence to all workplace regulations announced by the Governments of the countries we operate in, we have implemented measures to assist employees in navigating this uncertain, changing and stressful period.</li><li>We have implemented measures to mitigate the spread of COVID-19 in our operations in various geographies as outlined in our One Barloworld COVID-19 Policy.</li><li>The policy includes an additional paid special sick leave category to assist employees who may need additional sick leave as a result of the pandemic.</li><li>It also provides guidance on other measures such as telecommuting/remote working, travel prohibitions and expatriate evacuation, should this be necessary.</li><li>The Barloworld crisis committee is in place to investigate and consider factors that need urgent attention in responding to the pandemic and assessing its impact on both our people and our business.</li><li>Contingency plans are in place in the unfortunate event that senior leaders and/or executives are affected by the virus.</li></ul> <p>The board and management are focused on cash preservation, lowering operating costs in line with reduced activity levels and ensuring the business is well positioned for the recovery. In an effort to weather the current COVID-19 climate, we have implemented a number of measures to reduce and contain costs and to preserve cash in the short term, while ensuring the medium to long term strength of the organisation. These actions include:</p> <ul style="list-style-type: none"><li>Seven-month remuneration sacrifice plan implemented on 1 May 2020.</li><li>Group-wide retrenchments.</li><li>Deferment of non-essential capex.</li><li>Moratorium on external appointments.</li><li>Reduction in operating costs.</li></ul>
<b>Link to key risks</b>	<b>Our longer term actions</b> <ul style="list-style-type: none"><li>Cost restructuring, cost base going forward will be lower.</li><li>Streamlined Corporate Office and Divisions.</li><li>Better working capital management.</li><li>More efficient working processes/structures (accelerating digitisation).</li></ul>
 10	
<b>Link to our strategy</b>	<b>Link to six capitals</b>
Optimal allocation of capital.	   
	<b>Link to our adopted SDGs</b> 





## MANAGING MACROECONOMIC VOLATILITY

- US trade tensions with other countries
- Macroeconomic challenges and geopolitical tensions
- Political and regulatory uncertainty

### Why is this issue important to us?

- At a time with the level of uncertainty and volatility that we are experiencing, it is difficult to forecast both at a macro business level and globally.

### Our short term response

- We will continue to exercise discipline and caution given the volatile macroeconomic environment.
- Reduce working capital, limit capital expenditure and improve cash flow.
- Engage OEMs and other funders to provide cost effective funding solutions for the Group and its customers.
- Monitoring customer concentration risk and establishing diversification strategies across customers.
- Minimise exposure in high-risk countries through in-depth risk assessments, coupled with the application of preventive and corrective risk management activities.

### Link to key risks



7, 11 and 13

### Link to our strategy

Focus on fix and optimise.

### Our longer term actions

- Ensure that the business is efficient and resilient to weather what is coming and still create long term sustainable value.

### Link to six capitals



### Link to our adopted SDGs



## ENSURING LONG TERM VIABILITY

- Strategy alignment
- Changing channels to market
- Efficient IT systems and support structures
- Relevant skills and leadership competencies
- Strategy adjustment
- Operating model refinement

### Why is this issue important to us?

Generating sustainable earnings growth and driving value creation are key to achieving our bold ambition of sustainably doubling the intrinsic value of our business every four years, enabled by the managing for value model.

### Our short term response

Barloworld is an agile company with a strong balance sheet:

- Good liquidity to execute on strategy and ensure resilience.
- Focused on cash preservation and conversion of working capital to cash to provide management with the space to execute on strategy.
- Changes to operating model have resulted in an agile company better positioned to act swiftly to address external headwinds.

### Link to key risks



8, 9, 12 and 13

### Link to our strategy

Successful closure of transactions and integration of businesses.  
Leveraging synergies and performance benefits.  
Integrated capabilities.

### Our longer term actions







- Deliver on the revised strategy.
- Complete implementation of BBS.
- Ensure successful portfolio review and be cautious in terms of implementation of growth strategy.

### Link to six capitals



### Link to our adopted SDGs



<div>OPTIMISING OUR PORTFOLIO</div>	
<ul style="list-style-type: none"><li>Corporate strategic actions and return management</li></ul>	
Why is this issue important to us?	Our short term response
<p>Focus on capital allocation to deliver value to ensure delivery against the targets set. (ROIC, EP and ROE targets).</p> <p>The Group has the ambition to double intrinsic value every four years.</p> <p>The need for us to be confident that our strategy remains sound to ensure that we remain resilient beyond the pandemic given the effect on our business operations by restrictions on trade and various lockdowns as well as the challenges faced in predicting further potential business interruption.</p>	<ul style="list-style-type: none"><li>The Group has a strong balance sheet and stable mature business platforms to weather the storm.</li><li>Business Acquisition policy and procedure sets out a structured approach and framework to use.</li><li>Comprehensive due diligence to verify and validate assumptions and future projections.</li><li>Integration of acquired businesses using a systematic approach including rolling out the Barloworld Business Systems.</li><li>Following acquisitions and/or the formation of joint ventures, planning and a focus on the realisation and management of identified value creation growth opportunities, including synergies.</li></ul>
Link to key risks	Our longer term actions
<div><div>1, 4 and 5</div></div>	<ul style="list-style-type: none"><li>Focus on high growth emerging markets provides resiliency.</li><li>We continue to review our portfolio to ensure continued resilience.</li><li>We are looking at sectors and businesses that have good cash generation, returns and long term growth prospects than some of our current verticals.</li><li>Our strategic guardrails of targeting capital light, high growth, cash generative businesses with lower asset-intensity are increasingly relevant.</li><li>There are organic and inorganic high growth opportunities in emerging markets.</li><li>We have demonstrable experience in the development and growth of businesses in multiple geographies including challenging territories with high growth prospects.</li></ul>
Link to our strategy	Link to six capitals
<p>Funding and resource allocation.</p> <p>Market positioning and portfolio themes.</p>	<div></div>
	Link to our adopted SDGs
	<div></div>



## ADVANCING SUSTAINABLY

- Environmental, Social and Governance (ESG) issues

### Why is this issue important to us?

- The predominant use of fossil fuel-based energy in our supply chain, operations, products and solutions is a key issue for the Group and our value chain.

### Our short term response

ESG:

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.
- Responsible waste management.
- Association with leading principals, provision of products and solutions with reduced environmental footprint which assist customers to achieve their sustainable development objectives.
- Geographic, industry and product diversification.
- Business Continuity Management that develops responses to severe weather incidents in order to provide operational resilience.

### Link to key risks



### Our longer term actions

- Ensuring the longevity of the business.
- Long history – preserve the legacy of the business and the contribution that it makes to the country, the staff and communities in which it operates.

### Link to our strategy

Responsible Corporate.  
Value delivery in a responsible manner.  
Sustainable development.

### Link to six capitals



### Link to our adopted SDGs





# Risk and opportunity management

In line with our Risk Philosophy Statement, we remain cognisant of the assumption that risk is inherent in businesses. Specifically for us at Barloworld, we embrace that risk represents both threats and opportunities which may have an impact on us achieving our objectives.

These objectives may relate to a variety of the organisation's activities, from strategic initiatives to its operations, processes and projects, and be reflected in terms of societal, environmental, safety and security outcomes. This may furthermore be reflected by way of commercial, financial and economic measures, as well as social, cultural, geopolitical, technological and reputation impacts.

It is for that reason that we believe that all the activities of our organisation involve risks that ought to be managed. Our Risk Management Framework aids decision-making by taking account of uncertainty and the possibility of future events or circumstances (intended or unintended) and their effects on agreed objectives. This is done by applying a robust risk management process, supported by a risk management plan and policy that involves applying logical and systematic methods for:

- communicating and consulting throughout this process
- establishing the organisation's context for identifying, analysing, evaluating, treating and monitoring risk associated with any activity, product, function or process
- reporting the results appropriately
- ensuring applicability enterprise wide

We don't intend to eliminate risk, rather we want to identify and manage the risks involved in Barloworld's activities to maximise opportunities and minimise adversity. As such, for our Risk Management to be effective, we require:

- a strategic focus
- forward thinking and active approaches to risk management

- a balance between the cost of managing risk and the anticipated benefits
- contingency planning in the event that critical threats are realised

We thus rely on risk management to also provide a system for setting of priorities when there are competing demands on limited resources.

Our risk management, in line with King IV™ and, where appropriate, international codes of best practice, is aimed at enhancing value for Barloworld's stakeholders and ensuring the efficient application of our six capitals.

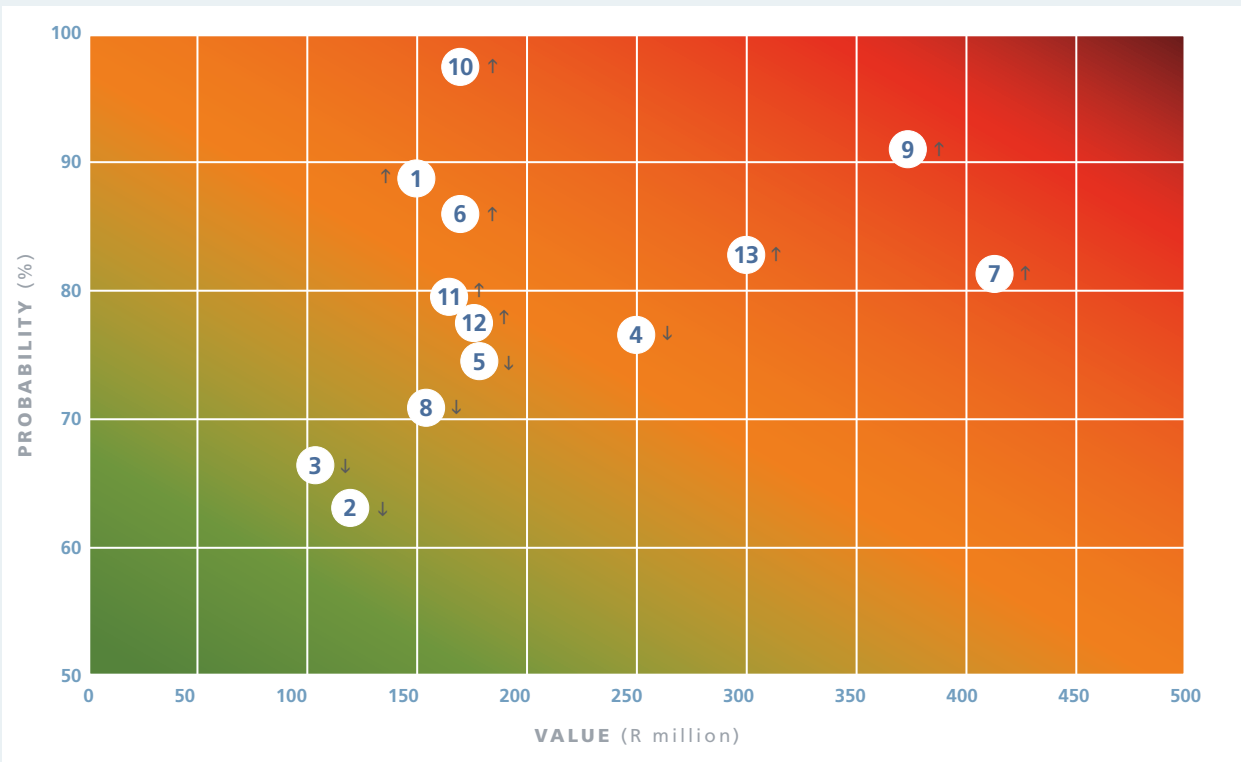
At Barloworld we:

- use appropriate procedures in risk management to support and enhance our strategic objectives
- ensure that risk management is an integral part of the organisation's decision-making processes
- use a structured risk management programme to minimise reasonably foreseeable disruption to operations, harm to people and damage to the environment and property
- set limits regarding the company's risk appetite
- identify and take advantage of opportunities as well as minimising adverse effects
- train our people to implement risk management effectively
- strive to continually improve our risk management practices

The Risk and Sustainability committee, established and empowered by the board, operates with Terms of Reference established by the board. This committee assists the board in reviewing the Risk Management Framework and the significant risks facing the company.

## RISK AND OPPORTUNITY MANAGEMENT CONTINUED

Below is our risk profile (heatmap) as at 30 September 2020. It provides an overview of the assessment of our top 13 Key Risks, with the strategic risk considered from a residual risk perspective and their movement year-on-year (risk has increased ↑ or risk has decreased ↓):



KEY RISKS*		PAGE
	1 ACQUISITION UNDERPERFORMANCE	28
	2 CLIMATE AND ENVIRONMENTAL	28
	3 COMPETITOR ACTIONS	29
	4 CURRENCY AND LIQUIDITY VOLATILITY	29
	5 DEFINED BENEFIT SCHEME EXPOSURE	30
	6 PRINCIPALS AND SUPPLIERS	31
	7 POLITICAL RISKS, SANCTIONS, TERRORISM AND CRIME	31
	8 SIGNIFICANT CUSTOMERS AND CHANNELS TO MARKET	32
	9 INFORMATION SECURITY RISKS AND DIGITAL DISRUPTION	33
	10 OCCUPATIONAL HEALTH AND SAFETY RISKS	34
	11 REGULATORY ENVIRONMENT	34
	12 TALENT	35
	13 VOLATILE COMMODITY PRICES	35

\* Listed in no particular order

# Key risks and opportunities

The tables that follow outlines our key risks and opportunities, our responses/mitigations, links to strategy/strategic initiatives these have an impact on, as well as which of the six capitals have relevance:

<div></div> <div>1</div> <div><b>ACQUISITION UNDERPERFORMANCE</b><p>The risk of future net cash flows from acquisitions and/or joint ventures failing to realise expected projections may lead to value destruction for shareholders and a need to impair the related goodwill or assets.</p></div> <div><b>LINK TO STRATEGY</b><p>Growth</p><p>Market positioning and portfolio themes</p></div> <div><b>LINK TO SIX CAPITALS</b><div></div></div>	<div><b>CATEGORY OF RISK AND MANAGEMENT RESPONSE</b></div> <div><b>ACQUISITION RISK</b><ul style="list-style-type: none"><li>◦ A business acquisition policy and procedure sets a structured approach and framework to be used for acquisitions and/or joint ventures. Includes a pre-acquisition phase with requirements to conduct a comprehensive strategic analysis of intended targets, development of acquisition criteria for strategic and financial aspects, and the quantification of risk-adjusted value creation potential for the business and Group.</li><li>◦ The acquisition phase includes robust due diligence processes to verify and validate assumptions and future projections.</li><li>◦ Integration of the acquired business using a systemic approach including rolling out the BBS.</li><li>◦ Following acquisitions and/or the formation of joint ventures, planning and focus on realisation and management of identified value creation growth opportunities, including synergies.</li></ul></div>
<div></div> <div>2</div> <div><b>CLIMATE AND ENVIRONMENTAL</b><p>Barloworld considers a number of environment-related risks within its strategy including climate change and related risks due to changing weather patterns; regulatory risks including greenhouse gas emissions; financial risks and carbon taxes; operational risks due to constraints in energy supply and the availability of natural resources, such as water and identifies the predominant use of fossil fuel-based energy in its supply chain.</p></div> <div><b>LINK TO STRATEGY</b><p>Responsible corporate – value delivery in a sustainable manner</p><p>Sustainable development</p></div> <div><b>LINK TO SIX CAPITALS</b><div></div></div>	<div><b>CATEGORY OF RISK AND MANAGEMENT RESPONSE</b></div> <div><b>ENVIRONMENTAL/OPERATIONAL/ STRATEGIC/FINANCIAL/REGULATORY RISK</b><p>Minimise exposure through in-depth risk assessments and strategic responses. Ensure organisational resilience through aligned and integrated management activities and policies. These include:</p><ul style="list-style-type: none"><li>◦ Implementation of aspirational efficiency improvement targets in non-renewable energy consumption; greenhouse gas emissions (scope 1 and 2) and water withdrawals; and renewable energy consumption.</li><li>◦ Responsible waste management, including recycling, component remanufacture and rebuild activities, and waste disposal targets.</li><li>◦ Adoption of alternative waste minimisation and disposal methods (e.g. bioremediation etc).</li><li>◦ Provision of products and solutions with reduced environmental footprint which assist customers to achieve their sustainable development objectives.</li><li>◦ Geographic, industry and product diversification.</li><li>◦ Business continuity management that develops responses to severe weather incidents in order to provide operational resilience.</li></ul></div>





3

### COMPETITOR ACTIONS

Competitors' actions will erode the Group's competitive position and have a significant impact on the value created for shareholders.

#### LINK TO STRATEGY

Active shareholder model

Market positioning and portfolio themes

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### COMPETITOR RISK

- Continually reduce controllable costs by focusing on improving operational efficiencies to achieve sustainable and optimised operating models across our businesses.
- Implementation of BBS to drive efficiencies and build a culture of continuous improvement in the Group.
- Continually improve service levels and provision of innovative solutions to customers that differentiate us.
- Developing key customer plans with information and strategies to ensure value creation.
- Robust strategic planning process to identify industry trends, uncertainties and developing appropriate strategic responses to change, risks and opportunities.



4

### CURRENCY AND LIQUIDITY VOLATILITY

The movement of other currencies against the rand 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 certain countries in which the Group operates leading to possible losses as a result of local currency devaluations.

#### LINK TO STRATEGY

Resilience

Funding and resource allocation

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### FINANCIAL RISK

- Monitoring and managing these risks is undertaken by divisional finance and treasury teams under the guidance and support of Group Treasury. Controls include forward cover in divisions exposed to foreign exchange fluctuations, particularly to cover inventory.
- A Group treasury policy that clearly sets out the philosophy of hedging and guideline parameters within which to operate, and permissible financial instruments to be used.
- Preventive measures are implemented in respect of determination of pricing mechanisms and structuring of commercial contracts to reduce impacts of adverse currency fluctuations.
- Geographic, industry and product diversification.
- Strict capital allocations and management including Group dividend policies, diverse funding sources and availability of committed facilities within an overall balanced debt maturity profile.



5

**DEFINED BENEFIT SCHEME EXPOSURE**

One of the key risks that has been seen in relation to the United Kingdom’s defined benefit scheme over the past few years has been the reduced real yields on AA rated corporate bonds which are used to value the balance sheet liabilities. This has resulted in an increased value being placed on the liabilities. In addition, future increases in inflation expectations or in the assumed life expectancies of scheme members may have an adverse impact on the scheme’s funding position.

The next triennial valuation has an effective date of 1 April 2020, and is subject to the economic market conditions in place at that date. This valuation is currently in progress, and is expected to be completed in 2021.

**LINK TO STRATEGY**

- Shareholder value
- Funding and resource allocation

**LINK TO SIX CAPITALS**



**CATEGORY OF RISK AND MANAGEMENT RESPONSE**

**MARKET AND FINANCIAL RISK**

- A suitably qualified representative board of trustees, includes a professional independent trustee, manages the scheme, responsible for regularly evaluating the effectiveness of investment decisions, setting of actuarial factors for the liabilities and managing administration.
- Professional investment advisers are used to assist management of the investment portfolios to generate positive investment performance within an acceptable level of investment risk. Detailed investment risk models are run by the investment advisers and actuaries to assess optimum risk balance.
- The scheme conducts a formal triennial valuation on which the Group’s contributions to the scheme are based.
- The actuary can provide updated funding level estimates on a real-time basis when needed.
- Independent advice provided by a specialist pensions and investment consultancy to support the managing of the risks from the Group’s perspective.
- Funding level shortfalls are planned to be made up within reasonable time frames via positive returns on investments and additional contributions from the Group.
- The investment strategy includes liability-driven Investment (LDI) that aims to reduce the volatility of the funding level of the scheme by investing in bonds and other financial instruments which operate as interest rate and inflation hedges.
- The accounting deficit is reflected on the Group’s balance sheet as a liability per International Accounting Standards.





6

### PRINCIPALS AND SUPPLIERS

Dependency on the reputation, good standing, financial stability, competitiveness, quality of products and services and availability of equipment of a small number of principals and/or suppliers to meet customers' evolving needs could impact sustainable value creation.

#### LINK TO STRATEGY

Resilience

Integrated capabilities

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### STRATEGIC RISK

- Provide ongoing feedback to the principals on customer requirements and expectations, market movements and product competitiveness.
- A growth strategy and plans are actively pursued to position the business and find suitable acquisitions aligned to the Group's clear guardrails.
- Continually improve/build relationships with principals and major suppliers – 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 good 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.
- Geographic diversification.



7

### POLITICAL RISKS, SANCTIONS, TERRORISM AND CRIME

Political risks and level of political stability is inherent to varying degrees within various countries in which Barloworld operates, which could impact the Group's people and assets, and the viability of the businesses. This could lead to exposure of 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, negatively affecting business growth

#### LINK TO STRATEGY

Market positioning and portfolio themes

Resilience

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### OPERATIONAL RISK

- Minimising exposure in high-risk countries through in-depth risk assessments; preventive and corrective risk management activities.
- Monitoring compliance with international sanctions.
- Maintaining flexible business models.
- Maintaining business continuity plans with emergency response actions, crisis management and business recovery plans specific to each business and the respective territories in which the businesses operate.
- Optimising the geographic spread of operations.
- Reinforcing the Group's Ethics and Compliance Programme in all territories to instill the values of the company.
- Proactively monitor political developments in various countries in which we operate to enable timely and appropriate response.
- Board approval is required for all material and strategic acquisitions and disposals of businesses.

<div></div>	CATEGORY OF RISK AND MANAGEMENT RESPONSE
<div><b>SIGNIFICANT CUSTOMERS AND CHANNELS TO MARKET</b></div> <p>Barloworld is exposed to certain large customers and/or industries and well-established distribution and support channels that may change or consolidate which could impact financial stability.</p> <div><b>LINK TO STRATEGY</b></div> <p>Resilience</p> <p>Integrated capabilities</p> <div><b>LINK TO SIX CAPITALS</b></div> <div></div>	<div><b>MARKET RISK</b></div> <ul style="list-style-type: none"><li>◦ Build long term partnerships with customers.</li><li>◦ Develop customer solutions which differentiate and expand the Group's offering from product-based businesses to service and solutions focused.</li><li>◦ Diversify customer base.</li><li>◦ Develop new channels.</li><li>◦ Monitor and anticipate competitor activity.</li><li>◦ A growth strategy is in place and plans are being actively pursued to diversify the business and find suitable acquisitions in line with the Group's clear guardrails.</li></ul>







## INFORMATION SECURITY RISKS AND DIGITAL DISRUPTION

The growing threat landscape posed by cyber-attacks from both cyber-crime and cyber-warfare poses an increasing information security risk to the business which could lead to operational disruption, service delivery failure, information theft and damage to the Group's reputation.

### DIGITAL DISRUPTION

Competitors continuously evolve by applying new digital technologies and business models that affect the value proposition of existing goods and services, requiring Barloworld to respond to the digital disruption to remain relevant.

### LINK TO STRATEGY

Integrated capabilities

Resilience

### LINK TO SIX CAPITALS



## CATEGORY OF RISK AND MANAGEMENT RESPONSE

### EMPLOYEE/OPERATIONAL/STRATEGIC RISK

Continued maturation of our information security approach in line with the evolving threat landscape. A risk-based approach underscores the response to the cyber threat landscape to ensure practicality, affordability and necessity of mitigations and controls. The objectives of the cyber strategy is to protect:

- The organisation's information assets from intentional or accidental internal leakage, interception or disclosure to unauthorised parties.
- Reputation, by ensuring integrity of information assets.
- Information and technology dependent business processes that are vulnerable to attack.
- Availability of sensitive information assets that have a substantial impact on a day-to-day operations and service delivery to stakeholders.
- Networked information assets by ensuring communication with trusted and verified parties.
- The security, trustworthiness and enforceable exchange of information assets.

Our approach includes people, process and technology mechanisms aligned to regulatory and legal requirements and continuously tested robust business continuity plans.

Insurance cover has been effected to offset potential losses that may arise from cyber-risk.

### STRATEGIC RISK

- Investment in digital transformation initiatives to address: employee experience; customer experience; business operations and new business models.
- Where digital initiatives are explored by various principals, we actively participate to ensure relevance and competitiveness remains.
- To ensure risk mitigation while adding agility, we have a digital governance framework which endorses a lean start-up approach and as such allows for a discovery of digital opportunities and quick experimenting at low cost which allows for failure. A full scale up is only approved after successfully demonstrating the technical feasibility and customer demand.



**OCCUPATIONAL HEALTH AND SAFETY RISKS**

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 impacting Barloworld's key asset; its employees.

Occupational health and safety risks are integral to the way we deliver value. This risk is significantly heightened in the COVID-19 environment.

**LINK TO STRATEGY**

Resilience


**LINK TO SIX CAPITALS**



**CATEGORY OF RISK AND MANAGEMENT RESPONSE**

**EMPLOYEE/OPERATIONAL/STRATEGIC RISK**

- Detailed divisional Health and Safety Improvement plans address workplace hazards and stipulate health and safety measures.
- A detailed operational risk management programme and system to manage critical controls.
- An integrated Occupational Health Management programme including medical surveillance, hearing conservation and hazardous chemical substances plans.
- A group-wide employee wellness programme that addresses the key elements of workplace wellness.
- 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 and training programmes in accident prevention, safe work procedures, accident response, emergency preparedness and the use of protective clothing and equipment.
- Monitoring, reporting and review of safety data to promote on-time learning from incidents and prevention of repeat incidents.
- Measures to limit the risk of COVID-19 infections at the workplace. See page 36.




**REGULATORY ENVIRONMENT**

An ever-changing statutory universe across all divisions and geographies could cause challenges to achieve full compliance with regulatory requirements, exposing the Group to potential regulatory breaches.

**LINK TO STRATEGY**

Resilience

**LINK TO SIX CAPITALS**



**CATEGORY OF RISK AND MANAGEMENT RESPONSE**

**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 that prioritises high risk laws is followed to ensure compliance.
- Group-wide projects are initiated to address compliance requirements on new legislations which have a group-wide impact when necessary (e.g. Privacy).



12

### TALENT

An ever-increasing war for top talent may impact the ability to attract, develop and retain the diverse talent and demographics required to sustainably deliver on our strategy, negatively impacting our competitiveness and legitimacy with the potential to lose our licence to trade in the respective regions.

#### LINK TO STRATEGY

Integrated capabilities

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### STRATEGIC/EMPLOYEE RISK

- An integrated talent management strategy is in place and being reviewed through BBS for any improvements.
- Key focus on D&I targets including percentage of women in the Group are set at Group executive and social, ethics and transformation committee levels. 2020 targets retained to 2021 – important when implementing retrenchment/restructuring.
- PEOPLE1st introduced to ensure exciting work; repetitive work digitised and that workloads are manageable by available people.
- Healing sessions in the form of emotional impact/debriefing sessions.
- In order to ensure the well-being of staff during the COVID-19 pandemic, staff support was incorporated within existing employee well-being programmes and additional measures were introduced to engage employees (refer to pages 36 – 37 for more information).



13

### VOLATILE COMMODITY PRICES

The effect of volatile commodity prices has contributed to the slower than anticipated 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.

#### LINK TO STRATEGY

Resilience

#### LINK TO SIX CAPITALS



#### CATEGORY OF RISK AND MANAGEMENT RESPONSE

### FINANCIAL RISK

- Inflationary pressures monitored and managed, as appropriate, in each business.
- BBS roll-out to drive continuous improvement and improve efficiencies with a focus on both the Group and its customers.
- Regularly monitor customers' ability to spend, access credit, and settle debt.
- Reduce working capital, limit capital expenditure and improve cash flow.
- Engage OEMs and other funders to provide cost effective funding solutions for the Group and its customers.
- Monitoring customer concentration risk and establishing diversification strategies across customers and the commodities to which they are exposed.

# Our response to the global pandemic



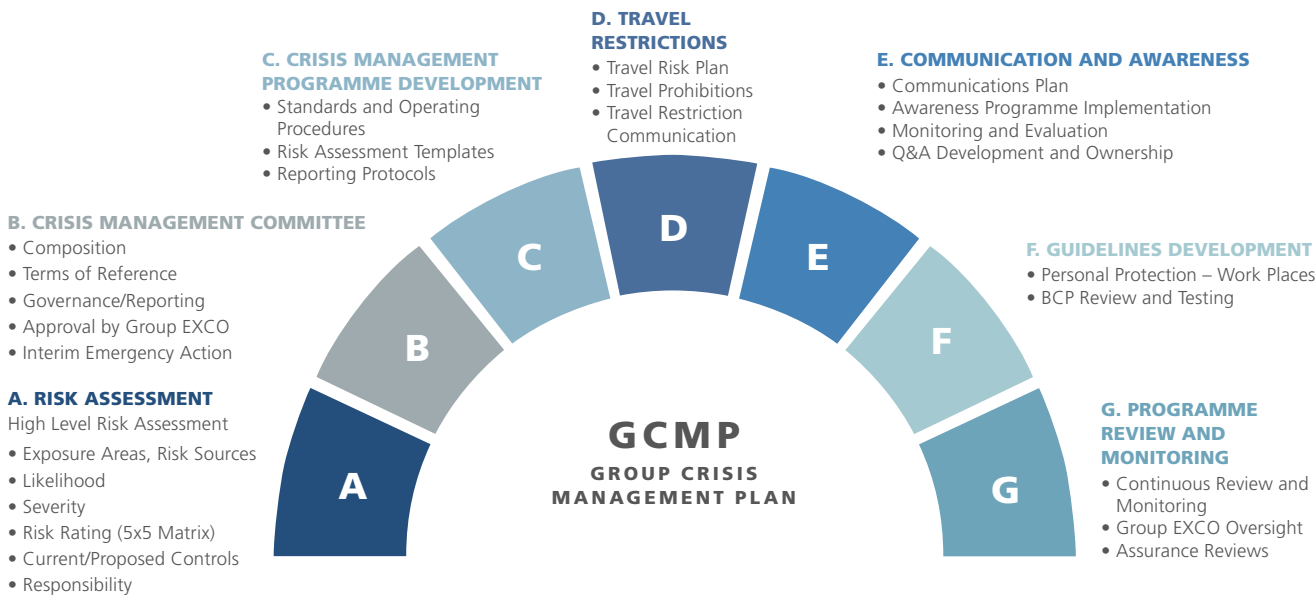
The COVID-19 pandemic has significantly changed the threat landscape for all organisations and forced large numbers of people to work from home which was not anticipated. In light of the negative impact on business operations, there was a need to revisit what we do and how we do it, without compromising the quality of the outcome, and still be able to deliver in line with our mandate.

## CRISIS MANAGEMENT FRAMEWORK

This required a swift and coordinated response which led to a formalised crisis management plan and process being introduced across the Group to provide effective leadership under the authority of the board.

The diagram below depicts the framework put in place to guide the function of the committee and mitigate the risks emanating from the negative impact of the pandemic.

### LEADERSHIP



Group EXCO met twice a day to review progress and make decisions regarding timeous corrective action. This ensured business operations were managed and directed at the highest level on a daily basis and enabled:

- implementation and monitoring of COVID-19 protocols
- daily review of operations
- ensuring the safety of employees

Return to work protocols have since been developed and implemented to align with the requirements of the business.

OUR HERITAGE SERVES AS AN ANCHOR FOR RESILIENCE AND ADAPTABILITY AS WE EMBRACE THE NEW NORMAL

Link to material matters and key risks



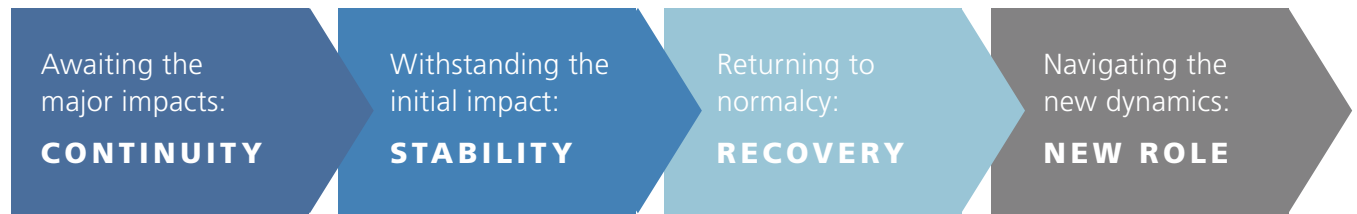
Responding to  
COVID-19 impacts



9, 10



We have weathered the COVID-19 storm through navigating the following phases through the pandemic:



#### Barloworld Communications implications

##### PROTECT AND RE-ASSURE INTERNAL AND EXTERNAL STAKEHOLDERS

*By acting generously*

###### THROUGH:

- Positioning Barloworld as a trusted source of information
- Being clear about the role Barloworld plays
- Expressing solidarity

##### BUILD HOPE

*By taking steps to mitigate the impact*

###### THROUGH:

- Demonstrating Barloworld's adaptation
- Amplifying tangible actions
- Visibility in communities

##### DEMONSTRATE RENEWED CONFIDENCE

*By re-engaging with new normal practices*

###### THROUGH:

- Engaging Barloworld's employees
- Returning to brand communications
- Reintroducing commercial messages

##### REBUILD YOUR BRAND FOR A NEW ERA

*By showing you understand the new context*

###### THROUGH:

- Adopting to new needs
- Reinforcing intrinsic values of Barloworld

Throughout this journey, we focused on the following measures to ensure continuity, stability, recovery and adapting to a new role:

##### Health, safety and well-being

- Introducing strict safety measures
- Providing staff support within existing employee well-being programmes
- Defining remote working practices
- Co-creating the new normal for employees
- Communicating honestly and openly
- Creating a two-way staff engagement channels to share business updates and provide opportunities for improvement through staff feedback
- Creating clear direction and a vision for the future
- Recognising efforts and sacrifices
- Introducing post-retrenchment support and career transition programmes

##### Effective communication and decision-making

- Identify core communication and reporting team
- Implementing real-time monitoring and reporting processes
- Activating internal and external communication channels
- Ongoing refinement of community strategy
- Monitoring and reacting to media to protect and build brand reputation
- Centralising stakeholder communications

##### Understand stakeholder needs and challenges

- Engage with stakeholders within industries and value chains facing common challenges
- Underscoring Barloworld's potential as a social partner
- Collaborating with stakeholders on policy issues
- Managing perceptions of decision-makers
- Becoming a force within the industry to drive change

##### Information security

- Focusing efforts on cyber security awareness initiatives
- Improving remote access security
- Redefining cyber incident response processes
- Revising IT security and risk roadmap
- Collaborating closely with all IT departments to exploit synergies and lessons learnt

##### HIGHLIGHTS

**R112m**

paid in salaries to employees who were not able to work from home during lockdown in April and May.

TERS subsidy reduces this by R44.3m

Barloworld Siyakhula small and medium enterprise beneficiaries receiving COVID-19 relief:

**0%**

interest loan repayment holiday for six months, R1.8m deferred

R22.4m six-month relief fund, awarded to 41 businesses and

**800 jobs**  
saved

South African Solidarity fund partnership: goods and services worth

**R8.8m**

# Our business model – adaptable and delivering results

## MANAGING THE SIX CAPITALS TO DELIVER VALUE

**Our ability to deliver value and drive business performance rests on our ability to leverage and balance the six capitals.**

We have a proven track record of long term relationships with global principals and customers and of developing and growing businesses in multiple geographies, including challenging territories with high growth prospects. In addition, one of our core competencies is an ability to leverage systems and best practices across our chosen business segments.

Deploying the BBS will further enhance Group capabilities to deliver value to stakeholders.

Our actions are underpinned by our values: Integrity, Excellence, Teamwork, Commitment and Sustainability.

### OPERATING CONTEXT IMPACTING OUR BUSINESS MODEL



**GLOBAL ECONOMIC  
ENVIRONMENT**



**SOCIAL AND  
ENVIRONMENTAL  
CHALLENGES**



**TECHNOLOGICAL  
INNOVATION AND  
DIGITISATION**



**TRANSPARENCY**



**COMMODITIES**



**COVID-19**

Refer to our operating context  
on pages 18 to 19

### INPUTS



#### FINANCIAL CAPITAL

We balance an appropriate mix of debt and equity funding to meet our working capital needs and growth ambitions.

R2.6bn in net debt

R19.8bn in equity



#### HUMAN CAPITAL

Our 12 905 skilled and diverse people enable us to serve our customers and compete effectively in our chosen markets.



#### INTELLECTUAL CAPITAL

Our unique way of doing business has been built up over 118 years and includes the Barloworld Business System, our Values, our Worldwide Code of Conduct, and our governance frameworks and processes.



#### MANUFACTURED CAPITAL

Our extensive assets, spread across a wide geographic footprint.



#### NATURAL CAPITAL

We depend on certain natural resources such as water, fossil fuels and other natural assets both directly within our operations and indirectly via our value chain. We are cognisant of the impact our activities, products and services may have on the environment. Our approach and systems enable us to monitor, manage and appropriately minimise such negative impacts.



#### SOCIAL AND RELATIONSHIP CAPITAL

We maintain strong relationships with our principals, suppliers, customers, employees, investors and communities.

 Limited Assurance over selected FY2020 non-financial indicators by PwC

## STRATEGIC OBJECTIVES

**DELIVER TOP QUARTILE SHAREHOLDER RETURNS**

**DRIVE PROFITABLE GROWTH**

**INSTIL A HIGH-PERFORMANCE CULTURE**

**SUSTAINABLE DEVELOPMENT**

## MATERIAL ISSUES AND KEY RISKS

We manage the below risks while delivering on our strategic objective:

### KEY RISKS

- Acquisition underperformance
- Climate and environment
- Competitor action
- Currency and liquidity volatility
- Defined benefit scheme exposure
- Information security risks and digital disruption
- Occupational health and safety risks
- Political risks, sanctions, terrorism and crime
- Principals and suppliers
- Regulatory environment
- Significant customers and channels to market
- Talent
- Volatile commodity prices

### MATERIAL ISSUES

#### Responding to the impact of COVID-19

- COVID-19 health and safety concerns
- COVID-19 business impacts

#### Managing macroeconomic volatility

- US trade tensions with other countries
- Macroeconomic challenges and geopolitical tensions
- Political and regulatory uncertainty

#### Ensuring long term viability

- Strategy alignment
- Changing channels to market
- Efficient IT systems and support structures
- Relevant skills and leadership competencies
- Strategy adjustment
- Operating model refinement

#### Optimising our portfolio

- Corporate strategic actions and return management

#### Advancing sustainably

- Environmental, Social and Governance (ESG) issues

## OUTPUTS

We deliver flexible, value adding innovative customer solutions and services through:



### CORPORATE CENTRE

- Group level strategy and mergers and acquisitions activities
- Performance monitoring and capital allocation
- Talent management



### EQUIPMENT

- Earthmoving: mining and infrastructure
- Power Systems: electrical power, marine, petroleum and industrial



### AUTOMOTIVE AND LOGISTICS

- Short-term vehicle usage
- Long-term vehicle leasing and fleet management solutions and products
- Motor trading
- Asset disposal through online platforms
- Supply chain solutions
- Transport solutions
- Freight forwarding solutions



### CONSUMER INDUSTRIES

- Consumer goods in the food sector
- Food and ingredients solutions

## OUTCOMES



Financial capital



Human capital



Intellectual capital



Manufactured capital



Natural capital



Social and relationship capital

Outcomes are described on pages 40 to 45

# Value creation through the six capitals and our trade-offs



## Financial capital

We continue to prioritise a strong balance sheet and low debt levels in order to allocate capital in a manner that will deliver the significant value and achieve our ambition of sustainably doubling our intrinsic value every four years.

We remain committed to deploying this capital towards targeted growth opportunities that will create sustainable value for our stakeholders, should these opportunities not materialise.

### 1 INPUTS

- Prudent capital management, including releasing capital through divestments to fund growth, with a capital allocation framework that balances growth capex, share buy-backs and dividends
- An appropriate mix of debt and equity funding is used to meet working capital needs and growth ambitions

R2.6bn net debt

R19.8bn in equity

- Other investments
  - Fix and optimise
  - BBS
  - Khula Sizwe, Siyakhula and Mbewu
  - Equipment Mongolia acquisition

### 2 OUTPUTS

- Optimal deployment of capital – acquisition of Equipment Mongolia (1 September 2020) and Ingrain (31 October 2020)
- Increased shareholder value
- Unutilised borrowing facilities of R15.6bn of which R14.5bn is committed (FY2019: R10.5bn of which R7.1bn was committed)
- Free cash flow of R575m (FY2019: R3.1bn)
- Optimal business performance through BBS

### 3 OUTCOMES

- Strongly positioned in high growth markets in terms of market share and profitability
- Sustainable financial position

GROUP	2020	2019 <sup>#</sup>	2018 <sup>#</sup>
Economic profit (Rm)	(3 037)	(323)	(48)
Operating margin (%) <sup>*</sup>	4.1	6.6	6.9
Normalised HEPS (cents) <sup>**</sup>	(30)	1 167 <sup>^</sup>	1 151
ROIC (%)	1.0	11.9	12.3
Free cash generated during the period (Rbn)	0.6	3.1	3.6
ROE (%)	(1.5)	10.6	11.8
<b>EQUIPMENT SOUTHERN AFRICA</b>			
Economic profit (Rm)	(1 017)	(75)	23
ROIC (%)	3.8	12.5	12.7
<b>EQUIPMENT EURASIA</b>			
Economic profit (Rm)	(66)	136	237
ROIC (%)	12.2	17.3	21.6
<b>AUTOMOTIVE</b>			
Economic profit (Rm)	(1 016)	–	(5)
ROIC (%)	2.9	13.2	12.4
<b>LOGISTICS</b>			
Economic profit (Rm)	(358)	(195)	(73)
ROIC (%)	(7.5)	0.4	8.7

<sup>#</sup> The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

<sup>\*</sup> Continuing operating margin excluding B-BBEE charge.

<sup>\*\*</sup> Excluding IFRS 16 impact.

<sup>^</sup> Amount reported in 2019 includes the fair value adjustment on the USD deposits in the UK. The adjusted normalised HEPS 2019 number which excludes the USD deposits in the UK is 1 098 cents.

### 4 TRADE-OFFS IN OUR USE OF FINANCIAL CAPITAL



We leverage *financial capital* to maintain our leading competitive market position, supported by strong brand offerings and stable long term relationships with our principal suppliers. Our diversified product mix and resilient business model ensure future sustainability.

This has both positive impacts on *human, intellectual, and social and relationship capita*, but can also have negative impacts on human capital, as with our decision to close KLL.





# Human capital

Our people are key in ensuring that we can achieve our strategic objectives and we therefore continue with our efforts to embed a diverse and inclusive high performance culture that encourages ongoing development and growth.

## 1 INPUTS

- Safe and flexible work environment that ensures the overall well-being of our people
- Robust Talent Management which includes Workforce planning, recruitment and selection processes focused on providing opportunities to internals first
- Learning and development including technical and leadership development
- Performance optimisation through balanced business and individual scorecards aligned to key business objectives
- Succession planning for strategic, critical and scarce roles
- Competitive pay, benefits and performance based short and long term incentives
- Remuneration and reward structures linked to individual and business performance

## 2 OUTPUTS

- A diverse and inclusive workforce and culture
- Diversity and inclusion in terms of AIC and gender for all employees and/or for Grade 11 and above which is the focus for our D&I
- Training and development spend
- Employee well-being
- Overall employee turnover rate
- Effective succession planning and performance management

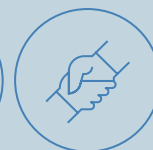
	2020	2019	2018
Amount paid in wages and benefits (Rm)	7 126	9 418**	8 746
Lost-time injury frequency rate (LTIFR)*	0.53	0.57	0.69
Number of work-related fatalities	2	1	2
Total direct training spend per employee (R)	4 800	6 980	4 171

## 3 OUTCOMES

- 2020 employee engagement survey set us on a path for improvement with overall 63.7% engagement levels. See 2020 employee engagement survey summary results on page 111
- Improved recognition for our commitment to diversity and inclusion. Barloworld won three Gender Mainstreaming Awards
- Improved top talent retention
- Improved sustainability and business continuity through strong leadership capability and bench-strength
- Optimised and flexible workforce structure
- Competitive and cost effective employee pay and benefits offering
- Employee wellness impacted by COVID-19 fallout and retrenchments. One Barloworld COVID-19 Policy and Barloworld crisis committee, as well as relevant contingency measures in place
- Kicked off the Human Capital transformation technology system (PEOPLE1st)
- Total training hours for the Group were 239 600

## 4 TRADE-OFFS IN OUR USE OF HUMAN CAPITAL

Our investment in training and development impacts on *financial capital*, but has significant benefit in terms of human, social and relationship capital, enabling us to have the people capabilities required to deliver the business strategy.



\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000)/hours worked

\*\* 2019 restated for inclusion of Avis Fleet as a continuing operation.



# Intellectual capital

Our intellectual capital value proposition encompasses our unique way of doing things, including the Barloworld Business System (BBS), our Worldwide Code of Conduct and our Code of Ethics, together with our governance framework and processes.

Our values include Integrity, Excellence, Teamwork, Commitment and Sustainability and are integral to upholding our reputation, built up over more than 118 years.

## 1 INPUTS

- A strong and respected brand
- Active shareholder operating model
- New corporate strategy launched in 2017
- Design and implementation of a repeatable and scalable high-performance business system (BBS implementation)
- Customer-centric digital strategy
- Worldwide Code of Conduct reviewed, focus on value and entrench one Barloworld approach
- Relentless focus on Ethics and Compliance

## 2 OUTPUTS

- Top talent developed and deployed on the most critical Group issues
- Managing for intrinsic value approach fully adopted
- Implementation of the BBS at Equipment southern Africa which has flowed directly from the Group strategy
- Ethics compliant policies aligned for consistencies
- Strategic shift from a decentralised structure to a centre led corporate structure

## 3 OUTCOMES

- The BBS is driving business transformation with measurable results – Equipment southern Africa reduced working capital during the period
- Relocation of specific skills from underlying divisions
- Recruited key talent externally
- Digital strategies have enhanced employee and customer satisfaction levels
- Motor retail portfolio review, logistics restructuring is creating a base for future growth
- Improved oversight over Group ethics matters
- Centres of excellence created in strategy, mergers and acquisitions, human capital and corporate affairs

## 4 TRADE-OFFS IN OUR USE OF INTELLECTUAL CAPITAL



- We will not compromise the values inherent in our *intellectual capital*.
- By upholding these values, we enhance our *natural, human, manufactured, social and relationship capitals*.



# Manufactured capital

We continue to invest in and grow our assets to enhance financial, human and social capitals. We are an industrial processing, distribution and service company which distributes leading international brands with corporate offices in Johannesburg (South Africa) and Maidenhead (United Kingdom). In our Original Equipment Manufacturers (OEM) businesses we provide integrated sales, rental, fleet management and product support through offering flexible, value adding, and innovative business solutions to our customers backed by leading global brands. The core divisions of the Group are Equipment (earthmoving equipment and power systems), Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions), Logistics (transport management and supply chain optimisation) and Consumer Industries (Ingtrain – starch and glucose). We have an ability to develop and grow businesses in multiple geographies including challenging territories with high growth prospects. One of our core competencies is an ability to leverage systems and best practices across our chosen business segments.

## 1 INPUTS

- We serve as the client facing operation of leading international brands
- Manufacturing centres in Boksburg, South Africa and Novosibirsk, Russia, specialise in the rebuilding and repair of Caterpillar components
- 'Fewer, bigger and better' strategy
- Digital transformation for improved operational performance
- Application platform connectivity through BBS
- Stability and efficiency of systems and platforms bespoke to Barloworld
- Improved mining machine stock availability
- Expansion strategy of our equipment business
- Agile teams for mergers, acquisitions and divestments (M&A&D) coupled with rapid Executive and board data-driven decision-making processes to facilitate agile execution
- Introduction of new management teams who know how to build and integrate businesses for the Industrial Services and Food Industries

## 2 OUTPUTS

- Geographic and business diversity
- Integrated rental, fleet management, product support and logistics solutions
- Real-time tracking, mobile operation sales and data monitoring
- Key matrix tracking and visualisation
- Customer, machine, service data and information
- After-market sales
- Salvage Management and Disposal
- Improved customer experience through digital capabilities
- Robotic process automation (RPA)
- Capability for staff to work from home, as a result of COVID-19
- Contract mining opportunities

## 3 OUTCOMES

- **Motor Retail:** Benefit from alignment of cost structures, non-profitable dealerships and rationalisation of properties
- **Car Rental:** Focused balance-sheet management and restructure of assets
- **Logistics:** Improvement and restructuring, merger of Automotive and Logistics
- **Equipment:** World-class rebuild and manufacturing facilities help our customers achieve optimum component life and reliability, while reducing environmental impacts
- Expansion of the geographic capability of our equipment business
  - Expansion of our equipment business with the acquisition of Equipment Mongolia
- A more balanced portfolio to generate long term value
  - Acquisition of Tongaat Hulett Starch (Ingtrain) in South Africa (access to the less cyclical consumer sector)

## 4 TRADE-OFFS IN OUR USE OF MANUFACTURED CAPITAL



There is a possibility that our investment in manufactured capital could negatively impact our investment in *human, social and relationship* capital.



# Natural capital

## 1 INPUTS

- Carbon footprint strategy and targets
- Systems to enable us to monitor, manage and appropriately minimise negative impacts on the environment
- Sustainability awareness and training
- Water conservation and waste management

	2020	2019	2018
Renewable Energy (Solar PV) (MWh)	556	598	950
Non-renewable energy consumption (GJ) <sup>#^</sup>	2 268 586	2 853 385	2 947 697
Non-renewable energy <sup>#</sup> intensity (GJ/R1 million revenue)	45.7	47.4	46.5
Water withdrawn (municipal sources) (ML)	612	665	589
Water withdrawal intensity (municipal sources) (KL/R1 million revenue)	12.3	11.0	9.3

We depend on certain natural resources such as water, fossil fuels and other natural assets both directly within our operations and indirectly via our value chain. We are cognisant of the impact our activities, products and services may have on the environment.

Environmental stewardship covers both our internal operations and our products and services. Internal aspirational targets assist in minimising our impact on natural resources thus enhancing operational resilience against supply constraints and cost increases.

We largely represent Original Equipment Manufacturers (OEMs) and remain mindful of environmental stewardship in ensuring that the products we represent and our customer solutions assist them in achieving their own sustainability targets.

## 2 OUTCOMES

- Reduction in carbon emissions as a result of COVID-19

	2020	2019	2018
Scope 1 emissions: Diesel (tCO <sub>2</sub> e) <sup>^</sup>	133 646	165 349	170 662
Scope 1 emissions: Petrol (tCO <sub>2</sub> e) <sup>^</sup>	11 214	16 315	16 031
Scope 1 emissions: Other (CNG, LPG) (tCO <sub>2</sub> e) <sup>^</sup>	46	52	63
Total Scope 1 emissions (tCO <sub>2</sub> e)	144 906	181 716	186 756
Scope 2 emissions: Grid electricity (tCO <sub>2</sub> e) <sup>^</sup>	48 640	64 165	70 893
Total Scope 1 and 2 emissions (tCO <sub>2</sub> e)	193 546	245 881	257 649
Emissions (Scope 1 and 2) intensity (tCO <sub>2</sub> e/R1 million revenue)	3.9	4.1	4.1
Scope 3 emissions:			
Business air travel (tCO <sub>2</sub> e)	4 907	8 668	5 732
Percentage water recycled (%)	15.1	23.8	25.3
Waste disposed of through formal waste management service providers (%):			
◦ Solids	99.6	100	98.9
◦ Liquids	100	100	100

## 3 OUTPUTS

- Enhanced operational resilience, reduced related costs and environmental footprint
- Assistance to our customers to achieve their own sustainability related objectives (through our product and service offerings), including:
  - renewable energy solutions
  - energy efficient vehicles, plant and equipment
  - inter-modal transport models
- Enhanced reputation through global recognition. The Group is included in:
  - Dow Jones Sustainability Emerging Markets Index (DJSI)
  - FTSE/JSE Responsible Investment Index
  - FTSE4Good Index Series

## 4 TRADE-OFFS IN OUR USE OF NATURAL CAPITAL

Our business activities, products and services utilise and impact *natural capital* e.g. fossil fuels and related emissions. However, these positively impact *human, social and relationship*, and *financial capitals* through employment, transport and infrastructure development, contribution to the national fiscus through taxes and levies, and financial returns.

Investment in initiatives that conserve natural capital require *financial capital*. These initiatives enhance *human, social and relationship, intellectual and financial capitals*.

For example, to reduce fossil fuel use and related emissions, we invest in solar power generation and other efficiency initiatives (including measurement, monitoring and management systems, green building design).



<sup>#</sup> Excludes energy from rental fleets

<sup>^</sup> Energy and emission conversion factors available at [www.barloworld.com](http://www.barloworld.com)





## Social and relationship capital

Our social and relationship capital is based on our strong relationships with our principals, suppliers, customers, employees, investors and communities. In addition to the value we create through our core business activities, we undertake targeted community as well as enterprise and supplier development initiatives. The latter are driven through our Siyakhula programme, established in 2007, which provides comprehensive support to small, medium and micro-enterprises (SMMEs).

### 1 INPUTS

- Responsible procurement and supplier development
- Corporate social investment strategy
- Focused transformation strategy
- Khula Sizwe, B-BBEE commercial property transaction
- Barloworld Mbewu
- Zambia safe water programme
- Youth Employment Services programme



### 2 OUTPUTS

- Enabling growth and progress in society
- Making a world of difference in communities
- Khula Sizwe
  - Enhanced Barloworld licence to operate, improved Barloworld black ownership for Broad-Based Black Economic Empowerment (B-BBEE), leave a lasting social and economic legacy by creating a large, black-owned and managed property company
- The launch of Barloworld Mbewu has created a new model for social value
- Barloworld Siyakhula small and medium enterprise beneficiaries receiving COVID-19 relief

### 3 OUTCOMES

- Investment of R16 million (2019: R19 million) in social investment programmes
- Through Siyakhula, investing cumulative spend of R300 million since 2007

	2020	2019	2018
Number of employee volunteers	120	313	600
B-BBEE level	3	3	3
Taxes paid to central and local government	2 066	1 834	2 078

- 121 youth employment service candidates are learning skills and gaining exposure to the workplace



#### COVID-19 support:

- 0% interest loan repayment holiday for six months, R1.8 million deferred for Siyakhula beneficiaries
- R22.4m six-month relief fund to 41 Siyakhula beneficiaries, 800 jobs saved
- South African Solidarity fund partnership: goods and services worth R8.8 million

### 4 TRADE-OFFS IN OUR USE OF SOCIAL AND RELATIONSHIP CAPITAL



The sale of properties to Khula Sizwe released cash flow for future capital deployment, thereby impacting *financial capital* and is helping to build considerable *social and relationship capital*.

# Group chief executive officer's review 2020

## AT A GLANCE

Resilient Group performance, under an unprecedented trading environment impacted by the COVID-19 pandemic

Decisive measures taken in response to ensure the long term value creation by the Group

Strong net debt position R2.6bn

Total savings from austerity measures taken during the period R691m

Cash generated from operations R5.8bn

Khula Sizwe B-BBEE transaction, 57 of the 64 properties transferred for R2.4bn during the period

Completed Equipment Mongolia acquisition at R2.8bn on 1 September 2020

Completed acquisition of Ingrain at R4.9bn\* on 31 October 2020

\* Subject to true up

## OVERCOMING UNPARALLELED CHALLENGES AND DRIVING PERFORMANCE

The constrained consumer demand that was experienced in 2019 continued during the year. The onset of the global COVID-19 pandemic in our geographies started impacting trading in March 2020 triggered by trade restrictions, lockdowns and travel restrictions that resulted in negative knock-on effects in the trading environment. The Group's performance during the year was resilient, reflecting the difficult trading environment and the challenges faced by our businesses with the Equipment divisions performing much better than anticipated.

The Group revenue decreased by 17% to R49.7 billion (2019: R60.2 billion) with the operating margin declining from 6.6% to 4.1%. The operating profit for the Group of R1.8 billion was 54% down on prior year (2019: R3.9 billion), negatively impacted by lower revenues and higher costs.



Going into 2020, our focus was on the delivery of our strategy and the achievements of the ambitious targets we set for ourselves, as well as ensuring the complete adoption of the Active Shareholder Model. Though we anticipated that we were going into a year with continued macroeconomic challenges, the onset of the novel coronavirus pandemic (COVID-19) and the ensuing economic impact, was something no one could have predicted. Barloworld, like many other corporations in South Africa and globally, had to navigate this challenging and uncertain reality.



**DOMINIC SEWELA**  
Group chief executive officer

## GROUP CHIEF EXECUTIVE OFFICER'S REVIEW 2020 CONTINUED

The Group headline earnings per share (HEPS) was a (268) cents loss down on the prior year of 1 100 cents, however the normalised impact of headline earnings per share (Normalised HEPS), excluding the impact of IFRS 16, B-BBEE charges and the fair value on the USD deposits in the UK was a (30) cent loss down on prior year of 1 167 cents. Including these charges, the reported HEPS loss was (268) cents. Normalised HEPS was impacted by all operations performing at levels well below the prior year due to the COVID-19.

A return on invested capital (ROIC) of 1.0% was generated compared to 11.9% achieved in 2019 due to a reduction in operating profit.

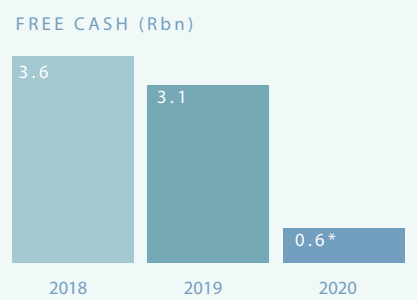
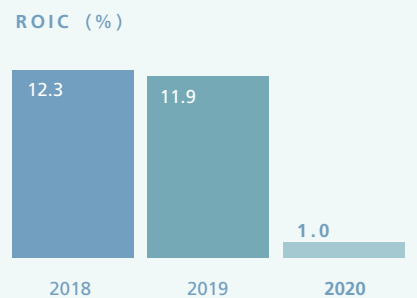
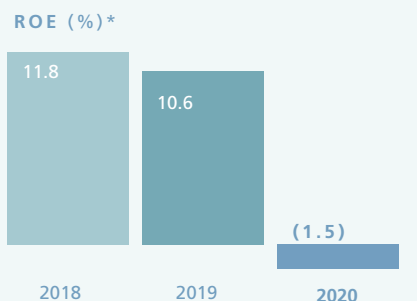
### DIVIDEND

Barloworld has met its solvency and liquidity obligations but given the current market conditions, the board took the important precautionary measure not to declare a final dividend payment for the year ended 30 September 2020. This position will be reviewed again at the interim period in 2021.

### PROGRESS ON OUR STRATEGY

The Group aims to sustainably double its intrinsic value every four years, enabled by the managing-for-value operating model. Post the recent strategic review, the Group has positioned itself as an industrial processing, distribution and services company. In light of this the Group has set its vision to create enduring economic and social value for stakeholders by building businesses that serve industrial customers.

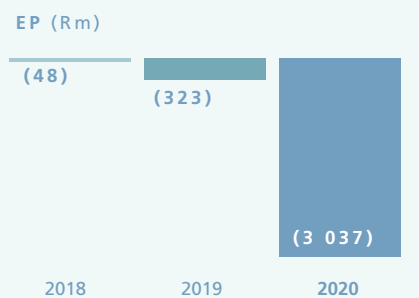
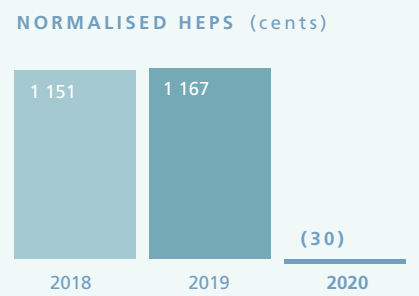
Our fundamental strategic levers – ‘fix, optimise and grow’ remain unchanged, though in response to the immediate challenges Barloworld faces, and to ensure the Group's legacy in the long term, we have honed our strategic focus, balancing short term decisions with long term thinking. While our goal remains the achievement of above-market growth and ROIC >13% with positive economic profits. We seek to create value by balancing our long term growth ambitions with focusing on achieving acceptable returns for our shareholders in the medium term. This will continue to be underpinned by our sustainable development framework and informed by the macro-environment, including the immediate to longer term impacts of the COVID-19 pandemic on societies and economies, and our strategic outlook.



Our strategy, already in implementation, remains ambitious. It is achievable with an organisation-wide focus aligned with our longer-term vision, fine-tuned objectives, and certain execution elements being accelerated.

The board and management remain committed to the prudent implementation of the Group strategy and resource allocation through the set strategic levers:

1. Fix, restructure or exit businesses that do not meet the Group's portfolio criteria;
2. Optimise existing businesses that meet the Group's portfolio guardrails to achieve full potential;
3. Implement an active shareholder operating model; and
4. Pursue programmatic acquisitive growth in line with the revised strategy, focused on adding high growth, cash generative businesses to the portfolio.



During the period, good progress was made in all areas of the strategy. The Group's strategy and clear set of guardrails (capital light, high growth, cash generative) remain relevant despite the ever-changing market conditions.

In terms of **fix and optimise**, we continued to reassess the performance of the businesses and identified opportunities to unlock value in the current environment. The quick implementation of austerity measures by management is expected to bolster performance in the short term and support results in the medium to long term. The review of the Automotive portfolio is ongoing amid the changing environment. The review has resulted in Car Rental and Avis Fleet being integrated into a single unit to ensure the realisation of benefits of scale between these two businesses and also address gaps in product portfolio driven through a single focused management team. Options around the optimal deployment of capital in Motor Retail remain under due consideration. The Group is also considering market conditions in the Logistics business and evaluating its future options around this business.

The **active shareholder model**, a key strategic lever to changing the nature of the Group's operating model is in place. With the reviewed head office costs the Group continues to drive certain elements centrally while employing a more flexible resource model and driven

## GROUP CHIEF EXECUTIVE OFFICER'S REVIEW 2020 CONTINUED

execution through utilising divisional resources more effectively. The redevelopment of Barlow Park at 180 Katherine Street precinct in Sandton is being reassessed in line with current market conditions.

In terms of growth, two acquisitions that are in line with the Group's strategy were closed on 1 September 2020 and 31 October 2020, respectively, and are being integrated into the Group. The Equipment Mongolia acquisition was concluded, and the transaction closed on 1 September 2020. The transaction was de-risked through a deferral of a large part of the premium being made contingent on certain future targets. The business will be integrated with the Russian business to form Barloworld Eurasia and managed under a single leadership team. The acquisition of Tongaat Hulett Starch (Ingrain) and subsequent rebranding of the business to Ingrain positions Barloworld for growth in a consumer driven demand market while remaining focused on business-to-business customers. The business will form a strong pillar in Consumer Industries. The transaction closed on 31 October 2020, just after the Group's year end. Taking into consideration the current fluid macroeconomic environment, we will continue to be disciplined and cautious in our approach to growth, while giving due consideration to the changed macroeconomic environment.

### CARING FOR OUR EMPLOYEES

The health and safety of our employees, customers and communities remains of paramount importance to management and the board. The One Barloworld COVID-19 policy that is in place outlines various health and safety measures taken to mitigate the spread of COVID-19 in our operations across various geographies. Over and above ensuring that we adhere to all workplace regulations announced by the Governments of the countries we operate in, we implemented additional measures to assist employees navigate this uncertain, changing and stressful period. In addition, we ensured that there are adequate risk management processes and safety COVID-19 protocols at every division and business unit for dealing with employees that have now returned to work. As at 30 September 2020, 536 employees have recovered from the virus while 70 employees are in the process of recovering. Regrettably, there were six deaths during the period and the Company has provided support to the bereaved families and our people during this difficult time.

The relief through the Temporary Employer-Employee Relief Scheme/Unemployment Insurance Fund in South Africa was utilised to alleviate the financial impact of the COVID-19 on employees due to reduced salaries and/or where employees were required to take annual and unpaid leave during the extended lockdown period. A number of employee wellness focused initiatives were also undertaken to assist employees deal with the emotional and psychological impact of the various lockdowns and cost containment initiatives.

The Company's commitment to diversity and inclusion was acknowledged with three awards at the Gender Mainstreaming Awards 2020, namely, the overall Gender Mainstreaming Champions for 2020 for JSE listed companies, Investing in Young Women as well as Women Empowerment in the Workplace (JSE-listed companies as well as OVERALL winner in this category).

### UPDATE ON COST-SAVING MEASURES

Tough decisions were made during the year, the most significant of which was the retrenchment process that, while necessary to safeguard the long term sustainability of the business, impacted our people, who are critical to our success. Given the harsh economic realities before the onset of COVID-19, we were already contemplating a retrenchment process as part of a range of austerity measures. The scale and timelines for its implementation were accelerated, however, due to the impact of COVID-19. Letting go of hard-working and dedicated employees was incredibly difficult. The retrenchment process, which included early retirement, cost the Group R289 million and resulted in approximately 2 644 headcount reduction.

The austerity measures and cost saving initiatives aimed at reducing and containing costs to preserve cash in the immediate year were implemented by the Group and resulted in a reduction in overhead costs of R691 million. These measures included a group-wide remuneration sacrifice plan and retirement fund payment holiday, implemented on 1 May 2020, retrenchments, the deferment of non-essential capex, a moratorium on external appointments, a reduction in operating costs, additional counter-measures to contain invested capital and other measures.

The board and management remain committed to the implementation of prudent measures aimed at reducing and containing costs to preserve cash while ensuring the medium to long term strength of the organisation.

### CARING ABOUT CLIMATE CHANGE

Climate change is one of the defining issues of our time and we are on the edge of the precipice. Ecosystems as diverse as the Amazon rainforest and the Arctic tundra may be approaching thresholds of dramatic change through warming and water constraints. We believe it is incumbent on individuals and businesses to contribute to keeping greenhouse gas (GHG) emissions as low as possible. We have been steadily addressing our fossil fuel usage and greenhouse gas emissions over time as detailed on page 147 and continue to offer our customers solutions aimed at reducing their GHG emissions. We remain committed to improving our internal energy and emissions efficiency.

### COVID-19 SOCIAL RESPONSES

The board and management is committed to implementing meaningful interventions that transform our society by investing in initiatives that drive economic inclusion, social cohesion and build resilient communities. About 50% of the global socio-economic spend of R16 million was dedicated to the health and welfare responses resulting from our global COVID-19 pandemic. Furthermore, the Group provided relief funding support totalling R22 million to Supplier and Enterprise Development beneficiaries to sustain their businesses during the hard lockdown period of the pandemic which included a loan repayment holiday at 0% interest rate for the period of 6 months ending in September 2020.

### FOCUSING ON SAFETY

At Barloworld, we actively promote health and safety with policies and practical programmes that help our people, suppliers and contractors safeguard themselves and their colleagues at all times. Tragically, there were two work-related fatalities within the Group's Logistics operation, both of which were motor vehicle accident related. Barloworld, extends its sincere condolences to the family, friends and colleagues of the deceased to whom we have offered support.

Our Group Lost-Time Injury Frequency Rate (LTIFR) for the period was 0.53. Our ongoing focus on safety across the Group is unrelenting and we continue to target zero harm. In all our territories we monitor the work environments in light of COVID-19 and endeavour to comply with regulations and guidelines in terms of return to work requirements, including screening, protective personal equipment and contact tracing. Health and safety incidents follow in-depth root cause analysis that inform preventative measures.

#### **THE END OF AN ERA AND THE BEGINNING OF A NEW GOVERNANCE CHAPTER**

We bade farewell to Advocate Dumisa Ntsebeza SC in February this year. Dumisa's leadership of the Barloworld board was infused with his unique brand of wisdom, insight and integrity. He guided us for 12 years and played a vital role in reshaping the Barloworld legacy with his determination to drive transformation at all levels and shape the Group into the values-driven organisation it is today. We are grateful for his courageous and dedicated steering of the Barloworld board.

The end of an era while always infused with sadness, signals new beginnings. We welcomed our new Chairperson of the board, Neo Phakama Dongwana this year. Neo made Barloworld history, becoming the first Black woman to take on this role. She has a longstanding history with Barloworld, having begun her tenure as a non-executive director of Barloworld in May 2012. Since then, she has chaired the risk and sustainability committee and the remuneration committee. She has also been a member of the social ethics and transformation committee (SETC) as well as the audit committee at different times during her tenure at Barloworld.

Neo has taken the helm at a time which is arguably one of the most challenging periods of a generation, in which the world has undergone profound changes as a result of the COVID-19 pandemic and the measures put in place to inhibit its spread. As the Barloworld Group deals with the staggering negative economic impact of this on the global economy, we appreciate Neo's clear vision, focus and determined leadership, which is grounded in teamwork and the 'One Barloworld' philosophy.

#### **A NOTE OF APPRECIATION**

I would like to thank the members of our board for their guidance and support in what has been an extremely challenging year. Their swift decision-making and management of critical issues and processes in a constantly shifting environment, has been invaluable.

The past few months have been characterised by upheaval and deep uncertainty and their strong leadership has been a source of strength for the Group. The strong leadership, resilience and tenacity of our management team is commendable. I am extremely proud of all of our employees and I salute them for the dedication and tenacity they have displayed under the most trying of circumstances. We have lost six of our own to COVID-19 and we send our deepest condolences to the friends and families of our beloved colleagues. They will never be forgotten.

#### **LOOKING AHEAD**

The spread of the COVID-19 pandemic has had a crippling impact on economies and industries critical to our business performance. From the airline industry, to tourism, mining and supply chain sectors, the virus has caused ripple effects that we need to be fully prepared for and mitigate in the short, medium, and long term. It has incontrovertibly been a difficult and tough time for all, as no business has been left unscathed by this pandemic.

In the words of Dr Martin Luther King Jr. "We must accept finite disappointment, but never lose infinite hope." We remain steadfast in our commitment to making every effort to defy limits and overcome adversity. Our goals are ambitious, but we are well-equipped to meet the objectives we have set, with our heritage serving as an anchor and ensuring our resilience and adaptability, as we embrace the new world order. With our shared commitment and collective responsibility to 'One Barloworld', we will 'rise as one... with soul.'



**DOMINIC SEWELA**

Group chief executive officer



# Our strategy

## Our strategic direction remains clear: Balancing short term actions with longer term value creation objectives

We revised our strategy three years ago after engaging with our shareholders to determine their concerns, expectations and priorities. A further revision was undertaken in 2020. We reflected on a number of key questions:

1

What is the full potential of each business in the portfolio today in the context of the constraints of their existing markets?

2

Are there opportunities within each of our chosen business segments to further expand the Group?

3

What else would we need to deliver on our growth for value ambitions?

### OUR AMBITION IS BOLD

To sustainably double the intrinsic value of our business every four years, enabled by the managing for value operating model.

### OUR VISION

We create enduring economic and social value for our stakeholders by building businesses that serve industrial customers

### OUR 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 sustainable development framework. 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:

#### ① FIX AND OPTIMISE OUR EXISTING PORTFOLIO

In terms of fix and optimise, we continue to reassess the performance of the businesses and identify opportunities to unlock value in the current environment. The quick implementation of austerity measures by management is expected to bolster performance in the short term and support results in the medium to long term. Equipment southern Africa has made great progress in rightsizing and streamlining operations in Botswana and Angola with ROIC improving period-on-period. The Logistics business turnaround is ongoing, and the Group is continuously assessing performance and the medium term outlook in light of the current environment. We previously disclosed our intention to dilute our interest to 50% of the equity in Avis Fleet. Given the current market environment, a decision was taken to place this initiative on hold. This position will be re-assessed at the appropriate time and in the context of the Group's strategy and a further review of the portfolio in light of the changing market conditions and longer-term structural changes expected in several segments. Avis Fleet is now reported as part of continuing operations for the full year and going forward. Further to this, management and the board took a decision to integrate the Avis Budget and Avis Fleet businesses in an effort to unlock synergies and value. This operating model is centred on the ever-evolving needs and requirements of customers and presents an opportunity to offer integrated end-to-end mobility solutions to customers, while creating further efficiencies through the consolidation of common processes. The review of the Automotive portfolio is ongoing amid the changing environment. The review has resulted in Car Rental and Avis Fleet being integrated into a single unit to ensure the realisation of benefits of scale between these two businesses and also address gaps in product portfolio driven through a single focused management team. Options around the optimal deployment of capital in Motor Retail remain under due consideration. The Group is also considering market conditions in the Logistics business and evaluating its future options around this business.

## ② ACTIVE SHAREHOLDER MODEL

We have also made a conscious effort to change the nature of the Group to become an active shareholder by focusing on five key pillars:



### STRATEGY AND M&A

Sets strategy for the Group and drives transactions through a centralised M&A function



### LEADERSHIP AND TALENT

Managed centrally and deployed to the best available opportunities in the Group



### PERFORMANCE MANAGEMENT

Monitor, measure and reward performance linked to Group priorities



### RESOURCE ALLOCATION

Allocation of financial, human, time and other organisational resources, based on performance and alignment to strategy



### RESPONSIBLE CORPORATE

Conducting our business in a responsible manner that contributes to positive socio-economic and environmental outcomes that are aligned with our stakeholder expectations as well as governance

## ③ ADD HIGH GROWTH BUSINESSES TO OUR PORTFOLIO

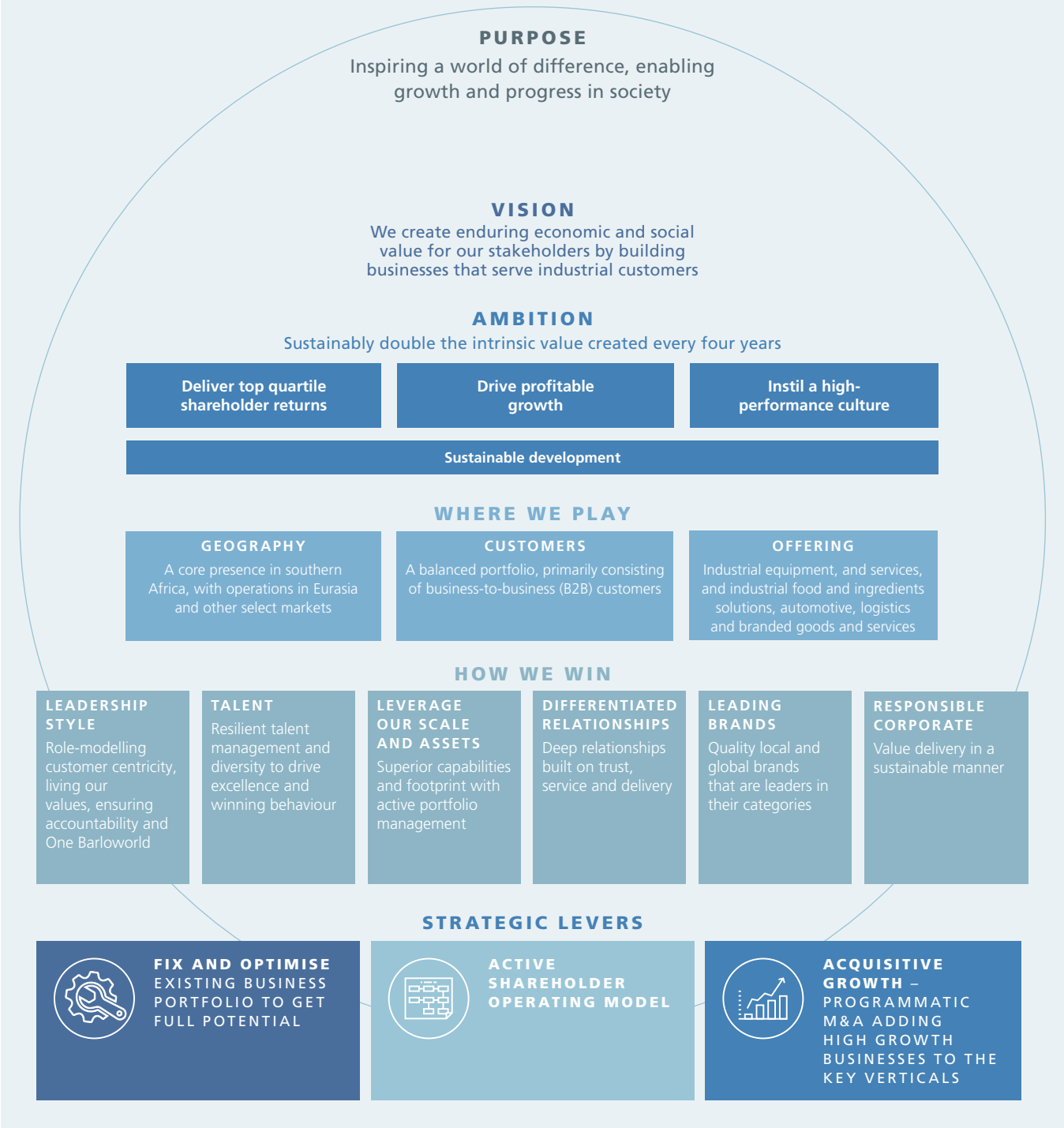
Our key priority moves to programmatic M&A in line with our established set of guardrails and verticals that will provide us a platform from which to grow further. We will pursue the mergers and acquisitions program by pivoting the portfolio into chosen segments building off the current base towards an industrial company with a business-to-business operating model focusing on Industrial Equipment and Services and Consumer Industries in food and ingredients. We have the right competencies and the right experience, we are also considering leveraging our offshore ownership structures by capitalising on opportunities in developed markets.

The active shareholder model, a key strategic enabler for changing the nature of the Group's operating model focused on building select core competencies to support the execution of the Group's overall strategy and effectively allocate resources. The managing for value model at the corporate centre continued, creating active centres of excellence in the areas of finance, strategy, mergers and acquisitions (M&A), human capital and corporate affairs as a key enabler to our strategy. These corporate functions provide Group-led strategic direction and facilitate collaboration to deliver on the Group strategy. Further changes have been implemented to the corporate centre functions to ensure a more cost effective and directed functions. The roll-out of the Barloworld Business Systems (BBS) continues with significant progress made in the improvement of employee engagement and ways of working throughout the Group. Opportunities to unlock value and implement new ways of working in line with required changes in our trading environment were leveraged to improve efficiencies in all businesses. The redevelopment of the Barlow Park at 180 Katherine Street precinct in Sandton is being assessed in line with current market conditions.

# Our strategy remains robust

## Driving sustainable value creation through our core strengths

Notwithstanding the challenging macro-environment both in the regions in which we operate as well as globally, our strategy remains robust and unaltered. Given the rapidly evolving and turbulent external environment, including input from our stakeholders, we reevaluated the way in which we are to execute our strategy while leveraging our core strengths to drive business growth in the medium term. Market forces, stakeholder sentiment and our longer term assumptions influence our strategy execution focus areas.



















# Our strategy continues to deliver results







## Driving sustainable, long term value creation

In the year under review, and despite the challenging macro-environment and global pandemic-induced new normal, we continued to steadily progress our medium term as summarised in the infographic below, with several key activities completed.

### 2020 ACHIEVEMENTS

 <b>FIX AND OPTIMISE</b>	 <b>SHAREHOLDER ACTIVE MODEL</b>	 <b>GROWTH</b>
<p><b>Equipment southern Africa</b> rightsizing and streamlining Botswana and Angola, improved ROIC </p> <hr/> <p><b>Automotive and Logistics</b> business review </p>	<p><b>Goal:</b> create centres of excellence, provide strategic direction and collaboration for Group strategy delivery </p> <hr/> <p>Corporate centre measures implemented to reduce costs and streamline functions </p> <hr/> <p><b>BBS roll-out:</b> significant improvement in employee engagement and ways of working </p> <hr/> <p>Opportunities to unlock value and improve efficiencies leveraged </p> <hr/> <p>180 Katherine Street precinct redevelopment </p>	<p><b>Goal:</b> value creation balanced against sustainable development framework </p> <hr/> <p>Acquisition of Mongolia CAT dealership 1 September 2020 </p> <hr/> <p>Acquisition of Tongaat Hulett Starch (Ingrain) 31 October 2020 </p> <hr/> <p>Due consideration of the current fluid macroeconomic environment </p>
		<p> <b>Complete</b>     <b>In progress</b></p>

### OUTLOOK AND SHORT TO MEDIUM TERM STRATEGIC FOCUS AREAS

 <p><b>Review Automotive portfolio</b> Reduced divisional costs in line with changing market conditions. Considering optimal capital deployment in Motor Retail.</p>	 <p><b>Logistics</b> Concluded further restructuring, benefits to be realised in 2021. Considering expressions of interest.</p>	 <p><b>Equipment</b> Deliver full potential in Southern Africa. Value unlock from Mongolia in short to medium term. Eurasia consolidation.</p>
 <p><b>Capital allocation</b> Continue with disciplined capital allocation to ensure strong balance sheet.</p>	 <p><b>Avis Rent/Lease</b> Integrate and stabilise car rental and leasing business. Review business performance in line with market conditions.</p>	 <p><b>Acquisitive growth</b> Deliver value from THS acquisition. Focus on bolt – on acquisitions that support Industrial Equipment and Consumer Industries.  Growth through programmatic M&amp;A within approved guardrails and identified sectors.</p>

# Creating a platform for growth

## Barloworld Equipment Mongolia

### CREATING A PLATFORM FOR GROWTH AND GENERATING LONG TERM VALUE FOR ALL OUR STAKEHOLDERS

One of the key strategic levers in the short to medium term to generate long term value is to add high growth businesses to our portfolio and ensure optimal deployment of capital.

We believe the business will support Barloworld's long term growth objectives through combining this territory with the adjacent Russian business to form Barloworld Eurasia.

Regarding growth, we expanded the geographic coverage of our equipment business with the acquisition of Wagner Asia Equipment in Mongolia on 1 September 2020, acquiring 100% of Wagner and 49% of SGMS from Wagner Asia Group and Wagner International.

Mongolia is an add-on to the Russian equipment business, which will strengthen Barloworld's position in the region and provide new growth opportunities. The Mongolian business will be owned by Barloworld Mongolia, a 100% subsidiary of Barloworld Equipment UK.

The business in Mongolia sells and distributes construction equipment, mining equipment, power systems, and related goods and services in Mongolia, primarily under the Caterpillar brand. This acquisition will complement our other dealerships that sell earthmoving equipment in the region.

The remaining shares in SGMS will continue to be held by Battur Battulga, a Mongolian citizen actively involved in SGMS.

The business has been rebranded Barloworld Mongolia.

### GROWTH PROSPECTS AND DIFFERENTIATING CAPABILITIES

#### GROWTH

The business is focused on machine sales, however, they recently invested in remanufacturing capabilities (aftermarket support) which presents significant growth opportunities for the future as the growing machine population requires rebuilds in country.

#### PROSPECTS

With the business being profitable today, a ROIC target of 14% to 17% is achievable in the medium term.

#### CAPABILITIES

The business has a strong local in country management team to support businesses. A clear business plan will drive the allocation of resources and provide clear measurable for the team. Integration into Barloworld Eurasia will also provide the necessary platform to support further growth of the business in a sustainable way.

The current managing director has been in business since 2016 and has a management team with years of experience which offers stability.

Since commencing operations in 1996 it has grown to be the largest heavy equipment supplier in the country.

Barloworld will not assume any debt liabilities from the existing entities and will provide its own capital into the operations from existing credit lines and some locally sourced funding in line with how its other offshore operations are funded.



[Link to material matters](#)



Barloworld believes that the the Mongolia Equipment business has strong long term fundamentals and will be a good fit within its current portfolio.



# Ingrain

## ACQUISITION

- o Closed out MAC Process, business is resilient and performed well above expectations
- o Market leader in Starch and Glucose in B2B Consumer Industries
- o Unlock identified improvements through BBS
- o Business expected to continue delivering good EBITDA margins and strong operating cash flows
- o The Group includes operation in South Africa and Australia

## OUTLOOK

- o Strong growth in key segments
- o 2021 market recovery in alcoholic beverages and confectionery
- o Continuing benefits from diverse customer base
- o Maize and co-products
  - Low exposure to the current high maize prices until the end of Q1 2021
  - International edible oil and soya prices support increased co-product recoveries
- o Pricing
  - Expected lower maize crops in key international export markets and improved global demand, supportive of international starch and glucose prices

## CREATING AN ATTRACTIVE VERTICAL TO ENSURE VALUE IN THE LONG TERM

We initiated our portfolio pivot by entering into the consumer goods sector through the acquisition of Ingrain (THS) in South Africa, an acquisition that will provide us with access to the less cyclical consumer sector without having direct exposure to the end-consumer.

We believe a balanced portfolio will generate long term value for all our stakeholders and is key in Barloworld's ability to deliver value while adapting and transforming to ensure long term growth.

## THE CREATION OF INGRAIN

On 31 October 2020 Barloworld successfully concluded its landmark acquisition of Ingrain. Having proved resilient throughout the COVID-19 lockdowns and other restrictions, Ingrain validates Barloworld's strategy of entering the defensive food sector, creating exciting new opportunities for employees and customers in the years ahead.

The transaction is in line with Barloworld's strategy and supports its journey of becoming a focused industrial company, with a balanced portfolio of enduring businesses across key markets.

The acquisition is the result of an auction process conducted by the Seller and follows a comprehensive financial, legal, tax, technology, environmental and commercial due diligence performed by Barloworld and its external advisors. The outcome of the due diligence and the subsequent commercial negotiation culminated in a transaction acceptable to Barloworld.

Ingrain's new identity solidifies Barloworld as an industry leader that is deeply rooted in the South African heritage. Similar to how grains grow and adds value across different industries, Ingrain will continue to have an impact in its new home with the 'One Barloworld' family.

## GROWTH PROSPECTS AND DIFFERENTIATING CAPABILITIES

### GROWTH

Ingrain is a fully integrated starch and modified starch producer and has been in operation for over 100 years. It is the leading starch and glucose producer in Africa and has significant growth prospects.

### PROSPECTS

Ingrain has consistently delivered a strong financial performance and will make a positive contribution to Barloworld.

The starch and glucose consumption (volume) is projected to grow at c. 3.4% per annum in Africa and c. 1.7% per annum in South Africa, with the South African modified starch market showing resilience.

### CAPABILITIES

The business is a highly cash generative, relatively asset light and defensive investment with a leading market position and a strong client base of highly regarded and well-established multinational companies. These characteristics have underpinned the resilience of the starch business through the current economic challenges, validating Barloworld's stated strategy of entering into the defensive consumer foods sector and serving industrial customers as a long term strategic pivot of its portfolio. Ingrain is Africa's largest producer of starch, glucose and related products.

Ingrain further presents an opportunity for Barloworld to leverage its core capabilities of building lasting B2B businesses and operating in emerging markets. The identified growth and product development potential opportunities identified include:

- unlocking latent manufacturing capacity through the application of lean improvement processes
- increasing exports into key African countries
- increasing the presence of the business within the high-margin modified starch sector
- better utilisation of current plant capacity, through efficiency increases and by addressing current production bottlenecks, all with little incremental investment being required of Barloworld

Barloworld expects that through product development and specialisation (into modified starches) it will be able to create immediate margin uplift and optimise the product mix, while the ability to leverage Barloworld's core competencies in distribution will also create additional value. Currently, Ingrain has a global technical partner who is a leading global ingredients solutions company and it is intended to retain the technical partner's services.

Ingrain has a strong management team that has consistently delivered strong EBITDA performance and cash conversion despite tough economic conditions. It is the intention to retain this management team post the Acquisition.

# Strategy execution: the Barloworld Business System (BBS)

## RELEVANCE

The effective execution of our Group strategy has necessitated the design and implementation of a repeatable and scalable high-performance business system to increase the competitive advantage of our portfolio of businesses and enable the achievement of our vision and ambition.

Accordingly, the BBS, which anchors its business excellence pillar on a methodology based on the lean principles of the Toyota Production System (TPS), was launched with the guidance and support of experienced consultants.

### WHAT IS THE BBS?

The BBS is a structured business operating system that enables a high-performance culture of both continuous improvement and business excellence to delight our customers and sustainably create value for our stakeholders. Our purpose is to defy limits by delivering breakthrough performance and results for Barloworld and our stakeholders.

### THE KEY PILLARS OF THE BBS PHILOSOPHY ARE:

- Respect for people, including society and the environment
- Continuous improvement.

### THE KEY PRINCIPLES OF THE BBS:

- The **customer defines value**
- Value to customers must be **delivered on demand and right, first time**
- A new way to evaluate and improve existing processes, **removing waste and defects**
- It demands that we standardise and document '**today's best-known way**' of running a process
- Drives the ambition to **continuously improve** on a daily basis
- **Mutual respect and shared responsibility** enable higher performance
- Individuals go through a deep personal learning experience by '**learning as we do**'
- It brings in **new ways of working** through innovation and embracing new business models
- Drives a change in **leadership style and culture** in the organisation.

### WHY IMPLEMENT THE BBS?

The benefits of implementing the BBS can be seen across a variety of areas, most importantly in:

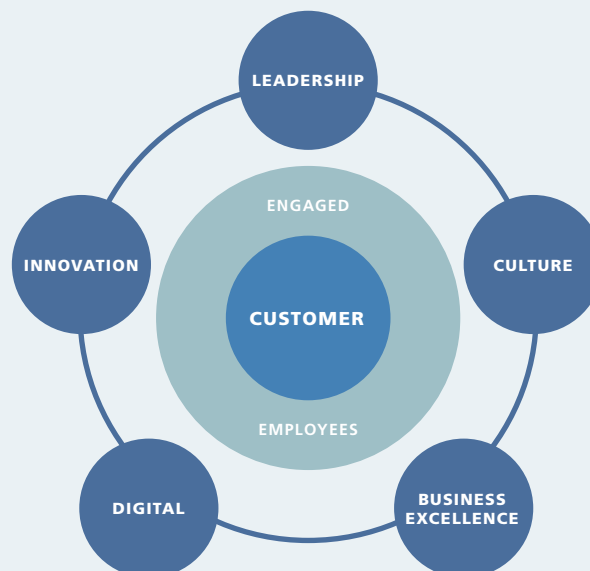
- **People development:** Developing people who create value for stakeholders on a daily basis
- **Quality:** Striving to deliver the right solutions to customers free of defects or errors – first time
- **Delivery:** Deliver solutions to customer requirements timeously

- **Cost containment:** Through increased productivity and lowering our cost to serve
- **Growth:** Achieving top quartile growth in value through organic and inorganic opportunities.

### 2020 ACHIEVEMENTS

- Business process improvement
- Progress not hindered by lockdown and remote working
- Innovation is working on process improvements using virtual solutions

### THE BARLOWORLD BUSINESS SYSTEM



**RESPECT FOR  
PEOPLE**



**CONTINUOUS  
IMPROVEMENT**



# Board overview

Our board of directors are responsible for the vision, purpose, strategic direction and control of the Barloworld Group. The board sets the tone for ethical and effective leadership and are committed to the highest standards of good corporate governance. This commitment is underpinned by our values of integrity, responsibility, fairness, transparency, honesty and accountability to all stakeholders. The board brings independent judgement and leadership to material decisions, while ensuring strategy, risk, performance and sustainable development considerations are integrated into decision-making and are appropriately balanced.



## BARLOWORLD BOARD

Our board of directors from left to right: Neo Phakama Dongwana, Ngozi Frances Oluwatoyin Edozien, Peter Schmid, Michael Lynch-Bell, Hugh Molotsi

### 2020 BOARD FOCUS AREAS

- Responding to the impact of the COVID-19 pandemic on the business
- Overseeing the execution of our Fix, Optimise and Grow strategy
- Providing input regarding balance sheet and liquidity management
- Considering and approving cost discipline and cost reduction measures
- Reviewing and approving the organisational restructuring programme
- Overseeing risk management and mitigating actions

### NUMBER OF BOARD MEETINGS:

8

### ATTENDANCE RECORD

99%

### SKILLS AND EXPERIENCE OF THE BOARD

- Accounting, auditing
- Asset management
- Business development
- Corporate affairs
- Digital and IT

- Finance, mergers and acquisitions
- Governance, risk, compliance
- Investment banking
- Strategy
- Social development

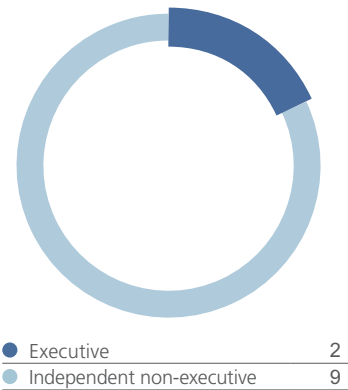
OUR GOVERNANCE CONTINUED

Our board members come from diverse backgrounds and possess a wide range of skills and experience to exercise independent judgement and oversight regarding the Group's strategy design and implementation and overall performance. Considerable thought is given to the current mix and diversity of knowledge, skills, experience, gender and tenure.

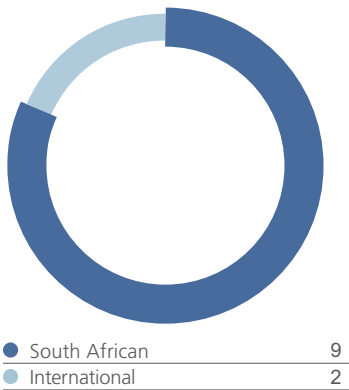


Our board of directors from left to right: Sango Siviwe Ntsaluba, Neo Mokhesi, Nomavuso Patience Nxasana, Hester Hickey, Dominic Malentsha Sewela, Nopasika Lila

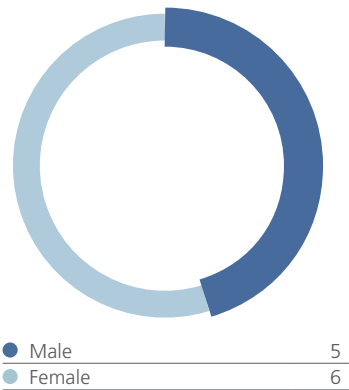
DESIGNATION



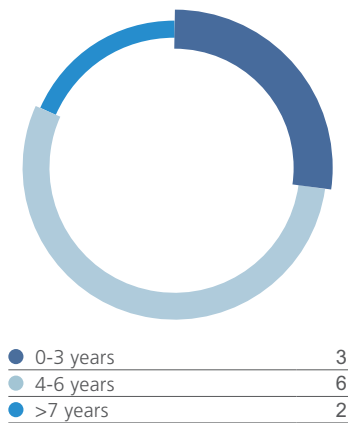
NATIONALITY



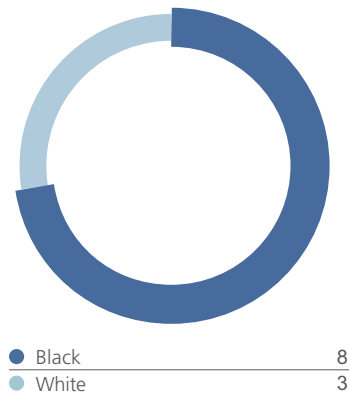
GENDER



TENURE



RACE





# Executive directors



**DOMINIC MALENTSHA SEWELA**  
CHIEF EXECUTIVE OFFICER

**Qualifications:** BScEng  
**Nationality:** South African  
**Age:** 55

Dominic rejoined Barloworld in 2007 as chief executive officer of the Equipment division South Africa. In 2014 he was promoted to chief operating officer of Barloworld Equipment southern Africa and thereafter chief executive officer of Barloworld Equipment southern Africa. He joined the board on 19 March 2014 and was subsequently appointed deputy chief executive effective 1 March 2016. From 1 October 2016, Dominic became the chief executive designate of Barloworld. Prior to joining Barloworld, Dominic was deputy managing director of Afgril Limited. On 8 February 2017, Dominic was appointed Group chief executive officer of Barloworld Limited.



**NOPASIKA LILA**  
GROUP FINANCE DIRECTOR

**Qualifications:** BCom (Hons), CA(SA), BCom Accounting Science, Post Graduate Certificate in Corporate Governance, Woman in Insurance Management Development Programme, Higher Certificate in Financial Markets and Instruments  
**Nationality:** South African  
**Age:** 51

Nopasika Lila was appointed as the Group finance director of Barloworld Limited with effect from 1 August 2019. Nopasika previously served as the CEO and principal officer preceded by being the CFO of the Eskom Pension and Provident Fund. She is a chartered accountant with more than 20 years' of experience in finance, corporate governance and the financial industry. She possesses advanced proficiencies in Funds Administration, Corporate Governance and Compliance Management, with demonstrated skills in leading major funds sustainably with astute control over risk management, reputation and stakeholder relations. She previously served on various boards both listed and unlisted, namely enX Group Limited, Nampak Limited and Basil Read and chaired some of the audit committees.

# Non-executive directors



**NEO PHAKAMA DONGWANA**  
CHAIRMAN AND INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**Qualifications:** BCom, Postgraduate Diploma in Accounting, BCom (Hons) in Financial Analysis and Portfolio Management, CA(SA), MCom  
**Nationality:** South African  
**Appointment date:** May 2012  
**Age:** 48

Neo was appointed to the Barloworld board in May 2012 and became chairman of the board in February 2020. She currently serves as a non-executive director of Mpact Limited and Nedbank Limited. Prior to being a non-executive director, she was an Audit Partner at Deloitte for almost 10 years. After qualifying as a CA(SA), Neo worked as an equities analyst at Gensec Asset Management. Neo is the chairman of the Takeover Regulation Panel and a member of the Financial Sector Conduct Authority (FSCA) Tribunal.



**NEO MOKHESI**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BCom, AMP  
**Nationality:** South African  
**Appointment date:** February 2019  
**Age:** 59

Neo was appointed to the Barloworld board on 1 February 2019. She has over 25 years' experience in marketing, corporate affairs, development finance, strategy and corporate governance. Neo was a senior executive at the Industrial Development Corporation including serving as the executive responsible for market development into the rest of Africa. She currently serves on the boards of WDB Investments Holdings, Mozal Aluminium S.A and CAST Products SA. She was previously on the boards of Clover SA and Scaw Metals.



**NGOZI FRANCES OLUWATOYIN EDOZIEN**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BSocSci, MBA  
**Nationality:** Nigerian, American  
**Appointment date:** March 2014  
**Age:** 55

Ngozi was appointed to the Barloworld board in March 2014. She is the Chief Executive Officer and Managing Director of InVivo Partners Limited and a non-executive director of Stanbic IBTC Plc and Guinness Nigeria Plc (Diageo). Ngozi has held previous positions as; Chief Executive Officer of Actis West Africa; Founding Chief Executive Officer of Equity Vehicle for Health in Africa (EVHA); Vice President Strategic Planning & Business Development and Regional Director, Anglophone East, West and Central Africa at Pfizer Inc. and Associate Partner McKinsey & Company. She has also had investment banking experience at JP Morgan Inc. New York. She is a member of the Young President's Organisation, African Leadership Network Advisory Council and Institute of Directors Nigeria (IOD) among other professional organisations.



**HUGH MOLOTSI**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BScComp, MScComp  
**Nationality:** South African  
**Appointment date:** February 2019  
**Age:** 54

Hugh was appointed to the Barloworld board on 1 February 2019. He began his early career at Hewlett Packard in the US, as a software engineer and then moved on to spend 22 years at Intuit, a financial software and services firm based in the US where he remained until 2015. Here he became an engineering fellow and vice president leading the Intuit Labs Incubator. Hugh is the CEO and founder of Ujama, a platform to help parents meet other parents so they can help each other with their children. Hugh serves on numerous boards in the US, including the Miller Centre for Social Entrepreneurship, Africa Diaspora Network, Linqto and All Star Code.



**HESTER HICKEY**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BCompt (Hons), CA(SA)

**Nationality:** South African

**Appointment date:** April 2017

**Age:** 66

Hester was appointed to the Barloworld board in April 2017. She has held a number of positions including that of lecturer at the University of Witwatersrand and partner at Ernest & Young. Hester previously served as the chairperson of SAICA and has worked for a number of listed companies including AngloGold Ashanti Limited where she held the position of internal audit manager and finally head of risk. She is a non-executive director of Pan African Resources plc, Cashbuild Limited and Northam Platinum Limited.



**MICHAEL LYNCH-BELL**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BA (Hons), Fellow of the Institute of Chartered Accountants in England and Wales (FCA ICAEW)

**Nationality:** British

**Appointment date:** April 2017

**Age:** 67

Michael was appointed to the Barloworld board in April 2017. His early Ernst & Young career was focused on auditing clients within the oil and gas sectors. He later added mining to his portfolio. Michael led Ernst & Young's UK IPO and Global Natural Resources transaction teams in the Transaction Advisory practice. He has been involved with the CIS since 1991 and has advised many CIS companies on fundraising, reorganisation, transactions, corporate governance and IPOs. Michael is a former chair of the bureau and current member of UNECE's Expert Group on Resource Management and a non-executive director of Gem Diamonds, Little Green Pharma, Lenta and Kaz Minerals.



**NOMAVUSO NXASANA**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BCompt (Hons), CA (SA)

**Nationality:** South African

**Appointment date:** October 2017

**Age:** 64

Nomavuso was appointed to the Barloworld board in October 2017. She was a senior partner and member of the executive committee of SizweNtsaluba VSP before serving as Group audit and risk executive at Imperial Holdings Limited. She is a former director of Nedbank Group and the JSE and currently holds directorships at Arcelor Mittal SA Limited, Industrial Development Corporation of South Africa Limited, Blue Label Telecoms, HBZ Bank and Wescoal Holdings Limited.



**SANGO SIVIWE NTSALUBA**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BCom, BCompt (Hons),

HDip Tax Law, CA(SA), MCom

**Nationality:** South African

**Appointment date:** July 2008

**Age:** 60

Sango was appointed to the Barloworld board in July 2008. He is the chief executive officer and founder of Aurelian Capital, an investment holding company. He co-founded what is now known as SNG-Grant Thornton one of South Africa's leading auditing and accounting firms. Sango has spent over 20 years in leadership positions in operations, investment and finance. In addition, he has extensive board experience in listed, public sector and unlisted companies in South Africa and abroad. He offers a wealth of knowledge in a variety of industries including financial services, transport and logistics, mining and food production acquired over his 30-year span in public practice, operations and board memberships.



**PETER SCHMID**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Qualifications:** BCom (Hons), CA(SA)

**Nationality:** South African

**Appointment date:** April 2017

**Age:** 58

Peter was appointed to the Barloworld board in April 2017. Until recently, Peter was global head of Private Equity at ACTIS and he was responsible for the Global PE business. He spent 11 years in Ethos Private Equity as a partner where he led and originated many buyouts across southern Africa. Peter has served on numerous boards across emerging markets, including Alexander Forbes. Peter joined Investec Asset Management as Head of Alternatives, in October 2018.





# Governance

## OVERVIEW

At Barloworld, we are committed to the highest standards of governance; enabling us to preserve the Group's sustainability and to create long term stakeholder value.

To ensure the highest standards of governance and ethical leadership, the board promotes the organisational values of integrity, responsibility, fairness, transparency, honesty and accountability. The board remains Barloworld's overall custodian of good corporate governance; promoting an ethical and cohesive organisational culture, effective control, compliance, accountability, responsive and transparent stakeholder engagement.

The board's primary responsibility is that of setting the strategic direction of the organisation. In tandem, the board also provides continuous oversight of material matters, risks, opportunities and the strategic allocation of resources. In its oversight role, the board serves as an independent check and balance to the Group executive committee, whose main responsibility remains to manage the business.

The directors are diverse in their academic qualifications, industry knowledge, experience, race and gender. This diversity enables them to provide the company with the relevant judgement and guidance to work effectively when conducting and determining the business affairs of Barloworld.

## KING IV STATEMENT OF COMPLIANCE

The Barloworld board embraces the outcomes of King IV being: an ethical culture, effective control, good performance and legitimacy. During the year, work was undertaken to further embed the King IV principles into our day-to-day business activities. A self-assessment was conducted against the 16 principles and the board is satisfied that the Group is aligned with the principles and are mindfully overseeing the application of the relevant practices.



The application of the King IV principles and adoption of the various recommendations are more fully detailed in our King IV application register, which is available on the company's website: [www.barloworld.com](http://www.barloworld.com).

## THE BOARD CHARTER

The board charter (the charter) regulates the parameters within which the board operates and ensures the application of the principles of good corporate governance in all its dealings. Additionally, the charter sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board. The charter is aligned with the provisions of all relevant statutory and regulatory requirements, including, among others, the Companies Act, the JSE Listings Requirements, King IV and Barloworld's Memorandum of Incorporation.

The charter further addresses the powers delegated to various board committees and the relevant principles of the Group's approval limits and delegations of authority. The charter describes the policies and practices of the board in respect of matters such as corporate governance, trading by directors in the securities of the company, declarations and conflicts of interest, board meeting documentation and procedures, including the training and evaluation of directors and members of board committees.

The charter is reviewed annually, or as and when required during the year. In addition to the regulatory framework provided by the charter and the terms of reference of the committees, board members are encouraged to seek independent advice at the company's expense, during the execution of their fiduciary duties and responsibilities, if so needed. Members also have direct access to Barloworld's external and internal auditors, the company secretary, and members of the Group executive committee.

## BOARD MEETINGS

The board uses its meetings to discharge its governance and regulatory responsibilities. Meeting agendas follow an approved board workplan and also provides for the inclusion of urgent, non-routine matters. Meeting agendas comprise management reports on operational and financial performance as well as matters of strategy and resource allocation; risk and opportunities; mergers, acquisitions and disposals; governance, compliance and legal issues; and matters otherwise reserved for board decision-making.

Board meetings take place at least quarterly, and more regularly as needed. For the reporting period, the board held its quarterly meetings, and an additional four special meetings. The special meetings focused on the organisation's response to the COVID-19 pandemic.

## STANDING BOARD COMMITTEES

To support it in its broader oversight and governance role, the board has six standing committees through which it executes some of its duties, namely: the audit committee, the risk committee, the nominations committee, the remuneration committee, the strategy and investment committee and the social, ethics and transformation committee.

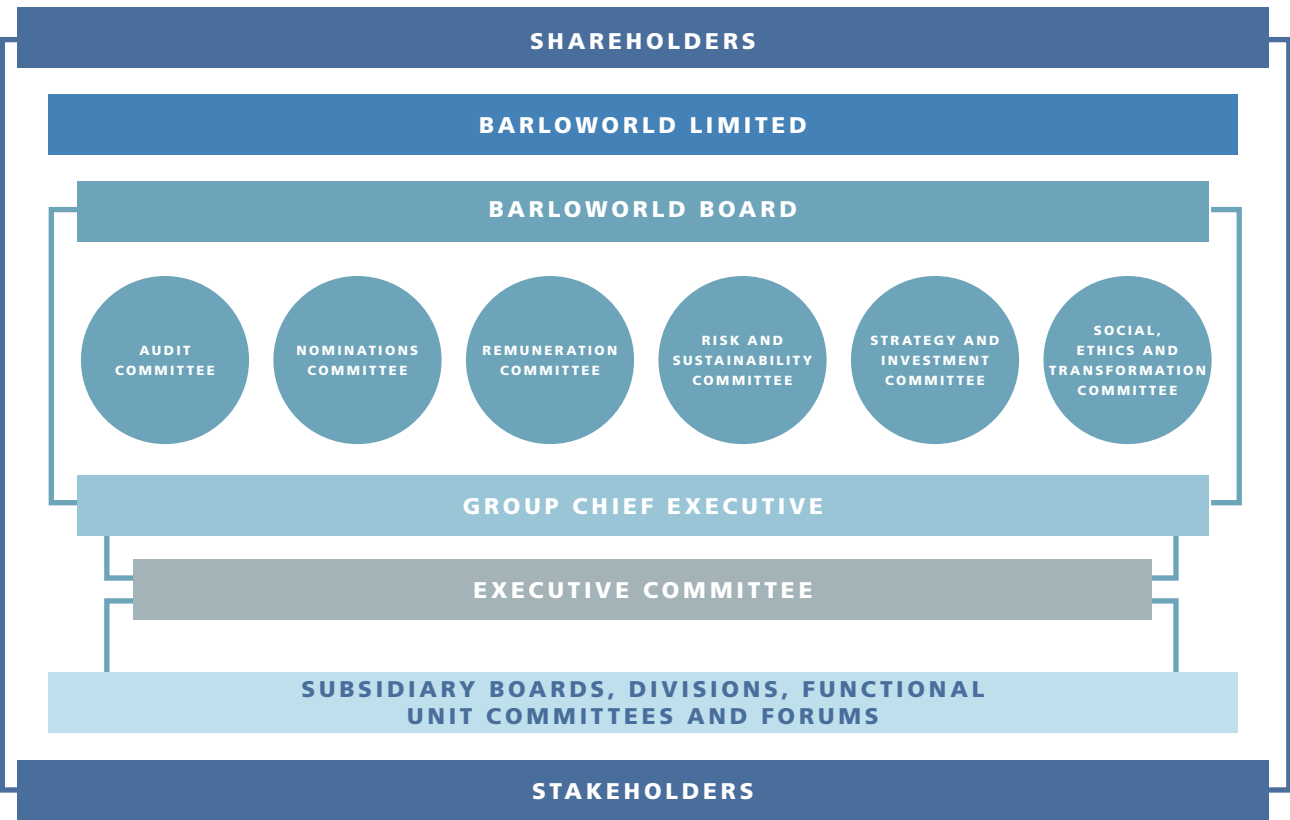
With the reduction of non-executive directors and scope of the risk committee the board has taken a decision to merge the audit and the risk committees into one committee, with measures in place not to compromise the oversight previously handled by the two committees.

The terms of reference of these committees are slightly different to the board committees we had in place in FY19. For details regarding the changes to the board committee focus areas, memberships and attendance, please refer to pages 67 to 69 of this report.

GOVERNANCE CONTINUED

OUR GOVERNANCE FRAMEWORK

Our governance framework enables the board to oversee, assess and approve the strategic direction, financial and non-financial performance areas, resource allocation and risk appetite of the Barloworld Group. Importantly, it also supports the board in ensuring that it can hold the Group executive accountable for the execution of the Group strategy and financial and non-financial key performance areas.



EFFECTIVE CONTROL

The board has overall responsibility for governance across the Group and retains effective control through the board-approved governance framework and provides for delegation of authority with clearly defined mandates and authorities while retaining its accountability.

The board has delegated certain functions to the six standing board committees; allowing it to allocate sufficient time and attention for decision-making on material matters. This also allows for the delegated matters to receive in-depth focus at committee level. The Group chief executive officer and the executive committee are charged with the implementation of the Group strategy and are measured against strategy-aligned performance targets. The board is satisfied that it fulfilled all its duties and obligations in the 2020 financial year.

BOARD EVALUATION

To assess the board's effectiveness and that of its committees and the overarching governance framework, we conduct an external and internal board evaluation every two years. The board was externally evaluated in 2019 and no material issues were noted. The next evaluation will take place in 2021 and will evaluate the board individually and collectively, governance issues and the Group company secretary's performance of statutory and other administrative duties.



### THE COVID-19 PANDEMIC AND THE ROLE OF GOOD GOVERNANCE

During our 2020 financial year, both international and local efforts to curb the spread of the COVID-19 global pandemic led to significant, far-reaching and, in some instances, long term impacts on society and economies. On 15 March 2020, a national state of disaster was declared in South Africa, with a nationwide lockdown imposed from 27 March 2020. South Africa's reaction to the pandemic was decisive and the Barloworld Group stands in solidarity with the country's leadership in presenting an aggressive approach to protect our people to the fullest extent possible.

Similar measures to that taken by the South African government were also implemented in other countries in which we operate.

Several products and services offered by Barloworld are considered essential services, and these parts of our business continued to operate under the strictest safety and health measures, during some of the most challenging times we have experienced in our 118-year corporate history.

The Group implemented strict governance measures which have enabled us to safely and effectively operate during these unprecedented times. Throughout, the following remained top-of-mind:

- the health and safety of employees, as well as customers interacting with our people
- the multi-skilling, cross-skilling and upskilling of our people across the organisation
- implementation of clear productivity measures and precise output requirements
- ongoing technological support and adaptive methods of working, including the promotion and facilitation of remote and virtual work practices

Throughout the period, the board and executive committee assessed the shorter and longer term impacts of their decisions on the sustainability of the organisation. The board believes that the following were critical in achieving the appropriate balance between the urgent and immediate response required with that which would enable our longer term value creation potential:

- tracking and responding to trends and changes in the industry, locally and internationally



- putting in place measured plans to mitigate against future risks while taking advantage of any learnings
- ensuring that we continue to adhere to all applicable laws and regulations
- evaluating the impact of the pandemic on the performance of contractual obligations by us and third parties
- integrating governance processes into the day-to-day operations of our company

See pages 36 to 37 for details about our response to the global pandemic.

### BOARD DIVERSITY

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

There is a clear balance of power and authority at the 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-executive directors who have served on the board for longer than nine years is also assessed annually. The board is satisfied that all of the non-executive directors are independent.

The board is diverse in terms of race and gender, comprising 55% women and 73% black representation.

### CONFLICTS OF INTEREST

Every board and board committee meeting is preceded by a declaration of interests on the matters that are on the meeting agenda. In a case where there are material interests, a director is recused from the meeting and does not participate in the decision-making on the particular matter. In addition, a general disclosure of interests is conducted on a quarterly basis and the interests' register is maintained and kept by the company secretary.

The Group Conflicts of Interest policy requires all employees to declare alternative business interests. Where there are material conflicts of interest for an employee who is at management level, the Group

chief executive officer will consider approving such conflict with measures to limit the conflict.

As an additional safeguard, conflicts of interest and independence are annually assessed for every non-executive director.

### DIRECTOR DEVELOPMENT

The development of industry and Group knowledge is a continuous process. On an ongoing basis, directors are briefed on regulatory and legal developments and changes in the risk and general business environment.

Training on directors' duties is available at all times to directors at the company's expense, to promote continuous development of directors. In addition to training sessions, regular updates are also communicated to directors on industry, risk, general business environment and regulatory developments.

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

### IN ACCORDANCE WITH THE JSE LISTINGS REQUIREMENTS, THE BOARD HAS CONSIDERED AND SATISFIED ITSELF THAT

#### GROUP FINANCE DIRECTOR

Nopasika Lila, as the Group finance director, has appropriate expertise and experience to meet the responsibilities of her 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

Andiswa Ndoni, as Group company secretary, 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 prescribed officer of the company or any of its subsidiaries.

GOVERNANCE CONTINUED

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and Chief Executive are clearly defined and differentiated, as set out in the charter. The Chairman is responsible for leading the board, ensuring its effectiveness and setting its agenda, while the Chief Executive leads the executive team in running the business, developing strategy and coordinating proposals for consideration by the board.

While the board may delegate authority to the Chief Executive in terms of the charter, the separation of responsibilities is designed to ensure that no single person or Group can have unrestricted powers and that an appropriate balance of power and authority exist on the board.

ETHICAL LEADERSHIP

The board and executive committee are committed to doing business ethically while also building a sustainable company that recognises the short and long term impact of its activities on the economy, society and the environment.

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 formulating 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 adhere to all applicable laws and regulations, 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 and guided by our values.

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

ROTATION OF DIRECTORS

To maintain the independence of the board and ensure fresh and diverse insights and perspectives, one-third of the non-executive directors who have served longest since their previous reelection, are required to retire annually, and if available and eligible, stand for reelection at the company's annual general meeting.

At the 2021 annual general meeting, SS Ntsaluba, HH Hickey, P Schmid and N Nxasana will retire. HH Hickey, P Schmid and N Nxasana, being eligible, offer themselves for reelection.

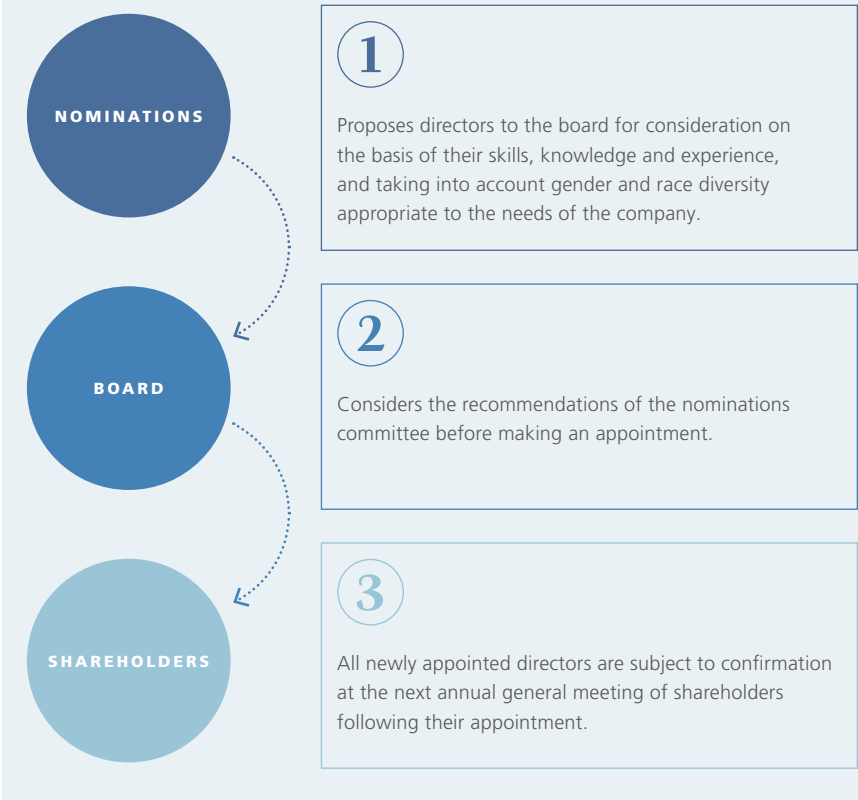
A retiring director will be considered for re-election subject to the nominations committee recommending his/her eligibility, taking into account past performance and contribution made.

TERM LIMIT OF DIRECTORS

In terms of the director term limit policy, if a director reaches the age of 70 or has been in the office for nine years, they should retire and may not make themselves available for re-election.

A director may continue to serve for longer than nine years but for not more than 12 years, provided the board in its absolute discretion and unanimous decision determines that it is in the best interests of the company and its shareholders to extend the director's service for the additional period of time.

BOARD APPOINTMENT PROCESS DIAGRAM



## BOARD AND BOARD COMMITTEE KEY FOCUS AREAS

### BOARD CHANGES AND SUCCESSION PLANNING

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

Mrs Neo Dongwana was elected as chairman of the board, strategy and investment committee and the nomination committee, effective 13 February 2020. This followed the retirement of Adv Dumisa Ntsebeza (SC) as the chairman of the board and a non-executive director. The board congratulates Mrs Dongwana on her appointment and looks forward to her continued invaluable contributions.

Mr Michael Lynch-Bell was appointed as the chairman of the remuneration committee, effective 13 February 2020, succeeding Mrs Neo Dongwana.

Mr Sango Ntsaluba was appointed as a member of the nomination committee, effective 13 February 2020, also following the retirement of Adv Ntsebeza (SC).

The key focus areas of the board and the board committees are summarised below. 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 of reference, as well as the company's memorandum of incorporation, on our website, [www.barloworld.com](http://www.barloworld.com).

### BOARD AND COMMITTEES' RESPONSIBILITIES

<b>BOARD</b>	<ul style="list-style-type: none"> <li>Exercised independent, informed and effective judgement relating to material decisions of the company and Group companies</li> <li>Provided oversight of the two acquisitions relating to the Mongolia business and Ingrain business</li> <li>Embarked on a shareholders' governance roadshow led by the Chairman</li> <li>Reviewed and approved a refreshed Group strategy in September 2020 and related strategy activities in 2020</li> </ul>
<b>AUDIT</b>	<ul style="list-style-type: none"> <li>Assisted the board in its responsibilities, including the internal and external audit processes for the Group, considering the significant risks, the adequacy and functioning of the Group's internal controls and the integrity of financial reporting</li> <li>Assisted the board in its responsibility of ensuring that a tax policy is compliant with the applicable laws but is also congruent with responsible corporate citizenship and that takes account of reputational repercussion.</li> <li>Looking ahead the committee will: a) continue to monitor the Group's IT governance structure to ensure it addresses critical IT risk and IT investments; b) monitor a potential credit-ratings downgrade in South Africa and the implication on revolving credit facilities; and c) continue to monitor cyber-security controls and cyber-attack risks</li> <li>Oversaw the onboarding of the new external auditors and appointed outsourced internal auditors</li> <li>For more details on the responsibilities of the audit committee, refer to the audit committee report included in the 2020 financial statements on pages 194 to 197</li> </ul>
<b>RISK AND SUSTAINABILITY</b>	<ul style="list-style-type: none"> <li>Set the Group risk culture, appetite, framework, policies and strategy and ensured that resilient risk management processes are in place</li> <li>Reviewed the Group's directors' and officers' liability insurance</li> </ul>
<b>NOMINATIONS</b>	<ul style="list-style-type: none"> <li>Provided advice and guidance on succession planning, director appointments and director induction and training</li> <li>Appointed Michael Lynch-Bell as chairman of the remuneration committee</li> <li>Ensured that directors are not over-boarded</li> <li>Looking ahead the committee will: a) conduct a robust assessment to assess the skills, experience and composition requirement of the board; b) monitor the Group's voluntary race and gender diversity targets; and c) will implement the wider diversity requirements in accordance with the JSE Listings Requirements</li> </ul>
<b>REMUNERATION</b>	<ul style="list-style-type: none"> <li>Advised and provided guidance to the board on director remuneration, setting, amending and implementing remuneration policy and the approval of general composition of remuneration packages</li> <li>Engaged shareholders on the remuneration report and remuneration issues</li> <li>Looking ahead the committee will: a) continue to improve annual disclosure in relation to remuneration policies; b) continue dialogue with shareholders regarding remuneration practices and policies; and c) monitor implementation of a new long term incentive conditional share plan. For more details on the responsibilities of the remuneration committee, refer to the remuneration committee report on pages 155 to 191</li> </ul>
<b>SOCIAL, ETHICS AND TRANSFORMATION</b>	<ul style="list-style-type: none"> <li>Assisted the Group in discharging its social, ethics and transformation responsibilities and implemented practices consistent with good corporate citizenship</li> <li>Addressed sustainable development in the company including climate change and environmental stewardship</li> <li>Looking ahead the committee will: a) continue to monitor the Group's social, transformation, economic and environmental performance; b) ensure transparent and proactive engagement with communities where we operate; and c) monitor the Group's progress against the prioritised sustainable development</li> <li>For more details on the responsibilities of the social, ethics and transformation committee, refer to the social, ethics and transformation report on pages 192 to 193</li> </ul>
<b>STRATEGY AND INVESTMENT</b>	<ul style="list-style-type: none"> <li>Reviewed significant transactions and legal matters, including matters of a strategic nature</li> <li>Recommended the acquisition of Ingrain business to the board, and continued to monitor risks associated with the two acquisitions, Mongolia and Ingrain business in particular, the calling of the material adverse change event</li> <li>Looking ahead the committee will: a) monitor integration of the two acquisitions into the business; and b) oversee the implementation of the refreshed strategy</li> </ul>

**BOARD AND COMMITTEE MEETING MEMBERSHIP AND ATTENDANCE CONTINUED**

AS AT 30 SEPTEMBER 2020, OUR BOARD COMMITTEE MEMBERSHIP IS AS OUTLINED IN THE TABLE BELOW

NON-EXECUTIVE DIRECTORS	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	STRATEGY AND INVESTMENT COMMITTEE	RISK COMMITTEE
Neo Dongwana		Chairman	✓	✓	Chairman	
Ngozi Edozien				✓	✓	
Hester Hickey	✓					Chairman
Michael Lynch Bell	✓		Chairman			✓
Nomavusa Nxasana	✓	✓		Chairman		
Hugh Molotsi					✓	✓
Neo Mokhesi		✓	✓	✓		
Sango Ntsaluba	Chairman	✓	✓		✓	✓
Peter Schmid			✓		✓	
Dominic Sewela				✓	✓	✓
Nopasika Lila						✓

**MEETING ATTENDANCES 1 OCTOBER 2019 TO 30 SEPTEMBER 2020**

BOARD – 10	14 NOV 19	12 FEB 20	24 MAR 20	08 APR 20	18 MAY 20	19 JUN 20	29 JUN 20	11 AUG 20	12 AUG 20	23 SEP 20
Neo Dongwana – C	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dumisa Ntsebeza	✓	✓	–	–	–	–	–	–	–	–
Ngozi Edozien	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hester Hickey	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Michael Lynch-Bell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nomavuso Nxasana	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Neo Mokhesi	–	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hugh Molotsi	–	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sango Ntsaluba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peter Schmid	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dominic Sewela	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nopasika Lila	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

AUDIT COMMITTEE – 6	12 NOV 19	05 DEC 19	11 FEB 20	17 APR 20	19 JUN 20	21 SEP 20
Sango Ntsaluba – C	✓	✓	✓	✓	✓	✓
Neo Dongwana	✓	✓	✓	–	–	–
Hester Hickey	✓	✓	✓	✓	✓	✓
Michael Lynch-Bell	✓	✓	✓	✓	✓	✓
Nomavuso Nxasana	✓	✓	✓	✓	✓	✓

**BOARD AND COMMITTEE MEETING MEMBERSHIP AND ATTENDANCE CONTINUED**

STRATEGY AND INVESTMENT (GENERAL PURPOSE) COMMITTEE – 7	12 NOV 19	11 FEB 20	28 APR 20	13 MAY 20	03 JUN 20	14 SEP 20	22 SEP 20
Neo Dongwana – C with membership and chairmanship effective 28 April 2020	–	✓	✓	✓	✓	✓	✓
Dumisa Ntsebeza	✓	✓	–	–	–	–	–
Ngozi Edozien	✓	✓	✓	✓	✓	✓	✓
Hugh Molotsi	✓	✓	✓	✓	✓	✓	✓
Sango Ntsaluba	✓	✓	✓	✓	✓	✓	✓
Peter Schmid	✓	✓	✓	✓	✓	✓	✓
Dominic Sewela	✓	✓	✓	✓	✓	✓	✓
NOMINATIONS COMMITTEE – 3					13 NOV 19	11 FEB 20	22 SEP 20
Neo Dongwana – C					✓	✓	✓
Dumisa Ntsebeza – C					✓	✓	–
Nomavuso Nxasana					✓	✓	✓
Neo Mokhesi					✓	✓	✓
Sango Ntsaluba					–	–	✓
REMUNERATION COMMITTEE – 7	12 NOV 19	04 DEC 19	11 FEB 20	12 FEB 20	17 APR 20	13 MAY 20	22 SEP 20
Michael Lynch-Bell – C	–	–	–	✓	✓	✓	✓
Neo Dongwana	✓	✓	✓	✓	✓	✓	✓
Neo Mokhesi	✓	A	✓	✓	✓	✓	✓
Sango Ntsaluba	✓	✓	✓	✓	✓	✓	✓
Peter Schmid	✓	✓	✓	✓	✓	✓	✓
Dumisa Ntsebeza	✓	✓	✓	✓	–	–	–
RISK AND SUSTAINABILITY COMMITTEE – 4				12 NOV 19	24 MAR 20	12 MAY 20	21 SEP 20
Hester Hickey – C				✓	✓	✓	✓
Neo Dongwana				✓	–	–	–
Michael Lynch-Bell				✓	✓	✓	✓
Hugh Molotsi				✓	✓	✓	✓
Sango Ntsaluba				✓	✓	✓	✓
Dominic Sewela				✓	✓	✓	✓
Nopasika Lila				✓	✓	✓	✓
Donald Wilson				✓	–	–	–
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE – 4				13 NOV 19	11 FEB 20	13 MAY 20	22 SEP 20
Nomavuso Nxasana – C				✓	✓	✓	✓
Dumisa Ntsebeza				✓	✓	–	–
Neo Dongwana				–	–	✓	✓
Ngozi Edozien				✓	✓	✓	A
Michael Lynch-Bell				✓	✓	–	–
Neo Mokhesi				✓	✓	✓	✓
Dominic Sewela				✓	✓	✓	A

A Apologies  
C Chairman  
– No longer part of the board or committee



GOVERNANCE OF INFORMATION TECHNOLOGY

The board and executive management are well-informed about the role of technology and information and its impact on business. The risk and sustainability committee and audit committees of the board promote the awareness of an ethical IT governance and management culture and provide transparency through regular reporting to board.

It is the role of the various board committees to ensure that ongoing focus is placed on both technology and information; elevating the importance of IT governance and ensuring that it forms an integral part of the overall corporate governance and Group strategy.

The audit function provides independent assurance on implemented IT-related frameworks, strategy, policy, procedures and standards.

The risk and sustainability committee considers the technology and information risk register on a regular basis. The Barloworld IT Governance team warrants that it adds value by enabling the improvement of the company's performance and sustainability; utilising IT resources in an efficient and effective manner.





# Group executive committee overview

Given the unprecedented times we find ourselves in, our Group executive committee spent much of the latter part of the financial year reevaluating certain business expansion projects and instituting key initiatives to decisively respond to the impacts of the global pandemic on the sectors and regions in which we operate as well as on our organisation as a whole.



**GROUP CHIEF  
EXECUTIVE OFFICER**

Dominic Sewela



**BUSINESS AND OPERATIONAL  
GROUP EXECUTIVES**

Our business and operational Group executives from left to right: Emmy Leeka (CE: Equipment southern Africa); Quinton McGeer (CE: Barloworld Equipment Eurasia and Barloworld UK); Charl Groenewald (CE: Barloworld Logistics); Kamogelo Mmutlana (CE: Automotive and Logistics)

**SKILLS AND EXPERIENCE  
OF THE EXECUTIVE**

- Accounting
- Auditing
- Corporate affairs
- Digital and IT
- Engineering
- Finance
- Governance, risk, compliance
- Mergers and acquisitions
- Public policy
- Legal
- Strategy
- Sustainability

**FEMALE  
REPRESENTATION AT  
EXECUTIVE LEVEL**

37%

**HISTORICALLY  
DISADVANTAGED  
INDIVIDUALS**

66%



## FUNCTIONAL GROUP EXECUTIVES

Our functional Group executives from left to right: Nopasika Lila (Group finance director); Tantaswa Fubu (Group executive: human capital and transformation); Lesibana Ledwaba\* (Group executive: risk, ethics and compliance); Chris Wierenga (Group executive: strategy and M&A); Gugu Sepamla (Group executive: corporate affairs and public policy); Andiswa Thandeka Ndoni (Group executive: governance, compliance and sustainability)

### 2020 GROUP EXECUTIVE COMMITTEE FOCUS AWREAS

- Proactively responding to the impact of the COVID-19 pandemic on the business
- Prioritising the health and safety of employees and stakeholders
- Ensuring prudent balance sheet and liquidity management
- Reviewing and recommending changes to the Fix, Optimise and Grow strategy
- Reviewing risk management approach and mitigating actions
- Driving strategy execution
- Implementing a Group-wide organisational restructuring programme
- Accelerating the asset disposal programme

### KEY EXECUTIVE-LED COST SAVINGS AND CASH CONSERVATION INITIATIVES IN RESPONSE TO COVID-19



- Cost savings relating to retrenchments
- Salary sacrifices and pension holidays
- Property operating leases' savings
- Reduced capital expenditure
- Restructuring functional core areas
- Consolidating subsidiaries
- Cancellation of non-essential travel, training and entertainment
- Limiting consulting work and related fees to critical activities only
- Introduction of more general austerity measures

Lesibana Ledwaba\* (Group executive: risk, ethics and compliance) left 30 September 2020.

# Group executive committee members



**DOMINIC SEWELA (55)**  
GROUP CHIEF EXECUTIVE OFFICER

**Qualifications:** BSc Chemical Engineering

**Nationality:** South African

**Profile:** Dominic rejoined Barloworld in 2007 as chief executive to the Equipment division South Africa. In 2014 he was promoted to Chief Operating Officer of Barloworld Equipment southern Africa and thereafter chief executive officer of Barloworld Equipment southern Africa. He joined the board on 19 March 2014 and was subsequently appointed Deputy Chief Executive effective 1 March 2016. From 1 October 2016, Dominic became the Chief Executive designate of Barloworld. Prior to joining Barloworld, Dominic was Deputy Managing Director of Afgri Limited. On 8 February 2017 Dominic was appointed chief executive officer of Barloworld Limited.



**NOPASIKA LILA (51)**  
GROUP FINANCE DIRECTOR

**Qualifications:** BCom (Hons), CA(SA), BCom Accounting Science, Post Graduate Certificate in Corporate Governance, Woman in Insurance Management Development Programme, Higher Certificate in Financial Markets and Instruments.

**Nationality:** South African

**Profile:** Nopasika Lila was appointed as the Group finance director of Barloworld Limited with effect from 1 August 2019. She previously served as the CEO and principal officer preceded by being the CFO of the Eskom Pension and Provident Fund. She is a chartered accountant with more than 20 years' of experience in finance, corporate governance and the financial industry. She possesses advanced proficiencies in Funds Administration, Corporate Governance and Compliance Management, with demonstrated skills in leading major funds sustainably with astute control over risk management, reputation and stakeholder relations. She previously served on various boards both listed and unlisted, namely enX Group Limited, Nampak Limited and Basil Read and chaired some of the audit committees.



**EMMY LEEKA (51)**  
CE: BARLOWORLD EQUIPMENT SOUTHERN AFRICA

**Qualifications:** Bsc Engineering Metallurgy and Materials (Wits), Postgraduate Diploma in Business Administration (De Montfort University)

**Nationality:** South African

**Profile:** Emmy held the position of CEO for Barloworld Equipment South Africa for four years before taking on the responsibility as CEO: Barloworld Equipment southern Africa, which equated to 60% of the Southern African Business. His career stretches over various commodities and disciplines in the industry. Emmy was previously the CEO of Herculite Ferrochrome, having previously held senior executive roles at Anglo American and BHP Billiton.



**KAMOGELO MMUTLANA (47)**  
CE: BARLOWORLD AUTOMOTIVE AND LOGISTICS

**Qualifications:** BTech; MAP

**Nationality:** South African

**Profile:** Kamogelo, a qualified Industrial Engineer and experienced Senior Business Executive with +23 years in Operations/Sales Execution and Strategy Deployment & Management in the Logistics, Industrial and Automotive (Retail [new/used] & Wholesale, Fleet Management, Short Term Rental, Private Transportation, Auction Services & Salvage Management), Food Services, Beverages (Capacity & Distribution planning), Hospitality (Hotel Management & Training/ Development), Facilities Management, Rail (Resource & Capacity Planning) and Postal Services (Network Planning & Operations Management) Sectors; 19 years of which were in senior and executive management roles with blue chip companies. In his role as Divisional CEO, Kamogelo is responsible for driving further growth, in line with our group-wide growth ambitions, in the Automotive & Logistics business. Prior roles include operations director at Fedics Food Services, General Manager at BMW South Africa, CEO of Super Group Equipment, CEO of Fleet Africa (Pty) Ltd, and executive director of Super Group Holdings.



**GUGU SEPAMLA (49)**  
GROUP EXECUTIVE: CORPORATE AFFAIRS AND PUBLIC POLICY

**Qualifications:** Journalist by training from Durban University of Technology MAP from Wits Business School

IE School of Human Sciences and Technology: Double Masters in Positive Leadership and Strategy

Harvard University: Public Policy

Yale University: Leadership and Public Policy

INSEAD Business School: COL 2017

Lee Kuan Yew School of Public Policy, Singapore: Leadership and Public Policy 2017

**Nationality:** South African

**Profile:** Gugu was a Senior Advisor at Boston Consulting Group (BCG). She also served as a Managing Director for Public Policy and Strategy at Barclays Africa. She previously headed up Strategy and Emerging Markets at Ernst & Young and was a Member of the executive committee at EY Africa. She was also previously Group Corporate Affairs Director at the Public Investment Corporation, (PIC). Gugu also serves as a board member for Barloworld SA, Barloworld Siyakhula and a Trustee for the Barloworld Empowerment Foundation. Gugu carries over 20 years of related work experience in the professional services industry. She has a solid technical background with a strong interest in Business process Reengineering, Strategy, Operating Models, and Planning. Gugu has strong networks both locally and across the Continent having worked and lived in Nigeria and Kenya. She was appointed to Barloworld on 1 October 2018.





#### **QUINTON MCGEER (56)**

**CE: BARLOWORLD EQUIPMENT RUSSIA AND BARLOWORLD UK**

**Qualifications:** Chartered Accountant

**Nationality:** South African

**Profile:** Quinton joined Barloworld Automotive in August 1992 as financial manager in Motor Retail. In 2003 he was appointed as financial director of Barloworld Equipment's International operations based in London, United Kingdom. In May 2008 he was appointed as deputy general director of Barloworld Equipment's Russian operations and in October 2012 was appointed as general director for Barloworld Equipment's Russian business. In October 2016 he was appointed as CEO for Barloworld's Iberian business. In June 2018 the Iberian business was sold and Quinton relocated back to the UK where he was appointed CEO of Barloworld Equipment Russia based in London. In January 2019 he was appointed as a director of Barloworld Holdings Limited.



#### **TANTASWA FUBU (48)**

**GROUP EXECUTIVE: HUMAN CAPITAL AND TRANSFORMATION**

**Qualifications:** CA(SA); B Admin Honours; Post Graduate Diploma in Accounting; Higher Diploma in Banking law; Certificate of Proficiency in short term insurance; Executive Leadership Courses from Insead University; Georgetown University; Harvard University; Stellenbosch University.

**Nationality:** South African

**Profile:** Tantaswa was previously a partner at KPMG SA in the Department of Professional Practice (Accounting). She was an audit partner as well as an Executive Head for People (HR) & Transformation for both KPMG SA and Africa, and a member of the executive committee as well as member of the board. She also serves as a board member for Barloworld SA; Barloworld Equipment southern Africa as well as Barloworld Logistics Africa. In addition to this, Tantaswa has previously worked for The Standard Bank of SA as a Group Credit Risk Manager and Nkonki Inc. as an external audit partner. She has also served as a non-executive director for numerous boards including Santam Limited and Grindrod Limited and she previously served on the Public Investment Corporation (PIC) board as a non-executive director and chairperson for the audit and risk committee.



#### **ANDISWA THANDEKA NDONI (53)**

**GROUP EXECUTIVE: GOVERNANCE, COMPLIANCE AND SUSTAINABILITY**

**Qualifications:** BProc, LLB, Global Executive Development Programme (GIBS), Certificate in Corporate Governance

**Nationality:** South African

**Profile:** Andiswa is an Attorney of the High Court of South Africa, former company secretary and Legal Counsel for Basil Read, and a former member of the Judicial Services Commission. She also sits on the Competition Tribunal as a part-time member. She has over 20 years' experience as an attorney and eight as company secretary. Andiswa was appointed as Group company secretary of Barloworld on 1 September 2018 and as the Group executive: Company Secretariat and Legal on 1 June 2019. Her current role is Group executive: governance, compliance and sustainability effective from 1 October 2020.



#### **CHARL GROENEWALD (51)**

**CE: BARLOWORLD LOGISTICS**

**Qualifications:** BCompt, GDA, CA(SA)

**Nationality:** South African

**Profile:** Charl started his career at Barloworld Equipment South Africa in 1995 in various financial roles including: operations, shared services and head office. He was appointed as assistant general manager in July 2003. In January, 2008 he was appointed as operations director and in April 2015 as an executive for Barloworld Equipment southern Africa. Charl was appointed as CE: Barloworld Logistics with effect from 1 June 2019. In addition, with effect from 17 April 2020 Charl took responsibility for BBS deployment in the Automotive and Logistics division.



#### **CHRIS WIERENGA (45)**

**GROUP EXECUTIVE: STRATEGY, MERGERS AND ACQUISITIONS**

**Qualifications:** BCompt

**Nationality:** South African

**Profile:** Chris joined Barloworld in 1998 and has held various roles in Strategy at the Group and divisional levels. He has been directly involved in M&A activity in the Automotive division over the last 10 years and also supported various transactions in the Logistics business. Prior to his current position, Chris was the CE of the Digital Disposal Solutions business in the Automotive division.



#### **LESIBANA LEDWABA (54)**

**GROUP EXECUTIVE: RISK, ETHICS AND COMPLIANCE**

**Qualifications:** BCom (Vista University), Certificate in Tax from UNISA, Master of Business Administration (University of the Witwatersrand), Chartered Global Management Accountant (Chartered Institute of Management Accountants, England and Wales), Barloworld Executive Development Programme (Gordon Institute of Business Science)

**Nationality:** South African

**Profile:** Lesibana joined Barloworld Equipment southern Africa in June 2012 in the role of divisional director for strategy, risk and sustainability. He assumed operational responsibility for Operations in Malawi and for the joint venture in Zimbabwe from 2013. Lesibana transferred to Barloworld Corporate Office in October 2017, where he was employed in the role of deputy Group Executive: risk, ethics and compliance.

# Group finance director's review

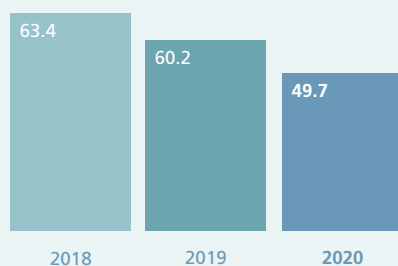


We have navigated the COVID-19 storm in 2020 and we believe that we are well positioned for the recovery in 2021, which includes our two acquisitions, Equipment Mongolia and Ingrain



## FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2020

### REVENUE (Rbn)



Group revenue for the period decreased by 17% to R49.7 billion (2019: R60.2 billion). Equipment southern Africa's (snA) revenue declined by 14% against the prior year but was strong against our initial reforecast resulting largely from comparatively good mining machine sales and resilient aftermarket activity levels. Despite the COVID-19 pandemic and geopolitical challenges Equipment Eurasia's revenue increased by 22% benefiting from strong levels of mining activity, particularly in the gold sector. The Automotive division's revenue, excluding NMI-DSM now equity accounted, was down 15% with declines across all business units as COVID-19 and economic pressures impacted discretionary spending coupled with lower fleet utilisation in the Car Rental business. Strong used vehicle sales volumes post lockdown trade restrictions was achieved and margins in this segment are being maintained. Cash generation was supported



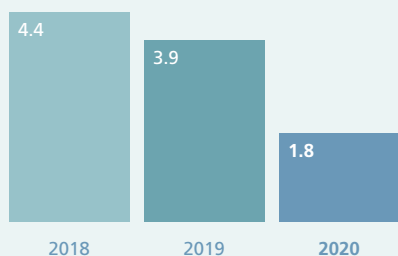
**NOPASIQA LILA**  
Group finance director

by the disposal of properties to Khula Sizwe as well as fleet disposals in the Rental and Fleet businesses. In Logistics, revenue declined by 25% against the prior year on the back of the non-renewal of contracts and the contraction of the Transport and Supply Chain markets resulting from weaker demand for goods and services. The weakening South African rand (ZAR) resulted in an increase in revenue of R1.3 billion (2.8%) with the bulk of the increase in the Equipment businesses.

IFRS 16: Leases was adopted for the first time this current financial year and the modified retrospective approach was applied. The comparatives were therefore not restated. The impact of IFRS 16 on the Group's operating profit was an uplift of R147 million because we no longer record operating lease charges, but recognise interest charged and amortisation.

The EBITDA of R4.8 billion was 25% down (2019: R6.5 billion) with the impact of IFRS 16: Leases for the 2020 financial year, being a favourable R549 million in leasing charges no longer included in EBITDA. Depreciation and amortisation were up as a result of first-time implementation of IFRS 16 (R403 million depreciation charge).

#### OPERATING PROFIT (Rbn)



The operating profit for the Group of R1.8 billion was 54% down (2019: R3.9 billion), negatively impacted by lower revenues and higher operating costs. The Equipment snA operating profit was down 35% impacted by lower service labour recoveries, Khula Sizwe charges and once off

retrenchment costs while gross margin remained in line with the prior year boosted by a stronger aftersales contribution. In USD terms Equipment Eurasia's operating profit improved by 1.8% with continued cost containment and mix driving the sustained margin, showing resilience. Automotive's operating profit was down by 83%, impacted by losses incurred as a result of trading and travel restrictions as well as once off operating costs. Logistics operating profit reduced to a loss of R153 million against a R38 million profit in the prior year. Cost containment through staff reductions, footprint rationalisation and fit for purpose operating models were key focus areas during the year with benefits expected to be realised in 2021. Corporate cost containment measures, driven largely by a headcount reduction and the reduction of consulting costs to key projects, were implemented to further curb costs. The Khula Sizwe operating profit excluding an R82 million B-BBEE charge was R168 million earned from the 57 properties purchased to date as part of the B-BBEE deal and rentals earned from divisions.

Khula Sizwe costs  
**IFRS 2 Charges R223m**  
**Implementation costs R13m**  
 Up from (2019: R73m)

The South African rand (ZAR) exchange movements have increased operating profit by 5.4% equalling R98 million from Equipment Eurasia. The Group operating margin of 4.1% is down on the prior year (2019: 6.6%) and net profit after tax has decreased by 211% to a R2.5 billion loss against the prior year of R2.2 billion.

Losses from fair value adjustments on financial instruments totalled R340 million driven by negative currency movements and forward exchange contract cost impacting Equipment snA, of which R96 million related to RSA and R114 million related to the rest of Africa, which were further impacted by R187 million

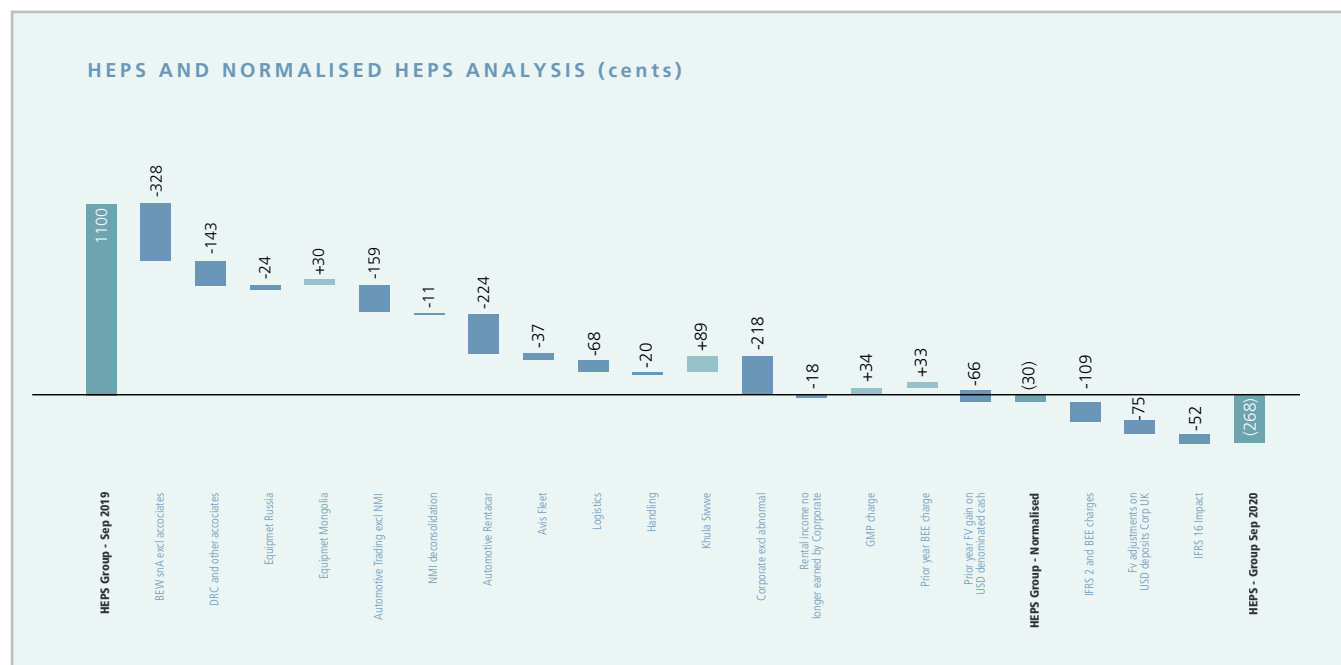
loss in the UK from the derecognition of the USD denominated cash deposits, realised in the income statement in September.

Losses from non-operating and capital items of R1.9 billion largely relate to the impairments taken in March against BZAMM, Car Rental and our investment in BHBW. To note the NMI-DSM investment impairment at March of R124 million was reversed in full, however further impairments were taken in September relating to properties of R167 million and right of use assets of R40 million.

With the exclusion of IFRS 16 we saw a reduction in the net finance costs in 2020 on the back of reduced interest rates in South Africa. Net finance costs of R1.1 billion (2019: R0.9 billion) include IFRS 16 charges of R285 million together with Khula Sizwe external net finance charges of R82 million. Lower marginal rates in South Africa have provided some relief despite higher borrowings.

The effective tax rate before exceptional items and prior year adjustments was 251% (2019: 28.4%). The increase in the current year's tax rate is largely due to local currency profits in the offshore entities, Khula Sizwe capital gains taxes and IAS 12.41 adjustments arising from the negative in country currency movements against the USD.

Joint ventures and associates generated losses of R48 million compared to the prior year's profits of R231 million. The BHBW joint venture contributed a loss of R58 million (2019: R24 million loss) and remains under pressure. Bartrac, our joint venture in the Katanga province of the DRC generated losses of R41 million (2019: R268 million profit). The DRC has seen some green shoots in activity levels over the last two months of the financial year against the losses of the first three quarters of the year. NMI-DSM contributed an impressive result of R52 million (noting that in 2019 NMI-DSM was a subsidiary for 11 months and generated profit after tax and 1 month associate income at September 2019 of R40 million).



Normalised HEPS\*, excluding the impact of IFRS 16, B-BBEE IFRS2 charges and the fair value on the USD deposits in the UK was a 30 cents loss and well down on prior year of 1 167 cents. HEPS loss of 268 cents was impacted by all operations performing at levels well below the prior period.

Net profit after tax impact of IFRS 16:

**R105m**

Effective 1 October 2019

## RATIOS AND ROIC

Performance against metrics has generally been below target and prior year on the back of depressed trading results. Most of our businesses generated ROIC below the hurdle rates (and consequently generating negative economic profit) with the exception of Equipment Russia that has performed particularly well under the circumstances achieving a ROIC of 14.2% (2019: 17.3%).

## CASH FLOWS

Net cash generated from operating activities to 30 September 2020 of R2.4 billion was marginally down on prior year (2019: R2.6 billion). Despite the decreased activity levels across the Group the working capital levels were well maintained largely due to a decrease in receivables as a result of accelerated collection and a decrease in business activity. Investments in leasing and the rental fleet have been well contained in the year resulting from lower demand in these businesses and the sale of excess vehicle capacity within the Car Rental business.

Net cash used in investment activities of R3.0 billion includes the Mongolia acquisition of R2.6 billion which when excluded was favourable compared to the prior period on the back of reduced capex investments as the Group focuses on cash containment and inflows from disposals in the year.

The free cash flow for the period was positive at R575 million, however, excluding the Equipment Mongolia acquisition of R2.6 billion, this is comparable to 2019's R3.1 billion.

## FINANCIAL POSITION, GEARING AND LIQUIDITY

- Groups balance sheet impressively strong considering the challenging environment
- A robust and solid liquidity position was maintained
- Funding capacity remains healthy as management continues to focus on actively reviewing and monitoring all facilities

The Group's balance sheet as at 30 September 2020 remained strong considering the challenging environment. A robust and solid liquidity position with cash balance of R6.7 billion was maintained with the net debt position including the Equipment Mongolia acquisition, increasing to R2.6 billion from R1.1 billion in 2019. The headroom on committed facilities remained substantial at R10.1 billion. These facilities exclude the ring-fenced R5.4 billion of committed funding for the Ingrain acquisition and therefore the total headroom as at 30 September amounted to R15.6 billion. The funding capacity of the Group remains healthy as management continues to focus on actively reviewing and monitoring all facilities on an ongoing basis and remain confident of the good liquidity position.

At the end of 30 September 2020, the Group's gearing levels increased and our financial position was well within our covenants. It is important to note that, in April 2020, the EBITDA to interest covenant was renegotiated from 3.5 times to 2.5 times based on an unpredictable future that was forecasted at the time. The Group

## GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

not only met the renegotiated covenant but also remaining well within our old covenant targets even post acquisition of Equipment Mongolia. Management interventions during the lockdown period have sown positive results in managing our assets and liabilities.

Debt covenants	September 2020	September 2019
EBITDA: interest cover >2.5 times	4.7 times	5.7 times
Net debt:EBITDA <3.0 times	0.6 times	0.2 times

Even after taking into account the acquisitions being progressed, we retain significant headroom within our covenants, with Net Debt to EBITDA remaining below 1.0 times, the target being below 3.0 times.

### NORMALISED RETURNS

ROIC, EP and FCF are key performance measures for the Group. Performance during the period was impacted by tough trading conditions.

Debt covenants	September 2020	September 2019
ROIC (%)*	1.0	11.9
EP (R million)*	(3 037)	(323)
Free cash flows (R million)*	575	3 064
Return on ordinary shareholders funds (%)	(1.5)	10.6

\* Refer to definitions in the Group annual financial statements

### EVENTS AFTER BALANCE SHEET

The acquisition of Ingrain was concluded after the financial year-end and is now a subsidiary of Barloworld Limited effective on 31 October 2020.

### OUTLOOK

Notwithstanding the tough Group results achieved in the midst of unprecedented challenges, we expect to begin realising significant cost efficiencies and operational synergies in the short term from the Group-

wide implemented austerity measures. In addition, the implementation of the Barloworld Business System across the Group, new ways of working, founded on lean principles and continuous improvement, position us well to continue to show resilience during volatile macroeconomic dynamics in the local and global economies. We are already seeing the benefits of the BBS being realised in our Equipment southern Africa business through increased cash flows and reductions in invested capital, and this trend is expected to continue. Generating free cash flows remains and ensuring that the Group's assets generate a return on invested capital above our stated weighted average cost of capital target of 13% remains a group imperative. Our strong cash position, which will be bolstered by the capital released from the Khula Sizwe transaction, stands us in good stead in the short to medium term.

The coronavirus outbreak is still evolving, and its effects remain unknown with the current uncertainties and market volatility that it brings. We have navigated the COVID-19 storm in 2020 and we believe that we are well positioned for the recovery in 2021, which includes our two acquisitions, Equipment Mongolia and Ingrain.

### APPRECIATION

I would like to thank my board colleagues and the Group executive committee for their support and guidance during the current period.

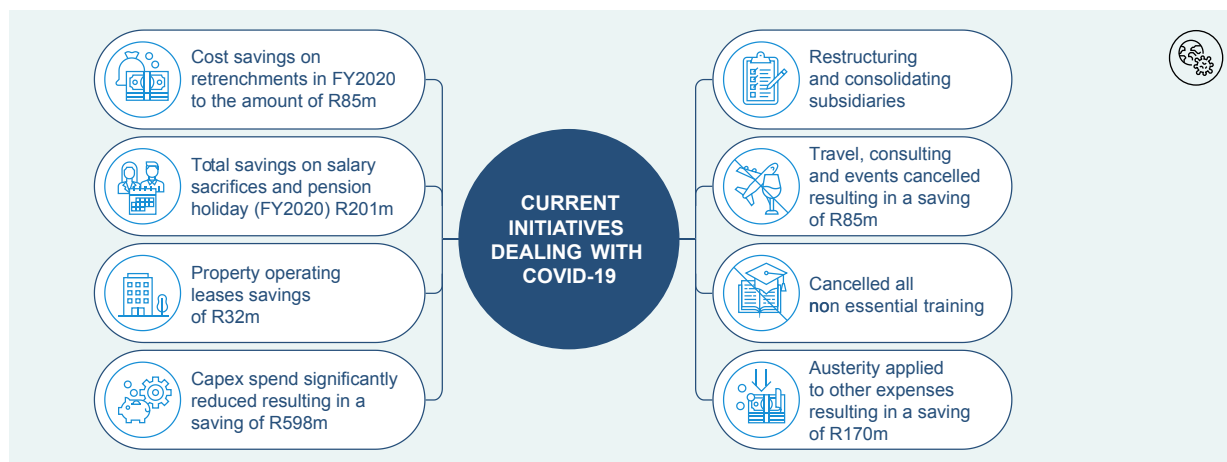
I would also like to extend my appreciation to the finance team's commitment to ensuring the highest standards of integrity and financial discipline.



### NOPASIQA LILA

Group finance director  
30 November 2020

## MANAGING THE IMPACT: COST CONTAINMENT MEASURES





# Financial and non-financial key performance indicators



## Financial capital

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Return on equity	Shareholder returns and optimal capital structure	Greater than 15%	(1.5%)
Normalised HEPS (cents)	Operational performance		(30) cents
Gearing**	Debt levels	40% – 60%	13.4%
Return on invested capital	Capital allocation	Greater than 13%	1%
Economic profit (EP)	Value creation	Positive delta EP	(R2 714m)
Free cash flow before acquisition	Cash generation	Greater than 50% of EBITDA	R3 327m (69% of EBITDA)
Dividends per share	Dividends per share	2.5 – 3 times cover	N/A

\*\* Net debt/equity excluding IFRS 16



## Human capital

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Safety	Number of work-related fatalities Lost-time injury frequency rate (LTIFR)*	Zero ≤ 0.5	Two work-related fatalities <span>LA</span> LTIFR: 0.53 <span>LA</span>
Group human capital operating model	Active shareholder aligned human capital operating model defined	One BAW human capital operating model principles defined by 30 September 2020	Achieved. Target Operating model principles defined as part of human capital BBS value stream project plan
Improve employee engagement	Employee engagement index	Baseline set as reference for 2021 improvement	Achieved. One BAW Employee Engagement survey conducted in partnership with Deloitte Best Company to Work for with a resultant baseline of 63.7%. A target of at least 70% has been set for 2021
Group human capital technology and digital solutions	Approval of long term human capital system (Workday) business case and implementation plan	Business case approved by 30 September 2020	Achieved. Group-wide human capital system business case approved. Workday implementation programme, aptly named PEOPLE1st, has since commenced and launch is planned for November 2021

## FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS CONTINUED

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Instill a high-performance culture	Percentage employees completing One Barloworld scorecards and performance reviews	90% – 100%	Achieved. 90% – 100% of employees at all levels had performance scorecards and completed performance reviews as required
Improve management of top talent	Group-wide senior management (Grade 15 and above) talent mobility (strategic, critical and scarce roles)	Year-on-year talent mobility improvement	34 senior management employees moved into strategic, critical and scarce roles
	Employer brand recognition	Employer brand recognition awards	Improved employer brand recognition through winning the overall Gender Mainstreaming Champions for 2020 for JSE listed companies. Two other categories were won: Investing in Young Women and Women Empowerment in the Workplace
Strengthen succession bench	Percentage of strategic, critical and scarce roles (Senior management) with identified successor	70% – 85%	Successors identified for 84% of strategic, critical and scarce roles at senior management level (Grade 15 and above)
		Development plans in place for all potential successors	81% of potential successors had development plans in place
Group wellness programme	Employee wellness programme engagement rate	>10%	15.66%
Leadership brand	Differentiated and BBS-aligned learning and development initiatives implemented	LCF roll-out and embedding	LCF roll-out and embedding and LCF assessments completed for all senior management employees
			Roll out of BBS-aligned leadership development to commence in Q1 of new financial year

\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000)/hours worked

 Limited Assurance over selected FY2020 non-financial indicators by PwC



## Intellectual capital

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Barloworld Business System	Divisional implementation and improved performance in South Africa	Reduce turnaround times  Increase sales and reduce inventory	New potential customers discovered in Customer Retention



## Manufactured capital

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Brand representation	Number of brands	In line with strategy	34 brands
Operational footprint	Emerging markets and contiguous	Scale Managing overheads	16 countries



## Natural capital

MATERIAL ASPECT	KPI	2020 ASPIRATIONAL TARGET – 2015 BASELINE	2020 ACTUAL
Energy:	Non-renewable energy* intensity (GJ/R1 million revenue)	Efficiency improvement of 10% (43.4)	46% behind target (Actual: 45.7)
◦ Non-renewable			
◦ Renewable	Renewable energy (MWh)	Renewable energy consumption of ≥2 000 MWh per annum	72% behind target (Actual: 556)
Greenhouse gas (GHG) emissions (Scope 1 and 2)	GHG emissions intensity (tCO <sub>2</sub> e/R1 million revenue)	Efficiency improvement of 10% (3.8)	15% behind target (Actual: 3.9)
Water stewardship	Water withdrawal (municipal sources) intensity (KL/R1 million revenue)	Efficiency improvement of 10% (10.8)	Regressed 27% against baseline (Actual: 12.3)
Waste (including lifecycle responsibility)	Percentage waste disposed through formal waste management service providers (%)	100% of solid and liquid waste disposed through formal waste management service providers by 2020	Solids 0.4% behind target (Actual: 99.6%) Liquids: Achieved Target (Actual: 100%)

\* Excludes energy from rental fleet



# Social and relationship capital

MATERIAL ASPECT	KPI	TARGET	2020 ACTUAL
Corporate social investment	Investment relative to NPAT	1 % NPAT	R16m
Barloworld Mbewu	Onboarding of social entrepreneurs	30	29
Khula Sizwe	Fully implemented scheme run and governed independent of Barloworld	Close transaction. Fully transfer properties	Transaction effective 1 October 2019 57 properties transferred
	Refer to page 108	Appoint operational and governance structures	R2.4bn <span>LA</span>



# Unpacking our strategic enablers (how we win)

LEVERAGING OUR  
SCALE AND ASSETS  
AND MAINTAINING  
LEADING BRANDS

Equipment southern Africa







## Equipment southern Africa

### DIFFERENTIATED CAPABILITIES

Caterpillar brand quality

Large array of mining, construction, and power solutions supported by world-class technical training and after-sales service

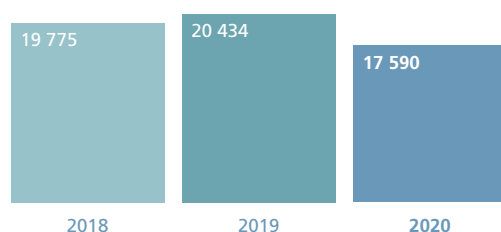
Superior capabilities and footprint

Full maintenance and repair offerings

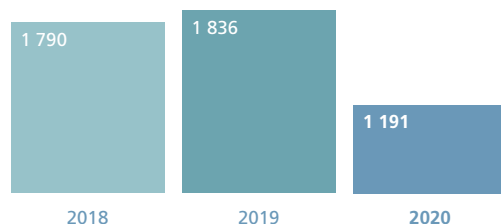
Short-term rental and long term leasing options

Deep relationships built on trust

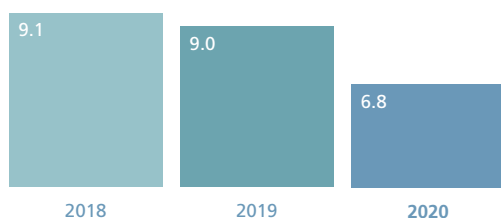
### REVENUE (Rm)



### OPERATING PROFIT (Rm)



### OPERATING MARGIN (%)



### OUR OPERATING CONTEXT IN 2020

#### SOUTH AFRICA

Despite an extremely challenging year, the South African mining sector demonstrated resilience in the face of COVID-19. While most commodity prices were on a decline, some of these declines were offset by a weaker rand. An already ailing construction industry suffered additional contraction, worsened by strict nationwide lockdowns, on the back of low investor sentiment and slow economic growth impacting both public and private infrastructure spend.

#### REST OF AFRICA (ROA)

Most of our regions in the Rest of Africa faced some challenges: activity in Angola was impacted by the lower crude oil price, strict lockdown requirements and limited foreign currency/letters of credit while activities in Botswana, Mozambique and Zambia were negatively impacted by customer decisions to curtail activities. The regulatory environment remains a challenge in the Democratic Republic of Congo (DRC) while Zimbabwe's economic contraction, high inflation and volatile currency remain challenging. A remarkable progress in Area 1 of Mozambique Liquefied Natural Gas (LNG) was noted, with financial support secured in 2020.

### HIGHLIGHTS IN 2020

Overall turnover down by 13.9% compared to 2019 due to COVID-19 significant disruptions

Aftermarket contribution resilient at 55%

Growth in market share across Mining and Construction Machines

Resilient rental business in a tough trading environment

Buoyant gross margin boosted by strong aftersales contribution

Well controlled gross expenses down 3.9%. Excluding restructuring cost and BEE charges, the reduction was 8.5%

Very strong performance in Namibia with operating profit 19.4% higher than 2019

Positive turnaround in Botswana with operating profit of R77m (2019: R45.8m loss)

R2.6bn reduction in working capital

Exceptional free cash generation at R3.4bn



LEVERAGING OUR SCALE AND ASSETS AND MAINTAINING LEADING BRANDS CONTINUED

## Equipment southern Africa

### MANAGING FOR VALUE IN 2021

Medium term strategy: Fix the business to achieve group hurdle rate of 13%



#### FIX AND OPTIMISE

- Growing services revenue (Parts, Service and Rental)
- Grow machines sales/market share in priority segments
- Reducing expenses
- Optimising invested capital
- Improving returns in non-performing regions
- Leveraging Barloworld Business Systems to improve execution
- Critical enablers remain safe and engaged employees, as well as delighted customers





## Equipment southern Africa

### PERFORMANCE OVERVIEW

Full year revenue down 13.9% to R17.6 billion due to COVID-19 disruptions and low trading activity in Angola and Zambia.



The weaker rand to dollar exchange rate contributed 2.7% improvement to the overall revenue because of the translation of the financial results for Rest of Africa operations reporting in dollar functional currency.

New mining equipment sales increased marginally by 1.1% whilst contract mining machine sales decreased by 30%, and construction machine sales declined by 20.2%.

Rental business was resilient in a tough trading environment. While activity levels significantly reduced during lockdown the business continued to generate free cash flows during that period.

Revenue from Energy and Transportation business decreased marginally by 1.4% impacted by RSA and Angola's performance.

Operating profit at R1.2 billion (2019: R1.8 billion) was down on prior year, resulting in an operating margin of 6.8% (2019: 9.0%). The reduction in operating profit was mainly driven by low sales activity, once off separation cost and Khula Sizwe charges. The once off separation costs contributed 1% reduction in operating margin. The negative impact on operating margin was partially offset by previously announced cost containment measures which saw our gross expenses reduce by 8.5% excluding once off separation cost and Khula Sizwe charges. EBITDA at R1.8 billion (2019: R2.4 billion) was 24% lower than the prior year while EBITDA margin at 10.3% (2019: 11.7%) was boosted by the impact of IFRS 16 leases.

The steep currency devaluations mainly in Angola and Zambia resulted in an increase in the financial instrument charge amounting to R210 million (2019: R100 million) and had a negative impact on the effective tax rate

due to IAS 12.41. Furthermore, the effective tax rate of 209% on a loss before profit was influenced by the withholding of tax on special dividends of USD41.2 million declared out of retained earnings in Angola. The tax impact was partially offset by the decrease in deferred tax liability in Angola resulting from the change in the corporate tax rate from 30% to 25% during the reporting year. A loss on exceptional items of R898 million was realised mainly due to COVID-19 related impairment of goodwill and intangibles in Rest of Africa.

Share of associates loss of R39 million (2019: R249 million income) was due to a significant reduction in trading activity levels in the DRC and a share of prior year deferred tax liability adjustment of R21 million relating to Bartrac JV.

Invested capital reduced to R9.2 billion (2019: R11.3 billion) driven by continuous working capital optimisation efforts and the write off of intangibles and goodwill of R913m. Average invested capital decreased to R9 167 million (2019: R11 486 million). Due to low net operating profit after tax, ROIC was 3.8% (2019: 12.5%).

### CASH FLOW

Strong free cash generation of R3.4 billion (2019: R2.0 billion) was significantly up on prior year resulting in EBITDA cash conversion rate of 187% (2019: 84%).

### OUTLOOK

Some recovery in commodities expected in 2021, while uncertainty around COVID-19 remains. Focus on growing market share while sustaining cost reduction measures and invested capital reduction continues. Income from Bartrac JV expected to improve in 2021, but a significant recovery to 2019 levels is not expected in the short term.

### TRENDS

Lowering unit costs by improving productivity

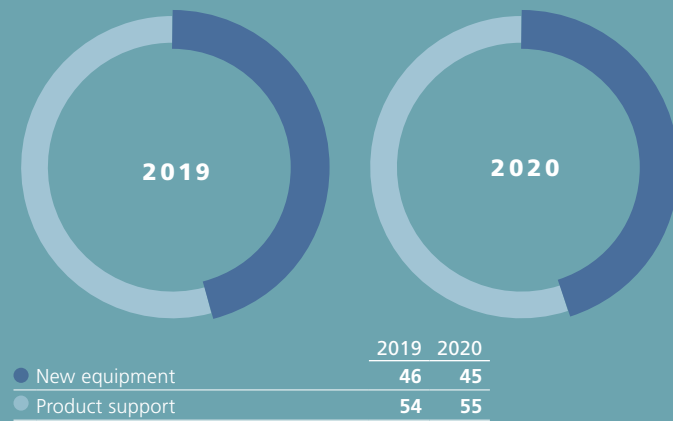
Pressure to reduce greenhouse gas emissions and become carbon neutral

Increasing interest in automation

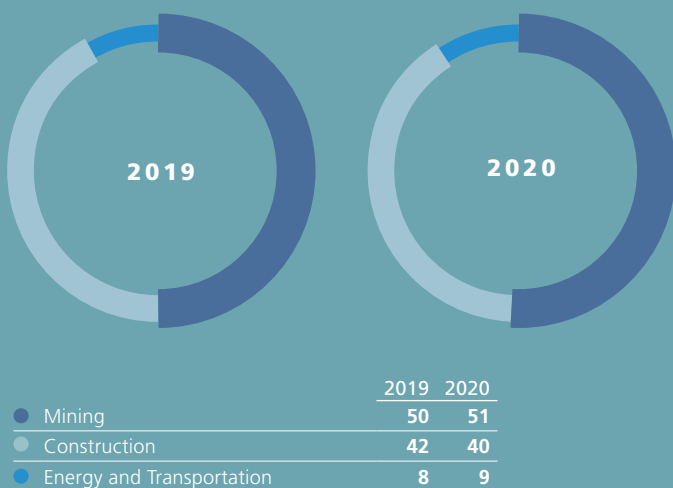


# Equipment southern Africa

## EQUIPMENT SOUTHERN AFRICA REVENUE PROFILE BY LINE OF BUSINESS (%)



## SALES BY INDUSTRY (%)



## DIVISIONAL KEY PERFORMANCE INDICATORS

	SOUTHERN AFRICA	
	2020	2019
<b>FINANCIAL</b>		
Revenue (Rm)	17 590	20 434
Operating profit (Rm)	1 191	1 836
Operating margin (%)	6.8	9.0
Net operating assets (Rm)	9 191	11 336
Invested capital (Rm)	9 167	11 313
ROIC (%)	3.8	12.5
<b>HUMAN AND SOCIAL</b>		
Employee headcount	4 169	4 563
LTIFR*	0.41	0.24
Work-related fatalities	0	0
B-BBEE rating	1	1
<b>NATURAL</b>		
Petrol and diesel (ML)	3.65	4.05
Grid electricity (MWh)	13 298	15 601
Non-renewable energy (GJ)*	183 213	205 699
GHG emissions (tCO <sub>2</sub> e) <sup>#</sup>	21 963	25 138
Water withdrawals (ML) <sup>^</sup>	168	161

\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000) / hours worked

\* Excludes energy from rental fleets

<sup>#</sup> Scope 1 and 2

<sup>^</sup> Municipal sources



### INDUSTRY FOCUS

Mining recovery expected in 2021 with some growth in subsequent years

South African government's infrastructure investment drive could potentially boost the construction sector



### BUSINESS TRANSFORMATION FOCUS

BBS to support efforts to sustain lower cost base and optimise Invested capital



### FUTURE FOCUS

Customer and commodity diversification

Digital capabilities to improve customer satisfaction



### OPPORTUNITIES

Services growth opportunity

Mozambique and Rovuma LNG opportunity

Participation in government construction tenders



# Unpacking our strategic enablers (how we win)

LEVERAGING OUR  
SCALE AND ASSETS  
AND MAINTAINING  
LEADING BRANDS

Equipment Eurasia







# Equipment Eurasia

## DIFFERENTIATING CAPABILITIES

Extensive facility footprint with modern repair centres in key locations throughout the territory

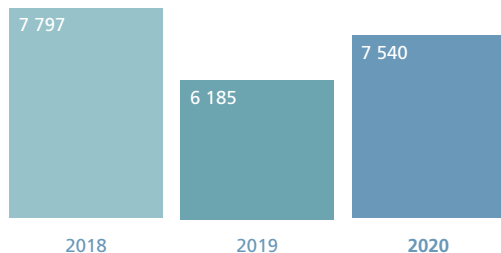
Highly skilled, purpose trained workforce

Full alignment with and support from Caterpillar

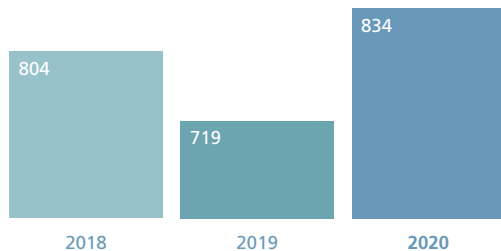
Rebuild and salvage capabilities

Strong focus on digital service offering including e-commerce, machine health, predictive analytics and niche technologies to support effective and efficient customer operations

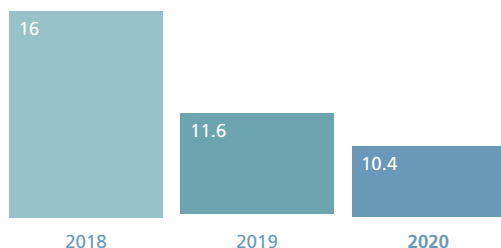
## REVENUE (Rm)



## OPERATING PROFIT (Rm)



## OPERATING MARGIN (%)



## OUR OPERATING CONTEXT IN 2020

Equipment Eurasia represents our combined Russian and Mongolian Caterpillar operations. The Mongolia transaction closed on 1 September 2020 and the Eurasia numbers include one month of trading in the Mongolian territory. The region is a key market for Barloworld, with a diverse customer base including large mining houses, junior and contract miners, infrastructure, forestry and oil and gas. Our resources portfolio covers a range of commodities including gold, copper, nickel, diamonds, and coking and thermal coal among others.

Mongolia's average GDP growth from 2017 to 2019 was close to 6%, but the economy is expected to contract by 2.6% in 2020.

Russian GDP is expected to contract by 4.1% for 2020 as the economy has been hit hard by COVID-19 together with the drop in energy prices. This has resulted in the Rouble devaluing significantly and ending the year at a rate of 79.7 to the dollar.

Possible future risks and headwinds for the Russian economy include a prolonged COVID-19 outbreak with resultant lockdowns and an extended period of low energy prices. Given the resilience shown by the Chinese economy during 2020, a recovery in trading activity is possible.



## 2020 HIGHLIGHTS

Revenue was up 22% (+8% in USD) due to robust mining activity, particularly in gold and other metals, while the oil price and the COVID-19 pandemic have produced a severely negative impact on construction as well as the oil and gas segment

The region continued to perform well – the resilience of our people in difficult circumstances enabled us to deliver pleasing results across all areas

We capitalised on our facility footprint and repair capabilities to produce solid aftermarket performance for the year, although this was impacted by a slowdown in the coal segment

Margin realisation was good in both prime and aftermarket products. This, linked with good cost management, resulted in a strong operating margin

Operating profit was up 16% (+1.8% in USD), driven by revenue growth in Russia and one month's revenue in Mongolia

The business generated positive cash flow of USD53 million (2019: USD36.6 million) through profitable results and good working capital management

The development of dealership capabilities, growth in installed machine population, and expansion of parts and service business remain cornerstones of our Eurasian operations

ROIC 14.0% (17.7% normalised)



## Equipment Eurasia

### MANAGING FOR VALUE IN 2020

Our medium term strategy is to optimise and grow in order to continue exceeding targeted group return on invested capital of 13%.



#### OPTIMISE

We continue to improve our aftermarket capabilities and the digital aspect of the business with a view of offering fit-for-purpose solutions to our customers. Aligned to this are several ongoing strategic initiatives:

- Continuing our journey to ZERO harm to employees and the environment
- Improving talent management
- Expanding machine and component rebuild and salvage capabilities
- Establishing a site presence for large mining customers
- Developing digital solutions for our customers using predictive analytics
- Advancing specialised technologies such as measuring haul loads, fuel burn, operator fatigue etc.
- Developing remote control technology for the operation of equipment in difficult to reach or dangerous areas
- Establishing customer facing portals focusing on fleet management and e-commerce

As one of the leading dealers in the digital space, we have the capability to pilot new technologies and customise these to the needs of our customers and our dealership as they evolve.



#### GROW

To build on our outstanding performance over the last three years we:

- Participate in brown and greenfield opportunities across commodities
- Continue to develop solutions in the technology and digital space
- Aim to double our services by 2026
- Develop on-site mining solutions to meet the needs of our customers
- Leverage Caterpillar's technological developments to link data, predict, analyse and grow customer solutions
- Continue to develop the capabilities of our people



# Equipment Eurasia

## PERFORMANCE OVERVIEW

Mongolia's first month of trading produced a pleasing result and we remain optimistic that this new acquisition will contribute positively to the Barloworld result. A lack of clarity on the evolution of the COVID-19 pandemic is the major short term risk.

Russia produced good results for the period to September 2020, driven by an active mining industry and good growth in the gold sector in particular. The impact of COVID-19, the slower coal segment, as well as the economic impact of the lower oil price, stifled topline growth. The Rouble devaluation further negatively impacted returns.

At a Eurasia level, revenue at USD467 million was up 8.0% on the prior period and operating profit at USD51 million was up 1.8%. However, the operating margin dropped from 11.6% to 10.9% due to the change in the sales mix. Despite the decreased operating margin, the result is industry leading due to continued cost containment and good margin realisation in both prime product and aftermarket.

The aftermarket contribution remains healthy but was negatively impacted by the slower coal sector due to reduced thermal and coking coal prices. Operations generated positive cash flow driven by profitable results and working capital management. The Russian ROIC of 14.0% was retained above the Group threshold of 13% despite the negative impact of a deferred tax charge due to the weakening of the Rouble.

With respect to the COVID-19 pandemic, the division continues to implement Barloworld's required safety measures and best practice, also following the guidance issued by respective country and regional authorities to protect the health and safety of all citizens.

The total firm order book was USD105 million at the end of September, with further firm orders to the value of USD37 million secured after 30 September 2020.

## OUTLOOK

- Mongolia is a key market for Barloworld, with good opportunities in expanding construction and mining sectors.
- The mining sector will benefit from a significant railroad expansion that will increase commodity export capacity to China.
- The Russian mining sector and commodity outlook are expected to remain stable.
- Our continued focus on aftermarket solutions tailored to customer requirements will bear fruit.
- Enhanced operational excellence will be driven through the BBS.
- The firm order book shows pleasing growth.
- Improved performance is expected in component rebuild and salvage activities.

## TRENDS

The short to medium term impact of COVID-19 is uncertain.

Sanctions/duties are expected to remain unchanged in the short to medium term.

Geopolitical uncertainties globally and in the region are expected to continue, with the US/China trade war ongoing (high correlation between the Russian and Chinese economies).

Commodity prices should remain stable or improve.

Several greenfield projects are in the exploration and bankable feasibility study stages, boosting future opportunities.

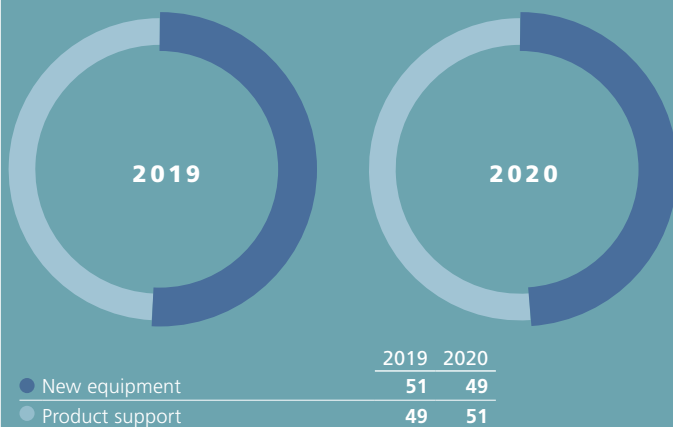
Environmental concerns are becoming increasingly important and may impact funding availability.

Mining customers are moving towards larger equipment, providing greater aftermarket opportunities.

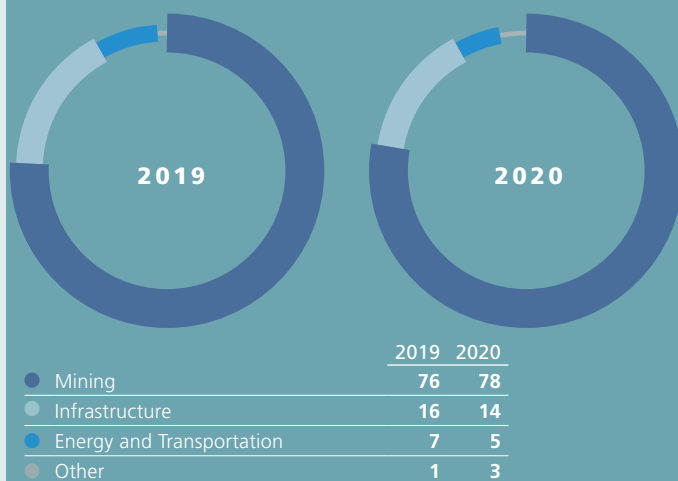


# Equipment Eurasia

## EQUIPMENT RUSSIA REVENUE PROFILE BY LINE OF BUSINESS (%)



## SALES BY INDUSTRY (%)



## DIVISIONAL KEY PERFORMANCE INDICATORS

	EURASIA	
	2020	2019
<b>FINANCIAL</b>		
Revenue (Rm)	7 540	6 185
Operating profit (Rm)	834	719
Operating margin (%)	10.4	11.6
Net operating assets (Rm)	5 272	3 170
Invested capital (Rm)	5 594	3 398
ROIC (%) <sup>§</sup>	14.0	17.7
<b>HUMAN AND SOCIAL</b>		
Employee headcount	1 686	1 055
LTIFR*	0.18	0.28
Work-related fatalities	0	1
<b>NATURAL</b>		
Petrol and diesel (ML)	0.99	1.07
Grid electricity (MWh)	4 668	3 495
Non-renewable energy (GJ)*	52 169	50 618
GHG emissions (tCO <sub>2</sub> e)*	4 177	3 868
Water withdrawals (ML) <sup>^</sup>	11	12

<sup>§</sup> In terms of United States dollar

\* Last-time injury frequency rate = (Number of lost-time injuries x 200 000)/ hours worked

+ Excludes energy from rental fleets

# Scope 1 and 2

<sup>^</sup> Municipal sources

## LOOKING FORWARD



### INDUSTRY FOCUS

Mining sector outlook is stable



### BUSINESS TRANSFORMATION FOCUS

Continued cost control and balance sheet management remains the key focus area



### FUTURE FOCUS

Capitalise on the greenfield opportunities by offering fit-for-purpose custom solutions for each project



### OPPORTUNITIES

Mining customers moving towards larger equipment with greater aftermarket opportunity

# Unpacking our strategic enablers (how we win)

LEVERAGING OUR  
SCALE AND ASSETS  
AND MAINTAINING  
LEADING BRANDS

Automotive







# Automotive

## DIFFERENTIATING CAPABILITIES

Integrated Automotive business model

Scale and strong global brands

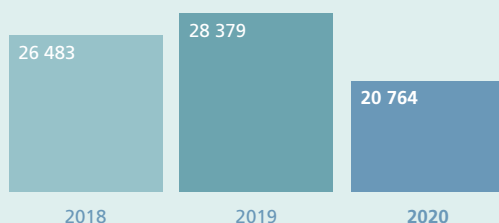
National and regional footprint

Customer centricity and customer experience

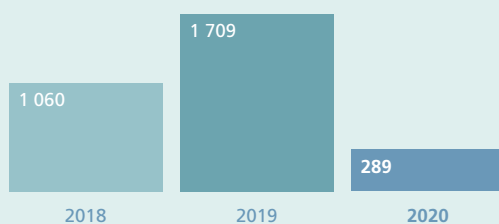
Our people

Best in class business excellence system (BBS)

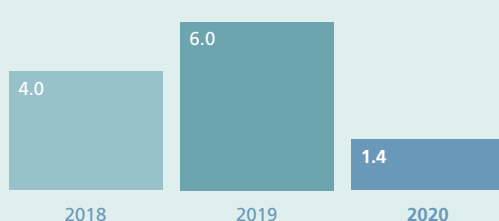
## REVENUE (Rm)



## OPERATING PROFIT (Rm)



## OPERATING MARGIN (%)



## OUR OPERATING CONTEXT IN 2020



### CAR RENTAL

- SAVRALA car rental market significantly down on prior year, the industry most severely affected by COVID-19
- Benefited from international and local travel for first six months of the financial, second half declining by more than 50%
- Gradual claw-back in all segments since May as a result of relaxation of lockdown restrictions, with the exception of long-haul leisure
- The industry rate per day hit its lowest point since 2009 in April 2020
- Used vehicle market remained resilient with margins holding and one-year old vehicles continuing to yield good returns

### AVIS FLEET

- The leasing industry has not been as significantly impacted by COVID-19 due to the long term nature of the contracts, though the financial pressures are evident in the number of business rescue proceedings, payment holiday requests from customers as well as liquidations
- Customers downsizing fleet in response to downturn in business cycle
- Corporate SA was still under pressure to service the accounts especially in the tourism sector and other industries that took long to open

### MOTOR TRADING

- NAAMSA dealer market for the full year is down 23.1%
- Significant impact in Motor Retail business during April with business limited to supporting essential services through a select number of strategically placed sites
- Vehicle sales impacted positively by the delay in opening of licensing offices in June
- New vehicle sales at 80% and used vehicles at similar level of pre-COVID-19 levels
- Industry impacted by new vehicle price increases as well as dealers experiencing stock shortages
- Auction sales continued through lockdown enabled by technology solutions
- Aftersales recovering well despite the slow start due to less mileage travelled during lockdown
- Recent lower interest rates stimulated some activities in cars sales providing confidence to a slightly improved outlook in a depressed market
- Automotive industry facing varied degrees of disruption through disintermediation and business models

## HIGHLIGHTS IN 2020

Dedication and commitment of employees during this unprecedented times

Reduced our LTIFR

Successful integration achieved for Automotive and Logistics with efficiency gain

Strategic Sourcing achieved R88 million in savings and cost avoidance

NMI-DSM, improving operating profit by 13%. Share in PAT up R15 million on last year

Audi Century City dealership trading in the new facility, September 2020

Avis Budget launched "Why buy if you can rent" monthly product

Integration of Avis Budget Car Rental and Avis Fleet to unlock synergies and value. The operating model is on the ever-evolving needs and requirements of customers and presents an opportunity to offer integrated end-to-end mobility solutions



## Automotive

### MANAGING FOR VALUE IN 2020

Medium term strategy: Fix and Optimise Reach full potential and exceed group return on invested capital of 13% by 2022.



#### FIX AND OPTIMISE

- Change management and retention of key staff
- Sustain the reduce fix variable cost base to ensure an agile organisation
- Continue to entrench a culture of continuous improvement and managing for daily improvement across the organisation
- Review of optimal capital allocation and release of capital from loss making/low return businesses
- Review of our dealership portfolio together with optimal utilisation and rationalisation of leased and owned facilities
- Implementation of multipurpose sites that combines used vehicle sales and aftermarket sales, to grow our product and service offering to the customers
- Embed the integration of Avis Budget and Avis Fleet and provide an integrated go to market rental and fleet management offering, to drive tailor made solutions for customers
- Sustained cost savings and efficiencies in functional consolidation creating shared services within Avis Budget and Avis Fleet
- Pursue select growth opportunities to diversify on-airport and off-airport offering
- Avis Fleet will look to benefit from the healthy pipelines of fleet opportunities together with new products and services
- Sustained growth in the commercial leasing segment together with continued strong focus on public sector. Continued strong focus on public sector. Ongoing digital focus that drives innovation, customer centricity and improved efficiencies





## Automotive

The performance of the Automotive division is down on the prior year on a comparable basis. Revenue for the division, excluding NMI-DSM in the prior year, was down by 15% with declines across all business units as a result of economic pressures, further impacted by COVID-19. ROIC for the division was lower at 2.9% (2019: 13.2%) mainly due to operating losses incurred during the year. Cost containment through leaner and fit for purpose head office structures and operating models, branch rationalisation, right-sizing of fleet, lease rationalisation and staff reductions were key focus areas in this challenging trading environment.

Tough decisions were made during the year to safeguard the sustainability of the Automotive division, impacting estimated 27% of staff at a retrenchment costs of R68 million.

For the year, goodwill and property impairment in the division amounted to R693 million.

### MOTOR TRADING

Motor Trading's (excluding NMI-DSM, now an associate) revenue is down 15% due to the decline in the vehicle market, the impact of COVID-19 stages transitioning out of lockdown trade restrictions, consumer affordability and overall vehicle price increases. New vehicle sales performed in line with the decline represented in dealer market, down 25%.

From the month of June, activity levels bounced back, with strong used car sales and better than anticipated new car sales as demand improved due to relaxations in lockdown restrictions. The business recorded an operating loss of R12 million (2019: R561 million profit which included R125 million of NMI-DSM for 11 months). Operating profit was impacted by losses incurred during lockdown levels 4 and 5, the impact of strategic investment in Khula Sizwe as well as once off operating costs.

### CAR RENTAL

During the period, Car Rental activity was significantly impacted by the COVID-19 related trade restrictions and market consequences. Revenue was 18% down compared with the prior period due to the decline in rental billed days and, rate per day under pressure, while used car sales were very strong. Despite a slow increase in billed days in all segments, with exceptions of inbound, the car rental industry remains under significant pressure. The used vehicle market remained resilient, with margins holding up and one year old vehicles continuing to yield good returns. Operating profit was impacted by significant rental losses incurred since April on the back of limited local and international travel, costs incurred to re-align the cost structure, IFRS2 charges relating to Khula Sizwe as well as provision for expected credit losses. Following the dire impact COVID-19 has had on the rental industry, the branch network was rationalised, impacting more than 20% of the network. Together with the realignment of the cost structure and the review of the network, more than 40% of the staff was impacted. The rental fleet was right-sized according to plan, following the resizing of the fleet to address the change in the market demand. Following the right size fleet utilisation improved from below 50% in April to just under 75% in September.

### AVIS FLEET

The Avis Fleet revenue declined by 10% to R3.0 billion mainly due to lower leasing revenue as a result of large contracts lead out. Operating profit was down due to a reduction in used vehicle margin impacted by vehicle make and model as well as early terminations. Increase in provision for expected credit losses as well as retrenchment costs further impacted operational performance.

### CASH FLOW

Free cash flow of R1.8 billion was generated supported by the sale of Khula Sizwe properties as well as fleet disposals.

### TRENDS

Declining vehicle market is reducing the vehicle population

Increasing disintermediation

Mobility as a servicing will grow

Usership vs ownership

Maturity of electric vehicles to change parts consumption profile

Big data machine learning to play an increasingly important role

Artificial intelligence is impacting existing roles



## LEVERAGING OUR SCALE AND ASSETS AND MAINTAINING LEADING BRANDS CONTINUED

# Automotive

### DIVISIONAL KEY PERFORMANCE INDICATORS

	CAR RENTAL		MOTOR TRADING		AVIS FLEET		AUTOMOTIVE	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>FINANCIAL</b>								
Revenue (Rm)	5 123	6 271	12 595	18 736	3 046	3 372	20 764	28 379
Operating profit (Rm)	(143)	523	(12)	561	444	625	289	1 709
Operating margin (%)	(2.8)	8.3	(0.1)	3.0	14.6	18.5	1.4	6.0
Net operating assets (Rm)	2 442	2 431	3 257	1 861	3 117	3 777	8 816	8 075
Invested capital (Rm)	2 803	3 259	3 604	2 091	3 191	3 862	9 598	9 212
ROIC (%)	(3.2)	11.7	1.7	18.3	9.0	11.5	2.9	13.2
<b>HUMAN AND SOCIAL</b>								
Employee headcount	1 083	2 099	3 005	3 379	328	504	4 416	5 982
LTIFR*	0.57	0.44	0.75	0.88	0.00	0.16	0.63	0.70
Work-related fatalities	0	0	0	0	0	0	0	0
<b>NATURAL</b>								
Petrol and diesel (ML)	2.51	3.60	2.86	4.35	0.41	0.58	5.78	8.53
Grid electricity (MWh)	5 934	6 654	17 850	24 946	897	1 089	24 681	32 688
Non-renewable energy (GJ)*	107 260	147 516	165 964	244 657	17 727	24 097	290 952	416 270
GHG emissions (tCO <sub>2</sub> e) <sup>#</sup>	11 793	15 028	24 854	35 741	1 837	2 403	38 485	53 172
Water withdrawals (ML) <sup>^</sup>	141	138	183	202	5	9	328	349

\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000)/hours worked

\* Excludes energy from rental fleets

<sup>#</sup> Scope 1 and 2

<sup>^</sup> Municipal sources

### LOOKING FORWARD



#### AUTOMOTIVE DIVISION

The integrated division will continue to provide resilience throughout the cycle. Technology will be an enabler for growth, enhance customer experience and increase efficiencies. Through targeted growth, portfolio optimisation and consolidating gains, the division will contribute in closing the value gap in achieving the bold ambition of the Group



#### CAR RENTAL

The business will continue to drive profitable revenue growth focused on providing customer excellence, improving convenience and ease of service, through ongoing digitisation in mobile solutions



#### AVIS FLEET

Focus will be to secure new business and retention of contracts, whilst continuing on customer product and service innovation



#### MOTOR TRADING

Challenging trading conditions to persist in the next 12 months  
Provide technology enabled solutions



## Automotive

### INTEGRATED, CUSTOMISED VEHICLE SOLUTIONS

#### CAR RENTAL

Short-term vehicle solutions

Market leader in short term car rental

Operates across southern Africa



#### AVIS FLEET

Leasing and fleet management products and solutions

Market-leading fleet leasing company

Operates across southern Africa and Ghana



#### MOTOR TRADING

Franchise motor vehicle retailing and asset disposal through online platforms and tool sets

46 dealerships (including JV partners)



#### OUR BRANDS





# Unpacking our strategic enablers (how we win)

LEVERAGING OUR SCALE AND ASSETS AND MAINTAINING LEADING BRANDS

Logistics





# Logistics

## DIFFERENTIATING CAPABILITIES

Delivering superior service in high regulatory and compliance environments, leveraging specialist capabilities and technologies

Enterprise development programmes aligned to specific social responsibility objectives within chosen industry sectors

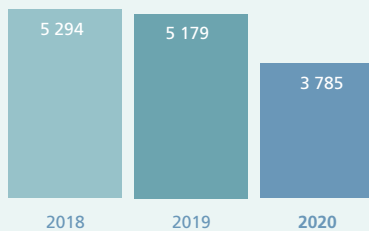
Enhanced transportation management platform that leverages digital capabilities

Integrated freight forwarding, warehousing and distribution solutions enabled by global networks and supply chain optimisation

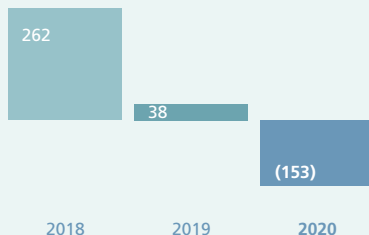
Established, long term strategic relationships with clients within a vested partnership operating model to deliver shared value in enabling business strategy

Performance-based standard (PBS) vehicle solutions

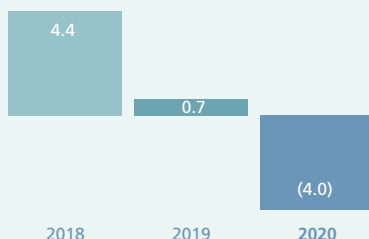
### REVENUE (Rm)



### OPERATING PROFIT (Rm)




### OPERATING MARGIN (%)



## OUR OPERATING CONTEXT IN 2020

- Economic environment driving short term volume and margin pressure on current contracts
- The trend towards variable commercial models with shorter contractual obligations continues to increasing asset utilisation risk and influence our asset ownership model
- Excess capacity in warehousing and general freight driving down commoditised transport rates
- COVID-19 necessitated port and border closures resulting in regional and global supply chain disruptions that negatively impacted margins across supply chains
- Experiencing significant variations and inconsistency in volumes due to changes in demand and supply patterns
- Increased debtors payment term demands and bad debts since March 2020 due to businesses and customers managing their cash cycles and filing for business rescue
- Agricultural sector has had a minimal impact during lockdown, and there are opportunities to further grow the market
- Recovery slow in the building and construction sector
- Fleet replacements delay due to delayed contract renewals
- Enabling enterprise development for fence line communities requirements on the increase
- The disruptive impact of community and civil unrest on the transport industries

## HIGHLIGHTS IN 2020

We continue to drive a zero harm culture and during the year we experienced 24% improvement in LTIFR, with road accidents our largest cause of lost days. Despite our vigorous COVID-19 protocols we have lost one employee to the virus to date 

Contract and customer retention has been positive during the year with a high retention and new contract award in both Transport and Supply Chain. New awards in Timber, Energy and Freight Forward business units were secured during the 2nd half of the year

We further strengthened our global network in the freight forwarding operations which facilitated the onboarding of new freight forwarding customers and enhanced our offerings to our existing customers

We successfully concluded the sale of the SmartMatta and MiddleEast businesses

Buy-in from customers sharing in benefits from implementation and roll-out of BBS

Our strategic sourcing efforts have resulted in significant reductions in our expenses and this will improve our competitiveness going forward

Implemented a new operating system in Freight Forwarding, enhancing customer engagement and employee efficiencies



# Logistics

## MANAGING FOR VALUE IN 2020

**Medium term strategy:** Fix and Optimise: Address underperformance to meet target for group return on invested capital of 13% by 2022.



### FIX AND OPTIMISE

To achieve our short term 'fix' and optimise strategy, we optimised our portfolio in the following manner:

- Fit-for-purpose operating model and significant rationalisation at support levels in 2020/2021
- Aligned work force in the transport and freight forwarding business to activity and volume levels
- Fast tracking the creation and promotion of emerging and fence line community transporters
- Accelerating digital transformation, with roll out of a number of customer specific Business Intelligence reporting tools as well as enhancement of the Transport Management Solution capability
- Continued focus on customer and employee retention through implementation of our Barloworld Business Systems
- Enhanced focus of Smart Behavioural Based Safety Program
- Continuous improved focus on contractual performance
- Sustain implemented austerity measures for reduced cost to serve and improve agility of business
- Strengthened Business development to drive growth in Targeted Industries





## Logistics

### PERFORMANCE OVERVIEW

Logistics revenue declined by 25% against the prior year on the back of the non-renewal of contracts and the contraction of the Transport and Supply Chain volumes resulting from weaker demand for goods and services under the current COVID-19 environment. In all business units, the inconsistency of volumes remained a challenge and pressure to reduce the cost to serve intensified. Logistics recorded an operating loss of R153 million against a R38 million operating profit in 2019 as a result of reduced revenue, once-off operating costs including retrenchment costs, provisions and review of residual values as well as repairs and maintenance costs stemming from an ageing fleet due to delayed decision of contract renewals.

Contract and customer retention was positive during the period with high retention rate and new contract award in both Transport and Supply Chain, with terms ranging from one to five years.

The disruptive impact of community and civil unrest on the transport industries remain a challenge and continues to impact business and operational performance.

The sale of the Middle East and SmartMatta was successfully concluded, releasing capital for the Group.

### TRENDS

Reduce capital requirements through leasing or outsourcing of components of supply chain

Asset light models, minimize truck and warehouse infrastructure

Performance based contract managing models

Digested Just-In-Time warehouses

Open data and Co-opertive systems





## DIVISIONAL KEY PERFORMANCE INDICATORS

	LOGISTICS	
	2020	2019
<b>FINANCIAL</b>		
Revenue (Rm)	3 785	5 179
Operating profit (Rm)	(153)	38
Operating margin (%)	(4.0)	0.7
Net operating assets (Rm)	1 704	1 388
Invested capital (Rm)	1 916	1 453
ROIC (%)	(7.5)	0.4
<b>HUMAN AND SOCIAL</b>		
Employee headcount	2 522	3 657
LTIFR*	0.62	0.82
Work-related fatalities	2	0
<b>NATURAL</b>		
Petrol and diesel (ML)	44.83	55.77
Grid electricity (MWh)	8 960	14 797
Non-renewable energy (GJ)*	1 740 622	2 178 318
GHG emissions (tCO <sub>2</sub> e) <sup>#</sup>	128 531	163 181
Water withdrawals (ML) <sup>^</sup>	102	139

\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000)/hours worked

\* Excludes energy from rental fleets

<sup>#</sup> Scope 1 and 2

<sup>^</sup> Municipal sources

## LOOKING FORWARD



### INDUSTRY FOCUS

We focus on specific industries where there's market growth opportunities and where our capability with specialised equipment and protocols is appropriate



### BUSINESS TRANSFORMATION FOCUS

Fix-for-Purpose operating model and sustained rationalisation at Head Office Support levels in 2021



### BUSINESS FOCUS

Accelerating digital focus  
Growth in commerce and last mile deliveries



### OPPORTUNITIES

Cost reduction and service improvement through targeted investment in technology, in particular fleet monitoring and analytics



# Unpacking our strategic enablers (how we win)

---

LEVERAGING OUR  
SCALE AND ASSETS  
AND MAINTAINING  
LEADING BRANDS

Corporate





## Corporate

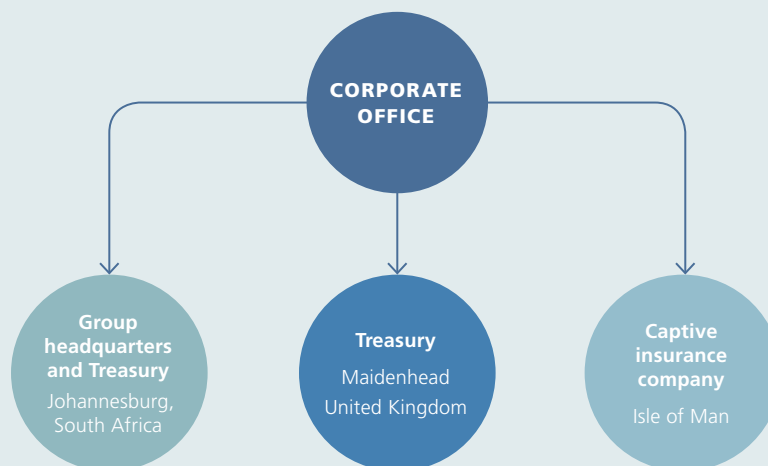
### OUR OPERATING PROFILE

Centres of excellence – strategy, mergers and acquisitions (M&A), human capital, corporate affairs, finance, internal audit, risk, governance, compliance and sustainability

Active shareholder operating model – strategy, M&A, leadership and talent, responsible corporate, performance management and resource allocation

Corporate functions provide group-led strategic direction and facilitate collaboration

Duplicated functions redeployed to value adding activities within the Group



### PERFORMANCE OVERVIEW

The Corporate Office primarily comprises operations of the Group headquarters and treasury in Johannesburg, the treasury and the captive insurance company in Maidenhead (United Kingdom). Southern Africa's higher operating loss of R327 million (2019: R253 million loss) largely driven by lower rental income in Barloworld and investments in corporate affairs activities and other strategic projects. Strategic projects included the implementation of the Barloworld Business System across the Group and due diligence for the acquisition of Ingrain. The UK operating loss of R115 million (2019: R156 million loss) was down on 2019 with the prior year including the once-off pre-tax R88 million (GBP4.7 million) charge to equalise guaranteed minimum pensions (GMP) within our historic UK defined benefit pension fund. This business also incurred due diligence costs for the acquisition of Equipment Mongolia.

### OUR OPERATING CONTEXT IN 2020

◦ Discussed on pages 18 to 19 of this report

### MANAGING FOR VALUE IN 2020

Similar to the operating divisions, various austerity measures were implemented to ensure fitness to support the Group while transitioning and ensuring long term sustainable value creation. The measures included a headcount reduction and containing consulting costs to key projects. Notably, the central treasury in South Africa maintained efficient funding rates for the Group.

The **active shareholder model**, a key strategic lever to changing the nature of the Group's operating model is in place. With the reviewed head office costs the Group continues to drive certain elements centrally while employing a more flexible resource model and driven execution through utilising divisional resources more effectively. Options around the redevelopment of Barlow Park at 180 Katherine Street precinct in Sandton are being reassessed, in line with current market conditions.



# Corporate

## DIVISIONAL KEY PERFORMANCE INDICATORS

	CORPORATE		SOUTH AFRICA		EUROPE	
	2020	2019	2020	2019	2020	2019
<b>FINANCIAL</b>						
Revenue (Rm)	2	1	2	1	–	–
Operating loss (Rm)	(442)	(409)	(327)	(253)	(115)	(156)
Invested capital (Rm)	(1 184)	(674)	394	1 033	(1 578)	(1 707)
Share of associate loss	–	–	(1)	–	–	–
<b>HUMAN AND SOCIAL</b>	–	–	–	–	–	–
Employee headcount	112	139	101	126	11	13
LTIFR*	0.00	0.00	0.00	0.00	0.00	0.00
Work-related fatalities	0	0	0	0	0	0
<b>NATURAL</b>						
Petrol and diesel (ML)	0.01	0.01	0.01	0.01	0.00	0.00
Grid electricity (MWh)	375	520	349	422	27	98
Non-renewable energy (GJ)*	1 630	2 297	1 534	1 842	96	455
GHG emissions (tCO <sub>2</sub> e)#	390	507	378	456	12	51
Water withdrawals (ML)^	2	3	2	3	0.04	0.35

\* Lost-time injury frequency rate = (Number of lost-time injuries x 200 000)/hours worked

\* Excludes energy from rental fleets

# Scope 1 and 2

^ Municipal sources

## LOOKING FORWARD



### AREAS OF FOCUS

Strategy and M&A

Capital allocation  
optimisation

Performance monitoring

Talent



### BUSINESS TRANSFORMATION FOCUS

The deployment of our  
continuous improvement  
programme through the  
BBS is centrally led



### FUTURE FOCUS

Targeted group savings  
from centralisation of key  
functions and the removal  
of duplicated functions  
throughout the businesses

Growth through the  
deployment of people  
to critical areas



### OPPORTUNITIES

Investment in technology  
and digital capabilities  
to enable growth

Targeted acquisitions  
focused on growth



# Khula Sizwe

## HIGHLIGHTS

- Khula Sizwe Property Holdings commenced its operations in October 2019, with an interim structure overseeing it during this time.
- In January 2020 Khula Sizwe's first employee was hired in the capacity of Managing Director. Zenzi Mabuza is well equipped for the role with a LL.M ICL – Masters of Law: International Commercial Law, University of Salford; Manchester and Supply Chain Management, University of Pretoria; and Professional certifications in Logistics and Transport.
- As Managing Director her immediate responsibility was to focus on the transfer of properties from Barloworld South Africa into Khula Sizwe, securing operational premises for Khula Sizwe and the hiring of employees.
- Khula Sizwe expanded its staff complement with two additional hires in April and May 2020:
  - **Operations Manager:**  
Violet Maake (BSC Hons Construction Management).  
Overseeing, developing an effective and sustaining property management team and Tenant satisfaction and Property Management.
  - **Financial Manager:**  
Bathethi Mathibe (BCompt). Post graduate diploma in Accounting Science (CTA).  
Overseeing financial processes and reporting in Khula Sizwe.
- Prior to the COVID-19 nationwide lockdown of 26 March 2020, a total of 46 properties to the value of R2.1bn were transferred ensuring the inflow of the company's operational income. Operations reduced considerably due to the global pandemic and the nationwide lockdown which halted the transfers of properties for close to four months, with the next batch of transfers only resuming in August 2020. As at 1 December 2020, 57 properties have transferred to the value of R2.4bn.
- Successfully renegotiated an extension of the availability period within our Nedbank facility which expired end May 2020, the facility has been extended to May 2021. This period is sufficient to cover the sale process of the remaining six properties.



**KHULA SIZWE**  
Managing Director

Zenzi Mabuza

## KEY DEVELOPMENTS

### Appointment of board of directors

The selection of the new Khula Sizwe board was impacted by the unforeseen challenges experienced during the COVID-19 lockdown levels. Barloworld Limited commenced the director recruitment and selection process in October 2020 and is currently finalising the board appointments process.

A Governance Framework; Board Charter; and Annual Board Plan have been drafted and are awaiting the final appointment of the new board for approval.

The appointment of the new board will ensure that Khula Sizwe can move forward with the development of its growth strategy, the implementation of various governance and operational policies which will provide the necessary framework for the operational procedures.

### Company Secretary

Khula Sizwe has appointed Luvivi (Pty) Ltd to provide its Company Secretariate function as of July 2020 and oversee its Corporate Governance procedures. SNG-GT have been appointed external auditors of the company.



# Khula Sizwe

Khula Sizwe operating profit was R83 million earned from the 57 properties purchased to date as part of the B-BBEE deal and rentals earned from divisions. The operating profit represents the net impact of the transaction on the Group (rental income earned from Barloworld companies) which was offset by an IFRS 2 charge of R85 million relating to the discounted share price offered to the Khula Sizwe shareholders.

R million	REVENUE*		OPERATING PROFIT/(LOSS)		INVESTED CAPITAL (EXCL IFRS 16)	
	12 MONTHS ENDED		12 MONTHS ENDED		12 MONTHS ENDED	
	30 SEPT 2020 AUDITED	30 SEPT 2019	30 SEPT 2020 AUDITED	30 SEPT 2019	30 SEPT 2020 AUDITED	30 SEPT 2019
Southern Africa	192*		83		(386)	

\* Eliminated on consolidation

## ROAD MAP

10 Apr

2019

Public share offering launched with a target of raising R163.4 million at R10 a share to fund a 30% portion of the property acquisition. Minimum investment: R2 500

31 May 2019

Public offering closed, over 55 000 applications, oversubscribed

by 1 Dec 2020

57 properties transferred

30 Sep

2024

End of lock-in period

2025

onwards

Potential for Khula Sizwe shares to be listed

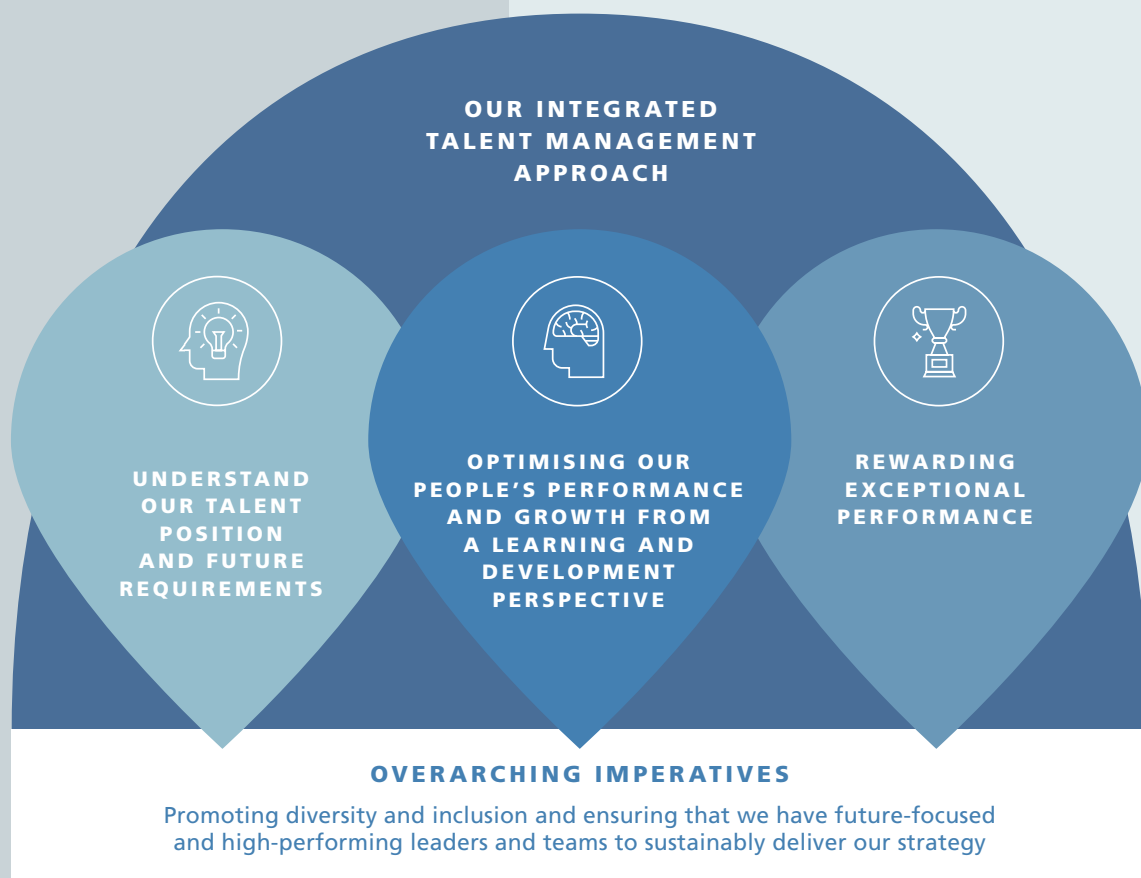




# Unpacking our strategic enablers (how we win)

## MANAGING TALENT

INTEGRATED TALENT MANAGEMENT UNDERPINNED BY A KEY FOCUS ON DIVERSITY AND INCLUSION TO DRIVE EXCELLENCE AND WINNING BEHAVIOURS



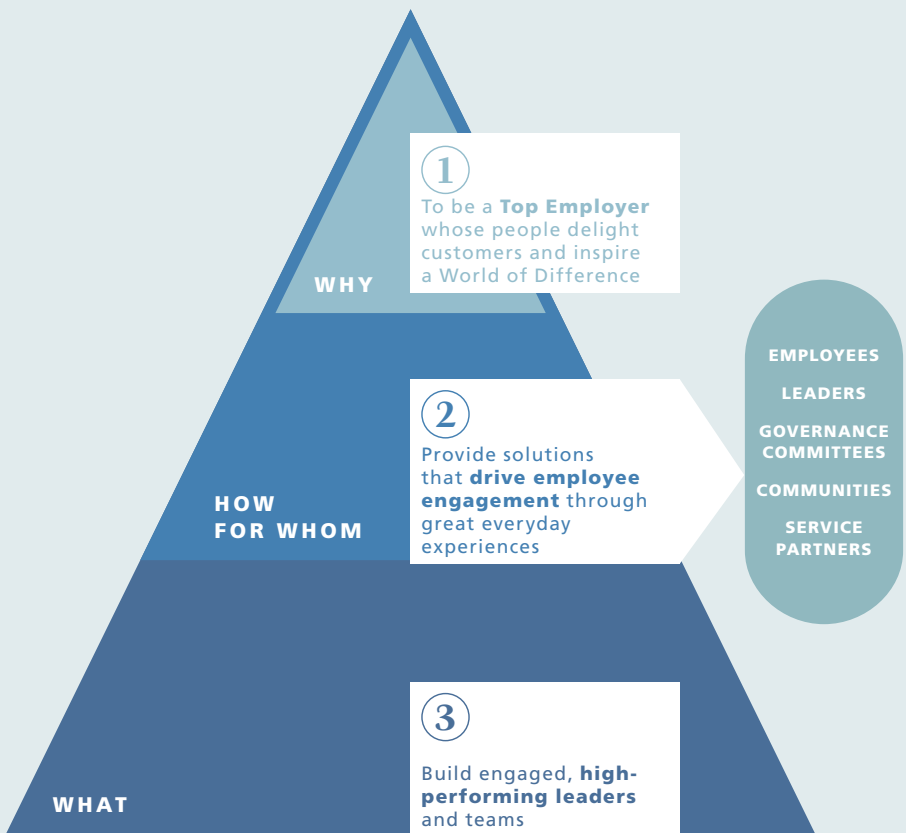
OUR PEOPLE ARE A  
CRITICAL SUCCESS FACTOR

Recognising that our people are critical to achieving our business strategy, we focus on attracting, developing engaged, high-performing leaders and teams.

In 2020, we launched the One Barloworld Employee Engagement survey that enabled us to focus on improving the level of engagement of our people. The survey was completed by 8 440 of our employees and the results are summarised in the tables alongside.

We have used the feedback from the survey as a basis for acknowledging the positive aspects of our people focused talent strategies and for driving improvements that will ensure we achieve our goal of becoming a Top Employer whose people delight customers and inspire a world of difference.

We remain committed to ensuring that our people solutions enable us to create great everyday employee experiences that drive engagement.



The diagram reflects the human capital purpose pyramid that enables us to instill a high-performance culture.

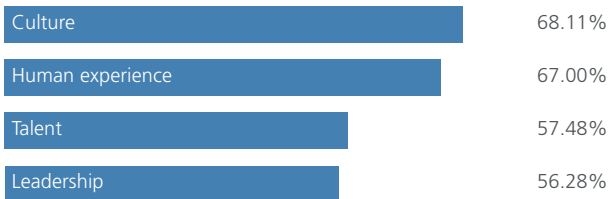
EMPLOYEE ENGAGEMENT SURVEY SUMMARY RESULTS

SUMMARY OF BARLOWORLD LIMITED RESULTS



Overall	Engagement score
Barloworld Limited	63.7%

Division	Engagement score
Barloworld Equipment VT/UK	75.6%
Barloworld Corporate office	70.2%
Barloworld Automotive and logistics	65.2%
Barloworld Equipment southern Africa	57.9%



AREA OF STRENGTH

- High performance culture
- Dedication/commitment/purpose
- Client focus
- Work environment (incl. Physical environment and collaboration/teamwork)

MARKET AND FINANCIAL RISK

- Fair/equal opportunities
- Rewards and pay (incl. Performance management)
- Trust
- Leadership role modelling
- Learning and development

### HIGHLIGHTS IN 2020

1. Barloworld's commitment to gender equality celebrated at the 8th Gender Mainstreaming Awards 2020. The company took top honours as the Gender Mainstreaming Champions of 2020. We also won the Investing in Young Women Award and the Women Empowerment in the Workplace awards (JSE-listed company as well as OVERALL winner in this category).
2. Barloworld Limited achieved an Employee Engagement score of 63.7% and a Silver Seal of Achievement in the first One Barloworld Engagement Survey.
3. The company effectively responded to the COVID-19 pandemic and put in place a COVID-19 Policy that ensure the health and safety of all its employees.

### MANAGING FOR VALUE IN 2020

13% of senior management employees were appointed in new and existing roles and standardised talent management and performance optimisation practices to enable the Group executive committee's oversight of all senior management (Grade 15+) talent processes. Other highlights from our focused talent managed efforts included:

#### DIVERSITY AND INCLUSION (D&I)

- Continued focus on achieving sustainable D&I through a 20% weighting for D&I on the divisional scorecards. This contributed to gender recognition that the company received acknowledgement for at the Gender Mainstreaming awards 2020
- Implemented the B-BBEE system to enable effective compliance tracking and reporting

#### LEARNING AND DEVELOPMENT

- Successfully ran the Once Barloworld chartered accountant trainee programme, YES programme and other young talent development programmes
- Trained most of Leaders on the company's Transformation Leadership Journey which is a critical part of our Barloworld Business Systems (BBS) Programme
- Ensured that HC employees participated in the Lean Continuous Improvement Bronze certification training which is also part of the BBS programme

#### TALENT AND PERFORMANCE OPTIMISATION

- Successfully created the One Barloworld Talent Supermarket and centralised the talent sourcing function ensuring an efficient and career growth focused way of recruiting for the Group
- Embedded the One Barloworld scorecard with a Going for Gold rating scale to align individual performance to the business metrics required to achieve our bold ambition of sustainably doubling our intrinsic value every four years

- Rolled out the One Barloworld Intellectual Capital Review (ICR) process to middlemen management and selected employees and used it as input for talent discussions aligned to our people's aspirations, thereby enabling more informed talent and development actions, especially following the retrenchment process

#### REMUNERATION AND BENEFITS

- 98% of shareholders approved the company's revised LTI scheme at the February 2020 AGM
- Meaningful engagement's with shareholders were also held to address remuneration report issues raised. This resulted in a review of the company's remuneration policy details of which are reflected under the remuneration section of the report

#### HC TECH SYSTEMS AND OPERATING MODEL

- Approval for the implementation of the PEOPLE1st Workday HC tech systems was granted
- The programme has since commenced with go live expected later in the new financial year

#### EMPLOYEE RELATIONS

- Reviewed and aligned all employee relations policies and procedures for the Group

### 2021 STRATEGIC PRIORITIES

To deliver on our purpose, we will continue to implement various employee engagement improvement focused initiatives in partnership with leaders and employees with a specific focus on:

#### LEADERSHIP

- Ensuring that All leaders to have Leader's Standard Work (LSW)
- Holding leaders accountable for People and Values by including related metrics in their 2021 scorecards
- Implement Change focused leadership development programmes

#### DIVERSE AND INCLUSIVE TALENT

- Continued focus on diverse top talent for now and the future. This should sustainably enable the Group to achieve >40% female representation by 2020 and progress towards our 2025 EAP targets in South Africa
- Improving our EVP awareness by communicating Pay & Benefits policies
- Embedding Talent/ Intellectual Capital Review (ICR) to all levels with emphasis on female talent development

#### HUMAN EXPERIENCE

- Implement our PEOPLE1st Workday system to improve HC processes and experience
- Enhance employee wellness offering (i.e. ICAS) and partnership. A key focus will be managing effects of workload (burnout) on our remaining employees
- Continue supporting employee safety and well-being

#### CULTURE

- Embed "Respect for People" BBS culture
- Roll out psychological safety focused interventions
- Improve ongoing communication and launch group-wide suggestion boxes/ platforms
- Implement One Barloworld Induction Journey

# Unpacking our strategic enablers (how we win)

## DEVELOPING LEADERS

### ROLE-MODELLING CUSTOMER CENTRICITY, LIVING OUR VALUES, ENSURING ACCOUNTABILITY AND ONE BARLOWORLD

#### 2021 STRATEGIC PRIORITIES

- Ensuring our leaders have greater exposure in the marketplace
- BBS Transformation Leadership Journey programme implementation
- The One Barloworld Leadership Competency Framework further integrated into key human capital processes in 2021
- Embed a high-performance culture
- Enable change

## TED Dialogues

### ABOUT TRANSFORMATION AND EMPOWERMENT (TED) DIALOGUES

The Transformation and Empowerment Dialogues (TED) programme helps us sustain our diversity and inclusion efforts by promoting nation building and creating a common psyche that enables our people to manage unconscious bias and fosters a sense of belonging. The idea is to reach a common understanding of our background as a divided nation and then to move forward together.

The dialogues commenced with our group executive team in 2018, which subsequently commissioned further roll-out of the programme to all our leaders, senior executives and middle management. This commitment is key to our EVP and will strengthen our organisation to achieve our bold and ambitious goal.

## HIGHLIGHTS IN 2020

Designed the One Barloworld Leadership Competency Framework (LCF)

### MANAGING FOR VALUE IN 2020

- Embedded clear performance accountability through the One Barloworld balanced scorecard
- Established core leadership competencies and then integrated these to design the One Barloworld LCF which is aligned to the Group strategy. We then rolled the LCF out across the Group at a senior leadership level
- LCF rollout and embedding and LCF assessments completed for all senior management employees
- Roll out of BBS-aligned leadership development to commence in Q1 of new financial year

### OUR LEADERS DRIVE OUR VISION AND AMBITION

Strong leadership enhances internal morale and productivity, creates shareholder confidence and can have a significant impact on our share price.

Driving our active shareholder operating model by running the Group centrally, rather than on a federated basis, meant changing our leadership structure and focus. This was pivotal to our business transformation process and to business excellence. As an example – talent is managed centrally by business leaders, so that talent mobility is based on a collaborative, rather than a competitive approach. Enhancing talent mobility in this manner opens up new ways of thinking and creates growth opportunities that benefit both employees and the business.

The success of the BBS depends on the commitment of all our people, guided by our leaders. People are at the heart of the BBS. If we are to ensure that our customers win, we have to free up our people's time and create avenues for them to participate in identifying problems and defining solutions, establishing clarity on outcomes and ownership thereof. That way we create better opportunities for them to grow and thrive, thus building sustainability of improvements where change capacity, a high-performance culture and operational excellence are the norm.

Deploying the right talent and driving culture change are key focus areas for the leadership team. The culture change is based on moving away from a 'command and control' approach to a structure based on trust between people. The executive team has also been tasked with promoting innovation on a 'fail fast' basis and ensuring our digital strategy is geared towards customer-centricity, operational efficiency and engaged employees.

Given that 'leadership' can mean different things to different people, the risk was a fragmented approach to performance and management. We mitigated this risk in 2019 by finalising and rolling out the One Barloworld Scorecard and Barloworld Leadership Competency Framework (LCF) which gives all leaders clear, consistent guidelines for leadership behaviour and actions based on a common foundation of stewardship and legacy, with a view to inspiring a world of difference in the short, medium and long term.









# Unpacking our strategic enablers (how we win)

## DIFFERENTIATED RELATIONSHIPS

A woman with short dark hair, wearing glasses and a light blue surgical mask, is speaking into a microphone. She is wearing a bright red blazer over a red top and a red and white striped scarf. Her hands are clasped in front of her. She has a name tag and a small circular badge on her left lapel. The background is a blurred indoor setting with vertical lines.

DEEP RELATIONSHIPS  
BUILT ON TRUST,  
SERVICE AND DELIVERY

RAMASELA GANDA  
CE: AVIS BUDGET CAR RENTAL

# Stakeholder engagement

Our approach to stakeholder management is to deliver value for stakeholders and contribute meaningfully to the societies in which we operate from a foundation of trust-based relationships. Ongoing engagement is conducted with each group of stakeholders according to the priorities of each specific group, depending on developments in their operating context.

**IN THE CONTEXT OF SUSTAINED VALUE CREATION FOR ALL STAKEHOLDERS, THE GROUP’S ENGAGEMENT WITH STAKEHOLDERS INCLUDES:**

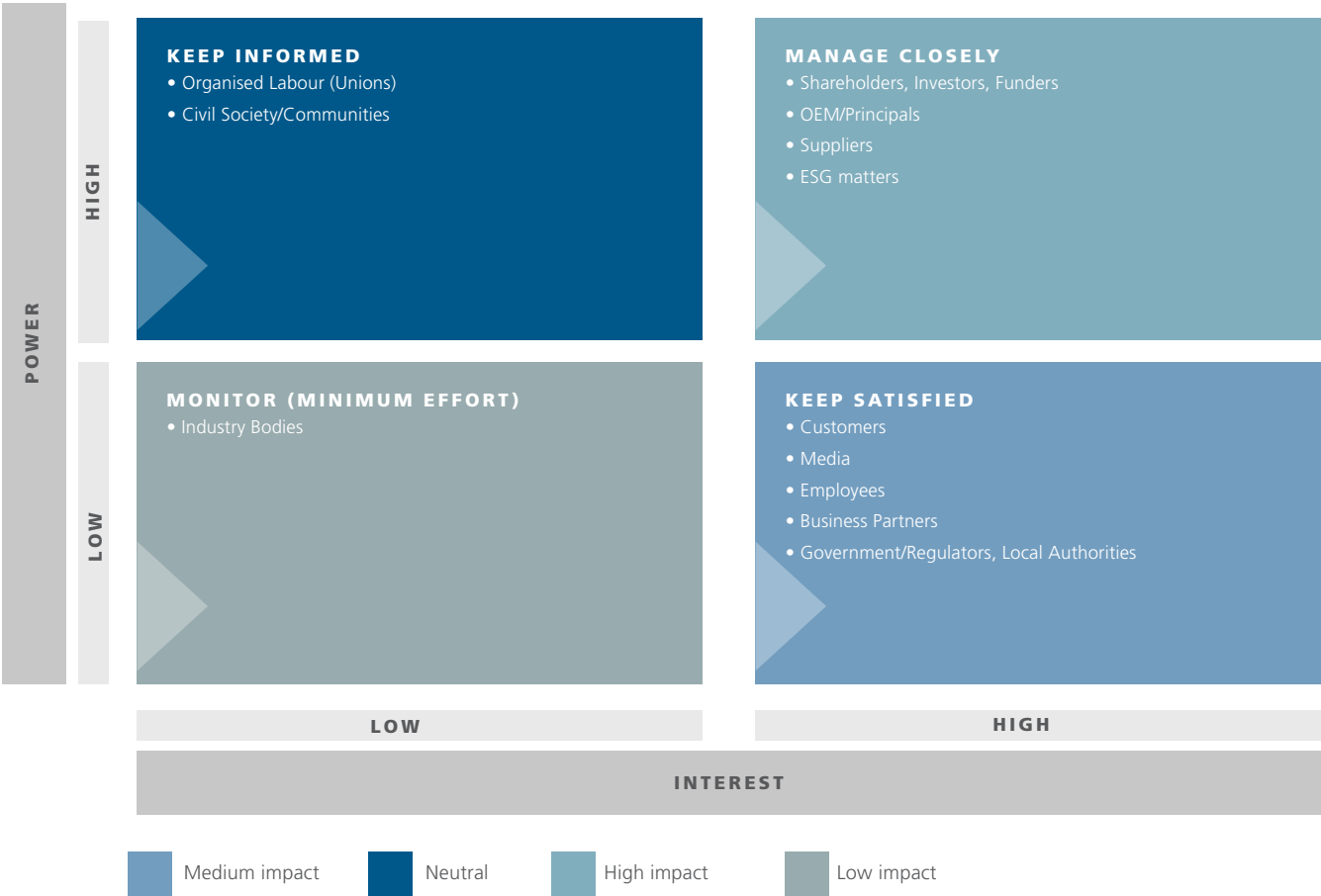
- **An inclusive approach:** consultation with stakeholders in developing and achieving an accountable and strategic response to sustainability.
- **Materiality:** determining the relevance and significance of issues to both the Group and its stakeholders. The materiality of issues concerns the legitimate interests and expectations of stakeholders in the context of the legal and strategic considerations of the business.
- **Responding appropriately** to stakeholder issues through decisions, actions, performance and communication.

We maintain a comprehensive Stakeholder Engagement Map, where we identify our stakeholders based on their power of influence on our business decision-making processes and our strategic levers and medium term goals. While we engage with all our stakeholders we have, based on this assessment, categorised the intensity of the engagement with the respective stakeholders which varies from high touch (e.g. daily/monthly), medium touch (monthly), to low touch (a few times per annum).



Social and relationship capital

**STAKEHOLDER ENGAGEMENT OVERVIEW**



# Stakeholder engagement

## SHAREHOLDERS, INVESTORS, FUNDERS

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
<p>Our <b>shareholders</b> entrust us with their capital and expect returns on their investment.</p> <p>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.</p>	<ul style="list-style-type: none"><li>◦ UK pension fund deficit</li><li>◦ Corporate costs</li><li>◦ Changing capital market dynamics driven by changes in regulation</li><li>◦ Fund management business models changing influenced by big data and analytics</li><li>◦ Increased focus on ESG matters and general reporting</li><li>◦ Financial results below expectation and weak demand across operations</li><li>◦ Challenging trading conditions and increasing accounting complexity</li><li>◦ Concerns around direction of capital allocations</li><li>◦ Misunderstanding of growth strategy, in particular the acquisition and divestment strategy</li><li>◦ Ingrain transaction vertical integration</li><li>◦ Address valuation gap benefits not obvious</li><li>◦ Remuneration policy and implementation</li></ul>	<ul style="list-style-type: none"><li>◦ Corporate website serves as a key information platform</li><li>◦ Annual and interim results presentations</li><li>◦ One-on-one engagements with investors and funders that includes non-executive directors</li><li>◦ Electronic announcements</li><li>◦ Attendance at industry and investor conferences</li><li>◦ The integrated report</li><li>◦ Chair meetings with investors</li><li>◦ Government roadshows</li></ul>	<div></div> <div></div> <div></div> <div></div> <div>Quality of relationship: <div></div></div>

### RISKS AND OPPORTUNITIES

- Address valuation gap
- Ensure a clear view of what our intrinsic value is, and watch the stock price closely to ensure our actions maximise value for shareholders
- Drive efficiencies for non-renewable energy consumption, greenhouse gas emissions (scope 1 and 2), water usage, responsible waste disposal, and drive the uptake of renewable energy sources
- Understand rising shareholder activism, investors nervousness/pensiveness
- Participate in ESG related assessments – serve as a criteria for possible inclusion in responsible indices e.g. FTSE corporate sustainability assessment and Dow Jones



### OUR STRATEGIC RESPONSE

- Invest in business excellence and significantly reduce costs
- Material sustainability aspects identified, aspirational group targets set and progress monitored
- ESG aspects included in our strategic framework and related risks in our risk management approach
- Continue to review our portfolio to ensure continued resilience
- Looking at sectors that have better cash, returns and long term growth prospects than some of our current verticals
- Strategic guardrails of targeting capital light, high growth, cash generative businesses with lower asset-intensity are increasingly relevant
- Organic and inorganic high growth opportunities in emerging markets
- Demonstrable experience in the development and growth of businesses in multiple geographies including challenging territories with high growth prospects
- Recognise opportunities, but continue to exercise discipline and caution given the macroeconomic environment

Link to material matters:



Ensuring long term business viability



Optimising our portfolio



Advancing sustainably

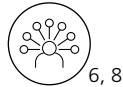
# Stakeholder engagement

## CUSTOMERS

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
Without our <b>customers'</b> ongoing support, Barloworld would be unable to create and sustain value for any of our other material stakeholder groups.	<ul style="list-style-type: none"><li>Increasing eCommerce focus</li><li>Retail strategy</li><li>COVID-19 complicated by economic climate</li><li>Pricing, parts availability</li><li>Obligations within CVAs given austerity measures and economic climate</li><li>Price – value for money/ease of doing business/ increasing lead time</li><li>After-sales support</li><li>Having systems and digital platforms for tracking performance of products and pre-empting maintenance requirements</li></ul>	<ul style="list-style-type: none"><li>Collaboration</li><li>Website</li><li>Various industry platforms</li><li>Global leaders conference – feedback elicited</li></ul>	<div></div> <div>Quality of relationship: <div><div></div></div></div>

### RISKS AND OPPORTUNITIES

- Service delays
- Contractual obligations we are expected to meet
- A group-wide programme of digital enhancement
- Regular, proactive updates to key customers, e.g. Anglo American
- Promoting integrated procurement
- Continuing to provide a great customer experience during COVID-19 restrictions
- Company reputation/image – perceived treatment of employees during COVID-19



### OUR STRATEGIC RESPONSE

- Expanding our digital solutions to enhance customer service and employee engagement
- Audits of retail facilities
- Service Growth Execution Plan
- Execution is the key focus
- Assessment of obligations to be met and possible deferment arrangements
- Customer feedback assessments

Link to material matters:



Responding to COVID-19 impacts



Managing macroeconomic volatility



Advancing sustainably

# Stakeholder engagement

## BUSINESS PARTNERS, PRINCIPALS, SUPPLIERS, INDUSTRY BODIES

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
<p>The relationships between our principals and Barloworld are built on trust and usually span decades.</p> <p>Our <b>supplier</b> diversity and localisation initiatives create legitimacy and credibility in the eyes of our stakeholders.</p>	<ul style="list-style-type: none"> <li>Operational performance</li> <li>High-performance culture</li> <li>Licence to operate</li> <li>Access to commercial opportunities, particularly for black-, and black women-owned enterprises</li> <li>Fair treatment</li> <li>Reasonable payment terms</li> <li>Enterprise supplier development</li> <li>Success story – Staza Cleaning (Siyakhula)</li> <li>Performance of various Industry Associations</li> <li>Mutually beneficial relationships</li> </ul>	<ul style="list-style-type: none"> <li>Various forums and conferences</li> <li>Board meetings</li> <li>Website</li> <li>Other social media platforms</li> </ul>	   <p>Quality of relationship: <span style="color: green;">■</span></p>

### RISKS AND OPPORTUNITIES

- Requested deferred payment from major suppliers – most are agreeable to revised terms
- After-sales focus provides significant growth opportunity in services offering
- Emerging contractor programme
- Isando development allowed scope for increasing Staza Cleaning contract



6, 9

### OUR STRATEGIC RESPONSE

- Management is exploring future business model of the Automotive business to respond to evolving customer needs. The Integration of Avis Fleet/ Rent a Car is implemented as of 1 October 2020
- Continue to work closely with Caterpillar and other principals
- Barloworld Siyakhula Incubation Hub targets, ensured continued targeting of black-owned SMMEs, who are existing suppliers within the Group, while also providing support to eligible SMMEs within our larger value chain
- Support programmes for the 30 participants in Barloworld Mbewu began in March 2020

Link to material matters:



Responding to  
COVID-19 impacts



Managing macroeconomic  
volatility




Advancing  
sustainably



# Stakeholder engagement

## EMPLOYEES AND UNIONS

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
Through our <b>employee</b> value proposition (EVP), we attract, develop and retain high-performing people and reward their contributions in a fair and commensurate manner.	<ul style="list-style-type: none"> <li>○ Diversity and inclusion</li> <li>○ Fair remuneration – equal pay for equal work</li> <li>○ Connection to the business</li> <li>○ Work/life balance</li> <li>○ Safety</li> <li>○ Return to work blueprint and ‘new normal’</li> <li>○ Employee Engagement Survey</li> <li>○ Security of employment particularly as a result of the impending Section 189 process</li> <li>○ Salary sacrifices in pandemic environment for 12 months</li> <li>○ No bonuses</li> <li>○ Section 197 on some of the functions (eg Internal Audit)</li> <li>○ Pension contribution deferment for 12 months</li> </ul>	<ul style="list-style-type: none"> <li>○ Transformation Empowerment Dialogues</li> <li>○ Engagement surveys</li> <li>○ Information sharing in Town Hall meetings</li> <li>○ One-on-one interactions between staff and line managers</li> <li>○ Staff events</li> <li>○ Intranet and electronic newsletters</li> <li>○ Rewards and recognition programme</li> <li>○ Communications from the CEO's office</li> <li>○ Performance reviews and exit interviews</li> <li>○ Internal roadshows and presentations</li> <li>○ Conferences and special events (farewells and year end)</li> </ul>	 <p>Quality of relationship: <span style="color: green;">■</span></p>

### RISKS AND OPPORTUNITIES

- Occupational Health and Safety, Reputational risks
- Use of employee feedback to improve engagement
- COVID-19 negative impact on business resulting in retrenchments and salary sacrifice
- Challenge with operational activities as lockdown is not instituted in all territories
- A COVID-19 Response Plan has been developed, which seeks to guide employees on remote working and other health measures\*
- The empowerment of women remains one of Barloworld's top priorities under the transformation umbrella
- Geared for Living Employee Wellness Programme
- Ongoing safety initiatives



5, 10, 12

### OUR STRATEGIC RESPONSE

- Increased diversity and inclusion weighting on divisional scorecards
- 29.3% (FY2019: 30.0%) of workforce is female (FY2020: Male: 9 127, Female: 3 778) LA
- Employees in South Africa by ethnic backgrounds 7 318 AIC (FY2019: 9 555), 1 951 White (FY2019: 2 462) and foreign nationals 274 (FY2019: 335) LA
- Multi-disciplinary teams appointed with direct reporting line to group crisis management committee [Link to material matters](#)
- Detailed results awaited from the survey to consider and assess required actions
- Structural changes within the Group will necessitate handovers and facilitated training to equip remaining employees
- Support for staff during volatile and uncertain times

LA Limited Assurance over selected FY2020 non-financial indicators by PwC

\* For our response to the global pandemic see pages 36 and 37.



Responding to  
COVID-19 impacts






Managing macroeconomic  
volatility



Ensuring long term  
business viability

# Stakeholder engagement



## COMMUNITIES

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
We believe that thriving <b>communities</b> enable businesses to succeed. We engage to: understand their needs and to further align our business to meeting these needs; manage the impact they have on us, and we have on them; and to create mutually beneficial partnerships to reach our longer-term .	<ul style="list-style-type: none"> <li>Limit environmental footprint</li> <li>Social investment</li> <li>Community upliftment</li> <li>Contractual obligations with customers (Social and Labour plans for Mining)</li> <li>Outbreak of the COVID-19 pandemic</li> <li>CSI activities to be deferred in line with austerity measures</li> </ul>	<ul style="list-style-type: none"> <li>Consultation</li> <li>Open dialogue</li> <li>Interaction</li> <li>CSI initiatives</li> </ul>	  Quality of relationship: 
<b>RISKS AND OPPORTUNITIES</b> <ul style="list-style-type: none"> <li>Licence to operate (contractual and B-BBEE verification)</li> <li>Reputational risks on commitments made</li> <li>Community vigilantism (destruction of equipment, buildings, etc.)</li> <li>Partner with relevant customers, NGO/NPOs, divisions and Caterpillar implementation of sustainable CSI initiatives</li> <li>Maintain or improve recycling and reuse</li> <li>Manage and where practical, limit negative impact on communities in which we operate and leverage positive impacts</li> </ul>			
<b>OUR STRATEGIC RESPONSE</b> <ul style="list-style-type: none"> <li>R16m (FY19: R19m)</li> <li>Discretionary funds on disaster relief efforts – goods and services worth R8.8m</li> <li>BEE transaction – 57 of the 64 properties transferred (valued at R2.4bn)</li> </ul>			

Link to material matters:



## GOVERNMENTS, REGULATORS, LOCAL AUTHORITIES

WHY WE ENGAGE	ISSUES RAISED	HOW WE ENGAGE	CAPITALS AFFECTED
Engagement with <b>governments, local authorities, regulatory bodies and the media</b> enhances brand reputation and ease of doing business.	<ul style="list-style-type: none"> <li>Localisation and Empowerment legislation in southern Africa (e.g. Botswana, Namibia, Zambia and Mozambique)</li> <li>Intake of balance of 70 YES interns suspended</li> <li>Requirement to partner with SMMEs and QSEs</li> <li>Safety performance/mortality rates</li> <li>Investment – community</li> </ul>	<ul style="list-style-type: none"> <li>Consultation and open communication</li> <li>Engagement and monitoring</li> <li>Participation in various platforms e.g. Business Unity South Africa (BUSA)</li> <li>Participation in presidents drive for foreign investment</li> </ul>	 Quality of relationship: 
<b>RISKS AND OPPORTUNITIES</b> <ul style="list-style-type: none"> <li>Financial where there is no compliance</li> <li>Reputational if commitments not met</li> <li>Loss of revenue/income</li> <li>Ongoing sanctions compliance requirements, trade policy, a new duty regime and changes to VAT requirements</li> <li>Become an influential voice in public policy space</li> <li>Proactively and constructively engage in dialogue related to local and national issues as and when they arise</li> </ul>			
<b>OUR STRATEGIC RESPONSE</b> <ul style="list-style-type: none"> <li>Implementation of all legislation that could impact the Group</li> </ul>			

Link to material matters:



Responding to COVID-19 impacts



Managing macroeconomic volatility



Advancing sustainably

# Transformation

## OUR SOCIO-ECONOMIC CONTRIBUTION



### SKILLS DEVELOPMENT

Technical Academy: earthmoving equipment and automotive apprenticeships

Driver Academy

Graduate internship programmes

Learnerships

Youth4YES programme

Education support



### OWNERSHIP SCHEME

Khula Sizwe

- Barloworld Property Holding
- Barloworld Empowerment Foundation



### PURPOSE

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



### SOCIO-ECONOMIC DEVELOPMENT

Barloworld Mbewu (social enterprises)

Barloworld Trust (donor funding)

Barloworld Education Trust (bursaries)

Employee volunteerism



### ENTERPRISE AND SUPPLIER DEVELOPMENT

Barloworld Siyakhula

Siyakhula incubation programme

**SOCIALLY RELEVANT PROGRAMMES ARE  
ALIGNED TO OUR BUSINESS STRATEGY**

# Transformation



## DRIVING ECONOMIC TRANSFORMATION AND INCLUSIVE GROWTH

Recognising that neither South Africa nor Barloworld can be successful if a significant portion of the population is excluded from the economy, we take our commitment to Broad-Based Black Economic Empowerment (B-BBEE) very seriously. It is not just about a statutory obligation or box-ticking, it is about making a significant difference and achieving our bold ambition to ensure South Africa works.

Promoting B-BBEE also enhances our licence to operate in South Africa and gives us a competitive advantage.



MAKING A  
SIGNIFICANT  
DIFFERENCE



ENHANCING  
OUR LICENCE  
TO OPERATE



COMPETITIVE  
ADVANTAGE

## OUR TRANSFORMATION PERFORMANCE IN 2020

	AVAILABLE POINTS	2020 SCORE	2019 SCORE	2018 SCORE
Ownership	25	25.00	25	24.64
Management control	19	15.34	15.03	12.44
Enterprise and supplier development	40	32.32	30.39	30.1
Skills development	20	12.66	15.45	18.41
Socio-economic development	5	5.00	5	5
Total score	109	90.32	90.87	90.58
B-BBEE level		3	3	3

Barloworld made steady progress on issues of management and control, ensuring we were representative of the societies in which we operate. Our development programmes focus on providing meaningful interventions that aim to improve technical capability and capacity, as well as delivery and cost capabilities. We seek to nurture diversity in our supply chain while ensuring we create platforms for development and innovative solutions.

We achieve this through tailored B-BBEE transactions, increasing diversity in the supply chain, enterprise development and relevant corporate social investments.

As one of South Africa's oldest companies, we have an established history of contributing to economic and social transformation. Our aim is to contribute to creating an inclusive economy informed by a shared value approach.

We believe it is our role as a good corporate citizen to deliver value for all our stakeholders, including the countries and communities within which we operate. Accordingly, we have committed ourselves to developing and implementing meaningful interventions that transform our society by investing in initiatives that drive social cohesion, build resilient communities and promote transformation as set out in the opposite diagram.

# Transformation



## SKILLS DEVELOPMENT

We depend on our people to deliver the best experience to our customers. Our approach to employee development aims to improve performance and build capacity for the future through a mix of on-the-job development, mentoring and coaching and formal learning.

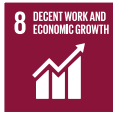
We also provide opportunities for graduates and unemployed youth to gain much needed work experience and qualifications in the form of learnerships, internships, work readiness programmes and workplace in-house training. A number of graduates and unemployed youth benefited from our skills development and learning programmes:

Our Young Talent Pipeline accommodated **1 039 candidates** this year:





# Socio-economic development



## SOCIO-ECONOMIC DEVELOPMENT BARLOWORLD MBEWU

South Africa, like most countries around the world, has been hit hard by the global pandemic. Work opportunities have been decimated for many and therefore being an enabler for assisting South Africa managing challenges and committed to achieving a better life for its citizens, Barloworld wants to continue to play its part.

Motivated by our drive to “Inspire a world of difference, enabling growth and progress in society”, we created Barloworld Mbewu, an innovative flagship programme designed to provide tailored support for start-up social enterprises, established social businesses, organisations and institutions that actively solve local challenges using good business practices.

In the start-up of Mbewu our Chief Executive expressed that given that Barloworld’s Group strategy takes a focused approach to long term value creation for all our stakeholders, the programme is fully aligned with this strategy because we believe that when our communities grow, we also grow.

### PROGRESS AND SUCCESSES ACHIEVED

Since its inception, Mbewu has benefited 29 social entrepreneurs that have a proven income stream and demonstrated an ability to be scalable.

The 29 inaugural cohort beneficiaries were provided with business leadership skills development during the incubation phase of the programme. The incubation emphasised the finance management, governance and marketing among other modules to ensure that as they move in their journey, they are well equipped with how to manage their organisational finance. Further to this, they received funding support totalling R13 million.

### PLANTING THE SEED

This initiative is a seed for positive social change in communities across South Africa, focused on promoting entrepreneurship.

### DRIVING GROWTH

Mbewu will facilitate the growth of selected social enterprises, and enable them to scale up and become sustainable entities that drive true empowerment for marginalised communities.

### NURTURING SELF-SUSTAINABILITY

Barloworld Mbewu differs from other traditional corporate social investment (CSI) initiatives in that it nurtures self-sustainability and enables beneficiaries to move away from dependence on grant funding.

## Planting the ‘seed’ for positive change

*As an entrepreneurial business, we initiated a programme to support social enterprises that drive positive, meaningful change in communities across South Africa. The new programme, Barloworld Mbewu to which we have allocated R30 million over three years will provide capacitation through seed funding, access to finance and business management skills. The programme is aligned with our strategy of creating long term value for all our stakeholders.*



## DIFFERENTIATED RELATIONSHIPS CONTINUED

# Socio-economic development

THE FOLLOWING STORIES OUTLINE SOME OF OUR SUCCESSES WE WISH TO HIGHLIGHT FOR THE REPORTING PERIOD.

BENEFICIARY	HOW THE ENTERPRISE CREATES VALUE	HOW MBEWU HAS CONTRIBUTED TO GROWTH AND SELF-SUSTAINABILITY
<b>Molam's Farming</b>	<p>Molam's Farming is a family-owned grain producing farm located in the Ngaka Modiri Molema District Municipality in the North West Province.</p> <p>The company was founded in 2010 by the Molamu Family and is currently managed by Alice Radebe and her partner.</p> <p>Molam's Farming cultivates maize, sunflower, groundnuts, blue buffalo grass pastures and vegetables.</p> <p>The entity also generates income from contract farming to assist various previously disadvantaged communities in the vicinity.</p>	<p>Molam's Farming has improved operational efficiency since being incubated into the Mbewu programme.</p> <p>The farm was the recipient of new tractors donated by Barloworld and Diesel Reserve. Following the donation, the farm is now able to reduce the outbreak of fires and increase efficiencies by:</p> <ul style="list-style-type: none"> <li>◦ Cleaning the fields and cutting grass</li> <li>◦ Producing grass bales</li> <li>◦ Harvesting the maize</li> </ul> <p>The farm has also grown from 450 to 600 hectares, which is part own land and community land.</p>
<b>Got Game</b>	<p>Got game is a skills development entity that upskills young people in townships and mining towns.</p> <p>This is achieved by bringing together multiple stakeholders to deliver skills development programmes and by establishing automotive services hubs that provide shared infrastructure from which the micro-enterprises can service mines, other corporates, companies and local communities.</p>	<p>Funds allocated through Mbewu are being used to digitise paper-based course content onto the Umoya Branded Learning Management System (LMS) and Conferencing Platform where users will be able to participate in online face-to-face sessions and collaboration tools.</p> <p>A Virtual Facilitator is able to train students enrolled at the Vaalwater, Limpopo – Disabled Learners Training Intervention.</p>
<b>Ludada &amp; Associates</b>	<p>Ludada &amp; Associates provide prosthetic and orthotic products to people living with disabilities in the OR Tambo municipality.</p> <p>The company was founded by its Managing Director, Ncedo Ludada, in 2016 in Mthatha, in the Eastern Cape.</p> <p>After studying for an MSc. in Clinical Rehabilitation at Flinders University in Australia, Ludada returned to South Africa to establish his practice which was severely underserved, especially the poor and rural communities.</p> <p>At the time, private manufacturers and services for the devices were available only in East London, Port Elizabeth and Durban.</p>	<p>The disbursement of funding to Ludada &amp; Associates has enabled the company to establish an orthopaedic service where advanced technology is used to provide internship opportunities to students.</p> <p>The company now uses its practise to help students with on the job training, which was not previously provided for.</p>
<b>Limise Promotions</b>	<p>The company produces charcoal from an alien plant species called black wattle which is harvested from the Gcado forest in Hogsback in the Eastern Cape.</p> <p>Black Wattle is an alien plant species which endangers the scarce water resources of the area and thus its removal helps to preserve water.</p> <p>To date, the company has built four kilns on the land with a capacity to produce 300 tons of charcoal per month.</p> <p>There are immense opportunities for the sustainability of Limise Promotions. According to the company's projections, there are approximately 100 hectares of forest infested with black wattle with a potential yield of 135 000 tons of charcoal.</p>	<p>With Mbewu funding, the company has finalised packaging and is now in the final stages of printing from its new factory.</p> <p>Limise has also finalised a 40' container order destined for Hamburg, Germany.</p> <p>Additional export markets identified include the UK and Netherlands.</p> <p>The company has been in a good position during the COVID-19 pandemic, in that not only existing jobs were retained, but additional people were employed. Currently the company has a staff complement of 15 people, all female, from the surrounding community.</p>

## ROADMAP JOURNEY FOR 2020/2021

Looking ahead, we will be opening up another round of applications to attract new social entrepreneurs with a strict focus on rural communities. We will also continue to mobilise and collaborate with other key stakeholders to maximise the social impact value for the benefit of society.

## Socio-economic development



### ENTERPRISE AND SUPPLIER DEVELOPMENT BARLOWORLD SIYAKHULA

Our focus is on diversifying spend to black-owned and, in particular, black women-owned entities.

We promote Barloworld Siyakhula (Siyakhula) as an active vehicle for achieving this, allocating 3% of South Africa's net profit after tax to the programme which develops entrepreneurs in our communities. Entrepreneurs are required to undergo a stringent selection process. We analyse the business, establishing what steps need to be taken to ensure the business is sustainable.

#### Our comprehensive support programmes include:

- Capacitation in the form of skills, administration, strategy
- Financial support in the form of soft loans, bridging finance, grants and seed capital
- Access to joint venture opportunities and markets

#### ENABLING PROGRESS

As part of our drive to promote enterprise and supplier development, Siyakhula has leveraged the support of key project partners that assist with helping businesses to:

- leverage government support e.g. grants and incentives for business support
- demonstrate how they (SMMEs) become better at showcasing their business strengths and value offerings so that they do not miss out on opportunities, and fail in growing their client base
- incorporate long term thinking e.g. succession planning and governance to ensure their longevity
- obtain financing solutions with financial institutions

In addition, we have contracted third-party suppliers in the form of Enterprise and Supplier Development (ESD) agencies to provide support and to create platforms for engaging suppliers, as well as other stakeholders within the Group's value chain.

In determining the success of an enterprise, we look at the number of jobs created, turnover, year-on-year profitability and whether an enterprise is sustainable into the future. Our aim is that we should not be Siyakhula participants' only client, but that we should be a catalyst for generating further work in the marketplace.

Tailored support programmes for SMMEs have not only ensured business sustainability, they have created jobs and contributed to much needed diversity of suppliers.

**Committed to meaningful interventions that transform our society by investing in initiatives that drive economic inclusion and social cohesion and build resilient communities**

*Barloworld Siyakhula has an interest in sustaining Black Owned SMMEs to achieve B-BBEE objectives. Utilising a blend of financial and non-financial support, Siyakhula provides small, micro- and medium-sized enterprises (SMMEs) with the assistance to enable participation – within Barloworld's value chain as well as the larger marketplace. Since inception Siyakhula has invested an accumulative spend of over R300m on enterprise and supplier development, indirectly sustaining over 800 jobs*

## DIFFERENTIATED RELATIONSHIPS CONTINUED

# Socio-economic development

Through one of our significant partnerships, one of our other recent Siyakhula initiatives is the establishment of the Barloworld Siyakhula Incubation Hub (BSIH). Through the initiative, Barloworld aims to boost supplier development and diversity within the Group's value chain. By ushering SMME candidates through an intensive programme of mentoring, training and comprehensive support services, Siyakhula looks to build the capacity of businesses to become world-class suppliers.

Following the demolition of Barlow Park where the Siyakhula incubation hub was located, Barloworld appointed Raizcorp, a 51% black-owned enterprise, to provide business incubation, supplier development and related services to Barloworld Enterprise Supplier Development beneficiaries.

### COVID-19 SALARY RELIEF IMPACT



The COVID-19 pandemic proved to be a global shock with unknown long term effects globally and by extension on South Africa, Barloworld and its stakeholders (suppliers and communities).

In an effort to protect our country against the impact of COVID-19, government made a prudent decision to invoke a national lockdown. In response to this decision, government, business community and society at large have shown remarkable unity to provide some relief to companies and individuals who are and continue to be adversely affected by the virus and lockdown.

As Barloworld Siyakhula, we also embarked on a journey to obtain a deeper understanding of the effect that the national lockdown has had on the operations of our beneficiaries. The feedback resulted in the financial stability of the beneficiaries' businesses being impacted by COVID-19 and the lockdown.

A Siyakhula COVID-19 impact crisis committee was formed which considered recommendations for support to Siyakhula beneficiaries impacted by COVID-19.

Although Barloworld has limited resources and cannot resolve all challenges faced by Siyakhula beneficiaries, it was able to assist within reasonable limits to support and help direct beneficiaries to other available relief packages in the market.



**Barloworld**  
**Khula Sizwe**  
ENABLING GROWTH



3%

OF NET PROFIT AFTER TAX  
ALLOCATED TO  
SUPPORT SMMEs



150

NUMBER OF SMMEs SUPPORTED  
(SINCE INCEPTION)

OF WHICH 50 RECEIVED  
COVID-19 RELIEF



>800

NUMBER OF JOBS  
SUSTAINED BY SMMEs

WITH 259 BENEFITING  
FROM THE COVID-19  
SALARY RELIEF  
FUND

# Socio-economic development

## SIYAKHULA IMPACT



### BARLOWORLD EQUIPMENT

Lucient Engineering and Construction (Pty) Ltd, a 70% black-owned company, provides engineering maintenance services to Barloworld Equipment's (BWE's) Extended Mining Product Range (EMPR) division. Established in 2002, the company sought help from Siyakhula in 2017 to establish an operating presence in South Africa as BWE's supplier in the repair and maintenance of draglines.

BWE has invested over R40 million in the partnership which has opened more opportunities for BWE to compete in the labour-intensive dragline business.



### BARLOWORLD AUTOMOTIVE

Established in 2014, T 'n A Auto Services is a 100% black woman-owned business providing automotive glass repair, automotive electrics, electronics and general mechanical repair services.

The company approached our Automotive division to enquire about opportunities for providing services to our Avis Fleet and Avis Budget Rent a Car divisions. A partnership with Siyakhula and the Automotive division was then established to provide training and business analysis support, as well as access to funding and markets.

In total, a funding package to the value of R800 000 was put together to enable the business to secure equipment and provide working capital to cover employee salaries and rent.

In addition to the Avis business, T 'n A Auto now has access to a specialised vehicles contract with the City of Johannesburg – which has ensured its sustainability. From repairing three vehicles a month, the company now services 28 vehicles per month and has created 10 permanent jobs.



### BARLOWORLD LOGISTICS

Barloworld Logistics (BWL) has an established partnership/support programme for T-Marc Holdings, a majority black woman-owned company in the transport and warehousing sector.

When Barloworld started supporting the company in 2011 it had only two vehicles and was only transporting samples for Anglo American. With Barloworld Siyakhula's support, the company was able to secure a three-year contract with the mining conglomerate.

Today, T-Marc owns 21 vehicles and has scaled its business and offerings to include warehousing. The company also provides services to BWL.

When the partnership started, BWL's spend with T-Marc Holdings was R1.2 million per annum. In the last financial year alone, spend totalled R13.2 million.

The support package over the years has included human resource support, increased work allocation in order to enhance liquidity, market access and work from other Barloworld divisions.

”

During the period under review, Barloworld Siyakhula Incubation Hub targets, ensured continued targeting of black-owned SMMEs, who are existing suppliers within the Group, while also providing support to eligible SMMEs within our larger value chain.

”

### ROADMAP JOURNEY FOR 2020/2021

- Focus on implementation of the newly approved strategy and governance framework
- Alignment with Strategic Sourcing/ Procurement through Siyakhula Working Group
- CAT Foundation Collaboration in mining towns



## DIFFERENTIATED RELATIONSHIPS CONTINUED

# Social investment (CSI)



## BUILDING RESILIENT COMMUNITIES

Active corporate citizenship and the quest to create value for the communities within which we operate remains an ongoing preoccupation and focus for Barloworld.

We strive to make a difference by enabling growth and progress through strategic socio-economic development programmes. Our social investments are investments in the future, inspiring a World of Difference by building resilient communities.

AREA THEME	ISSUE AND OPPORTUNITY	PROCESS AND SOLUTION	DESIRED OUTCOME
<b>Stakeholder Management</b>	<ul style="list-style-type: none"> <li>A coherent stakeholder management approach that leads and/or supports transactional engagements, influences policy, enhances Barloworld's visibility profile, and branding</li> </ul>	<ul style="list-style-type: none"> <li>Identifying, analysing, mapping and prioritising stakeholders</li> <li>Engaging stakeholders at a policy formulation level</li> <li>Participating in activities that raise Barloworld's profile and develop brand identity</li> </ul>	<ul style="list-style-type: none"> <li>Focused engagement strategy linked to defined strategic and achieving Barloworld's strategic ambitions and raised profile</li> </ul>
<b>Corporate Citizenship and Business Enablement</b>	<ul style="list-style-type: none"> <li>Enhance the visibility of the Barloworld brand via active and visible citizenship</li> <li>Establish social relevance with communities</li> <li>Collaboration between Barloworld divisions to leverage visibility</li> <li>Meaningful intervention programmes with bias to social entrepreneurship and women-owned initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Conduct bi-annual stakeholder perception audit</li> <li>Co-create an approach that will assist in lifting awareness of BAW, its operations and social capital</li> <li>Identify, design and implementation of flagship social impact projects</li> <li>Entrench integrated management approach around six capitals</li> <li>Set relevant targets</li> <li>Relevant data monitoring and stakeholder reporting</li> </ul>	<ul style="list-style-type: none"> <li>Being a responsible corporate citizen</li> <li>Supportive perceptions and behaviours from public sector targets and communities</li> <li>Business enablement and commercial access in public sector</li> <li>Enhance the brand equity to gain competitive advantage and grow the market share</li> </ul>

**We drive competitive advantage through responsible corporate citizenship and ensure meaningful interventions aligned to our strategic value proposition and changing stakeholder needs**

*We strive to make a world of difference through:*

- A well-articulated social equity story
- Collaboration with divisions on key social impact initiatives
- Partnering with Empowerment Foundation on key flagship projects
- Thought leadership and community stakeholder engagement
- Partnering with strategic organisations to influencing public policy engagements
- Alignment with Group strategy imperatives
- Accurate, insightful and useful six capital reporting
- Building brand awareness and brand equity
- Implementing employee volunteer engagement initiatives

## OUR COMMITMENT TO CSI

CSI SPEND	
CSI Group Spend 2018/2019 FY	CSI Group Spend 2019/2020 FY
R19 Million	R16 Million*

\* The reduction in CSI spend for the 2020 financial year was impacted by COVID-19 lockdown restrictions.



## CSI GLOBAL SPEND BREAKDOWN

FOCUS AREAS	2019 %	2020 %
Education	44	34
Environment	15	7
Healthcare & Welfare	25	51
Youth Development & Empowerment	16	7
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Social investment (CSI)



### MAKING AN IMPACT IN ZAMBIA

In Zambia, we had consultations with local stakeholders to understand social expectations. Over and above job creation, support for education and skills development, access to safe water in the Zamtan community on the outskirts of Kitwe was identified as a key need.

#### CLEAN WATER SUPPLY IS CRUCIAL FOR THE FIGHT AGAINST COVID-19

In July 2020, the Zamtan community and local municipality celebrated the completion and the handover of the community's Water Scheme which will provide a safe and reliable water supply to the people of Zamtan, Kitwe, an area frequently affected by water crises affecting the lives of everyday Zambians.

The water-scheme, initiated by Barloworld Equipment Zambia and Village Water Zambia, which will be managed and maintained by the district, local water utility company, and the Zamtan community, was officially handed over at the ceremony on Friday 24 July 2020, after unavoidable delays in completion due to necessary countrywide COVID-19 restrictions, enacted to mitigate the spread of the novel coronavirus.

Lack of water supply poses a serious threat to the effectiveness of Infection Prevention and Control (IPC) measures required to prevent the spread of COVID-19. In May, as one of the initiatives of its COVID-19 Multi-sectoral Contingency and Response Plan, in partnership with the United Nations and COVID-19 Emergency Appeal, the Zambian government provided access to safe water for over 28 000 people, and provided WASH supplies including soap and/or hygiene kits to 106 660 people and over 96 schools. The completion of the Zamtan Community Water Scheme will assist in facilitating IPC measures in the Copperbelt Province.

Prior to the Scheme's construction, residents of Zamtan community struggled with piped water provision, and largely had to depend on shallow wells for water. Now, the completed water-scheme will see almost 20 000 households' benefit from easier access to safe water, through a sustainable, and equitable water-supply distributed via boreholes.

The unveiling of the water-scheme was attended and supported by members of the Kitwe City Council, and local Zamtan community leaders, school leadership as well as representatives of Barloworld Equipment Zambia, and Village Water Zambia. Barloworld Equipment Zambia Ltd also donated 350 COVID-9 hygiene kits comprising reusable masks, hand sanitizer and handwashing soap, to the students at the school who are writing national exams.

Providing clean water and sanitation is high on the list of the United Nations Development Programme's Sustainable Development, and is fundamental in fighting COVID-19, and preserving the health and well-being of millions. If the virus is to be stopped, more private public initiatives such as the Zamtan Community Water Scheme are urgently needed to assist already-stretched governments.

**Access to safe water is critical for the well-being of all communities, a factor that has been reinforced during the challenging COVID-19 pandemic**

### Flagship project Zambia



*An example of societal initiatives; the water scheme project to the community of Zamtan, Kitwe (Zambia) in partnership with Village Water Zambia and Kitwe Mayoral office. Benefit to 20K households in Kitwe*

## Social investment (CSI)

“

The Kafue Bridge Secondary School, and surrounding households within the Zamtan community will now have access to safe water sources, and we believe this will make a lasting, sustainable impact on the residents' lives, particularly as its members have been upskilled, and empowered to maintain the system to keep it in good working order.

”

**MFIKEYI MAKAYI**

Barloworld Equipment Zambia Country Manager



“

We are grateful for the opportunity to make a meaningful contribution in the Kitwe district, and value the guidance, facilitation and support provided by His Lordship the Mayor of Kitwe City, Christopher Kang'ombe, members of the Kitwe City Council, and the Zamtan community in bringing this project to fruition.

”

**ELISHA NG'ONOMO**

Director of implementing partner Village Water Zambia



## Social investment (CSI)



### EMPLOYEE VOLUNTEERISM PROGRAMME

Barloworld staff members continue to play an active role in communities and supporting those in need through volunteering initiatives.

In keeping with Barloworld's ongoing commitment to making a meaningful contribution to our communities through various CSI programmes, we have continued to turn our attention outward.

This year we commemorated Mandela Day by partnering with the National Council for Persons with Physical Disabilities in South Africa (NCPD). The initiative was able to support the school nominated by Blind SA in Soshanguvhe named Filadephia Secondary School with reading devices.

The school is a specialised school for the disabled and the reading devices were identified by the school as a much-needed support to enable visually impaired learners to translate reading material into audible voices as part of their learning journey.

### Employee Volunteerism



*Partnership with National Council for Persons with Physical Disabilities in South Africa (NCPD) and Blind SA on audio books for an incredible 'book drive' for blind and visually impaired school children  
Many more to follow...*

### GLOBAL CASE STUDIES

The case studies below are further demonstrations of how Barloworld made a difference in the communities within which we operate.

INITIATIVE	VALUE CREATED
<b>Equipment – Partnership with Kumba Iron Ore Sishen Mine</b>  Kumba Iron Ore Sishen Mine identified a CSI initiative in Gamagara Municipal area. The identified project relates to the SLP implementation in partnership with the Gamagara Local Municipality to develop agricultural production in Gamagara.	The implementation of the project aims to; alleviate poverty, provide security, create jobs, develop socio and economic activities, enhance agricultural economic activities, serve as a centre of attraction for agricultural training, and to develop a 3ha of crop production under tunnel for over three years.
<b>VT: Russia – The CONSTELLATION of HEARTS Fund</b>  The CONSTELLATION of HEARTS Fund assists orphans and disabled children in the Russian Federation. It has many forms of cooperation with companies and individual benefactors.	It has become a tradition to hold large-scale annual new year's matinees for disabled children and orphans in the regions. Volunteers-employees of VT always attend such events and 2020 was no exception. New year's events were held in orphanages, hospitals for children with cancer, blind children, and homes for the disabled. Events were also held in nursing homes where people are infirm and bedridden. VT volunteers organised performances together with the Fund 's volunteers, where it is acceptable, and presented gifts (personal hygiene items, toys, necessary equipment, clothing, school supplies, educational games, etc.).
<b>Automotive – Logistics – Future Farmers and Food Producer International</b>  FFFPI is focused on supporting and transforming the lives of poor subsistence farmers throughout the country with the intention of elevating them to the level of emerging and commercial farmers.	We are heavily involved in corporate social investment by providing emergency social relief to a number of indigent communities around the areas where we conduct farming activities. We do this through the donation of surplus harvest of maize, Soy Beans, groundnuts and various vegetables for personal consumption of these communities. We also provide quality produce to the communities in order for them to feed their livestock without depleting their own food resources. We pride ourselves in making a positive contribution towards the elimination of starvation in our communities.

## Summing up our socio-economic impact



R61m

**SPENT ON EMPLOYEE TRAINING  
ACROSS ALL LEVELS IN 2019:  
R108m**



R330m

**INVESTED IN SUPPORT  
OF SMMEs SINCE THE  
INCEPTION OF BARLOWORLD  
SIYAKHULA IN 2019: R300m**



R54m<sup>†</sup>

**INVESTED IN APPRENTICESHIP,  
INTERNSHIPS AND  
LEARNERSHIPS IN 2019: R69m**



13 EXTERNAL  
164 INTERNAL

**BURSARIES GRANTED  
IN 2019: 19 EXTERNAL AND  
176 INTERNAL**



R16m

**INVESTED IN COMMUNITIES IN  
2019: R19m**



R13m

**TO BE INVESTED TO SUPPORT  
SOCIAL ENTREPRENEURS OVER  
THREE YEARS**



983<sup>†</sup>

**NUMBER OF BENEFICIARIES IN  
YOUNG TALENT PROGRAMMES  
IN 2019: 1 254**

<sup>†</sup> South Africa AIC only

2

### OUR COMMUNITY

initiatives are designed to create  
a meaningful positive change

1

### OUR PURPOSE

is to inspire a world of difference,  
enabling growth and progress  
in society





# Unpacking our strategic enablers (how we win)

## RESPONSIBLE CORPORATE

BALANCING ECONOMIC, ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES IN THE SHORT, MEDIUM AND LONG TERM.



### PUBLIC DISCLOSURES

For more information, see [www.barloworld.com](http://www.barloworld.com)

- External certifications and accreditations coverage 2020
- Barloworld Worldwide Code of Conduct and Code of Ethics
- Barloworld 2020 CDP climate change and water disclosure responses
- Barloworld environmental, energy efficiency, climate change, waste management, water use and management policies

## RESPONSIBLE CORPORATE

# Sustainability

### APPROACH

The concept of value creation for our stakeholders through making a World of Difference by enabling growth, and progress in society lies at the heart of this vision. Being a responsible corporate is at the core of our business, as demonstrated in the diagram on page 138. It aligns with our focus on the BBS, which includes respect for people – not just our employees, but people in the wider sense including communities.

We ask ourselves certain key questions on an ongoing basis: What impact are we making on peoples' lives? Are we respecting them in terms of how we do business? And how can we ensure a legacy that shows respect for people?

Initiatives like Khula Sizwe and Barloworld Mbewu are helping to shape this legacy.

Our legacy is also grounded in safety. We want everyone to safely arrive at work and return home without injury or harm. Recognising that we can never relax our vigilance about safety, we continue to roll-out relevant training initiatives that aim to eliminate work-related injuries and entrench a culture of safety.

Our focus on reducing energy and water usage, emissions and waste is driving internal cost savings, efficiencies, and resilience. We are also committed to providing our customers with solutions that assist them in achieving their own sustainability ambitions including helping them to become more efficient and productive.

### 2020 RECOGNITION



Advancing  
Sustainably



2, 10



# Sustainability

OUR HOLISTIC APPROACH TO SUSTAINABILITY



For more information, see [www.barloworld.com](http://www.barloworld.com)

- External certifications and accreditations coverage 2020
- Barloworld Worldwide Code of Conduct and Code of Ethics
- Barloworld 2020 CDP climate change and water disclosure responses
- Barloworld environmental, energy efficiency, climate change, waste management, water use and management policies
- GRI Environmental (301 to 308)
- GRI Social (401 to 419)
- GRI Economic (201 to 206)
- GRI Governance (102-18 to 102-39)

# Sustainability

## OUR APPROACH TO ENVIRONMENTAL SUSTAINABILITY

We are committed to the ongoing creation of shared value for our stakeholders through the purposeful stewardship of the six capitals, including natural capital. **Our sustainability vision is:**

To be a leader in sustainable development through being a responsible corporate and by delivering products, services and solutions that generate sustainable outcomes and realise commercial opportunities for revenue enhancements and cost savings.

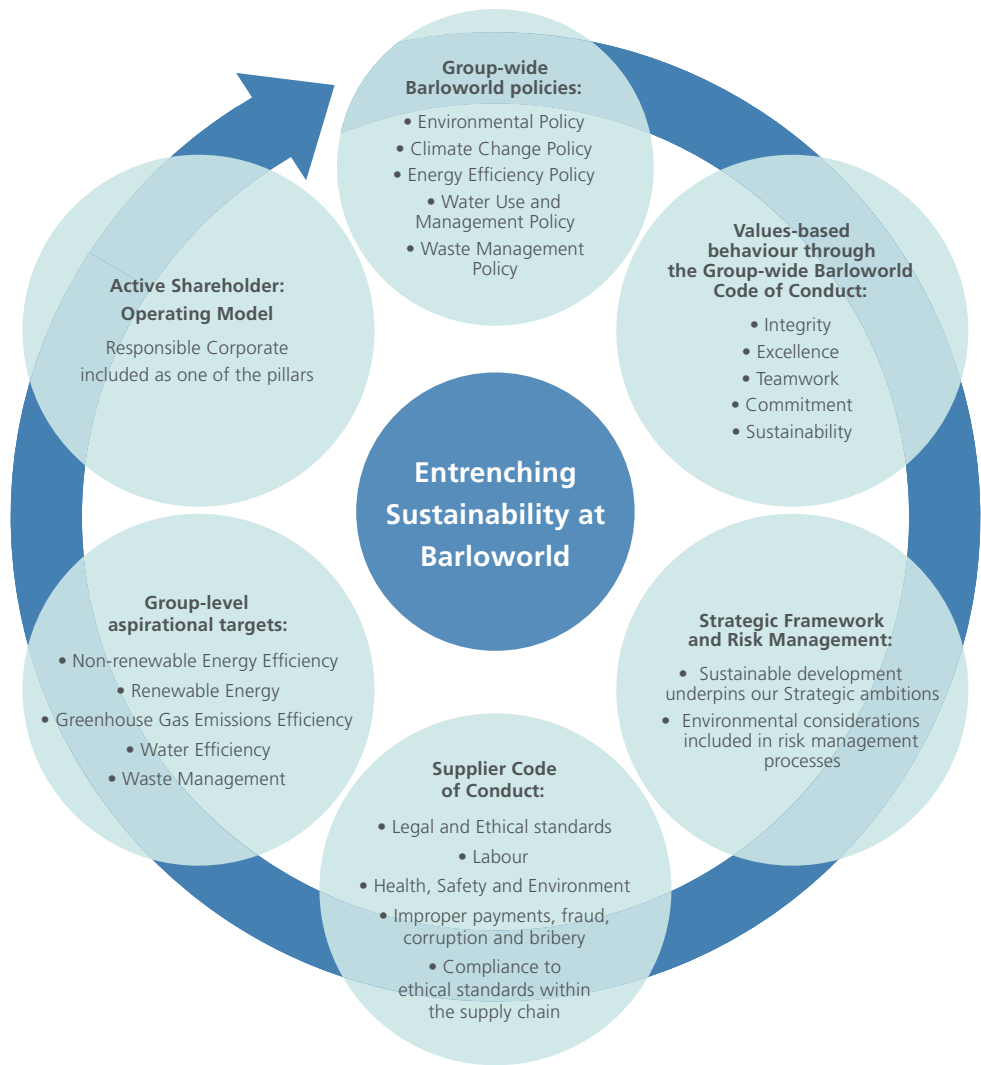
## MATERIAL ENVIRONMENTAL ASPECTS

Given the nature of our activities, location of our operations and key stakeholder issues, the following environmental aspects are considered material to the Group:

- Energy consumption
- Greenhouse gas emissions
- Water stewardship
- Waste management

## ENTRENCING SUSTAINABILITY

In line with our One Barloworld approach, we entrench sustainability across the Group through appropriate policies, the Barloworld Code of Conduct, relevant aspects of our Strategic framework, group-level aspirational improvement targets, employee induction and training:





# Sustainability

## SUSTAINABILITY GOVERNANCE AND RISK MANAGEMENT

The board holds the highest level of responsibility for sustainability aspects within Barloworld and entrenches a common framework and approach to sustainability across the Group in line with the One Barloworld approach. In assisting the board to fulfil its responsibilities with respect to key aspects related to environmental sustainability:

### The social, ethics and transformation committee monitors:

- the company's activities, having regard to relevant legislation, legal requirements and codes of best practice with respect to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, products or services, labour and employment matters
- the tone at the top and how management actively cultivates a culture of ethical conduct in accordance with the King IV report on corporate governance
- applicable aspects of integrated reporting to ensure credibility, clarity, completeness and comparability
- the company's progress towards achieving the energy, emission and water efficiency improvements as well as its responsible waste management activities

### The risk and sustainability committee

Environmental sustainability related objectives of the committee in assisting the board include:

- reviewing the adequacy and effectiveness of the risk management process, the significant risks facing the company and the mitigating controls and activities
- addressing sustainable development in the company including climate change and environmental stewardship
- identifying material non-financial issues in the company for assurance

Environmental related risks are tabled at the Group risk and sustainability committee. The Group also completes the CDP Climate Change and CDP Water Security questionnaires annually, which include related risks and opportunities. For more on Barloworld's CDP responses: <https://www.barloworld.com/sustainability/policies-and-disclosures/>. Similar governance and oversight processes are in place at a divisional level.



## ENERGY AND EMISSIONS

We recognise the importance of energy efficiency in a carbon-constrained world. We were one of the early signatories to the Energy Efficiency Leadership Network Pledge and we participated in the Private Sector Energy Efficiency initiative. We have adopted a Measure, Avoid, Reduce, Switch and Offset (MARSO) methodology to manage emissions. Reductions are also driven through our group aspirational targets of 10% efficiency improvements in non-renewable energy and emissions (scope 1 and 2) intensity by FYE2020 (2015 baseline) and 2 000 MWh or more renewable energy consumption per annum further supported by our Energy, Climate Change and Environmental Policies.

Where practicable, initiatives have been implemented within the Group, such as the use of more efficient production and distribution processes, and modes of transport; and the use of new technologies, including high efficiency and renewable energy solutions. Such solutions are also available to our customers.

In addition to lower impact on the environment, anticipated benefits of our energy and emissions reductions initiatives and targets include: cost savings through efficiency of use, particularly in the context of price increases and carbon pricing; enhanced reputational and competitive advantage; as well as operational resilience through minimising impacts of supply interruptions and forced shut downs.

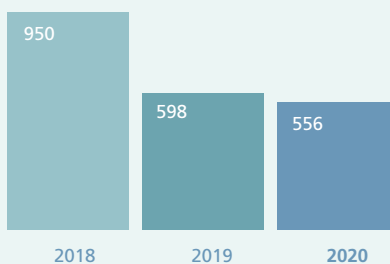
One of our principals, Caterpillar, has included solar photovoltaic (PV) in its product offerings. Leveraging this, installed solar PV capacity to date is some 1 065 kW (peak) within Equipment southern African facilities. To date commissioned installations have generated in excess of some 500 MWh of renewable energy which avoided in excess 500 tCO<sub>2</sub>e.

Such initiatives have contributed to a 20% year-on-year decrease in non-renewable energy consumption and a 21% decrease in emissions (scope 1 and 2) against 2019.

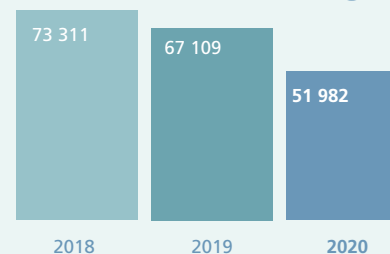
Social distancing measures have delayed the commissioning of similar solar PV installations during the financial period.

A standout in our 2020 year is the development of our Automotive and Logistics Head Office. Below are details of the energy and environmental strategy and interesting facts about this 5-Star, Green-Star certified building.

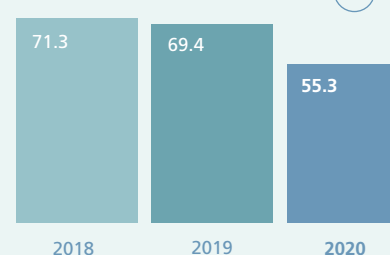
## RENEWABLE ENERGY (MWh)



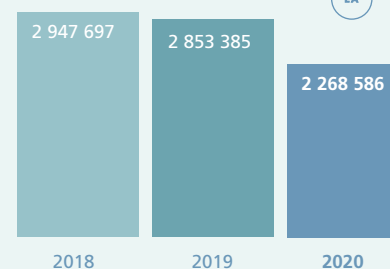
## GRID ELECTRICITY CONSUMPTION (MWh)



## PETROL AND DIESEL CONSUMPTION (ML)

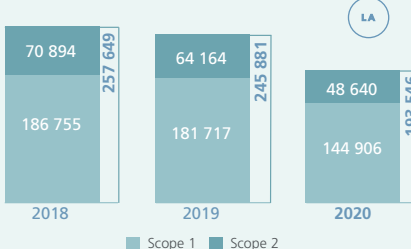


## NON-RENEWABLE ENERGY CONSUMPTION\* (GJ)



\* Excludes energy from rental fleets

## GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2) (tCO<sub>2</sub>e)





# Sustainability

## AUTOMOTIVE AND LOGISTICS HEAD OFFICE

### ENERGY AND ENVIRONMENTAL STRATEGY

Our energy strategy reduces the overall energy consumption of the building, impacting on the greenhouse gas and other emissions associated with energy generation from fossil fuels. Reducing the building's energy consumption not only reduces energy expenses, but ensures that fewer harmful gases such as CO<sub>2</sub> and SO<sub>2</sub> are being produced.

### OUR ENERGY AND ENVIRONMENTAL INITIATIVES

- 100% of all lighting used in the building are LED, a highly efficient lighting option. Light sensors have been installed throughout the building
- Sub-metering of major water and energy consuming systems have been installed. Gathering information is key to understanding and managing building systems, offering opportunities for water and energy savings
- The building has a large 120 kW Photovoltaic system located on its roof (solar panels). The annual production of the system is 196.2 MWh. The supplement of renewable energy from the PV is expected to reduce peak electrical demand load on electricity infrastructure by 30%
- A thermal ice storage has been installed in the building to reduce the peak load
- The building makes use of a live display of energy and water data in the reception area to inform occupants on how the building is performing



### FACTS ABOUT THE BUILDING



This 11 100m<sup>2</sup> development is a 5-Star, Green-Star South African certified building creating a permeable envelope that allows almost 360° views to the beautiful surrounding suburbs of Irene and Doringkloof



Our fit-for-purpose building is a space that operates as a high-performance centre – encouraging collaboration between employees and clients, and offering a business hub where innovation and ideas can flourish

# Sustainability



## FOCUSING ON THE EFFICIENT USE OF ENERGY

We represent leading brands and engage with world-class principals, providing solutions to produce power at lower emission levels or provide products that use less energy than alternatives in the market.

Barloworld Power assists customers in transitioning to operations with a lower carbon footprint, by offering cleaner and more sustainable power solutions.

Barloworld Power offers high efficiency technology gas generators which can utilise natural gas, biogas (landfill and sewerage) or coal bed methane. Together with these solutions, Combined Heat and Power (CHP) technology can be incorporated to offer even higher energy efficiency, where the heat generated can be utilised further for heating or cooling requirements by incorporating heat exchangers or chillers into the overall solutions. This investment assists customers' transition to a lower-carbon economy.

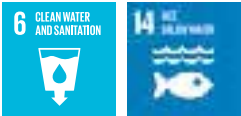
For more on Barloworld Power offerings see:  
[www.barloworld-equipment.com/products/new/power-systems/](http://www.barloworld-equipment.com/products/new/power-systems/)

## ENVIRONMENT – FUEL INITIATIVES

- BW Transport: **DriveSmart** and **DriveCam** used to monitor driver behaviour, driver skills and performance improvement through **Training Academy**, fuel usage **monitoring** to eliminate fraud, **route planning**, innovative trailer design to increase loads and reduce trips
- Car rental: **Avis SafeDrive**: Downloadable App to track & monitor driving behaviour and reward good driving
- Avis Fleet: **Driver 360 Scorecard** (Value Added Product) – employees driving behaviour monitored on company vehicles, results displayed on Intranet site
- Manufacturers constantly improving vehicle efficiency and performance
- Emissions reporting available to customers in Car Rental and Avis Fleet
- Limited electric vehicles on Avis Luxury Fleet (BMW i8, i3)



# Sustainability

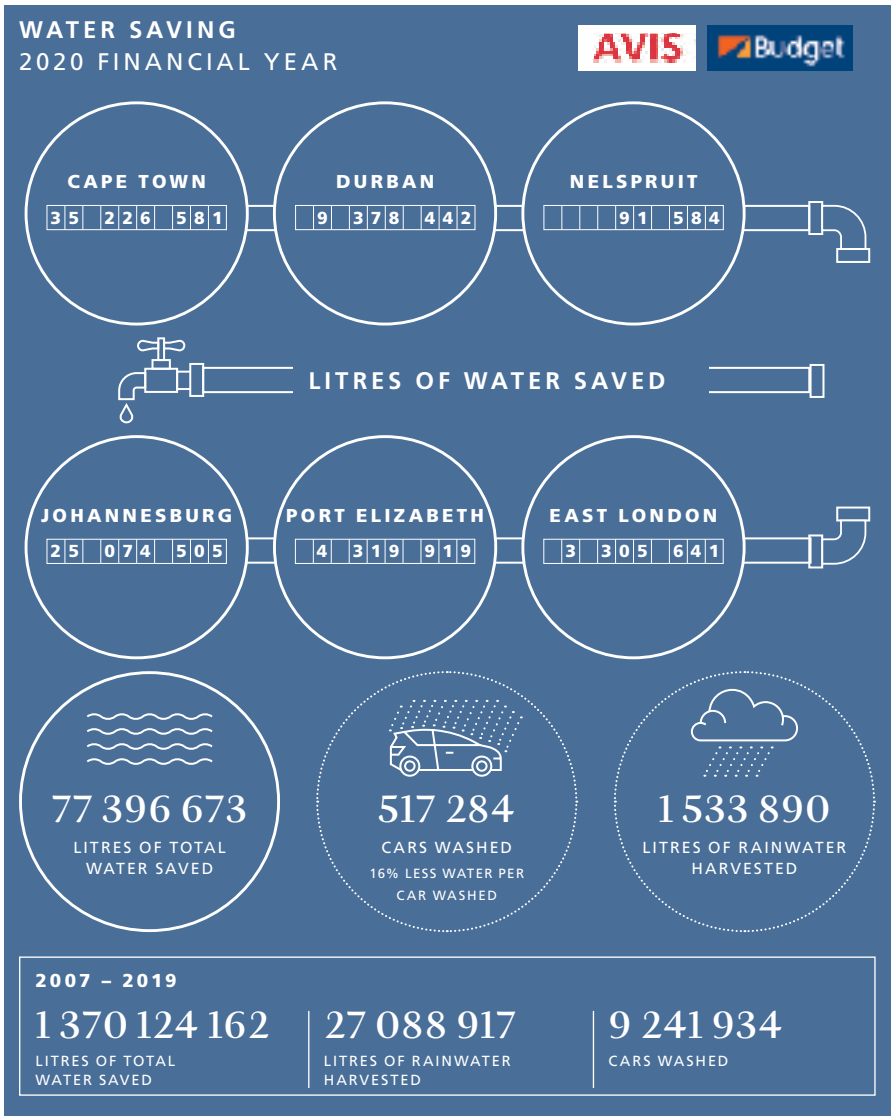
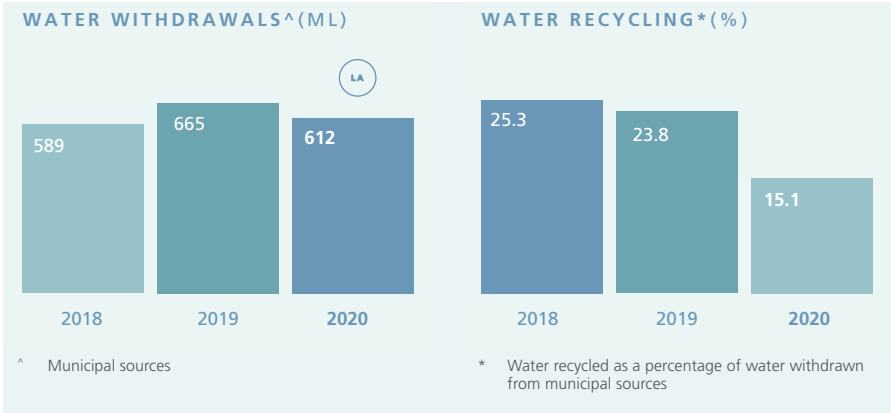


## WATER

The global population is expected to increase, the demand for food, and with it the demand for water is set to continue to rise. Against this backdrop, although we are not a major user of water, we recognise the need for focused water management.

Accordingly, we have a Water Use and Management policy and have also adopted a MAR (Measure, Avoid and Reduce) methodology in order to manage water usage by highlighting exposures and controlling operational costs through water monitoring systems. We have made a commitment to efficient water use through reduced municipal withdrawals, increased recycling, rainwater harvesting and storage initiatives. This commitment is reflected in the Group aspirational target to improve water withdrawal (municipal sources) intensity by 10% by FYE2020 (2015 baseline). Improved water efficiency reduces the impact of water supply disruptions and possible limitations placed on water withdrawals by reducing water use in the Group.

Our operations predominantly use water for washing vehicles, plant and equipment. Most water is sourced from municipal and local government water supply systems, but some water is captured in rainwater harvesting tanks. Nearly all water is legally discharged into local municipal reticulation systems after proper treatment.



# Sustainability



## THE CIRCULAR ECONOMY AND WASTE

We focus on ensuring optimal and efficient use of the products we sell, rent and lease, including extending their operating lifecycle or providing multiple lifecycles. Such practices contribute towards more efficient energy and materials consumption, reduce emissions and also reduce waste to landfill. For example, our Caterpillar Rebuild and Remanufacture facilities in South Africa and Russia extend the lifespan of machines and equipment.

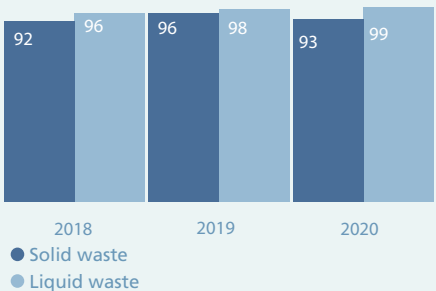
A relatively high percentage of Caterpillar components are rebuilt. In 2020, some 79% (2019: 84%) of total component sales in Equipment southern Africa related to remanufactured and rebuilt components, of which 58% (2019: 66%) related to Barloworld Equipment remanufactured parts and 42% (2019: 34%) related to Caterpillar remanufactured parts. Similarly, in Equipment Russia, some 11% (2019: 9%) of total component sales related to remanufactured and rebuilt components, of which all (2019: 62%) related to Barloworld Equipment remanufactured parts. Additionally, within the Equipment Mongolia, remanufactured and rebuilt parts constitute 99% of total parts sales, of which 21% related to Barloworld remanufactured parts and 79% to Caterpillar remanufactured and rebuilt parts. Less energy is used to remanufacture than to produce a completely new product and the process also generates less emissions and water consumption. Generally, these efficiencies contribute to the competitiveness of rebuilt components while having a lower impact on the environment and finite resources.

Due to the nature of our business, we do not generate significant volumes of waste. Tyres and oil filters constitute the majority of our solid waste, while our liquid waste primarily consists of used lubricants. Our aspirational group target is for 100% of our waste to be disposed of through formal waste management service providers. Our waste management systems currently monitor waste by type, volume, disposal method and destination. We aim to continuously evolve and improve these systems.

### WASTE DISPOSED OF THROUGH FORMAL WASTE MANAGEMENT SERVICE PROVIDERS (%)



### WASTE RECYCLED (%)



To review our performance in terms of renewable energy, non-renewable energy, GHG emissions (scope 1 and 2), water and waste targets, please refer to page 82 of this report.

# Sustainability

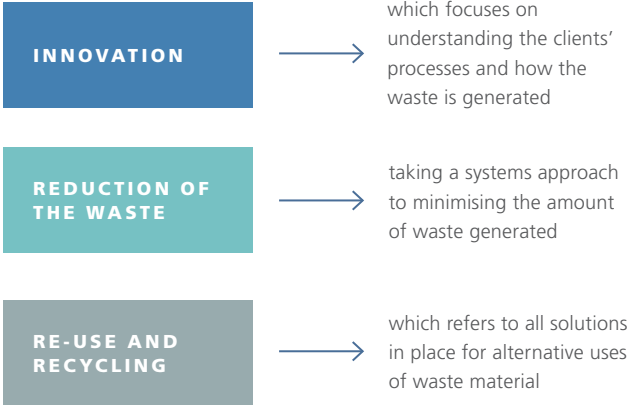
BARLOWORLD LOGISTICS: SUPPLY CHAIN SOLUTIONS

OUR APPROACH TO REDUCING WASTE IS SET OUT IN THE TABLE BELOW:

WASTE GENERATED ON-SITE	SOLUTIONS PUT IN PLACE TO REDUCE LANDFILL
Food waste	<b>Food waste</b> <ul style="list-style-type: none"><li>Recycle food waste in compost</li><li>Use compost created from our waste for site garden</li></ul>
Black label and Sellotape waste	<b>Black labelling and Sellotape</b> <ul style="list-style-type: none"><li>Upcycle black labelling paper and sellotape into a product that can support local communities</li><li>Support and enable local communities with the waste created onsite</li><li>Upcycle black labelling paper and sellotape into bean bags that can be sold and donated</li></ul>
Polystyrene food containers	<b>Polystyrene food containers and cups</b> <ul style="list-style-type: none"><li>Polystyrene banned onsite and plastic containers provided to employees</li></ul>
Product waste (Damaged stock)	<b>Product waste (Damaged stock)</b> <ul style="list-style-type: none"><li>Partner with Clothes to Goods and upcycle waste into Toys</li></ul>
Paper, plastic and cans	<b>Paper, plastic and cans</b> <ul style="list-style-type: none"><li>Recycled by SmartMatta</li></ul>
	<b>Waste Management</b> <ul style="list-style-type: none"><li>Enable internal team members to understand the importance of good waste management</li><li>Waste separation from source (Internal team members)</li><li>Supporting the National strategy of waste separation from source</li><li>Support and assist SMEs that deal with waste solutions for the industry</li><li>Improve the culture in the facility to incorporate waste management as part of daily operations (Send daily waste Topics)</li></ul>



LOOKING AHEAD, WE SUGGEST THAT THERE ARE THREE CRITICAL ELEMENTS TO A SUSTAINABLE WASTE MANAGEMENT PLAN:





# Sustainability

## CASE STUDIES

Below are three case studies of our initiatives we pursue to achieve our zero-to-landfill strategy that we are proud of.

### SDGS IMPACTED:



1

Our unrecyclable waste which is upcycled into bean bags that can be sold and donated.



2

Management of our hazardous waste through bioremediation projects which have multiple benefits.



### WASTE: Hazardous waste management

#### BWE Bioremediation Projects

- 13 tons of sludge bioremediated in Middleburg (10 tons of sludge undergoing testing)
- Average saving of R40 000 a month on waste collection and disposal
- 2.5 tons of sludge to be treated in Isando

#### Benefits of Bio-remediation

- Treated sludge used for composting
- Reduction of disposal costs (transportation and disposal)
- Prevention of air pollution during treatment
- Significant reduction of waste to landfill site
- Vegetables donated to community

## Sustainability

3

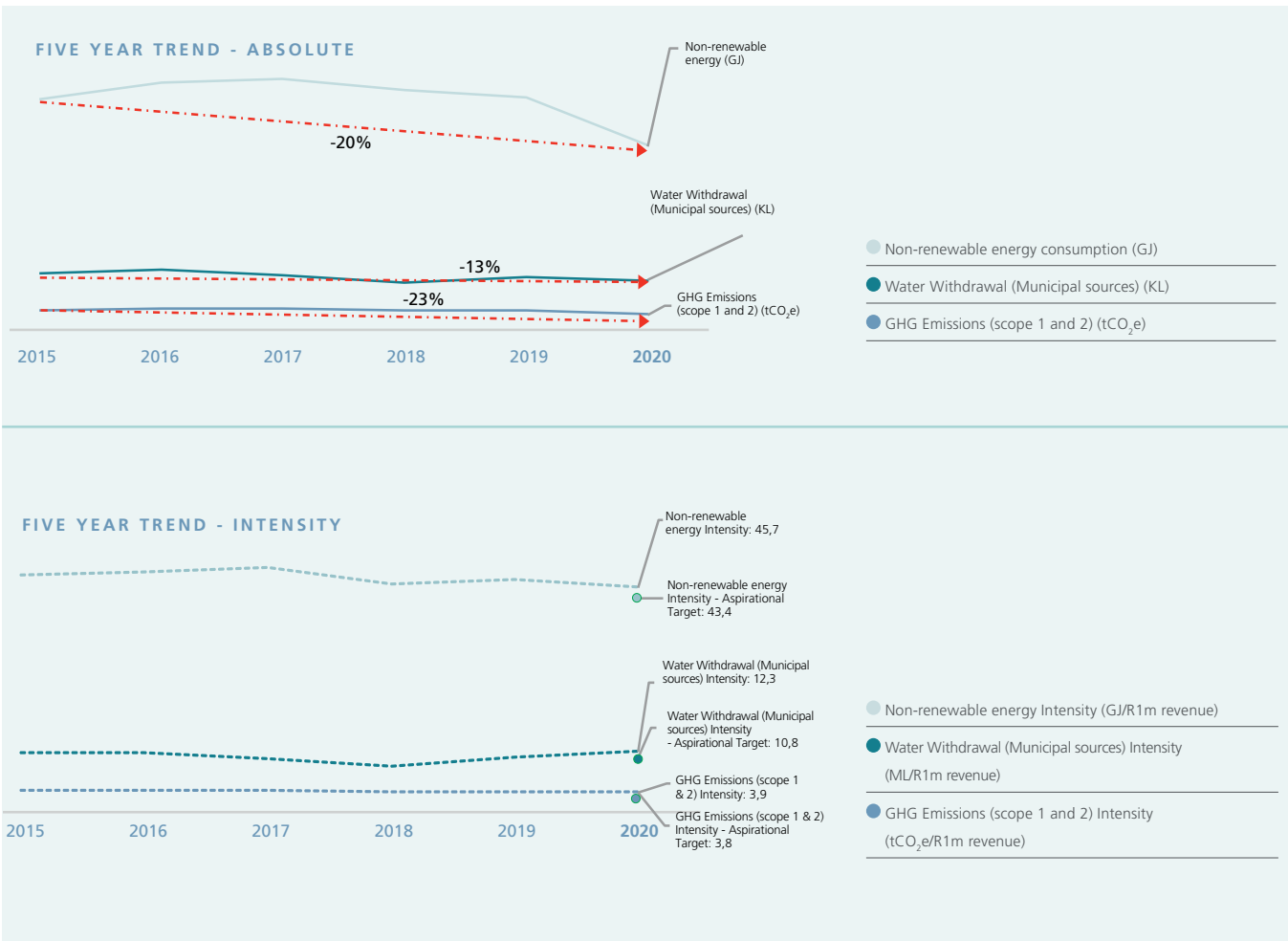
Barloworld Logistics Supply Chain Solutions CSC (customer service centre) has partnered with Clothes to Goods which is a NPO (Non-Profit Organisation) that provides sustainable jobs to people with disabilities and empowers marginalised groups.

Early childhood development toys and educational material are created using obsolete products, which are then donated to low resourced educational centres.



# Sustainability

## PROGRESS AGAINST 2020 ASPIRATIONAL TARGETS AND LOOKING FORWARD TO 2021 AND BEYOND



In 2015, five-year group aspirational targets were implemented over material environmental aspects. The objective of the targets was to drive focus on improving efficiency of non-renewable energy consumption, scope 1 and 2 greenhouse gas emissions (GHG) and volumes of water drawn from municipal sources. These targets were set to the end of the 2020 financial period, using FY2015 as a baseline and using revenue as a proxy for activity. Additionally, renewable energy consumption targets and responsible waste disposal targets were also implemented.

Each of the targets together with progress are discussed on page 82 (Natural capital outcomes). In summary, despite decreases in absolute quantum's of non-renewable energy

and greenhouse gas emissions (scope 1 and 2), and improvement in intensities against the 2015 baseline, COVID-19 and related economic impacts have negatively impacted activity levels and impacted our progress against set targets.

### WAY FORWARD

Environmental sustainability remains a priority for Barloworld. Risks and opportunities are identified and reported through to the established governance structures, both at Group and divisional levels.

Consideration is being given to the material environmental aspects for the next strategic period and will confirm our approach and relevant future targets.

Initiatives are ongoing to drive environmental responsibility, and supporting our sustainable development approach.

# Value added statement

## TOTAL VALUE CREATED

R11 739m

(2019: R17 300m)

## TOTAL VALUE DISTRIBUTED

### EMPLOYEES

R8 186m

(2019: R9 474m)

70%

(2019: 55%)

### CAPITAL PROVIDERS

R2 401m

(2019: R2 191m)

20%

(2019: 12%)

### GOVERNMENT

R2 066m

(2019: R1 834m)

18%

(2019: 11%)

### REINVESTMENT

R(930m)

(2019: R 3791m)

(8%)

(2019: 22%)

## VALUE ADDED STATEMENT CONTINUED

A measure of the value added by the Group 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. Unless specifically stated the information presented below is on a group basis (including continuing and discontinued operations).

	2020 (Rm)	%	Restated 2019 (Rm)	%
Revenue	49 683		60 206	
Paid to suppliers for products and services	38 071		43 362	
Value added	11 612		16 844	
Income from investments <sup>^</sup>	127		456	
<b>TOTAL VALUE CREATED</b>	<b>11 739</b>		<b>17 300</b>	
<b>Value distribution</b>				
<b>Employees (note 1)</b>	<b>8 186</b>	70	9 474	55
<b>Capital providers:</b>	<b>2 401</b>	20	2 191	12
Finance costs	1 274		1 134	
Dividends to Barloworld Limited shareholders	1 114		1 024	
Dividends to non-controlling interest in subsidiaries	13		33	
<b>Government (note 2)</b>	<b>2 066</b>	18	1 834	11
<b>Communities (corporate social investment)</b>	<b>16</b>		<b>10</b>	
<b>(Disinvestment)/Reinvestment in the Group</b>	<b>(930)</b>	(8)	<b>3 791</b>	<b>22</b>
Depreciation	2 661		2 387	
Retained (loss)/profit	(3 493)		1 435	
Deferred taxation	(98)		(31)	
	<b>11 739</b>	100	<b>17 300</b>	100
<b>VALUE ADDED RATIOS</b>				
Number of employees (30 September)	12 905		15 396	
Revenue per employee (rand) <sup>#</sup>	3 511 037		3 669 637	
Value created per employee (rand) <sup>#</sup>	829 543		1 054 488	
Corporate social investment – % of profit after taxation, excluding exceptional items	(3)		1	
<b>NOTES</b>				
<b>1. EMPLOYEES</b>	<b>(R m)</b>		<b>(R m)</b>	
Salaries, wages, overtime payments, commissions, bonuses and allowances**	7 445		8 517	
Employer contributions <sup>+</sup>	741		957	
<b>TOTAL GROUP</b>	<b>8 186</b>		<b>9 474</b>	
<b>2. CENTRAL AND LOCAL GOVERNMENT</b>				
Current taxation	974		774	
Rates and taxes paid to local authorities	86		84	
Customs duties, import surcharges and excise taxes	973		930	
Skills development levy	32		46	
	<b>2 066</b>		<b>1 834</b>	

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

<sup>#</sup> Based on average number of employees

<sup>\*\*</sup> Represents the gross amounts paid to employees including taxes payable by the employees

<sup>+</sup> In respect of pension funds, retirement annuities, provident funds, medical aid and insurance



# Assurance

## Assurance report for selected non-financial indicators

**INDEPENDENT AUDITORS’ ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN  
BARLOWORLD LIMITED’S INTEGRATED REPORT**

**TO THE DIRECTORS OF BARLOWORLD LIMITED**

We have undertaken an assurance engagement in respect of the selected sustainability information, as described below, and presented in the integrated report of Barloworld Limited (the ‘Company’, or “you”) for the year ended 30 September 2020 (the report). This engagement was conducted by a multidisciplinary team including social, environmental and assurance specialists with relevant experience in sustainability reporting.

**SUBJECT MATTER**

We have been engaged to provide a limited assurance conclusion in our report on the following selected sustainability information, marked with a ‘LA’ on the relevant pages in the report. The selected sustainability information described below has been prepared in accordance with the Company’s reporting criteria that accompanies the sustainability information on the relevant pages of the report (the accompanying reporting criteria).

Selected Sustainability Information	Unit of measurement	Boundary	Page
Total number of employees	Number	Barloworld Group	Page 38
Employee breakdown by race (RSA only) and gender	Number	Barloworld Group	Page 120
Number of work-related fatalities	Number	Barloworld Group	Page 80
Lost-time injury frequency rate	Rate	Barloworld Group	Page 80
Fuel consumption – petrol and diesel	ML	Barloworld Group	Page 139
Grid electricity consumption	MWh	Barloworld Group	Page 139
Non-renewable energy consumption, including consumption by primary energy source	GJ	Barloworld Group	Page 139
Water withdrawals (municipal sources)	ML	Barloworld Group	Page 142
Scope 1 emissions, including emissions by primary energy source	tCO <sub>2</sub> e	Barloworld Group	Page 139
Scope 2 emissions	tCO <sub>2</sub> e	Barloworld Group	Page 139
Scope 3 rental fleet emissions	tCO <sub>2</sub> e	Avis Budget South Africa	Not disclosed – refer to Basis for Qualified Limited Assurance Conclusion below.

We refer to this information as the “selected sustainability information for Limited Assurance” respectively and collectively as the “selected sustainability information”.

### YOUR RESPONSIBILITIES

The directors are responsible for selection, preparation and presentation of the selected sustainability information in accordance with the accompanying criteria as set out on the corporate website (<https://www.barloworld.com/pdf/sustainability/policies/2020/barloworld-non-financial-reporting-criteria-fy2020.pdf>) referred to as the "Reporting Criteria".

This responsibility includes:

- the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance, and
- the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the report users.

### INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practices on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

In particular, where the information relies on carbon and other emissions conversion factors derived by independent third parties, or internal

laboratory results, our assurance work will not include examination of the derivation of those factors and other third party or laboratory information.

### OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised), and ISAE 3410, involves assessing the suitability in the circumstances of the Company's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed 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;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;

- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected sustainability information; and
- Evaluated whether the selected sustainability information presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at the Company.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result 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 Company's selected sustainability information has been prepared, in all material respects, in accordance with the accompanying the Company's reporting criteria.

#### **BASIS FOR QUALIFIED LIMITED ASSURANCE CONCLUSION**

The Selected Sustainability Information "Scope 3 rental fleet emissions" is determined with respect to the distance travelled while the vehicle is on rental multiplied by the Original Equipment Manufacturer (OEM) emissions factors per vehicle. Based on our procedures performed, we noted instances where the distance travelled during the lease periods by rental vehicles was excluded from the determination of Scope 3 rental fleet emissions. As a result, the Scope 3 rental fleet emissions are materially misstated. It was not practicable for us to quantify the effects of this matter.

#### **QUALIFIED LIMITED ASSURANCE CONCLUSION**

Based on the procedures we have performed and the evidence we have obtained, except for the effect of the matter described in the Basis for Qualified Limited Assurance Conclusion section of our report, and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability information as set out in the Subject Matter paragraph above for the year ended 30 September 2020 is not prepared, in all material respects, in accordance with the reporting criteria.

#### **OTHER MATTER(S)**

The maintenance and integrity of Barloworld Limited's website is the responsibility of Barloworld Limited's directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on Barloworld Limited's website.

No assurance procedures were performed on the previous Integrated report. The information relating to the prior reporting periods has not been subject to assurance procedures.

#### **RESTRICTION OF LIABILITY**

Our work has been undertaken to enable us to express a reasonable assurance opinion on the selected sustainability information to the directors of the Company 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 Company, for our work, for this report, or for the conclusion we have reached.



PricewaterhouseCoopers Inc.  
Director: Jayne Mammatt  
Registered Auditor  
Johannesburg

14 December 2020

# Assurance matrix 2020

	REPORTING ASPECT ASSURED	INDEPENDENT ASSURANCE PROVIDERS	SCOPE OF REVIEW	FRAMEWORK/STANDARD	OUTPUT	FREQUENCY
1	Annual Financial Statements	◦ External audit	◦ Annual Financial Statements audit	◦ IFRS ◦ Companies Act ◦ International Standards on Auditing (ISA)	◦ External audit opinion	◦ Annual
2	Interim financial results	◦ External audit	◦ Review of interim financial results	◦ International Standard on Assurance Engagements (ISAE 2410) ◦ Companies Act ◦ International Standards on Auditing (ISA)	◦ Assurance statement	◦ Annual
3	Internal controls and risk management process	◦ Group Internal Audit	◦ Review of risk management, operational and non-financial reporting processes	◦ Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing ◦ Barloworld Group Internal Audit Methodology	◦ Internal audit opinion on the adequacy and effectiveness of controls and risk management processes	◦ Annual
4	Internal Financial Controls (IFC)	◦ 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 ◦ Barloworld Group Internal Audit Methodology ◦ Barloworld Internal Financial Control Framework	◦ Internal audit opinion on financial controls ◦ External audit reports	◦ Annual
5	Internal Financial Controls (IFC)	◦ External Audit	◦ Assurance on the adequacy and effectiveness of financial controls	◦ International Standard on Assurance Engagements (ISAE 2410) ◦ International Standards on Auditing (ISA)	◦ External audit reports	◦ Annual
6	Key non-financial indicators	◦ Other External Assurance Provider	◦ Assurance on selected key non-financial performance indicators	◦ International Standard on Assurance Engagements (ISAE 3000) ◦ Assurance Engagements on Greenhouse Gas Statements (ISAE 3410)	◦ Assurance report	◦ Annual
7	Black Economic Empowerment Rating	◦ Siyandisa Verification Services	◦ Verification of Empowerment Status	◦ Department of Trade and Industry (dti) B-BBEE scorecard	◦ Empowerment Rating Certificate	◦ Annual

# Our statutory reports and ancillary information

---

- COMMITTEE REPORTS:
  - REMUNERATION
  - SOCIAL, ETHICS AND TRANSFORMATION
  - AUDIT
- SUMMARISED ANNUAL FINANCIAL STATEMENTS
- SHAREHOLDER PROFILE
- GLOSSARY
- CORPORATE INFORMATION





# Remuneration report

## SECTION 1: CHAIRPERSON'S BACKGROUND STATEMENT

### Dear Shareholders

I would firstly like to thank Ms Neo P Dongwana for her contribution as chair of the Barloworld remuneration committee ("Remco") since February 2017. Neo stepped down as chair of Remco at the annual general meeting in February 2020, but she remains a member of the committee and I value her continued counsel.

I would also like to thank my other fellow committee members, Ms Neo Mokhesi, Mr Sango Ntsaluba and Mr Peter Schmidt, whose insightful contributions have enabled the committee to perform its duties effectively.

On behalf of the Remco I am pleased to provide you with the remuneration report ("Report") for the period ending 30 September 2020. The report includes our forward-looking remuneration policy (section 2) and implementation report for the past financial year (section 3) which will be put forward for separate non-binding shareholder votes at the forthcoming annual general meeting ("AGM").

### FACTORS INFLUENCING REMUNERATION DECISIONS AND OUTCOMES

This financial year has been one of the most challenging year the Group has ever had due to the suppressed economy and the acute market deterioration from March 2020 as a result of the COVID-19 pandemic. The unprecedented environment necessitated the swift implementation of actions aimed at protecting the health and safety of employees. We also had to implement various austerity initiatives to help us soften the impact of the pandemic and ensure the long term sustainability of the business through fixed overhead cost containment.

The aforementioned cost savings initiatives included the implementation of the following with effect from 1 May 2020:

- A salary sacrifice plan was implemented for employees at executive, senior, middle, and junior management/supervisory levels using a sliding scale that saw executives taking the highest pay reduction.
- Contributions to the respective retirement funds were suspended in line with applicable fund rules and country of operations' specific legislation. This was applied to all member employees except those who are close to retirement i.e. 60 years and older.

The total average remuneration sacrifice per the above actions is shown in the table below:

TOTAL AVERAGE REMUNERATION SACRIFICE, INCLUDING SUSPENDED RETIREMENT FUND CONTRIBUTIONS %	
Group executives	25%
Senior management	21%
Middle management	18%
Junior management/supervisors	14%



We thank our shareholders for taking the time to engage with us and are pleased to report that in general, they welcomed our continued efforts towards greater transparency and engagement on key issues underpinning the company's remuneration policy.



**MICHAEL LYNCH-BELL**  
Chairman: Remuneration committee

## REMUNERATION REPORT CONTINUED

- Retention scheme payments were suspended.
- A moratorium on external appointments was implemented.
- Unavoidable group-wide restructuring processes were implemented.
- Non-executive directors' fees were reduced by 25% for a period of three months.

The subdued trading conditions further impacted the remuneration considerations for the year under review, which are summarised below and set out in detail under the Remco governance section:

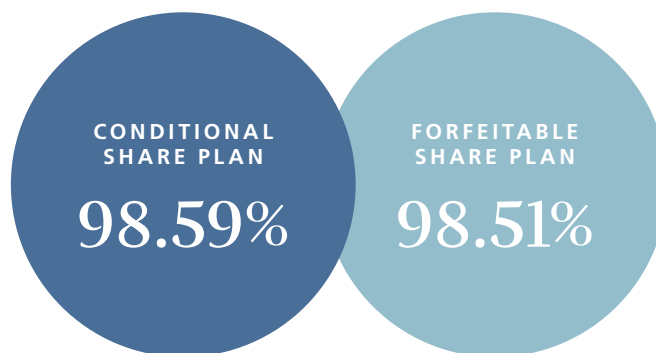
- The salaries of executives and all other employees affected by the salary sacrifice plan and the suspension of contributions to retirement funds and retention awards effected in May 2020 was originally for a period of 12 months. However, after considering various factors such as the lifting of COVID-19 restrictions, the gradual resumption of economic activity in most operating regions and increased employee retention risks, Remco approved a proposal to reinstate salaries to normal, recommence pension fund contributions and resume retention scheme payments to current participants, from 1 December 2020.
- The short term incentive ("STI") scheme principles indicate that if at least one of the financial metrics are met, STIs are payable in proportion to that metric. The free cash flow metric was met by the Group in 2020, thus triggering a potential STI payment (refer to details included in the implementation section of the report). Although the economy was showing signs of recovery as outlined above, the Remco took a decision not to pay STIs to executives and eligible employees in southern Africa in light of the long term operating environment uncertainty that still remains in the region. However, STIs will be paid as per normal principles in Russia as the Russian operation was not as significantly affected by COVID-19 and did not have to implement the extent of austerity measures (such as restructuring as in the case of southern Africa).
- Annual salary increase processes for all employee levels, including executives, were suspended, i.e. no annual increases were effected in respect of the forthcoming year.
- Non-executive directors will not receive any fee increases for the forthcoming financial year.

In addition to the above measures, we also had to pay close attention to how we calibrate forward-looking performance conditions that will drive our strategy, be meaningful for our employees and create shareholder value during these difficult times. In this regard, targets for the 2021 STI financial metrics were designed with reference to the expected economic recovery, taking into account the 2021 approved budget as well as FY2019 pre-COVID-19 results. The targets for the 2021 long term incentive ("LTI") awards were also designed with reference to the uncertainty of the economic recovery post the COVID-19 pandemic and portfolio changes aligned to developments in the Group's strategy.

Full details on how our performance metrics link in with our strategy, including targets, are provided in more detail in section 2 of the report.

### VOTING AND SHAREHOLDER ENGAGEMENT

We were pleased with the high levels of shareholder support received at our previous AGM in support of our new Conditional Share Plan (CSP) and amendments to our existing Forfeitable Share Plan (FSP) (98.59% and 98.51% approvals, respectively).



At the same time, we were disappointed with the remuneration voting outcomes in respect of our remuneration policy and implementation report (76.34% and 56.03% support, respectively). As a result of these voting outcomes, we engaged our shareholders in March 2020 and again during the first two weeks of October 2020. These sessions were attended by a broad range of shareholder representatives and/or proxy advisors.

The committee listened carefully to ideas and suggestions from shareholders and the main themes of this feedback have been used to continue the evolution of our remuneration system. The issues that were raised by shareholders or proxy advisors, together with our responses, are listed in the tables that follow.

## REMUNERATION REPORT CONTINUED

SHAREHOLDER CONCERNS	OUR RESPONSES																																				
REMUNERATION POLICY																																					
Clarification of the link between remuneration and our strategy was requested	<p>Despite the impact of COVID-19, we remain committed to achieving our growth ambition as stated in our strategy which is outlined in detail on pages 50 – 56 of the integrated report. Accordingly, our remuneration approach remains geared towards incentivising outstanding performance in order for us to achieve our ambition of sustainably doubling intrinsic value for the benefit of all stakeholders. This ambition is underpinned by the following strategic objectives which we reference for our variable pay (STI and LTI) metrics as reflected in the table below:</p> <ul style="list-style-type: none"><li>◦ Deliver top quartile shareholder returns</li><li>◦ Drive profitable growth</li><li>◦ Instill a high-performance culture</li></ul> <table><tr><th></th><th>STI</th><th>LTI – (FSP and CSP)</th></tr><tr><td colspan="3">Deliver top quartile shareholder returns</td></tr><tr><td>Return on equity (ROE)</td><td>√</td><td></td></tr><tr><td>Return on invested capital (ROIC)</td><td>√</td><td>√</td></tr><tr><td>Headline earnings per share (HEPS)</td><td>√</td><td>√</td></tr><tr><td colspan="3">Drive profitable growth</td></tr><tr><td>Economic profit (EP)</td><td>√</td><td></td></tr><tr><td>Free cash flow (FCF)</td><td>√</td><td>√</td></tr><tr><td colspan="3">Instill a high performance culture</td></tr><tr><td>Diversity and inclusion objectives</td><td>√</td><td></td></tr><tr><td>Internal audit and compliance objectives</td><td>√</td><td></td></tr><tr><td>Individual/personal scorecard objectives (aligned to team and business performance which include safety, customer service, leadership and other role-based metrics)</td><td>√</td><td></td></tr></table> <p>While the above objectives have not changed as a result of COVID-19, the financial performance targets thereof have been designed with reference to the economic recovery uncertainty that remains as a result of the COVID-19 pandemic. This is also in line with the review of the company's growth strategy and budget. Full details on the metrics and targets are disclosed in more detail in section 2 of the report.</p>		STI	LTI – (FSP and CSP)	Deliver top quartile shareholder returns			Return on equity (ROE)	√		Return on invested capital (ROIC)	√	√	Headline earnings per share (HEPS)	√	√	Drive profitable growth			Economic profit (EP)	√		Free cash flow (FCF)	√	√	Instill a high performance culture			Diversity and inclusion objectives	√		Internal audit and compliance objectives	√		Individual/personal scorecard objectives (aligned to team and business performance which include safety, customer service, leadership and other role-based metrics)	√	
	STI	LTI – (FSP and CSP)																																			
Deliver top quartile shareholder returns																																					
Return on equity (ROE)	√																																				
Return on invested capital (ROIC)	√	√																																			
Headline earnings per share (HEPS)	√	√																																			
Drive profitable growth																																					
Economic profit (EP)	√																																				
Free cash flow (FCF)	√	√																																			
Instill a high performance culture																																					
Diversity and inclusion objectives	√																																				
Internal audit and compliance objectives	√																																				
Individual/personal scorecard objectives (aligned to team and business performance which include safety, customer service, leadership and other role-based metrics)	√																																				
Further details on the use of economic profit ("EP") in the STI was requested	<ul style="list-style-type: none"><li>◦ EP is fundamentally linked to ROIC (in fact, the underlying components of ROIC and EP are the same – being Net operating profit and Invested capital) and measures the value accretion or destruction of a business relative to its total cost of capital. We therefore believe that both EP and ROIC are better measures of value as they evaluate the economic value creation over time rather than accounting profits, and there is a positive correlation between economic profit and total shareholder returns.</li><li>◦ We appreciate that the various elements to this measure may make recalculation complex, and we have included more definitions of the respective elements thereof in our financial statements.</li></ul>																																				

## REMUNERATION REPORT CONTINUED

SHAREHOLDER CONCERNS	OUR RESPONSES
<b>REMUNERATION POLICY</b>	
Details around targets for diversity and inclusion measures in the STI were requested	<ul style="list-style-type: none"> <li>Diversity and inclusion (D&amp;I) targets are based on the attainment of specific workforce targets (gender and race) which are set at Group and Divisional level in relation to South Africa's Economically Active Population (EAP) or with reference to Localisation targets in countries outside of South Africa.</li> <li>Targets are focused on improving diversity at middle, senior and executive levels (grade 11 and above).</li> <li>The targets set and the achievement against same are annually approved by the Sustainability, Ethics, and Transformation Committee (SETC).</li> <li>In line with our past practice, the outcomes against the targets set are disclosed in section 3 of this report. Shareholders are also referred to our Social and Ethics report, pages 192 to 193 for a detailed discussion on our D&amp;I measures.</li> <li>The manner in which these aspects are used in the calculation of the STI is included in section 3 of the report.</li> </ul>
In terms of the use of EAP in determining gender targets, a suggestion was made for Barloworld to consider using 50/50 as EAP puts females at a disadvantage, as women are generally not economically active	<ul style="list-style-type: none"> <li>As explained above, EAP is used as reference for setting base D&amp;I targets in South Africa. However, the company has more stringent targets for female representation for the Group and each of the Divisions e.g. for 2020, the gender representation target was focused on ensuring that 40% of all employees at middle management and above (grade 11 and above) are female.</li> <li>The 40% gender target was achieved in March 2020 when 41% of employees at this level were female. It is therefore pleasing to report that this achievement and our commitment to D&amp;I was recognised at the 2020 8th Gender Mainstreaming Awards through the following awards: <ul style="list-style-type: none"> <li>Investing in Young Women</li> <li>Women Empowerment in the Workplace (JSE-listed company as well as OVERALL winner in this category)</li> <li>Gender Mainstreaming Champions for 2020</li> </ul> </li> <li>For the years up to 2022, the company is targeting at least 50% female representation at grade 11 and above. In essence, there is a separate and more stringent target for females.</li> </ul>
The use of RoIC, RoE and economic profit was questioned. The concern was whether these measures are driving suboptimal capital allocation decisions. Remco was requested to consider including terms that reward/penalise management if planned corporate transactions destroy value	<ul style="list-style-type: none"> <li>The utilisation of economic profit within our incentive scheme design safeguards shareholder value through the utilisation of targets which require that any capital allocation decisions are accretive in nature. Please refer to the targets set out in section 2.</li> <li>The board is considering the ROIC calculation methodology in light of shareholder commentary raised, with a view to ensuring that the selected methodology reflects an accurate assessment of capital invested vs the current value of the asset base, and that it rewards management on the correct basis, for the correct behaviours.</li> </ul>
Disclosure of the constituents used in total remuneration benchmarking was requested	The comparator list of companies used to benchmark both executive remuneration and non-executive director fees was shared with shareholders. The Remco also reviewed the list during the year under review in line with our policy to review same at least every two years. The revised comparator list of companies which we will reference going forward is disclosed in section 2 of this report.
Detail was asked on the remuneration impact of the B-BBEE deal on executives	<p>The Khula Sizwe BBEE scheme was established to enable black South Africans to own a stake in a significant property company. The financial details are disclosed in full in the company's financial statements (refer to note 39).</p> <p>Executives do not have any preferential treatment in terms of how they participate in the scheme as their participation allocations are proportionate relative to all other participants in the scheme.</p>
Clarification was sought on how the board is managing the conversations when it comes to executive's vested interests, and the fact that property fundamentals have changed with rentals unlikely to even come close to the 8% rental escalation basis for the Khula Sizwe B-BBEE scheme. Specific reference was made on what criteria is used to manage the structure of the loan when executives leave and whether Barloworld would continue to provide security for the loan structure	<ul style="list-style-type: none"> <li>The Khula Sizwe B-BBEE scheme has its own board and takes decisions independently of the Barloworld executives and board.</li> <li>An executive's termination of employment does not affect the loan as the loan is not made to individuals but to the scheme's Management Trust as a whole and Barloworld has guaranteed the payment of the lease premiums for the 10-year lease period.</li> </ul>

## REMUNERATION REPORT CONTINUED

SHAREHOLDER CONCERNS	OUR RESPONSES
REMUNERATION POLICY	
<p>Information regarding the company's view on pay gap disclosure in light of the pending company's Amendment Bill 2019 which will impact on pay gap disclosure requirements. The company was also encouraged to consider disclosing gender pay gaps</p>	<ul style="list-style-type: none"> <li>◦ In line with our fair and responsible pay commitments, the Remco annually reviews the company's pay gaps in order to ensure that executive remuneration is managed appropriately in relation to the remuneration of general employees. We also monitor actions taken to ensure that any existing gaps are addressed.</li> <li>◦ The company does not yet disclose its pay gaps as there is currently no consistent basis in the market for reporting same. The company is, however, willing to disclose pay gaps, including gender pay gaps, once a consistent method for doing so is available.</li> </ul>
<p>A suggestion was made that share schemes should ideally align with ultimate strategy delivery ambition as well as shareholder interests. Dividends should also vest at five years based on the delivery of agreed outcomes</p>	<ul style="list-style-type: none"> <li>◦ The company's share schemes are designed to drive outperformance with more value created for the achievement of above target performance. Awards made in terms of the Conditional Share Plan (CSP) for executives, which was approved by shareholders at our last AGM vest in three years and have a further two-year lock-in/holding period to ensure longer term commitment towards the achievement of stringent strategic delivery outcomes. This results in a total lifespan of awards of five years, which is long compared to the South African market norm of three years.</li> <li>◦ In addition to the above, executives are encouraged to build up and hold shares that vest in order to maintain the appropriate qualifying interest in terms of the company's Minimum Shareholding Requirements policy (refer to section 2 and 3 of the report for further information). This ensures longer term exposure to the share price, and thus, to the delivery of the strategic ambition.</li> </ul>
IMPLEMENTATION REPORT	
<p>The attraction and retention award to the incoming Group Finance Director (FD) was questioned</p>	<p><b>Group FD Award explanation</b></p> <p>We appreciate that the disclosure in our 2019 report was not clear enough. We have since discussed this with shareholders and elaborated on the quantification of the award.</p> <p>We confirmed that the following corporate governance measures are in place in respect of the sign-on award (see definition below) made to the Group FD and for all other employees who participate in the scheme</p> <ul style="list-style-type: none"> <li>◦ Performance requirements – The amount paid may be withdrawn and/or full award may be repayable if the participant does not meet the agreed performance standards that include delivery against financial and non-financial targets per the company's balanced scorecard-based performance management approach.</li> <li>◦ Repayment liability – Should the Group FD or any participant resign or be dismissed from Barloworld during the retention period, he/she will become liable for repayment of all milestone amounts paid. The amount to be repaid is equal to the gross amount/s paid, i.e. before the deduction of tax.</li> <li>◦ Malus and Clawback – The entire award is subject to Malus and Clawback in line with our standard policy.</li> </ul> <p><b>Policy changes</b></p> <p>As a result of shareholder feedback, we decided to review our Attraction and Retention Policy and adopt a clearer Replacement policy (details in section 2), wherein we have clarified that:</p> <ul style="list-style-type: none"> <li>◦ A sign-on award may be negotiated with a critical or scarce skilled new joiner as a replacement award, in certain limited circumstances where the candidate: <ul style="list-style-type: none"> <li>• stands to forfeit a bonus with the previous employer payable within six months;</li> <li>• stands to forfeit shares/options with the previous employer which vest within three to six months; and/or</li> <li>• has a cash buy-out for obligations they have to repay to their previous employer (e.g. bursary, lock-in, maternity).</li> </ul> </li> <li>◦ For senior and executive level employees of grade 15 and above, all replacement awards linked to bonuses or LTIs will be made in shares subject to performance conditions under the applicable LTI scheme and our Malus and Clawback policy.</li> <li>◦ The Remco will apply a proportional approach to the replacement policy and will keep the cost to a minimum by ensuring that the realistic value of rewards forfeited by changing employer are not exceeded.</li> </ul>





# Remco governance and planned future actions

## ACTIVITIES OF THE REMCO IN 2020

The Remco has, during the year under review and since the year-end, complied with its obligations as reflected in its Terms of Reference, a copy of which can be found on our website at [www.barloworld.com](http://www.barloworld.com). The Remco also complied with the provisions of King IV guide on remuneration governance and JSE Listings Requirements.

The Remco met on five occasions during the financial year under review, i.e. 2020 (4 December 2019, 11 February 2020, 17 April 2020, 13 May 2020 and 22 September 2020) and once (11 November 2020) in the 2021 financial year. Below is a summary highlighting the committee's key considerations at these meetings.

### EXECUTIVE REMUNERATION

- The outcome of the annual review of the remuneration policy and system was considered and the updated policy was approved. The principles under the following headings of the policy were either clarified, enhanced or added in line with feedback received from shareholders:
  - Fair and responsible pay
  - Benchmarking
  - Replacement and retention awards
  - Remuneration management and oversight
  - Minimum Shareholding Requirements
  - Malus and Clawback
- The cost-saving measures referred to above, were approved.
- The Remco approved a proposal to reinstate salaries of affected employees, including executives, to normal, recommence pension fund contributions and resume retention scheme payments to current participants, with effect from 1 December 2020 as opposed to 1 May 2021.
- Executive director remuneration benchmarks conducted with reference to the company's Willis Towers Watson grading system and to the revised comparator group which indicated a general alignment of executive pay to the market, were noted. In line with the company's cost containment strategy, no general annual increases were awarded.

### SHORT-TERM INCENTIVES (STIs)

- The report on the STI mechanics for middle management and below (grades 14 and below) employees was noted.
- The Remco noted that no changes were made to the STI scheme principles for senior management (grade 15 and above), including executives. There was no restatement of the 2020 STI metrics and targets despite the impact of COVID-19.
- As outlined above, the Remco considered the STI outcomes for the year under review and decided not to award STI payments for employees, including executives, in southern Africa.
- The STI scheme's targets for 2021 were approved. The targets were designed with due consideration of the 2021 budget which took the impact of COVID-19 into account as well as FY2019 pre-COVID-19 results.



### LONG-TERM INCENTIVES (LTIs)

- The performance conditions for the **2018** FSP and SAR awards were reviewed. These resulted in a zero-percentage vesting for these awards.
- The 2020 awards of FSP and CSPs were approved and awarded as normal in March 2020 i.e. before the impact of COVID-19.
- The Remco normally approves LTI awards at its February meeting. However, the 2021 award values of FSP and CSPs were approved at the November 2020 meeting. Although considered during the company's closed period, the approved award values were settled with no changes after the closed period. This date change, which shall apply for all future awards, was necessary to address the administration challenges experienced when awards are approved close to the March half-year period as settlement thereof is done through normal market purchase after Remco's approval.



### NED FEES

- As indicated above, a decision to reduce non-executive director fees by 25% for a period of three months from May 2021 was taken.
- In light of the continued focus on cost containment and to align non-executive directors to executives, no increase in non-executive director fees was approved for the 2021 financial year.
- Non-executive director remuneration, which had been benchmarked against the revised comparator list was noted.
- Barloworld is in the process of reviewing its non-executive director fee policy. The draft policy sets out the principles and rules governing the responsibilities, fees and reimbursements paid to the company's non-executive directors for executing their duties and responsibilities as members of the board and its various committees. The draft policy was noted and will be considered further at the next meeting.
- The combination of the risk and audit committees into one committee necessitated a new fee structure for the combined committee members and chairperson. This will be presented for shareholder approval at the forthcoming AGM.
- The recommendation to pay per project ad hoc fee to members of any new sub-committee established as a result of exceptional circumstances was agreed and will be presented to shareholders at the forthcoming AGM. This is considered necessary as from time to time the board may, in exceptional circumstances, be required to establish a separate ad hoc sub-committee of the board to meet formally on projects requiring additional attention. The chairperson and members of the ad hoc committee will qualify for the ad hoc retainer fee per project. The fee is per project, irrespective of the duration of the project. Further details are disclosed in the Notice of AGM.

### SUCCESSION PLANNING

- There were no executive director or prescribed officer movements during the year under review.
- The Remco noted management's commitment to ensure that succession plans were reviewed and managed continuously to ensure a strong bench of potential successors for senior management and executive roles.

### ADDITIONAL MATTERS

- The new CSP approved by shareholders at the last annual general meeting was implemented.
- A pay gap analysis report and management's initiatives to correct these were noted. The Remco will continue to monitor the effectiveness of the corrective actions presented.
- A Minimum Shareholding Requirements policy was adopted and implemented.
- An update to the Malus and Clawback policy was approved.
- A job evaluation and grading policy was considered and approved for implementation across the Group.
- The Attraction and Retention policy was replaced by a clearer policy on Replacement awards.

### REPORTING TO SHAREHOLDERS

- Outcomes of shareholder engagements and feedback were shared as above.
- The remuneration report which forms part of the company's integrated report was approved.

### REMCO ADVISORS

PricewaterhouseCoopers (PwC) are the independent advisors to the Remco and attend meetings in an advisory capacity.

PE Corporate Services (now Willis Towers Watson) also assisted management and Remco with remuneration benchmarking matters.

The Remco is satisfied that in rendering their services, the advisors were at all times independent and objective. The advisors attended relevant Remco meetings during the year under review.

I would like to thank the board, the Remco members, Remco advisors and Management for their support and efforts during the year and we are looking forward to your support at the upcoming AGM.



Michael D. Lynch-Bell

**Chairman: Remuneration committee**

14 December 2020

### FUTURE FOCUS AREAS

As far as future actions are concerned, we will continue to monitor the effectiveness of the remuneration policy and system with particular focus on:

- Containing fixed remuneration costs.
- Ensuring that there is an appropriate mix between short and long term variable pay. This will include reviewing any retention based aspects of the company's long term schemes to ensure alignment to market practice.
- Monitoring progress against variable pay performance conditions to ensure that any potential windfall gains due to targets designed in light of COVID-19 are managed, including by applying Remco's discretion to adjust payouts downwards at the end of the performance period, if required.
- Monitoring progress against actions taken to close pay gaps.
- Reviewing succession plans to mitigate talent risks.



14



SECTION 2: REMUNERATION POLICY

The company's remuneration policy is provided below:

REMCO TERMS OF REFERENCE

The Remco assists the board in discharging its remuneration-related oversight responsibilities and operates in line with its Terms of Reference which should be read in conjunction with this Policy.

SHAREHOLDER ENGAGEMENT

Active shareholder engagement is viewed as a critically important aspect. As a result, the Remco engages regularly with shareholders to obtain feedback on the remuneration report and their views on the company's remuneration policy and practices as part of its efforts to ensure transparent, fair and responsible remuneration.

The Remco is responsible for the annual review and approval of the remuneration policy and the implementation report which form part of the company's annual integrated report. The remuneration policy and implementation report are put to separate non-binding advisory votes at the company's AGM. In the event that either the policy and/or implementation report is voted against by 25% or more of the voting rights exercised, the Remco will actively engage with shareholders and report back on the outcomes thereof and on any corrective measures taken.

FAIR AND RESPONSIBLE REMUNERATION

The company takes proactive steps to realise the principle of fair and responsible remuneration. A key principle of the remuneration policy is that all employees should receive remuneration that enables effective participation in the economy. The Remco also considers executive remuneration against the remuneration of all employees across the company to ensure fair and responsible pay. Pay gaps are tracked and managed through relevant measures of income dispersion. Such measures are interpreted in context by considering factors such as the Group or each Division's industry, business models, organisational maturity etc. The Remco oversees the effectiveness of actions taken to, reduce historic inequality and improve the living standards of the lowest-level employees.

The company strives to ensure compliance with legislation governing equal pay for work of equal value. In South Africa, annual pay audits are conducted in terms of the Code of Good Practice on Equal Pay for Work of Equal Value under the Employment Equity Act 1998. Outcomes are used as reference for corrective actions as outlined above.

In addition to the above, the remuneration policy framework aligns with the company's efforts to build a diverse and inclusive workforce that achieves sustainable business outcomes. As a responsible corporate citizen, proud of its history and commitment to diversity and inclusion, the company devotes the necessary focus towards ensuring gender equity and has made great progress, especially at senior management levels.

AUTHORITY LEVELS

The Remco acts under delegated authority of the board to determine and set remuneration levels, except for the fees payable to non-executive directors, which are subject to the approval of shareholders at the AGM. The authority levels are set out below:

	CEO	REMUNERATION COMMITTEE	BOARD	SHAREHOLDERS
Remuneration policy including incentive plans and provisions applicable to group-wide employees	Proposal	Approval		
Executive director remuneration (excluding Group CEO)	Proposal	Recommendation	Approval	
Group CEO		Proposal	Approval	
Prescribed officer remuneration	Proposal	Approval	Noting	
Other Group executives' remuneration (excluding Group CEO)	Proposal	Approval	Noting	
Performance target setting and assessment	Proposal	Approval	Noting	
Remuneration report	Proposal	Approval	Recommendation	Endorsement
Non-executive director remuneration	Proposal		Recommendation	Approval

REMUNERATION PHILOSOPHY AND APPROACH AND LINK TO STRATEGY

Barloworld's remuneration philosophy is informed by its belief that people perform at their best within an environment that encourages continuous improvement, acknowledges ethical behaviours and great results. The company is therefore committed to creating a safe and enabling environment that empowers employees to delight customers and inspire a world of difference as they develop and grow their careers. The company's holistic approach to remuneration reflects its commitment as shown in the figure below:



In addition to the above, pay for performance principles apply per the company's performance management processes to encourage the high performance necessary for the achievement of our ambition of sustainably doubling the intrinsic value created. This ambition is underpinned by the following strategic objectives which are particularly used as reference for the variable pay metrics reflected in the table below:

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

	STI	LTI – (FSP and CSP)
Deliver top quartile shareholder returns		
Return on equity (ROE)	√	
Return on invested capital (ROIC)	√	√
Headline earnings per share (HEPS)	√	√
Drive profitable growth		
Economic profit (EP)	√	
Free cash flow (FCF)	√	√
Instill a high performance culture		
Diversity and inclusion objectives	√	
Internal audit and compliance objectives	√	
Individual/personal scorecard objectives (aligned to team and business performance which include safety, customer service, leadership and other role-based metrics)	√	

OBJECTIVES

The remuneration policy contributes towards the achievement of Barloworld's ambition through:

- Defining competitive remuneration parameters for attracting, motivating, and retaining top talent in line with the company's performance imperatives, affordability and long term strategy.
- Rewarding for value created in a way that ensures alignment to the interests of all stakeholders.
- Ensuring adherence to all applicable regulatory requirements and corporate governance guidelines.
- Enabling Remco to execute its mandate.

KEY REMUNERATION ELEMENTS

Barloworld's remuneration comprises:

Guaranteed pay	
ELEMENT	POLICY PRINCIPLES
<div></div> <div>TOTAL GUARANTEED PACKAGE (TGP)</div> <div></div>	<ul style="list-style-type: none"><li>◦ The total guaranteed pay (TGP) comprises basic salary and benefits which may include all types of leave, retirement schemes, medical benefits, car allowances, risk benefits etc.</li><li>◦ The company's defined market position for TGP is at the 50th percentile or median of the South African national market or the regional markets in which it operates.</li><li>◦ Benchmarks are conducted annually as a reference for salary review budgets and adjustments.</li><li>◦ In the case of executives, salary reviews are informed by affordability, inflation, compa-ratio and performance.</li><li>◦ Remco approves salary review outcomes for all Group executive employees.</li></ul>
Benefits	
<div></div> <div>BENEFITS</div> <div></div>	<ul style="list-style-type: none"><li>◦ Subject to local competitive practice and legislation, the company provides additional elements of compensation that include retirement and medical aid benefits.</li><li>◦ In addition to the above, the company provides life assurance, accidental death and dismemberment cover and disability and income protection insurance.</li><li>◦ Employee benefits are subject to each local country of operation's tax and employment legislation.</li></ul> <p><b>Retirement schemes</b></p> <ul style="list-style-type: none"><li>◦ The basic annual pensionable earnings (on which contributions to certain benefit funds are based) is calculated as a percentage of TGP. The overall tax-deductible limit that applies to all retirement schemes that an employee contributes to is as per the legislation of that country.</li><li>◦ Employee and employer contributions vary depending on the fund to which employees belong.</li><li>◦ Some of the retirement schemes also include risk benefits cover such as death and disability.</li></ul> <p><b>Medical benefits</b></p> <ul style="list-style-type: none"><li>◦ The medical aid funds vary depending on jurisdiction, divisional company and legislation.</li></ul> <p><b>Other</b></p> <ul style="list-style-type: none"><li>◦ The multiples of salary for life assurance, accidental death, disability and income protection insurance vary.</li></ul> <p><b>Relocation allowances</b></p> <ul style="list-style-type: none"><li>◦ Allowances are only paid if contractually agreed.</li></ul> <p><b>Post-retirement benefits</b></p> <ul style="list-style-type: none"><li>◦ It is not Barloworld policy or practice to provide post-retirement benefits.</li></ul>



## Variable pay – Short Term Incentives (STI)

### ELEMENT

### POLICY PRINCIPLES



### STI PLAN

The STI rewards short term performance through an annual incentive calculated as a percentage of basic salary. STI metrics and targets are approved annually by the Remco.

#### STI for senior management and executives (grade 15 and above)

- The STI is performance-based and measured against pre-determined objectives aligned to the grade and specific role of each participant.
- STIs are paid annually subject to performance and after sign-off by external audit of the financial results of the company as well as Remco's approval.

#### STI balanced scorecard categories and weightings

- The performance scorecard categories and weighting guidelines for executive participants for the 2021 year are as follows:

	STI WEIGHTING FOR DIVISIONAL CEOS %	STI WEIGHTING FOR GROUP/EXECUTIVES %
Individual/Personal Scorecard	20	35
Internal audit and compliance	10	–
Diversity and Inclusion ("D&I")	20	10
Divisional financials	20	–
Group financials	30	55
<b>Total</b>	<b>100</b>	<b>100</b>

#### Financial metrics:

- The Group and divisional STI financial metrics and weightings are as follows:

	GROUP FINANCIALS (%)	DIVISIONAL FINANCIALS (%)
Economic Profit (EP)	30	35
Free Cash Flow after interest (FCF)	30	35
Return on Equity (ROE)	25	–
Return on Invested Capital (ROIC)	–	30
Headline Earnings per Share (HEPS)	15	–
<b>Total</b>	<b>100</b>	<b>100</b>

#### Financial multiplier:

- At least one financial metric must achieve threshold before the STI pays. This prerequisite, which is in the form of a financial multiplier curve, escalates at an increasing rate between threshold and target and at a higher rate between target and outperformance. This ensures that the STI remains self-funding.

#### Non-financial metrics:

The STI non-financial metrics are as follows:

- Diversity and inclusion objectives are based on the attainment of specific workforce diversity and inclusion targets (gender and race).
- In South Africa targets are set in relation to the country's EAP at Group and divisional level while localisation is referenced for countries outside South Africa.
- Targets are approved and delivery against same monitored by the sustainability, ethics, transformation committee (SETC) and Remco.
- Internal audit and compliance objectives are based on the attainment of specific internal control and compliance that are approved by the audit committee.
- Individual/personal scorecard metrics are aligned to team and business performance and include Barloworld Business Systems (BBS), safety, customer service, leadership, and other role-based non-financial elements.

#### STI targets:

- Targets for the year under review and achievements for the financial and non-financial metrics are detailed in the implementation section.

# Variable pay – Short Term Incentives (STI) continued

## ELEMENT

## POLICY PRINCIPLES



## STI PLAN

No  
proposed  
changes

### STI Cap and formula:

- The STI is capped at 200% of annual basic salary for the Group chief executive officer and 175% for other executives (including executive directors and prescribed officers). The full STI calculation formula is included in the implementation section.

### STI earning levels:

- The percentage of basic salary paid relative to achievement against targets (threshold, target and outperformance) is as follows:

#### For the Group CEO:

SCORECARD ELEMENTS	THRESHOLD %	TARGET %	OUTPER- FORMANCE %
% of STI based on financial targets (Group)	–	27.5	55
% of STI based on personal scorecard objectives	–	17.5	35
% of STI based on diversity objectives	–	5.0	10
<b>Sub-total</b>	–	<b>50.0</b>	<b>100</b>
Financial multiplier	–	105	100
STI Cap	200	200	200
<b>Total STI%</b>	–	<b>105.0</b>	<b>200</b>

#### For the Group FD:

SCORECARD ELEMENTS	THRESHOLD %	TARGET %	OUTPER- FORMANCE %
% of STI based on financial targets (Group)	–	27.5	55
% of STI based on personal scorecard objectives	–	17.5	35
% of STI based on diversity objectives	–	5.0	10
<b>Sub-total</b>	–	<b>50</b>	<b>100</b>
Financial multiplier	–	105	100
STI Cap	175.0	175	175
<b>Total bonus</b>	–	<b>91.9</b>	<b>175</b>



#### For the Prescribed Officers:

SCORECARD ELEMENTS	THRESHOLD %	TARGET %	OUTPER- FORMANCE %
% of STI based on Group financial targets	–	15.0	30.0
% of STI based on Divisional financial targets	–	10.0	20.0
% of STI based on personal scorecard objectives (including safety)	–	10.0	20.0
% of STI based on Internal audit and compliance objectives	–	5.0	10.0
% of STI based on diversity objectives	–	10	20.0
<b>Sub-total</b>	–	<b>50</b>	<b>100</b>
Financial multiplier	–	105	100
STI Cap	175.0	175	175
<b>Total bonus</b>	–	<b>91.9</b>	<b>175</b>

### Malus and Clawback:

- STIs are subject to a Malus and Clawback policy.

## Variable pay – Short Term Incentives (STI) continued

ELEMENT	POLICY PRINCIPLES
 <p><b>STI PLAN</b></p> 	<p><b>STIs for middle management and below (grade 14 and below)</b></p> <ul style="list-style-type: none"> <li>Due to the diversified nature of the business, each of the divisions have their own bonus or 13th cheque scheme for employees at grade 14 and below (middle management and below in operational levels). These details are in the Remuneration and Reward policies of the respective divisions.</li> <li>The payment of Divisional bonus plans is subject to the same business financial performance conditions at all levels.</li> <li>Participation in the Divisional bonus or 13th cheque scheme for grade 14 and below employees is at the relevant division's Remco's discretion (or as per formal agreements with bargaining councils and/or unions for unionised staff).</li> </ul>

### 2021 STI targets

The 2021 financial objectives were designed with reference to the expected economic recovery taking into account the 2021 approved budget as well as FY2019 pre-COVID-19 results. The company's 2021 targets are as follows:

Metric (Pre-IFRS 16)	Threshold	Target	Outperform
<b>Economic Profit (million)</b>			
Equipment southern Africa	(R943)	(R365)	R33
Equipment Russia	\$2.3	\$6.4	\$9.4
Equipment Mongolia	(\$10.9)	(\$10.5)	(\$10.2)
Automotive & Logistics	(R1 097)	(R544)	(R149)
Logistics	(R206)	(R124)	(R41)
Ingrain	(R288)	(R258)	(R227)
<b>Group</b>	<b>(R2 897)</b>	<b>(R1 636)</b>	<b>(R428)</b>
<b>HEPS (cents)</b>			
<b>Group</b>	<b>(96)</b>	<b>536</b>	<b>1 167</b>
<b>Free cash flow (million)</b>			
Equipment southern Africa	R618	R940	R1 330
Equipment Russia	\$24.4	\$31.5	\$39.1
Equipment Mongolia	\$7.9	\$9.9	\$11.9
Automotive & Logistics	R773	R1 138	R1 571
Logistics	R78	R127	R188
Ingrain	R342	R428	R513
<b>Group</b>	<b>R1 623</b>	<b>R2 708</b>	<b>R4 064</b>
<b>ROE (%)</b>			
<b>Group</b>	<b>(1.9)</b>	<b>4.2</b>	<b>10.7</b>
<b>ROIC (%)</b>			
Equipment southern Africa	3.4	9.2	14.1
Equipment Russia	14.3	16.3	18.1
Equipment Mongolia	5.0	5.9	6.6
Automotive & Logistics	1.4	6.7	11.8
Logistics	0.4	5.4	10.3
Ingrain	7.8	8.4	9.1
<b>Group</b>	<b>0.7</b>	<b>6.8</b>	<b>12.0</b>

Sales incentive schemes

ELEMENT

POLICY PRINCIPLES



- Barloworld runs commission structure schemes for employees in sales roles.
- The details of each scheme are outlined in the respective Divisional Remuneration policies.

SALES  
INCENTIVE  
SCHEMES

No  
proposed  
changes



## Variable pay – Long Term Incentives (LTI)

### ELEMENT

### POLICY PRINCIPLES



### LTI PLAN

- LTIs drive the alignment of management and shareholder interests through long term plans that have both performance and retention conditions. LTI performance metrics and targets are approved annually by the Remco.
- In countries where local conditions do not support the granting of share-based awards, the LTI scheme is replaced with a deferred bonus scheme.

#### Instruments

##### LTIs for executives (grade 19 and above):

Executives participate in two share plans, namely the Conditional Share Plan (CSP) and the Forfeitable Share Plan (FSP):

- The CSP is structured as conditional rights to shares which will vest and be settled after the satisfaction of employment and performance conditions. Dividend equivalents in the form of shares will be settled at the end of the CSP vesting period – meaning participants will get an additional number of shares, based on the value of dividends over the three-year vesting period for the number of vested shares. The purpose of the CSP is to drive out-performance over the long term and stretching performance conditions with commensurately larger vesting levels therefore apply.
- The FSP is structured as restricted shares and employees are therefore the owners of the shares and will get all shareholder rights from award date onwards. Performance and retention awards are made under the FSP.

The LTI opportunity is made up of 70% CSP awards and 30% FSP, which in turn comprises 25% retention awards and 75% performance awards. The LTI is therefore heavily weighted towards performance (92.5% of the total award).

##### LTIs for senior management below executive level (grade 15 to 18):

These employees participate in the FSP only and receive an equal mix of performance (50%) and retention awards (50%).

#### Award levels

The Remco annually approves the quantum of awards to be made, the performance targets and the mix of instruments to be granted to eligible participants. Award levels are based on the participant's job grade. During 2020, the award methodology changed from awarding on expected value to awarding on face value in line with market practice.

The maximum award for any financial year is capped at a competitive percentage of total guaranteed pay, with maximums as follows for Group executives:

	GRADE	CSP	FSP PERFORMANCE	FSP RETENTION	TOTAL FACE VALUE AS A % OF TGP
Group CEO	23	93%	30%	6%	129%
Group FD and Prescribed officers	20	70%	22.5%	4.5%	97%
Other Group executives	19	58%	19%	4%	81%

#### Performance measures, targets, and vesting levels

Each metric has a target that is tested separately (see table overleaf). This means that the awards with performance conditions only vest to the extent that the performance conditions have been met.

If the relevant target is not achieved, the awards do not vest on the vesting date and lapse. Where an award or a portion thereof lapses, the employee loses all entitlement and rights to those shares.



## Variable pay – Long Term Incentives (LTI) continued

### Target setting

The targets for the 2021 long-term incentive awards were designed with reference to the uncertainty of the economic recovery post the COVID-19 pandemic and portfolio changes aligned to developments in the Group's strategy.

### FSP

◦ In line with the above, the 2021 performance targets for the performance-based FSP are as follows:

	METRIC	WEIGHTING	THRESHOLD	TARGET	STRETCH
	HEPS	25%	CPI growth rate per annum	CPI + 2% growth rate per annum	
FSP	FCF	35%	EBITDA FCF conversion – 40%	EBITDA FCF conversion – 50%	N/A
	ROIC	40%	10%	13%	

### Linear vesting levels apply

BELOW						
	METRIC	WEIGHTING	THRESHOLD	THRESHOLD	TARGET	STRETCH
Total FSP retention	25% of the awards will vest provided that the participant is still employed by Barloworld at time of vesting					
FSP performance	Total		0%	22.5%	75%	
	HEPS	25%	0%	5.6%	18.8%	N/A
FSP performance	FCF	35%	0%	7.9%	26.2%	
metrics	ROIC	40%	0%	9%	30%	
	Total		25%	47.5%	100%	

### CSP

To ensure alignment at all participant levels, similar performance metrics are applicable to the CSP whose 2021 targets are reflected in the table below. Unlike the FSP, the CSP includes stretched targets commensurate with the potential maximum vesting of 250%. Value will accrue in a linear manner from above threshold up to the maximum potential vesting.

	METRIC	WEIGHTING	THRESHOLD	TARGET	STRETCH
	HEPS	25%	CPI growth rate per annum	CPI + 2% growth rate per annum	CPI + 4% growth rate per annum
CSP	FCF	35%	EBITDA FCF conversion – 40%	EBITDA FCF conversion – 50%	EBITDA FCF conversion – 60%
	ROIC	40%	10%	13%	16%

Variable pay – Long Term Incentives (LTI) continued

At threshold performance, there will be no vesting of CSP awards. However, above this level of performance, value will accrue in a linear fashion, up to the maximum potential vesting of 250% of the allocation quantum, for stretch performance.

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD	TARGET	STRETCH
ROIC	40%	0%	12.0%	100.0%
FCF	35%	0%	10.5%	87.5%
HEPS	25%	0%	7.5%	62.5%
Total		0%	30.0%	250.0%

Vesting periods

FSP and CSP awards vest after a three-year period. Furthermore, in the case of the CSP, a two-year post-vesting holding period in which trading will be prohibited, applies. This will contribute to the satisfaction of Minimum Shareholding Requirements (“MSR”).

Dilution limit

Awards are settled by market purchase. The limit is 5% (up to FY19 the limit was 10%) of issued share capital between the CSP and FSP.

The individual limit is 1% of issued shares between the CSP and FSP.

Malus and Clawback



Malus will be applied throughout the vesting and holding period for the CSP (i.e. throughout the five-year period), and throughout the three-year vesting period of the FSP. Clawback will be applied for three years after the holding period of the CSP (i.e. years six to eight), and for three years after the vesting date of the FSP.

PREVIOUSLY USED LTI

Share Appreciation Right Scheme (SAR)

The introduction of the CSP resulted in the discontinuation of the SAR. The final tranche of the awards made under the SAR scheme in February 2019 will therefore vest in tranches, with the last tranche vesting in March 2024. Full details of outstanding awards are disclosed in section 3.

## Replacement and Retention Scheme

ELEMENT	POLICY PRINCIPLES
 <b>REPLACEMENT AND RETENTION SCHEME</b> 	<p>As a result of shareholder feedback, the previous Attraction and Retention policy has been replaced with a clearer Replacement and Retention policy.</p> <p><b>Purpose of the policy</b> The policy sets out fair and consistent parameters for the limited use of the company's <b>Replacement and Retention Scheme</b> to attract and retain individuals with the strategic, critical and scarce skills required for the creation and maximisation of shareholder value.</p> <p><b>Award types</b> The company believes its regular incentives are compelling enough to attract the right talent to the business. In line with this, a replacement award is only offered in instances where a new joiner stands to forfeit incentives from a previous employer. Therefore, a sign-on cash award may be negotiated with a new joiner as a replacement award, in certain limited circumstances where the candidate:</p> <ul style="list-style-type: none"><li>◦ stands to forfeit a bonus with the previous employer payable within six months</li><li>◦ stands to forfeit shares/options with the previous employer which vest within three to six months</li><li>◦ has a cash buy-out for obligations the candidate has to repay to his/her previous employer (e.g. bursary, lock-in, maternity)</li><li>◦ possesses scarce competencies which are required by the business.</li></ul> <p>The Remco applies a proportional approach to the replacement policy to keep the cost thereof to a minimum by ensuring that the realistic value of awards forfeited by changing employer are not exceeded.</p> <p>For senior and executive level employees (grade 15 and above), replacement awards linked to bonuses or LTIs will be made in shares subject to performance conditions under the applicable LTI scheme and our Malus and Clawback policy.</p> <p>A retention award is an award to retain the services of an employee over the long term, either awarded as shares under the FSP as above and subject to our Malus and Clawback policy (preferred and routine approach) or cash (only in exceptional circumstances).</p> <p><b>Conditions</b> Awards are generally made in shares in terms of the company's existing share plans.</p> <p>Awards are subject to work-back and/or recovery agreements if set performance milestones are not achieved, and if employment is terminated. All awards are further subject to the company's normal Malus And Clawback policy.</p> <p><b>Retention period for both replacement and retention awards</b> A maximum retention period of 36 months applies.</p>

### JOB GRADING

Barloworld uses the Willis Towers Watson Global Grading methodology and structure to represent the level of compensation paid for similar positions thus ensuring internal equity and external competitiveness. Using this method, the company or executive grade is determined with reference to the following key elements:

- Business size – sales turnover
- Organisational size – employment numbers
- Type of customers and regional operations

### BENCHMARKING

Reputable surveys used provide industry differentials compared to the overall market. Macroeconomic factors are also taken into consideration when compared to market and survey information is always adjusted to take both the assumed movement in salaries and the time elapsed between the date of the survey and the date of analysis (i.e. the data is appropriately “aged” in line with macroeconomic patterns).

## REMUNERATION REPORT CONTINUED

### MARKET REFERENCE FOR EXECUTIVE DIRECTORS, PRESCRIBED OFFICERS AND NON-EXECUTIVE DIRECTORS

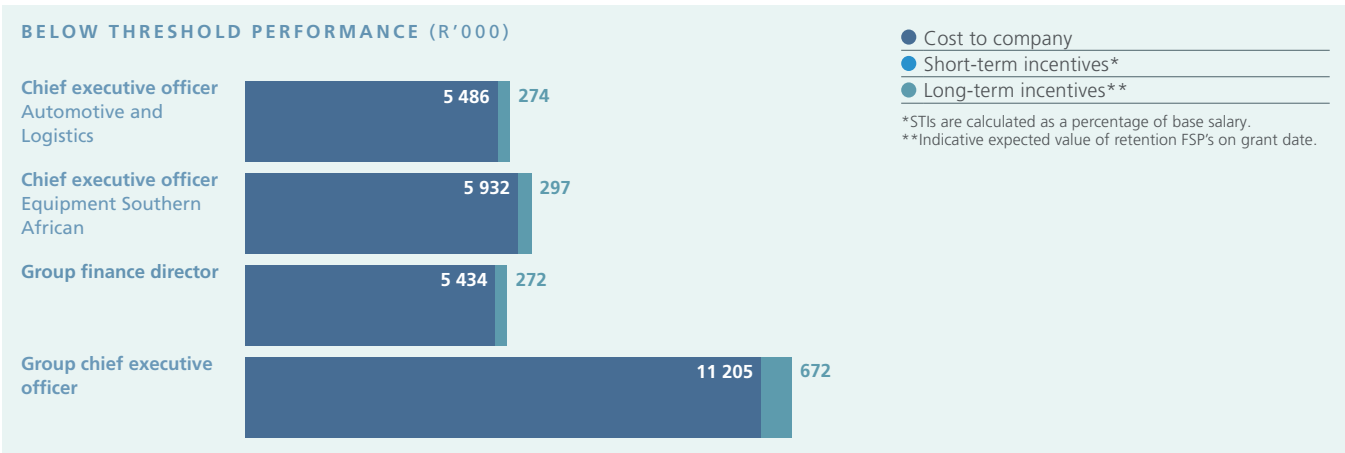
For executive directors and prescribed officers, remuneration is benchmarked using PE Corporate Services using the Willis Towers Watson grading system where a Global Grade for the Group and for each of its divisions is determined against companies in the national market (South Africa).

In addition to the above, PwC assists Barloworld with the determination of the comparator group that is used for the purposes of performing remuneration benchmarks for both executives and no-executive directors. The comparator group is assessed for appropriateness every two to three years. During the 2020 financial year, the 2018 comparator group was assessed and a new comparator group was determined. The 2020 comparator group, which was determined with reference to comparable factors such as company size, performance, nature of business and operating regions, comprises of the following JSE listed and international companies.

Aggreko Plc	Northam Platinum Ltd
AVI Ltd	Sibanye Stillwater Ltd
Bidvest Ltd	Sime Darby Berhad
Finning international Inc.	Super Group Ltd
Grafton Group Plc	Textainer Group Holdings Ltd
Grindrod Ltd	Tiger Brands Ltd
Impala Platinum Holdings Ltd	Tongaat Hulett Ltd
Kap Industrial Holdings Ltd	Trencor Ltd

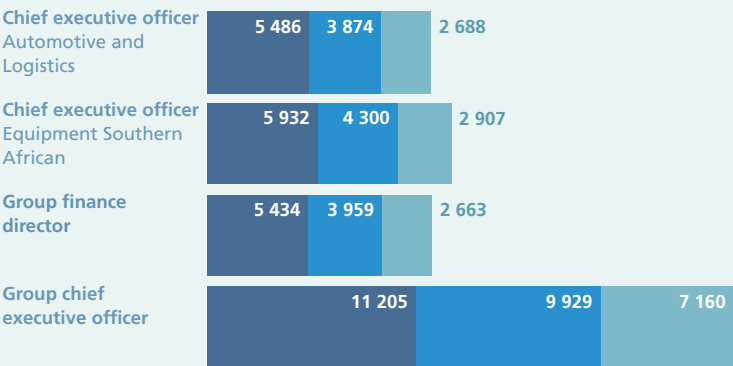
### REMUNERATION MIX

The remuneration mix is reviewed annually as part of the benchmarking to ensure continued alignment with market practice. The tables and graphs below set out the executive directors and prescribed officers potential pay mix with incentives at below threshold, at target and at stretch or outperformance:



REMUNERATION REPORT CONTINUED

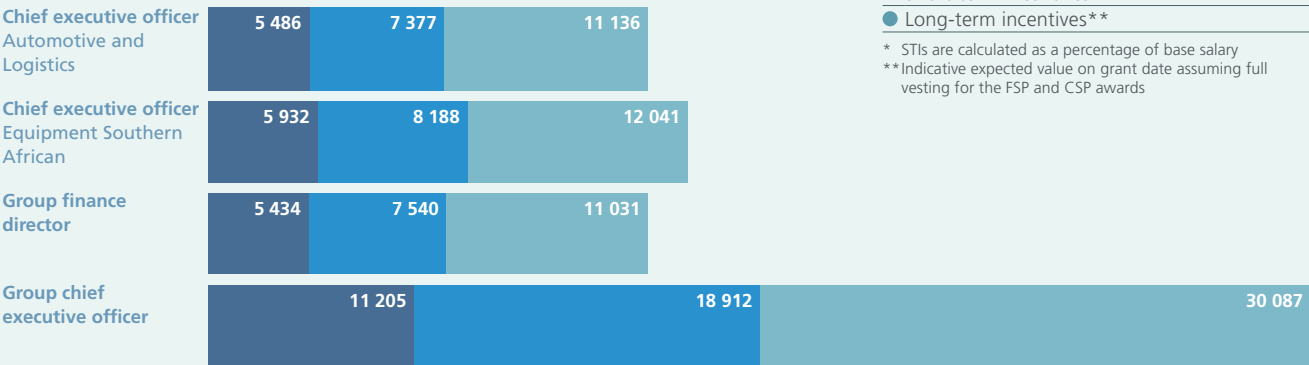
AT TARGETED PERFORMANCE (R'000)



- Cost to company
- Short-term incentives\*
- Long-term incentives\*\*

\* STIs are calculated as a percentage of base salary  
\*\* Indicative expected value on grant date of the FSP and CSP awards

AT STRETCHED OR OUTPERFORMANCE LEVEL (R'000)



- Cost to company
- Short-term incentives\*
- Long-term incentives\*\*

\* STIs are calculated as a percentage of base salary  
\*\* Indicative expected value on grant date assuming full vesting for the FSP and CSP awards

## REMUNERATION REPORT CONTINUED

### EXECUTIVE CONTRACTS

The main terms of the service contracts applicable to executive directors and prescribed officers are summarised in the table below:

SECTION	PROVISION
<b>CONTRACT TERM</b>	Indefinite – or until normal retirement age in the relevant jurisdiction.
<b>NOTICE PERIOD</b>	<ul style="list-style-type: none"> <li>◦ Nine months for the Group CEO.</li> <li>◦ Six months for other Group executives.</li> </ul>
<b>CHANGE OF CONTROL PAYMENTS</b>	<ul style="list-style-type: none"> <li>◦ Change of control provisions are covered by LTI (FSP, CSP and SAR) rules and allow for time based proportionate vesting of awards subject to applicable performance and retention conditions.</li> <li>◦ 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.</li> </ul>
<b>TERMINATION OF EMPLOYMENT GUIDELINES</b>	<ul style="list-style-type: none"> <li>◦ <b>Voluntary resignation and dismissal</b> <ul style="list-style-type: none"> <li>• STIs are forfeited, any deferred bonuses/retention scheme payments lapse, and amounts paid are recovered, vested, unvested and unexercised LTIs lapse.</li> </ul> </li> <li>◦ <b>Normal retirement</b> <ul style="list-style-type: none"> <li>• Remco has discretion to pro rata STI for period worked during the financial year.</li> <li>• Pro rata deferred bonuses/retention payments are recovered based on date of allocation/employment duration. No recovery of amounts paid for retrenched, permanently disabled and death.</li> <li>• Pro rata unvested retention FSPs based on the length of employment from date of award. Vesting is accelerated to date of termination of employment for normal retirement and on normal vesting date for early retirement.</li> <li>• Pro rata unvested performance FSP, CSP and SAR based on the length of employment from date of award. Performance conditions tested over the full performance period and vest at normal vesting dates. (In case of death, performance conditions are tested to the latest company results and immediate vesting is applied).</li> </ul> </li> <li>◦ <b>Mutual separation</b> <ul style="list-style-type: none"> <li>• All elements are subject to the Remco's considered review and approval in line with the rules of the respective schemes</li> </ul> </li> </ul>
<b>RESTRAINT OF TRADE</b>	Applicable to some executives per their employment contracts.
<b>GARDEN LEAVE</b>	During any period after notice of termination of employment has been given by either party, the company may place the executive on garden leave.
<b>OTHER BENEFITS</b>	Certain executives may be employed in terms of expatriate contracts which include typical expatriate benefits in addition to the standard benefits.

### MINIMUM SHAREHOLDING REQUIREMENTS

In line with global best practice and shareholder expectations, the company has adopted a MSR policy. The aim of the policy is to encourage all executive directors, prescribed officers and members of the Group executive committee to acquire and hold shares in the company as a means of reinforcing the alignment of interest between executives and shareholders. The executives are expected to build up and maintain a targeted qualifying interest in shares in the company over a period of five years from the date that the company approved the policy (September 2020) or when the executive is appointed in their role. The targeted qualifying interest is determined as a multiple of their Total Guaranteed Pay ("TGP") as follows:

- Group CEO: 200% of TGP
- Group FD: 150% of TGP
- Prescribed officers and executive committee members: 100% of TGP

Executives must achieve the Target Minimum Shareholding by the end of the five-year period and progress towards achieving the Target Minimum Shareholding will be evaluated annually as outlined in the policy.

In the event that the Remco is not satisfied that the executive has met the MSR or is not on track to meet the MSR, the Remco will invite the executive to provide an explanation to justify the lack of compliance with the MSR policy and also consider methods that can be adopted by the executive to ensure compliance.



## REMUNERATION REPORT CONTINUED

### MALUS AND CLAWBACK

To further align the interests of executives with those of shareholders, all variable remuneration as well as replacement and retention awards are subject to a Malus and Clawback Policy applicable to all executives and senior management employees (grade 15 and above). The right to invoke Clawback survives the cessation of an executive's employment in such capacity for a period of three years.

The Malus and Clawback Policy gives the company, through its Remco, the discretion to recoup settled and/or paid incentives (also referred to as a "Clawback") and forfeit, reduce or cancel any unpaid, unvested, unexercised and unsettled incentives (also referred to as "Malus") when trigger event(s) occur. Examples of instances where this may apply includes but is not limited to:

- gross misconduct
- loss to the company due to a breach of the Barloworld Anti-Bribery and Corruption Policy ("the ABC policy")
- where misleading financial information has been used and has influenced the incentive amount awarded and/or paid
- a material restatement of the financial statements
- a significant failure of risk management and/or controls
- a significant deterioration in the financial health
- a scenario or event which causes material reputational damage to the company

The company has the right to recover the incentive remuneration amount from the executive for a period of three years from the trigger event.

### NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

None of the non-executive directors have a contract of employment with the company. Their appointments are made in terms of the company's memorandum of incorporation (Moi) and are confirmed initially at the first AGM of shareholders following their appointment, and thereafter retire by rotation in accordance with the company's memorandum of incorporation (Moi). Non-executive directors are appointed subject to the provisions set out in a letter covering the terms of appointment, duties and responsibilities, fees and other payments, and provisions related to termination of services.

Board and committee fees are benchmarked at the market median and against a comparator group comprising JSE-listed companies, using the same comparator group used for executive directors as disclosed above.

The company's non-executive directors and board chairperson are paid based on their roles and the policy is applied using the following principles:

- A board retainer fee is paid to board members for all board meetings held during the year
- Committee retainer fees are paid to committee members for all committee meetings held during the year
- No additional fees are payable for additional meetings (in excess of scheduled meetings)
- Each director's fee is paid in arrears
- Fees are reviewed annually, and increases are implemented following approval by shareholders at the AGM. When fees are reviewed, the following is taken into consideration:
  - The level of effort required;
  - The company's affordability; and
  - The results from the annual benchmark exercise.
- The non-executive directors are not eligible to receive any STIs or LTIs
- Fees are exclusive of any value added tax (VAT) that might be applicable, depending on the individual/personal registration circumstances of a particular director
- Non-executive directors are reimbursed for travel expenses on official business, where necessary, as well as other direct business-related expenses
- With effect from 2021, a project-based fee for ad hoc committee work will be paid, full details are disclosed in the Notice of AGM

### NON-BINDING ADVISORY VOTE

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

## SECTION 3: IMPLEMENTATION REPORT

This section reflects the implementation of the remuneration policy and provides details of the remuneration paid to executives, prescribed officers and non-executive directors for the period ended 30 September 2020.



### Annual Salary Adjustments

Executive director remuneration benchmarks were conducted with reference to the company's Willis Towers Watson grading system as well as with reference to the revised comparator group reflected in section 2 of this report.

Salaries were not adjusted owing to the cost containment measures that the company had to implement to sustain the business in light of the economic impact of the COVID-19 pandemic. Cost containment initiatives taken included a remuneration sacrifice plan which was implemented for employees at executive, senior, middle and junior supervisory levels using a sliding scale. Executives took the highest total guaranteed pay (basic salary plus benefits) reduction. These measures were implemented with effect from 1 May 2020. The total average remuneration sacrifice is shown in the table below:

	Total average remuneration sacrifice, including suspended retirement fund contributions %
Group executives	25%
Senior management	21%
Middle management	18%
Junior management/supervisors	14%

- As mentioned in the background statement, the salaries of employees affected by the salary sacrifice plan and the suspension of contributions to retirement funds effected in May 2020 was originally for a period of 12 months. However, after considering various factors such as the lifting of COVID-19 restrictions, the gradual resumption of economic activity in most operating regions and increased employee retention risks, Remco approved a proposal to re-instate salaries to normal and recommence pension fund contributions, effective from 1 December 2020.

### STI Outcomes

#### STI WEIGHTINGS

In line with the company's performance management principles which enable the company to drive the achievement of key business imperatives through appropriate scorecard weightings, the 2020 scorecard weightings (see table below) were designed to ensure effective achievement of measurable metrics in the respective elements of the balanced scorecard. The individual section was particularly enhanced to accommodate additional metrics relating to the implementation of the company's Barloworld Business Systems (BBS).

	STI weighting for Divisional CEOs	STI weighting for Group/BCO Executives
Individual/Personal Scorecard	20%	35%
Internal audit & compliance	10%	0%
Diversity and inclusion ("D&I")	20%	10%
Divisional financials	20%	0%
Group financials	30%	55%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## REMUNERATION REPORT CONTINUED

### STI Outcomes continued

#### PERFORMANCE AGAINST FINANCIAL TARGETS

The performance against the financial targets for FY2020 was as follows:

Metric	Threshold	Target	Outperform	Actual	% STI vesting outcome
<b>Economic Profit (million)</b>					
Equipment southern Africa	R52	R265	R573	(1 017)	0.0%
Equipment Russia	\$12	\$15	\$19	0.3	0.0%
Automotive & Logistics	R55	R133	R322	(644)	0.0%
Logistics	(R10)	R0	R10	(358)	0.0%
<b>Group</b>	<b>(R145)</b>	<b>(R37)</b>	<b>R254</b>	<b>(3 133)</b>	0.0%
<b>HEPS (cents)</b>					
Group	1 100	1 182	1 265	(510)	0.0%
<b>Free cash flow to firm after interest (million)</b>					
Equipment southern Africa	R1 599	R1 999	R2 498	3 315	100.0%
Equipment Russia	\$25	\$31	\$44	46.0	100.0%
Automotive & Logistics	R1 785	R2 695	R3 653	1 518	0.0%
Logistics	R295	R369	R461	(248)	0.0%
<b>Group</b>	<b>R1 933</b>	<b>R2 417</b>	<b>R3 021</b>	<b>3 075</b>	<b>100.0%</b>
<b>ROE (%)</b>					
Group	10.1	11.5	13.0	(0.9)	0.0%
<b>ROIC (%)</b>					
Equipment southern Africa	12.9	15.5	18.2	3.4	0.0%
Equipment Russia	17.7	18.8	19.8	13.8	0.0%
Automotive & Logistics	13.1	14.4	16.1	(0.9)	0.0%
Logistics	12.4	13.2	14.0	(13.4)	0.0%
<b>Group</b>	<b>11.9</b>	<b>13.1</b>	<b>14.2</b>	<b>0.7</b>	<b>0.0%</b>

## REMUNERATION REPORT CONTINUED

### PERFORMANCE AGAINST NON-FINANCIAL TARGETS

Depending on the role, the targets for non-financial elements of the personal/individual scorecards were evaluated and rated in line with their respective weightings. The metrics used were in the following areas:

**Personal/individual scorecard**, which includes metrics in areas such as:

- Safety metrics which include Lost-Time Injury Frequency Rates (LTFIR)
- Innovative Customer Solutions metrics which include Customer Net Promoter (NPS)
- Execution of Barloworld Business Systems (BBS) initiatives which include metrics related to the number of continuous improvements implemented
- Strategic Projects which include metrics related to delivery against project objectives, budgets and timelines
- Integrated Talent Management (grade 15 and above) including depth of succession bench for executive and other business critical roles
- Leadership metrics including compliance to BBS Leader Standard Work
- Sustainable Development (Compliance, Ethics, Governance and Risk, Social and Environmental)

**Diversity and Inclusion**, which includes metrics in areas such as:

- Representative demographics (targets based on achieving EAP) in South Africa and per localisation requirements in regions outside of South Africa
- Female representation targeted at 40% for middle/supervisory, senior and executive levels (grade 11 and above)

### STI CALCULATION

The STI is calculated based on the following formula which incorporates six variables derived from the end of year performance evaluation scores:

**[A + B + C + D + E] x F x G x Annual basic cash salary where:**

- **Personal scorecard score, [A]** counting for up to 35% for Group executives and 20% for Divisional executives of the Total Bonus percentage depending on role
- **Internal audit and compliance [B]** counting for up to 0% for Group executives and 10% for Divisional executives of the Total Bonus percentage depending on role
- **Diversity and inclusion score [C]** counting for up to 10% for Group executives and 20% for Divisional executive of the Total Bonus percentage depending on role
- **Group financial performance objectives [D]**, counting for up to 55% for Group executives and 30% for divisional executive of the Total Bonus percentage depending on role
- **Divisional financial performance score [E]**, counting for up to 20%, is only applicable for executives with divisional responsibility
- **Financial Multiplier [F]** is calculated based on Group financial performance [C]:
  - If Group financial performance % [C] < 50%: Financial Multiplier = Group financial performance %/50% x 105%
  - If Group financial performance % [C] > 50%: Financial Multiplier = (Group financial performance % – 50%)/50% x (1 – 105%) + 105%Illustrative effect of the above:

If Group financial performance%	Financial multiplier
0%	0%
25%	52.5%
50%	105%
75%	102.5%
100%	100%

- **STI Cap [G]** is multiplied by the annual basic cash salary

## REMUNERATION REPORT CONTINUED

Although no STI was paid for the year ended 30 September 2020 per Remco decision, the table below indicates the targets and outcomes for executive directors and prescribed officers, in line with our normal disclosure practices which promote transparency.

NAME AND ROLE		Individual scorecard (% of basic)	Internal Audit & Compliance scorecard (% of basic)	D&I scorecard (% of basic)	Group financials (% of basic)	Group financial multiplier	Divisional financials (% of basic)	Total STI as % of basic cash salary	Total STI amount calculated which was not paid	Potential maximum bonus as % of basic
EXECUTIVE DIRECTORS	<b>Group chief executive officer</b> Dominic Sewela	6.6%	N/A	8.4%	16.5%	63.0%	N/A	40%	<b>3 750 873</b>	200%
	<b>Group finance director</b> Nopasika Lila	13.7%	N/A	8.4%	16.5%	63.0%	N/A	43%	<b>1 833 883</b>	175%
PRESCRIBED OFFICERS	<b>CEO: Equipment southern Africa</b> Emmy Leeka	1.4%	5.7%	8.2%	9.0%	63.0%	7.0%	34%	<b>1 610 261</b>	175%
	<b>CEO: Automotive and Logistics</b> Kamogelo Mmutlana	2.2%	3.3%	7.4%	9.0%	63.0%	0.0%	24%	<b>1 016 763</b>	175%

## LTI Awards

### LTI AWARDS VESTING DURING THE YEAR

The vesting profile for awards made on 30 January 2018 with a performance period that commenced on 1 October 2017 and ending 30 September 2020, vesting during January 2021 are as follows:

PERFORMANCE CONDITIONS OUTCOMES FOR 2018 FSP AWARD	HEPS	RONOA	TSR
Weighting	30%	40%	30%
Threshold	% change in CPI + 0% real growth	Achieving 15%	Achieving medium TSR performance
Target	% change in CPI + 6% real growth	Achieving 20%	Achieving upper quartile TSR performance
Actual	(106.9) cents per share	9.7%	(18%)
Related vesting percentage	0%	0%	0%

PERFORMANCE CONDITIONS OUTCOMES FOR 2018 SAR AWARD	HEPS
Threshold	% change in CPI + 0% real growth 25% vest
Target	% change in CPI + 2% real growth 100% vest
Actual	(106.9) cents per share
Related vesting percentage	0%

## LTI Awards continued

### AWARDS MADE TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS DURING THE YEAR

In line with the company's policy, executive directors and prescribed officers received a combination of awards under the CSP and FSP in March 2020, i.e. prior the impact of the COVID-19 pandemic. The mix between CSP and FSP awards, together with the percentage it represents of TGP is depicted below, as well as details of the applicable performance conditions and targets.

#### ◦ FSP and CSP awarded and quantum

The face values of the instruments granted per executive director and prescribed officer are provided on the table below. Please refer to table of unvested and settled awards for the number of awards granted.

		CSP	PERFORMANCE FSP	RETENTION FSP	TOTAL
The mix between the CSPs and FSPs at grant date is split based on the face value of the instruments.	All executive directors and prescribed officers	70%	30%		100%
The FSP mix is determined based on the number of FSPs allocated (75% are performance FSPs and 25% retention FSPs).	DM Sewela	93%	30%	6%	129%
	N Lila	70%	22.5%	4.5%	97%
	E Leeka	70%	22.5%	4.5%	97%
	K Mmutlana	70%	22.5%	4.5%	97%

#### ◦ FSP targets

The following targets were set for the respective performance conditions and are considered to be appropriate in the context of the company's business strategy and the market conditions at the time. Linear vesting applies between threshold and target performance.

METRIC	THRESHOLD (30% VESTING)	TARGET (100% VESTING)
ROIC (40%)	13%	16%
FCF (35%)	EBITDA FCF conversion = 50%	EBITDA FCF conversion = 60%
HEPS (25%)	CPI growth rate per annum	CPI + 6% growth rate per annum

#### ◦ CSP targets

The following performance targets were applicable to the CSPs awarded and are tested over a three-year performance period. Linear vesting on a sliding scale will be applied between threshold and stretch performance:

METRIC	THRESHOLD (0% VESTING)	TARGET (30% VESTING)	STRETCH (250% VESTING)
ROIC (40%)	13%	16%	20%
FCF (35%)	EBITDA FCF conversion = 50%	EBITDA FCF conversion = 60%	EBITDA FCF conversion = 80%
HEPS (25%)	CPI growth rate per annum	CPI + 6% growth rate per annum	CPI + 10% growth rate per annum



## REMUNERATION REPORT CONTINUED

### VESTED AND UNSETTLED AWARDS

In line with the new reporting requirements of King IV™, the number of unvested and settled LTIs are disclosed below:

	2019						
	Opening number on 1 October 2018	Granted during 2019	Forfeited/ lapsed during 2019	Exercised/ vested during 2019	Closing Number on 30 September 2019	Cash value on settlement during 2019 <sup>12</sup>	Closing Estimated fair Value at 30 September 2019
<b>D SEWELA</b>							
<i>Share Appreciation Right Plan<sup>1,2</sup></i>							
19 Mar 2013	10 504			(10 504)	–	R333 817	R0
18 Mar 2014	–				–		R0
30 Mar 2015	–				–		R0
30 Mar 2016 <sup>8</sup>	65 350				65 350		R2 820 310
29 Mar 2017 <sup>8</sup>	85 920				85 920		R1 426 472
31 Jan 2018	137 540	189 340			137 540		R2 042 626
27 Feb 2019	–				189 340		R5 995 294
<i>Forfeitable share plan – with performance conditions<sup>3</sup></i>							
30 Mar 2016 <sup>9</sup>	34 610			(34 610)	–	R4 477 496	R0
29 Mar 2017 <sup>9</sup>	44 580				44 580	R214 876	R4 650 730
31 Jan 2018 <sup>11</sup>	16 430				16 430	R115 174	R1 871 213
27 Feb 2020	–	23 630			23 630	R38 990	R2 691 221
9 Mar 2020	–				–		
<i>Forfeitable share plan – no performance conditions<sup>4</sup></i>							
30 Mar 2016 <sup>10</sup>	11 540			(11 540)	–	R1 492 930	R0
29 Mar 2017 <sup>10</sup>	14 860				14 860	R71 625	R1 692 405
31 Jan 2018 <sup>11</sup>	5 480				5 480	R38 415	R624 117
27 Feb 2020	–	7 880			7 880	R13 002	R897 453
9 Mar 2020	–						
<i>Conditional share plan – with performance conditions<sup>2</sup></i>							
9 Mar 2020	–						
						<b>R6 796 324</b>	<b>R24 711 841</b>
<b>DG WILSON<sup>6</sup></b>							
<i>Share Appreciation Right Plan<sup>1,2</sup></i>							
30 Mar 2016 <sup>8</sup>	55 030				55 030	R0	R2 374 930
<i>Forfeitable share plan – with performance conditions<sup>3</sup></i>							
30 Mar 2016 <sup>9</sup>	29 140			(29 140)		R3 769 842	R0
<i>Forfeitable share plan – no performance conditions<sup>4</sup></i>							
30 Mar 2016 <sup>10</sup>	9 710			(9 710)		R1 256 183	R0
						<b>R5 026 025</b>	<b>R2 374 930</b>

# REMUNERATION REPORT CONTINUED

2020

	Granted during 2020	Forfeited/ lapsed during 2020	Exercised/ vested during 2020	Closing Number on 30 September 2020	Cash value on settlement during 2020 <sup>12</sup>	Estimated fair Value at 30 September 2020
				—	—	R0
				—	R0	R0
				—	R0	R0
				65 350	R0	R0
				85 920	R0	R73 880
				137 540	R0	R0
				189 340	R0	R0
				—	R0	R0
		(3 245)	(41 335)	—	R3 189 498	R0
				16 430	R125 465	R0
				23 630	R124 058	R0
	30 210			30 210	R0	R538 405
				—	R0	R0
			(14 860)	—	R1 140 505	R0
				5 480	R41 847	R335 760
				7 880	R41 370	R482 808
	10 070			10 070	R0	R616 989
	104 420			104 420	R0	R262 889
					<b>R4 662 743</b>	<b>R2 310 730</b>
				55 030	R0	R0
					R0	R0
					R0	R0
					<b>R0</b>	<b>R0</b>

# REMUNERATION REPORT CONTINUED

2019							
	Opening number on 1 October 2018	Granted during 2019	Forfeited/ lapsed during 2019	Exercised/ vested during 2019	Closing Number on 30 September 2019	Cash value on settlement during 2019 <sup>12</sup>	Closing Estimated fair Value at 30 September 2019
<b>N LILA</b>							
<i>Forfeitable share plan – with performance conditions<sup>3</sup></i>							
9 Mar 2020	–					R0	R0
<i>Forfeitable share plan – no performance conditions<sup>4</sup></i>							
9 Mar 2020						R0	R0
<i>Retention awards<sup>5</sup></i>							
1 Aug 2019	–	4 344 000		(1 448 000)	2 896 000	R1 448 000	R2 896 000
<i>Conditional share plan – with performance conditions<sup>2</sup></i>							
9 Mar 2020							R0
						<b>R1 448 000</b>	<b>R2 896 000</b>
<b>E LEEKA</b>							
<i>Share Appreciation Right Plan<sup>1, 2</sup></i>							
19 Mar 2013	45 740			(45 740)	–	R1 521 770	R0
18 Mar 2014	–				–		R0
30 Mar 2015	–				–		R0
30 Mar 2016 <sup>8</sup>	–				–		R0
29 Mar 2017 <sup>8</sup>	29 950				29 950		R497 240
31 Jan 2018	55 270				55 270		R820 822
27 Feb 2019	–	75 330			75 330		R2 385 262
<i>Forfeitable share plan – with performance conditions<sup>3</sup></i>							
30 Mar 2016 <sup>9</sup>	21 220			(21 220)	–	R2 745 231	R0
29 Mar 2017 <sup>9</sup>	15 540				15 540	R74 903	R1 621 183
31 Jan 2018 <sup>11</sup>	6 600				6 600	R46 266	R751 674
27 Feb 2019	–	9 400			9 400	R15 510	R1 070 566
9 Mar 2020	–						
<i>Forfeitable share plan – no performance conditions<sup>4</sup></i>							
30 Mar 2016 <sup>10</sup>	7 070			(7 070)	–	R914 646	R0
29 Mar 2017 <sup>10</sup>	5 180				5 180	R24 968	R589 950
31 Jan 2018 <sup>11</sup>	2 200				2 200	R15 422	R250 558
27 Feb 2019	–	3 130			3 130	R5 165	R356 476
9 Mar 2020	–						
<i>Retention awards<sup>5</sup></i>							
1 Mar 2017	1 366 131				(1 366 131)	R1 366 131	R0
<i>Conditional share plan – with performance conditions<sup>2</sup></i>							
9 Mar 2020	–					R0	R0
						<b>R6 730 011</b>	<b>R8 343 731</b>

# REMUNERATION REPORT CONTINUED

2020

Granted during 2020	Forfeited/ lapsed during 2020	Exercised/ vested during 2020	Closing Number on 30 September 2020	Cash value on settlement during 2020 <sup>12</sup>	Estimated fair Value at 30 September 2020
10 900			10 900	R0	R194 261
3 640			3 640	R0	R223 023
–			2 896 000	R0	R2 896 000
37 690			37 690	R0	R94 889
				<b>R0</b>	<b>R3 408 172</b>
			–	R0	R0
			–	R0	R0
			–	R0	R0
			–	R0	R0
			29 950	R0	R25 753
			55 270	R0	R0
			75 330	R0	R0
			–	R0	R0
	(1 131)	(14 409)	–	R1 111 829	R0
			6 600	R50 400	R0
			9 400	R49 350	R0
11 950			11 950		R212 974
			–	R0	R0
		(5 180)	–	R397 565	R0
			2 200	R16 800	R134 794
			3 130	R16 433	R191 775
3 980			3 980	R0	R243 855
R0			R0	R0	R0
41 320			41 320	R0	R104 028
				<b>R1 642 376</b>	<b>R913 178</b>

## REMUNERATION REPORT CONTINUED

	2019						
	Opening number on 1 October 2018	Granted during 2019	Forfeited/ lapsed during 2019	Exercised/ vested during 2019	Closing Number on 30 September 2019	Cash value on settlement during 2019 <sup>12</sup>	Closing Estimated fair Value at 30 September 2019
<b>K MMUTLANA<sup>7</sup></b>							
<i>Share Appreciation Right Plan<sup>1,2</sup></i>							
31 Jan 2018		32 540			32 540		R483 256
27 Feb 2019		46 800			46 800		R1 481 883
<i>Forfeitable share plan – with performance conditions<sup>3</sup></i>							
29 Mar 2017 <sup>9</sup>		8 198			8 198	R39 514	R855 242
31 Jan 2018 <sup>11</sup>		3 890			3 890	R27 269	R443 032
27 Feb 2019		5 840			5 840	R9 636	R665 118
9 Mar 2020							
<i>Forfeitable share plan – no performance conditions<sup>4</sup></i>							
29 Mar 2017 <sup>10</sup>		24 602			24 602	R118 582	R2 801 922
31 Jan 2018 <sup>11</sup>		1 300			1 300	R9 113	R148 057
27 Feb 2019		1 950			1 950	R3 218	R222 086
9 Mar 2020							
<i>Conditional share plan – with performance conditions<sup>2</sup></i>							
9 Mar 2020						R0	R0
						<b>R207 331</b>	<b>R7 100 595</b>

1. The estimated fair value of SAR's which has vested but remains unexercised and which is within 12 months from vesting after year end was determined using the year end 30 day VWAP of R113.89 (2019) and R61.27 (2020) less the strike price and adjusted by the likelihood of performance conditions being met as at each year end. The fair value of SAR's which are more than 12 months from vesting after year end was determined on a similar basis except that an indicative valuation was performed to determine the value of an instrument. The following vesting percentages were used for the 2019 fair value calculations: 100% for the 2016, 2017 and 2018 allocations. 2020 fair value calculations were based on the following estimated vesting percentages: 0% for the 2018 and 2019 allocations.
2. As of 2019, the SAR plan has been discontinued and replaced by the CSP. Therefore, in 2020 there were no awards allocated under the SAR plan.
3. The estimated fair value of FSP's with performance conditions was determined using the year end 30 day VWAP of R113.89 (2019) and R61.27 (2020) adjusted by the estimated likelihood of performance conditions being met as at each year end. The following vesting percentages were used for the 2019 fair value calculations: 96.1% (2017 allocation), 100% (2018 allocation) and 100% (2019 allocation). For the 2020 financial year, fair value calculations were based on the following estimated vesting percentages: 0% (2018 allocation), 0% (2019 allocation) and 29.1% (2020 allocation).
4. The estimated fair value for the FSP's without performance conditions was determined based on the year end 30 day VWAP of R113.89 and R61.27 for 2019 and 2020, respectively.
5. The retention bonuses are not subject to performance conditions and are paid out in equal tranches over a 3 year period. For the purposes of the table of unvested and settled awards, we have assumed that R1 represents 1 unit.
6. In FY2019 DG Wilson retired from Barloworld, the outstanding SARs relate to the unexercised SARs.
7. K Mmutlana was appointed as a prescribed officer on 1 June 2019, therefore the 29 March 2017 and 1 Jan 2018 awards represent opening balances for the 2019 financial year.
8. 100% of the SARs allocated on 30 March 2016 and 29 March 2017 vested to participants.
9. The FSP's with performance conditions allocated on 30 March 2016 and 29 March 2017 vested on 29 March 2019 and 28 March 2020. The vesting percentages for the allocations are and 100% and 92.7%, respectively.
10. The FSP's with no performance conditions allocated on 30 March 2016 and 29 March 2017 vested on 29 March 2019 and 28 March 2020, respectively.
11. The company was trading under cautionary notice from 1 February 2018. This resulted in a prohibited period which restricted the company from making any equity-settled awards. Therefore, cash settled notional FSPs were allocated to participants.
12. Represents the value of shares vested during the year and dividends received on FSP's.

# REMUNERATION REPORT CONTINUED

2020

Granted during 2020	Forfeited/ lapsed during 2020	Exercised/ vested during 2020	Closing Number on 30 September 2020	Cash value on settlement during 2020 <sup>12</sup>	Estimated fair Value at 30 September 2020
			32 540	R0	R0
			46 800	R0	R0
	(596)	(7 602)	–	R586 583	R0
			3 890	R29 705	R0
			5 840	R30 660	R0
10 900			10 900		R194 261
		(24 602)	–	R1 888 204	R0
			1 300	R9 927	R79 651
			1 950	R10 238	R119 477
3 640			3 640	R0	R223 023
37 690			37 690	R0	R94 889
				<b>R2 555 316</b>	<b>R711 300</b>



## REMUNERATION REPORT CONTINUED

The valuation methodology applied for each award in the "table of unvested and settled awards" is outlined below:

TYPE OF AWARD	AWARD DATE	VALUATION METHODOLOGY	
		MARKET VALUE ESTIMATION USING A MARKET VALUATION METHOD	INTRINSIC VALUE
SARs	29 March 2017	√ (Tranche 3)	√ (Tranche 1 & 2)
SARs	31 January 2018	√	
SARs	27 February 2019	√	
Performance FSPs	31 January 2018		√
Performance FSPs	27 February 2019	√	
Performance FSP	9 March 2020	√	
Retention FSPs	31 January 2018		√
Retention FSPs	27 February 2019	√	
Retention FSPs	9 March 2020	√	
Performance CSPs	9 March 2020	√	

### 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, FSP and CSP.

AWARD	SAR	FSP	CSP
2016	100% (A)	100%(A)	
2017	100% (A)	92.7%(A)	
2018	0% (L)	0%(L)	
2019	0% (L)	0%(L)	
2020		29.1%(L)	4.1%(L)

(A) = Actual; (L) = proportion likely to vest

### MINIMUM SHAREHOLDING REQUIREMENTS (MSR)

The company has adopted a formal MSR policy effective 1 October 2020, as outlined in the policy section of this report. The current shareholding of the executive directors and prescribed officers is as set out below:

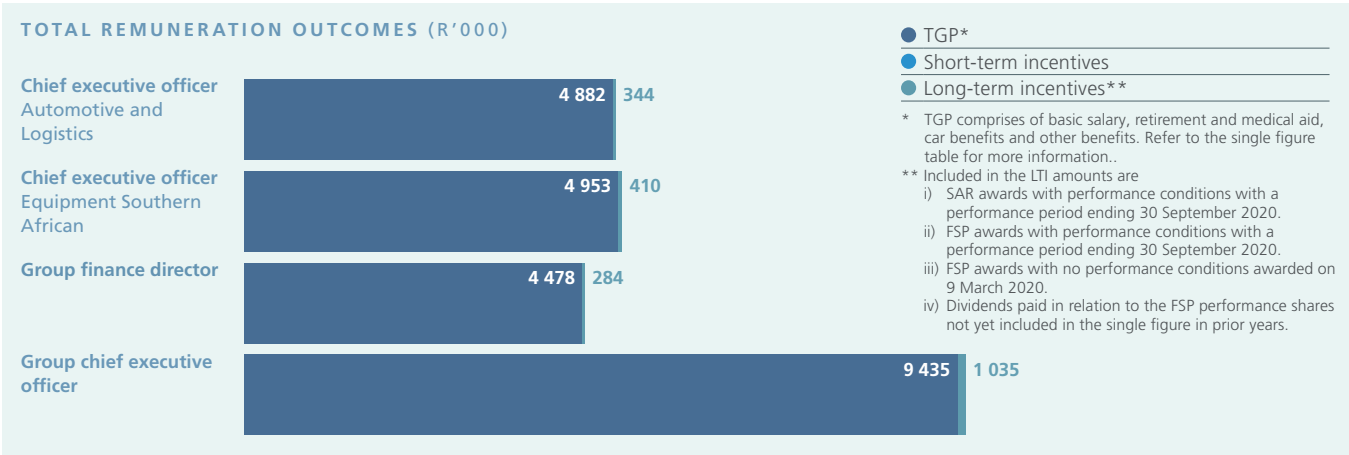
Executive	Role	Value of total shareholding as at 30 Sep 2020 [B = A x 30 day VWAP]			Total shareholding as a % of TGP [D = B/C]
		Total shareholding]	2020 TGP (before salary sacrifice) [C]		
D Sewela	Group CEO	170 287	R10 433 484	R11 205 485	93%
N Lila	Group FD		R0	R5 433 938	0%
E Leeka	Divisional CEO: Equipment SnA	51 235	R3 139 168	R5 931 763	53%
K Mmutlana	Divisional CEO: Automotive & Logistics	23 658	R1 449 526	R5 485 781	26%

ATTRACTION AND RETENTION SCHEME AWARDS AND RE-PAYMENTS

During the 2020 financial year, payments to employees who were previously nominated and are therefore current participants of the scheme were suspended effective 1 May 2020 due to the company's cost containment efforts. However, at its November 2020 meeting, as indicated above and after due consideration, the Remco approved a proposal to reinstate these effective 1 December 2020.

Total remuneration outcomes

The graphs and tables below provide an overview of the composition of total remuneration and the mix between fixed and variable elements for the review period:



## REMUNERATION REPORT CONTINUED

The table below summarises the executive directors and prescribed officers' total remuneration outcomes for the review period.

2019

All figures stated in R'000	Basic salary	Retirement and medical aid	Car benefits	Other benefits	STI <sup>14</sup>	Dividends <sup>15</sup>	LTI Reflected <sup>16</sup>	Total single figure remuneration
<b>EXECUTIVE DIRECTORS</b>								
D Sewela <sup>18</sup>	9 049	1 383	302	–	5 863	369	5 548	<b>22 513</b>
DG Wilson <sup>19</sup>	4 928	1 243	289	12	2 610	–	–	<b>9 082</b>
N Lila <sup>18,20</sup>	718	104	77	6	–	–	4 344	<b>5 250</b>
<b>PRESCRIBED OFFICERS</b>								
E Leeka <sup>18</sup>	4 477	707	497	15	2 411	137	1 978	<b>10 221</b>
PK Rankin <sup>21</sup>	3 023	569	113	398	–	132	–	<b>4 236</b>
K Mmutlana <sup>22</sup>	1 405	245	57	3	1 552	76	1 077	<b>4 416</b>
<b>Total</b>	<b>23 601</b>	<b>4 250</b>	<b>1 335</b>	<b>434</b>	<b>12 436</b>	<b>714</b>	<b>8 603</b>	<b>55 717</b>

13. The remuneration disclosed for the 2020 financial year relates to the remuneration paid to the incumbents after taking into consideration the impact of the salary sacrifices.

14. Bonuses relate to the performance in 2019 and 2020 financial years. Bonuses are not payable for the 2020 financial year.

15. Dividends paid in relation to FSP performance shares not yet included in the single figure in prior years.

16. The 2019 LTI reflected includes the value of the SARS and FSP's (with performance conditions) awards made on 29 March 2017 with a performance period ending on 30 September 2019, FSPs without performance conditions (retention awards) that were granted on 27 February 2019 and retention awards made under the Attraction and Retention Scheme.

17. The 2020 LTI reflected includes the value of the SARS and FSP's (with performance conditions) awards made on 31 January 2018 with a performance period ending on 30 September 2020 and FSPs without performance conditions (retention awards) that were granted on 20 March 2020.

18. Included in the basic pay of these directors are the non-executive director fees that are payable to them in Pounds for being part of the Barloworld Holdings Limited board.

19. D Wilson was Acting CFO for 10 months of the 2019 financial year.

20. N Lila was appointed as the Group CFO on 1 August 2019, as such, the remuneration disclosed in the 2019 single figure table represents her remuneration for a period of two months.

21. K Rankin resigned from the company on 30 May 2019. His other benefits include R398 for leave pay, unemployment insurance fund, funeral cover and car insurance.

22. K Mmutlana was appointed as a prescribed officer on 1 June 2019 and his remuneration for 2019 is therefore reflected for four-month period.

## Non-executive directors' fees

Fees for NEDs during the current financial year are set out in the consolidated annual financial statements, as approved by the Remco and by the board, on authority granted by shareholders at the AGM held in February 2020.

	CHAIRPERSON	MEMBER
Board of directors (resident)	R1 575 000	R412 905
Non-resident non-executive director	n/a	£66 864
Audit committee (resident)	R348 845	R167 456
Non-resident member of the audit committee	n/a	£7 143
Risk and sustainability committee (resident)	R235 302	R112 038
Remuneration committee (resident)	R259 505	R112 038
Non-resident chairperson of the remuneration committee	£20 000	
Nominations committee (resident)	R181 963	R112 038
Social, ethics and transformation committee (resident)	R201 468	R112 038
Strategy and Investment (resident)	R158 229	R112 038
Non-resident member of each of the board committees other than the audit committee	n/a	£4 991

The amounts provided above are exclusive of VAT.

## REMUNERATION REPORT CONTINUED

2020

	Basic salary <sup>13</sup>	Retirement and medical aid	Car benefits	Other benefits	STI <sup>14</sup>	Dividends <sup>15</sup>	LTI Reflected <sup>17</sup>	Total single figure remuneration
	7 749	1 434	252	–	–	250	785	<b>10 470</b>
	–	–	–	–	–	–	–	–
	3 445	650	371	12	–	–	284	<b>4 761</b>
	3 804	733	416	–	–	100	310	<b>5 363</b>
	–	–	–	–	–	–	–	–
	3 664	747	421	51	–	60	284	<b>5 227</b>
	<b>18 661</b>	<b>3 565</b>	<b>1 459</b>	<b>63</b>	–	<b>410</b>	<b>1 664</b>	<b>25 821</b>

### B. PROPOSED NON-EXECUTIVE DIRECTOR FEES FOR 2021

Refer to the special resolution section set out in the notice of AGM for approval by shareholders in terms of section 66 of the Companies Act in the AGM booklet.

### NON-BINDING ADVISORY VOTE

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

KING IV

14

# Social, ethics and transformation committee 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 operates under terms of reference, a copy of which can be found on our website [www.barloworld.com](http://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 that some of its statutory functions overlap with the functions or mandates or terms of reference of other committees of the board. Where appropriate, these functions have been aligned to the mandate of the committee. In other areas of overlap such as safety, health and environmental matters, the committee, without derogating from its duties and responsibilities, worked closely with and relied upon the work of other committees of the board.

The committee strives to apply relevant codes of best practice including but not limited to the United Nations Global Compact Principles and Sustainable Development, the Organisation for Economic Cooperation and Development (OECD) guidelines regarding corruption, International Labour Organisation Decent Work Agenda, and the principles of good corporate citizenship as espoused in the King report on Corporate Governance in South Africa (KING IV).

The committee has access to any director or prescribed officer or employee of the company. Where appropriate, these levels of employees

have been asked to provide information or the explanations necessary to enable the committee to deliver its mandate.

## THE COMMITTEE CARRIED OUT THE FOLLOWING DUTIES:

### HUMAN CAPITAL

The committee monitored the impact of COVID-19 and the Company's response strategies which included a One Barloworld COVID-19 policy, as well as various initiatives implemented to contain costs and ensure the overall wellness of employees during this period. We have sadly lost six employees due to the COVID-19. Counselling sessions were arranged and provided to manage the emotional impact of these sad events on the families, friends as well as colleagues of these employees.

A salary sacrifice plan for employees at middle management and above as well as retirement fund payment holiday were implemented as part of the company's COVID-19 response strategies. These initiatives, which illustrate the company's partnership with employees during this difficult time, contributed towards ensuring the long term sustainability of the business and helped reduce the impact of unavoidable restructuring.

A number of wellness focused initiatives were also undertaken under the One Barloworld Group Wellness programme, **Geared for Living**, to assist employees deal with the emotional and psychological impact of the various lockdowns and cost containment initiatives. These included Emotional Impact Sessions which were arranged and attended by different level employees to debrief and start the healing and recovery process.

The company ran the One Barloworld Employee Engagement Survey and the results provided insights into how employees are experiencing the organisation from a leadership, culture, talent and human experience perspective. Management has already started with the implementation of various plans to sustain the areas of strength and address elements that impact negatively on engagement with the view of improving the engagement score by the end of the new financial year.

The Human Capital transformation technology system project that was approved by the board was kicked off during September. The system is called PEOPLE1st and is powered by Workday. PEOPLE1st is in the design phase at the moment with a go-live date set to be 3 November 2021. This system promises seamless, waste eliminating and improved experience of the Company's end-to-end Human Capital processes.

This year, the Company's commitment to diversity and inclusion was acknowledged through the following awards at the **Gender Mainstreaming Awards 2020**. Barloworld took the overall Gender Mainstreaming Champions for 2020 for JSE listed companies. The Company also won in the following two categories:

- Investing in Young Women
- Women Empowerment in the Workplace (JSE-listed companies as well as OVERALL winner in this category)



2, 3, 16



2, 10, 12

[Link to material matters:](#)



Responding to COVID-19 impacts



Advancing sustainably

#### **DIVERSITY AND INCLUSION**

The 2021 targets remained at a higher weighting (20%) on the Divisional balanced scorecards. With regards to the 2021 year, targets focus will be placed on the levers available to the Group relating to appointments, promotions and retention such that we do not regress from the achievements made in 2020.

The company is focused on identifying and eliminating any employment barriers, perceived or real, and promoting demographic representation in the workplace that more closely resembles those of the communities in which we operate. Outside South Africa the strategy is to limit expatriates and increase the women representation at all levels.

#### **ETHICS**

The Data Repository for Anti-Bribery reporting process was revised to further promote and instill an ethical culture. The amended process has enhanced the effectiveness and independence of the investigations carried out across the Group. An area of improvement would be group-wide communication of the substantiated cases, which resulted in sanctions to demonstrate our non-tolerance to improprieties; including emphasis on the use of the grievance system for HR related calls. Turnaround time to implement recommendations in respect of substantiated findings is high, which adversely impacted age analysis of calls, and the integrity of the Ethics Line.

#### **STAKEHOLDER ENGAGEMENT**

The Company continues to evolve its approach and strategic intent to stakeholder engagement. The process of mapping stakeholder relationships has been undertaken across the Group. The Barloworld Stakeholder framework has been defined and embedded in the Group strategy. All divisions and business units have identified key strategic stakeholders. There is a structured approach to major issues raised by the stakeholders and management responses to the issues raised. Stakeholder engagement continued to be key in enhancing the Group's sustained value creation.

#### **EMPOWERMENT AND TRANSFORMATION**

As part of ongoing efforts to deliver on its responsibilities, the committee will continue to review, monitor and report on areas under its mandate. The concerted effort placed on preferential procurement and making this a group focus is starting to bear fruit. The Company's spend with small, medium and large black-owned entities as a percentage of the discretionary spend is increasing. Our focus on creating an inclusive culture continued as we rolled out the four-day TEDialogues to more than 50% of our middle management across the country.

Transfer of properties under the Barloworld Khula Sizwe empowerment transaction is substantially complete. There are few properties that still need to be transferred that were impacted by municipalities closing as a result of COVID-19.

As mention earlier, the impact of COVID-19 continues to be monitored and as a responsible corporate, the difficulties that are facing the small-, micro- and medium-enterprise was of concern to the committee. The response was the approval of a COVID-19 salary relief fund of R22 million by Siyakhula, that provided much needed support to the SMMEs continuation of trade for a period of six months including loan repayment holidays. A total of 50 beneficiaries were supported with 359 jobs being sustained.

#### **SOCIAL IMPACT**

Barloworld Mbewu, last year we embarked on an initiative to identify fertile fields in order to kick start the season of sowing. This initiative symbolised our commitment to incubate and unleash the latent potential of qualifying community based social entrepreneurs who continue to be innovative in solving their own local community challenges. Mbewu has benefited a total of 29 social entrepreneur cohort that have a proven income stream that demonstrates an ability to be scalable. The first cohort were also provided with business leadership training during this period of reporting and received combined funding of R13 million. They will

further be assisted with access to markets and other development funders in future.

To continue balancing social, empowerment and transformation mandate as well as creating shared value with all our stakeholders, the social impact investment has been reduced due to the operating environment, as result, the corporate social investment funding support was R16 million (2019: 19 million) with 50% directed at health and welfare initiatives.

#### **SAFETY, HEALTH AND ENVIRONMENT (SHE)**

The committee received updates on pertinent safety, health and environmental aspects through the Group's quarterly SHE report. In fulfilling its mandate, the committee has strategic oversight over SHE aspects and related Group policies. The committee had oversight of performance against set environmental and safety targets. Emerging trends including potential risks were reported to the Group risk and sustainability and SET committees. A benchmarking exercise was performed during the year that identified strengths and improvement areas for Environmental, Social and Governance (ESG) aspects. Where practicable, identified improvement areas have been addressed in this year's approach and disclosures. Where improvement areas require more engagement and a longer timeframe, a work plan being compiled with the aim of addressing stakeholder expectations.



#### **NOMAVUSO NXASANA**

Chairperson

Social, ethics and transformation committee



# Audit committee report

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The audit committee's primary role is to assist the board to discharge its corporate governance and oversight responsibilities by ensuring the integrity of the Group's financial and corporate reporting, overseeing the execution of the Groups combined assurance model, and ensuring that adequate systems of internal control are in place regarding financial risks and that these controls are operating effectively.

The audit committee conducted its work in accordance with the written terms of reference approved by the board (information on this is recorded in the corporate governance report) which is reviewed and updated when necessary. Terms of reference are set up to ensure that the committee performs its duties in terms of King IV, the Companies Act and the Listings Requirements of the JSE (the Listings Requirements) for the financial year ended 30 September 2020.

## MEMBERSHIP

During the year under review the audit committee consisted of:

- SS Ntsaluba (Chairperson)
- HH Hickey
- M Lynch-Bell
- NP Nxasana
- NP Dongwana (resigned 12 February 2020).

Six meetings were held in the year. Details of attendance are included in the integrated report available at [www.barloworld.com](http://www.barloworld.com).

The Group chief executive officer, Group Finance director, Group executive: human capital, internal auditors, External auditors and finance executives also attend meetings of the audit committee as invitees. The internal and external auditors both have unrestricted access to the audit committee and regularly have confidential meetings without members of executive management being present.

## EXTERNAL AUDIT

### THE AUDIT COMMITTEE

- Recommended to shareholders that Ernst & Young (EY) 70% and SNG-Grant Thornton (SNG-GT) 30% be appointed as independent external auditors for the company and its subsidiaries and the appointment of S Sithebe as the independent designated auditor for the company for the financial year ending 30 September 2020 in compliance with the Companies Act and the Listings Requirements of the JSE Limited. This was the first year of audit for EY, SNG-GT and S Sithebe as the designated auditor.
- Recommended that the reappointment of SNG-GT as independent external auditors of the Barloworld Logistics business for the financial year ending 30 September 2020.
- Received confirmation from all external auditors, that EY and SNG-GT are independent of the Group
- Have successfully concluded that the risk of familiarity between the external auditor and management is sufficiently mitigated.
- Considered the quality controls processes of the external auditors and specifically audit quality reviews conducted over the designated auditor, including those performed by the Independent Regulatory Board for Auditors (IRBA) as part of their routine review process.
- Approved the external audit engagement letter which includes scope and the cost of the audit.
- Reviewed and approved the policy for non-audit services that can be provided by external auditors and the pre-approval authorisation process for the services that the external auditors may provide.

- Considered to its satisfaction the independence, objectivity and effectiveness of the external auditors and ensured that the scope of their additional (non-audit) services provided were, individually and in aggregate, in compliance with the Group's policies in this regard.
- Reviewed and approved the rotation policy of external auditors.
- Concurred that the adoption of the going concern premise in the preparation of the Annual Financial Statements was appropriate.

## ACCOUNTING PRACTICES AND KEY AUDIT MATTERS

The audit committee reviewed the accounting policies and the annual financial statements of the company and of the Group for the year ended 30 September 2020, for compliance with the provisions of the Companies Act, IFRS and the JSE Listings Requirements, together with consideration of the findings from the JSE proactive monitoring of the 2019 financial statements and the preliminary findings of the JSE's thematic review of IFRS 15: Revenue from Contracts with Customers (IFRS 15) and IFRS 9: Financial Instruments (IFRS 9).

**The audit committee has considered the following key audit matters during the financial year ended 30 September 2020:**

- **Goodwill investments in JVs/associates and indefinite life intangible assets: Botswana, Zambia, Angola, Mozambique and Malawi (BZAMM), Bartrac, Avis Budget, Motor Trading, Avisfleet, BHBW, NMI Investment and Logistics**

# Audit committee report continued

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The audit committee spent time understanding the significant estimates and judgements applied in management's valuation and impairment assessments and challenged these where necessary. The audit committee assessed management's value-in-use calculations by considering, among others, the following:

- The reasonableness of management's assumptions used in determining future cash flows;
- The terminal value and discount rates applied in management's value-in-use calculations and the sensitivity of these assumptions to reasonably possible changes;
- The adequacy of the disclosures made in notes 11 and 12 to the financial statements; and
- Considered the work and assurance of the external auditor.

On this basis, the audit committee reviewed the write-off of goodwill and indefinite life intangibles during the first half and the second half of the financial year. As at 30 September 2020 there was sufficient headroom to support the remaining goodwill carrying value and the disclosures presented in the financial statements are fairly presented in compliance with International Financial Reporting Standards (IFRS).

- Presentation of Avis Fleet as held for sale and discontinued operations

In April 2020, management took a decision to reverse the plans that were in place, diluting the Group's interest in Avis Fleet to a 50% shareholding. In terms of International Financial Reporting Standards 5 (IFRS 5) Non-current assets held for sale and discontinued operations, the Group had reported the results of Avis Fleet business separately as a discontinued operation and assets and liabilities held for sale in 2019. The Entity has now been consolidated as a continuing operation and the 30 September 2019 numbers have been restated accordingly.

In assessing the management's proposed position, the audit committee considered the following:

- The impact of the COVID-19 pandemic to the South African economy and the Global economy at large.
- Availability of liquidity in the market and the cost of funding from the financial services sector.
- The reasonableness of management's assertion that the dilution of Avis Fleet in 12 months was no longer priority based on the performance of the business.
- Financial performance of Avis Fleet in 2020 which brought stability in the Automotive business due to the annuity nature of the business.
- The adequacy of the disclosures made within note 22 to the financial statements and the classification of the Avis Fleet business as a continuing operation.
- The work and assurance of the external auditors.

On this basis the audit committee was satisfied that the Avis Fleet business is correctly reclassified as continuing operations and that the disclosures presented in the financial statements are fairly presented and compliant with IFRS. This position will be reassessed at the appropriate time and in the context of the Group's strategy and optimal portfolio mix

## KEY AREAS OF FOCUS

In addition to executing on its statutory duties and the considering key audit matters, the audit committee also addressed the following key areas of focus during the year ended 30 September 2020.

### ◦ Combined assurance

The committee confirms, based on the processes and assurance obtained, that it:

- has executed its duties in accordance with the terms of reference during the past financial year
- believes that the accounting practices are effective;
- believes that the significant internal financial controls are effective.
- confirms that the external auditor has functioned in accordance with its terms of reference

### ◦ New accounting standards

The audit committee considered all new standards applicable for the 2020 financial year, in particular IFRS 16: Leases and IFRIC 23: Uncertainty over income tax treatments as well as interpretations and amendments to standards in issue that are not yet adopted but are likely to affect the financial reporting in future years. The audit committee also reviewed the related disclosure thereof in the annual financial statements.

# Audit committee report continued

FOR THE YEAR ENDED 30 SEPTEMBER 2020

## INTERNAL AUDIT

The audit committee

- Approved the appointment of KPMG as an outsourced partner to Barloworld's internal audit function effective 1 October 2020. Reviewed the appropriateness of the internal audit charter and recommended the approval of the charter by the board.
- Approved the one-year operational internal audit work plan and monitored adherence of internal audit to its annual plan;
- Monitored and supervised the functioning and performance of internal audit, compliance with its charter, reviewed and approved the risk-based audit plans, resources and budgets. Reviewed the appropriateness of the Group's combined assurance model to ensure that the significant risks identified in the high-level risk assessments are adequately addressed.
- Reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems, processes, their concerns arising out of their audits and requested appropriate responses from management.
- Reviewed the results of the financial control management self-assessments as contained in the Barloworld Internal Control Matrix (ICM) which is completed in respect of all business units and operations in the Group.
- Reviewed and evaluated the nature and extent of the documented review of internal financial controls performed by internal audit and evaluated whether any weaknesses identified in such financial controls were

considered sufficiently material to be reported to the board and the stakeholders.

- Reviewed the report prepared by internal audit regarding the risk management process in the Group and the level of embeddedness of such processes within each operating division.
- Reviewed the performance and confirmed the suitability and expertise of KPMG during the process of onboarding.

## INTERNAL CONTROL

Based on the results of the formal documented review of the Group's system of internal controls and risk management conducted by internal audit function during the 2020 financial year and having given due consideration to the results of assurance activities of various assurance providers including considering information and explanations given by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the audit committee that caused it to believe that the Group's system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

## COMBINED ASSURANCE

The audit committee has reviewed the company's combined assurance model and has satisfied itself with its completeness. While the risk and sustainability committee of board has the primary responsibility to assist the Board with discharging its duties in relation to the risk management, the audit committee takes a keen interest in risk management in line with its responsibility for internal controls as they relate to financial matters.

The audit committee has satisfied itself that the company has sufficient coverage obtained from management, external and internal assurance providers to manage financial risks and the control environment.

## EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND THE FINANCE FUNCTION

The audit committee

- Reviewed the performance and confirmed the suitability and expertise of the Group Finance Director, N Lila (DG Wilson was the Group Finance Director until his retirement from the board on 12 February 2019, after which he was in the role of Acting Chief Financial Officer of the Group until February 2020).
- Considered the appropriateness of the expertise, diversity and adequacy of resources of the Group's financial function and the effectiveness of the senior members of management responsible for the financial function.
- The reality of COVID-19 pandemic impact and the remote working.

# Audit committee report continued

FOR THE YEAR ENDED 30 SEPTEMBER 2020

## FINANCIAL STATEMENTS

The audit committee

- Considered accounting treatments, significant or unusual transactions and accounting judgements.
- Considered the appropriateness of accounting policies and any changes made.
- Met separately with management, external audit and internal audit and the Chairman attended the risk and sustainability committee meetings.
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Reviewed the process in place for the reporting of concerns and complaints relating to accounting practices, internal audit, content of auditing of the Group's financial statements, internal controls of the Group and any related matters. The audit committee can confirm that there were no such concerns or complaints during the year under review.
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - The interim results for the six months ended 31 March 2020.
  - The audited annual results for the year ended 30 September 2020.

- Reviewed the working capital packs prepared by management to support the board's going concern statement at reporting dates as well as the solvency and liquidity tests required in terms of the Companies Act.
- The audit committee has considered the circumstances that resulted in the prior year errors and believe that the additional control measures put in place to prevent future errors are appropriate.

## FINANCIAL STATEMENTS AND INTEGRATED REPORTING

The audit committee considered the Barloworld Limited consolidated and company financial statements and the summarised financial statements, (together the financial statements) for the year ended 30 September 2020. The audit committee, in conjunction with other board sub-committees has also considered the non-financial information as disclosed in the integrated report and assessed its consistency with operational and other information known to audit committee members. The audit committee has also considered the external assurance provider's report and is satisfied that the information is reliable and consistent with the financial results. The financial statements have been prepared using appropriate accounting policies, which conform to International Financial Reporting Standards.

At their meeting held on 26 November 2020, the audit committee recommended the financial statements for the year ended 30 September 2020 for approval to the board.



**SS Ntsaluba**

Audit committee chairman

For and on behalf of the Barloworld Limited  
Audit committee

30 November 2020

# Summarised annual financial statements

## Summarised consolidated income statement

FOR THE YEAR ENDED 30 SEPTEMBER

		Audited	
R million	Notes	2020	Restated* 2019
CONTINUING OPERATIONS			
Revenue		49 683	60 206
Operating profit before items listed below		5 122	6 547
Impairment losses on financial assets and contract assets		(292)	(75)
Depreciation		(2 661)	(2 387)
Amortisation of intangible assets		(136)	(115)
Operating profit before B-BBEE transaction charge		2 033	3 970
B-BBEE transaction charge		(236)	(73)
Operating profit		1 797	3 897
Fair value adjustments on financial instruments		(340)	22
Finance costs		(1 274)	(1 134)
Income from investments		155	203
Profit before non-operating and capital items		338	2 988
Non-operating and capital items comprising of:			
Impairment of investments		(194)	(25)
Impairment of goodwill		(702)	
Impairment of indefinite life intangible assets		(708)	
Impairment of property, plant and equipment, intangibles and other assets		(303)	(127)
Fair value gain on deconsolidation of subsidiary			212
Other non-operating and capital items		7	15
(Loss)/profit before taxation		(1 562)	3 063
Taxation		(889)	(850)
(Loss)/profit after taxation		(2 451)	2 213
(Loss)/income from associates and joint ventures		(48)	231
(Loss)/profit for the year from continuing operations		(2 499)	2 444
DISCONTINUED OPERATIONS			
Profit from discontinued operations			33
(Loss)/profit for the year		(2 499)	2 477
Attributable to:			
Owners of Barloworld Limited		(2 476)	2 428
Non-controlling interests in subsidiaries		(23)	49
		(2 499)	2 477
(Loss)/earnings per share (cents)			
— basic	2	(1 236.0)	1 150.2
— diluted	2	(1 236.0)	1 146.9
(Loss)/earnings per share from continuing operations (cents)			
— basic	2	(1 236.0)	1 134.6
— diluted	2	(1 236.0)	1 131.3
Earnings per share from discontinued operation (cents)			
— basic			15.6
— diluted			15.6

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation, the restatement of impairment losses on financial assets and contract assets together with the disaggregation of non-operating and capital items.

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

# Summarised consolidated statement of other comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Audited	
	2020	Restated* 2019
<b>(Loss)/profit for the year</b>	<b>(2 499)</b>	2 477
<b>Items that may be reclassified subsequently to profit or (loss):</b>	<b>1 190</b>	553
Exchange gain on translation of foreign operations	1 244	527
Translation reserves realised on disposal of subsidiaries	(41)	
(Loss)/gain on cash flow hedges	(24)	32
Deferred taxation on cash flow hedges	11	(6)
<b>Items that will not be reclassified to (loss) or profit:</b>	<b>(139)</b>	(488)
Actuarial losses on post-retirement benefit obligations	(172)	(588)
Taxation effect of net actuarial losses	33	100
<b>Other comprehensive income for the year, net of taxation</b>	<b>1 051</b>	65
<b>Total other comprehensive (loss)/income for the year</b>	<b>(1 448)</b>	2 542
<b>Total other comprehensive (loss)/income attributable to:</b>		
Barloworld Limited shareholders	(1 425)	2 493
Non-controlling interest in subsidiaries	(23)	49
	<b>(1 448)</b>	2 542

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.



# Summarised consolidated statement of financial position

AT 30 SEPTEMBER

		Audited	
R million	Notes	2020	Restated* 2019
<b>ASSETS</b>			
<b>Non-current assets</b>		20 470	19 206
Property, plant and equipment		12 239	12 062
Right-of-use assets		1 611	
Goodwill		1 352	1 700
Intangible assets		1 632	1 558
Investment in associates and joint ventures		2 148	2 253
Finance lease receivables		187	157
Long-term financial assets		287	710
Deferred taxation assets		1 014	766
<b>Current assets</b>		27 379	27 855
Vehicle rental fleet		1 889	3 137
Inventories		10 170	8 328
Trade and other receivables		7 916	8 052
Contract assets		514	981
Taxation		147	83
Cash and cash equivalents		6 743	7 274
Assets classified as held-for-sale		29	327
<b>Total assets</b>		47 878	47 388
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital and premium		(1 121)	441
Other reserves		5 856	4 523
Retained income		14 769	18 659
<b>Interest of shareholders of Barloworld Limited</b>		19 504	23 623
Non-controlling interest		246	272
<b>Interest of all shareholders</b>		19 750	23 895
<b>Non-current liabilities</b>		11 251	7 930
Interest-bearing		5 897	4 621
Deferred taxation liabilities		806	572
Lease liabilities		1 977	
Provisions		129	123
Contract liabilities		436	367
Other non-current liabilities		2 006	2 247
<b>Current liabilities</b>		16 877	15 485
Trade and other payables		11 096	10 179
Contract liabilities		1 272	870
Lease liabilities		351	
Provisions		622	601
Taxation		38	87
Amounts due to bankers and short term loans		3 498	3 748
Liabilities directly associated with assets classified as held-for-sale			78
<b>Total equity and liabilities</b>		47 878	47 388

\* The restatement in 2019 is due to Avis fleet no longer being classified as a discontinued operation, the restatement of an error on the inventory, trade and other payables, other non-current liabilities and contract liabilities.

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

# Summarised consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Notes	Audited	
		2020	Restated* 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating cash flows before movements in working capital		5 210	6 474
Movement in working capital		670	765
<b>Cash generated from operations before investment in rental fleets and leasing receivables</b>		<b>5 880</b>	<b>7 239</b>
Inflow of investment in leasing receivables		65	161
Fleet leasing and equipment rental fleet		(673)	(1 118)
Additions		(2 347)	(2 940)
Proceeds on disposal		1 674	1 822
Vehicles rental fleet		524	(809)
Additions		(2 192)	(3 546)
Proceeds on disposal		2 716	2 737
<b>Cash generated from operations</b>		<b>5 796</b>	<b>5 473</b>
Finance costs		(1 274)	(1 134)
Realised adjustments on financial instruments		(223)	(130)
Dividends received from investments, associates and joint ventures		20	72
Interest received		155	204
Taxation paid		(933)	(774)
<b>Cash inflow from operations</b>		<b>3 541</b>	<b>3 711</b>
Dividends paid (including non-controlling interest)		(1 127)	(1 057)
<b>Cash retained from operating activities</b>		<b>2 414</b>	<b>2 654</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		(2 766)	(5)
Proceeds on disposal of subsidiaries		14	(84)
Investments realised		367	114
Acquisition of intangible assets		(84)	(163)
Proceeds on disposal of intangible assets			5
Acquisition of property, plant and equipment		(536)	(633)
Replacement capital expenditure		(254)	(154)
Expansion capital expenditure		(282)	(479)
Proceeds on disposal of property, plant and equipment		39	119
<b>Net cash used in investing activities</b>		<b>(2 966)</b>	<b>(647)</b>
<b>Net cash (outflow)/inflow before financing activities</b>		<b>(552)</b>	<b>2 007</b>

\* Restated for the following line items: investment in leasing receivables (reclassified), acquisition of subsidiaries and intangibles (separately reported), investments realised (separately reported) and proceeds on disposal of subsidiaries.

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

# Summarised consolidated statement of cash flows continued

FOR THE YEAR ENDED 30 SEPTEMBER

		Audited	
R million	Notes	2020	Restated * 2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares repurchased for equity-settled share-based payments		(87)	(122)
Share buy back		(1 562)	
Non-controlling interest loan contribution			9
Proceeds from Khula Sizwe black public equity funding			164
Proceeds from long term borrowings		2 760	69
Repayment of long term borrowings		(1 978)	(1 449)
Movement in short term interest-bearing liabilities		444	(1 529)
Repayments of lease liabilities		(343)	
<b>Net cash used in financing activities</b>		<b>(766)</b>	<b>(2 858)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1 318)</b>	<b>(851)</b>
Cash and cash equivalents at beginning of year		7 274	7 893
Cash and cash equivalents held-for-sale at the beginning of year		29	19
Effect of foreign exchange rate movement on cash balance		443	71
Effect of foreign exchange rate movement on USD denominated cash		(187)	171
Cash balance held in Escrow		502	
Effect of cash balances classified as held-for-sale			(29)
<b>Cash and cash equivalents at end of year</b>		<b>6 743</b>	<b>7 274</b>

\* Restated for the following line items: investment in leasing receivables (reclassified), acquisition of subsidiaries and intangibles (separately reported), investments realised (separately reported) and proceeds on disposal of subsidiaries.

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

# Summarised consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER

Audited						
R million	Share capital and premium	Other reserves	Retained income	Attributable to Barloworld Limited shareholders	Non-controlling interest	Interest of all shareholders
<b>Balance at 1 October 2018</b>	441	4 194	17 598	22 233	517	22 750
Other comprehensive income		553	(488)	65		65
Profit for the year			2 428	2 428	49	2 477
<b>Total comprehensive income for the year</b>	441	4 747	19 538	24 726	566	25 292
Cumulative adjustments for adoption of new standards			20	20		20
Other reserve movements		(224)	129	(95)	23	(72)
Other changes in non-controlling interest					173	173
Deconsolidation of subsidiary			(4)	(4)	(457)	(461)
Dividends			(1 024)	(1 024)	(33)	(1 057)
<b>Balance at 30 September 2019</b>	441	4 523	18 659	23 623	272	23 895
Cumulative adjustments for new standards			(281)	(281)		(281)
Adjusted opening balance for IFRS 16	441	4 523	18 378	23 342	272	23 614
<b>Other comprehensive income</b>		1 190	(139)	1 051		1 051
Loss for the year			(2 476)	(2 476)	(23)	(2 499)
<b>Total comprehensive income for the year</b>	441	5 713	15 763	21 917	249	22 166
Share buy back	(1 562)			(1 562)		(1 562)
Khula Sizwe B-BBEE charges		223		223		223
Equity settled IFRS 2 charges		60		60		60
Share scheme receipts		(88)		(88)		(88)
Acquisition of subsidiary					8	8
Disposal of subsidiaries		16	74	90		90
Transfer of reserves		(54)	54	0		0
Other reserve movements		(14)	(8)	(22)		(22)
Other changes in non-controlling interest					2	2
Dividends			(1 114)	(1 114)	(13)	(1 127)
<b>Balance at 30 September 2020</b>	(1 121)	5 856	14 769	19 504	246	19 750

This set of financial statements has been extracted from the summarised preliminary report issued on 30 November 2020 which EY expressed an opinion that the preliminary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements. This set of summarised consolidated financial statements is a summary of the complete set of financial statements available for inspection at our registered office and the company's website ([www.barloworld.com/investors](http://www.barloworld.com/investors)). An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

# Summarised consolidated notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

## 1. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for reports, and the requirements of the Companies Act applicable to financial statements.

The JSE Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the accounting practices committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summarised consolidated financial statements are derived in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the annual financial statements for the year ended 30 September 2020, with the exception the adoption of new policies as required by new and/or revised International Financial Reporting standards issued and in effect for the current financial year. Specifically, the Group has applied IFRS 16: Leases for the first time, effective 1 October 2019. Refer to note 3 for further information regarding the impact of this new accounting standard.

As at 30 September 2019 Avis Fleet was disclosed as held-for-sale and a discontinued operation on the basis of management's firm intention to dilute Barloworld's interest in Avis Fleet to a 50% shareholding. Management have subsequently reconsidered this decision and concluded that this initiative will be placed on hold. This position will be re-assessed at the appropriate time and in the context of the Group's strategy and optimal portfolio mix. Going forward Avis Fleet will be re-presented as part of continuing operations. The impact of the decision has resulted in the income statement and balance sheet being restated to include Avis Fleet as part of continuing operations.

In addition, effective 1 September 2020, Barloworld Mongolia Limited, an indirect wholly owned subsidiary of Barloworld Limited, was awarded the Caterpillar distribution rights for Mongolia and acquired 100% of Wagner Asia Equipment LLC and a 49% share in SGMS LLC. Our Caterpillar business in Mongolia is engaged in the business of selling and distributing construction and mining equipment, aftermarket and technology solutions as well as rental solutions under the Caterpillar brand. This will enhance the expansion of the Barloworld Group in the mineral rich Eurasia region.

The summarised consolidated financial statements are presented in South African rand, which is Barloworld Limited's functional and presentation currency. The summarised consolidated financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board. The board is satisfied that the Group companies are sufficiently liquid and solvent to be able to support the current operations for the next 12 months. Accordingly, the summarised consolidated financial statements are prepared on a going concern basis.

The summarised consolidated financial statements appearing in this announcement are the responsibility of the directors. The directors take full responsibility for the preparation of the condensed consolidated financial statements.

The summarised consolidated financial statements and the complete set of consolidated financial statements were prepared under the supervision of NV Lila CA(SA) (Group Finance Director).

## 2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

R million	Audited	
	2020	Restated* 2019
(Loss)/profit from continuing operations	(2 499)	2 444
Non-controlling shareholder's interest in net profit from continuing operations	23	(49)
(Loss)/profit from continuing operations attributable to Barloworld Limited shareholders	(2 476)	2 395
Adjusted for the following items in continued operations:		
Gross remeasurements excluded from headline earnings from continuing operations	1 940	(73)
Loss/(profit) on disposal of subsidiaries and investments	6	(12)
Tax charge of profit on disposal of subsidiaries and investments		2
Profit on disposal of plant, property, equipment and intangible excluding rental assets	(13)	(3)
Capital gain tax on profit on disposal of property	99	
Tax charge/(benefit) on profit on disposal of property, plant and equipment and intangible assets	2	(11)
Impairment of goodwill	702	
Tax benefit of impairment of goodwill	(3)	
Impairment of property, plant and equipment, right of use assets, intangible and other assets	303	127
Tax benefit of impairment on plant and equipment, right of use assets, intangibles and other assets	(14)	11
Non-controlling interest in remeasurements related to impairment on plant and equipment	(2)	
Impairment of indefinite life of intangible assets	708	
Tax benefit of impairment of indefinite life of intangible assets	(48)	
Fair value gain on initial recognition of associate		(212)
Impairment of investments in associates and joint ventures	194	25
Impairment of plant and equipment — associate and joint venture share	8	
Tax benefit of impairment on plant and equipment — associate and joint venture share	(2)	
<b>Headline (loss)/earnings from continuing operations</b>	<b>(536)</b>	<b>2 322</b>

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation.



**3. ADOPTION OF NEW STANDARDS EFFECTIVE****IFRS 16 LEASES**

The Group adopted IFRS 16 on 1 October 2019 and elected to apply the modified retrospective approach with the net impact of the first time adoption of IFRS 16 recognised in retained earnings. The Group applied the exception for short term leases (lease term of less than 12 months) and leases of low value (R85 000) assets.

The adoption of the new standard had the most impact on the Group's property operating leases that were capitalised on 1 October 2019 for the first time. The adoption of IFRS 16 resulted in a right-of-use asset of R1.8 billion and a corresponding liability of R2.3 billion with the difference of R281 million adjusted against retained earnings opening balance (see statement of changes in equity), R213 million against lease smoothing liability and R78 million against deferred tax.

There were a limited number of immaterial onerous lease contracts that required adjustment to the right-of-use asset at the date of initial application.

The lessor accounting has remained primarily the same and therefore there was no financial impact on the Group.

The following practical expedients were applied by the Group on adoption of IFRS 16 as follows:

1. No application of IFRS 16 to leases that were previously assessed not to contain a lease;
2. The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short term was not amended;
3. The use of hindsight in determining the lease term where the contract contains options to extend or terminate was not applied; and
4. Lease components were separated from non-lease components and account for each separately.

**JUDGEMENTS AND ESTIMATES APPLIED IN IMPLEMENTING IFRS 16****Lease term**

The lease term is the non-cancellable period of the lease plus any optional renewal period less any optional early terminations where it is reasonably certain that the options will be exercised. The lease term was determined considering these options, where applicable, and involves judgement to determine whether the options will be exercised on a lease-by-lease basis. The following factors were considered in determining whether it is reasonably certain the options will be exercised, thus whether there is an economic incentive to exercise:

1. The strategic objectives of the business and annual business plans that observes a 5-year cycle;
2. Whether the terms and conditions of the current lease are more favourable than the current market conditions;
3. The proximity of the leased premises to core customers and other business hubs;
4. Specifics for the premises/assets leased and any leasehold improvements, such as workshops or office building, undertaken by the Group optimised to business needs;
5. Costs relating to the termination of the lease;
6. The availability of similar/alternative assets in the market suitable to the business needs; and
7. All relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

**Incremental borrowing rate (IBR)**

The Group engaged an external service provider to determine the IBRs which were distributed to and used by all divisions except for Barloworld Transport for leases of trucks and trailers as the IBRs could be determined from the contracts. The following judgements and estimates were applied in determining IBRs for Barloworld Transport:

1. The purchase price of the assets is known from the invoice/contract;
2. The lessors specify the residual value of the assets at the end of the lease period;
3. The leases are secured by the asset and there are separate contracts for each truck and trailer;
4. The present value, number of payments and actual payments are specified in the contracts; and
5. The contracts have no option for extensions and no escalations.

## SUMMARISED CONSOLIDATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The recognised right-of-use assets relate to the following categories of property, plant and equipment:

R million	2020	2019
Land and buildings	1 324	1 295
Equipment, IT and plant	7	11
Vehicles	280	424
<b>Total right-of-use assets</b>	<b>1 611</b>	<b>1 730</b>

The impact of first time adoption of IFRS 16 for the 12 month ended 30 September is as follows:

	Right-of-use asset	Right-of-use liabilities	Deferred tax	Retained earnings	Lease smoothing liability
<b>Capitalisation of operating leases on 1 October 2019</b>	1 730	2 302	78	281	213
Additions	286				
Impairment losses	(37)				
Lease liabilities raised		295			
Lease liabilities repaid		(342)			
Depreciation	(402)				
Lease modifications		(10)			
Reclassifications and lease retirements	8	67			
Foreign currency exchange movements	26	16			
<b>Balance as at 30 September 2020</b>	<b>1 611</b>	<b>2 328</b>			
Current		351			
Non-current		1 978			

Reconciliation of operating lease commitments disclosed as at 30 September 2019 to the right-of-use liabilities recognised as at 1 October 2019:

R million	Total	Held for sale	1 October 2019
<b>Operating lease commitments on 30 September 2019</b>	3 273	43	3 230
Impact of discounting lease payments *	(1 082)	(21)	(1 061)
Renewals/new leases not included in lease commitments	882	12	870
Short-term leases included in lease commitments	(779)	(1)	(778)
Forex impact	8		8
<b>Right-of-use liability at 1 October 2019</b>	<b>2 302</b>	<b>33</b>	<b>2 269</b>
Current	285	5	280
Non-current	2 017	28	1 989

\* The weighted average incremental borrowing rate used to measure the right-of-use liabilities on 1 October 2019 was 14.89%.

New standards and amendments to existing standards issued but not yet effective as at 30 September 2020 are not expected to have a material impact on the Group's financial statements when they become effective.

## SUMMARISED CONSOLIDATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 4. ACQUISITIONS

**4.1** Effective 1 September 2020, Barloworld Mongolia Limited, an indirect wholly owned subsidiary of Barloworld Limited, was awarded the Caterpillar distribution rights for Mongolia and acquired 100% of Wagner Asia Equipment LLC and a 49% share in SGMS LLC. Our Caterpillar business in Mongolia is engaged in the business of selling and distributing construction and mining equipment, aftermarket and technology solutions as well as rental solutions under the Caterpillar brand. This will enhance the expansion of the Barloworld Group in the mineral rich Eurasia region.

The goodwill, intangible and tangible asset values represented are provisional, as this acquisition was completed close to the Group's reporting date.

R million	1 September 2020
Initial provisional settlement	2 822
Premium of US\$45 million	755
Estimated fair value of Net Assets (NAV)	428
Trade Payables owed to Sellers	1 136
Escrow account — covering balance of Trade Payables owed to Sellers	502
Contingent deferred consideration	151
Fair value of True-up payment amount	67
Fair value of the Earn-out payment	84
Cash flow hedge unwind	65
	3 038

The transaction is subject to the acquisition of 49% of ordinary shares in SGMS LLC as well as 80% of preference share in SGMS, which together effectively gives Barloworld 90% economic interest in and control of SGMS because the preference share in SGMS have the same rights as the ordinary shares, resulting in a non-controlling interest (NCI) to the extent of 10%. The purchase of SGMS is negligible/immaterial to the whole transaction and therefore they are not split for business combination accounting purposes. NCI is measured by applying the percentage holding of the NCI to the net asset value acquired.

\* The consideration transferred (the "Price" per sales purchase agreement) is made up of upfront payment of R2.8 billion (\$168.1 million) as set out above, which per the sales purchase agreement (SPA), was paid on 1 September 2020, the effective date of the transaction. This settlement was paid from excess cash resources. A contingent consideration of R151.1 million (\$9 million) was raised, arising from an earn-out per clause 2.1 in a third SPA amendment as well as further provisional true-up adjustments to the initial net asset value.

^ The earn-out per schedule 21 clause 11(c) is considered to be an upward adjustment of the amount of the Price for all purposes under the SPA, therefore, a liability is created and included in the consideration transferred as a contingent deferred consideration. The contingent deferred consideration was measured at fair value on 1 September 2020 and is subsequently remeasured based on revenue targets from 1 October 2020 to 30 September 2024 with changes to be recognised in profit or loss and included in headline earnings.

The minimum and maximum amount payable for the settlement of the contingent deferred earn-out consideration are US\$nil and US\$30 million respectively.

# The purchase consideration is settled in USD whereas the functional and presentation currency of the acquirer is Pound Sterling (GBP). This exposed the acquirer to foreign exchange risk that was hedged using existing USD denominated cash deposit (hedging instrument) designated from 17 March 2020 to 30 June 2020 as a cash flow hedge where the cash flow reserve is applied to the cost of the investment (hedged item) per the Group policy as a basis adjustment. The hedge was fully effective as the same amount of USD was used to hedge the same amount of the purchase consideration. Therefore, the cash flow reserve of R65 million up to 30 June 2020 was added to the purchase consideration.

Acquisition-related costs to the value of R44 million (£2.2 million) were incurred, excluded from consideration transferred and recognised as an expense in profit or loss.

There is no specific provision in the tax law regarding the deductibility of goodwill.

### IDENTIFIABLE ASSETS AND LIABILITIES ACQUIRED ON 1 SEPTEMBER 2020

R million	2020
<b>Non-current assets</b>	<b>1 324</b>
Property, plant and equipment	543
Supplier relationship^	773
Intangible assets	8
<b>Current assets</b>	<b>1 857</b>
Trade and other receivables**	377
Inventory	1 318
Cash and cash equivalents	162
<b>Total assets</b>	<b>3 181</b>
<b>Non-current liabilities</b>	<b>204</b>
Provisions	11
Deferred tax	193
<b>Current liabilities</b>	<b>259</b>
Trade and other payables	259
<b>Total liabilities</b>	<b>463</b>
<b>Net asset</b>	<b>2 718</b>

## SUMMARISED CONSOLIDATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

R million	2020
<b>Property, plant and equipment is made up as follows:</b>	
Land and buildings	249
Plant and equipment	95
Rental assets	174
Vehicles and aircraft	25
	<b>543</b>

### <sup>^</sup> **Supplier relationships**

Intangible asset comprise of the Supplier relationship with Caterpillar representing the distribution rights for Mongolia. This will be amortised over the remaining useful life of 20 years. This is the only intangible asset which meets the IFRS recognition criteria.

### **\*\*Trade and other receivables**

The receivables acquired (which primarily comprised trade receivables) in this transaction with a fair value of R377 million had a gross contractual amounts of R673 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R296 million.

R million	2020
<b>Excess of consideration transferred over net asset acquired</b>	
Consideration transferred	3 038
Non-controlling interest	8
Less: Value of identifiable assets and liabilities	(2 718)
<b>Goodwill</b>	<b>328</b>
<b>Net cash flows on acquisition of Wagner</b>	
Consideration paid in cash	2 822
Less: cash and cash equivalents acquired	(162)
	<b>2 660</b>

Goodwill represents synergies whereby Barloworld expects to leverage core competencies within its existing businesses in Russia which will create additional value.

The goodwill will be accounted for in terms of the Group policy where it will be tested for impairment annually with impairment losses recognised in profit or loss but excluded from headline earnings.

R million	2020
<b>Impact of acquisition on the results of the Group post acquisition, 1 September 2020</b>	
Revenue	190
Operating profit	4
<b>Impact of acquisition on the results of the Group since 1 October 2019</b>	
Revenue	2 088
Operating profit	150

**4.2** Barloworld Limited ("Barloworld") entered into a Sale and Purchase Agreement ("SPA") with Tongaat Hullet Limited on 28 February 2020 to acquire 100% ownership interest in Tongaat Hullet Starch ("Ingrain"). The transaction was completed on 31 October 2020, being the transaction effective date. This purchase is done through Barloworld's wholly owned subsidiary, KLL Group (Proprietary) Limited, which will hold the shares in Ingrain.

Ingrain is Africa's largest producer of starch, glucose and related products, and produces a wide range of high quality products for customers across Africa and around the World using maize as raw material.

Barloworld acquired Ingrain, being a different business to its existing business portfolio, to balance out the seasonality of its existing business to deliver a consistent return to shareholder.

## SUMMARISED CONSOLIDATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 4. ACQUISITIONS continued

R million	30 Sep 2020
Consideration transferred <sup>1</sup>	
Initial price	4 536
Cash price	4 536
Contingent consideration <sup>2</sup>	450
	4 986

1 The consideration transferred (the "Purchase Consideration" as per the Sale and Purchase Agreement (SPA)) is made up of the initial amount of R4.536 billion, payable at the effective date in cash, and the adjustment payment payable when the closing stocktake has been completed after the closing date. The adjustment payment is a contingent consideration in nature as it adjusts the purchase consideration up or down and is dealt with below.

Acquisition-related costs to the value of R53 million were incurred, excluded from consideration transferred and recognised as an expense in profit or loss.

2 The contingent consideration of R450 million arises from the adjustment payment which will adjust the purchase consideration when finalised based on stock valuations. This has been added as one of the pre-closing activities, being a closing stock take as well as valuation thereof, and is not completed at closing date. This may result in either party having to pay another the difference between the initial amount paid on the closing/effective date of the transaction and the confirmed purchase consideration due to finalised stock take. It is expected that the stock take should be completed just after the closing date, within 15 business days after the closing date. The R450 million was arrived at using an estimate of the September 2020 working capital carrying values. The contingent consideration was measured at fair value on 31 October 2020 based on the current stock values and will be subsequently remeasured at fair value based on the finalised stock values. Due to the short turnaround of the valuation since the closing date to finalisation of the stock count and valuation, the fair value of the contingent consideration approximate the amount of the purchase consideration agreed. This is a measurement period adjustment, the business combination accounting is incomplete, and the amounts reported on 31 October 2020 are provisional.

When the stock values are finalised, the business accounting combination accounting on 31 October 2020 will be adjusted retrospectively to reflect the new information obtained about the facts and circumstances that existed as of 31 October 2020.

The adjustments to the purchase consideration as a result of changes in the value of the contingent consideration, will be accounted for against goodwill. The range of possible outcomes is not expected to be materially different from the R450 million.

There is no minimum and maximum for the adjustment payment amount.

### ASSETS ACQUIRED AND LIABILITIES ASSUMED ON 30 SEPTEMBER 2020

R million	30 Sep 2020
<b>Non-current assets</b>	<b>2 205</b>
Carrying amount of property, plant and equipment <sup>3</sup>	709
Fair value of land and buildings <sup>4</sup>	366
Carrying amounts of right-of-use assets	21
Carrying amount of other intangible assets	38
Fair value of intangible assets <sup>5</sup>	1 071
<b>Current assets</b>	<b>1 616</b>
Carrying amount of trade and other receivables <sup>6</sup>	709
Derivative financial instruments	15
Carrying amount of inventory	878
Current tax	14
<b>Total assets</b>	<b>3 821</b>
<b>Non-current liabilities</b>	<b>191</b>
Carrying amount of provisions	8
Carrying amount of right-of-use liability	17
Deferred tax	166
<b>Current liabilities</b>	<b>1 180</b>
Carrying amount of trade and other payables	455
Carrying amount of right-of-use liability	6
Carrying amount of borrowings	715
Current tax	4
<b>Total liabilities</b>	<b>1 371</b>
<b>Net asset</b>	<b>2 450</b>

## SUMMARISED CONSOLIDATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

R million	30 Sep 2020
<b><sup>3</sup> Property, plant and equipment is made up as follows :</b>	
Transport and vehicles	1
Plant and machinery	632
Office equipment	1
Other fixed assets	36
Capital work in progress	39
	709
<b><sup>4</sup> Land and buildings comprises of the following properties hosting the Mills:</b>	
Bellville Mill	88
Germiston Mill	72
Kliprivier Mill	64
Meyerton Mill	142
	366

<sup>5</sup>Intangible assets:

Intangible asset comprise of Customer relationships may arise from non-contractual customer relationships, which represent loyal customers that will continue their relationship after the acquisition by a market participant. This is the only intangible asset, which meets the IFRS recognition criteria.

<sup>6</sup> The receivables acquired (which primarily comprised trade receivables) in this transaction with a carrying value of R709 million had a gross contractual amounts of R713 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R4 million. The fair value of the receivables is still to be determined and finalised during the measurement period.

R million	30 Sep 2020
<b>Excess of consideration transferred over net asset acquired</b>	
Consideration transferred	4 986
Less: Fair value of identifiable assets and liabilities	(2 450)
<b><sup>7</sup> Goodwill</b>	<b>2 536</b>
<b>Net cash flows on acquisition</b>	<b>4 986</b>
Consideration paid in cash	4 986

<sup>7</sup> Goodwill represents synergies/improvements whereby Barloworld expects that through product development and specialisation (into modified starches) it will be able to create immediate margin uplift and optimise the product mix, whilst the ability to leverage Barloworld's core competencies in distribution within its existing businesses will create additional value. Goodwill will be accounted for in terms of the Group policy where it will be tested for impairment annually with impairment losses recognised in profit or loss but excluded from headline earnings. Goodwill is not tax deductible.

It should be noted that the values used for the business combination accounting above are as at 30 September 2020 because the purchase price allocation is not yet completed as at 31 October 2020 as some assets and liabilities still need to be fair valued.

This has not been completed because the acquisition date is very close to the date the Group financial statements are issued.

When the business combination accounting is completed, which should be done by 30 October 2021 per IFRS 3 measurement period, the values allocated to assets and liabilities would be updated with any resulting adjustments accounted for against goodwill.



# Salient features

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Audited	
	2020	Restated 2019
<b>Financial</b>		
Group normalised headline earnings per share — excluding B-BBEE charge and IFRS 16 (cents)	(30)	1 098
Group headline earnings per share — including B-BBEE charge and IFRS 16 (cents)	(268)	1 100
Group Return on invested capital (ROIC) (%) — excluding IFRS 16 **	0.6	11.9
Group Return on invested capital (ROIC) (%) — including IFRS 16 **	1.0	11.9
Economic profit — excluding IFRS 16	(3 037)	(323)
Economic profit — including IFRS 16	(3 037)	(323)
Free cash flow — excluding IFRS 16	230	3 064
Free cash flow — including IFRS 16	575	3 064
Dividends per share (cents)	Nil	462
Group operating margin — excluding B-BBEE (%) and excluding IFRS 16 *	3.8	6.6
Group operating margin — excluding B-BBEE (%) and including IFRS 16 *	4.1	6.6
Group rolling EBITDA/Interest paid (times) — excluding IFRS 16	4.7	5.7
Group rolling EBITDA/Interest paid (times) — Including IFRS 16	3.8	5.7
Group net debt/equity (%) — excluding IFRS 16	13.4	4.5
Group net debt/equity (%) — including IFRS 16	25.2	4.5
Group return on net operating assets (RONOA) (%) — excluding IFRS 16	8.6	18.7
Group return on net operating assets (RONOA) (%) — including IFRS 16	9.3	18.7
Group return on ordinary shareholders' funds (%) — excluding IFRS 16	(1.0)	10.6
Group return on ordinary shareholders' funds (%) — including IFRS 16	(1.5)	10.6
Net asset value per share (cents)	9 783	11 182
Number of ordinary shares in issue (000)	199 335	212 693
<b>Natural capital *</b>		
Non-renewable energy consumption (GJ) #	2 268 586	2 853 385
Greenhouse gas emissions (tCO <sub>2</sub> e) <sup>Δ</sup>	193 546	245 881
Water withdrawals (municipal sources) (ML)	612	665
<b>Human capital *</b>		
Number of employees	12 905	15 396
Lost-time injury frequency rate (LTIFR) <sup>†</sup>	0.53	0.57
Number of work-related fatalities	2	1
<b>Social and relationship capital</b>		
Corporate social investment (R million)	16	19
dti B-BBEE rating (level) <sup>^</sup>	3	3

\*\* Return on invested capital (ROIC) is calculated by a rolling 12-month net Group operating profit after tax over total equity, plus net debt and IFRS 16 lease liability. The difference between excluding IFRS 16 is the exclusion of the right of use depreciation, the lease liability interest, IFRS 16 lease liability and inclusion of the IAS 17 lease expense.

\* Restated to include previously disclosed operations classified as held-for-sale (Avis Fleet Service).

‡ PwC conducted a review of selected sustainability information, in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and ISAE 3410 Assurance Engagements on Greenhouse Gas Emissions Statements. Scope 1 and scope 2 totals assured individually.

# Excludes rental fleets.

Δ Scope 1 and 2.

† Lost-time injuries multiplied by 200 000 divided by total hours worked.

^ Department of Trade and Industry (South Africa).

R million	Closing rate		Average rate	
	2020	2019	2020	2019
United States Dollar	16.68	15.16	16.27	14.31
British Sterling	21.56	18.68	20.86	18.27

Exchange rates used:

- Balance sheet — closing rate (rand).
- Income statement and cash flow statement — average rate (rand).

# Consolidated seven-year summary (unaudited)

FOR THE YEAR ENDED 30 SEPTEMBER

	Compound annual growth %	2020 Rm	2019* Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
<b>INCOME STATEMENT</b>								
<b>CONTINUING OPERATIONS</b>								
Revenue	(3.7)	49 683	60 206	63 420	61 959	62 074	62 720	62 101
Operating profit before items listed below	(3.1)	5 122	6 547	6 978	6 694	6 486	6 479	6 170
Impairment losses on financial assets and contract assets		(292)	(75)					
Depreciation		(2 661)	(2 387)	(2 433)	(2 468)	(2 294)	(2 355)	(2 198)
Amortisation of intangible assets		(136)	(115)	(141)	(144)	(105)	(129)	(142)
Operating profit before B-BBEE transaction charge		2 033	3 970	4 404	4 082	4 087	3 995	3 830
B-BBEE transaction charge		(236)	(73)				(251)	
Operating profit	(11.9)	1 797	3 897	4 404	4 082	4 087	3 744	3 830
Fair value adjustments on financial instruments		(340)	22	(133)	(209)	(209)	(198)	(156)
Finance costs	2.2	(1 274)	(1 134)	(1 182)	(1 329)	(1 331)	(1 252)	(1 117)
Income from investments		155	203	147	109	111	67	39
Profit before non-operating and capital items	(28.8)	338	2 988	3 236	2 653	2 658	2 361	2 596
Non-operating and capital items		(1 900)	75	(248)	(155)	85	(6)	(66)
Profit before taxation		(1 562)	3 063	2 988	2 498	2 743	2 355	2 530
Taxation		(889)	(850)	(950)	(565)	(796)	(808)	(837)
Profit after taxation		(2 451)	2 213	2 038	1 933	1 947	1 547	1 693
Income from associates and joint ventures		(48)	231	235	93	3	287	217
Net profit from continuing operations		(2 499)	2 444	2 273	2 026	1 950	1 834	1 910
<b>DISCONTINUED OPERATIONS</b>								
Profit/(loss) from discontinued operations			33	1 647	(269)	29		428
Net profit		(2 499)	2 477	3 920	1 757	1 979	1 834	2 338
Attributable to:								
Owners of Barloworld Limited		(2 476)	2 428	3 846	1 643	1 883	1 713	2 143
Non-controlling interests in subsidiaries		(23)	49	74	114	96	121	195
		(2 499)	2 477	3 920	1 757	1 979	1 834	2 338
Headline earnings from continuing operations	1.8	268	1 100	2 427	2 053	1 778	1 960	1 813

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

# Consolidated seven-year summary (unaudited) continued

FOR THE YEAR ENDED 30 SEPTEMBER

	2020 Rm	2019* Rm	2018^ Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
<b>STATEMENT OF FINANCIAL POSITION</b>							
<b>Assets</b>							
Property, plant and equipment	12 239	12 062	12 657	12 659	13 806	14 380	12 614
Right-of-use assets	1 611						
Goodwill and intangible assets	2 984	3 258	3 401	3 534	3 728	3 240	3 041
Investments in associates, joint ventures and other non-current assets	2 622	3 120	2 463	1 737	1 518	1 503	937
Deferred taxation assets	1 014	766	710	683	1 127	783	695
<b>Non-current assets</b>	<b>20 470</b>	<b>19 206</b>	<b>19 231</b>	<b>18 613</b>	<b>20 179</b>	<b>19 906</b>	<b>17 287</b>
<b>Current assets</b>	<b>27 379</b>	<b>27 855</b>	<b>29 678</b>	<b>24 368</b>	<b>25 015</b>	<b>28 052</b>	<b>26 719</b>
<b>Assets classified as held for sale</b>	<b>29</b>	<b>327</b>	<b>497</b>	<b>3 343</b>	<b>828</b>	<b>197</b>	<b>–</b>
<b>Total assets</b>	<b>47 878</b>	<b>47 388</b>	<b>49 406</b>	<b>46 324</b>	<b>46 022</b>	<b>48 155</b>	<b>44 006</b>
<b>Equity and liabilities</b>							
<b>Capital and reserves</b>							
Share capital and premium	(1 121)	441	441	441	441	282	316
Reserves and retained income	20 625	23 182	21 791	19 834	18 501	19 144	16 566
<b>Interest of shareholders of Barloworld Limited</b>	<b>19 504</b>	<b>23 623</b>	<b>22 232</b>	<b>20 275</b>	<b>18 942</b>	<b>19 426</b>	<b>16 882</b>
Non-controlling interest	246	272	517	602	737	616	604
<b>Interest of all shareholders</b>	<b>19 750</b>	<b>23 895</b>	<b>22 750</b>	<b>20 877</b>	<b>19 679</b>	<b>20 042</b>	<b>17 486</b>
<b>Non-current liabilities</b>	<b>11 251</b>	<b>7 930</b>	<b>8 917</b>	<b>10 852</b>	<b>12 446</b>	<b>12 078</b>	<b>9 700</b>
Deferred taxation liabilities	806	572	632	538	703	571	377
Non-current liabilities	10 445	7 358	8 285	10 314	11 743	11 507	9 323
<b>Current liabilities</b>	<b>16 877</b>	<b>15 485</b>	<b>17 466</b>	<b>13 798</b>	<b>13 830</b>	<b>15 992</b>	<b>16 820</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		78	126	797	67	43	–
<b>Total equity and liabilities</b>	<b>47 878</b>	<b>47 388</b>	<b>49 406</b>	<b>46 324</b>	<b>46 022</b>	<b>48 155</b>	<b>44 006</b>
<b>STATEMENT OF CASH FLOWS</b>							
Cash inflow/(outflow) from operations	3 541	3 711	1 700	3 734	5 715	(824)	1 047
Dividends paid (including non-controlling interest)	(1 127)	(1 057)	(953)	(803)	(772)	(814)	(742)
<b>Net cash retained from/(applied to) operating activities</b>	<b>2 414</b>	<b>2 654</b>	<b>747</b>	<b>2 931</b>	<b>4 943</b>	<b>(1 638)</b>	<b>305</b>
Net cash (used in)/generated from investing activities	(2 966)	(647)	1 891	(329)	(1 436)	(1 826)	(69)
Net cash (used in)/generated from financing activities	(884)	(2 858)	1 080	(1 642)	(2 753)	1 532	1 070
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1 318)</b>	<b>(851)</b>	<b>3 718</b>	<b>960</b>	<b>754</b>	<b>(1 933)</b>	<b>1 306</b>

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

^ The restatement in 2018 is due to the restatement of inventory and trade and other payables.

The seven year review is the responsibility of the directors, has been prepared for illustrative purposes only and because of its nature, may not fairly present Barloworld's financial information.

# Consolidated seven-year summary (unaudited) continued

FOR THE YEAR ENDED 30 SEPTEMBER

			Targets	2020	2019*	2018^	2017	2016	2015	2014
<b>PERFORMANCE PER ORDINARY SHARE</b>										
Weighted average number of ordinary shares in issue during the year net of buy-back		(000)		<b>200 330</b>	211 085	210 875	210 780	211 425	211 843	211 669
Earnings per share	Net profit attributable to ordinary shareholders of Barloworld Limited	SA cents		<b>(1 236.0)</b>	1 150.2	1 823.8	779.6	890.5	808.7	1 012.3
	Weighted average number of ordinary shares in issue, net of buy-back	US cents		<b>(75.0)</b>	80.4	140.2	58.2	60.4	67.5	95.8
Earnings per share – continuing operations	As above, but using results from continuing results only	SA cents		<b>(1 236.0)</b>	1 134.6	1 042.8	907.2	876.8	808.7	810.3
		US cents		<b>(76.0)</b>	79.3	80.2	67.8	59.4	67.5	76.7
Headline earnings per share	Net profit attributable to ordinary shareholders of Barloworld Limited + goodwill impairment -(+) non trading profits/(losses) net of tax and non-controlling interest thereof	SA cents		<b>(267.6)</b>	1 100.0	1 192.1	883.4	838.1	813.8	882.5
	Weighted average number of ordinary shares in issue, net of buy-back	US cents		<b>(16.4)</b>	76.9	91.6	66.0	56.8	67.9	83.5
Headline earnings per share – continuing operations	As above, but using results from continuing results only	SA cents		<b>(267.6)</b>	1 100.0	1 150.9	974.5	840.9	925.5	856.5
		US cents		<b>(16.4)</b>	76.9	88.5	72.8	57.0	77.3	81.0
Headline earnings per share – continuing operations excluding B-BBEE and finance cost on discontinued operations	As above, but using results from continuing results normalised**	SA cents		<b>(106.9)</b>	1 098.0	1 150.9	875.9	752.2	925.5	856.5
		US cents		<b>(6.6)</b>	76.7	88.5	65.4	51.0	77.3	81.0
Dividends per share	Interim and final dividends declared out of current year's earnings	SA cents			462.0	462.0	390.0	345.0	345.0	320.0
		US cents			32.3	35.5	29.1	23.4	28.8	30.3
Dividend cover	Headline earnings (continuing operations) + B-BBEE transaction charge (net of taxation)	times			1.9	2.5	2.1	2.3	2.6	2.5
	Dividends paid out of current year's earnings									
Net asset value per share	Interest of shareholders of Barloworld Limited, including investments at market value	SA cents		<b>9 783</b>	11 182	10 453	9 533	8 997	9 157	7 941
	Number of ordinary shares in issue, net of buy-back	US cents		<b>587</b>	737	739	706	654	661	703

\*\* Headline earnings per share – continuing operations excluding B-BBEE transactions and material disposal, as per the Barloworld long term incentive scheme performance measurements.

## PROFITABILITY AND ASSET MANAGEMENT

Group operating margin including IFRS 16 (%) before BEE	Operating profit before B-BBEE charge and goodwill impairment	%	>6	<b>4.1</b>	6.6	6.8	6.1	6.2	6.4	6.0
	Revenue – group operations									
Continuing operating margin including IFRS 16 (%) before BEE	Operating profit before B-BBEE charge and goodwill impairment	%	>6	<b>4.1</b>	6.6	6.9	6.6	6.6	6.4	6.2
	Revenue – continuing operations									
Net asset turn	Revenue – group operations	times	>3	<b>1.6</b>	1.8	2.1	2.2	2.1	2.1	2.4
	Average net assets									
Return on net assets (group) incl IFRS 16	Operating profit + B-BBEE transaction charge + investment income + income from Associates and Joint Ventures	%	>18	<b>6.8</b>	13.4	15.1	13.4	13.3	13.4	15.3
	As per above group calculation but excluding leasing and car rental businesses	%	>20	<b>8.1</b>	12.4	13.5	12.6	12.7	12.8	15.2
Return on net assets (Trading businesses)		%	>20	<b>8.1</b>	12.4	13.5	12.6	12.7	12.8	15.2

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

^ The restatement in 2018 is due to the restatement of inventory and trade and other payables.

The seven year review is the responsibility of the directors, has been prepared for illustrative purposes only and because of its nature, may not fairly present Barloworld's financial information.

# Consolidated seven-year summary (unaudited) continued

FOR THE YEAR ENDED 30 SEPTEMBER

			Targets	2020	2019*	2018^	2017	2016	2015	2014
<b>PROFITABILITY AND ASSET MANAGEMENT</b> continued										
Return on net operating assets (group)^	Net profit attributable to ordinary shareholders of Barloworld Limited									
	– net exceptional items + B-BBEE transaction charge (net of tax)	%	>20	<b>9.7</b>	18.7	20.5	18.4	15.9	17.0	18.7
	Average net operating assets									
Return on ordinary shareholders' funds (excluding exceptional items) (group)	Net profit attributable to ordinary shareholders of Barloworld Limited									
	– net exceptional items + B-BBEE transaction charge (net of tax)	%	>15	<b>(1.5)</b>	10.6	11.8	9.5	9.2	10.9	11.6
	Average Interest of shareholders of Barloworld Limited									
Replacement capex to depreciation	Replacement capital expenditure	%		<b>23.7</b>	26.5	9.7	12.2	18.9	29.3	21.6
	Depreciation charge									
Effective rate of taxation – continuing operations	Tax charge – prior year tax – non-operating and capital items tax	%		<b>251.0</b>	27.8	28.5	23.9	27.0	37.1	34.1
	– secondary tax on companies									
	Profit before tax +/- non-operating and capital items + goodwill impairment									
^^ Return on net operating assets – group excluding B-BBEE transactions, material accounting changes and material disposal, as per the Barloworld long term incentive scheme performance measurements.										
<b>LIQUIDITY AND LEVERAGE</b>										
Total liabilities to total shareholders' funds incl IFRS 16	Non-current liabilities – deferred tax liabilities + current liabilities	%	<150	<b>59.4</b>	35.0	113.2	115.5	130.0	137.4	149.5
	Interest of all shareholders									
Net debt to total shareholders' funds	Non-current interest-bearing liabilities + amounts due to bankers	%		<b>25.2</b>	4.5	14.4	27.6	40.7	55.1	40.9
	and short term loans – cash and cash equivalents									
	Interest of all shareholders									
Total borrowings to total shareholders' funds	Non-current interest-bearing liabilities + amounts due to bankers and short term loans + convertible bond									
– Total group	Interest of all shareholders	%		<b>47.6</b>	32.7	49.1	46.4	56.1	66.9	64.7
– Trading businesses		%	30 – 50	<b>27.6</b>	10.1	25.3	20.9	28.9	42.9	39.7
– Leasing businesses		%	600 – 800	<b>633.8</b>	604.2	614.3	560.1	720.1	688.4	661.8
– Car rental businesses		%	200 – 300	<b>183.9</b>	207.6	203.8	203.3	216.4	210.9	205.4
Net borrowings/EBITDA	Non-current interest-bearing liabilities + amounts due to bankers									
	and short term loans + convertible bond – cash and cash equivalents	times	<2.5	<b>1.0</b>	0.2	0.5	0.8	1.2	1.8	1.6
	Operating profit + impairment of goodwill and intangible assets + depreciation charge									
Current ratio	Current assets									
	Current liabilities		>1	<b>1.6</b>	1.8	1.7	1.8	1.8	1.8	1.6
Quick ratio	Current assets – inventories									
	Current liabilities		>0.5	<b>1.0</b>	1.3	1.1	1.2	1.1	0.9	0.9
Interest cover – continuing operations	Profit before non-operating and capital items + goodwill impairment + B-BBEE transaction charge + interest paid									
	(including interest capitalised and interest included in cost of sales)									
	Interest paid (including interest capitalised and interest included in cost of sales)	times	>3	<b>1.3</b>	3.2	3.7	3.0	3.0	2.9	3.3
– Total group		times	>4	<b>1.9</b>	3.8	5.3	3.8	3.7	3.5	4.0
– Trading businesses		times	>1	<b>0.7</b>	4.0	2.0	2.0	1.8	1.9	2.2
– Leasing businesses		times	>1.25	<b>(1.3)</b>	1.1	2.1	2.0	2.3	2.3	2.4
– Car rental businesses										

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

^ The restatement in 2018 is due to the restatement of inventory and trade and other payables.

The seven year review is the responsibility of the directors, has been prepared for illustrative purposes only and because of its nature, may not fairly present Barloworld's financial information.

# Consolidated seven-year summary (unaudited) continued

FOR THE YEAR ENDED 30 SEPTEMBER

		Targets	2020	2019*	2018^	2017	2016	2015	2014
<b>VALUE ADDED</b>									
Number of employees			<b>12 905</b>	15 396	17 417	19 201	20 786	19 745	19 616
Revenue per employee	Revenue Average number of employees	R000's	<b>3 511.0</b>	3 669.6	3 646.1	3 302.8	3 201.6	3 186.9	3 342.8
Value created per employee	Total value created per value added statement Average number of employees	R000's	<b>829.5</b>	1 051.7	1 061.4	846.2	778.0	790.1	813.6
Employment cost per employee	Salaries, wages and other benefits paid to employees Average number of employees	R000's	<b>580.2</b>	577.4	531.2	497.6	469.9	452.7	469.0
<b>ORDINARY SHARES PERFORMANCE – JSE</b>									
Closing market prices per share									
– year-end (30 September)	SA cents		<b>6 146</b>	11 560	12 317	12 451	8 327	7 540	9 250
	US cents		<b>368</b>	762	870	922	606	544	819
– highest	SA cents		<b>6 212</b>	11 887	18 588	13 300	9 095	10 600	11 648
– lowest	SA cents		<b>6 034</b>	10 850	11 748	8 256	5 192	7 530	8 790
Number of shares in issue at 30 September**	million		<b>199</b>	211	211	211	211	212	213
Volume of shares traded	million		<b>1 435</b>	590	221	256	361	173	170
Value of shares traded	Rm		<b>88 386</b>	68 044	32 233	28 562	25 822	15 941	17 552
Earnings yield	Headline earnings per share Closing market price per share	%	<b>(4.4)</b>	9.5	9.3	7.8	10.1	12.3	9.3
Dividend yield	Dividends per share Closing market price per share	%	<b>3.8</b>	4.2	3.3	2.9	4.1	4.4	3.3
<b>Total shareholder return – Barloworld Limited</b>									
– Annual share price (loss)/gain	%		<b>46.8</b>	(6.1)	(1.1)	49.5	10.4	(18.5)	(3.0)
– Total shareholder return	Annual share price gain + dividend yield	%	<b>(43.0)</b>	(1.9)	2.2	52.4	14.5	(14.1)	0.3
<b>Total shareholder return – JSE all share (Alsi) index</b>									
– Alsi index (30 September)			<b>54 265</b>	54 825	55 708	55 580	51 950	50 089	49 336
– Gain/(loss) in Alsi index – year to 30 September	%		<b>(1.0)</b>	(1.6)	0.2	8.9	3.7	1.5	12.0
– Dividend yield	%		<b>3.2</b>	4.2	3.8	3.7	2.9	3.1	2.9
– Total shareholder return	%		<b>1.02</b>	0.02	3.3	12.6	5.7	4.6	15.0
Price: Earnings ratio	Closing market price per share Headline earnings per share	times	<b>(23.0)</b>	10.5	10.3	14.1	9.9	9.3	10.5
Price: Earnings ratio – JSE Alsi index			<b>13.4</b>	12.0	13.6	20.2	23.4	26.7	16.9
Market capitalisation at 30 September	Closing market price per share x number of shares in issue at 30 September	Rm	<b>12 251</b>	24 423	26 004	26 223	17 570	15 995	19 664
Premium over/(under) interest of shareholders of Barloworld Limited	Market capitalisation – Interest of shareholders of Barloworld Limited	Rm	<b>(7 252)</b>	799	3 772	5 948	(1 372)	(3 431)	2 782

\*\* The number of shares in issue excludes shares issued in the respect of the B-BBEE transaction other than to the General staff trust.

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

^ The restatement in 2018 is due to the restatement of inventory and trade and other payables.

The seven year review is the responsibility of the directors, has been prepared for illustrative purposes only and because of its nature, may not fairly present Barloworld's financial information.



# Consolidated summary in other currencies# (unaudited)

FOR THE YEAR ENDED 30 SEPTEMBER

	US Dollar		Pound Sterling	
	2020	2019*	2020	2019*
	\$m	\$m	£m	£m
<b>INCOME STATEMENT</b>				
<b>CONTINUING OPERATIONS</b>				
Revenue	3 054	4 207	2 382	3 295
Operating profit before items listed below	315	458	246	358
Impairment losses on financial assets and contract assets	(18)	(5)	(14)	(4)
Depreciation	(164)	(167)	(128)	(131)
Amortisation of intangible assets	(8)	(8)	(7)	(6)
Operating profit before B-BBEE transaction charge	125	278	97	217
B-BBEE transaction charge	(15)	(5)	(11)	(4)
Operating profit	110	273	86	213
Fair value adjustments on financial instruments	(21)	2	(16)	1
Finance costs	(78)	(79)	(61)	(62)
Income from investments	10	14	7	11
Profit before non-operating and capital items	21	210	16	163
Non-operating and capital items	(117)	5	(91)	4
(Loss)/profit before taxation	(96)	215	(75)	167
Taxation	(55)	(59)	(43)	(47)
(Loss)/profit before taxation	(151)	156	(118)	120
(Loss)/income from associates and joint ventures	(3)	16	(2)	13
(Loss)/profit for the year from continuing operations	(154)	172	(120)	133
<b>DISCONTINUED OPERATIONS</b>				
Profit from discontinued operations		2		2
Net profit	(154)	174	(120)	135
Attributable to:				
Owners of Barloworld Limited	(152)	170	(119)	133
Non-controlling interests in subsidiaries	(2)	4	(1)	2
Net profit	(154)	76.9	(120)	135
Headline earnings continuing operations	(16.4)	77	(12.8)	60.2
Earnings per share continuing operations (cents)	(76.0)	79.3	(59.3)	62.1
Ordinary dividends per share (cents)		32.3		25.3

\* These schedules are provided for convenience purposes only. The presentation currency used for the financial statements and notes is South African Rand.

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

# Consolidated summary in other currencies<sup>#</sup> (unaudited) continued

FOR THE YEAR ENDED 30 SEPTEMBER

	US Dollar		Pound Sterling	
	2020	2019*	2020	2019*
	\$m	\$m	£m	£m
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>Assets</b>				
Property, plant and equipment	734	796	568	646
Right-of-use assets	97		75	
Goodwill and intangible assets	179	215	138	174
Investment in associates, joint ventures and other non-current assets	157	206	122	167
Deferred taxation assets	61	51	47	41
<b>Non-current assets</b>	<b>1 228</b>	<b>1 268</b>	<b>950</b>	<b>1 028</b>
<b>Current assets</b>	<b>1 641</b>	<b>1 837</b>	<b>1 270</b>	<b>1 491</b>
<b>Assets classified as held for sale</b>	<b>2</b>	<b>22</b>	<b>1</b>	<b>18</b>
<b>Total assets</b>	<b>2 871</b>	<b>3 127</b>	<b>2 221</b>	<b>2 537</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital and premium	(67)	29	(52)	24
Reserves and retained income	894	1 232	691	999
Non-distributable reserves – foreign currency translation	343	298	265	242
<b>Interest of shareholders of Barloworld Limited</b>	<b>1 170</b>	<b>1 559</b>	<b>904</b>	<b>1 265</b>
Non-controlling interest	15	18	11	15
<b>Interest of all shareholders</b>	<b>1 185</b>	<b>1 577</b>	<b>915</b>	<b>1 280</b>
<b>Non-current liabilities</b>	<b>675</b>	<b>523</b>	<b>522</b>	<b>425</b>
Deferred taxation liabilities	48	38	37	31
Non-current liabilities	627	485	485	384
<b>Current liabilities</b>	<b>1 011</b>	<b>1 022</b>	<b>784</b>	<b>828</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		<b>5</b>		<b>4</b>
<b>Total equity and liabilities</b>	<b>2 871</b>	<b>3 127</b>	<b>2 221</b>	<b>2 537</b>
<b>STATEMENT OF CASH FLOWS</b>				
Cash inflow from operations	218	259	170	203
Dividends paid (including non-controlling interest)	(69)	(74)	(54)	(58)
<b>Net cash retained from operating activities</b>	<b>149</b>	<b>185</b>	<b>116</b>	<b>145</b>
Net cash used in investing activities	(182)	(45)	(142)	(35)
Net cash from financing activities	(47)	(200)	(37)	(156)
<b>Net decrease in cash and cash equivalents</b>	<b>(80)</b>	<b>(60)</b>	<b>(63)</b>	<b>(47)</b>
<b>Exchange rates used:</b>				
Balance sheet – closing rate (rand)	16.68	15.16	21.56	18.68
Income statement and cash flow statement – average rate (rand)	16.27	14.31	20.86	18.27

<sup>#</sup> These schedules are provided for convenience purposes only. The presentation currency used for the financial statements and notes is South African Rand.

\* The restatement is due to Avis fleet no longer being classified as a discontinued operation and the restatement of impairment losses on financial assets and contract assets.

# Shareholder profile

## PUBLIC AND NON-PUBLIC SHAREHOLDING OR ORDINARY SHARES

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	11	0.13	8 987 102	4.47
– Directors, prescribed officers and associates	6	0.07	235 425	0.12
– Company Subsidiaries	2	0.02	2 018 732	1.00
– Empowerment	1	0.01	6 578 121	3.27
– Share Plan	1	0.01	120 883	0.06
– Employee and educational trusts	1	0.01	33 941	0.02
Public shareholders	8 653	99.87	192 038 544	95.53
<b>Total</b>	<b>8 664</b>	<b>100</b>	<b>201 025 646</b>	<b>100</b>

## REGISTERED SHAREHOLDER SPREAD

Registered	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 - 1 000 shares	6 587	76.03	1 845 354	0.92
1 001 - 10 000 shares	1 486	17.15	4 606 439	2.29
10 001 - 100 000 shares	418	4.82	13 913 303	6.92
100 001 - 1 000 000 shares	147	1.70	38 373 263	19.09
1 000 001 shares and above	26	0.30	142 287 287	70.78
<b>Total</b>	<b>8 664</b>	<b>100</b>	<b>201 025 646</b>	<b>100</b>

## BENEFICIAL SHAREHOLDINGS 5% OR MORE

Shareholder Name	Total shareholding	% of issued capital
Government Employees Pension Fund	32 054 712	15.95
Zahid Tractor & Heavy Machinery Co. Limited	31 736 992	15.79
Silchester International Investment Value Equity Trust	16 805 963	8.36
<b>Total</b>	<b>80 597 667</b>	<b>40.09</b>

## INVESTMENT MANAGERS HOLDING 5% OR MORE

Shareholder Name	Total shareholding	% of issued capital
Silchester International Investors, L.L.P.	39 968 801	19.88
Public Investment Corporation (SOC) Limited	31 209 298	15.53
Westwood Global Investments, L.L.C.	13 390 327	6.66
<b>Total</b>	<b>84 568 426</b>	<b>42.07</b>

## GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total Shareholding	% of issued capital
South Africa	62 391 778	31.04
United Kingdom	47 531 695	23.64
United States of America and Canada	46 743 971	23.25
Rest of Europe	6 589 357	3.28
Rest of World	37 768 845	18.79
<b>Total</b>	<b>201 025 646</b>	<b>100</b>

# Glossary

ABASA	Association for the advancement of Black accountants in southern Africa
ABG	Avis Budget Group
BAW	Barloworld
B-BBEE	Broad-Based Black Economic Empowerment
BBS	Barloworld Business System
BCO	Barloworld Corporate Office
CATfin	Caterpillar Finance
CE	Chief executive
CHP	Combined Heat and Power
CNG	Compressed natural gas
COJ	City of Johannesburg
CO <sub>2</sub>	Carbon dioxide
COVID-19	An infectious disease caused by a newly discovered coronavirus
CSI	Corporate Social Investment
D&I	Diversity and Inclusion
DRC	Democratic Republic of Congo
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESG	Environmental, social and governance
EMPR	Extended mining product range
ETR	Effective tax rate
ESD	Enterprise and supplier development
EVP	Employee value proposition
EWT	Endangered Wildlife Trust
Genset	Generator set
GHG	Greenhouse gas
GJ	Gigajoule
GMP	Guaranteed minimum pension
GRI	Global Reporting Initiative

HC	Human capital
HCD	Human-centred design
HEPS	Headline earnings per share
IFC	Inside front cover
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
JV	Joint venture
KL	Kilolitres
kWh	Kilowatt hour
LCF	Leadership Competency Framework
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIFR	Lost-time injury frequency rate (Number of lost-time injuries multiplied by 200 000, divided by total hours worked)
M&A	Mergers and acquisitions
MAC	Material adverse change
MAR	Measure, Avoid and Reduce
MARSO	Measure, Avoid, Reduce, Switch and Offset
MDI	Managing for Daily Improvement
ML	Megalitre
Mol	Memorandum of Incorporation
MWh	Megawatts per hour
NAAMSA	National Association of Automobile Manufacturers of South Africa
NDoT	National Department of Transport
NOPAT	Net operating profit after tax
OEMs	Original Equipment Manufacturers

PBS	Performance-based standards
PV	Photovoltaic
PQDCG	People Development, Quality, Delivery, Cost, and Growth
R&D	Research and development
RIE	Rapid improvement event
RoA	Rest of Africa
ROE	Return on equity
ROIC	Return on invested capital
RoU	Right of use
RPA	Robotic process automation
RTGS dollar	Real-time gross settlement dollar
SDGs	Sustainable Development Goals
SHE	Safety, health and environment
SMD	Salvage management and disposals
SMMEs	Small, medium and micro-enterprises
tCO <sub>2</sub> e	Tons of carbon dioxide equivalent
TEDialogues	Transformation Empowerment Dialogues
TERS	Temporary Employer/Employee relief scheme benefits
TPS	Toyota Production System
T4A	Technicians for Africa
US	United States of America
VSA	Value stream analysis

# 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, 61 Katherine Street,  
Sandton, 2196  
PO Box 782248, Sandton, 2146,  
South Africa  
Tel +27 11 445 1000  
E-mail [invest@barloworld.com](mailto:invest@barloworld.com)

## **TRANSFER SECRETARIES – SOUTH AFRICA**

Link Market Services South Africa  
Proprietary 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 (Proprietary)  
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**

Zanele Salman  
Head: group investor relations  
Tel +27 11 445 1000  
E-mail [invest@barloworld.com](mailto:invest@barloworld.com)  
(For background information, visit  
[www.barloworld.com](http://www.barloworld.com))

## **BOARD OF DIRECTORS**

NP Dongwana (Chairman)

FNO Edozien\*

HH Hickey

MD Lynch-Bell\*\*

NP Nxasana

SS Ntsaluba

P Schmid

HN Molotsi

NV Mokhesi

DM Sewela

NV Lila

\* *Nigerian*

\*\* *British*

## **COMPANY SECRETARY**

A Ndoni

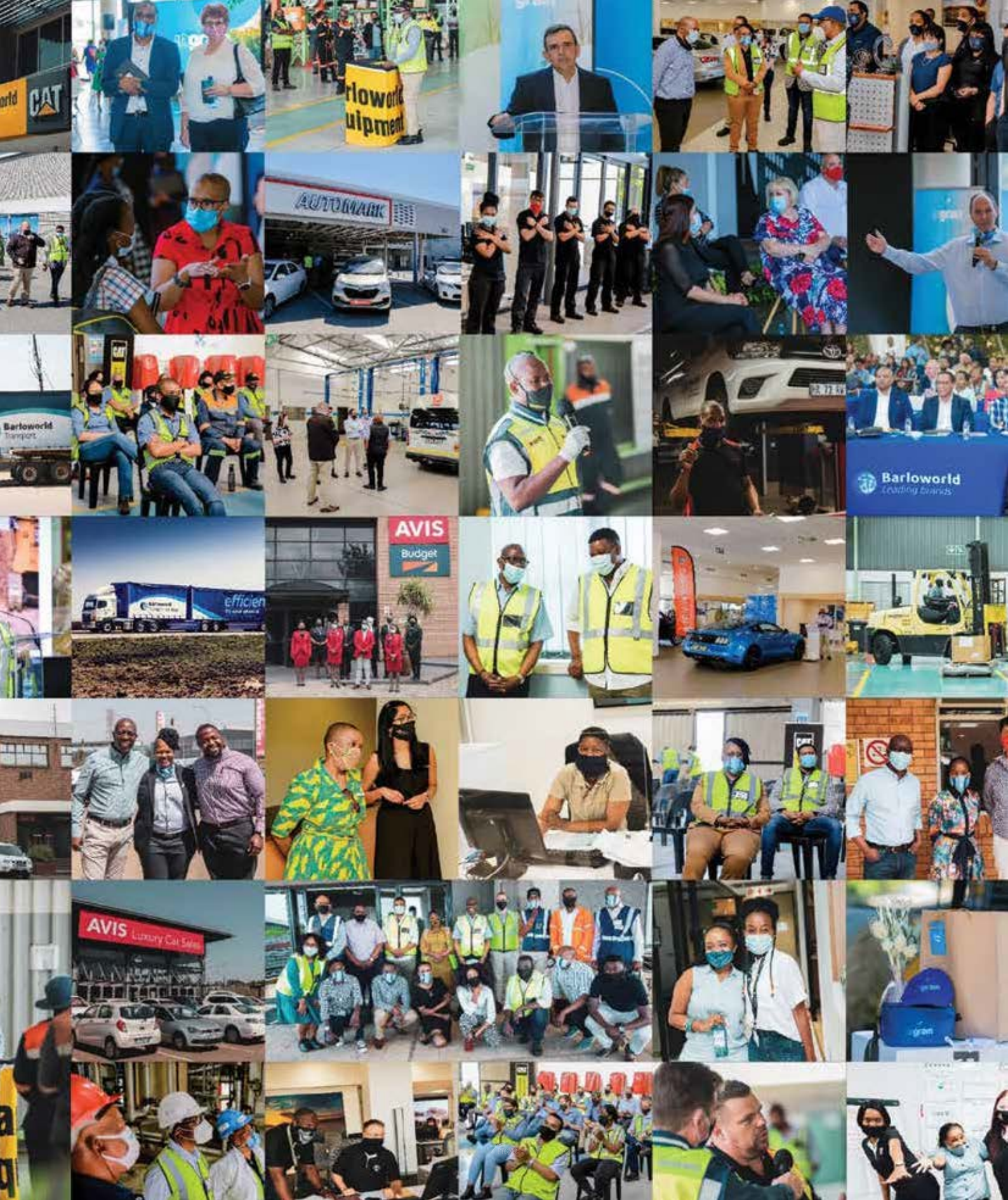
This Integrated Report is printed on  
GalerieArt™ Silk which is PEFC and FSC  
certified and made from 100% elemental  
chlorine-free pulps.

## Notes



## Notes

[illegible]





**Barloworld**  
*Leading brands*



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

