Barloworld

Sustainability-Linked Bonds

Market Information

Built on enduring partnerships and transformative growth

Contents

Forward looking statements: Barloworld may, in this document, make certain statements that are not historical facts that 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. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, return on invested capital, growth opportunities, capital distribution and cost reductions, including in connection with our business performance outlook. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour", "target", "forecast" and "project" and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections, and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Summary of Bond Characteristics

Issuer name:
Barloworld

Bond code:
BAW 37 and BAW 38

Published date:
05 July 2022

KPIs' and SPTs' thematic:

- ☐ Environmental
- ☐ Social
- ☑ Both environmental and social
- ☑ Other (Barloworld's ESG strategy and approved targets)

* Sustainability Performance Targets

Introduction

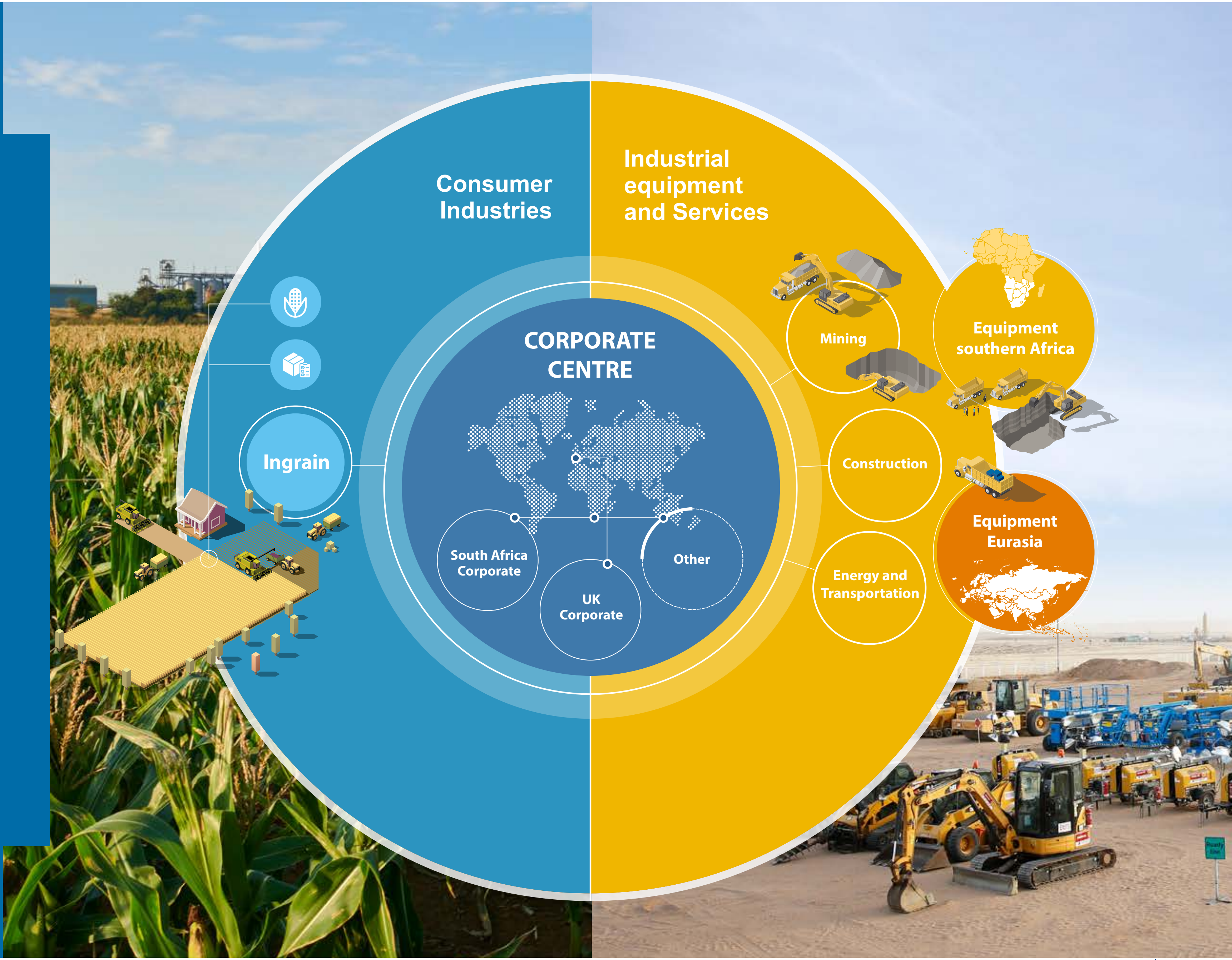
About Barloworld

Barloworld is an industrial processing, distribution, and services company with two primary areas of focus:

Industrial Equipment and Services and Consumer Industries (food and ingredient solutions).

Our provision of Industrial Equipment and related services, offers earthmoving equipment, industrial services, and power systems, which enable the operation and maintenance of a large array of mining, construction, and power solutions for our customers, with whom we have built enduring relationships based on mutual trust.

Through our Consumer Industries business, Ingrain, we provide large enterprises with the ingredients essential to the manufacturing of a range of products including food and beverages, paper, pharmaceuticals, building materials and adhesives, amongst others.



SLBP component 1

Selection of Key Performance Indicators (KPIs)

KPIs are related to:

- ☐ International Standards or Taxonomies
- ☑ SDGs
- ☐ ESG ratings
- ☑ Other (Barloworld's ESG strategy and approved targets)

1.1 Alignment with this SLBP component:

1.1.1 Theme – Environmental (Renewable Energy):

- **Aspiration:** Increase consumption of renewable energy sources
- **Applicable UN SDG/s:**
  - SDG 7 – Affordable and Clean Energy
  - SDG 9 – Industry innovation and infrastructure
- **Financial period:** October to September
- **Key Performance Indictor:** Solar Photovoltaic (PV) consumption (Megawatt hours - MWh)
- **Reporting and SPT boundary:** Barloworld Continuing Operations
- **Sustainability Performance Target:**
  - 2021 Baseline: 1 396 MWh
  - SBT2023 Target: ≥1 680 MWh (Cumulative increase of 20% against FY2021 Baseline)
  - SBT2024 Target: ≥1 764 MWh (Cumulative increase of 26% against FY2021 Baseline)

See graphical representation in Figure 1 below.

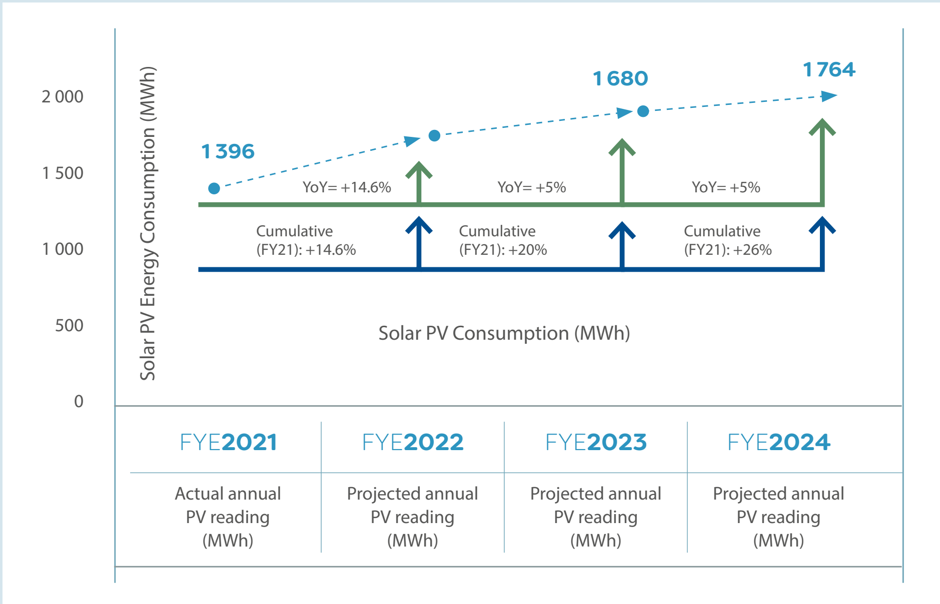
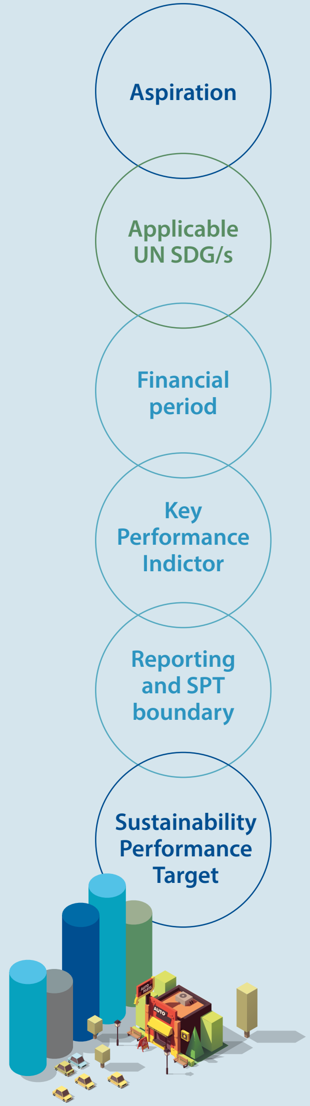


Figure 1: Graphic representation of Solar PV targets



1.1 Alignment with this SLBP component: continued

1.1.2 Theme – Social (Employee Safety)

- **Aspiration:** Enhance safety performance
- **Applicable UN SDG/s:**
  - SDG 8 – Decent work and economic growth
- **Key Performance Indictor:** Lost-time injury frequency rate (LTIFR[1])
- **Financial period:** October to September
- **Reporting and SPT boundary:** Barloworld Continuing Operations
- **Sustainability Performance Target (LTIFR):**
  - 2021 Baseline: 0.37
  - SBT2023 Target: ≤0.35 (Cumulative improvement of 6% against FY2021 Baseline)
  - SBT2024 Target: ≤0.34 (Cumulative improvement of 7% against FY2021 Baseline)

See graphical representation in Figure 2.

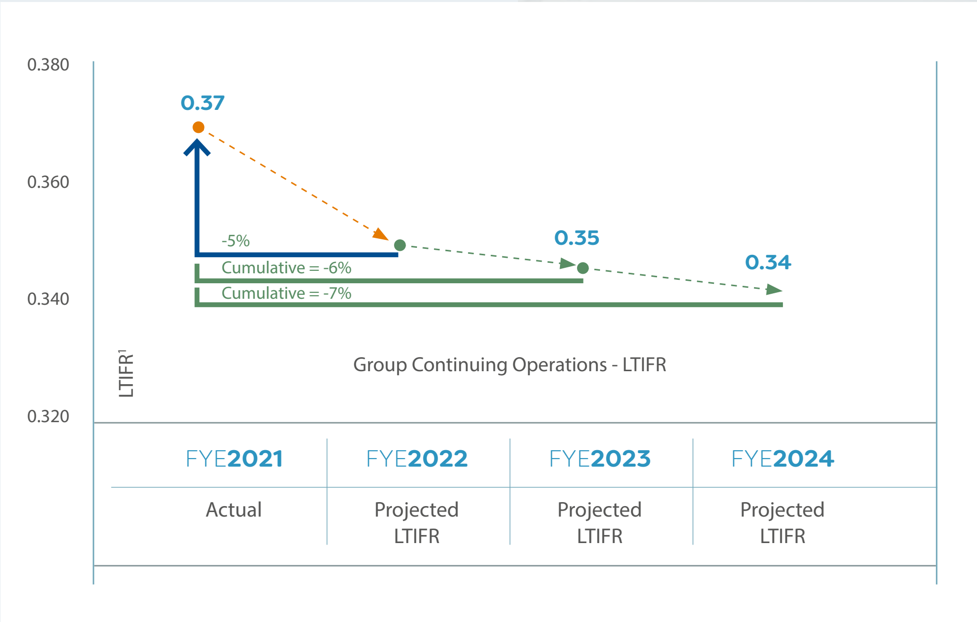


Figure 2: Graphic representation of LTIFR improvement targets

[1]LTIFR = Number of lost-time injuries x 200 000 / Hours worked

SLBP component 2

Calibration of Sustainability Performance Targets (SPTs)

2.1 Alignment with this SLBP component

2.1.1 Alignment to Barloworld's Strategy

Barloworld's Strategic framework is underpinned by Sustainable Development, which includes amongst others, the health, safety and wellbeing of its people, as well as environmental stewardship:

2.1.2 Barloworld's Values

Sustainable development is further supported by its Values as contained in the Barloworld Worldwide Code of Conduct. This Code sets out five core Values define the minimum expected behaviours of all our employees, namely:

Integrity:
The power of honesty

Excellence:
The power of high performance

Teamwork:
The power of working together

Commitment:
The power of responsibility

Sustainability:
The power of positive impact

[1] https://barloworld-ir2021.co.za/ir/2-our-business-strategy.php

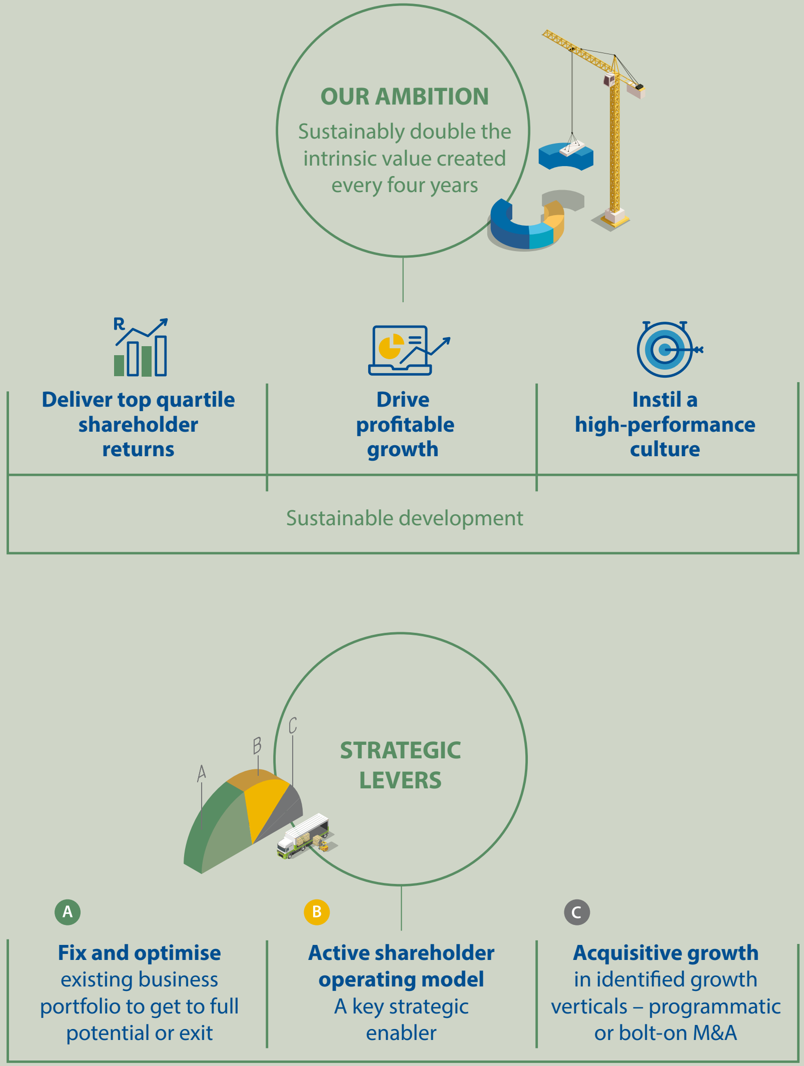


Figure 3: Barloworld's strategic framework[1]

2.1 Alignment with this SLBP component continued

2.1.2 Barloworld's Values continued

Core to the Sustainability value is[1]

"…We are committed to building a better world

Sustainability is an integral part of who we are and what we do every single day. We recognise progress involves us balancing the financial, human, manufactured, social and relationship, natural and intellectual capitals for which we are responsible. This includes environmental stewardship, social responsibility and economic growth. It is central to responsible corporate citizenship. We provide work environments, products, services and solutions that make productive and efficient use of resources as we strive to achieve our vision. We believe this commitment supports the enduring success of our customers, shareholders, people, other stakeholders and the societies to which we belong..."

We put sustainability into action when...

"...We protect the health and safety of others and ourselves

Collectively, we strive to contribute to a global environment in which all people can work safely and live healthy, productive lives, now and in the future. We actively promote health and safety with policies and practical programmes that help individuals safeguard themselves and their colleagues. As employees, we put safety first by creating a work environment to protect the health and safety of others and ourselves. We actively promote safe practices throughout our value chain – from suppliers to end users. We are committed to providing our customers with products and services that are safe and reliable..."

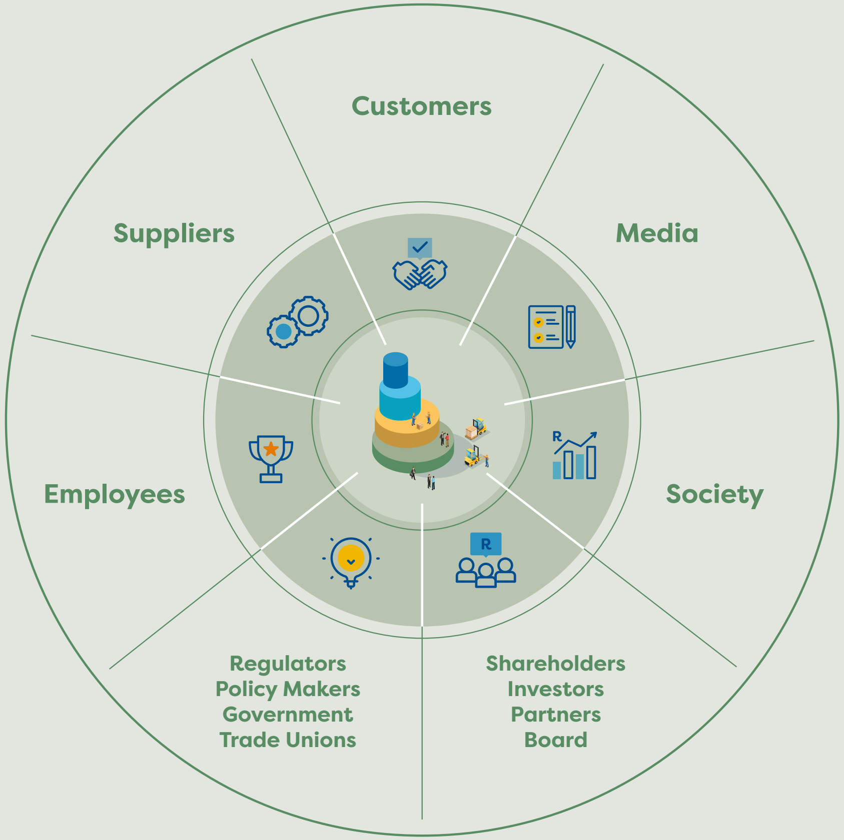
"…We focus on environmental responsibility and preventing waste

We focus on improving the quality and efficiency of our operations while reducing our environmental impact. We support environmental stewardship and biodiversity by utilising business processes that enable waste prevention, promote recycling, improve quality, promote the efficient use of resources in operations and responsible waste disposal. We are committed to complying with environmental laws and regulations and expect our suppliers and customers to do the same..."

[1] https://www.barloworld.com/sustainability/worldwide-code-sustainability/index.php#1

2.1.3 ESG Materiality

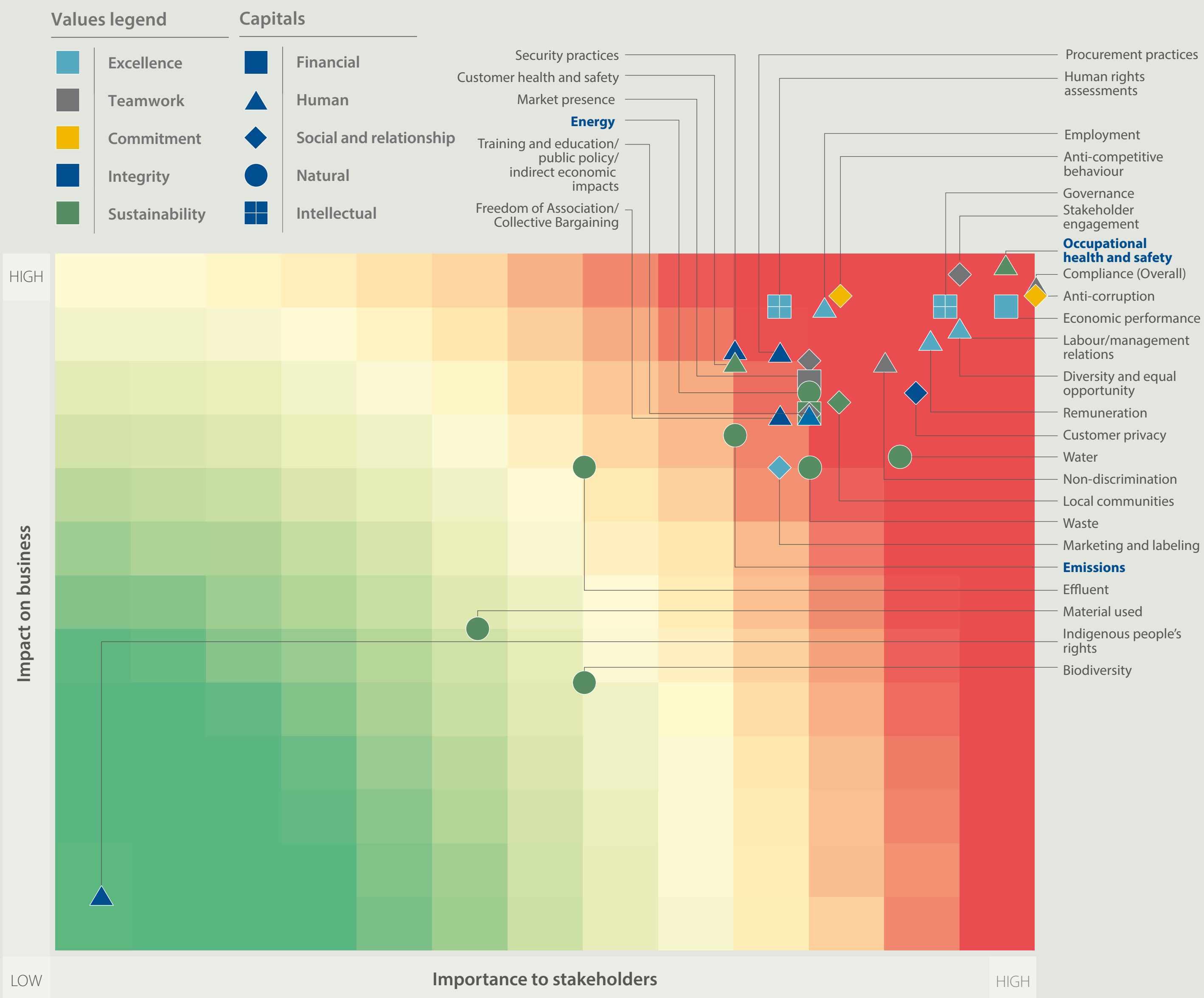
Organisations do not operate in isolation and are impacted by their operating context. Barloworld appreciates that its operating context is influenced by its various stakeholders including, its customers, suppliers, media, society and surrounding communities, shareholders and investors, regulators, policy makers, governments ad trade unions, and its employees.



2.1 Alignment with this SLBP component continued

2.1.3 ESG Materiality continued

Given the breadth of sustainability matters impacting Barloworld's stakeholders and its operations, and its value chain, Barloworld has conducted a materiality assessment. The objective of the assessment is to identify material issues where Barloworld should direct its resources and management focus:



Occupational health and safety, energy consumption and emissions were assessed as material aspects that require management focus in driving our aspirations.

2.1.4 Barloworld's Frameworks and Policies:

Relevant frameworks and policies bring Barloworld's environmental and safety aspirations into effect, define its operating practices and processes, governance structures, and roles and responsibilities.

In this regard the following framework and group-wide policies are in place within Barloworld and set out Barloworld's position and expectations of each operating division and all its employees:

Theme: Environmental (Solar PV consumption)

- Environmental Sustainability Framework
- Barloworld Climate Change Policy
- Barloworld Energy Efficiency Policy
- For completeness, see other environmental policies:
  - Barloworld Environmental Policy
  - Barloworld Water Use and Management Policy
  - Barloworld Waste Management Policy

Theme: Safety (Lost-time Injury Frequency Rate)

- Barloworld Health and Safety Policy

2.1 Alignment with this SLBP component continued

2.1.5 Reporting Criteria and Boundary: KPIs & Targets

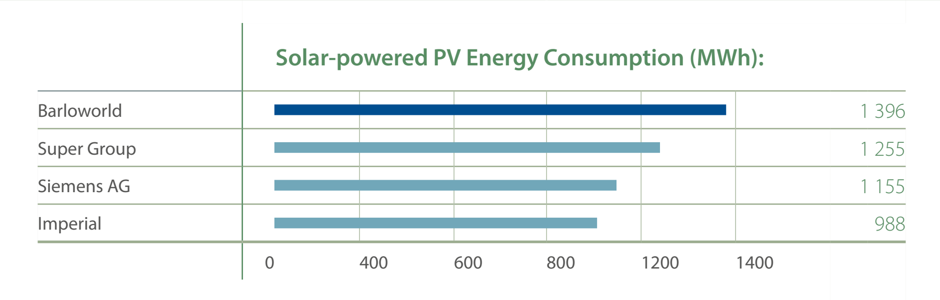
This section defines the relevant reporting criteria and organisational boundary for the selected KPIs and relevant targets.

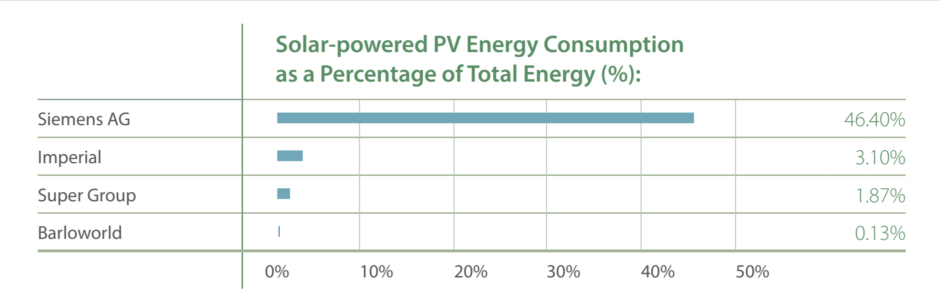
Organisational boundary	
Reporting boundary for Key Performance Indicators (Solar PV (MWh) and Lost-time Injury Frequency Rate (LTIFR) and related targets	• Associates and joint ventures are equity accounted and thus not included in consolidated non-financial data. The consolidated data incorporates the company and all entities controlled by Barloworld as if they are a single economic entity. • Both financial and non-financial data are aligned to the same financial reporting period allowing for comparison of performance data. • Operations classified as discontinued operations, are not included in the consolidated continuing operations. • Any limitations will be disclosed in the relevant section.

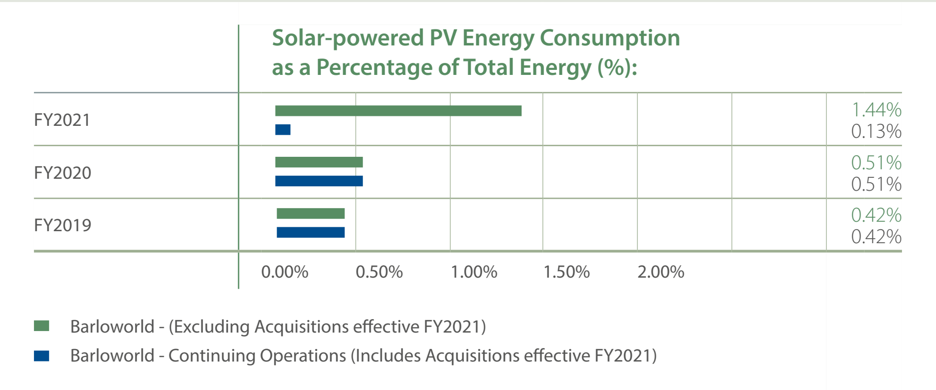
Theme: Indicator	Unit of Measure	Barloworld Measurement Definition	SBT
Environmental: Solar PV consumption	Megawatt Hours (MWh)	The Solar PV consumption (MWh) across various Equipment South African sites is monitored via online measurement and monitoring system/s. The output from the monitoring system/s is what is reported as consumption.	To increase energy consumption sourced from Solar PV (MWh) by 20% and 26% by FYE2023 and FYE2024 respectively, both against FY2021 baseline.
Safety: Lost-time injury frequency rate (LTIFR)	Frequency Rate	• Frequency of injuries, relative to the total time worked by all workers during the reporting period, calculated as: • LTIFR = $\frac{\text{(Number of lost time injuries)} \times 200\ 000}{\text{(Total hours worked)}}$ • Injury: non-fatal injury arising out of, or in the course of work. • Given the diversified nature of Barloworld's operations, the worker categories included in this indicator vary from operation to operation. • All operations (minimum inclusion): o Permanent employees, o Contractors greater than 12 months, o Contractors less than 12 months • Hours used in the calculation are aligned to the worker categories listed and are based on actual recordings based on: o Time and Attendance; o Estimates; o Averages; o Service providers	To improve safety within the group by reducing the LTIFR by at least 6% and 7% by FYE2023 and FY2024 respectively, both against FY2021 baseline.

2.1 Alignment with this SLBP component continued

2.1.6 Peer Benchmarking







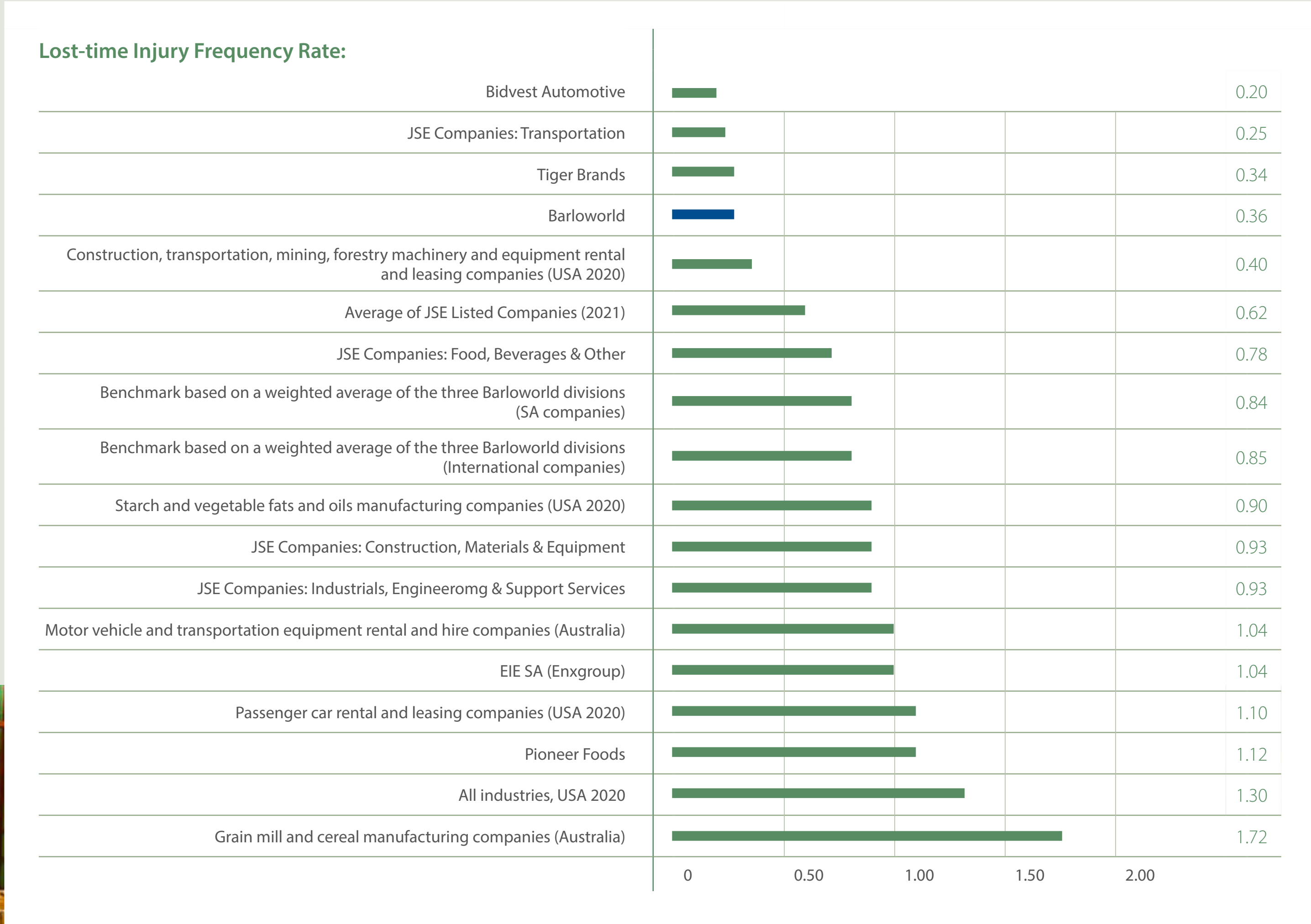
The Solar PV benchmarking analysis above demonstrates that:

- Barloworld's SPT for Solar-powered PV Energy Consumption of 1 396 MWh is relatively higher than its peers in the sectors it operates
- Highlights Barloworld's considerable progress and investment in renewables and has demonstrated that they are a clear market outperformer
- This SPT is considered suitably ambitious given Barloworld's relative market standing
- Barloworld's renewable energy sourced from (Solar PV) as a percentage of total energy was diluted in FY2021. This is largely due to Barloworld's acquisition of the Ingrain business within the Consumer Industries segment effective FY2021. Consequently, the manufacturing nature of Ingrain has increased Barloworld's energy footprint. Thus despite a 160% year-on-year increase in absolute Solar PV consumption between FY2020 to FY2021, renewable energy as a percentage of total energy consumption was diluted over the same period from 0.51% to 0.13%. For illustrative purposes, if Ingrain was removed from the FY2021 energy consumption to allow for comparability, the percentage sourced from renewable energy is 1.44% (versus the 0.13%) of total energy in FY2021. The target to increase solar-powered PV energy by 20% and 26% in 2023 and 2024 respectively (off a FY2021 baseline) will contribute to improved percentage measures.

2.1 Alignment with this SLBP component continued

2.1.6 Peer Benchmarking continued

It should be noted that data was unavailable for the market peers used for LTIFR below.



The LTFIR benchmarking analysis above demonstrates the following:

- Barloworld's SPT for LTIFR of 0.36* is considerably below most of its peers in the sectors in which it operates, when compared with local and international peers;
- The SPT is over half the calculated local and international "weighted benchmark LTIFR" figures, indicating that the target value represents a safety performance (in terms of number of LTIs) which is significantly better than that typically seen in the industry; and
- It can therefore be concluded that the SPT is suitably ambitious based on benchmarking of LTIFRs recorded by similar companies both locally and internationally.

* It should be noted that there was a recalculation of LTIFR post the above benchmarking analysis to exclude discontinued operations (Avis) which has resulted in a restated LTIFR of 0.37 (previously FYE2021: 0.36)

2.1 Alignment with this SLBP component continued

2.1.7 Barloworld KPI Historic Analysis

Solar-powered PV Energy Consumption

Financial Year	Solar-powered PV Energy Consumption (MWh)	% Improvement (positive) in Solar-powered PV Energy Consumption (relative to previous year)
2019#	580	–
2020	1 141	97%
2021	1 396[LA]	22.3%

Solar implementation commenced in FY2018

From the above analysis, it can be noted that Barloworld's energy consumption from renewable energy sources has improved over the three year period from 2019 to 2021.

LTIFR

Financial Year	LTIFR	% Improvement (negative) in LTIFR (relative to previous year)
2017	0.58	–
2018	0.35	-40%
2019	0.26	-25%
2020	0.36	37%
2021	0.37[LA]	3%

From the above analysis, it can be noted that Barloworld's LTIFR has improved over the five year period from 2017 to 2021 (36% improvement from 2017 to 2020).

[LA] Limited Assurance. Click here to view report

2.1.8 Evaluation of SPTs against specific UN Sustainable Development Goals (SDGs):

Renewable Energy KPI maps to SDG 7 and 9:

- Alignment to UN SDG 7:
  - **7.2** By 2030, increase substantially the share of renewable energy in the global energy mix; and
  - **7.2.1** Renewable energy share in the total final energy consumption.
- Alignment to SDG 9:
  - **9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
  - **9.4.1** CO_2 emission per unit of value added

Safety KPI maps to SDG 8:

- Alignment to goal SDG 8:
  - **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
  - **8.8.1** Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status

SLBP component 3

Bond characteristics

At the launch of the bond, the structure is:

- ☐ a step-up structure
- ■ a variable redemption structure

Alignment with this SLBP component:

The International Capital Market Association's Sustainability Linked Bond (SLB) Principles state that the cornerstone of an SLBs bond characteristics is that the bond's financial and/or structural characteristics can vary depending on whether the selected KPIs reach, or don't reach, the predefined SPTs. In compliance with the principles, the bond has been structured with a per KPI up or down movement. For the renewable energy KPI there is a maximum benefit and penalty of 3bps at each SPT date. This means that if the solar-powered PV energy consumption target is met the margin will reduce by 3bps, conversely, if the target is not met the margin will increase by 3bps. This is applicable at each target date. Similarly, the same mechanism will apply for the safety KPI. Here the maximum benefit and penalty is 2bps at each target date.

Additionally, the principles state that the variation of the bond's financial characteristics should be commensurate and meaningful relative to the issuer's original bond characteristics. The overall benefit/ penalty of 5bps for BAW 37 and 10bps for BAW 37 & 38 is in line with South African market standard and presents a meaningful relief and/ or penance for Barloworld Limited.

BAW 37	KPI	Metric	Baseline FYE2021	Year 1 Target FYE (2023)	Step-Down/ Step-Up Margin	Applicable UN SDG
	Lost-time Injury Frequency rate[3]	LTIFR[1]	0.37[LA]	≤ 0.35 (6% improvement from baseline)	± 2bps	8 Decent work and economic growth
	Solar-powered PV Energy consumption[4]	MWh[2]	1 396[LA]	≥ 1 680 (20% improvement from baseline)	± 3bps	7 Affordable and clean energy; 9 Industry, innovation and infrastructure

BAW 38	KPI	Metric	Baseline FYE2021	Year 1 Target FYE (2023)	Year 2 Target FYE (2024)	Step-Down/ Step-Up Margin (per target)[5]	Applicable UN SDG
	Lost-time Injury Frequency rate[3]	LTIFR[1]	0.37[LA]	≤ 0.35 (6% improvement from baseline)	≤ 0.34 (7% improvement from baseline)	± 2bps	8 Decent work and economic growth
	Solar-powered PV Energy consumption[4]	MWh[2]	1 396[LA]	≥ 1 680 (20% improvement from baseline)	≥ 1 764 (26% improvement from baseline)	± 3bps	7 Affordable and clean energy; 9 Industry, innovation and infrastructure

[1] LTIFR= ((NUmber of LTIs x 200 000)/Total Hours Worked)
[2] Megawatt consumption from Solar PV per annum
[3,4] Boundary: Brlworld Limited Continued Operations (Consistent with FY2021)
[5] Total step down/up is 10bps
[LA] Limited Assurance. Click here to view report

SLBP component 4

Reporting

Barloworld will publish and keep readily available and easily accessible on our website a LTIFR and Solar-powered PV Energy Consumption updates. Barloworld expects to include the LTIFR and Solar-powered PV Energy Consumption performance within our traditional Barloworld disclosures, including our integrated report and our response to the GRI Standards.

In addition to the above the following additional disclosures will made on the Barloworld website for the relevant measurement periods, save for the APS which will be made available once off:

- Limited Assurance Report
- Sustainability Certificate
- Applicable pricing supplement (APS)

Barloworld also undertakes to include in our annual JSE declaration, a statement that commits that the Sustainability Linked Bonds ("BAW37 and BAW38") issued remain in compliance with the ICMA's Sustainability Linked Bond Principles (SLBP) and the JSE's sustainability segment's debt listing requirements Attached to the declaration, will be the Sustainability Certificate and the Limited Assurance Report.

Other information published may also include, were feasible and possible:

- Qualitative and/or quantitative explanation of the contribution of the main factors /drivers behind the evolution of the performance against the KPI on an annual basis; and/or
- Illustration of the positive safety and environmental impacts of the performance improvement

4.1 Adjustment Event

Means any event (including, without limitation, any acquisition, disposal, merger, change to data availability, accuracy or discovery of historical errors in relevant data and board mandated operational requirements) that is likely to affect the calculation of a baseline, KPI, SPTs and/or SPT realised value such that any determination of the respective baseline, KPI, SPT or SPT realised value following such event might reasonably be expected to yield a materially different result as compared to the result yielded had such event not occurred.

If such an event occurs with respect to any or all of the baselines, KPIs or SPTs, Barloworld will include within the relevant target observation period's sustainability certificate, any re-assessment of or adjustment to the baseline, KPI, SPT and/or SPT realised value. The proposed changes or adjustments will be shared with all investors for approval.

4.2 Treatment of Acquisitions and Disposals

The baseline, KPI and associated SPT's shall continue to be measured on a like for like basis. Implications of this as follows:

- **Acquisitions** - Will not be considered in terms of the measurement of associated KPI's or adjustment of Baseline and SPT's
- **Disposals** - The baseline, KPI boundary and/or SPT's to be adjusted to exclude the disposed entity/asset based on its latest reported contribution to the baseline or SPTs. This will be excluded pro rata based on the date of disposal.

SLBP component 5

Verification

5.1 FY2021 Baseline Figures

- The FY2021 baseline figures for each of the SPTs, Solar PV consumption (1 396 MWh) and LTIFR (0.37) was externally independently assured. The review was for Limited Assurance against the ISAE 3000 (Revised) Standard. To view the Assurance Report, click here.
- Assurance over the annual performance against SPT1: Solar PV consumption (MWh) and SPT2: Lost-Time Injury Frequency Rate (LTIFR) will be performed by an external independent assurance provider in line with a Limited Assurance engagement using the ISAE 3000 (Revised) Standard.
- The organisational boundary will align to section 2 of this document, i.e. for Continuing Operations and will cover Barloworld's financial period from October to September of the relevant SPT period.

5.2 Second Party Opinion

Barloworld will obtain and make publicly available a Second Party Opinion (SPO) from a suitably qualified and recognized external party possessing the necessary expertise to provide an opinion on the alignment to ICMA's SLBP 2020. The SPO will be available on Barloworld's website.

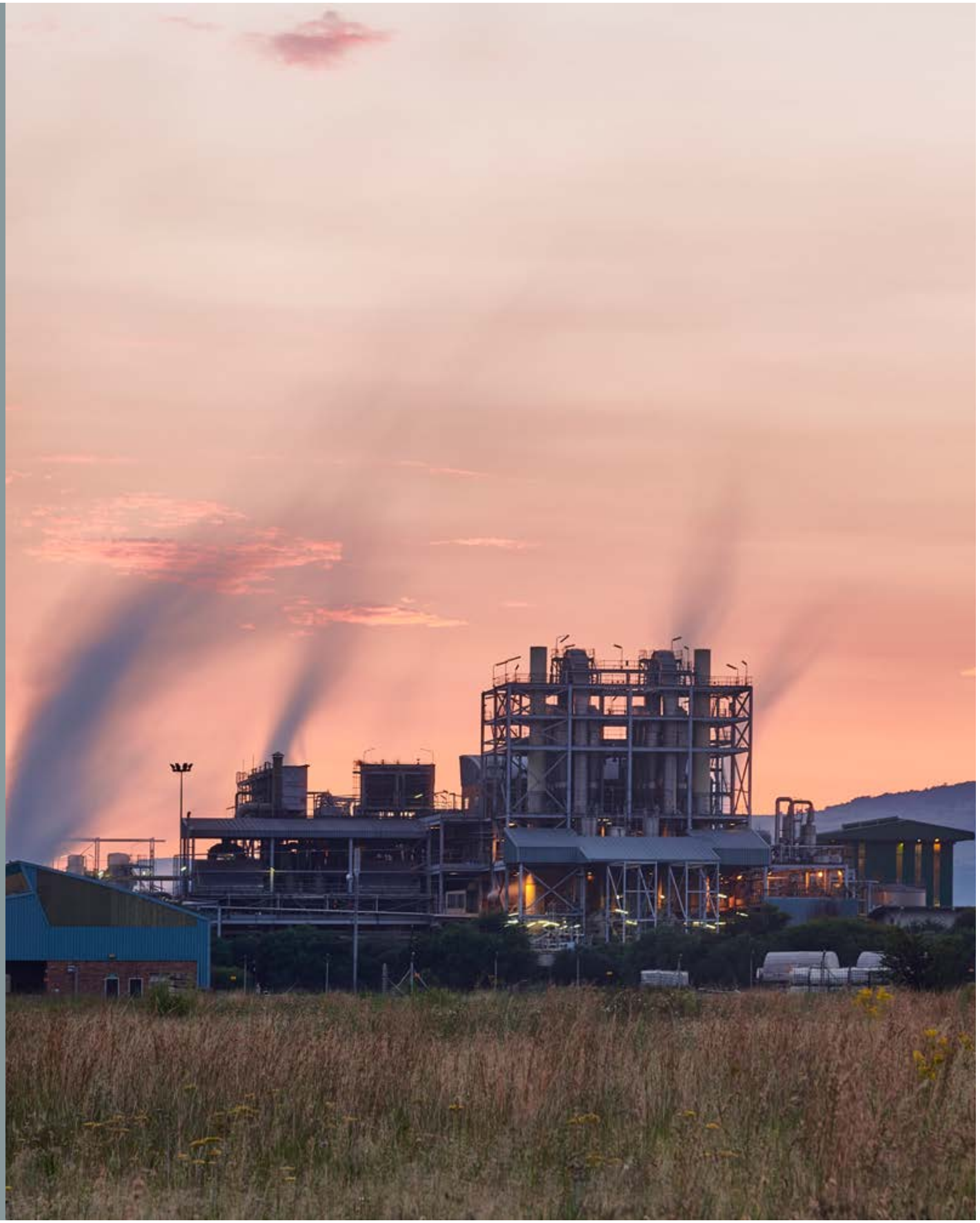
5.3 External Verification

Barloworld will request limited assurance from a suitably qualified licensed practitioner in South Africa such as an independent auditor or consultant on the relevant performance of the SLBs for the applicable target observation period.

The reports will be made available to investors by no later than 31 December of each year on Barloworld's website.

Glossary

BBS	Barloworld Business System
CO_2	Carbon dioxide
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESG	Environmental, social and governance
ESD	Enterprise and supplier development
GHG	Greenhouse gas emissions
KPI	Key Performance Indicator
LTIFR	Lost time injury frequency rate (number of lost time injuries multiplied by 200 000 divided by total hours worked)
MWh	Megawatts per hour
PV	Photovoltaic
SDGs	Sustainable Development Goals
SLBP	Sustainability-Linked Bond Principle
SPT	Sustainability Performance Targets
tCO_2e	Tonnes of carbon dioxide equivalent
VSA	Value stream analysis
VWAP	Volume-weighted average price



Corporate information

Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06) (Income Tax Registration number 9000/051/71/5)
(JSE Share code: BAW) (JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Bond issuer code: BIBAW) (Namibian Stock Exchange share code: BWL)
("Barloworld" or the "company" or the "group")

Registered office and business address
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T +27 11 445 1000
E bawir@barloworld.com

Directors
Non-executive
NN Gwagwa (Chairman), N Chiaranda**, FNO Edozien ^, HH Hickey, MD Lynch-Bell*, NP Mnxasana, NV Mokhesi, H Molotsi, P Schmid,
^ Nigeria, * UK, ** Italy
Executive directors
DM Sewela (Group Chief Executive), N Lila (Group Finance Director)

Group Company Secretary
Vasta Mhlongo

Group Investor Relations
Nwabisa Piki

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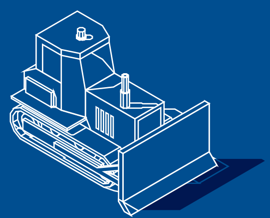
a division of Nedbank Limited



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