



Introduction

IBIS ESG Consulting Africa (Pty) Ltd (IBIS) has been engaged by Barloworld to perform a Second Party Opinion (SPO) assurance engagement (Limited level) to verify the alignment of the Barloworld Sustainability-Linked Bond (SLB) (BAW 37 and BAW 38) (referenced as Barloworld SLB) with the International Capital Market Association (ICMA) Sustainability-Linked Bond Principles (SLBP) of June 2020. This report is produced in accordance with the terms of our engagement letter dated 13 June 2022.

IBIS independence and quality control

IBIS is an independent provider of non-financial assurance services. This engagement was conducted by a multidisciplinary team of non-financial assurance specialists led by Petrus Gildenhuys, who has more than 25 years' experience in non-financial performance measurement involving both advisory and assurance work, and supported by assurance consultants Charlotte de Koker, Bongani Machabe and Johara Naidoo. IBIS conducted the engagement in alignment with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board, which Standard inter alia requires that the assurance practitioner follows due process and comply with ethical requirements.

Scope and Objectives

The scope of the engagement is confined to undertake a limited assurance engagement on the Barloworld SLB (pre-issuance) alignment with the ICMA SLBP of June 2020.

The objective of this assurance engagement is to verify the Barloworld SLB's alignment with the ICMA requirements for Sustainability-Linked Bonds in terms of:

- Selection of Key Performance Indicators (KPIs),
- Calibration of Sustainability Performance Targets (SPTs),
- Bond characteristics; and
- Reporting.

IBIS' responsibilities do not extend to any other disclosures or assertions.

Respective responsibilities

The management of Barloworld is responsible for generating and maintaining accurate and reliable information provided to IBIS for this assessment. IBIS shall not be held liable if any of the information provided by Barloworld's management were not accurate or complete.

IBIS' responsibilities are to conduct an assurance engagement and to report its conclusions to the Directors of Barloworld in accordance with the assurance procedures followed.

Inherent limitations

The evidence gathering procedures performed in a Limited assurance engagement vary in nature from, 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 lower than the assurance that would have been obtained had we performed a Reasonable assurance engagement.

No assurance is provided regarding the baseline values of the KPIs assured by a third party, prospective financial performance of the prospective SLB and the value of any investments in the prospective SLB.

Restriction of liability

Our work has been undertaken to enable us to express the conclusion on the specified scope and objectives of the engagement to the Directors of Barloworld in accordance with the terms of our engagement, that include the publication of this assurance statement, and for no other purpose. We do not accept or assume responsibility to any third parties i.e., other than to the Directors of Barloworld, for our work or for this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

Summary of work performed

Barloworld provided IBIS with the Barloworld SLB market information document and supplementary information to support the independent assurance process. IBIS' Limited assurance procedures were based on our professional judgement and consisted of:

- Management enquiry,



- Inspection and corroboration of the Barloworld SLB market information and statements, and
- Evaluation of the Barloworld SLB’s characteristics against the ICMA SLBP requirements related to selection of KPIs, calibration of SPTs, bond characteristics, and reporting.

Summary of Findings

The Barloworld SLB includes two themed components supported by one defined KPI per theme and supporting set of SPTs each.

Table 1: Barloworld SLB themed components, KPIs and definitions

Themed component	KPI	Definition
Environmental – renewable energy	Solar Photovoltaic (PV) consumption (in MWh)	This KPI is defined based on the amount of Solar PV power consumed by the operations per annum. The intention is to increase the consumption of energy from renewable sources including solar PV.
Social – employee safety	Lost-time injury frequency rate (LTIFR)	This KPI is a measure of safety performance, aiming towards enhancing safety performance and is expressed as a measure of the number of lost-time injuries per 200 000 person hours worked.

The operational boundary for the KPIs is aligned to Barloworld’s financial and non-financial reporting period. The reporting boundary excludes associates and joint ventures but include the organisations entities controlled by Barloworld.

Selection of KPIs

The selection of the KPIs is determined by the following characteristics:

- Relevant and material,
- Measurable,
- Verifiable, and
- Able to be benchmarked.

An overview of the findings for each themed KPI in the Barloworld SLB are presented in the tables below.

Table 2: Environmental - Renewable energy theme KPI - Solar PV consumption

KPI Characteristics	Evaluation Results
Relevant and material	<p>The KPI form part of Barloworld’s strategic ambition to reduce the consumption of non-renewable energy by increasing use of solar PV capacity at its operations. This strategic ambition aligns with the organisation’s business strategy and related sustainability commitment to sustainably double the intrinsic value created by the organisation over four years.</p> <p>Current and historical solar PV consumption has been documented and is relevant to measure the changes in consumption of renewable energy use over time. In accordance with relative changes, 5% variance is considered a material change and therefore, the target set is considered a material impact since the target is to increase the renewable energy consumption by more than 5%.</p> <p>The KPI is a clear indication of Barloworld’s intention to increase the consumption of renewable energy. However, it is IBIS’ view that a better comparative KPI can be selected to indicate that the increase in renewable energy consumption will offset other energy uses. Currently, only renewable energy consumption is being reported and is viewed independently from the total energy being consumed by Barloworld. An intensity KPI such as, the ratio of renewable energy to total energy consumption is considered to be a more effective measure of this impact.</p>
Measurable	This is measurable by electricity metering in MWh.
Verifiable	This is verifiable through the direct inspection of invoices of purchased renewable energy, meter readings and meter calibration certificates.
Benchmark ability	Renewable energy consumed is widely used in the industry and Barloworld has



	been compared with that of other companies in MWh or GJ.
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Table 3: Social - employee safety theme KPI - LTIFR

KPI Characteristics	Evaluation Results
Relevant and material	<p>The LTIFR KPI strongly align with Barloworld materiality assessment which determined Occupational Health and Safety as one of the top ten matters based on impact on the business as well as importance to stakeholders. We further considered alignment of the KPI to the Barloworld business objective to instil a high-performance culture.</p> <p>IBIS considers the LTIFR KPI to be material and relevant considering Barloworld’s strategy and their aspiration which is to enhance which is to enhance safety performance. In the Barloworld Health and Safety Policy, the organisation outlines its commitment to actively promote employee health and safety as an integral part of their purpose and values. Barloworld further commits to avail resources to promote workplace health and safety in order to prevent incidents from occurring.</p> <p>The LTIFR KPI is an important and material safety metric recognised in the industry and a reliable proxy for safety performance maintained at Barloworld.</p>
Measurable	The LTIFR KPI is measurable KPI and expressed by Barloworld as a measure of the number of lost-time injuries per 200 000 person hours worked.
Verifiable	The LTIFR KPI is verifiable through the inspection of incidents/injury registers, incident investigation and classification reports and medical reports. The person hours worked are verifiable from time and attendance systems, average number of hours worked calculated, and person hours worked reported by service providers.
Benchmark ability	LTIFR is a widely reported KPI in the industry and Barloworld has been benchmarked against its peers both in South Africa and internationally.

Calibration of SPTs

The SPTs are a set of targets identified per themed KPI over time. These SPTs indicate the ambition levels of Barloworld and considers whether these ambitions are realistic. The SPTs must:

- Materially improve the KPI from a Business-as-usual (BAU) scenario,
- Align with Barloworld’s sustainability strategy, and
- Be set on a predetermined timeline.

The selected SPTs related to Barloworld’s expressed ambitions beyond BAU are described below.

Table 4: – Summary of the themed SPTs

Themed component	Ambition Level	SPT
Environmental – renewable energy	Increase consumption of renewable energy sources	<p>Cumulative improvement in solar PV consumption annually against a baseline of FY2021, with respective targets for:</p> <ul style="list-style-type: none"> • FY23 – +20% • FY24 – +26%
Social – employee safety	Enhance safety performance	Cumulative improvement of LTIFR of 6% in the first target year (FY23) and an additional 1% up to FY24.

Sustainable Development underpins Barloworld’s Strategic Framework, which ensures sustainability-related aspects are integrated as a strategic imperative. Related impacts are considered during the execution of its strategic ambitions in carrying out its day-to-day activities. As a responsible corporate, Barloworld has committed to balanced financial, natural, human, social, manufactured, and intellectual capitals management and Barloworld’s Sustainability Framework defines the operating aspects in meeting these commitments.

Barloworld does not have a stand-alone sustainability strategy but considers sustainability to be imbedded in its strategic framework. The Barloworld defined sustainability vision is “*to be a leader in sustainable development through being a responsible corporate citizen and delivering products, services and solutions that generate sustainable outcomes for both Barloworld’s and its stakeholders and contribute to enterprise value creation*”.



Barloworld’s sustainability objectives and targets have been defined in various sections of the organisation’s annual disclosures. An overview of the findings for each themed SPT in the Barloworld SLB are presented in the tables below

Table 5: Alignment with Barloworld’s sustainability targets - Solar PV consumption

KPI checks	Alignment of Barloworld
Improve from BAU	In accordance with the key pillars of BBS, Barloworld drives continuous improvement and encourages the use of the best-known methods, including optimised, decarbonised technologies.
Alignment with sustainability strategy	BBS drives sustainable value creation in all operational environments. Barloworld’s strategy aspires to conducting business leading to positive environmental outcomes and that are aligned with governance and stakeholder expectations. Barloworld has also developed several supporting policies to support its business strategy, including the Climate Change and Energy Efficiency Policies.
Timeline	Considering the rapid evolution of sustainability trends, Barloworld has determined several short-, medium- and long-term interventions for adapting its strategy accordingly. Although this SPT was set on a predefined timeline, the target for increased renewable energy consumption aligns with the short-term efforts set out in the strategy - to be more resource efficient and sustainable.

The base year for the SPTs (FY21) is considered appropriate given the Covid 19 pandemic related disruptions that occurred in prior years.

Table 6: Alignment with Barloworld’s sustainability targets - LTIFR

KPI checks	Alignment of Barloworld
Improve from BAU	IBIS was able to use the peer performance targets as the benchmark to assess Barloworld’s ambition to materially improve the KPI from business-as-usual. Based on the peer benchmarking review conducted by Barloworld and the additional review conducted by IBIS against companies in the same market, it can be concluded that Barloworld’s SPTs for LTIFR of 0,35 at FY23 and 0,34 at FY24 both from baseline (0,37 at FY21) are below most of its peers who operates locally and internationally. Based on the peer benchmarking conducted for both local and international companies, IBIS considers the SPTs

	as going beyond the business-as-usual trajectory.
Alignment with sustainability strategy	Barloworld identifies the LTIFR as a key measure of its safety performance. It is aligned to SDG 8, which speaks to “ <i>Decent work and economic growth</i> ”. Furthermore, the KPI is core to the Barloworld Worldwide Code of Conduct which “ <i>strives to contribute to a global environment in which all people can work safely and live healthy, productive lives, now and in the future</i> ”. IBIS considers the SPTs for LTIFR to be aligned with Barloworld’s sustainability strategy.
Timeline	The SPT was determined on a predefined timeline.

Summary of assessment results for Barloworld SLB themes

The procedures we performed were based on our professional judgement and include inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies. For each SLB theme, the overall assessment for the bond is detailed below.

Table 7: Overall bond assessment for environment – renewable energy

	Not aligned	Moderately aligned	Aligned	Very aligned
Relevant		X		
Material			X	
Measurable				X
Can benchmark			X	
Methodology				X
Ambitious			X	
Verifiable				X

Table 8: Overall bond assessment for social – employee safety

	Not aligned	Moderately aligned	Aligned	Very aligned
Relevant				X
Material			X	
Measurable				X
Can benchmark			X	
Methodology				X
Ambitious			X	
Verifiable				X

Bond Characteristics

The SLB’s financial characteristics are linked to the



achievement of the SPTs. The SLB has been structured with a target per KPI up or down movement in the margin. For the renewable energy themed KPI there is a maximum benefit and penalty of 3 basis points (bps) 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 LTIFR KPI. Here the maximum benefit and penalty is 2bps at each target date. 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.

Reporting

Barloworld commits to publish and keep readily available and easily accessible on its website the LTIFR and Solar-powered PV Energy Consumption updates. Barloworld expects to include the LTIFR and Solar-powered PV Energy Consumption performance within its traditional Barloworld disclosures, including an integrated report and a response to the GRI Standards. This includes the renewable energy consumption as publicly reported in the Integrated Report, GRI and Carbon Disclosure Project (CDP) responses.

These KPIs have been reported historically, as indicated in the table below, and will continue to be reported alongside performance improvements.

Table 9: Current disclosure platforms

KPI	Existing disclosure
Solar PV consumption	Barloworld Integrated Report 2021 <ul style="list-style-type: none"> Page 120 – 122 GRI Response 2021 <ul style="list-style-type: none"> Page 8 & 73
LTIFR	Barloworld Integrated Report 2021 <ul style="list-style-type: none"> Page 9 & 112 GRI Response 2021 <ul style="list-style-type: none"> Page 8, 42 & 121

In addition, Barloworld commits to deliver a sustainability certificate showing the performance of each KPI together with a Limited Assurance Report produced by an external verification agent, at least annually.

Assurance Conclusion

We believe that the information provided by Barloworld and the assessment performed by IBIS are sufficient and appropriate to form a basis for our Limited assurance conclusion.

In our opinion, and based on our Limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Barloworld SLB does not conform in all material respects to the ICMA SLBP of June 2020 with regard to:

- Selection of KPIs,
- Calibration of SPTs,
- Bond characteristics; and
- Reporting.

A comprehensive management report detailing our observations and recommendations for improvement has been submitted to Barloworld management for consideration.



Petrus Gildenhuys

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Johannesburg

6 July 2022