

120
YEARS

**Social, ethics and
transformation
committee report**

For the 12 months ended
30 September 2022

**Built on enduring
partnerships and
transformative
growth**

1978 Published the Barlow Rand Code of Employment Practice, one of the first in the country

2000 Employment equity plans required

2001 Barloworld implemented HIV/Aids programmes in all its southern African operations

Social, ethics and transformation committee report



NEO MOKHESI
Chair
Social, ethics and
transformation
committee

The Barloworld social, ethics and transformation committee (SETC) is constituted as a formal subcommittee of the board in accordance with the Companies Act and the King IV Code.

My role as the chair of the SETC is to report to shareholders annually on the committee's statutory responsibilities and board-approved terms of reference, which are reviewed annually to ensure their relevance, and are available on our website (www.barloworld.com). The committee's statutory functions overlap with the functions, mandates or terms of reference of other committees of the board. Where appropriate, these functions have been aligned with the committee's mandate.

During the period under review, the committee held four meetings. Members of the committee and their meeting attendance can be viewed in the Leadership section of the integrated report. Members of the company's executive committee are invited to attend all committee meetings and members of the committee have access to any member of the executive, prescribed officers or employees of the company. Where appropriate, employees provide information, explanations and performance tracking that the committee requires in order to deliver on its mandate.

Barloworld's role as a responsible corporate citizen includes adopting responsible business practices and alleviating socio-economic challenges in the territories in which it operates. We recognise that our corporate activities today will influence and impact the world of tomorrow.



Committee oversight

The committee reviews quarterly reporting on:

- Regulatory compliance for aspects within the committee's mandate and terms of reference
- Barloworld's ethics and human rights performance and the effectiveness of ethics initiatives and programmes for an ethical culture within the group
- Social performance with regard to socio-economic development, enterprise and supplier development, preferential procurement, stakeholder engagement and good corporate citizenship
- Transformation performance, in respect of equity, diversity and inclusion in the workplace and human resource development
- Employee health and safety
- Environmental stewardship and climate change
- Stakeholder engagement

2001 **Barloworld Code of Ethics** adopted across all operations

2013 Barloworld **gained 1st place** in Mail & Guardian's assessment of JSE general industrial sector's Top Empowerment Companies

2017 **Khula Sizwe B-BBEE** transaction successfully launched

2020 (April to August) **Covid-19 pandemic** national lockdowns negatively impacted the economy and the ability of businesses to operate, resulting in retrenchments. Most employees worked from home. Sadly, 29 of our employees died as a result of contracting Covid-19



Monitoring of compliance

The committee monitors the company's compliance with all relevant legislation or prevailing codes of best practice including the:

- United Nations Global Compact Principles
- OECD recommendations regarding corruption
- Employment Equity Act
- Broad-Based Black Economic Empowerment (B-BBEE) Act
- King IV Code

and ensures its own compliance with the requirements of the Companies Act and applies the relevant principles of the King IV Code.



Embedding an ethical culture

The committee regularly reviews and updates ethics and compliance policies in line with regulatory changes, emerging ethics trends, risks and audit recommendations. During the year under review, the following group policies and code were reviewed and updates were recommended to the board for approval:

- Barloworld Worldwide Code of Conduct
- Gifts and hospitality policy
- Conflicts of interest policy
- Fraud management policy
- Whistle-blowing policy

To mitigate the risk of bribery and corruption, and instil an ethical culture throughout the group, ongoing improvements are made to monitoring and reporting processes and systems. Where ethics and compliance-related breaches are identified, the control environment and processes are reviewed and enhanced to reduce the risk of a recurrence.

To benchmark the whistle-blowing programme and related processes, an independent maturity assessment was conducted against global best practice. The assessment rated the group's whistle-blowing processes as Advanced, identified areas of high performance as well as areas for improvement.

The group maintains its focus on employee training, communication and awareness, which includes online fraud, anti-bribery and anti-corruption training.

Training on the Barloworld Code of Conduct and ethics and compliance policies is a compulsory part of the induction programme for new employees.

A monthly ethics newsletter has been introduced, which includes communication on the outcome of investigations.

A group-wide ethics risk survey was conducted by an independent service provider during the year under review. While the group scored above the South African average, highlighted areas of improvement are receiving management's attention.

Social and economic performance

The committee oversees the group's socio-economic transformation strategy. The ethos of the strategy is making a positive difference across all stakeholders by always doing the right thing.

Empowerment and transformation

The group's efforts to increase its levels of preferential procurement resulted in good progress being made in its discretionary spend with small, medium and large black-owned entities in FY2022. To maximise socio-economic transformation, the group broadens its circle of influence by acting as an agent of change in its supply chain.

Siyakhula, the group's enterprise and supplier development (ESD) programme, disbursed approximately R53 million in FY2022 to over 50 beneficiaries, supporting over 1 400 jobs. Over R30 million was a direct spend with black women-owned SMMEs (R22 million was towards loans while R8 million was grant funding).

A Siyakhula SMME Summit brought beneficiaries together with the group's strategic sourcing team with the aim of improving their access to market opportunities within the Barloworld value chain. Strategic funding partners were included in the summit to increase beneficiaries' awareness of other funding sources and reduce their reliance and dependence on Barloworld's ESD programme.



Social impact

Barloworld is mindful of the social needs of the communities in which we operate. To address these needs the Barloworld Trust continued to invest its R18 million budget in FY2022 in education and food security (FY2021: R16 million).



Education

Driving greater access and better quality education is a priority for socio-economic transformation. To achieve this, the group invested in a number of education-focused initiatives on improving teaching and learning outcomes by increasing access to better quality education. During the year, the group supported and invested in a number of education focussed initiatives, including the Programme to Improve Learning Outcomes (PILO).

PILO, one of the education NGOs the Trust supports, has achieved significant deliverables. These include:

- **training** 3 893 school management team members
- **developing** a process to strengthen the capacity of circuit managers
- **delivering** a leadership course on change mastery to 120 attendees in 12 districts
- **partnership** with the Basic Education department to assist with the improvement of basic numeracy and literacy in foundation phase schooling.

Driving economic sustainability

Investment in social entrepreneurs through the Mbewu programme has helped social entrepreneurs operating in rural environments gain access to markets, which has increased the value of their businesses and created employment opportunities for unemployed youth through the scaling up of these businesses.

In addition, social entrepreneurs, operating in rural communities as emerging farmers, agro-processors and waste recyclers are being provided with much needed enterprise development skills support, focusing on how they can scale up their businesses for sustainability.

The group and its employees responded rapidly to the needs of communities in KwaZulu-Natal and Mozambique that were impacted by flooding, caused by extreme weather conditions, that resulted in loss of life and the destruction of homes and infrastructure. We were able to assist with rebuilding the livelihoods of affected communities through strategic partnerships. Our employees drove a volunteer assistance campaign using our newly launched online employee volunteer portal that enables employees to nominate their charity of choice and drive campaigns online to ensure wider reach.



Creating a safe, resilient and rewarding workplace

Our people

Barloworld recognises that our strategy is achieved through our people who perform best in a safe environment, which fosters employee well-being and a culture of mutual respect and support. The group recognises that the Covid-19 pandemic placed a strain on our people's physical and mental health.

To address this we are enhancing our employee wellness offering.

We also enhanced their benefits during the year under review when we launched the ONE Barloworld Retirement Fund, in which we have consolidated the group's South African retirement funds and provided our employees with a comprehensive suite of long-term insurance products that include:

- a flexible death benefit that allows employees to purchase voluntary additional death benefit cover at a significantly reduced cost
- flexible funeral cover that allows employees to voluntarily insure extended blood relatives for unparalleled cover limits, wide of the nuclear family
- a disability benefit, which ensures that all employees will receive 75% of their last salary in perpetuity, should they become disabled
- critical illness cover.

During FY2022, the group introduced a living wage, which is considerably above the regulatory minimum wage. The group's reporting on remuneration was recognised by the South African Rewards Association.

During the year under review, the group reviewed and repurposed its integrated talent management strategy, to align them with the business strategy and the need to attract and retain critical skills. Talent forums continued during the year under review, which covered employee career aspirations, development and growth opportunities.

During the year under review, we introduced our board-approved policy on harassment, bullying and victimisation and updated our

human rights policy. These policies underpin the group's zero tolerance for any attack on the human rights of its employees and are intended to embed a psychologically safe environment throughout the group. We will also be using the results of the recent One Barloworld Employee Engagement Survey to identify areas of improvement that we can address in the year ahead.

The committee noted the improved relationships with organised labour in all of our divisions. The general reduction in employee disciplinary cases is attributed to the various training programmes implemented to ensure both managers and employees are conversant with the company's employee relations policies.



Safety, health and the environment

Health and safety remain a priority and the group continues to implement and refine its approach to the health and safety of our employees across all our operations as well as those of our customers. Targets are set for each division and performance is monitored by management and the board.

The committee was pleased to note that no work-related fatalities were recorded in the year under review and various safety initiatives resulted in a 19% year-on-year improvement in the group's lost-time injury frequency rate to 0.30 from 0.37 in FY2021 (continuing operations).



Diversity, equity and inclusion

To ensure an ongoing focus on achieving the FY2022 diversity and inclusion targets, the committee monitored performance against the proactive levers available to the group such as appointments, promotions, internal transfers and retention. The FY2022 targets for diversity and inclusion remained at a higher weighting (20%) on the divisional balanced scorecards, while the scorecards of group executives adopted a broader ESG-aligned focus to ensure accountability for ESG from the top. Bi-annual reports are provided to the committee on the impact of movements and actions taken by management to sustain progress on diversity and inclusion and address any gaps.

The committee is pleased to report that in line with Barloworld's commitment to ensuring all employees are paid fairly, equitably and in a manner that enables them to effectively participate in the economy, the company is making good progress with addressing historical pay gaps. This is also in line with South Africa's regulations relating to equal pay for work of equal value. Details regarding how this is being achieved are provided in the Remuneration review.

20% targets for diversity and inclusion remained at a higher weighting on the divisional balanced scorecards



Environmental performance and climate change

The committee has strategic oversight of the environmental aspects, including the suite of environmental policies, and the environmental sustainability framework which was reviewed and approved during the year.

The committee approved the group's five-year environmental efficiency targets, which were implemented during the year under review.

The aim of these targets is to improve non-renewable energy consumption efficiencies, emissions (scope 1 and 2) and water withdrawals (municipal sources) by 15% by FY2027, off the FY2021 baseline.

During FY2022, workshops were held with the divisions to identify potential physical and transition impacts stemming from climate change and the steps necessary to address these impacts were also identified. Attendees at the workshops included committee members.

Sustainable financing

To secure a gender-linked bond and a sustainability-linked loan during the year under review, the group leveraged its aspirations and initiatives in support of a diverse, inclusive and safe workplace, a reduced environmental footprint and growth and progress in society. Progress against the targets that have been set are monitored by the committee.

Stakeholder engagement

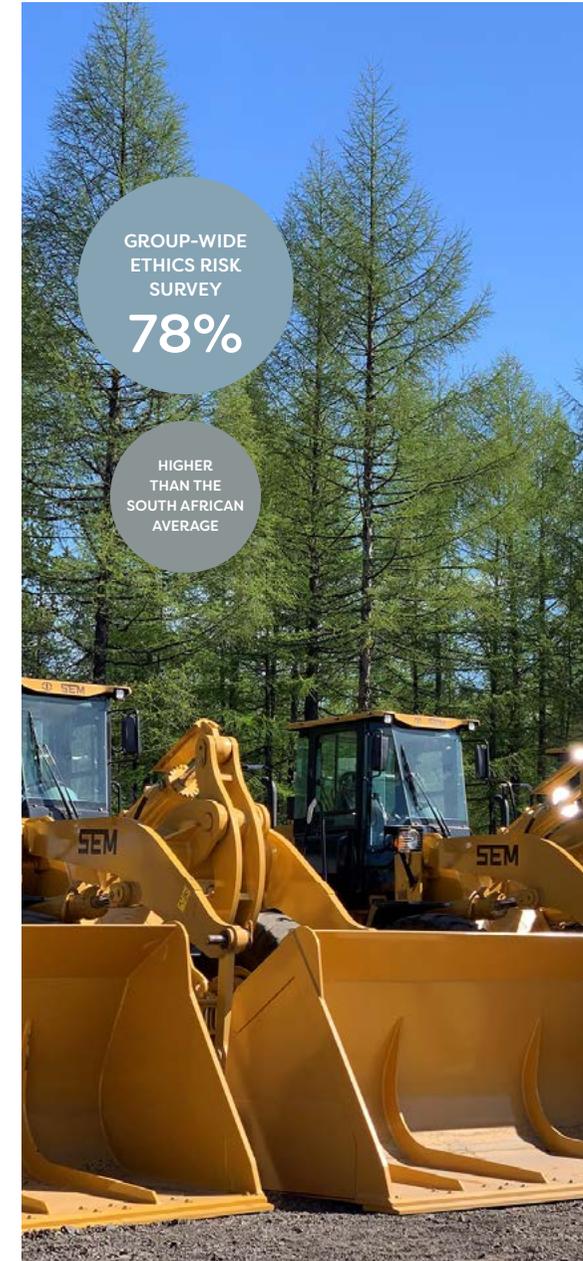
Stakeholder engagement continues to be key to enhancing the group's sustained value creation. All divisions and business units identify key strategic stakeholders and adopt a structured approach to addressing major issues raised by stakeholders.

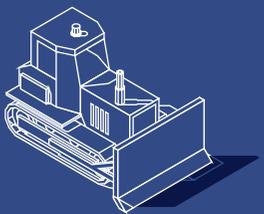
Conclusion

The committee is pleased with the continued development of the group's ESG strategy, objectives, policies and frameworks to support Barloworld's sustainability. It is satisfied that there has been no material non-compliance with legislation or non-adherence to codes of best practice in the areas within the committee's mandate during the 2022 financial year.

Neo Mokhesi

Chair of the social, ethics and transformation committee





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