



**Barloworld**  
*Leading brands*

**Creating** shared value **for** sustainable outcomes



Integrated Report 2016

## About this report

### Our audience

Our long-term providers of capital are the primary audience of our integrated report. However, our value creation activities benefit and impact a wide range of stakeholders whose interests are specifically covered in this report in line with our shared value creation principle.

### Reporting frameworks

Our integrated reporting is guided by various codes and standards including the King Report on Corporate Governance for South Africa, and the accompanying Code on Corporate Governance for South Africa (King III) and the International Integrated Reporting Council Framework.

Our integrated reporting (disclosed in this integrated report and supplementary documents as well as information on our website) contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

### Report scope and boundary

Our integrated report covers the performance of Barloworld Limited for the financial period October 2015 to September 2016 in all geographic regions in which the Barloworld group and its subsidiaries operate. Associates and joint ventures are equity accounted and thus not included in consolidated non-financial data. The consolidated data incorporates the company and all entities controlled by Barloworld as if they are a single economic entity. There are no other entities over which the group has significant influence that it believes should be included in the report. Both financial and non-financial data is aligned to the same financial reporting period allowing for comparison of performance data.

Any limitations will be disclosed in the relevant section.

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise stated.

### Significant changes during the reporting period

Significant changes include the disposal of our Logistics Supply Chain Software business. The Agriculture Zambia operation was sold into a joint venture with BayWa AG during the period. Acquisitions in Automotive included the Toyota and Volkswagen motor retail dealerships in Postmasburg to expand our Motor Retail footprint, two Mercedes-Benz dealerships in Mpumalanga and the KwaZulu-Natal South Coast to expand into selective franchises and growth nodes and a controlling interest in Salvage Management and Disposals. Further acquisitions were in Logistics which acquired 100% of the KLL group and 51% in Aspen Logistics Services. We increased our shareholding in Barloworld Transport to 78.8%. None of the changes resulted in the restatement of financial and non-financial information.

### Disclosure

Barloworld endeavours to achieve the highest standards of disclosure by providing meaningful, accurate and balanced information to stakeholders.

### Assurance

The financial information in this report has been prepared according to IFRS and together with material non-financial indicators is independently assured by our external auditors Deloitte & Touche.

### Forward-looking information

Our integrated report contains forward-looking information, that is, information related to future events. In this context, forward-looking statements often address our expected future business, results, financial performance and financial condition, and often contain words such as "anticipate", "believe", "could", "expect", "intend", "plan", "see", "seek", "should", "will", or "would". Forward-looking statements by their nature involve risk and uncertainty as they relate to future events that are, to different degrees, outside Barloworld's control. Therefore actual events may differ materially from the stated expectations. Readers are thus cautioned not to place undue reliance on these statements which only provide management's view at the time of the report.

Barloworld creates shared value by balancing organisation and stakeholder interests

70



**People**

84



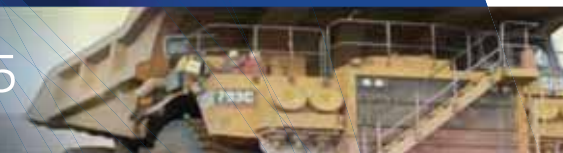
**Communities**

98



**Customers**

105



**Principals  
and suppliers**

114



**Shareholders**



## Our report structure

In 2015, Barloworld launched Vision 2020. This integrated report represents our first period of reporting against this vision. In line with Vision 2020's focus on creating sustainable shared value that balances economic and social value, this report highlights how Barloworld impacts its stakeholders through the six strategic focus areas (SFAs) that are central in driving the process of shared value creation. This report reflects the successes, achievements and lessons learnt along this journey.

While our stakeholder base is vast and varied, to achieve our Vision 2020 the primary stakeholders that Barloworld impacts, and in turn impact the organisation, have been identified as our people, shareholders, principals, suppliers, customers, communities and the environment.

All our stakeholders are impacted by all the SFAs to a greater or lesser extent. However, in structure, our integrated report links the stakeholder interests with the SFA that has the greatest impact as our strategic response. A link is also provided for the capitals employed in our value creation.

Supplementing the aspects covered in this integrated report, is a set of responses to the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (GRI G4) which expand the group's sustainability reporting and include a wide range of environmental, social and governance aspects. These responses supplement our various individual reports. Our set of GRI G4 responses and Content Index table are available on our website.

## Stakeholders impacted by our strategic focus areas (SFAs)

Stakeholders impacted:	Strategic focus area:	
■ People	People	
■ People ■ Communities	Diversity and inclusion	
■ Communities	Sustainable development	
■ Customers ■ Principals and suppliers	Innovative customer solutions	
■ Shareholders	Profitable growth	
■ Shareholders	Financial returns	

## Supplementary documents

This report and the annual general meeting (AGM) booklet are available online at [www.barloworld.com](http://www.barloworld.com) along with:

- Full remuneration report
- Full corporate governance report
- Full consolidated financial statements
- Set of responses to the GRI G4 Sustainability Reporting Guidelines

## Navigation guide

 Web links [www.barloworld.com](http://www.barloworld.com)

 Global Reporting Initiative (GRI G4) links to <http://www.barloworld-reports.co.za/integrated-reports/ir-2016/gri-index/index.php>

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

## Send us your feedback

 To ensure that we report on issues that matter to our stakeholders please provide any feedback and questions to: [invest@barloworld.com](mailto:invest@barloworld.com) or [sustainability@barloworld.com](mailto:sustainability@barloworld.com)

Visit [www.barloworld.com](http://www.barloworld.com) to download the feedback form.

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### Corporate information

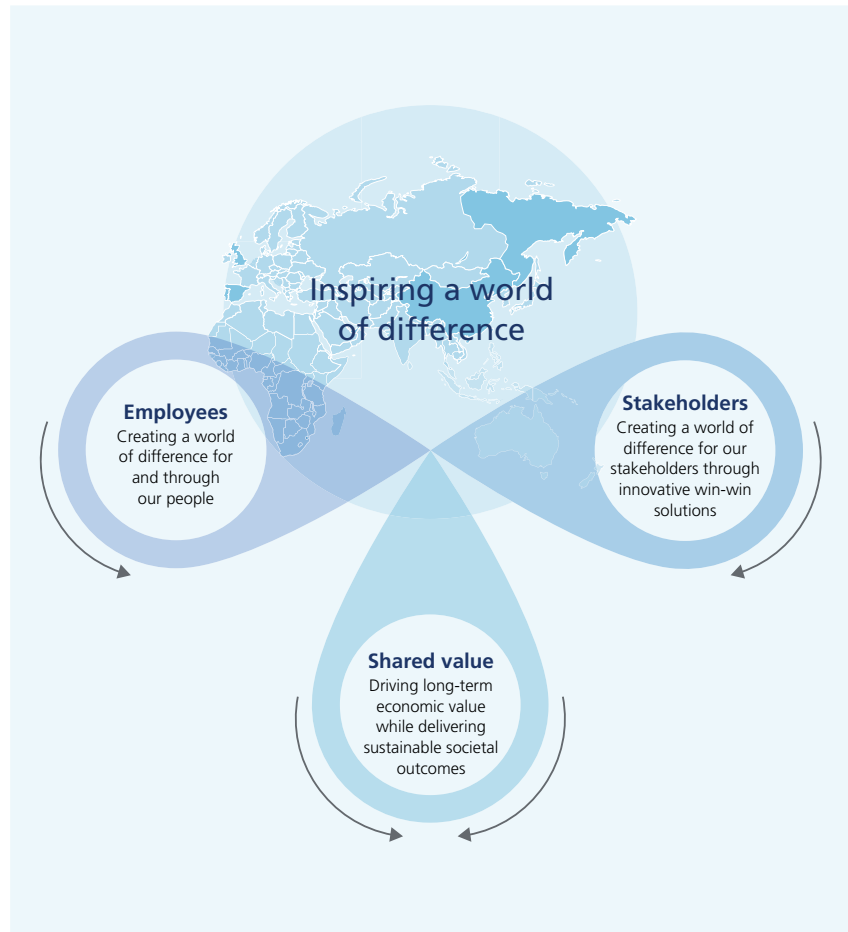


## Our vision



To inspire a world of difference by creating shared value through building world-class businesses, generating superior shareholder returns and delivering sustainable societal outcomes.

## What shared value means for us



## We are driven by our values



*Integrity*

... the power of honesty



*Excellence*

... the power of intense focus



*Teamwork*

... the power of working together



*Commitment*

... the power of responsibility



*Sustainability*

... the power of endurance



## Performance against key indicators

Economic	Environmental	Social
<b>Revenue (Rm)</b>	<b>Petrol and diesel consumption (ML)</b>	<b>Number of employees</b>
2016 <b>R66 547 million</b> (up 6%)	2016 <b>74.98 ML</b> (up 7%)	2016 <b>20 786</b> (up 5%)
(2015: R62 720 million) (2014: R62 101 million)	(2015: 70.24 ML) (2014: 66.43 ML)	(2015: 19 745) (2014: 19 616)
<b>Operating profit (Rm)</b>	<b>Electricity consumption (MWh)</b>	<b>Lost-time injury frequency rate<sup>#</sup></b>
2016 <b>R4 135 million</b> (up 4%)	2016 <b>84 295 MWh</b> (up 2%)	2016 <b>0.83</b> (down 25%)
(2015: R3 995 million) (2014: R3 830 million)	(2015: 82 277 MWh) (2014: 81 028 MWh)	(2015: 1.11) (2014: 1.23)
<b>HEPS (before B-BBEE charge) (cents)</b>	<b>Non-renewable energy consumption (GJ)</b>	<b>Number of work-related fatalities</b>
2016 <b>838 cents</b> (down 9%)	2016 <b>3 117 091 GJ</b> (up 7%)	2016 <b>1</b> (one fatality)
(2015: 926 cents) (2014: 857 cents)	(2015: 2 925 449 GJ) (2014: 2 773 222 GJ)	(2015: 0) (2014: 3)
<b>Return on net operating assets (%)</b>	<b>GHG emissions (tCO<sub>2</sub>e, scope 1 and 2)</b>	<b>Corporate social investment (Rm)</b>
2016 <b>15.9%</b>	2016 <b>272 961 tCO<sub>2</sub>e</b> (up 6%)	2016 <b>R16.8 million</b>
(2015: 17.0%) (2014: 18.7%)	(2015: 257 192 tCO <sub>2</sub> e) (2014: 245 686 tCO <sub>2</sub> e)	(2015: R16.6 million) (2014: R16.8 million)
<b>Group net debt to equity (%)</b>	<b>Water withdrawals (ML)<sup>^</sup></b>	<b>B-BBEE rating<sup>*</sup></b>
2016 <b>40.7%</b>	2016 <b>788 ML</b> (up 6%)	2016 <b>Level 3</b>
(2015: 55.1%) (2014: 40.9%)	(2015: 745 ML) (2014: 785 ML)	(2015: Level 2) (2014: Level 2)

<sup>#</sup> LTIFR = Lost-time injuries multiplied by 200 000 divided by total hours worked.

<sup>\*</sup> Barloworld Limited 2016 rating based on revised dti Codes of Good Practice.

<sup>^</sup> Municipal sources.

## Financial summary

	2016	2015	2016	2015
	Rand	Rand	US\$*	US\$*
Revenue (million)	<b>66 547</b>	62 720	<b>4 512</b>	5 235
EBITDA (million)	<b>6 674</b>	6 479	<b>452</b>	541
Operating profit (million)	<b>4 135</b>	3 995	<b>280</b>	333
Net cash inflow/(outflow) before financing activities (million)	<b>3 507</b>	(3 464)	<b>238</b>	(289)
Net debt (million)	<b>8 016</b>	10 752	<b>583</b>	776
HEPS (before B-BBEE charge) (cents)	<b>838</b>	926	<b>57</b>	77
Ordinary dividends per share declared in respect of current year's earnings (cents)	<b>345</b>	345	<b>23</b>	29
Total assets (million)	<b>46 022</b>	48 155	<b>3 347</b>	3 474
Net asset value per share (cents)	<b>8 997</b>	9 157	<b>654</b>	661

\* Refer exchange rates on page 136.

## Where we operate

Barloworld distributes leading international brands that provide integrated rental, fleet management, product support and logistics solutions.

The core divisions of the group comprise **Equipment** and **Handling** (earthmoving, power systems, materials handling and agriculture), **Automotive** and **Logistics** (car rental, motor retail, fleet services, used vehicles and disposal solutions, logistics management and supply chain optimisation).



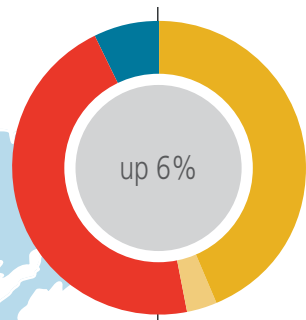
 [www.barloworld.com/about-barloworld/our-history](http://www.barloworld.com/about-barloworld/our-history)

 **GRI 4.4, 4.6, 4.8, 4.9**



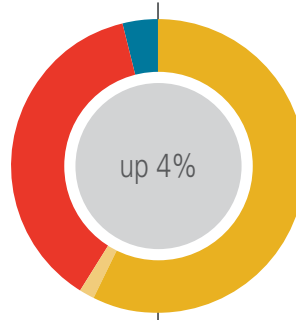


### Revenue



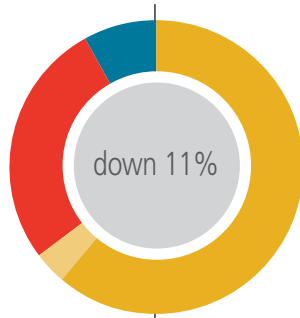
Total  
**R66 547 million**  
 2015: R62 720 million

### Operating profit



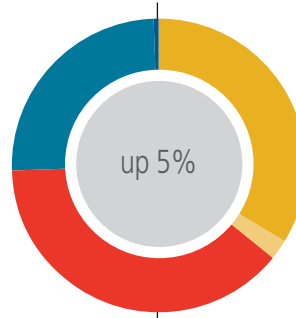
Total  
**R4 135 million**  
 2015: R3 995 million

### Net operating assets



Total  
**R25 830 million**  
 2015: R28 757 million

### Number of employees



Total  
**20 786**  
 2015: 19 745

■ Equipment  
 ■ Handling  
 ■ Automotive  
 ■ Logistics  
 ■ Corporate

# Group profile



**Barloworld**  
Leading brands

## Equipment and Handling

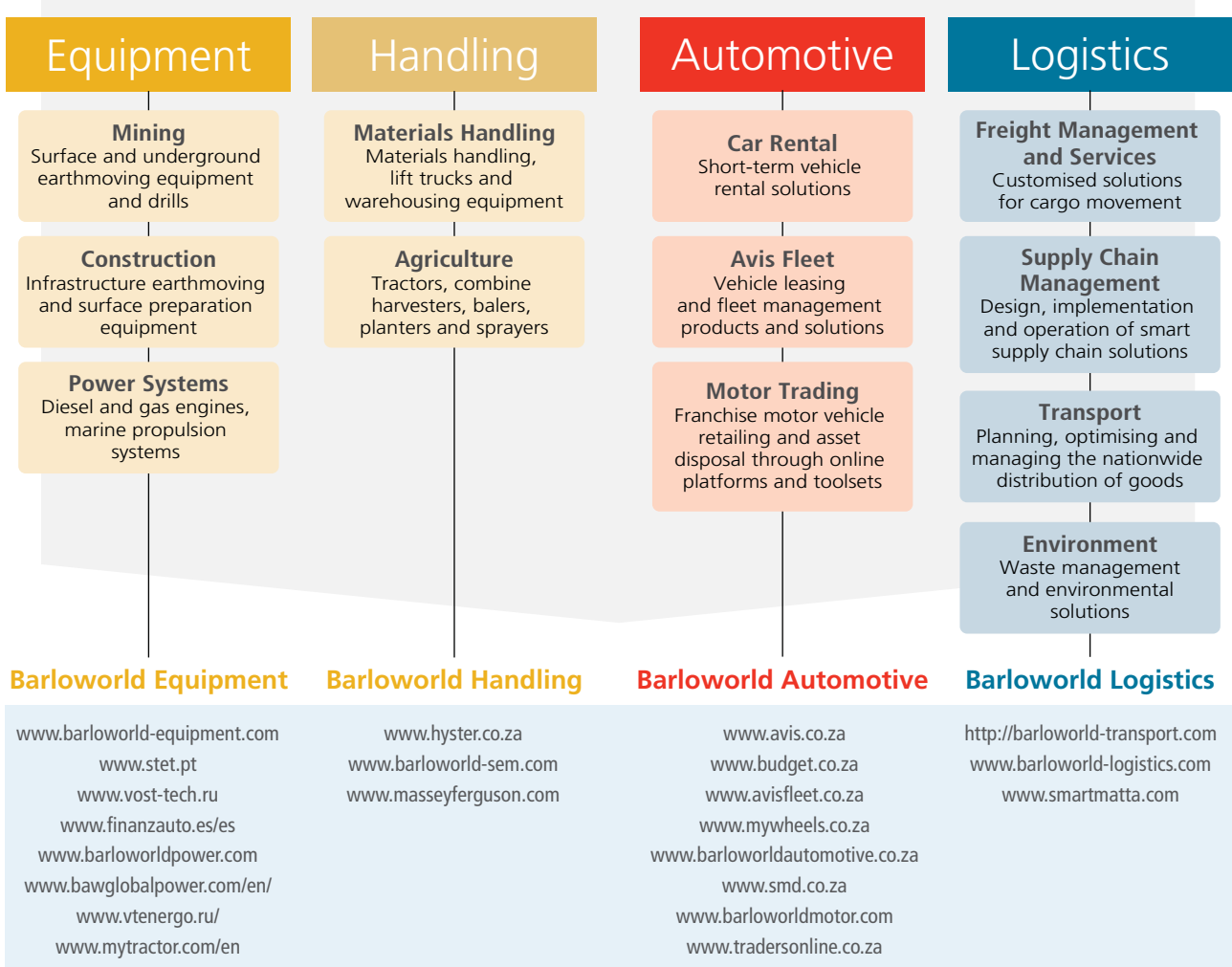
Barloworld Equipment is the official dealer for the Caterpillar construction, mining and industrial machine range in 11 southern African countries, Spain, Portugal, Siberia and the Russian Far East.

Barloworld Handling division distributes a number of global brands and provides equipment, technology-enabled solutions and services to the agricultural and materials handling industries through its business units in southern Africa.

## Automotive and Logistics

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

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



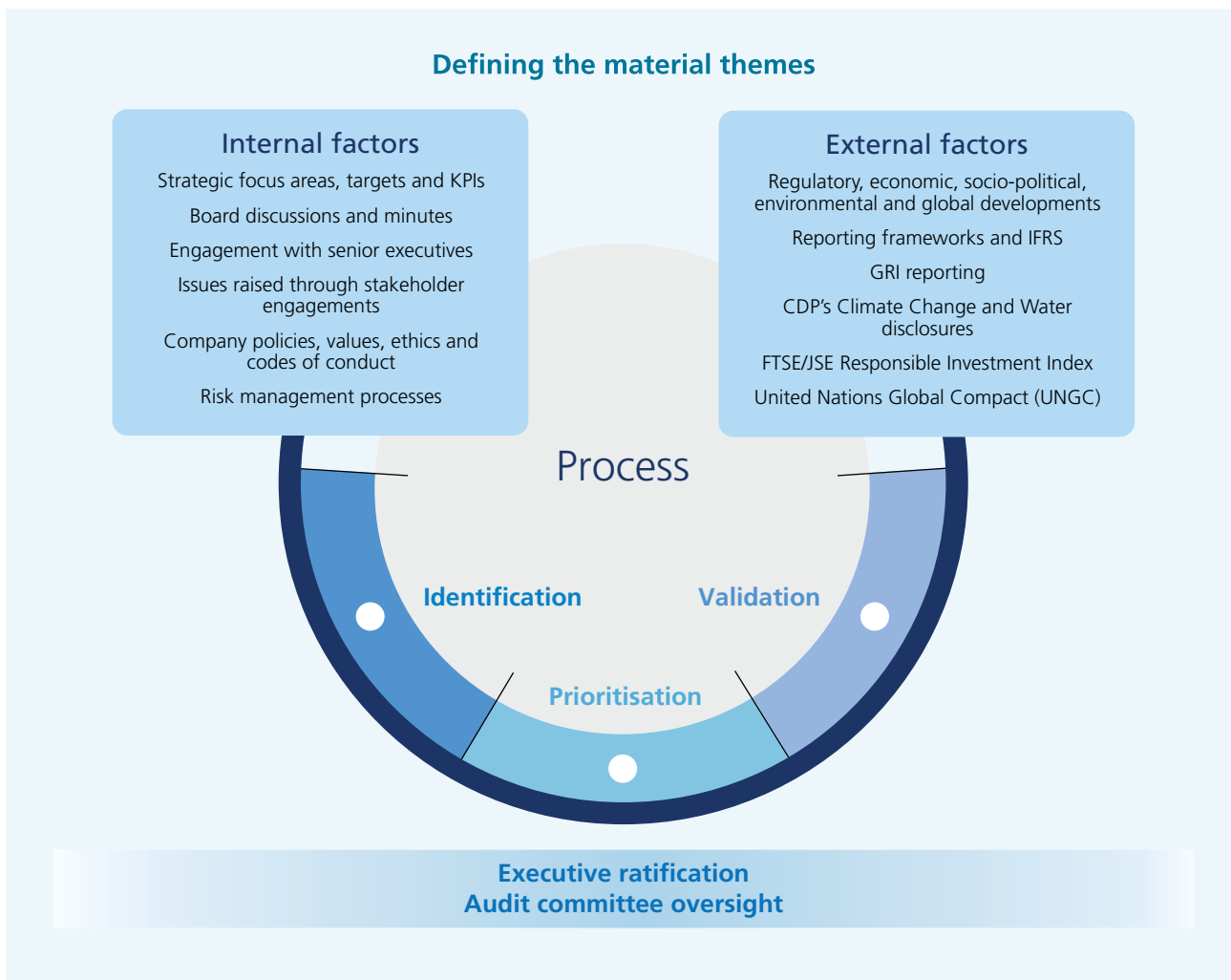
@BarloworldLtd  
 Barloworld Limited  
 barloworldlimited

GRI 4.8

## Materiality and our response to stakeholders' interests

Barloworld has a robust, systematic and structured strategic planning process through which the key determinants of value creation are identified, prioritised and targets set against them. These key determinants are the strategic focus areas (SFAs) that have a material impact on value creation for each of our identified stakeholder groups. The SFAs therefore form the overarching strategic framework and context for the material themes that are expanded on in the report and our GRI G4 responses. The Barloworld approach to determining and prioritising the report content is an ongoing process throughout the year that considers internal and external factors which have and/or could have a substantive impact on the organisation's value creation activities and interactions.

The Barloworld Worldwide Code of Conduct sets out the group's five core values. It determines how our aspirations and values are translated into actions and behaviours. Our Code of Conduct reminds us of the standards to which all employees are accountable, and consequently it also informs the group of what is regarded as material.

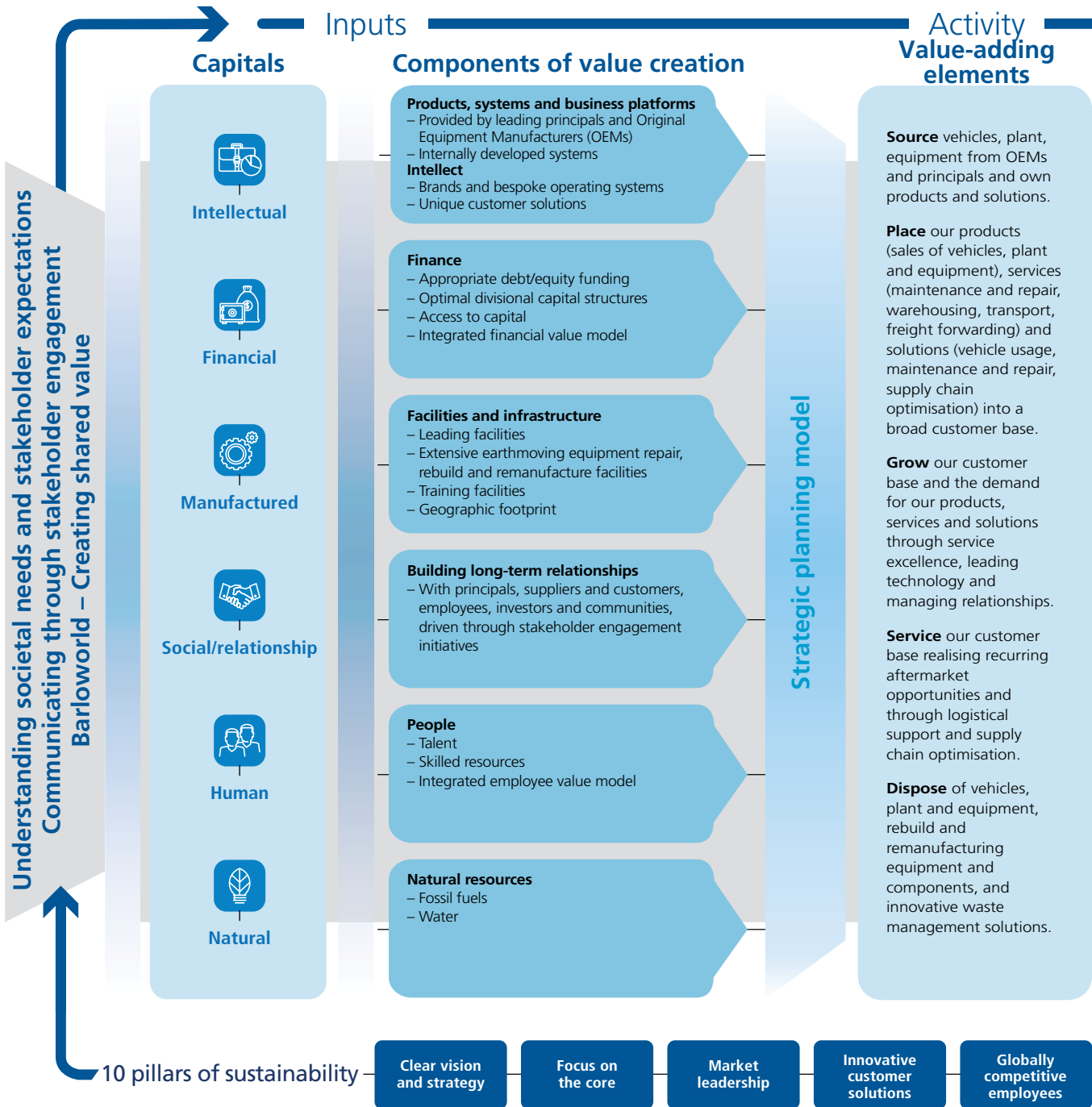


Our strategic framework including the SFAs is replicated in all divisions and functions to ensure alignment across the group. Therefore there is some commonality in the material themes that form the report content, as well as variations unique to individual businesses based on specific industry, geographic, operational and general business factors. The material themes are unchanged from the previous year.

# Business model

## Vision 2020

To inspire a world of difference by creating shared value through building world-class businesses generating superior shareholder returns and delivering sustainable societal outcomes



### Shared value

Central to value creation for all stakeholders

### Our values

Integrity, Excellence, Teamwork, Commitment, Sustainability

### Worldwide Code of Conduct

Guides behaviour, decision-making and stakeholder interactions

## Strategic focus areas Material themes



## Outputs Key products, solutions and impact

### Flexible, value-adding, innovative customer solutions in

- **Earthmoving:** mining and infrastructure
- **Power systems:** electric power, marine, petroleum and industrial
- **Materials handling:** lift-trucks
- **Agricultural equipment**
- **Short-term vehicle usage**
- **Vehicle ownership solutions**
- **Long-term vehicle leasing and fleet management**
- **Asset disposal and technology-enabled solutions**
- **Services:** transport, warehousing, freight forwarding
- **Supply chain solutions**

### Training and development

- People development and empowerment
- Required talent pool
- Increase performance and productivity
- Address staff turnover

### Environmental aspects

- Emissions
- Waste

## Outcomes Impact on stakeholders

### Shared value

Long-term value creation for all our stakeholders including the communities in which we operate aligned with our shared value approach.

### Impact on capitals

Intellectual  
OPTIMISED

Financial  
ENHANCED

Manufactured  
INCREASED

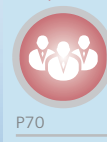
Social/relationship  
IMPROVED

Human  
DEVELOPED

Natural  
CONSUMED

Shared value for our stakeholders

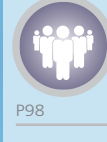
### People



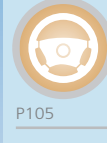
### Communities



### Customers



### Principals and suppliers



### Shareholders



Informing strategy  
Understanding societal needs and stakeholder expectations  
Communicating through stakeholder engagement



## Chairman's letter

Our resilient and sustainable value creation journey has ensured our existence for 114 years, 75 years of those as a JSE-listed company.



Dumisa Ntsebeza – Chairman

### A resilient business model

Barloworld is one of only nine companies listed on the main board of the JSE Limited for 75 years or longer. Our resilience, endurance and sustainability are hallmarks of the company. These rest on our people and our leadership and management teams – their pioneering spirit, loyalty, flexibility, willingness to take a long-term view and ability to adapt to changing environments.

The prevailing tough economic environment highlighted the strength of our business model that includes diverse geographies and industries served. We have innovative solutions, including a well-established service facility footprint and capability that supports our customers' success. These and our aftermarket activity have supported our performance and underpinned our results in tough trading conditions.

We have also focused on managing those aspects that we can control. This includes optimising our returns through acquiring businesses aligned with our growth objectives, and disposing of those which would not achieve our targets. Our strategic corporate activity is aimed at sustainable shared value creation for our stakeholders.

I am pleased with the group's performance this year. In difficult circumstances we delivered a good set of financial results. Compared to last year our revenue was up 6% to R66.5 billion and operating profit grew 4% to R4 135 million. Equipment Russia had an outstanding year and our Automotive division's excellent performance was delivered against a tough industry backdrop. Our other divisions did well in difficult circumstances, and I am confident that our Logistics business will continue on

its growth trajectory. I am also pleased with the strategic corporate activity we undertook during the year, and believe we have addressed the areas that required attention.

Our business model is supported by a commitment to developing our people who are key to delivering our Vision 2020 ambitions. We have continued to embed leading employee management principles and practices. In difficult times driving performance while nurturing optimal levels of motivation becomes even more critical to success.

### Responsiveness to our primary stakeholders

Vision 2020 incorporates creating shared value for our stakeholders. This is central to our long-term sustainability and focuses on finding solutions that work for both the stakeholder and ourselves, an ideal we strive for.



## Adapting and evolving is in our DNA

Barloworld has been in existence for 114 years. Our longevity has not been a matter of chance, but of foresight, wisdom and a willingness to adapt and evolve.

We have an inclusive approach to developing and achieving strategic responses that address the legitimate interests and expectations of our stakeholders, and aligning with these. We appreciate that our long-term success depends on this.

In setting our Vision 2020 we identified our primary stakeholders that we impact, and who have a material impact on our business.

Our **people** are key to us delivering on our intent for stakeholders and achieving our goals. We recognise that they are our key differentiator and we continue to embed our employee value model, a strategic employee engagement philosophy across the group aimed at harnessing their collective wisdom, optimising their contribution to value creation and ensuring that they participate fairly in value created. Unfortunately one of our employees died in a motor vehicle collision and my sincere condolences go to his family and those affected.

Our **customers**, in both private and public sectors, are vital to our success, and we are committed to supporting their ambitions. Our partnership approach and innovative solutions are what drive ongoing engagements and mutually beneficial long-term relationships with them. We realise the increasing importance of meaningful relationships and significant engagements with the **public sector**, not only as a customer but as a partner in achieving national imperatives. In this regard we are committed to building meaningful relationships in South Africa and the geographies in which we operate. We appreciate that there are overlapping and interdependent

interests that talk to the philosophy of balancing social and economic value.

We are part of our **principals'** value chains and share success across our divisions where such relationships exist. It is noteworthy that these relationships span decades, testament to the strong alignment we have to our shared outcomes. We have been a Caterpillar dealer for 89 years, relationships with some of our automotive OEMs go back over 50 years, and we have been associated with the Avis Budget group since 1969.

Our **suppliers** are part of our value chain. It is imperative that we are aligned and that they reflect the values we uphold and cherish. We have in the past two years initiated a supplier development programme that seeks to ensure a more diverse supply chain to meet our diversity imperatives, assist us in providing innovative solutions, as well as meeting internal and addressing national transformation objectives.

We are mindful that our **shareholders** entrust us with their capital and expect competitive returns on their investment. It is our duty as a board and management to ensure we consistently deliver these through the economic cycle. I believe we have a clear vision and strategy to do so.

I believe we all have a role to play in looking after the **environment** and striving for a lower carbon future. In this regard I am pleased with the related initiatives we are implementing internally, and that we are incorporating sustainability aspects into our customer offerings.

## Balancing social and economic value creation

Our durability as a company can also be attributed to our commitment to social relevance and the role that we play in communities. Part of this relevance is ensuring we develop and draw skills from the communities in which we operate which contributes to local job creation and socio-economic development. In addition, this ensures a contribution to national imperatives. We understand that we cannot thrive isolated from our communities and that we need to operate in an environment conducive to business success, and in which shared value is created for all stakeholders.

One of the key focus areas for Barloworld is localisation in support of the national imperatives of the countries we are in. It is central to local credibility and competitiveness, and includes partnerships in skills development and transfer, local assembly and manufacturing, supplier development and incubation of small and medium-size businesses.

In today's environment having a clear understanding of the role of business in a socio-political context is critical. The long-term success of business in South Africa and elsewhere is dependent on political and social stability.

We understand the need to align with these imperatives and to continually adapt and transform to the evolving environments, not only in terms of demographics, but also in outlook. By doing so successfully, I believe we will remain attractive to those who would like to be associated with us.

## Chairman's letter

### Balancing social and economic value creation

Our durability as a company can also be attributed to our commitment to social relevance and the role that we play in communities.

#### Adapting and evolving is in our DNA

Barloworld has been in existence for 114 years. Our longevity has not been a matter of chance, but of foresight, wisdom and a willingness to adapt and evolve. It is also a function of our determination to be a respected corporate and do what is right. This is engrained in our value system, and part of our DNA. Our approach goes beyond compliance.

Our leadership has navigated various cycles and stages of our existence. Over the past 10 years we have refocused on our core distribution businesses and undertaken numerous projects to purposefully allocate capital to the areas of highest potential return.

These underscore our ability to adapt our strategy and respond to changing external environments and the evolving needs of our stakeholders.

#### Defining our future growth strategy

In 2015 we articulated our Vision 2020 which encapsulates how we can inspire a world of difference to our stakeholders, with strategies and specific growth ambitions underpinning our intent. We have made good progress in many aspects related to our strategic focus areas and I am very proud of what we have achieved to date.

Our performance in this reporting period has again shown that various actions have been taken to respond to the challenging external environment to ensure that our businesses are well positioned to prosper once the economic cycle turns.

We are also looking beyond 2020 and considering what sustainable value creation means in a changing world. We are thinking about how we drive

sustainable benefits and striving to understand the trade-offs that come with the ambitions that we have set for ourselves.

It is an exciting time as we look to develop and refine our growth strategy, to build on our foundations and create an organisation that will endure for another 100 years.

Our values and code of conduct, our commitment to sustainability and understanding the role of a responsible corporate citizen are our foundational principles and will stand us in good stead going forward.

#### Executive leadership changes

Well planned and structured leadership succession is a critical aspect of sustainable corporates. In this regard I am pleased with the plans and appointments we have made, particularly that of Mr Dominic Sewela who was appointed as deputy chief executive of Barloworld Limited on 1 March 2016 as part of a structured succession plan. He has subsequently been appointed as CEO designate of the company effective 1 October 2016.

Mr Clive Thomson, who has successfully led the Barloworld group for the past 10 years, will be succeeded as chief executive of Barloworld Limited by Mr Sewela at the next annual general meeting of the company planned for 8 February 2017.

Mr Thomson will remain employed by the company in an advisory capacity for a short period thereafter to ensure an effective handover process and seamless leadership transition.

Under the stewardship of Clive Thomson the group was restructured and many divisions were successfully grown into their leading positions. When required, the executive team were able to

streamline the organisation and navigate through the deepest global financial recession since the 1930s, and also the more recent commodities downturn. As testament to Clive's leadership we have emerged from this period with robust cash flows, a healthy balance sheet and a strong capital structure. All our businesses have a clear strategic focus and strong market positions and we are well placed to capitalise on organic and acquisitive growth opportunities as they arise.

On behalf of the board I would like to thank Clive for his visionary leadership and stewardship, dedication, contribution and laying a solid foundation for further growth as he hands over the baton to Dominic Sewela.

I would like to congratulate Dominic on his appointment and wish him and the executive team much success in building the platform for growth into the future.

#### Vote of thanks

It remains for me to thank the board for its continued efficient and effective oversight of Barloworld. Due to other business commitments, independent non-executive director Dr Alexander Landia resigned from the Barloworld board with effect from 31 December 2015 and Mr Gordon Hamilton, having reached retirement age for non-executive directors, retired from the board on 3 February 2016. I thank them for their valuable contribution to the board. I look forward to the new year in which we can again be proud of our achievements, individually and as a team.



**Dumisa Ntsebeza**  
Chairman

18 November 2016

# Chief executive's Q and A

The group delivered a strong cash flow for the year and our industry and geographic diversity continued to provide resilience to the overall trading result.



### Given the challenging global and local economic backdrop, how has the group performed in this financial year?

The global economy continued to underperform in 2016 with added risks to growth arising from the results of the Brexit vote in the UK and uncertainties created by the recent US election result. Growth in the South African economy has also been muted. Against this backdrop the group produced a solid operating result for the year despite continued weakness in the mining sector.

Revenue of R66.5 billion was 6% ahead of last year while operating profit grew by 4% to R4 135 million.

Profit before non-operating and capital items was up 14% to R2 693 million. However, net profit was negatively impacted by the significant decrease in income from associates primarily due to the temporary cessation of mining activity by one of our largest customers in the DRC.

Headline earnings per share (HEPS) of 838 cents showed an increase of 24 cents (3%) over the prior year. If one excludes the impact of the prior year B-BBEE charge, HEPS declined by 9% compared to the adjusted prior year HEPS of 926 cents, mainly as a result of reduced associate earnings.

Cash generated from operations was very strong at R7 827 million (2015: R1 123 million) primarily due to focused working capital management. This resulted in a pleasing reduction in net debt levels and a healthy balance sheet position at year-end.

A total dividend for the year of 345 cents per share was declared in respect of this year's earnings which was in line with the previous year.

## Chief executive's Q and A

The performance in Russia was above expectations with profits well up driven largely by opencast gold mining.

### How has the Equipment business performed in southern Africa and Iberia given the mining cycle downturn and muted levels of infrastructure spending?

In Equipment southern Africa the slowdown in mining activity and the reluctance of mines to incur both replacement and greenfields capital expenditure resulted in mining unit sales dropping to their lowest level since 2010. While most of our major mining customers have maintained production levels we have seen selective production curtailment in certain regions, including the iron ore mines in the Northern Cape, which had some impact on aftersales demand.

The overall operating margin, while slightly down on the prior year, held up well in the prevailing economic conditions. Pleasingly, there has been very positive cash generation of R3.0 billion compared to cash utilisation of R1.7 billion in 2015 due to improved working capital management and trimming the asset base.

While activity levels in Angola remained steady, the shortage of US Dollars in that country has resulted in restrictions in our ability to transact freely in the local currency and we have taken steps to limit our currency exposures.

Our associate in the Katanga province of the DRC generated a profit of R13 million for the year which was

R252 million below last year. While we showed a profit in the second half of R40 million, which is an improvement on the loss at March of R27 million, it nonetheless represents a major variance in our earnings for the year. Mining activities at our largest customer remain suspended following the slope failure in early March and copper processing is now only expected to recommence in the second half of calendar 2017 once the new plant has been commissioned.

The Iberian equipment business remained profitable. However, activity levels in Spain were under pressure as a result of uncertainty created by extensive delays in forming a government following two inconclusive general elections. Power systems is now a very important component of the business comprising over 50% of our revenues and the aftermarket has also played an important part in supporting profitability.

### The Russian equipment business has shown a strong performance despite the economic recession and impact of sanctions. What have been the main contributing factors to this?

The performance in Russia was above expectations with profits well up driven largely by opencast gold mining where we have secured a steady flow of projects, while the oil and gas, construction and coal sectors have been subdued.

Sustained aftermarket activity also underpinned performance supported by tight cost control and efficiency improvements. The business was strongly cash generative with improved levels of financial returns.

The long-term potential of this business remains positive given the rich reserves of natural resources in Siberia and the Russian Far East.

### The Automotive business has made some strategic acquisitions. How was the overall performance and did these acquisitions contribute?

Overall the Automotive division produced a very good performance despite South Africa's slow economic growth and decline in motor industry sales. The Car Rental dual brand strategy with Avis and Budget has yielded benefits and fleet utilisation remained at high levels.

Avis Fleet produced a slightly lower result mainly due to the non-renewal of the Government of Lesotho contract; however, the business continues to have a high level of customer retention and a balanced exposure to long-term fleet contracts.

Motor Trading delivered a good result in a declining new vehicle market. The acquisition of two Mercedes-Benz dealerships in Mbombela, Mpumalanga, and Shelley Beach, KwaZulu-Natal, together with the acquisition in early May of Salvage

## Our business success has been underpinned by a strong set of values and ethics.

Management and Disposals, the largest vehicle salvage operator in South Africa, have now been integrated into the business. They are trading well and contributed positively to the overall performance.

### What has contributed to the Logistics division's strong overall performance?

Logistics delivered a pleasing result with revenue and operating profit strongly up driven by the full year financial impact of new contracts and the SmartMatta acquisition. These were supported by growth in Transport volumes, favourable trading on key Supply Chain Management contracts, record trading within the South Africa freight forwarding business and the favourable impact from the disposal of the loss-making Sea Air Transport business and Logistics Spain.

The acquisitions of KLL group and a 51% interest in Aspen Logistics Services effective 1 January 2016 provide multi-party, multi-temperature warehousing and distribution capabilities which is a growth platform for the future.

### What strategic actions are planned to improve returns and enhance growth in the Handling division?

We exited the loss-making Agriculture business in Russia at the end of last financial year and restructured the Handling business in South Africa to reduce costs. As a result of these actions we saw improved operating profits on a lower asset base.

Post year-end we entered into an agreement to dispose of the assets of our Agriculture and Handling businesses in South Africa into a joint venture company in which we will retain a 50% stake and the balance will be owned by BayWa AG, a German listed company and a leader in global agriculture. This should generate new opportunities to grow the business within the broader agriculture value chain. The net assets of these businesses of R746 million have been classified as held for sale at September 2016.

### Barloworld is one of only nine companies on the JSE Limited to be listed for 75 years. What accounts for the company's durability and sustainability?

Our success ultimately stems from our people, the quality of our leadership and management teams – their pioneering spirit, loyalty to the company, willingness to take a long-term view and be flexible and adapt to changes in the external environment. The company has been blessed with some great leaders over the years including Punch Barlow, Mike Rosholt, Warren Clewlow and Tony Phillips who all took important strategic decisions that contributed to the group's success and sustainability.

Barloworld has always been forward-thinking in its strategy and we have adapted and evolved the structure and composition of the group over time as circumstances changed. There has also been a willingness to be entrepreneurial

and take calculated risks which has led to us entering some challenging markets in remote regions such as the DRC and Russia and building sustainable businesses for the long term.

Our business success has been underpinned by a strong set of values and ethics, a commitment to doing business the right way, which has built solid long-term relationships of trust with our customers, principals and business partners. These characteristics are likely to be our blueprint for success for the next 75 years.

### Are you on track with Vision 2020 at the centre of which is shared value creation for stakeholders?

This is an exciting time in the evolution of the Barloworld group as we are working on developing and refining our growth strategy for the long term as part of Vision 2020.

As part of a strategic review exercise, we are looking to identify the industries, markets and geographies, both existing and new, that Barloworld will target for expansion into the future. We will also identify potential merger and acquisition (M&A) opportunities that will contribute to the achievement of our growth plans.

We have established specific Vision 2020 targets across all aspects of our business aimed at creating value for all stakeholders and have action plans in place to achieve these.

## Chief executive's Q and A

We are aligned with Caterpillar in increasing the number of connected machines and analysing data to generate actionable customer insights.

### Are people at the heart of your shared value creation strategy? And how is the progress on diversity and inclusion?

The health and safety of our employees is central to everything we do. I deeply regret that we had one work-related fatality which resulted from a motor vehicle collision. We continually strive to provide a healthy and safe environment for our employees and I am pleased that our lost-time injury rate has improved by 25% this year.

Our people management philosophy recognises that we can only create value for our stakeholders if we do the same for our people. Therefore engaging the hearts and minds of all employees is important in driving high performance. This is encapsulated in our people management philosophy and articulated in our employee value proposition. We track our performance through employee surveys and focus our attention on addressing specific organisational aspects that have a positive impact on employee engagement.

We established the Diversity Leadership Council and Diversity and Inclusion (D&I) Forum to provide leadership, share best practices and advance D&I initiatives across the group. As a result of our employee development initiatives, we have seen significant increases in the number of black and female employees across Barloworld's divisions. Diversity within our management and executive ranks has also improved in line with our targets.

The ongoing transformation of our businesses will remain one of the key elements of our strategy.

The group has recently been rated at level 3 on the revised dti B-BBEE codes of good practice which generally have more stringent requirements than the previous version. I believe this reflects creditable progress and we will strive to improve going forward as I believe diversity enhances our competitiveness and ability to deliver on our Vision 2020.

### In terms of your digital strategy how are you aiming to harness technology to improve customer performance?

Evolving customer needs and disruptive forces around technology require that we specifically focus on responding to these through various initiatives that include e-commerce, connected assets, big data and predictive analytics. Our aim is to leverage technology to enhance the customer experience and deliver improved productivity and performance.

In mining we are aligned with Caterpillar in increasing the number of connected machines and analysing data transmitted from the machines to generate actionable customer insights that lower costs and improve efficiency. We have also delivered remote controlled autonomous trucks to customers that provide safety and productivity benefits. In partnership with Caterpillar and other technology providers we are also delivering

solutions to enhance performance for our construction and power system customers.

In Automotive we have online auction trading platforms which optimises value in the disposal of used vehicles from our fleet management, car rental and motor trading businesses.

Logistics are focused on customer operational excellence by leveraging technology to deliver customised supply chain solutions as well as vehicle tracking, remote monitoring and safety enhancements within our Transport business.

### What have been the priorities for the company in terms of responsible corporate citizenship?

We believe that playing a positive role in our societies is central to creating stable environments within which our businesses can operate successfully.

Sustainability is one of our core values which ensures that all employees are accountable and responsible for this on a daily basis. Climate change is a concern and we are determined to contribute to a lower carbon future. In this regard we have set targets to improve our non-renewable energy and greenhouse gas efficiencies. We not only focus on reducing our own environmental footprint, but also offer products and solutions that assist customers to achieve their sustainable development objectives.



## I am pleased that Barloworld was included on the Dow Jones Sustainability Emerging Markets Index and in the FTSE/JSE Responsible Investment Top 30 Index.

Our Power division has a solar photovoltaic (PV) offering that has been installed at Equipment's Isando site, and other installations are planned. This product will assist our customers meeting their renewable energy aspirations. Equipment's component rebuild business underscores our commitment to shared value creation through reducing waste, energy and emissions, creating jobs and providing our customers with a cost-effective solution. SmartMatta, our environmental solutions company, provides waste management solutions to our operations and assists customers to realise their responsible waste management objectives.

We also focus on reducing our water consumption and have a target for improving our water efficiency. Over the period we invested in water recycling and harvesting facilities aimed at conserving this scarce resource.

We are committed to investing in social development. Our primary focus is on education, right from early childhood through tertiary education and skills training, contributing toward addressing the skills shortage in South Africa. One of our flagship partnerships is with Enactus, a global community that harnesses the social entrepreneurship skills of university students to drive community-based upliftment projects.

We encourage our employees to participate and volunteer in worthy social causes, one of which has been the drive to alleviate hunger. Our people have in the past two years contributed to the Stop Hunger Now initiative through the packaging of food parcels earmarked for early childhood development centres.

I am pleased that Barloworld was included on the Dow Jones Sustainability Emerging Markets Index and in the FTSE/JSE Responsible Investment Top 30 Index.

### You have announced various executive appointments relating to leadership succession. What are the key changes and timelines?

Dominic Sewela, appointed as deputy chief executive of Barloworld Limited on 1 March 2016 as part of a structured succession plan, was appointed as CEO designate of the company effective 1 October 2016.

Having been at the helm of Barloworld as chief executive for the past 10 years, I will be succeeded by Dominic at the next annual general meeting of the company planned for 8 February 2017. I will remain employed by the company in an advisory capacity through the half-year in 2017 to ensure an effective handover process and seamless leadership transition.

The following senior leadership appointments were also effective 1 October 2016:

- Emmy Leeka succeeded Dominic Sewela as chief executive of Barloworld Equipment southern Africa
- Quinton McGeer succeeded Viktor Salzmann as chief executive of Barloworld Equipment Iberia following Viktor Salzmann's retirement from his executive responsibilities
- Gavin Knight succeeded Quinton McGeer as general director of Vostochnaya Technica, our Equipment business in Russia; and
- Hilary Wilton (head of risk) and Chris Wierenga (head of strategy and M&A) were appointed to the group executive committee.

Emmy, Quinton and Gavin will all report directly to Peter Bulterman in their respective roles and Peter will, in turn, report to Dominic effective 1 October 2016.

I would like to congratulate Dominic and the other executives on their respective appointments and wish them well in their future roles.

I would also like to thank my entire executive team for their hard work and, in particular, would like to acknowledge Viktor Salzmann who retired from his executive responsibilities as CEO of

## Chief executive's Q and A

Integral to the success of Barloworld are the longstanding partnerships and relationships of trust we have built with our principals.

Barloworld equipment Iberia after 47 years of dedicated service to the company.

### When you look back on your 10-year tenure as CEO of Barloworld, what are the key milestones?

In late 2006 and January 2007 we announced a significant restructuring of the group with the aim to unlock shareholder value. This involved the unbundling of PPC and the unbundling and separate listing on the JSE of our paint interests as Freeworld Coatings. We also disposed of our Scientific division, comprising the Melles Griot and Laboratory businesses as well as Freightliner trucks in the US and Coatings Australia for a combined R2 264 million. This restructuring refocused Barloworld on its core distribution businesses including Equipment, Automotive, Handling and Logistics. A special dividend of R1 017 million was paid to shareholders in April 2007.

In subsequent years we undertook further disposals including Avis Scandinavia, Handling US, UK, Belgium and Holland, the Australian motor retail business and certain other assets which collectively realised approximately R4 350 million which we redeployed into higher returning business opportunities.

From a growth perspective the most important acquisitions included purchasing the remaining 50% in Equipment Russia for R406 million as well as the acquisition of the Bucyrus distribution rights in southern Africa and Russia for R1 755 million. These proved to be important strategic investments which provided a platform for growth in our Equipment division. We have also made a number of acquisitions in our Logistics division which have enabled us to expand our logistics offering and build a diverse blue-chip customer base. Within Automotive we have expanded our presence in the broader automotive value chain through several niche acquisitions.

Another important strategic milestone was entering into a B-BBEE transaction in September 2008 to enhance the empowerment credentials of our South African businesses.

In terms of challenges we faced, the global financial crisis in September 2008 precipitated the deepest global recession since the 1930s and we saw steep revenue declines in all of our businesses. The key to successfully navigating through this period was an absolute focus on cash flow, working

capital and debt management. These disciplines have stood us in good stead during the more recent commodity downturn since 2012.

Integral to the success of Barloworld are the longstanding partnerships and relationships of trust we have built with our principals. In this context I am confident that these are as strong as they have ever been and this is manifested in Barloworld being recognised by Caterpillar at their 2015 Global Dealer Excellence awards and in the many awards we have received from the various Automotive OEMs and the Avis Budget Group over the years.

Another important development was the launch of our Worldwide Code of Conduct at our global leaders' conference in March 2011 and this codified our ethical approach to conducting business which has been a hallmark of this company since its inception in 1902.

People are at the heart of our organisation and I am very pleased with the progress we have made on diversity and inclusion over the past 10 years.

## All our businesses have a clear strategic focus and strong market positions.

### What is the outlook for the respective businesses in 2017?

The firm order book for Equipment southern Africa of R1.3 billion at September 2016 is slightly up on March but down on the R1.7 billion book at September 2015. Commodity prices have shown some recovery of late and certain green-shoots are evident in the mining sector. Aftermarket remains resilient and is expected to show some improvement based on the increasing average age of mining equipment fleets. The need for infrastructure development is expected to underpin construction equipment demand.

The Russian economy has now been in recession for close to two years with expectations that it could show improvement in 2017. Following the strong invoicing levels in the last quarter, the Equipment Russia firm order book currently stands at \$21 million which is below the September 2015 level of \$28 million. The current level of major project tenders remains strong.

In Spain, the Popular Party has finally formed a minority government to guide the Spanish economy out of the political deadlock. The machine industry continues to show growth; however, this is concentrated in

low-end building and construction products. The current order book of €26 million remains predominately in marine power projects.

Our Car Rental business will continue to benefit from the dual brand strategy and the growing foreign inbound segment. In this high interest and high vehicle inflation environment focus will be placed on improving rental rates to protect margins. We further anticipate another strong contribution from our used vehicle disposals.

Avis Fleet should be stable due to the annuity-based nature of the leasing contracts; however, there are certain existing longstanding contracts that come up for renewal during the course of 2017.

The outlook for new vehicle sales in South Africa in 2017 remains weak. Consumers are facing the pressures of high interest rates and continued high new vehicle inflation. Our Motor Trading business will focus on the opportunities presented in used vehicles by the current economic conditions. In addition the newly acquired Salvage Management and Disposal Solutions business provides a diverse revenue source independent of new vehicle sales.

In Logistics, business development continues to generate a strong pipeline of exciting growth opportunities with incremental revenue projected from logistics contracts won in 2016.

All our businesses have a clear strategic focus and strong market positions. As a result of positive cash generation the group's balance sheet is strong and we are well placed to capitalise on organic and acquisitive growth opportunities as they arise. We have the right leadership in place in all our businesses and expect 2017 to be another year of solid progress for the group.



**Clive Thomson**  
Chief executive

18 November 2016

# Operational reviews

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We have industry and geographic diversity and all our businesses have a clear strategic focus and strong market positions. We have the right leadership in place and are well placed to capitalise on organic and acquisitive growth opportunities as they arise supported by a strong balance sheet.

- 
- Equipment and Handling
  - Automotive and Logistics
  - Corporate







Operational reviews




## Equipment and Handling


Equipment has been a Caterpillar dealer for 89 years. Equipment sells and supports the broadest open cast and underground mining equipment product line in its territories as well as construction equipment and power systems.

Handling is a dealer for Hyster and Utelev, providing customised materials handling and warehousing solutions in manufacturing and distribution industries, while the agriculture business represents Massey Ferguson and Challenger brands, offering solutions to all farmers from cost-effective tractors to leading technology equipment.


### Leadership team



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



**Dominic Sewela**  
Chief executive officer  
Equipment southern Africa  
Appointed CEO designate Barloworld Limited on 1 October 2016



**John Blackbeard**  
Chief executive officer  
Power Systems southern Africa, Iberia, Russia and Handling



**Viktor Salzmann**  
Chief executive officer  
Equipment Iberia  
Retired from executive responsibilities on 30 September 2016



**Quinton McGeer**  
General director  
Equipment Russia  
Appointed CEO Equipment Iberia on 1 October 2016



**Gavin Knight**  
Executive director  
Equipment Russia  
Appointed General director Equipment Russia on 1 October 2016

### Financial highlights

Revenue down 0.5%	Operating profit down 4.4%	Operating margin resilient at
<b>R29.4 billion</b>	<b>R2 264 million</b>	<b>7.7%</b>
(2015: R29.5 billion)	(2015: R2 368 million)	(2015: 8.0%)

### Brands represented

#### Equipment



#### Handling





## Financial and non-financial performance indicators

Economic	Revenue		Operating profit/(loss)		Net operating assets	
	2016	2015	2016	2015	2016	2015
Year ended 30 September	Rm	Rm	Rm	Rm	Rm	Rm
<b>Equipment</b>	<b>27 857</b>	27 479	<b>2 239</b>	2 362	<b>15 642</b>	18 681
– Southern Africa	<b>18 547</b>	20 307	<b>1 585</b>	1 894	<b>10 546</b>	12 761
– Europe	<b>4 473</b>	3 793	<b>55</b>	71	<b>2 694</b>	2 913
– Russia	<b>4 837</b>	3 379	<b>599</b>	397	<b>2 402</b>	3 007
<b>Handling</b>	<b>1 505</b>	2 027	<b>25</b>	6	<b>910</b>	1 125
	<b>29 362</b>	29 506	<b>2 264</b>	2 368	<b>16 552</b>	19 806
Share of associate (loss)/income			<b>(22)</b>	294		

Environmental	Petrol and diesel (ML)		Electricity (MWh)		Non-renewable energy (GJ)		GHG emissions (tCO <sub>2</sub> e) (scope 1 and 2)		Water (ML)*	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Year ended 30 September										
<b>Equipment</b>	<b>9.30</b>	9.10	<b>28 254</b>	29 801	<b>444 626</b>	441 667	<b>44 724</b>	45 606	<b>260</b>	240
– Southern Africa	<b>6.87</b>	6.61	<b>18 222</b>	19 991	<b>319 537</b>	316 019	<b>35 030</b>	35 891	<b>216</b>	192
– Europe	<b>1.57</b>	1.60	<b>6 356</b>	6 469	<b>81 369</b>	82 258	<b>6 295</b>	6 376	<b>34</b>	37
– Russia	<b>0.86</b>	0.89	<b>3 676</b>	3 341	<b>43 720</b>	43 390	<b>3 399</b>	3 339	<b>10</b>	11
<b>Handling</b>	<b>0.92</b>	1.33	<b>621</b>	884	<b>36 357</b>	50 977	<b>2 979</b>	4 083	<b>5</b>	7
	<b>10.22</b>	10.43	<b>28 875</b>	30 685	<b>480 983</b>	492 644	<b>47 703</b>	49 689	<b>265</b>	247

Social	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating*	
	2016	2015	2016	2015	2016	2015	2016	2015
Year ended 30 September								
<b>Equipment</b>	<b>7 031</b>	7 336	<b>0.61</b>	0.79	<b>0</b>	0		
– Southern Africa	<b>4 941</b>	5 287	<b>0.35</b>	0.40	<b>0</b>	0	<b>3</b>	2
– Europe	<b>1 255</b>	1 245	<b>2.45</b>	3.31	<b>0</b>	0		
– Russia	<b>835</b>	804	<b>0.12</b>	0.48	<b>0</b>	0		
<b>Handling</b>	<b>444</b>	595	<b>1.52</b>	2.36	<b>1</b>	0	<b>3</b>	2
	<b>7 475</b>	7 931	<b>0.65</b>	0.89	<b>1</b>	0		

<sup>^</sup> Municipal sources.

\* B-BBEE rating for South Africa only. 2016 based on revised dti Codes of Good Practice.



# Equipment and Handling

## Equipment



### Southern Africa

#### Operating context

<b>Economic</b>	<p>Low commodity prices impacted the coal, copper, iron ore and platinum sectors although some early signs of recovery were evident towards the end of 2016.</p> <p>The Rand depreciated against the US Dollar during the financial year.</p> <p>Low Gross Domestic Product (GDP) growth forecast at 0.5% in South Africa and continued weakness in the mining and quarrying industry.</p> <p>The Angolan economy was negatively impacted by the lower oil price and shortages of US Dollars.</p>
<b>Industry</b>	<p>Mining houses have continued to curtail capital expenditure as a result of the downturn in commodity prices.</p> <p>The temporary cessation of mining activity by one of our largest customers in the DRC has persisted with a projected completion of their new copper processing plant in the second half of 2017.</p>
<b>Impact</b>	<p>Decline in primary equipment sales due to the decrease in mining activity.</p> <p>Aftermarket continues to be resilient, constituting a higher portion of our revenue mix relative to new machine sales.</p>

### Equipment vision

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

#### Business overview

Barloworld Equipment operates in 11 countries in southern Africa with an overall headcount reducing from 5 287 to 4 941 employees at year-end. We operate in close alignment with Caterpillar across the territories with key initiatives in place to capture growth in parts and product support through the Dealer Growth and Profitability Project (DGAP).

As a result of the continuing downturn in the mining sector, customers have continued with curtailment of capital expenditure and a deferment of certain projects. Despite customers delaying maintenance and normal component replacement, our Seed Grow Harvest business model has proven resilient with aftermarket representing 56% of our total revenue mix offsetting part of the decline in new machine sales.

With the continued low oil price and the resulting Dollar currency shortage in Angola, we have curtailed local currency transactions in that country to mitigate the risk inherent in holding substantial local Kwanza cash balances in the event

of further devaluation of the currency. Angola has also seen significant cutbacks of infrastructure projects due to the decline in government revenues following the decrease in the oil price.

The temporary cessation of mining activity by one of our largest customers in the DRC has had a notable impact on the associate income line. It is expected that activity will resume in the second half of 2017 once the new copper processing plant has been commissioned. The long-term outlook is, however, positive as the DRC has rich copper deposits and we have seen a recent uptick in the price of copper.

Decisive measures are being taken to minimise the impact of the downturn. Focus continues to be on reducing working capital, tight management of costs and cash generation. Furthermore, safety and sustainability initiatives have been identified to improve employee and contractor safety and to also minimise the environmental impact in areas where we operate. Water recycling facilities have been installed in some



of our key sites. Solar panels have also been installed at our biggest campus in Isando as part of the company's stated intent of reducing the impact of our economic activities on the environment. Significant cost savings are expected to be realised from these initiatives.

The opportunity exists to use expanded warehousing facilities in South Africa for parts distribution to the rest of the continent.

We are gearing up to deliver exceptional customer service through technology-enabled solutions that use predictive tools to proactively target aftermarket opportunities.

### 2016 performance review

Despite the decline in the mining industry, the fluctuating currencies and negative sentiment, we delivered a resilient performance in the year ended September 2016. Revenue decreased from R20.3 billion in 2015 to R18.5 billion.

Operating profit decreased by 16.3% from R1.894 billion in 2015 to R1.585 billion, driven mainly by lower machine sales and margin pressure. Focus on effectively managing working capital saw a positive cash generation in this year of R2 976 million compared to cash utilisation of R1 723 million in 2015.

In the current economic environment, growth will be driven by the aftermarket business as customers extend the useful lives of their equipment and reduce capital expenditure on new machines.

The business transformation process currently under way is aimed at optimising and reorganising the business to ensure the company continues to deliver acceptable financial returns through the cycle, and to ensure the business is geared to take advantage of the upturn in the mining and construction sectors when it happens. In addition, existing plans to drive internal efficiencies are being accelerated.

The focus on operational efficiencies, tight management of working capital and cash generation will continue.

### Mining

The core mining unit deliveries have seen a decline year on year on the back of the industry downturn. The business has, however, achieved record used equipment sales, breaking the 500 unit mark for the first time. Margin pressure was experienced due to the delay in effecting price increases related to currency depreciation.

Expectations are that 2016 is likely to be the bottom of the cycle with some improvement in activity expected in 2017. A number of machines are coming up to their natural replacement cycle. The focus on proactively growing the product support business through active customer engagement continues.

# Equipment and Handling

## Equipment



### Construction, Rental and Used

Revenue from the construction business declined 6.5% from R3.9 billion in 2015 to R3.7 billion in 2016. The industry remains under pressure with a number of projects delayed in the southern Africa region. The need for infrastructure development will support construction demand in the future.

Within the context of various economic pressures, our Rental and Used business has served as an attractive alternative for customers to access equipment with reduced capital outlay. Revenue from the used business was up from R1.3 billion in 2015 to R2.1 billion in 2016, an increase of 59% over the same period. Rental revenue in the South African business declined from R1.0 billion in 2015 to R819 million in 2016 as stringent credit criteria were applied to mitigate against the risk of default.

### Power

Revenue in the Power business decreased from R1.2 billion in 2015 to R1.0 billion in 2016, largely driven by the decline in oil prices.

As an important growth segment in our Vision 2020, we have continued strengthening and pursuing opportunities in our Power business.

In South Africa we launched lower-cost diesel Caterpillar generator sets, embedded our engineering and project management capability, and consolidated our product support offering. Our local facility to assemble Cat electric power generators to meet rising demand, reduce unit cost and promote localisation is working well.

The Angolan power business was restructured to take advantage of the skills synergies with the Portuguese power business.

The outlook for the region is that the challenging environment will continue in 2017. We are however pursuing gas and solar photovoltaic (PV) opportunities as the renewable energy sector continues to show indications of future growth.

### The future to 2020: trends and operating context

The industries in which our customers operate, and by implication our own business, are highly cyclical. Indicators are that 2016 will see the cycle bottoming out with some slight improvements in activity expected in the second half of 2017 with more recovery expected in 2018 as ageing machine fleets come up for replacement. With the average age of existing machines in South Africa at between seven to eight years, we anticipate an improvement in component change-out cycles, which will benefit our aftermarket.

Together with Caterpillar, our digital strategy to deliver technology-enabled solutions will continue to be a focus area for us to further enhance our customer service and delivery of innovative customer solutions.

We will continue to identify profitable growth opportunities to create value throughout the peaks and troughs in our aftermarket, Rental and Used, Construction and Power businesses.

### 2017 outlook

There are a number of greenfield projects that we are pursuing that offer opportunities in the coming year, including construction sales, large mining truck and underground markets.

With a number of cost containment and business transformation initiatives implemented, we are in a position to take advantage of the upturn with a leaner, more agile, operationally efficient organisation.

We also expect the need for infrastructure development to underpin increased construction equipment demand.

The 2017 revenue outlook range for Equipment southern Africa is between R18 billion and R19 billion (2016: R18.5 billion).



### World-class support

Three Cat 7495 Electric Rope Shovels sold to Jwaneng diamond mine in Botswana between October 2011 and September 2012, the first to be delivered in Africa, have now reached their 25 000 hour milestone component replacement cycle.

When Barloworld took over the distribution and support of the shovels in July 2012, our team at Jwaneng was involved in commissioning the new machines. These were to be operated by the Majwe Mining joint venture, the mining services contractor for the mine's expansion project.

All three shovels were delivered on time, built according to schedule and, most importantly, with an impressive safety record. Majwe Mining entered into a full Maintenance and Repair Contract (MARC) with Barloworld Equipment Botswana to maintain the fleet. These were the first Cat 7495 electric Rope Shovels to be included in our line-up and have performed very well. The machines are achieving exceptional high availabilities and mean times between failures.

The sheer size and complexity of the electric rope shovels highlight the remarkable achievement of Barloworld Equipment's team at Jwaneng – as the first to assemble them and the first to complete the 25 000 hour intervention after several years of high availabilities. The Cat 7495 shovel has an operating weight of about 1 388 000 kg and a payload capacity of 109 tonnes, filling an ultra-sized off-highway truck in just three passes.

The decision by Debswana to put its faith in the Cat Rope Shovels for its expansion project was due to the global reputation of the product, as well as a competitive total cost of ownership deal backed up by Barloworld Equipment's world-class regional support structure. The other two machines will be brought into the rebuild yard for their 25 000 hour planned component replacements before the end of the 2016 calendar year.



# Equipment and Handling

## Equipment



### Russia

#### Operating context

<b>Economic</b>	<p>GDP contracted further in 2016, some recovery is expected in 2017.</p> <p>A sharp fall in global oil prices resulted in a prolonged recession with reduced export earnings and curtailed imports and investment.</p> <p>Ruble depreciation raised inflation and reduced private consumption.</p>
<b>Industry</b>	<p>Mining showed a modest improvement driven by the gold and base metals segments while coal mining remained depressed.</p> <p>Infrastructural investments remained focused on a few mega projects rather than a proportionate spend across regions.</p>
<b>Impact</b>	<p>Despite low economic growth, improvements in the mining segment had a positive impact on mining unit sales, with a higher than projected increase in orders and revenue.</p> <p>Our Seed Grow Harvest business model is proving resilient, with aftermarket business constituting a high portion of our revenue mix relative to new machine sales.</p>

#### Business overview

At the end of the 2016 financial year, Barloworld Equipment Russia had 835 employees operating out of more than 30 locations across a territory covering 9.9 million km<sup>2</sup>.

Our business model remains focused on seeding, growing and harvesting the machine and engine fleets in our dealership territory. Customers invested in extending the useful life of equipment bought in previous periods, which continued to support revenue from the aftermarket.

Although the business environment has transformed over recent years to be much more competitive and complex, we remain positive in our ability to overcome challenges by exploring available opportunities with our experienced employees and branch network.

During the year, we remained focused on leveraging our internal core competencies, and restructuring our processes and capabilities to align with the changing marketplace, where customer activity in gold and base metals has been positive.



## 2016 performance review

Despite an overall slowdown of the Russian economy, currency volatility and sanctions, Barloworld Equipment Russia delivered a solid result for the year ended September 2016. Our revenue increased by 17.5% in US Dollars to US\$329 million. Operating profit increased by 27.8% from US\$32 million in 2015 to US\$41 million in 2016, driven by strong aftermarket performance and some recovery in the mining segment. Tight cost controls and balance sheet management further enhanced our results. Although local currency devaluation had a negative impact on the competitiveness of equipment sold, it also reduced operating expenses (expressed in US Dollars), allowing us to largely maintain our workforce and planned initiatives. Overall, the Russian Equipment business unit delivered a solid cash flow performance and improved financial returns.

The mining sector improved in 2016 from the low seen the year before, with gold mining customers remaining the largest portion of our business portfolio. The highlight of 2016 included the delivery of a complete mining fleet to GV Gold's greenfield Ugahan project and the sale of nine underground loaders to Norilsk Nickel along with firm orders for additional underground mining equipment to be delivered in 2017. Coal underground mining production remained stable in 2016 in line with previous years. EMPR (extended mining product range) will supply the first Caterpillar HWM300 in Russia in late 2016, to be operational by February 2017. We have also successfully tendered to increase the length of a longwall for SUEK's Kirova mine from 300 metres to 400 metres, which will be a first for the Russian market.

Our Gas and Diesel Power rental business has stabilised in the new lower oil price environment and remains pivotal to our power business strategy. Rental rollouts have significantly increased our used sales results and this trend is expected to continue into 2017. The sale of new gensets remained depressed in 2016 due to a lack of funding liquidity in exploration and production and purchasing policy changes within the gas and oil industry.

## The future to 2020: trends and operating context

Our mining business represents our biggest opportunity with a number of greenfield projects ready to commence once global commodity markets improve. Russian oil and gas pipeline projects will remain one of our key areas of focus as Russia continues to adjust its economic and political focus towards its Asian partners. It is therefore important that we plan for a business that will continue to create value for our stakeholders, grow market share in prime product and aftermarket business and improve operational efficiency and competitiveness of our customers.

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

## 2017 outlook

Growth forecasts are based on the sustained gold price and low production costs, with the Russian Far East gold sector anticipated to play a major role in our 2017 performance, supported by the new regional service facility in Magadan. The strengthening coal price is forecast to improve revenue through new demand for equipment. Growth in 2017 will also be boosted by greenfield projects which will increase machine sales. These include Norilsk's Bystrinsky project; a new longwall at SUEK's Kirova mine; and two longwall plow systems with Kolmar in Nerungry, which includes providing auxiliary equipment and a power generation system for mining areas not serviced by the main electricity grid.

We will continue developing both e-business channels and technology solutions to enhance our customers' experience as well as our rebuild and remanufacture power rental and used business.

The 2017 revenue outlook range for Equipment Russia is between \$300 million and \$370 million compared to revenues of \$329 million in 2016.



# Equipment and Handling

## Equipment



### Magadan facility opening

On 9 June 2016, Barloworld opened the new Magadan facility in Russia which comprises a component rebuild centre, a new warehouse, and new offices for our 73 regional employees.

The Barloworld business in Russia was started from scratch in 1998 with no facilities, no people, no inventory and no customer base and has grown considerably in the past 18 years as we delivered world-class products and aftermarket services to our customers.

Significant capital expenditure projects have been implemented throughout the Russian territories. These include investments in facilities in Novosibirsk, Irkutsk and a number of other facilities.

The Barloworld territory is one with significant mining opportunities due to it being on the richest gold reserves in Russia and worldwide. There is tremendous long-term growth potential for Russia and the Russian Far East in particular.

We invested US\$10 million, excluding tooling and equipment costs, in this new facility to support the enormous growth potential in the region and to meet the needs of our customers. The facility was designed to meet Caterpillar's world-class five-star facility standards, with the capacity to expand into the future.

The investments made are an indication of Barloworld's and Caterpillar's commitment to the Russian Far East for the long-term, to our employees, stakeholders, and customers, with whom we look forward to working in partnership to ensure collective success.

Barloworld Russia has been ranked among the top-performing Caterpillar dealers in terms of sales and service capabilities throughout the CIS and Asia-Pacific. This achievement provides customers with the confidence that they can rely on Barloworld to provide services and parts for their equipment.

## Iberia

### Operating context

<b>Economic</b>	<p>Positive GDP growth with improving macroeconomic indicators pointing to more positive sentiment.</p> <p>Oil and gas continued to suffer from a lack of new investment due to ongoing low oil prices.</p> <p>Inconclusive general elections results in both Spain and Portugal caused investment uncertainty during the year.</p>
<b>Industry</b>	<p>Yellow metal industry units continued to rise, albeit at the lower end of the construction market driven by small local worksite activity.</p> <p>Regional used activity remained steady, but international used equipment sales continued to decline which negatively affected used equipment revenues.</p> <p>Power activity particularly in the Marine segment remains strong.</p>
<b>Impact</b>	<p>The business has continued to deliver a lower operating cost base; however, revenues and profit, while positive, have been impacted by the lower activity as a result of the political uncertainty and sales mix.</p> <p>Aftermarket continues to be resilient, constituting a stable portion of our revenue mix relative to new machine sales.</p>

### Business overview

With over 1 200 employees, Barloworld Equipment Iberia operates Caterpillar dealerships in Andorra, Cape Verde, Portugal and Spain through a network of 34 locations.

Over the year under review the company has focused on strengthening our capacity and capability by maintaining a well trained and experienced technical base to effectively service its network of key markets. The period also saw a number of innovative products, services and alliances being developed, which have kept the group at the forefront of local markets.

### 2016 performance review

New power system sales constituted a high proportion of revenue, buoyed by an improved marine market specifically in the MaK product range as well as investor diesel projects.

The revenue mix was similar to the prior year with aftermarket representing 44% of the overall revenue.

Gross margins were affected by an increase in sales of lower margin products, which reduced the overall operating margin.

Despite spending €0.6 million on restructuring our Portuguese operations, savings on operating expenses continue to be driven leaving operating expenses €3.9 million below the prior year level.

At year-end, working capital remained in line with last year's levels, with an increased investment in our rental fleet as opportunities arose due to customers delaying investment decisions.

# Equipment and Handling

## Equipment



### The future to 2020: trends and operating context

Our longer-term expectation is that improved political stability in the region will see a recovery in local economies, which will in turn drive growth in the new machine markets and associated product support. Given the lower number of new machines sold over the past years, the availability of quality used equipment will remain challenging but this is expected to be partially offset by equipment available for rental.

The power systems business remains a key component of our revenue mix, and the marine segment income is expected to be driven by an expanded product portfolio and new service offerings created in the past year through joint ventures and product tie ups. The rail segment has suffered some setbacks based on contract cancellations, but changes in emission standards are expected to improve penetration into this segment. Electric power activity is expected to remain muted as the co-generation market remains subject to punitive local legislation in the face of a current electricity oversupply.

Our product support business continues to be key to our business model. Iberia's capacity and capability is well recognised and enables market penetration upon which market shares have grown over the past years. This has created a solid base from which further growth can be leveraged. The proximity of our operations to customers and continued development of this network will ensure that customers see Barloworld Iberia as a local supplier delivering world-class service.

The division's alignment with our principals will continue to be driven by Caterpillar's "Across the Table" initiative aimed at improving dealer performance. Areas such as customer experience management, technology enabled solutions and the development of e-business platforms will further enhance our value add to customers, thereby strengthening our brand.

### 2017 outlook

The short to medium-term outlook for Iberia remains mixed as continuing political issues plague the region and recent developments, most notably Brexit, bring into question the sustainability of the European Union model. Many European countries continue to suffer stagnant economic growth, which is expected to weigh down local economic growth. However, core Iberian economies are showing positive growth from a low base which is expected to start benefiting the segments in which the group operates as maintenance of infrastructure and other planned projects are reignited.

We will continue to focus on maintaining our market leadership position in our traditional markets, as well as identifying opportunities to penetrate both the new machine and used equipment markets and create related product support opportunities. The reputation we have grown in our power systems business, in which we deliver innovative and complete customer solutions specifically in the marine segment, will continue to help us create related product support opportunities.

We will continue growing our technology-enabled product support solutions offering and optimise market coverage for our excellent service capabilities. The synergies between our traditional businesses and our internally generated brands and routes to market will allow us to maintain market coverage at low cost.

The 2017 revenue outlook range for Equipment Iberia is between €270 million and €300 million compared to revenues of €274 million in 2016.



### Facilities of the future

As part of the ongoing renewal programme of the Barloworld Iberia network, in October 2015 a new facility was inaugurated in Seville, Spain, 40 years almost to the day after the facility it replaced started trading. The company took the opportunity to replace this aged facility with the second of their “branches of the future”, a concept first launched with the inauguration of the Barcelona branch in 2014.

These branches incorporate the latest available technologies in design, safety, ergonomics and energy-saving equipment which will ensure that not only is employee safety and efficiency enhanced, but it is done in the most environmentally efficient manner possible. As a design standard the building materials maintain ambient temperature in the branch while incorporating a high degree of natural light reducing the necessity for lighting.

LED technologies reduce the usage of electricity in the branch, including workshop and administration buildings. The centralised air-conditioning systems are the most efficient on the market, while water heating is done utilising solar energy.

The workshop and adjacent facilities have been equipped to provide our employees with a safe ergonomically efficient workspace. Services such as compressed air, oil and lubricants and water are all centrally managed by a distribution system which allows for availability on demand at each workstation, reducing the movement of heavy parts and equipment around the workshop. Safety is further enhanced with non-slip flooring, quick access and control for tooling.

The wash bay makes use of recycled water thereby reducing the need to draw on the local water supplies, while the paint shop uses the latest filtering technologies to ensure that pollutants are not released into the environment.

Waste oil recovered from our customers’ machines is now reutilised 100% through the treatment and conversion into new lubricant bases or treatment and conversion into recycled fuels used in the industrial sector.

The branch has successfully undertaken their ISO 14001 Environmental Management System certification, while the commitment to the environment and efficiency also extends to the GPS monitored service vehicle fleet employed from the branch.

Ongoing staff training on safety and environment is conducted.

 External certifications and accreditations coverage 2016

 EN6, EN8, EN10, EN22, LA6

# Equipment and Handling

## Handling



### Operating context

<b>Agriculture</b>	<p>In South Africa the severe drought and currency volatility have had a negative impact on trading. The credit downgrade in Mozambique has created further trading challenges; however, a new range of tractors should improve competitiveness.</p> <p>We entered into a joint venture with BayWa in Zambia.</p>
<b>Lift trucks</b>	<p>The 2016 local elections and political uncertainty has impacted business confidence and has led to a slowdown in the economy with the SA market declining by 30%. Customers are opting to run lift trucks longer rather than purchase new machines.</p>
<b>Impact</b>	<p>Business profitability has been impacted by the trading conditions and we have restructured the business to reduce headcount and costs to better match the environment.</p>

### Handling vision

To be a trusted adviser to the materials handling, agriculture and construction industries

### Business overview

We offer a wide range of agricultural mechanisation products and integrated solutions in southern Africa including Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. The principal AGCO brands we distribute include Challenger and Massey Ferguson. Our focus is on providing equipment and technologies suited to local conditions and applications, complemented by the highest levels of parts, product and technical support.

The principal's brands of Hyster and Utelev in the lift truck business offer a product range that enables us to service a diverse customer base. Our service and support structures differentiate us from our competitors.

### 2016 performance review

Tragically we had one work-related fatality during the year as a result of a motor vehicle accident. Due to a severe drought our agriculture business was negatively impacted. A decline in South Africa's forecast maize crop to 7.262 million tons in 2016 saw tractor sales reduce about 24% from 7 149 units in 2015 to a low forecast of 5 400. South African revenue declined from R966 million in 2015 to R792 million. Revenue in Mozambique and Zambia was also down.

In the lift truck business, revenue declined by 6% from R723 million in 2015 to R681 million in 2016 as a result of the weak domestic economy.

During the year, we sold the Zambian operation into a joint venture with BayWa.



## 2017 outlook

We have entered into an agreement to dispose of our Agriculture and Handling businesses in South Africa into a joint venture company in which we will retain a 50% stake and the balance will be owned by BayWa AG, a German-listed company and leader in global agriculture.

The new Massey Ferguson Global series tractor range will close significant gaps in our product portfolio, which is expected to accelerate market share growth in the high-volume medium-size market segment.

Improved weather condition predictions together with the digital farming revolution present significant opportunities for differentiation by offering customers the latest technology solutions through partnerships. The SA government's objective to kick start rural economic development through Agri-Parks also presents growth opportunities.

Some recovery in the lift truck market is forecast in 2017. The Hyster XT range offers the opportunity to grow our share in the mid-tier segment of the market, which makes up 48% of the total market. We will also focus on growing our parts business through competitive pricing and accessing new business opportunities.



### AmaHlubi Sunflower Project

With support from Barloworld Agriculture, the AmaHlubi community in South Africa's North West province brought their first commercial sunflowers to harvest in 2016 in a project that is bringing the community together and creating wealth for its members.

Over the years, a lack of career opportunities saw community members seeking work away from their families, mostly on mines. Although some members were involved in small-scale subsistence farming, most fields ended up being leased to commercial farmers.

Agricultural activities in Khayakhulu have been consolidated to produce sunflowers commercially on a sustainable basis; sunflower oil is an important edible seed oil, with increased local demand making South Africa a net importer of sunflower oil. Through the project, available resources such as land, machinery and skills have been placed in a trust to which the community's farmers are affiliated.



Barloworld Agriculture has been closely involved in undertaking soil inspections, giving advice on cultivation, fertiliser application and pest control as well as mechanisation planning and supply, including providing operator training to optimise and maintain equipment. Two Massey Ferguson tractors, a planter and a cultivator were delivered to Khayakhulu, and have been central to the mechanisation of sunflower production.

The first AmaHlubi sunflower crop has been a resounding success, in sharp contrast to a neighbouring farm where poor soil cultivation practices resulted in reduced yield. Plans are in place to plant 2 000 hectares in 2016, and to increase the number of hectares planted annually with a view to setting up a processing plant, creating more jobs and value for the community ensuring sustainable food production.

# Automotive and Logistics

Automotive provides customers with a range of innovative vehicle usage solutions to meet their specific requirements for short-term vehicle usage, outright ownership through franchised motor vehicle retailing representing leading OEMs, long-term vehicle usage and fleet management solutions. Logistics offers integrated supply chain solutions, including warehousing and distribution, dedicated transport services, transportation management services and freight forwarding.

## Leadership team

	<p><b>Keith Rankin</b> Chief executive officer Barloworld Automotive</p>		<p><b>Steve Ford</b> Chief executive officer Barloworld Logistics</p>
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## Financial highlights

Revenue up 12.0%	Operating profit up 11.2%	Operating margin maintained at
R37.2 billion	R1 877 million	5.0%
(2015: R33.2 billion)	(2015: R1 688 million)	(2015: 5.0%)

## Brands represented

### Automotive



### Logistics



## Financial and non-financial performance indicators

Economic	Revenue		Operating profit/(loss)		Net operating assets	
	2016	2015	2016	2015	2016	2015
Year ended 30 September	Rm	Rm	Rm	Rm	Rm	Rm
<b>Automotive</b>	<b>31 427</b>	28 704	<b>1 654</b>	1 529	<b>8 686</b>	8 047
– Car Rental	<b>5 967</b>	5 202	<b>536</b>	471	<b>2 534</b>	1 994
– Avis Fleet	<b>3 641</b>	3 362	<b>560</b>	572	<b>3 786</b>	3 785
– Motor Trading	<b>21 819</b>	20 140	<b>558</b>	486	<b>2 366</b>	2 268
<b>Logistics</b>	<b>5 756</b>	4 509	<b>223</b>	159	<b>2 472</b>	2 403
– Southern Africa	<b>5 527</b>	3 980	<b>226</b>	186	<b>2 348</b>	2 241
– Europe and Middle East	<b>229</b>	529	<b>(3)</b>	(27)	<b>124</b>	162
	<b>37 183</b>	33 213	<b>1 877</b>	1 688	<b>11 158</b>	10 450
Share of associate loss			<b>(4)</b>	(7)		

Environmental	Petrol and diesel (ML)		Electricity (MWh)		Non-renewable energy (GJ)		GHG emissions (tCO <sub>2</sub> e) (scope 1 and 2)		Water (ML) <sup>^</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Year ended 30 September										
<b>Automotive</b>	<b>9.94</b>	9.96	<b>38 986</b>	39 296	<b>488 542</b>	489 944	<b>63 022</b>	63 265	<b>388</b>	397
– Car Rental	<b>3.43</b>	3.55	<b>6 157</b>	6 243	<b>139 749</b>	143 983	<b>14 110</b>	14 495	<b>126</b>	122
– Avis Fleet	<b>0.69</b>	0.73	<b>1 516</b>	1 731	<b>29 637</b>	31 761	<b>3 111</b>	3 328	<b>12</b>	17
– Motor Trading	<b>5.82</b>	5.68	<b>31 313</b>	31 322	<b>319 156</b>	314 200	<b>45 801</b>	45 442	<b>250</b>	258
<b>Logistics</b>	<b>54.81</b>	49.83	<b>15 935</b>	11 825	<b>2 145 218</b>	1 940 546	<b>161 684</b>	143 710	<b>133</b>	99
– Southern Africa	<b>54.75</b>	49.71	<b>14 299</b>	9 376	<b>2 137 213</b>	1 927 797	<b>160 450</b>	141 990	<b>129</b>	93
– Europe and Middle East	<b>0.06</b>	0.12	<b>1 636</b>	2 449	<b>8 005</b>	12 749	<b>1 234</b>	1 720	<b>4</b>	6
	<b>64.75</b>	59.79	<b>54 921</b>	51 121	<b>2 633 760</b>	2 430 490	<b>224 706</b>	206 975	<b>521</b>	496

Social	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating <sup>*</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015
Year ended 30 September								
<b>Automotive</b>	<b>8 033</b>	7 603	<b>1.09</b>	1.37	<b>0</b>	0		
– Car Rental	<b>2 091</b>	2 070	<b>0.36</b>	0.71	<b>0</b>	0	<b>3**</b>	2
– Avis Fleet	<b>573</b>	655	<b>1.01</b>	0.39	<b>0</b>	0	<b>2</b>	4
– Motor Trading	<b>5 369</b>	4 878	<b>1.41</b>	1.78	<b>0</b>	0	<b>3**</b>	4
<b>Logistics</b>	<b>5 172</b>	4 100	<b>0.79</b>	1.13	<b>0</b>	0		
– Southern Africa	<b>5 032</b>	3 885	<b>0.81</b>	1.17	<b>0</b>	0	<b>2</b>	2
– Europe and Middle East	<b>140</b>	215	<b>0.00</b>	0.29	<b>0</b>	0		
	<b>13 205</b>	11 703	<b>0.95</b>	1.26	<b>0</b>	0		

<sup>^</sup> Municipal sources.

<sup>\*</sup> B-BBEE rating for South Africa only. 2016 based on revised dti Codes of Good Practice.

<sup>\*\*</sup> Rating under Barloworld Limited.

# Automotive and Logistics

## Automotive



### Operating context

<b>Economic</b>	The Automotive division operates in markets that are influenced by interest rates, consumer and business confidence and overall economic activity, all of which were under pressure during the financial year.
<b>Industry</b>	<p>The South African vehicle industry market saw a strong decline in new vehicle sales volumes in the financial year under review and softer market conditions are expected to carry through to 2017.</p> <p>South African new vehicle sales declined by 9.5% over the previous financial year due to weak consumer confidence, while the used vehicle market provided good opportunities as new vehicle prices increased further.</p> <p>Statistics from the South African Vehicle Rental and Leasing Association (SAVRALA) showed the car rental market grew by 6.9%.</p> <p>Demand for outsourced vehicle management services has slowed in line with the overall economy.</p>
<b>Impact</b>	In the context of this challenging environment the division performed very well in maintaining a similar operating margin and growing the operating profit compared to the prior year through organic and acquisitive growth and a continued focus on prudent management actions.

### Automotive vision

Our vision provides clear purpose and direction to the organisation: A business that inspires a world of difference by creating shared value as a leading provider of innovative vehicle usage solutions, generating superior shareholder returns and delivering sustainable societal outcomes

### Business overview

#### An integrated model

Customers are offered a range of innovative solutions from single-unit transactions to bespoke solutions, appropriate to the clients' specific needs, complemented by Barloworld service excellence. The range of services offered has been expanded through the acquisition of controlling interests in businesses focused on the disposal of assets through various electronic platforms. Through a structured approach, the division ensures that each business unit applies best practice within its core businesses, a strong focus on operational excellence, and strives for a market-leading position in each key segment. In addition, this approach maximises the direct and indirect synergies that exist between the business units through running an integrated business focused on the automotive sector.

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

## Car Rental

Avis Budget Rent a Car operates short-term vehicle rental from over 190 customer service centres focused on the tourism, corporate, local and replacement market segments throughout southern Africa. At peak, the car rental fleet comprised some 30 800 vehicles. The operations in South Africa, Botswana, Mozambique, Namibia and Swaziland are company owned and the remainder are sub-licensed.

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

## Avis Fleet

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

## Motor Trading

Motor Trading operates 47 leading motor vehicle franchise dealerships in South Africa and Botswana. Brands include Audi, BMW, Chrysler, Ford, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Toyota and Volkswagen. Products include the sale of new and used vehicles with supporting finance and insurance products, and aftermarket services including parts sales, service and accident repair centres. Complementing the dealer footprint, Barloworld Fleet Marketing develops and maintains strong relationships with key corporate customers requiring a range of ownership solutions.

## 2016 performance review

Revenue of R31.4 billion and a record operating profit of R1 654 million resulted in an operating margin of 5.3% (2015: 5.3%). Permanent employees grew to 8 033 in nine countries. The Automotive business units performed ahead of expectation given the difficult trading conditions while the division's integrated model and approach improved profits in difficult trading conditions.

Car Rental grew rental days in southern Africa by 3.8% on the back of a well-controlled fleet at a 75% utilisation rate. The revenue per day improved by 5.4% in a competitive trading environment resulting in revenue growth of 15% to R6 billion while operating profit grew 14% to R536 million. The operating margin decreased to 9.0% from 9.1% in the prior year mainly as a result of cost pressure in the car rental business. The Budget brand integration has provided good growth opportunities in the non-contracted market segments and the business has settled its dual-brand value proposition.

Avis Fleet has done well to replace financed fleet units which were lost as the outsourced fleet management contract with the government of Lesotho was not renewed and terminated on 30 September 2015. The business delivered a solid performance with operating profit decreasing by 2.1% to R560 million. Reduced fleet terminations negatively impacted the overall used vehicle profit contribution. Avis Fleet is addressing the performance of the recently entered African countries.

Motor Trading produced a good result, supported by recent acquisitions of Toyota/Volkswagen dealerships in Postmasburg, Mercedes-Benz Union Motors and Salvage Management and Disposals. New vehicle unit sales were down 6.4% versus a market decline of 9.5% for the financial year. Aftermarket activity improved, resulting in a 13% increase in parts turnover, while service hours grew by 0.6%. Operating profit grew to R558 million from R486 million in the prior year and the operating margin improved to 2.6% (2015: 2.4%).



# Automotive and Logistics

## Automotive



### The future to 2020: trends and operating context

The continuing uncertainty in world markets remains challenging and the division will continue to prudently manage all aspects of the business.

Our strategic planning process supports astute capital allocation in identified growth areas that exceed internal hurdle rates, while developments in the future of mobility will continue to be closely monitored.

Urbanisation is a key trend affecting all areas of the business and the division is considering various alternatives, including the further use of technology, to deal with the consequences of changing customer needs.

Mobility is a growing trend and consists of technology-enabled solutions to provide the mobile user with an all-encompassing travel experience. The division's principals are actively pursuing ways to service this growing trend. The future of motor vehicle retailing in large city centres will continue to change as property values increase, requiring the optimal use of space and technology to serve a changing customer base.

Further investigations into alternative property solutions continue to be sought in order to both serve the brands we represent and our customers while maintaining a sustainable business. The division is well aligned to its principals on these and other changing trends and remains well positioned to capitalise where appropriate.

Avis Fleet will continue to focus on profitability in its African operations and on growing business in the public sector. Other issues material to the future success of the division include optimising the car rental business through a principal-aligned multi-brand strategy.

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

### 2017 outlook

It is expected that 2017 will yield limited growth in all business units except for the benefits of the full year effect of recent acquisitions under Motor Trading. Optimising the inherent synergies of our South African innovative vehicle usage solutions offering remains central to our strategy.

The Car Rental operations will focus on rental yields, maintaining high fleet utilisation and optimising their asset base. We further anticipate another strong contribution from used vehicle disposals. Additional products and services will be provided to cater for evolving customer needs.

The renewal of certain contracts within Avis Fleet remains critical to maintaining our leading market position for the business and we will continue to seek attractive growth opportunities in various markets.

Our Motor Trading operations will continue a "Fewer, Bigger, Better" strategy, coupled with pursuing efficiencies through the centralisation and coordination of common functions, improving asset turnover and reducing working capital. The business will continue to focus on leveraging customer synergies that exist with other business units while maximising the cash flows from the unit.

Focus on meeting and exceeding divisional return on equity (ROE) targets within each business unit will remain a key priority.

The 2017 revenue outlook range for the Automotive division is R33 billion to R34 billion compared to revenues of R31.4 billion in 2016.



### Deploying capital in an asset light business – Salvage Management and Disposals

Technology is increasingly playing a bigger role in affecting a shift in customer buying behaviour where the trend is moving from customers visiting dealerships and/or purchasing used vehicles at auctions, to buying and making purchasing decisions online.

Within the Barloworld Automotive value chain, the disposal of used vehicles forms a key part of the business model, and technology is progressively underpinning the disposal infrastructure and capability. For this reason, the division identified and invested in two opportunities that will strengthen the disposal of assets through innovative technology and online disposal platforms, one being Salvage Management and Disposals (SMD).

SMD operates in the vehicle auction market, offering an end-to-end salvage management solution primarily to corporate and insurance markets. SMD has a national footprint with 14 branches across South Africa. All vehicles are disposed through an online platform, some being simulcast to buyers at the physical auction. SMD has a dedicated fleet of towing vehicles to deliver vehicles to customers as part of a value added service. The business invests significantly into fixed and mobile technology that enhances their customer and supplier offering. The business also presents international growth opportunities.

In partnering with SMD, not only did it enhance and broaden the overall automotive offering to our customers and provide many natural synergies with the existing automotive business unit, it also positioned us well for the future, a future where innovation and technology is key.

# Automotive and Logistics

## Logistics



### Operating context

<b>Economic</b>	The tough economic conditions and a downturn in the mining sector negatively impacted certain segments of the business.
<b>Industry</b>	The group operates in a highly unionised environment where labour unrest and ongoing risk of unprotected strikes has to be proactively monitored and managed.  Our business is exposed to changing regulations in the environmental and transportation sectors that present both a risk and an opportunity.
<b>Impact</b>	We exited the cranes business linked to the sectors under economic stress.  Seeking commercial opportunities through the optimisation of supply chain processes and environmental solutions in response to environmental sector complexities.

### Logistics vision

To be an international provider of smart supply chain solutions in partnership with leading clients

### Business overview

#### Partnership for smart supply chain solutions

Established in 2001, Barloworld Logistics has grown into a significant supply chain solutions business through partnerships with blue chip clients in southern Africa with complementary operations in the Middle East delivering innovative supply chain solutions.

By combining strategy, planning and management with excellent operational execution, we analyse, design, implement, manage and operate entire supply chains that are far more efficient, effective, flexible and responsive to ever changing market needs.

Our offering includes:

- **Barloworld Transport** – a variety of transport solutions from dedicated, energy, freight, linehaul, abnormal, refrigerated and specialised
- **SmartMatta** – environmental and waste management solutions
- **Integrated Customer Solutions** – dedicated integrated contracted logistics solutions that include supply chain consulting, planning, design and software, inventory solutions, warehousing and distribution, freight forwarding and clearing, road transportation and waste management
- **Integrated Freight Solutions** – logistics network solutions focused on freight forwarding and clearing, transport, rail and commodity specific platforms

- **Advisory services and supply chain planning solutions** – niche consulting, supply chain planning and design, sale and services of supply chain planning tools.

### 2016 performance review

Logistics delivered a positive result through organic and acquisitive growth and all under-performing businesses were sold or right-sized. Revenue was R5.8 billion, up 28% on prior year. Operating profit of R223 million was up 40% on last year, resulting in an operating margin of 3.9%.

We continued with both acquisitive and organic growth in line with our growth targets. The acquisition of multi-party, multi-temperature, multi-drop distribution network (KLL) and complementary refrigerated transport business (Aspen Logistic services) supported the result. We also increased our stake in Barloworld Transport to 78.8%. This has positioned the business well for future growth.

We disposed of the supply chain software business to Llamasoft and formed a strategic partnership with them to continue to offer leading supply chain planning tools to the markets in which we operate. In line with our focus on operational excellence, the development of technology platforms will ensure sustainable and leading technology-enabled solutions for clients as well as to leverage our service offerings across business units.

## The future to 2020: trends and operating context

To be competitive there is a growing need for greater integration of end-to-end logistics solutions, vertical integration and value added services to avoid offering commoditised and undifferentiated solutions. This includes technology solutions for internal and external logistics ecosystems. This will require business model innovation, the development of smart industry solutions and ongoing proactive management of talent and attraction, development and retention of key skills that are in short supply such as data analytics.

To stay relevant both organic and acquisitive growth, ongoing development and innovation of products and services, regional and geographic expansion of our footprint will be necessary in order to harness the opportunities presented by this future context.

### 2017 outlook

The Logistics business is well positioned for further growth in 2017 through the aggressive business development drives aimed at delivering significant organic growth. We will

continue to focus on diversifying our customer base and market exposure and will also benefit from the full year effect of integrating our newly acquired businesses.

Due to the extended sales cycles and lengthy process of breaking into new markets organically, our approach will be on targeted acquisitive growth in the right industry segments; the right geography, the right management in terms of culture fit, the right returns, and the right price supported by a clear value proposition.

We will continue with proactive management of talent, development of new skills to respond to changing market needs; and the focus will be on initiatives aimed at driving gender diversity in the industry.

The 2017 revenue outlook range for the Logistics division is between R6.3 billion and R7.0 billion compared to revenues of R5.8 billion in 2016.



### Smart partnerships – Astrapak and SmartMatta

Astrapak is a specialised manufacturer and distributor of an extensive range of rigid and flexible plastic packaging products. Plastic packaging protects, preserves and enables efficient distribution. With customers and consumers focusing increasingly on convenience, value, health, well-being and sustainability, plastic as a packaging medium is set to increase its share of modern living.

The group focuses on innovation-led growth in plastic packaging and is structured for long-term sustainability through a balance of organic and project-based growth.

The group comprises multiple manufacturing plants spread across the main centres within South Africa.

SmartMatta offered both operational and strategic benefits through the solutions provided.

A smart partnership was formed between Astrapak and SmartMatta to rethink and redesign a total waste management solution to reach zero waste to landfill goals and objectives. This included a strategic assessment of the general waste profile. A national service provider was needed that would consolidate all the information.

The service delivery yielded significant, trackable rebates to the divisions. Through compliance and accurate recording of all data Astrapak could compare the baseline statistics supplied prior to the start of the contract to actuals on a national level. The comparison on inbound raw materials versus percentage waste produced per operation enabled Astrapak to compare percentage waste per operation.

SmartMatta was awarded an Environmental Award for the work in providing innovative solutions for Astrapak.

Logistics won a Gold Logistics Achiever Award (LAA), an Enviro Award and was nominated overall LAA 2016 winners for delivering exceptional results to Meadow Feeds.

## Corporate



Corporate office primarily comprises the operations of the headquarters and treasury in Johannesburg, the treasury in Maidenhead (United Kingdom) and the captive insurance company. The group follows a decentralised management philosophy; however, a limited range of corporate activities and services are provided where these are found to be value enhancing to the group as a whole. These include internal audit, secretarial, investor relations, corporate communications, corporate finance, treasury, taxation, risk management, insurance, strategy, sustainability, legal and empowerment and transformation.

Southern Africa has shown a higher operating profit compared to the previous year as a result of lower charges and accruals for long-term incentives and reduced operating costs. In Europe the lower operating loss is due mainly to lower operating costs and lower insurance claims in BIL, the captive insurance company.

### Vision

Inspire a world of difference by delivering excellent advice and services to our stakeholders

## Corporate

Economic Year ended 30 September	Revenue		Operating profit/(loss)*		Net operating assets/liabilities	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Southern Africa	2	1	48	17	578	480
Europe			(54)	(78)	(2 908)	(1 979)
	2	1	(6)	(61)	(2 330)	(1 499)
Share of associate income			1			

\* Excluding B-BBEE charge of R251 million in 2015.

Environmental Year ended 30 September	Petrol and diesel (ML)		Electricity (MWh)		Energy (GJ)		GHG emissions (tCO <sub>2</sub> e) (scope 1 and 2)		Water (ML) <sup>^</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Southern Africa	0.01	0.02	499	471	2 348	2 315	552	528	2	2

Social Year ended 30 September	Employee headcount		LTIFR		Work-related fatalities		B-BBEE rating*	
	2016	2015	2016	2015	2016	2015	2016	2015
Southern Africa	106	111	0.00	0.00	0	0	2	2

<sup>^</sup> Municipal sources.

\* B-BBEE rating for South Africa only. 2016 based on revised dti Codes of Good Practice.



## Strategy overview

While our medium-term strategy is informed by our Vision 2020, our strategic perspective is to optimally position the group for sustainable value creation through 2020 and beyond. To this end, the group engages in significant strategic planning initiatives and continually reflects on its business model, as well as composition, diversification, relevance and resilience.

### Vision 2020

Our Vision 2020 articulates a balanced desire to create shared value for all stakeholders, while recognising the primacy of shareholders as the owners of the company. It is deliberately broad in its scope to encompass our diverse business units and stakeholder groupings. It envisages innovative and customised solutions that make a “*world of difference*” for our stakeholders.

### Our strategic focus areas

To achieve Vision 2020, we have identified six strategic focus areas (SFAs) relevant to each of our divisions and business units. These represent the aspects that are focused on across the group in order to deliver shared stakeholder value.

Key performance indicators (KPIs) as well as related aspirational targets have been identified for each SFA, against which progress is measured and reported. These KPIs and targets are central to focusing and aligning performance throughout the group and have been incorporated into individual performance management through our integrated employee value model (IEVM).

### What our strategy and objectives mean for our key stakeholders

Shared value creation underpins our strategy and requires the integration of activities to address economic, environmental and social aspects, and balance the short and long-term interests of all stakeholders, including the communities in which we operate.

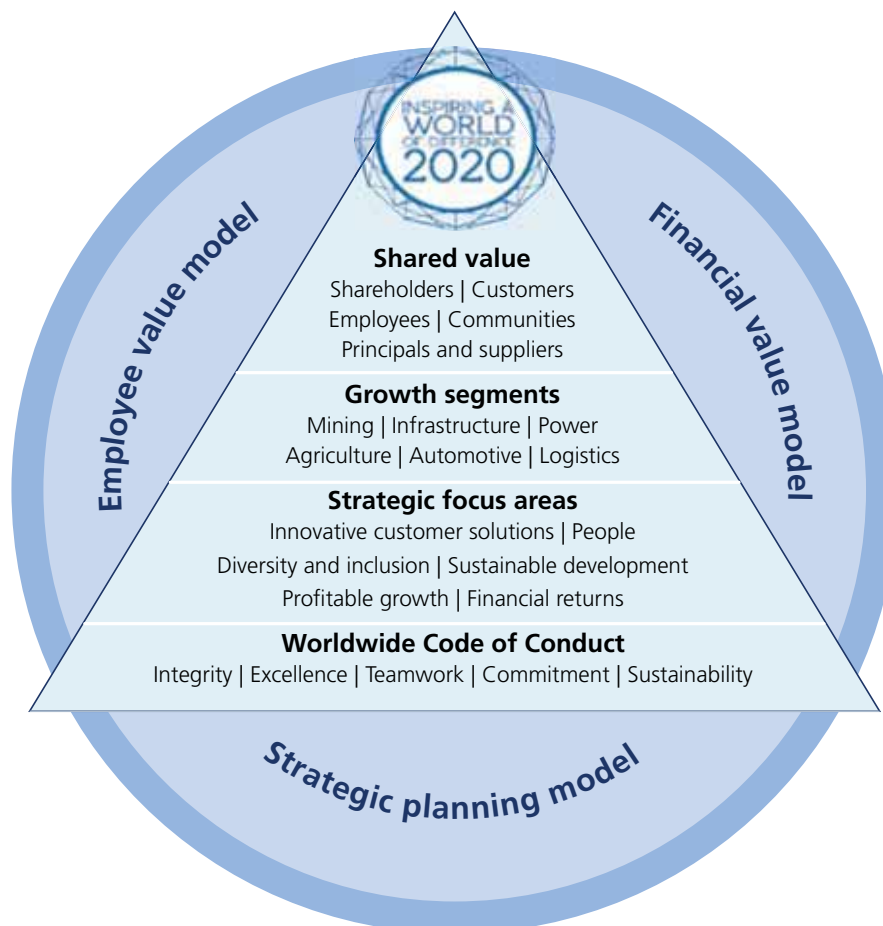
Our strategic planning approach addresses six value creation components or capitals. These are Financial; Manufactured; Intellectual; Human; Social and relationship; and Natural capitals. These are covered in our structured strategic planning and risk management initiatives, leadership philosophy and management approach that entrenches accountability for sustainable value creation, stakeholder engagement, and a commitment to consistent, transparent and comparable reporting.

### Overall strategic framework

To inform individual and collective behaviour in support of our Vision 2020, the different elements of our strategic framework have been consolidated into a holistic and concise overview. This reflects the group’s vision; the nature of our shared value ambitions; our strategic growth segments and the industries in which we participate; our strategic focus areas which direct the group’s attention to six central aspects underpinning our value creation; and our Worldwide Code of Conduct which informs our behaviour and the manner in which we conduct business.

## Strategy overview

This framework has been replicated at divisional level to ensure alignment while accommodating flexibility and the diverse nature of our operations.



Essential components of our strategic framework:

- **Integrated employee value model (IEVM):** defines how Barloworld creates value for employees and their role in making a world of difference to our stakeholders.
- **Integrated financial value model (IFVM):** identifies our financial value drivers, the key levers in the business which need to be managed to deliver enhanced financial returns.
- **Strategic planning model:** institutionalises a structured strategic planning process throughout the group which identifies business opportunities and directs the allocation of both human and financial resources to capitalise on them.

### Implementing our Vision 2020 and strategy

Barloworld's Vision 2020 and strategic planning process have been codified in a handbook, which is currently being applied and institutionalised throughout the group using a combination of top-down and bottom-up approaches.

Decisions about the overall group's structure and major investment decisions are made centrally, while strategic and operational planning, and execution is decentralised to the group's different divisions. This ensures that divisions' strategic plans are aligned to the group's framework, while taking into account their unique operating environments.

A robust and systematic identification of opportunities and risks is central to our strategic planning process. Divisional plans are presented to the group executive on an annual basis and key aspects are consolidated into a group strategic plan which is presented to the board for review and endorsement. Through a consistent strategic framework and an aligned approach, strategies are efficiently and effectively executed throughout the group to address stakeholder issues, unlock opportunities and address risks.

The board monitors the implementation of plans and divisional executive teams are accountable for fulfilling their strategic plans, meeting objectives and achieving key performance indicators.

Strategic plans are executed through elements of our comprehensive IEVM, which includes accessing, harnessing




and directing the group's collective wisdom. The framework includes a structured performance management system ensuring attention to top imperatives and value drivers, and enables employees to benefit appropriately from value created. An IFVM highlights areas of focus to optimise value creation activities (value drivers) which enhance the group's value creation capability.

### 10 pillars of sustainability

Our 10 pillars of sustainability will continue to guide us towards achieving our Vision 2020 ambitions and aspirational targets. They inform current activities and act as a filter against which future opportunities are assessed. The pillars articulate standards, aspirations and commitments in respect of their themes and highlight the integrated nature of the group's approach to shared value creation.



## Progress review against Vision 2020 targets

Strategic focus areas	Indicators and metrics	Aspirational group 2020 targets	2015 performance/ baseline	
<b>People</b> 	<b>Safety</b>			
	Work-related fatalities	Zero	Zero	
	Lost-time injury frequency rate (LTIFR)	≤0.5	1.11	
	<b>Employee engagement</b>			
	Overall individual perception monitor (IPM) score	≥80%	76.8%	
	<b>Employee productivity</b>			
	Operating profit per employee (R000)	≥350	202	
<b>Employee development</b>				
Total direct training spend per employee (Rand)	≥8 000	7 117		
<b>Diversity and inclusion</b> 	<b>Gender</b>			
	% women of total headcount	≥35%	25.35%	
	% women in middle management level and above	≥40%	31.77%	
	<b>Race (South Africa)</b>			
	% African, Indian and coloured (AIC) employees of total headcount	≥75%	70.45%	
	% AIC employees in middle management level and above	≥50%	39.30%	
	<b>Broad-based black economic empowerment (B-BBEE)</b>			
Rating level (Department of Trade and Industry (dti) codes)	Level 3 or better	Level 2		
<b>Sustainable development</b> 	<b>Energy</b>			
	Non-renewable energy intensity (GJ/Rm revenue)	10% efficiency improvement by end 2020 off 2015 baseline – 42.0	46.6	
	Renewable energy (MWh)	2 000 or more per annum	n/a	
	<b>Greenhouse gas (GHG) emissions (scope 1 and 2)</b>			
	GHG emissions intensity (tCO <sub>2</sub> e/Rm revenue)	10% efficiency improvement by end 2020 off a 2015 baseline – 3.7	4.1	
	<b>Water<sup>^</sup></b>			
	Water intensity (KL/Rm revenue)	10% efficiency improvement by end 2020 off a 2015 baseline – 10.7	11.9	
	<b>Waste</b>			
	Responsible waste disposal	100% solid and liquid waste disposed through formal waste disposal service providers	Waste disposed through formal waste service providers: 95% – solids 100% – liquids	
	<b>Corporate citizenship</b>			
Corporate social investment (CSI) spend	1% of net profit after tax (NPAT)	R16.6 million (1% of NPAT)		

\* Based on the revised B-BBEE Codes of Good Practice.

# Indicative: Solar photovoltaic installation at Equipment Isando site completed end of FY16.

<sup>^</sup> Municipal sources




### 2016 performance

### 2020 top imperatives

	One	<ul style="list-style-type: none"> <li>– Attract, develop and retain the people and leadership required to implement our strategic growth priorities</li> <li>– Ensure required talent is available</li> <li>– Drive employee value proposition – target score above 80% for each element</li> <li>– Maintain a safe and healthy work environment</li> </ul>
	0.83	
	76%	
	199	
	5 195	
	26.10%	<ul style="list-style-type: none"> <li>– Achieve a B-BBEE level 3 or better rating for each South African business unit</li> <li>– Drive achievement of diversity and inclusion targets including gender, race, localisation and disability</li> <li>– Drive supplier diversity, supplier development and local content initiatives with principals/original equipment manufacturers (OEMs)</li> <li>– Ensure training and development spend promotes advancement at all occupational levels</li> </ul>
	34.41%	
	72.28%	
	40.59%	
	Level 3*	
	46.8	<ul style="list-style-type: none"> <li>– Achieve aspirational targets for renewable energy, non-renewable energy, greenhouse gas emissions and water efficiency improvements by end 2020 off a 2015 baseline year</li> <li>– Responsible waste management, including achieving disposal targets, recycling, component remanufacturing and rebuild activities</li> <li>– Target cost savings and commercial opportunities through sustainability initiatives</li> <li>– Promote respectable corporate citizenship</li> </ul>
	90 <sup>#</sup>	
	4.1	
	11.8	
	95% – solids 100% – liquids	
	R16.8 million (1% of NPAT)	



## Progress review against Vision 2020 targets

Strategic focus areas	Indicators and metrics	Aspirational group 2020 targets	2015 performance/ baseline	
<b>Innovative customer solutions</b> 	<b>Customer loyalty</b> Market leadership in targeted segments	Leadership in customer satisfaction and loyalty	See GRI 3.1 PR5 response	
	<b>Profitability</b> Operating margin (%)	≥6.5	6.4	
<b>Financial returns</b> 	<b>Return on capital</b> Return on equity (ROE) (%)	≥15.0	10.9	
	Return on net operating assets (RONOA) (%)	≥20.0	17.0	
	Return on net assets (RONA) (%)	≥18.0	12.8	
	<b>Asset efficiency</b> Net asset turn	≥2.8	2.1	
	<b>Scale of business</b> Revenue growth (Rbn)	Double revenue in five years	R62 720 million	
<b>Profitable growth</b> 				

GRI PR1 to PR9, EC1 to EC9

2016 performance		2020 top imperatives
	See performance (page 104) and GRI G4 PR5 response	<ul style="list-style-type: none"> <li>– Deliver integrated customer solutions to achieve significant market leadership gains in targeted market segments</li> <li>– Establish digital solutions channels, including plans for internet of things, e-commerce, big data and predictive analytics</li> </ul>
	6.2	<ul style="list-style-type: none"> <li>– Achieve financial returns above the weighted average cost of capital (WACC) and cost of equity on average through the cycle</li> </ul>
		<ul style="list-style-type: none"> <li>– Reduce working capital ratios to long-term target levels</li> </ul>
	9.2	<ul style="list-style-type: none"> <li>– Turn around underperforming assets or release capital</li> </ul>
	15.9	
	12.6	
	2.1	
	R66 547 million (106% of baseline)	<ul style="list-style-type: none"> <li>– Achieve positive free cash flow (FCF) over the plan period</li> <li>– Achieve targeted operating profit levels</li> <li>– Execute identified strategic growth projects for each division</li> <li>– Achieve significant incremental shared value creation over plan period</li> </ul>

# Managing risk

## Risks and opportunities

Identifying risks and opportunities through a robust and systematic process is central to our strategic planning process. A comprehensive risk management policy is in effect throughout the group and is complemented by the Barloworld Limited risk management philosophy.

This includes dedicated divisional risk assessment interventions at which internal audit and group risk management services are present. Through the risk and sustainability committee, the board determines the levels of risk tolerance for the group as a whole and also ensures that risk assessments are performed on a continual basis by formally reviewing the divisional and group risk registers twice a year. In addition, internal audits play a significant role in reviewing processes, procedures and controls to address risks.

In line with international best practice, risks are detailed; comprehensively assessed on their probability, severity and the quality of the existing control environment; and managed through acceptance, transfer, avoidance or reduction measures. These measures result in residual risk

scores that indicate the relative importance of the risk and facilitate assessment of progress made in addressing risks. Details are recorded in divisional and group risk registers.

Risks are disclosed to stakeholders in a risk matrix, which reflects the group's top risks as well as management's response to them.

Initiatives to address identified risks include the development and implementation of business continuity and disaster recovery plans for unscheduled events or occurrences. Plans also include information technology and communications solutions as appropriate.

Recognising the importance of including sustainable development in strategic planning, Barloworld has formalised the group's assessment of its environmental impact on climate change and water management in line with the global Carbon Disclosure Project (CDP). Impact and risk management procedures in both of these key areas are disclosed in our 2016 CDP Climate Change Disclosure and 2016 CDP Water Disclosure.

## Barloworld group top risks – 2016 (in alphabetical order)

Key risks	Category of risk and management response	SFA
<p><b>1 Acquisition/joint venture underperformance</b> The risk of future net cash flows from acquisitions and/or joint ventures failing to realise the projections upon which the initial purchase consideration or arrangement was based may lead to value destruction for shareholders and a need to impair the related goodwill or assets.</p>	<p><b>Acquisition risk</b></p> <ul style="list-style-type: none"> <li>— A business acquisition policy and procedure is in place that sets out a structured approach and framework to be used when acquisitions and/or joint ventures are being made or entered into. This includes a pre-acquisition phase that includes the requirement to conduct a comprehensive strategic analysis of intended targets, development of acquisition criteria for both strategic and financial aspects, and the quantification of risk-adjusted value creation potential for the respective business unit and the group.</li> <li>— The acquisition phase includes legal, financial, tax, human resources, transformation, information systems and technology, technical, risk, governance and responsible corporate citizenship and environmental due diligence processes to verify and validate assumptions and future projections.</li> <li>— Following acquisitions and/or the formation of joint ventures, planning and task teams are established to focus on the realisation and management of identified value creation opportunities, including synergies.</li> </ul>	

GRI 4.2

Barloworld's 2016 CDP climate change and 2016 CDP water disclosure responses

Key risks	Category of risk and management response	SFA
<p><b>2 Climate change and environmental stewardship</b> Barloworld considers a number of environment-related risks to its operations and value chain. These include climate change and related physical risks due to changing weather patterns; regulatory risks associated with greenhouse gas emissions; financial risks resulting from carbon taxes; operational risks due to constraints in energy supply and the availability of natural resources, such as water. The group identifies the predominant use of fossil fuel-based energy in its supply chain, operations, products and solutions as a risk to itself and its value chain.</p>	<p><b>Environmental/operational/strategic/financial/regulatory risk</b> 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 usage, as well as an aspirational target for renewable energy consumption.</li> <li>– Association with leading principals, provision of products and solutions with reduced environmental footprint and which assist customers achieve their sustainable development objectives.</li> <li>– Geographic, industry and product diversification.</li> </ul>	
<p><b>3 Competitor actions</b> Competitors' actions will erode the group's competitive position and have a significant impact on the value created for shareholders.</p>	<p><b>Competitor risk</b></p> <ul style="list-style-type: none"> <li>– Continually reduce costs by focusing on operational efficiencies and staff training.</li> <li>– Continually improve service and the provision of innovative solutions to customers.</li> <li>– Develop key customer plans which contain all the information and strategies to ensure value creation for the customer.</li> <li>– Robust strategic planning process assists in identifying industry trends and uncertainties and developing appropriate strategies in response.</li> </ul>	
<p><b>4 Currency volatility</b> The movement of other currencies against the rand which creates risks relative to the translation of non-Rand profits, the marking-to-market of financial instruments taken out to hedge currency exposures and the cost of imports into South Africa. There are also constraints on the repatriation of funds due to shortages of hard currencies in some of the countries in which the group operates and possible losses as a result of local currency devaluations.</p>	<p><b>Financial risk</b></p> <ul style="list-style-type: none"> <li>– The responsibility for monitoring and managing these risks is that of line management. A group treasury policy is in place which clearly sets out the philosophy of hedging and guideline parameters within which to operate, and permissible financial instruments to be utilised.</li> <li>– Preventive measures are implemented in respect of the determination of pricing mechanisms and the structuring of commercial contracts to reduce the impact of any adverse currency fluctuations.</li> <li>– Geographic, industry and product diversification.</li> </ul>	


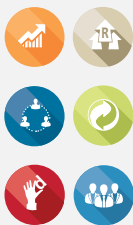
# Managing risk

Key risks	Category of risk and management response	SFA
<p><b>5 Defined benefit scheme exposure</b></p> <p>One of the key risks for the United Kingdom's defined benefit scheme over the past few years has been the reduced real yield on AA- rated corporate bonds which is used to value the liabilities. In addition, increased life expectancy of members will have an adverse impact on the scheme's funding position. Market volatility remains a risk, with 50% of the scheme's assets invested in growth assets (largely equities), which includes diversification into absolute return funds. The year-end valuation resulted in the deficit increasing to £161 million, largely due to reduced interest rates in the current year following the Brexit vote. As the active members have reduced substantially, the trustee board will adopt more prudent assumptions in future in line with the maturity profile of the liabilities which will result in the scheme's liabilities increasing in the actuarial valuation as compared to the accounting valuation. There is a risk of a funding requirement arising on the full liabilities of the scheme (£75). However, this is being mitigated by closing the scheme to accrual.</p>	<p><b>Market risk</b></p> <ul style="list-style-type: none"> <li>– A suitably qualified representative board of trustees, which includes a professional independent trustee, manages the scheme and is responsible for regularly evaluating the effectiveness of investment decisions, the setting of actuarial factors for the liabilities and managing the administration. Professional investment advisers are used to assist in the management of the investment portfolios with a view to conservatively preserving and enhancing fund valuations. Complex investment risk models are run by the investment advisers and actuaries to assess optimum risk balance. The actuary also conducts a formal triennial valuation and provides updated figures on a real time basis.</li> <li>– Funding shortfalls are planned to be made up within sensible time frames via market anticipated increased interest rates, positive returns on investments and additional contributions from the company agreed as part of a 10-year recovery plan to bring the fund back to full funding on an accounting basis.</li> <li>– The defined benefit scheme in the United Kingdom was closed to new members in 2002 and the scheme is now mature with only minimal active membership. All new employees in the United Kingdom are automatically enrolled in the United Kingdom's money purchase personal pension plan.</li> <li>– The risk of a £75 funding requirement arising on all the liabilities of the scheme is carefully monitored by the company and trustees. This can be managed by ensuring the company anticipates an event which could trigger a liability.</li> <li>– The company and trustees have agreed a long-term strategy for reducing funding risk as and when appropriate. This includes a liability-driven investment (LDI) policy which aims to reduce volatility of the funding level of the pension plan by investing in eg matching annuities (buy-ins) for pensioners which perform in line with the liabilities of the plan. In 2013 and 2016, the fund purchased buy-in insurance policy representing approximately 25% of the assets.</li> <li>– The accounting deficit has been reflected on the company's balance sheet as a liability in line with international accounting standards.</li> </ul>	 



Key risks	Category of risk and management response	SFA
<p><b>6 Dependence on principals and suppliers</b>            Significant businesses in the group are dependent on a small number of principals and/or suppliers.</p> <p>Barloworld's success is therefore linked to its ongoing reputation and good standing, financial stability, the competitiveness and quality of its products and services and the availability of equipment to meet customers' needs.</p> <p>In order to ensure sustainable value creation, the group depends on suppliers of infrastructure in the countries in which it operates. Most of the group's businesses are dependent, inter alia, on reliable power and water supply and appropriate transport networks.</p>	<p><b>Strategic risk</b></p> <ul style="list-style-type: none"> <li>– Add value by giving constant feedback to the principals on customer requirements and expectations, market movements and product competitiveness.</li> <li>– Continually improve/build relationships with principals and major suppliers and strive to be a preferred dealer/customer.</li> <li>– Provide excellent customer service and lead in our markets.</li> <li>– Build long-term partnerships with customers.</li> <li>– Perform supplier due diligence assessments.</li> <li>– Build relationships with local authorities.</li> <li>– Align strategies and targets with those of the major principals as far as possible.</li> <li>– Implement initiatives to reduce dependency on infrastructural deficiencies and increase organisational resilience.</li> </ul>	

# Managing risk

Key risks	Category of risk and management response	SFA
<p><b>7 Exposure to political risks, sanctions, terrorism and crime in the countries in which Barloworld operates</b></p> <p>The group's people and assets are spread through numerous countries around the world, while its activities are conducted in many more.</p> <p>The possibility exists that the group's people and assets, and the viability of the businesses, may be exposed to sanctions, acts of terrorism, political turmoil or crime in some of the regions in which the group operates, as well as in those that may be identified for expansion.</p> <p>Business growth initiatives require that new markets and territories are the focus of business expansion. These opportunities come with their own distinct risk exposures.</p>	<p><b>Operational risk</b></p> <ul style="list-style-type: none"> <li>– Minimise exposure in high-risk countries through in-depth risk assessments, coupled with the application of preventive and corrective risk management activities.</li> <li>– Monitor and ensure compliance with international sanctions.</li> <li>– Maintain flexible business models.</li> <li>– Maintain business continuity plans that incorporate emergency response actions, crisis management and business recovery plans specific to the businesses and the respective territories in which the businesses operate.</li> <li>– Optimise the geographic spread of operations.</li> </ul>	
<p><b>8 Exposure to significant customers and dependence on channels to market</b></p> <p>Barloworld is exposed to certain large customers and/or industries and well-established distribution and support channels that may change or consolidate.</p>	<p><b>Market risk</b></p> <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> </ul>	

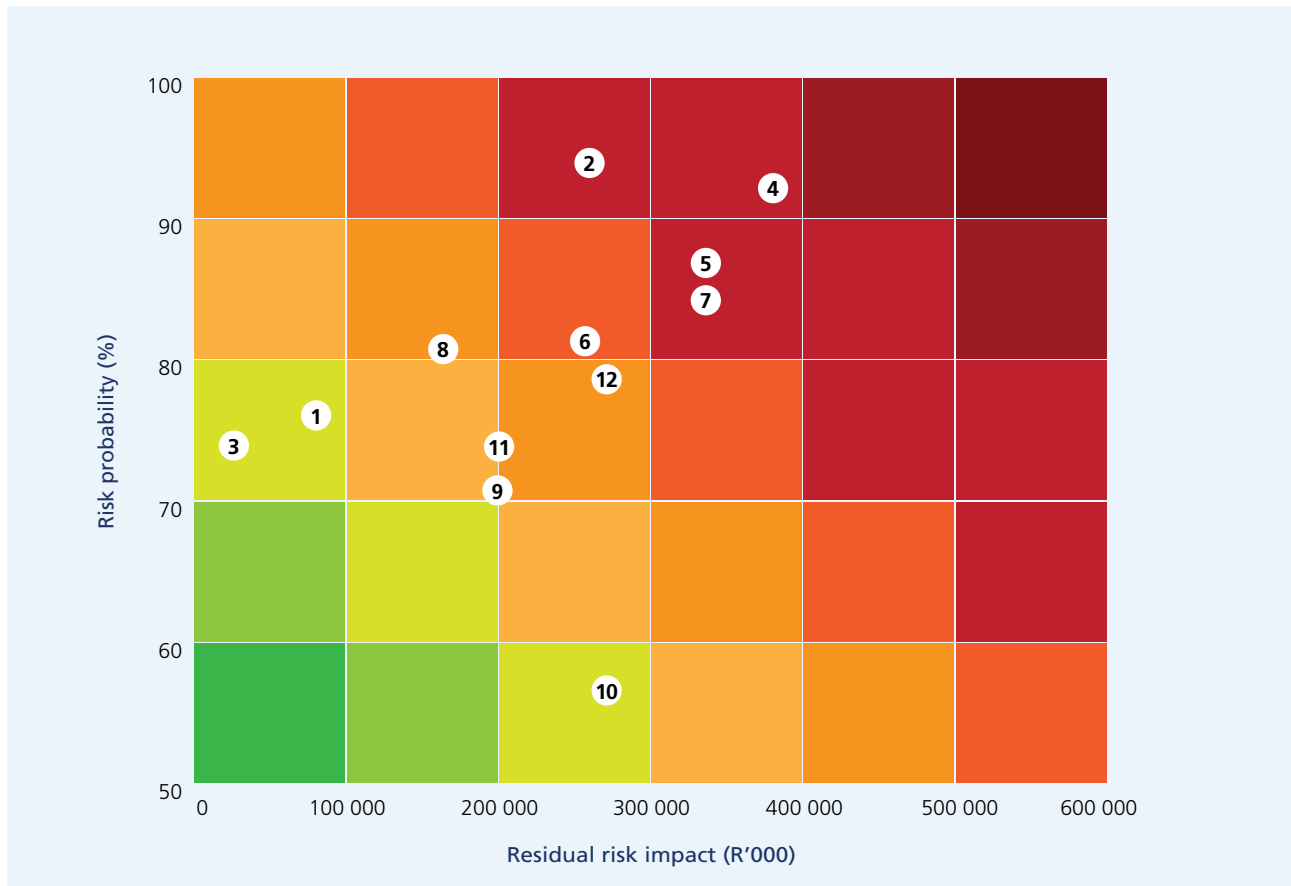
Key risks	Category of risk and management response	SFA
<p><b>9 IT and information security-related risks</b> Barloworld's strategy of providing innovative customer solutions by transforming its business from products to services and solutions which leverage technology to deliver productivity and performance benefits to its customers, gives rise to an increased risk related to information security and concomitant cybercrime attempts. As solutions are increasingly digitising and being connected to many external parties there is an increased risk relating to the protection of the confidentiality, integrity and availability of the group's customers and its own information and data.</p>	<p><b>Employee/operational/strategic risk</b> Barloworld has implemented an updated information security approach which is underpinned by the implementation of group-wide information security policies.</p> <p>The approach is based on the ability to:</p> <ul style="list-style-type: none"> <li>– Prevent, detect and respond to attempts to access the group's information.</li> <li>– Restore confidentiality, integrity and availability of systems, information and data in the event of a breach.</li> <li>– Proactively train, promote and raise information security awareness.</li> </ul> <p>The approach includes all appropriate security mechanisms, physical, technical, organisational, human orientated and legal to keep all information protected against threats.</p> <p>Insurance cover has been effected to offset any losses that may arise from cyber risk.</p>	
<p><b>10 Occupational health and safety risks</b> Barloworld's key asset is its employees. The occupational health and safety risk is the likelihood of a person being harmed or suffering adverse health effects if exposed to a hazard in the workplace.</p>	<p><b>Employee/operational/strategic risk</b></p> <ul style="list-style-type: none"> <li>– Minimise exposure through in-depth risk assessments, coupled with the application of preventative and corrective risk management activities and policies.</li> <li>– Extensive communication and safety awareness programmes, training in accident prevention, accident response, emergency preparedness and the use of protective clothing and equipment, and extensive monitoring, reporting and review of safety data, all with the aim of ensuring a healthy and safe workplace.</li> </ul>	
<p><b>11 Regulatory environment</b> Many of the group's activities are governed by regulations. Due to the complexity and changing nature of these regulations across the industries and geographical spectrum of the group's activities, there are challenges in staying abreast of all developments and maintaining full compliance.</p>	<p><b>Regulatory risk</b></p> <ul style="list-style-type: none"> <li>– Management is responsible for the ongoing monitoring of all pending and actual changes to the group's regulatory environment. Due to the large number of jurisdictions in which the group operates, this monitoring occurs in each country of operation and activity.</li> <li>– Where feasible, the group will comment on, and attempt to influence proposed changes to the regulatory environment that it believes are contrary to its values or that may adversely affect the group in a particular jurisdiction.</li> </ul>	

# Managing risk

Key risks	Category of risk and management response	SFA
<p><b>12 Strategic employee skills</b> Barloworld's key asset is the intellectual capacity and skills of its employees. This necessitates ongoing management of the challenges regarding recruitment, succession planning, skills retention and development.</p>	<p><b>Employee risk</b></p> <ul style="list-style-type: none"> <li>– Barloworld has a defined employee value proposition and methodology to ensure that it addresses value creation for its employees and aligns employees' activities with the strategy of the organisation.</li> <li>– These identify and align all employee elements of a value-creating organisation to ensure sustainable intellectual capacity and value creation competence.</li> <li>– Through performance management systems, employees' purpose, role, function and accountabilities are defined and fairly assessed, and, using competency-based assessments, employees are regularly reviewed to ensure meaningful careers, and that the appropriate skill sets are available to enable performance at optimum levels, and equitable reward.</li> <li>– Investments in training resources, mentoring and coaching continue to assist and encourage employees to enhance their levels of competence and performance.</li> <li>– An appropriate suite of reward and performance-based incentive schemes ensures recognition and value creation for employees.</li> </ul>	
<p><b>13 Weak commodity prices</b> The effect of weak commodity prices including the decline in oil prices have contributed to the slow recovery of the group's businesses, customers, suppliers and funders and to the continued risk that funding constraints within the supply chains could result in a recurring recession and/or impede growth. This, in turn, has negatively impacted many company investments.</p>	<p><b>Financial risk</b></p> <ul style="list-style-type: none"> <li>– Inflationary pressures to be carefully monitored and managed, as appropriate, in each business.</li> <li>– Focus on costs and cost reduction opportunities, and improve operating efficiencies.</li> <li>– Monitor customers' ability to spend, access credit, and settle debt.</li> <li>– Reduce working capital, limit capital expenditure and improve cash flow.</li> <li>– Secure adequate committed borrowing facilities.</li> <li>– Maintain credit rating.</li> </ul>	

### Risk heat map

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



### Strategic risk profile 2016

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



# Creating value for our stakeholders

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In order to deliver on sustained value creation for all our stakeholders, we adopt an inclusive approach to stakeholder engagement in developing and achieving accountable and strategic responses, as well as determining the relevance and significance of issues, interests and expectations of stakeholders. This allows the company to respond appropriately through decisions, actions, performance, and communication.

- 
- Stakeholder engagement review
  - Our stakeholder approach
  - Defining success for our stakeholders
  - Value added highlights
  - Statement of total value added
  - Linking stakeholder interests to strategic responses and capitals
  - People
  - Communities
  - Customers
  - Principals and suppliers
  - Shareholders



Creating value  
for our  
stakeholders



## Stakeholder engagement review

Central to our Vision 2020 is our commitment to shared value and making a world of difference for our stakeholders, including the communities in which we operate.



Sibani Mngomezulu – Group executive: Human resources and stakeholder relations

### Our stakeholder approach

Fundamental to our approach is listening, exchanging ideas and understanding our stakeholders' perspectives prior to defining and implementing related initiatives and programmes.

During the period we progressed a number of issues raised by our stakeholders as well as those identified by ourselves as a priority. We continued to drive the strategic intent and progress towards the related KPIs. Underscoring our commitment, the group's strategic focus areas include people, diversity and inclusion, and sustainable development.

### People

While we have continued to drive improvements in health and safety through the group, we sadly had one work-related fatality due to a motor vehicle accident. We are committed to our goal of zero work-related fatalities and this tragedy heightens our resolve and commitment to related training and awareness programmes. I am pleased that through this commitment, our lost-time injury frequency rate improved by 25% during the period.

The six elements of our integrated employee value model (IEVM), Inspire, Grow, Thrive, Live, Relate and Reward, focus our human resources initiatives

and inform our approach to achieving a high performing organisation, as well as accessing the collective wisdom and efforts of all employees.

With the downturn in the mining sector and the depressed economic environments in southern Africa and Russia, we more than ever relied on our human capital to progress the company's strategic objectives. The past year has proved challenging in terms of fulfilling all our employee value ambitions; however, notwithstanding the economic circumstances, our acquisitions enabled us to widen career opportunities for our people, with promotions, transfers to different



## With the downturn in the mining sector we more than ever relied on our human capital to progress the company's strategic objectives.

business units to broaden their exposure, experience and a strengthening of our talent pipeline.

One of the interesting trends we are closely monitoring is the impact of millennial generation employees in Barloworld who comprise approximately 48% of our workforce. Their career aspirations, attitudes, perspectives and their usage of technology has necessitated a review of our recruitment, retention and training and development strategies, to better align with these individuals, as well as to attract and retain their skills.

Technology continues to impact employment practices and we are adapting the design of our work practices accordingly. Equipment southern Africa has implemented a platform that digitises repetitive HR tasks using cloud-based technology. Via their mobile phones, employees are able to access and view payslips, leave balance and view claims and workflow items. This is the first phase of a paperless system and we have recorded a corresponding increase in productivity in affected operations. Our plan is to expand the system to incorporate additional aspects of our IEVM and extend the initiative into other operations in the year ahead.

Another exciting development has been the formalising of our longstanding mentorship and coaching programmes. Our management teams received refresher training on mentoring and a number have gone on to become certified coaches. An early assessment indicates improved feedback from both management teams and the mentees, and we expect improved outcomes in terms of our IEVM and employee value

creation metrics. We continue to track progress against these metrics in accordance with our Vision 2020 ambitions.

We are mindful of global trends and the topical issues of executive remuneration and bridging the inequality that exists in society, and that these need to be addressed. Internally, we measure the pay ratio between executives and the average of the lowest grade in each country where we operate with the purpose of appropriately managing the ratio and ensuring that it does not increase. While a minimum wage is not legislated in most geographies of operation, we monitor wages at the lower levels to ensure they align with our goals and standards. Our experience has been that where acquisitions have been made, target employees have, in general, experienced an improvement in their benefits as they are aligned to Barloworld standards.

### Diversity and inclusion

Our diversity and inclusion strategy has energised the business not just to strive to reflect the demographics of the countries where we operate, but to assume leadership with regard to gender representation and in the case of South Africa, also with respect to race.

During the past year, a number of women were appointed, younger managers promoted and persons classified as "previously disadvantaged" in South Africa appointed to senior and executive management positions. All divisions remain focused on achieving targets in place on gender, and race in South Africa, in terms of Vision 2020.

Our competitiveness depends on appointing the right calibre of leaders, reflective of local demographics, who have been equipped to succeed.

Our approach has enriched diversity of thought and broadened understanding of the different cultures in our employee base. As we accelerate initiatives to promote inclusivity in line with our strategy, we expect a positive response from employees and to see increased trust levels of the leadership of the organisation.

While the bulk of procurement spend is on OEM products, supplier diversity has been receiving focus with the aim of building capacity in small and medium enterprises, sourcing from a broader section of the local population and supporting the national imperatives of the countries where we operate. In South Africa we have aligned with the objectives of the National Development Plan by partnering with the Department of Trade and Industry to set up an Incubation Hub for small businesses to promote long-term sustainability through capacity building and access to markets.

### Strategy

While the past year has been difficult, we remain committed to our Vision 2020 aspirations and the ambitions of our six strategic focus areas. Our strategic planning methodology continues to be entrenched throughout the group, informing the process for our operations to develop an integrated strategic approach to realising Vision 2020, and optimally positioning the group for the future.

Our approach incorporates identifying divisional and group business models,

## Stakeholder engagement review

Our Vision 2020 includes aspirational targets for sustainable development and we report progress on an annual basis.

risks, opportunities and growth areas, performance measures, and related strategies. Accountability for strategy rests at the highest divisional and group levels. Our process is entrenched throughout the group by a network of strategy coordinators, as well as formal approval, monitoring and review structures. It is underpinned by our shared value philosophy and our perspective on sustainable development, one of Barloworld's strategic focus areas.

We appreciate the implications of Vision 2020 on our stakeholders and strive to balance their interests, now and into the future.

During the period we completed a number of strategic actions to enhance returns and support our growth ambitions. These were identified through our processes and predominantly executed at divisional levels.

We continue to review the group business model and structure. The appointment of Chris Wierenga to the executive committee with responsibility for group strategy, mergers and acquisitions underscores our commitment to purposeful strategy, growth and sustainable value creation.

Our Worldwide Code of Conduct forms part of our strategic framework. It informs our individual and collective behaviour and sets the standards against which we and others judge our actions. It is central to Barloworld being a respected corporate.

### Sustainability

Our approach to sustainable development incorporates being a respected corporate citizen, reducing our environmental impact, offering and delivering solutions that generate sustainable outcomes, and enhance our customers' and group profitability.

By having sustainable development as one of our six strategic focus areas, and sustainability as one of our five core values, we ensure that they are inseparable elements of our value creation process.

Our priorities include the health and safety of our employees and other stakeholders affected by our business, non-renewable energy consumption, greenhouse gas emissions, renewable energy, water usage, responsible waste management and respected corporate citizenship.

Our Vision 2020 includes aspirational targets for these aspects and we report our progress on an annual basis.

In support of our objectives we continue to refine our reporting processes and platforms, and have significantly enhanced our water recycling capacity. Internally we have initiated a renewable energy programme and continued our focus on responsible waste management. Both of these aspects are also components of solutions available to our customers.

### Corporate social investment

In playing our part to advance the Sustainable Development Goals of the

United Nations, our CSI spend has largely been directed to interventions that will have an impact on access to quality education, eradicating poverty and partnering with communities to address their pressing needs in line with our shared value philosophy. Equipment southern Africa and Handling have made a difference to lives of the learners in rural community schools in the past year through the provision of two computer laboratories with the purpose of upgrading basic computer skills in the Limpopo and North West provinces. The value of holistic development of learners extends to physical well-being and the initiative by our Motor Retail to develop a needed multi-purpose sports facility at a school in Soweto was well received. In the year ahead we will continue to align our efforts and support the attainment of inclusive quality education for all and lifelong learning is realised as outlined in the Sustainable Development Goals.

We believe efficient and effective communication is central to legitimate stakeholder engagement and that our integrated reporting is a key element of this. It is pleasing that Barloworld remained a constituent of the Dow Jones Sustainability Emerging Markets Index and was included in the FTSE/JSE Responsible Investment Top 30 Index.

In line with previous years our reporting includes a set of responses to the GRI G4 as well and our UNGC COP.



**Sibani Mngomezulu**

*Group executive: Human resources and stakeholder relations*

18 November 2016

 **Barloworld Awards 2016**

 **Barloworld Change Maker Awards 2016**

## Our stakeholder approach

We will focus on aligning our stakeholder management approach with the new King IV recommendations as a foundational concept of governance.

### Overview

Fundamental to creating shared value is defining a common purpose and addressing complex issues of mutual benefit through stakeholder engagement. Barloworld's long-term sustainability has been steeped in the practice of engagement and relationship building as part of management activity, supported by a group stakeholder engagement policy and operational guidelines. This approach ensures that key stakeholders' concerns and aspirations are understood and considered across all our business units and operating locations.

To achieve this, stakeholder mapping is done at corporate and business unit level as a first step to appropriately validate and respond to Barloworld's material stakeholder issues.

While stakeholder engagement takes place at group, corporate and divisional levels, with a particular focus on engaging stakeholders that have the greatest impact on our various business activities, a group policy with operational guidelines and a reporting framework is in place. This approach helps identify important commercial and relationship issues and the formulation of workable solutions which are often industry specific.

Our stakeholder engagement policy is presented bi-annually to the executives and board for review and adoption:

- The group stakeholder engagement champions forum is mandated by the executive and board to implement the policy and guidelines across the company through representatives selected by divisional chief executive officers (CEOs)
- The four annual group stakeholder engagement champions forum meetings address a range of issues
- The internal audit function reviews compliance with group policy and guidelines, and adherence to the recommendations of King III across the entire company functions and divisions.

Enhancing the success of our customers and suppliers, and reducing the depletion of natural resources vital to our business as well as improving the economic and social conditions of the communities in which we operate are key influences of long-term success.

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

### 2017 outlook

In 2017, Barloworld will work closer with key stakeholder communities, relevant government structures, business and industry bodies and civil society in collaborative efforts that support the UN Sustainable Development Goals and South African National Development Plan's 2030 objectives. We will continue to be guided by our Worldwide Code of Conduct and stakeholder engagement policy and guidelines. This will be over and above our focus on key stakeholder groups' requirements and deliverables.

Focus will also be placed on managing the complexity of changing stakeholder needs, tracking emerging issues, understanding stakeholders' preferred engagement approach to determine the best channels to reach constituencies and activities that offer win-win solutions. This also includes formally gauging the nature and quality of our relationships in order to proactively manage issues and expectations, as well as drive strategic initiatives with greater responsiveness.

 **GRI 4.24 to 4.27**

 **Barloworld Group stakeholder engagement policy**



# Defining success for our stakeholders

Specific key performance indicators and related aspirational targets have been identified for each SFA to measure shared value creation for our stakeholders and our progress towards our Vision 2020; and we have action plans in place to achieve these.



# Value added highlights

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

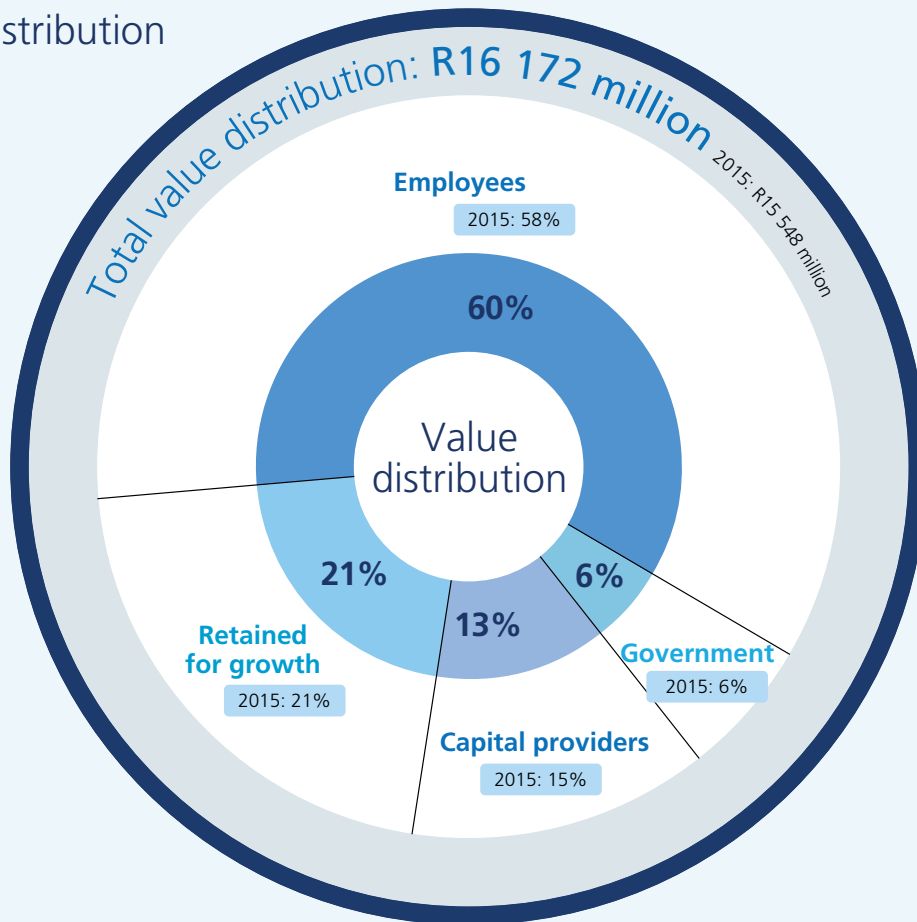
## Total value creation

Our shared value approach is based on the understanding that sustainable value creation requires that the interests of all stakeholders are addressed and ultimately benefits the society at large.

Our balanced ambition is to create shared value for all stakeholders, while recognising the primacy of shareholders as the owners of the company as well as the fact that value creation for all stakeholders is in turn predicated on our ability to create a profitable, thriving, resilient and durable organisation.



## Value distribution



Creating value for our stakeholders

# Statement of total value added

for the year ended 30 September

A measure of the value created by the group is the amount of value added 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.

	2016		2015	
	Rm	%	Rm	%
Revenue	66 547		62 720	
Paid to suppliers for products and services	50 494		47 554	
Value added	16 053		15 166	
Income from investments <sup>^</sup>	119		382	
<b>Total value created</b>	<b>16 172</b>		15 548	
<b>Value distribution</b>				
<b>Employees (note 1)</b>	<b>9 522</b>	<b>60</b>	8 955	58
<b>Capital providers:</b>	<b>2 095</b>	<b>13</b>	2 259	15
Finance costs	1 346		1 252	
Dividends to Barloworld Limited shareholders	733		699	
Dividends to non-controlling interest in subsidiaries	16		109	
Strategic black partners and community groups			199	
<b>Government (note 2)</b>	<b>961</b>	<b>6</b>	948	6
<b>Communities (corporate social investment)</b>	<b>17</b>		17	
<b>Reinvested in the group to maintain and develop operations</b>	<b>3 577</b>	<b>21</b>	3 369	21
Depreciation	2 426		2 355	
Retained profit	1 013		1 142	
Deferred taxation	138		(128)	
	<b>16 172</b>	<b>100</b>	15 548	100
<b>Value added ratios</b>				
Number of employees (30 September)	20 786		19 745	
Revenue per employee (Rand) <sup>#</sup>	3 283 758		3 186 911	
Value created per employee (Rand) <sup>#</sup>	798 025		790 010	
Corporate social investment – % of profit after taxation, excluding exceptional items	1		1	
<b>Notes:</b>				
<b>1. Employees</b>				
Salaries, wages, overtime payments, commissions, bonuses and allowances <sup>**</sup>	8 251		7 780	
Employer contributions <sup>+</sup>	1 272		1 175	
<b>Total continuing operations</b>	<b>9 522</b>		8 955	
Discontinued operations				
<b>Total group</b>	<b>9 523</b>		8 955	
<b>2. Central and local government</b>				
Current taxation	805		770	
Rates and taxes paid to local authorities	67		63	
Customs duties, import surcharges and excise taxes	41		69	
Skills development levy	49		46	
	<b>961</b>		948	

<sup>^</sup> Includes interest received, dividend income and share of associate companies' and joint ventures' retained profit.

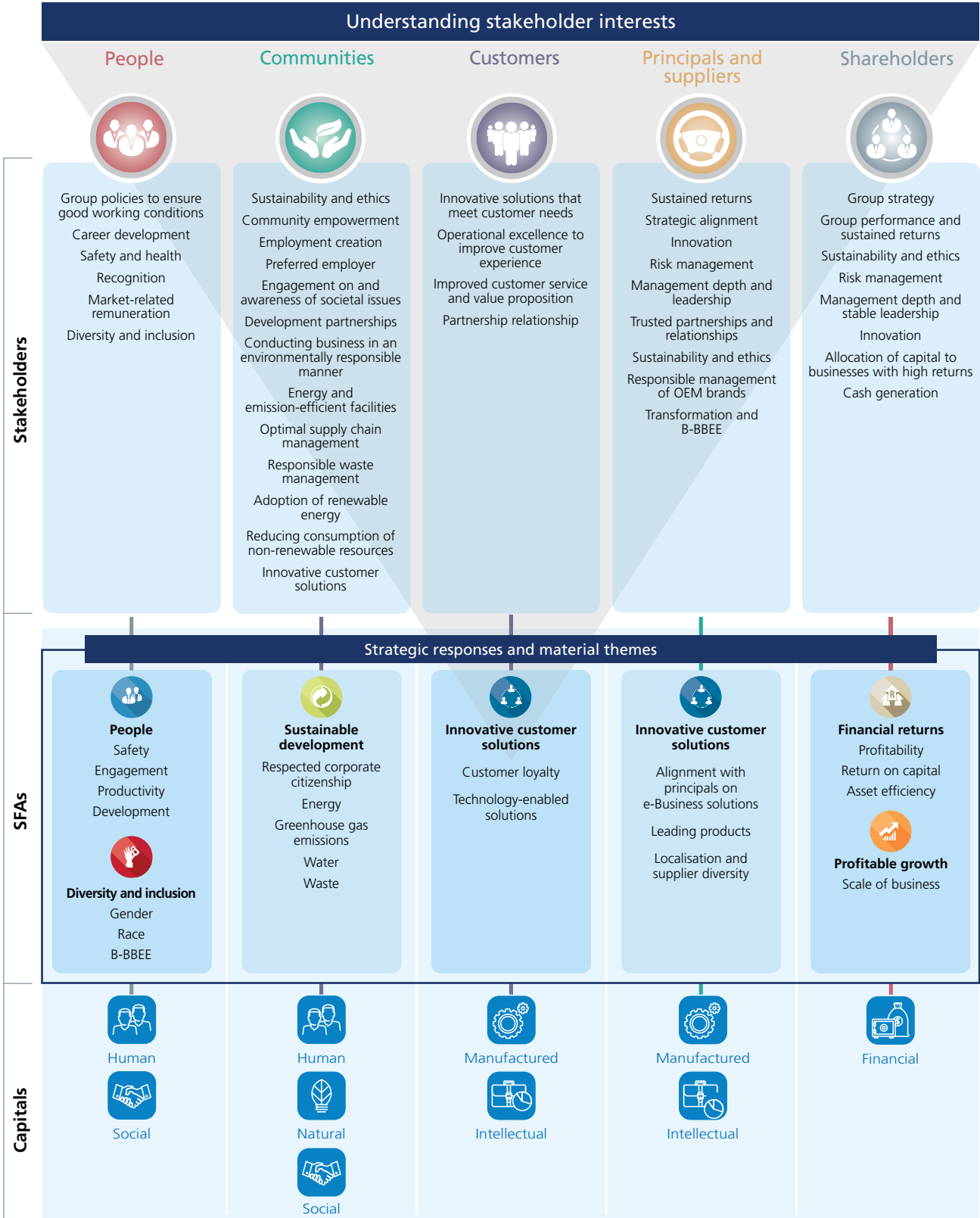
<sup>#</sup> Based on average number of employees.

<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.

# Linking stakeholder interests to strategic responses and capitals

We have an inclusive approach to developing and achieving strategic responses that address the legitimate interests and expectations of our stakeholders, this includes a structured approach in the employment of the six capitals in the value creation process.



Creating value for our stakeholders

GRI 4.24 to 4.27



# People

With people, diversity and inclusion as SFAs, we strive to attract, develop, retain and reward talent; and build a diverse workforce that reflects the communities in which we operate and a diverse talent pool from which to draw requisite skills to drive our strategy.

## Creating value for and through our people

- Value created and material themes
- Safety
- Engagement
- Productivity
- Development
- Recognition

## Diversity and inclusion



# Creating value for and through our people



## People

### Strategic intent

To attract, develop and retain the people and skills required to deliver on our strategies and create shared value through innovation, collaboration and continuous improvement.

### Value created and material themes

Delivering value to our employees is about engaging the hearts and minds of all employees so that they come to work with a sense of purpose and leave with a sense of achievement. In turn, they are able to deliver value for our stakeholders.

Value for our people	SFAs addressing value for our people	Material themes addressed by our SFAs
<ul style="list-style-type: none"> <li>– Group policies to ensure good working conditions</li> <li>– Career development</li> <li>– Safety and health</li> <li>– Recognition and market-related remuneration</li> <li>– Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– Diversity and inclusion</li> <li>– Sustainable development</li> <li>– Innovative customer solutions</li> <li>– Profitable growth</li> <li>– Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>– Safety</li> <li>– Engagement</li> <li>– Productivity</li> <li>– Development</li> <li>– Recognition</li> <li>– Gender</li> <li>– Race</li> <li>– B-BBEE</li> </ul>
Impact on the capitals	<ul style="list-style-type: none"> <li>– Optimisation of our <b>human capital</b> through training and development</li> <li>– Nurturing and improving our <b>social and relationship capital</b> through the creation of a desirable workplace</li> </ul>	
Impact on our people	<ul style="list-style-type: none"> <li>– Providing a safe and healthy workplace for employees where all have equal opportunities, are inspired to fulfil their ambitions, and be proud ambassadors of Barloworld</li> </ul>	
Engaging with our people	<ul style="list-style-type: none"> <li>– Individual balanced scorecards aligned to strategic plans</li> <li>– Individual Perception Monitor (IPM), an employee perception monitoring the effective delivery of our employee value proposition (EVP)</li> <li>– Intellectual capital reviews and related individual development plans</li> <li>– Workplace safety training</li> <li>– Employee wellness programmes</li> <li>– Formal mentorship and coaching programmes</li> <li>– Leadership and executive development programmes</li> <li>– Recognition and reward</li> <li>– Divisional Change Maker awards</li> <li>– Close interactions with direct and divisional managers</li> <li>– Employment equity forums</li> <li>– Diversity and inclusion forums</li> <li>– Divisional staff forums as informed by our IEVM</li> <li>– Bargaining and negotiation forums with trade unions</li> </ul>	

Creating value for our stakeholders



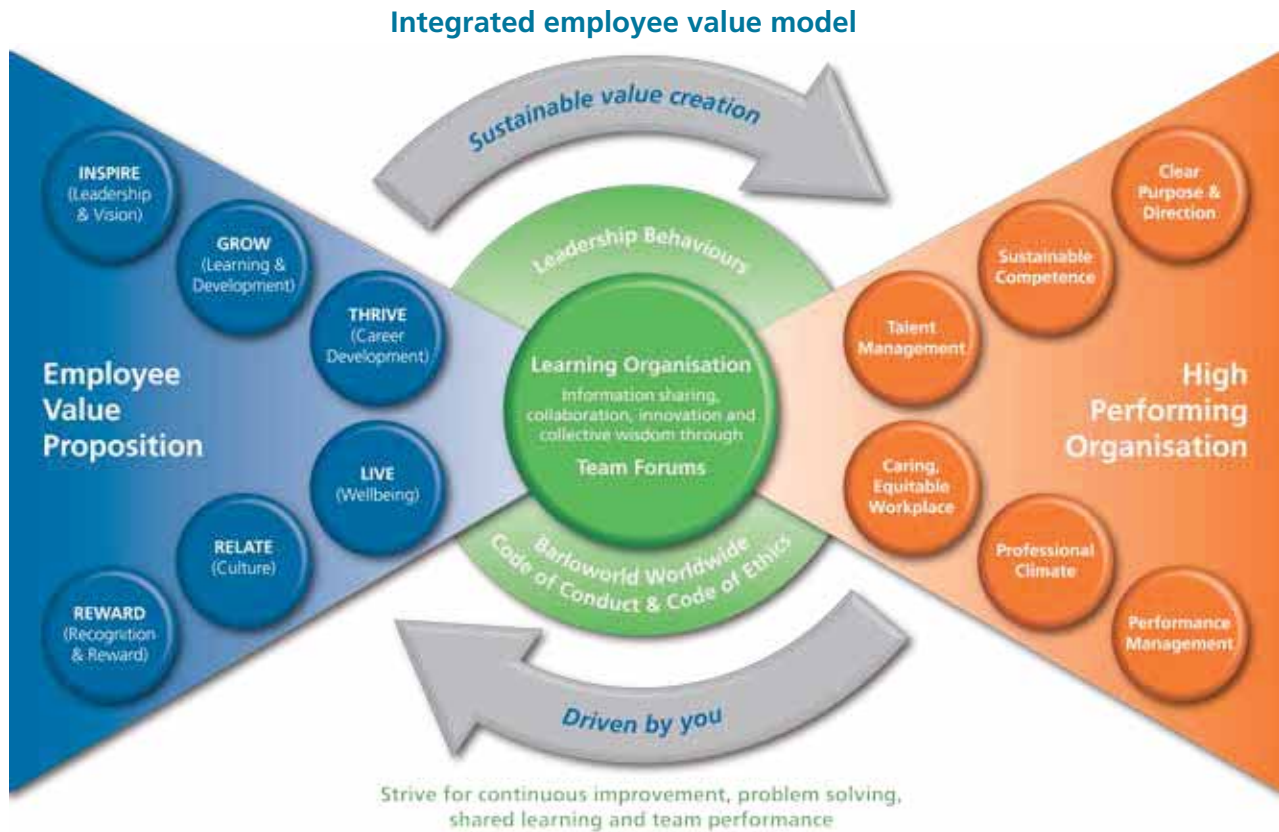
# Creating value for and through our people

## People

### How we address the issues – Our employee value proposition (EVP)

The value delivered to employees is articulated in our EVP and is delivered through our mindset and management processes and systems.

## Sources of value and benefits for employees and Barloworld



### How we are performing

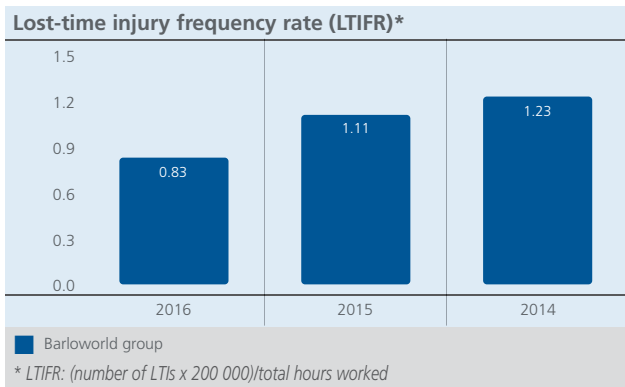
#### Safety



The safety and well-being of our employees is paramount and we encourage employees to assume responsibility for their health and to ensure that they maintain a “work-life” balance. The IPM rating on the “Live” dimension indicates that our employees rate the company highly in supporting their physical and mental well-being. Tragically, however, there was one work-related fatality in the period, resulting from a motor vehicle collision.

We continue to roll out safety training initiatives that aim to eliminate work-related fatalities and entrench a safety culture.

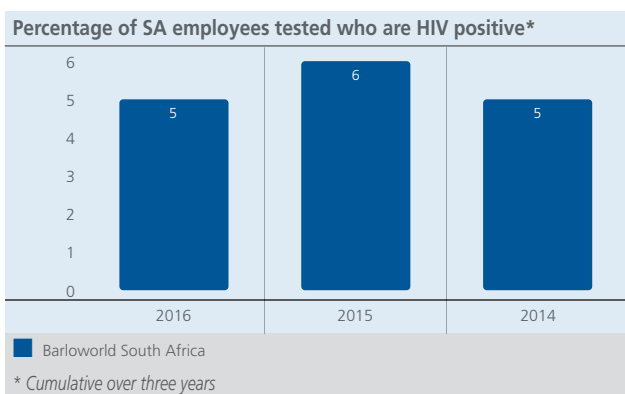
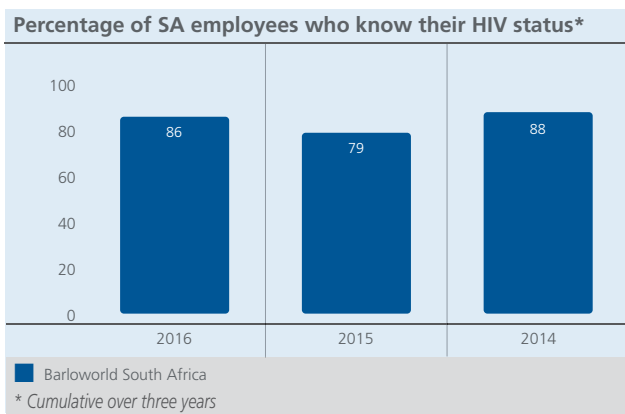
Our Vision 2020 aspirational targets are zero work-related fatalities and an LTIFR of 0.5 or less.



A decline in the group's lost-time injury frequency rate (LTIFR) underscores our ongoing attention to safety. All divisions have reported improvements in LTIFR over the prior year.

### HIV/AIDS statistics in Barloworld South Africa

All of the business units within South Africa offer employee wellness programmes through independent service providers. These programmes cover a broad spectrum of services including counselling, life management services and health and wellness programmes.



### Employee development

Ensuring that we have the required talent and skills in place and in the talent pipeline remains a key focus area. To this end, the group has a number of skills programmes linked to national regulations and frameworks. We currently have 1 229 learners and apprentices. There are 3 162 artisans and technicians within the group and 3 143 employees have degrees or diplomas.

Barloworld provides financial assistance to 214 employees who are studying toward their degrees/diplomas. A total of 46 bursaries were awarded to external students studying towards their degrees. We also assisted 226 individuals in training, including work experience through internship programmes.

As part of our performance management cycle, employees have a performance review as well as an individual development plan discussion which is linked to succession plans. This ensures that leadership is developed for future organisational needs.

During the reporting period a total of 16 444 employees had formal performance reviews and 14 519 had career development discussions. Our preference is to fill vacant posts from within the organisation through internal advertising and job rotations while recognising that certain skills could be sourced externally.

At the senior level, an Intellectual Capital Review (ICR) informs the status of our talent pool and highlights any shortfall in the talent pipeline. This informs career development activities such as job rotations, inter-company transfers as well as targeted recruitments. Developing the skills and experience of employees that have been identified as possessing leadership potential is a necessary step in our succession planning.

A key initiative implemented in 2016 was formalising mentoring and coaching programmes throughout the group. To date we have 270 employees being mentored or coached. These programmes are aimed at personal development and enhance workplace performance. They have clearly defined obligations and objectives for participants.

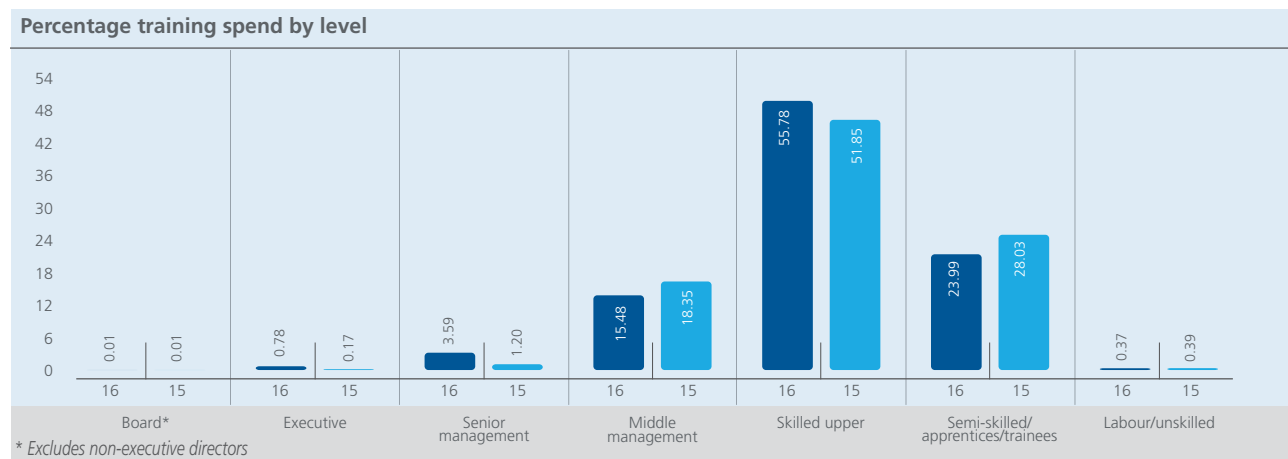
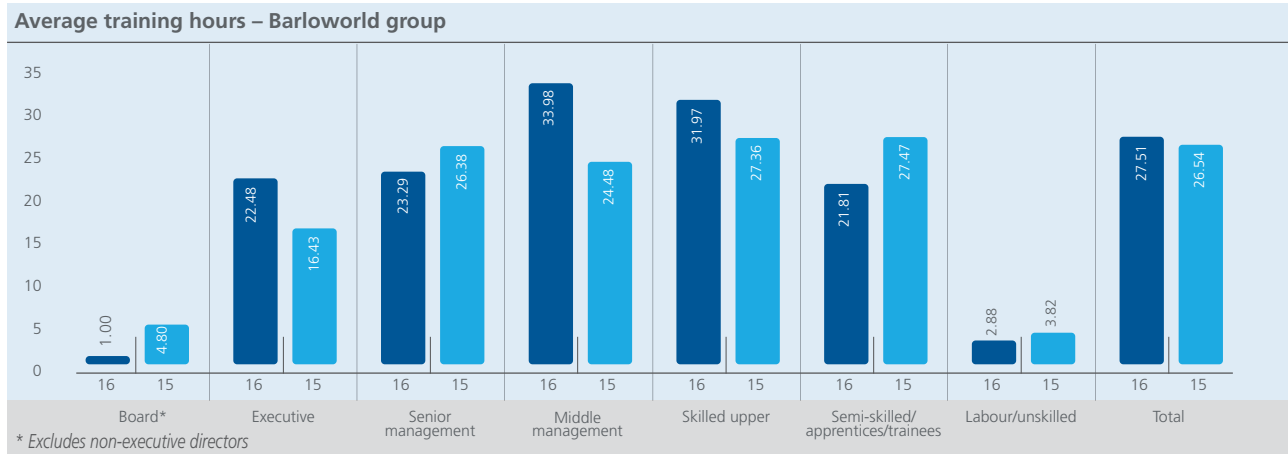
Formal direct training spend for the period decreased to R108 million, but average training hours increased to 27.51 hours per person. The majority of formal training is done at the skilled upper and middle management levels. Average hours of training for males was 27.42 per person and females was 27.79 per person.

**GRI LA6, LA7**

**Barloworld LTIFR approach**

# Creating value for and through our people

## People



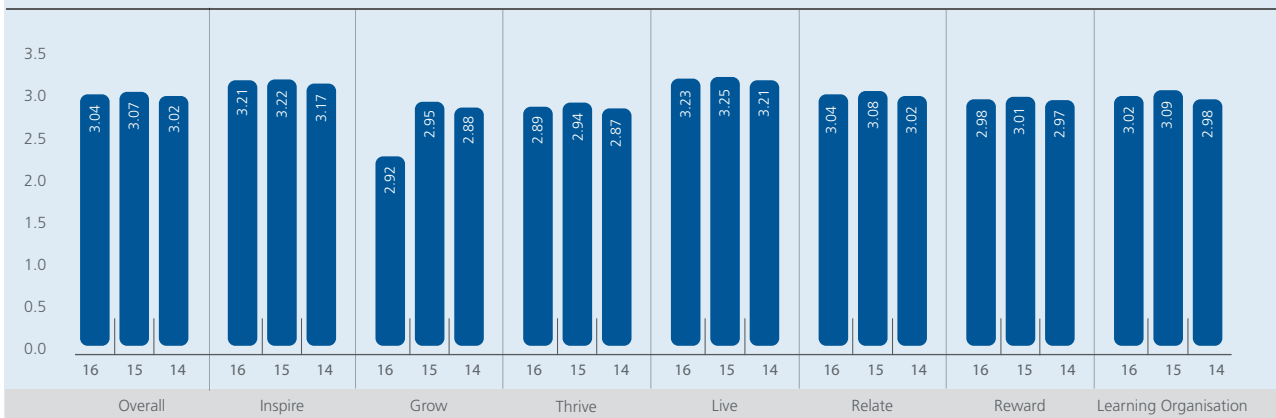
### Employee engagement

Employee engagement and retention is fundamental to our success and is central to people initiatives in the group. It consists of five key elements: meaningful work, hands-on management, a positive work environment, opportunities for growth and trust in organisational leadership.

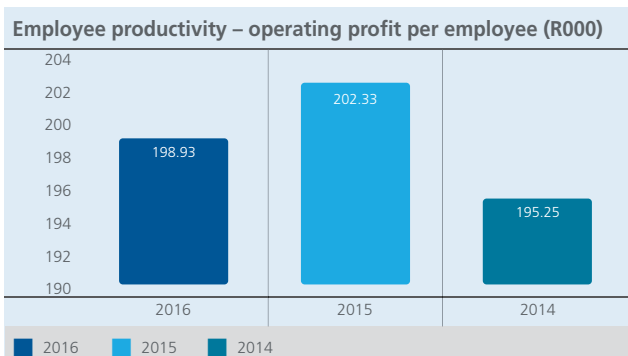
The Individual Perception Monitor (IPM) is conducted every second year. In 2016 all divisions participated in the survey which measures employees' perception of the degree to which they experience the various elements of our employee value proposition (EVP). The survey uses a four point scale with the aim to achieve an overall rating of 3 or better. Our Vision 2020 ambition is to achieve an overall rating of 3.20.

Detailed analysis is undertaken for each dimension to identify the areas for improvement and formulate appropriate responses. There was improvement in some dimensions in 2016, however, the dimensions of "Grow" and "Thrive" remain a challenge for a number of divisions to meet the target rating. This is being addressed with additional focus around management's role in employee development, as well as ensuring career progression and the creation of career opportunities. We are also focusing on leadership and executive development through our formal programmes, and striving to meet the career aspirations of our millennial workforce through appropriate initiatives that include job rotation.

### IPM survey results – Barloworld group



### Employee productivity



We continue to focus on training and development of our people to enhance productivity, notwithstanding tough conditions that from time to time impact productivity.

### Employee remuneration and recognition

The group remuneration philosophy addresses financial and non-financial elements and includes guaranteed pay, short-term incentives, long-term incentives at the senior levels, quality of working life, performance, recognition, development and career opportunities.

Guaranteed pay is generally benchmarked to local remuneration surveys. Analysis is conducted across the group on the gender pay parity. In the main, it was found that there were no structural material differences in remuneration and differences were as a result of skills shortages, speciality skills, tenure and performance.

### Change Maker awards

In line with our Vision 2020 of “inspiring a world of difference” for our stakeholders, Barloworld understands that it is our people that will deliver on this promise. We therefore encourage and affirm behaviours that support this vision.

To that end, our recognition programme both acknowledges change makers in the organisation as well as the diversity of the businesses and related challenges that our people have to address in driving value creation.

Creating value  
for our  
stakeholders

# Creating value for and through our people

## People

### Change Maker Awards 2016

#### Barloworld Equipment – southern Africa

##### Niel Opperman – General Manager: Barloworld Equipment, Kathu

The mining sector globally is under extreme pressure, especially the volatile iron ore market. The result has been numerous retrenchments; but not at Barloworld Equipment's Kathu depot in Sishen.

In a process that highlights the power of employee engagement, Niel Opperman, general manager in Kathu, succeeded in steering the depot through this tough time. With an open door policy and an emphasis on teamwork, Niel proactively engaged employees, encouraging them to come forward with cost saving measures and opened opportunities for employee relocation in response to lower customer demand.

Through full consultation, zero retrenchments and no operational disruption, the region consistently achieved more than 85% productivity in 2016 to date. Further, the region managed to achieve an IPM score of 3.02 despite the ongoing changes.

Through inspirational leadership and personal commitment to Barloworld and its people, Niel has directly impacted the sustainability of the Kathu depot.

Niel continues to successfully steer the depot through the hard times.



#### Barloworld Equipment – Russia

##### Roman Davydov – IT Manager

Roman is a change agent in our business deploying new business processes across departments, challenging the status quo, raising the effectiveness of the business in general and attractiveness to customers.

Roman has been the driving force for deployment of innovative digital platforms for our customers; and his involvement goes beyond infrastructure set up, but includes customer engagement and creative trouble shooting to find the best solution for a given client.

The results of launching platforms have translated in us having many firsts in the CIS region; the first parts online store and sale from parts.cat.com. We are also the first in CIS and worldwide among non-DBS dealers to accomplish integration with the OLG system.

Barloworld Russia are leaders in data exchange with CAT and successfully cooperate with other dealers in extension of technology. We are also the first in BWD to develop a Customer Portal in cooperation with CAT as well as the first to join CAT in the project of parts stock keeping.



## Barloworld Equipment – Iberia

### Jose Ignacio Gil Gomez – Facilities Manager

Jose Ignacio Gil Gomez has always demonstrated a professional style and results orientation; he is also defined as a person with a desire to learn constantly, coupled with good relationship management and communication skills both internally and externally. He is proactive in his actions, with a clear internal customer orientation.

Jose Ignacio leads his team in the projects to revamp facilities located in Barcelona, Sevilla, Puerto de la Luz, Valladolid and Tenerife. This includes branches in Coruna, Oviedo and Bilbao among others. These projects were completed within the set timelines and budget parameters. Apart from allowing the business to improve its service to customers, the renovations allowed for an ergonomically sound work environment to be created for employees, incorporating sustainable technology, realising significant energy savings and complying with ISO 14001 in Central, Arganda Del Rey, La Coruna, Zaragoza, Valencia, Tenerife, Barcelona and Seville.

This will assist in engendering a culture of sustainable and environmentally sound practices.

Another relevant business factor has been undertaken centralising aspects of facility management with consequent savings and improvements in the quality and level of services.

The impact of Jose Ignacio in the facilities area goes beyond the functional and geographical, beyond the designs of facilities, deadlines and budgets for investment limits. It is revolutionising the area of facilities management, for all these reasons he epitomises what makes a change maker.



## Barloworld Automotive

### Avis Car Sales team – KwaZulu-Natal and Free State

In 2010, a change in strategy saw Avis Car Sales begin to evolve, from being the 'orphan' (barely able to break even), to becoming a vibrant, robust, smart and innovative business – and a substantial contributor to the Avis Budget bottom line.

Under the leadership of Akash Ramcharan, Avis Car Sales KwaZulu-Natal has excelled at every level and expanded into five branches (retail and/or trade) in the province. Another branch, Bloemfontein, has been added to Akash's portfolio, while a sixth branch is currently being developed in Durban Central. Each branch is a landmark, strategically situated for maximum visibility, easy access for customers, and prominent brand awareness. The combined KwaZulu-Natal region has grown by 51.7% over the past three years with a customer satisfaction index (independently measured) at above 95% consistently; whilst retail sales hit a record 200 in June 2016.

In the 2016 Individual Perception Monitor (IPM) survey, the region achieved 3.39, with all EVP elements above 3. Overall engagement scores exceeded 3.40, with a 100% participation rate, with talent management an integral part of the business. The region's commitment to diversity and inclusion is reflected in its recent appointments and promotions.

In Akash, we have a young, talented leader who has a bright future within our business. He has led the KZN team to new heights, and continues to inspire each of his managers to want to excel. Despite the responsibilities that come with managing cross-region operations, Akash remains focused, grounded and accessible. He is generous with his time and is readily available as a soundboard, particularly when it comes to finding solutions to challenges and executing new ideas.





# Creating value for and through our people

## People

### Barloworld Logistics

#### The Telkom Contract Team

The team assigned to the Telkom contract adopted a SMART philosophy from the start of the project. This approach enabled business as usual within the operation during the transition, while introducing the Telkom staff to the Barloworld Logistics culture. It takes exceptional teamwork, commitment and a solution driven approach that nurtures collaboration between numerous departments and stakeholders to implement and operate an account successfully.



This is what the Telkom contract team has achieved. During the implementation period of the contract between May 2015 and April 2016, the team implemented an integrated solution comprising all operational service offerings within the agreed 12-month timeline. The contract successfully employed and realigned 242 ex-Telkom employees despite a highly emotive, unionised atmosphere which attracted substantial media attention.

The team implemented a solution that reduced Telkom's operational footprint from 35 sites to 17 including the outsourcing of regional warehousing and distribution to a 3PL service provider. This reduction of footprint required the transfer and consolidation of existing inventory with the value of approximately R800 million, and this was completed with a zero stock loss. A call centre was established in October 2015 to facilitate any problems arising during the transition to the new facilities and of the 1 985 queries handled only 11 of the issues were attributed to Barloworld Logistics. This is testament to the way in which the facility handover was handled by our team.

The contract team is an example of how a SMART solution, implemented by SMART people results in outstanding achievements.

### Barloworld Handling

#### Veronique Grobler – Functional Analyst, IT

Veronique Grobler exemplifies the principles of leadership and represents the Barloworld way through her focus on collaboration, teamwork and excellence in performance and steadfast commitment to internal customer service and her incredible forensic abilities. She achieves this through her deep knowledge of the business and her resultant ability to successfully translate business requirements into system solutions.



She assisted in transitioning the business and users post the restructuring of the division through detailed training and system governance as well as an analytical approach to diagnosing problems and producing logical and practical solutions. She was persistent in finding permanent solutions to identified issues, including the automation of SAP reports that allows resources to be applied more productively.

She drives continuous improvement in performance standards, encourages learning and supports her colleagues to excel in their roles. Her attentive dealing with queries and focus on simpler, more efficient solutions adds to the value that she has created for the business.

Veronique is a true business partner and enabler whose scope is broader than just her immediate team. Her impact crosses geographical and functional borders and her sound commercial acumen and whole-business view has inspired change throughout the entire business.

## Barloworld Power

### Edith Martiz – Senior Procurement Manager

Edith exudes professionalism, integrity and excellence over and above her normal call of duty. This was highlighted when she saved more than R300 000 for the Power business through negotiations with suppliers to absorb excess and redundant stock. Edith is effective and efficient in her day-to-day activities and is truly a sterling example of living the Barloworld values.

The saving was realised after Edith was advised that the stores at Power Boksburg would be writing off a lot of old, redundant and discontinued stock. Not wanting the company to lose money, she took it upon herself to go and look at the stock to see what could be done to recoup at least part of its value.

Stock can only be returned to suppliers for credit in the original packaging. So Edith rolled up her sleeves and started to match up stock with packaging and repackaged all items to their original condition.

This was time-consuming and had to be done outside her normal duties as procurement manager. Once she had returned all items to their original condition, Edith approached the supplier to inspect them and negotiated the return of each item, resulting in full repayment for every part; thus realising the savings with further reductions achieved through the sale of redundant stock and improvements in record-keeping.



## Barloworld Corporate

### Ebrahim Dhooma – Group Financial Analyst

Ebrahim has consistently displayed utmost commitment and effort since he joined Barloworld. His technical skills and talent were put to the test to improve the group's valuation models for new acquisitions including the impairment testing template.

Ebrahim played a significant role in the review of the group strategy process, where he provided additional discretionary effort in the selection of the consulting firm.

His continuous engagements with divisions and his willingness to assist was quickly noticed and he has had periods of secondment to both Equipment and Logistics to assist with various valuations and due diligence projects.

He has played a significant role in developing the group's refreshed strategic plan, including preparation of the strategic plan booklet and presentation to the board. His ongoing engagements with colleagues in divisions is carried out with diplomacy, professionalism and expertise, thereby positively influencing the credibility and efficiency of the process and final plans.

Ebrahim developed the "Lite" version of the integrated financial value model (IFVM), which made the model more accessible to smaller business units within the divisions.



# Creating value for and through our people



## Diversity and inclusion

### Strategic intent

To maintain and enhance our competitiveness, credibility and legitimacy in the eyes of all stakeholders by leading in diversity and inclusion across all of our businesses.

### How we are performing

#### Gender

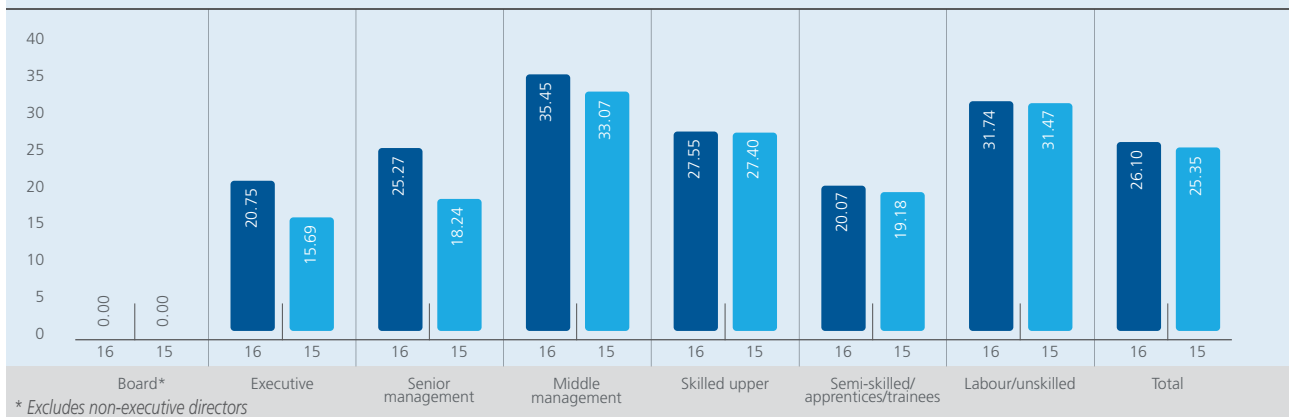
The empowerment of women remains one of Barloworld's top priorities in terms of transformation, and in 2016 we made significant strides towards this objective. Female employees constituted 31.24% of our total recruitment during this period, with 1 087 women recruited into the organisation.

The percentage of women at the executive level climbed to 20.75% – an increase from 15.69% the previous year, while women at senior management improved to 25.27%. Through external recruitment or promotion, 63 women were added to the top three levels of our organisation.

2016 also saw an increase in the number of women at middle management level, from 33.07% to 35.45%.

Sources of value and benefits for employees	Benefits for Barloworld
Strong leadership commitment	Enhanced reputation
Representative demographics	Diverse talent pool to draw from
No unfair discrimination	Richness of innovative ideas
Career development and advancement	

Females as percentage of total headcount



### Women in Leadership Development Programme

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

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

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

### The Barloworld Transport Training Academy

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

Numerous learnership and apprenticeship programmes are available through the academy for both employed and unemployed learners throughout southern Africa, one of them being the professional driver learnership programme (PDLP). The objective of the PDLP is to equip learners with theoretical and practical work experience that will enable them to develop tangible skills that are employable and income-generating.

The academy has spearheaded a first-of-its-kind PDLP for women drivers and is currently progressing through the final stages of the immensely successful programme for 43 women. Enrolment is under way for a further 40 women to be incorporated into the programme at the end of August 2016.

Three female learner drivers who embarked on the 2015/2016 learnership programme spoke positively of their experiences.

Nonhlanhla Ngubane, 35, said: "I heard about the learnership from my mother and decided to pursue it. I already have my Code 14 driving licence and although nervous at first, I am now determined and motivated to take on challenges. There were certain driving rules that I was previously ignoring and which the learnership programme has helped me rectify. I am now more observant, mindful, patient and accountable. Most rewarding is the fact that my children, aged 12 and 17, look up to me as a rolemodel."

Patricia Mbambo, 36, said: "The learnership programme has equipped me with a wealth of knowledge and I have been taught the ropes of truck driving well. I am proudly the first female truck driver in Mpendle, a small town west of Pietermaritzburg, and previously worked as a chef. My passion for the transport industry is deep and trucks are always a topic of conversation."

Lindiwe Myakayaka, 37, said: "With my Code 10 licence, I sought experience as a professional driver. I now comfortably drive a superlink, thanks to the learnership programme. Prior to being a truck driver, I was a fire fighter for two years. The programme has taught me the 'ABCs' of trucking – Attitude, Behaviour and Clear Space. When applying these principles on the road, I am able to quickly identify hazards; predict threats; ignore negative behaviour and keep a safe following distance."

To qualify for the learnership programme, a compulsory grade 12 certificate is required and applicants are subjected to reference checks and medicals.

# Creating value for and through our people

## Diversity and inclusion

### Race

In our South African operations, the number of African, Indian and Coloured (AIC) employees grew to 72.28%.

There was an AIC improvement at the executive level from 34.21% to 40.00%, while senior management level AIC increased to 29.58% from 23.77%.

Overall AIC number of employees within our South African operations grew by 1 199 (11.27%).

Employees by ethnic background – South Africa	2016			2015		
	AIC**	White	Foreign nationals	AIC**	White	Foreign nationals
Board*	1	3	0	1	3	0
Executive	16	24	0	13	24	1
Senior management	42	100	0	29	90	3
Middle management	804	1 124	12	787	1 148	13
Skilled upper	5 155	2 420	67	4 892	2 416	47
Semi-skilled/apprentices/trainees	5 055	450	327	4 622	422	290
Labour/unskilled	760	5	7	290	1	3
Subtotal	11 833	4 126	413	10 634	4 104	357
<b>Total per category</b>	<b>16 372</b>			<b>15 095</b>		

\* Excludes non-executive directors.

\*\* AIC – African, Indian, Coloured.

2015 reporting format changed to show foreign nationals separately.

### Broad-Based Black Economic Empowerment (B-BBEE)

As strategic pillars of our organisation, diversity and inclusion are key objectives on which Barloworld will remain focused. Having consistently ranked among South Africa's top empowered companies, Barloworld has been ranked in the top 20 overall among the top 100 JSE-listed companies by an independent survey. As an organisation, we will continue driving empowerment within the group.

#### SA business unit

B-BBEE LEVEL*	2016	2015	2014
Equipment	3	2	2
Handling	3	2	2
Car Rental	3**	2	2
Motor Retail	3**	4	3
Avis Fleet	2	4	2
Logistics	2	2	2
Corporate	2	2	2
Siyakhula	3	1	1
Barloworld Limited	3	2	2

\* 2016 B-BBEE ratings were done under the revised dti Codes of Good Practice, which are more stringent than the previous codes used in 2014 and 2015.

\*\* Rating under Barloworld Limited.

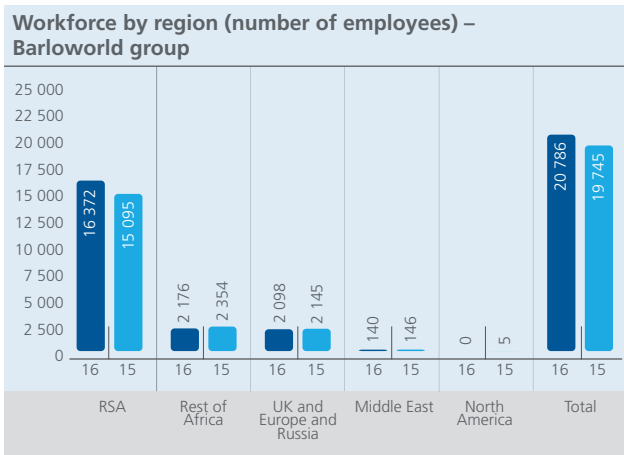
## Localisation of employment

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

The percentage of expatriates reduced from 1.32% to 1.15%.

Employees by gender and level	Global breakdown 2016			Global breakdown 2015		
	Male	Female	Total	Male	Female	Total
Board*	5	0	5	5	0	5
Executive	42	11	53	43	8	51
Senior management	136	46	182	139	31	170
Middle management	1 597	877	2 474	1 684	832	2 516
Skilled upper	7 428	2 825	10 253	7 311	2 759	10 070
Semi-skilled/apprentices/trainees	5 580	1 401	6 981	5 300	1 258	6 558
Labour/unskilled	572	266	838	257	118	375
<b>Total per category</b>	<b>15 360</b>	<b>5 426</b>	<b>20 786</b>	14 739	5 006	19 745

\* Excludes non-executive directors.



## Supporting Vision 2020

Our 2020 targets remain in place and we will continue focusing on implementing all aspects of our IEVM which include:

- Attraction and retention of employees to meet our growth ambitions
- Zero work-related fatalities and a reduction in lost-time injury frequency rate
- Improvement in the employee engagement score of our IPM survey
- Increasing the operating profit per employee ratio through training, development and efficient work programmes
- Increasing the direct training spend per employee to enhance their effectiveness
- Driving our diversity and inclusion programme to achieve the targeted levels:

- › Increase the percentage women of total headcount
  - › Increase the percentage women in management levels
  - › Improving representation of AIC employees as a percentage of total headcount as well as at management levels in South Africa
- Create an inclusive culture across the group that supports talent management and innovation.

We understand that the enduring competitiveness of the group, and our ability to achieve our Vision 2020 ambitions, rests with our people. Through the purposeful implementation of our IEVM we will ensure that we are able to attract, develop and retain the people we need to achieve our Vision 2020 and create shared value for our stakeholders into the future.

## 2017 outlook

In 2020, millennials will comprise over 50% of the workforce and we have identified a number of key initiatives to attract and retain this talent. These are currently being investigated further and centre around talent hubs, flexible packages, HR applications on mobile devices and mentorship programmes.

The weighting of guaranteed pay against long-term incentives will be reviewed to drive behaviour that promotes the key priorities identified for the year and to ensure better alignment in accordance with the strategic intent of creating shared value for stakeholders.

Our leadership ethos of coaching and development will focus our efforts on creating an “inclusive” culture for all Barloworld employees. The programmes currently in place on coaching and mentoring will be extended to lower levels in the organisation.





# Communities

With sustainable development as one of our SFAs, we strive to reduce our environmental footprint and offer solutions that assist customers to achieve their sustainability-related ambitions and, through responsible and ethical business practices, be a respected member of society in the communities where we operate.

## Creating value for our communities

### Sustainable development

- Value created and material themes
- Responsible value chain
- Reducing our environmental footprint
- Our performance during the year
- 2017 outlook

### Respected corporate citizenship

- Value created and material themes
- Aligning to global and national development imperatives
- Our performance in corporate social responsibility
- 2017 outlook



# Creating value for our communities



## Sustainable development

### Strategic intent

To lead in sustainable development through respectable corporate citizenship and by delivering products, services and solutions that generate sustainable outcomes and realise commercial opportunities for revenue enhancement and cost savings.

### Value created and material themes

We are committed to “inspiring a world of difference” and supporting organisational resilience in the context of increasing environmental awareness, climate change, rising costs, regulatory requirements, concerns for natural resources, commitment to being a respected corporate citizen.

Sustainability is integrated in our day-to-day operations and in our innovative product and service offerings. This aligns to the group’s shared value philosophy that strives to achieve a balance of environmental stewardship, social responsibility and economic growth. 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 and other stakeholders.

The focus of this section is on our value chain, environmental stewardship and our role in communities.

Value for our environment	SFAs addressing value for our environment	Material themes addressed by our SFAs
<b>Conducting business in an environmentally responsible manner</b> <ul style="list-style-type: none"> <li>– Energy, emission and water efficiency improvements</li> <li>– Responsible supply chain management</li> <li>– Responsible waste management</li> <li>– Adoption of renewable energy</li> <li>– Reducing consumption of non-renewable resources</li> <li>– Offering innovative customer solutions that assist customers’ sustainability</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– Diversity and inclusion</li> <li>– <b>Sustainable development</b></li> <li>– Innovative customer solutions</li> <li>– Profitable growth</li> <li>– Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>– Responsible value chain</li> <li>– Non-renewable energy consumption</li> <li>– Renewable energy consumption</li> <li>– Greenhouse gas emissions</li> <li>– Water stewardship</li> <li>– Waste management</li> </ul>
<b>Impact on the capitals</b>	Limiting the impact of our own and our customers’ operations on the environment through efficient consumption of natural capital	
<b>Impact on the environment</b>	Preservation of natural resources and reduction in their depletion through the management of operations in an environmentally responsible manner	
<b>Engaging the environment</b>	<ul style="list-style-type: none"> <li>– Engagement with customers to understand their sustainability needs through key account representatives</li> <li>– Participation in industry bodies focused on the environment</li> <li>– Internal ambitions and targets</li> </ul>	

Creating value for our stakeholders

# Creating value for our communities

## Sustainable development

Underscoring our commitment to sustainability our performance against environmental, social and governance (ESG), Barloworld is included in the following indices during the financial period:

**FTSE/JSE Responsible Investment Top 30 Index.**  
**One of 12 South African companies on the Dow Jones Sustainability Emerging Markets Index.**

### Responsible value chain

Given our core values, it is important to align ourselves with a robust supply chain, responsible leading principals and OEMs.

Underpinning our relationships throughout our supply chain are values of mutual respect, trust, support and benefit, guided by our governance and ethical frameworks. The group has developed a set of conduct criteria and standards for suppliers which form part of our supplier due diligence initiative aimed at assessing and limiting any potential risks emanating through our supply chain. Our commitment is also reflected in our Worldwide Code of Conduct.

Integral to our value chain is our commitment to being a leader in sustainable development and identifying competitive advantages through solutions that help customers achieve their sustainability objectives, facilitate a transition to lower carbon economies and expand into related opportunities.

A key socio-economic driver within the South African context is integrating previously disadvantaged groups into the economy. Aside from our OEMs, we support and empower a range of small and medium-sized suppliers, contractors and enterprises in our supply chain, through our South African-oriented enterprise development initiatives and preferential procurement programme. We are committed to the localisation and empowerment of our supply chain where practicable, and have completed a number of supplier development interventions and engagements in South Africa over the past year.

To extend our supplier diversity and empowerment objectives, the group collaborated with the South African Department of Trade and Industry (dti) in 2016 to establish a supplier incubation hub that will further develop small and medium-sized suppliers.

### Responsible principals

Barloworld represents leading international OEMs and brands such as Audi, Avis, BMW, Budget, Caterpillar, Ford, General Motors, Hyster, Jaguar Land Rover, Massey Ferguson, Mazda, Mercedes-Benz, Toyota, Volkswagen and others. The group is therefore part of supply chains that reflect international best practice in the manufacture, sale, service, support and disposal of products. These standards are complemented by Barloworld's own ethics, values and standards. We are committed to working with suppliers to assist our customers to meet their objectives and to enhance their competitive position. We review our principals for sustainability-related risks and a number are included on sustainability-related indices, further supporting their reputation as responsible companies. We are aware of the well-publicised Volkswagen (VW) and Audi emission issue affecting customers internationally. We recognise the associated risks and are engaging with our principal. The VW and Audi vehicles sold in our dealerships meet local emission compliance standards and our operations have consequently not been directly impacted. The uncertainty and anxiety caused to our customers and any other stakeholders is regretful.

### Products and services

Innovative solutions offered by Barloworld contribute towards customers achieving their own sustainable development objectives. Divisional offerings enable vehicles, plant and equipment solutions to be sold either new or used, or leased on a short or long-term basis.

Our Power division has also expanded its offerings to include solar photovoltaic (PV) solutions which help the group and our customers meet respective sustainability imperatives. Incorporated within the Equipment division is a significant component rebuild programme, which aligns with our responsible waste management and minimisation objectives. This business model ensures efficiencies and synergies throughout the lifecycle of vehicles, plants and equipment and extends the useful lives of these products.

Barloworld Logistics offers a range of supply-chain optimisation products, including energy-efficient transport solutions that reduce carbon footprints. SmartMatta, an environmental solutions company that offers waste management solutions to support both internal and customers' responsible waste management objectives, was acquired in 2015.

All businesses are appropriately leveraging technology to optimise their solutions offerings. Online business initiatives and platforms in all business units enhance the coverage, efficiency and effectiveness of our solutions.

 **PR1 to PR9, HR4 to HR7, HR10, HR11**

 **Barloworld Awards 2016**

 **Barloworld Worldwide Code of Conduct**

### Customer health and safety

Critical to all Barloworld products, services and customer solutions, is the health and safety of our customers. In representing leading global brands, our customer solutions are backed by warranties, guarantees and product responsibility, as well as unique design features that target optimum user safety and productivity.

### Customer satisfaction

Our ability to identify and understand customers' requirements, expectations for products, services and service levels, combined with our capability to consistently exceed these have been central to building customer loyalty and expanding our customer base. Extensive customer engagement and monitoring initiatives are in place at all divisions to assess customer perspectives and needs.

Stringent measurement and survey systems, as well as targets and, in some instances, agreed performance measures are among such engagement and monitoring initiatives. Performance against defined objectives is monitored and reviewed to highlight areas for attention, direct operational activities and inform strategy.

### Marketing communications

Group standards ensure that all marketing and advertising conforms to applicable laws and standards, including the corporate identities set by principals. These are detailed and comprehensively monitored by Barloworld divisional operations and their principals, who provide prior consent for any local adaptations. We are also guided by standards set by industry bodies.

### Reducing our environmental footprint and managing our impact

Barloworld is committed to responsible environmental stewardship and minimising our environmental footprint. These aspects underpin the group's response to climate change and are incorporated into sustainable development, which is one of the group's six strategic focus areas, with sustainability identified as one of the group's five core values in our Worldwide Code of Conduct.

We recognise that some of our activities have certain adverse environmental impacts, such as those associated with the use of fossil fuels, and therefore mitigation measures are integrated into our operational management systems and

customer offerings. We mainly represent OEMs and recognise the environmental impact from the manufacture and use of our vehicles, plant and equipment. As a responsible corporate citizen, we engage our suppliers and customers in striving to achieve the highest environmental standards.

Our key areas of monitoring and management are:

- Energy consumption
- Greenhouse gas emissions
- Water stewardship
- Waste management
- Spills

### Policies

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

### Overview of environmental risk management and responses

Environmental risks are identified and assessed through:

- A high level risk assessment (HLRA) which takes place twice a year and considers all risk exposures facing the group. HLRAs are held at both divisional and group levels. Material risks and management responses are disclosed in the group's reported risk matrix
- Focused risk assessments are conducted annually to identify and assess both risks and opportunities around climate change and water. Material aspects are disclosed in Barloworld's 2016 CDP Climate Change Disclosure and 2016 CDP Water Disclosure. These risk assessments are aligned to the HLRA approach and the group's risk management framework.

 **Barloworld environmental, energy efficiency, climate change, waste management, water use and management policies**

 **Barloworld 2016 CDP climate change and CDP water disclosure responses**

 **External certifications and accreditations coverage 2016**



# Creating value for our communities

## Sustainable development

### Key indicators

Data collection is designed to enhance the management and reporting of material environmental indicators that require managerial attention. To enhance the efficiency and credibility of reported sustainability data, three reporting systems were implemented during the financial period.

#### Energy and emission conversion factors

Marking the start of a new target period, Barloworld has updated all energy and carbon emission equivalent conversion factors in the financial period. These updated factors have been reviewed by the group's external assurance provider, who also assured the calculations methodology and output.

As a result of the changes, our baseline and overall non-renewable energy (GJ) reduced by 6% and emissions (tCO<sub>2</sub>e) (scope 1 and 2) reduced by 11% for each of the respective periods.

The new conversion factors and related impacts are available online at [www.barloworld.com/sustainability/policies-and-disclosures](http://www.barloworld.com/sustainability/policies-and-disclosures).

### Monitoring and management

Reported environmental data is used in the daily management of the company. A quarterly safety, health and environment (SHE) report reflecting material and relevant group aspects are reported at board level through the risk and sustainability committee.

Three lines of control exist for data collection and reporting processes, namely management review, internal and external audits.

Barloworld group's internal audit service reviews reporting processes throughout the year and selected material indicators are assured by the group's external auditors at financial year-end.

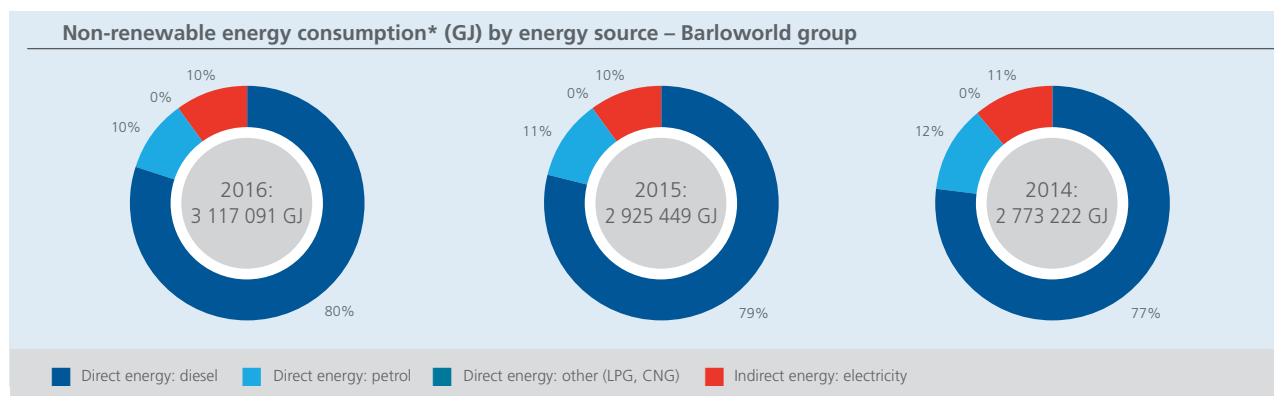
To enhance the credibility of environmental disclosures and to align governance processes between financial and non-financial disclosures, material non-financial indicators are tabled at the divisional and group audit committees.

Aspirational group targets are set for the end of our 2020 financial period. While progress against targets may not be linear over the target period, this is monitored and disclosed.

### Our performance during the year Non-renewable energy consumption

In light of increasing energy costs and energy supply challenges, the group has adopted the measure, avoid, reduce, switch and offset (MARSO) approach to meet our energy and emissions efficiency improvement objectives. Some of our operations are entering MARSO's switch phase and have begun implementing solar PV solutions, which will counter increasing energy costs, reduce reliance on the electricity grid and improve our carbon footprint.

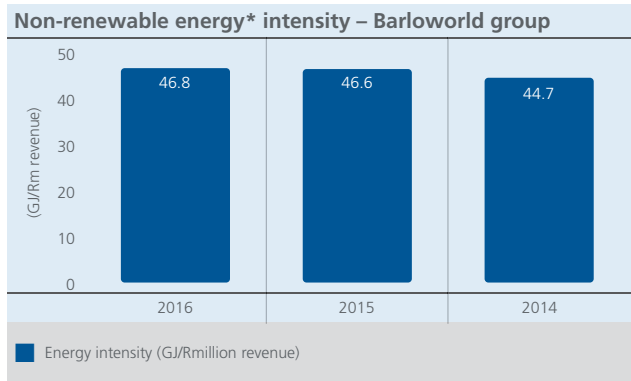
Barloworld recognises the economic importance and environmental relevance of non-renewable energy consumption and strives to improve the group's efficiency and consumption patterns.



\* Excludes energy from rental fleets.

Energy consumption was 7% up from 2015.

**Performance against group aspirational non-renewable energy efficiency target**



\* Excludes energy from rental fleets.

The group’s aspirational target of a 10% efficiency improvement to be achieved by the end of our 2020 financial period represents a non-renewable energy intensity of 42.0. The current intensity is 46.8.

**Renewable energy consumption**

**Performance against group aspirational renewable energy target**

Our aspirational group target is to have 2 000 MWh or more renewable energy consumption by the end of our 2020

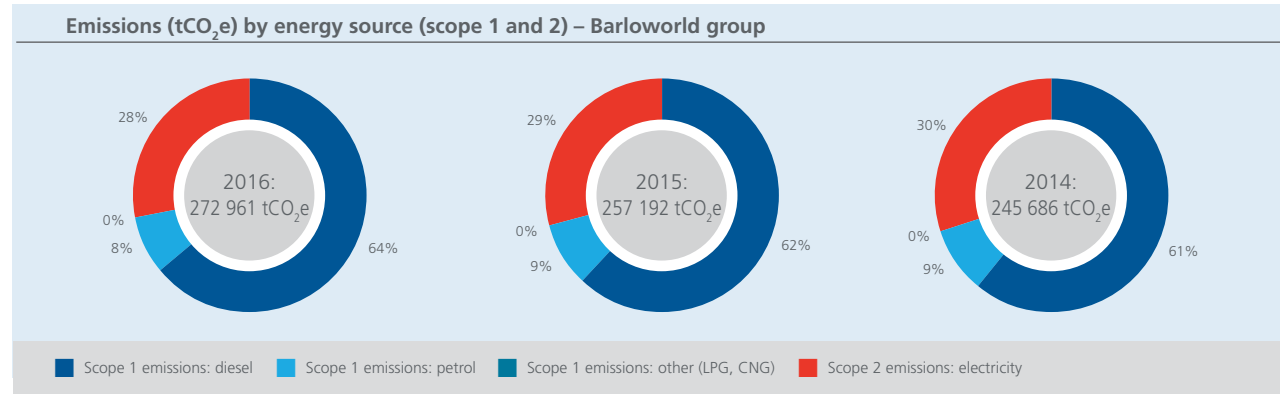
financial period. Progressing towards this target, a 300 kW (peak) solar PV application was installed at Equipment’s Isando site towards the end of the period.

This has produced some 90 MWh of renewable energy by the end of the reporting period.

There are a number of such installations anticipated for the upcoming financial period, including a 600 kW (peak) installation at Equipment’s Boksburg campus.

**Greenhouse gas emissions**

We remain concerned about climate change and the impact of greenhouse gas emissions on global warming. While emission restrictions and proposed carbon taxes pose risks to Barloworld and our value chain, including our customer base, these also present opportunities, such as increased demand for products and solutions with limited or reduced carbon emissions, as well as implementing internal initiatives to further improve energy and emissions efficiency with related cost savings. The group continues to report greenhouse gas emissions in terms of the GHG Protocol Corporate Standard and in units of tCO<sub>2</sub>e, the universal unit measure adjusted for the global warming potential of the six Kyoto Protocol greenhouse gases. Emissions from customer use of our rental fleets are classified as scope 3 emissions.

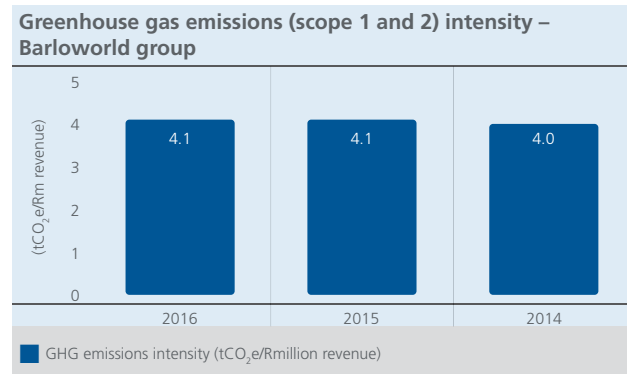


Aligned with the increase in energy consumption, group emissions were 6% up from 2015.

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

**Performance against group aspirational greenhouse emissions (scope 1 and 2) efficiency target**

Our emission patterns follow those of our energy consumption.





# Creating value for our communities

## Sustainable development

The group's aspirational target of a 10% efficiency improvement to be achieved by the end of our 2020 financial period, represents an emissions (scope 1 and 2) intensity of 3.7. The current intensity is 4.1.

### Scope 3 emissions

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

Car rental operations in South Africa produced 105 179 tCO<sub>2</sub>e (2015: 99 162 tCO<sub>2</sub>e), an increase of 6% from 2015. This figure has been included in our external assurance review for the first time this year. Over 2015, emissions intensity per rental day increased marginally while emissions intensity per kilometre decreased marginally.

We intend to report emissions from other significant rental fleets. These processes are being refined and disclosure will be considered in due course.

### Water consumption

Despite being a limited consumer of water, Barloworld recognises how scarce water is and strives to use it efficiently and responsibly. Increased water recycling, rain-water harvesting and efficiency of use are among the water stewardship initiatives we have implemented within the group. Water withdrawal from municipal sources (788 ML) is 6% up on 2015.

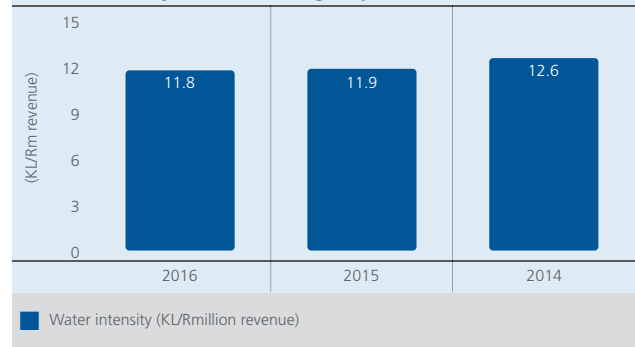
Water is predominately used to wash vehicles, plant or equipment and is sourced from municipal and local government supply systems. All withdrawn water is discharged back into municipal and local government systems, after passing through filtration and separation processes.

Overall, 17.2% (2015: 20.2%) of water was recycled in the group, with Automotive recycling 34% and Equipment operations in Iberia recycling 7% of their reported volume of withdrawn water.

No protected areas were affected by water discharges from the group, nor were any water sources affected by our withdrawal of water in the past year.

### Performance against group aspirational water efficiency target

#### Water intensity – Barloworld group



In absolute terms the group's aspirational target of a 10% efficiency improvement to be achieved by the end of our 2020 financial period, represents an intensity of 10.7. The current intensity is 11.8.

### Waste management

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

#### Waste by category – Barloworld group



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

Initiatives implemented resulted in reduced paper waste volumes, increased road transportation activities, including acquisitions, impacted tyre waste volumes.

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

An important aspect of our waste management and product lifecycle stewardship is extending product use or life. We make the most significant contribution through the rebuilding and remanufacturing of machines and components. In Caterpillar operations, these processes require about 50% to 60% less energy by reusing approximately 85% to 95% by weight of materials from the original product. Most waste generated within the group is recycled.

**Performance against group aspirational waste management targets**



The group’s aspirational target is to have 100% of our waste disposed of by formal waste management providers by the end of our 2020 financial period. Some remote locations face a challenge in accessing formal waste service providers.

**Spills**

While there were no significant spills during the period, there were a number of minor spills which were properly attended to. In all instances our internal response mechanisms and processes functioned as intended.

**2017 outlook**

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

We appreciate the importance and responsibilities relating to our supply chain and will continue our initiatives to better understand, assess and respond to any identified risks and opportunities within our supply chain.

Consistent with our stakeholder engagement activities, we will continue to engage with our OEMs and customers to identify and provide solutions that assist our customers in achieving their sustainable development objectives.

We will continue to explore commercial opportunities which address our sustainable development objectives and shared value vision.

Compliance requirements, our Worldwide Code of Conduct, national objectives and our 2020 aspirations will inform our activities going forward.

# A world of difference is a world inspired.

Inspired to reduce our environmental impact through sustainable business practices and to provide innovative customer solutions.

By installing 300 kWp of our Barloworld Power solar PV solutions at Equipment operations in Isando, the difference we make:

- 47 237 kWh of renewable power produced per month.
- Estimated R793 590 saving on our energy bill annually.
- 594 tonnes of carbon emissions saved every year.

It is not just innovative solutions we see, but rather the difference to sustainability we can make with them.

*Perspective makes a world of differences. And so do we.*



For more information, please visit <http://www.barloworld.com/world-of-difference>  
For enquiries contact 0860 898 000 or [sales@barloworldpower.com](mailto:sales@barloworldpower.com)

 @BarloworldLtd



**Sustainable development**



**Barloworld**  
Leading brands

# Respected corporate citizenship

## Value created and material themes

Barloworld's commitment to positive social change is seen in our involvement in community development interventions that enhance education, health, economic inclusion, diversity and the environment. We have continuously invested in these areas through strategic partnerships with broader civil society, non-profit organisations (NPOs), our customers and government entities as we strive to inspire a positive change in the world.

Value for our communities	SFAs addressing value for our communities	Material themes addressed by our SFAs
<ul style="list-style-type: none"> <li>– Sustainability and ethics</li> <li>– Community empowerment</li> <li>– Employment creation</li> <li>– A preferred company to work for</li> <li>– Engagement on and awareness of societal issues</li> <li>– Development partnerships</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– Diversity and inclusion</li> <li>– Sustainable development</li> <li>– Innovative customer solutions</li> <li>– Profitable growth</li> <li>– Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>– Respected corporate citizenship</li> </ul>
<b>Impact on the capitals</b>	Enhancement and building of our social and relationship as well as human capital, affording us the licence to operate, do business in and draw skills from the communities where we operate	
<b>Impact on our communities</b>	Social and economic development of communities in which we operate	
<b>Engaging with our communities</b>	<ul style="list-style-type: none"> <li>– Participation in social initiatives and support for community projects</li> <li>– Partnerships with NPOs on issues impacting communities</li> <li>– Funding and collaboration meetings</li> <li>– CSI conferences and workshops</li> <li>– Engagement with the public sector on specific social development programmes</li> </ul>	

Sources of value and benefits for communities	Benefits derived for Barloworld
Social cohesion and stability	Social relevance that gives licence to operate through good corporate citizenship
Addressing inequality through economic advancement, participation and inclusion	A stable environment in which to conduct sustainable business
Education initiatives that drive systemic improvements in educational outcomes contributing to the national skills pool	A diverse and inclusive workforce that contributes to innovation
Empowerment through various educational interventions	The ability to draw requisite skills from the communities in which we operate
	Positive perceptions of both internal and external stakeholders



# Creating value for our communities

## Aligning to global and national development imperatives

Our efforts across the group to deliver social value are aligned to the Sustainable Development Goals at the global level as well as the national imperatives of the countries in which we operate, including South Africa's National Development Plan 2030 framework.

Barloworld understands the benefits of an inclusive society in creating shared value that results in economic growth and sustainable livelihoods. The majority of our investments are through partnerships with likeminded organisations and stakeholders to make optimum use of finite resources and maximise delivery for the local communities in which we operate.

Partnering with the public sector and communities Barloworld has aligned our social development programmes with public sector initiatives, which include:

### Jozi@Work

In collaboration with Avis Fleet, Barloworld Siyakhula has been assigned as a capability support agent with the City of Johannesburg's Jozi@Work job creation initiative. As a project partner, Siyakhula provides small business training and diagnostic services, development support, mentoring and advisory services to the SME beneficiaries, in addition to project management support.

### Sunflower Revitalisation Project

Sunflowers are benefiting smallholder farmers and the wider AmaHlubi community in South Africa's North West province. In an agricultural partnership with the AmaHlubi, Barloworld has supplied tractors and equipment at discounted prices and warranties, trained 10 machine operators and drafted a mechanisation and service plan for the first 500 hectares of sunflower production. In addition to creating jobs and improving the overall wealth of the community, five primary schools, three high schools, five clinics and a tribal office have been built so far with income from the community's sunflower fields.

### The Barloworld Trust

The Barloworld Trust social investment approach continues to support development initiatives, with a particular focus on building capacity and partnering on innovative projects to improve education outcomes for local communities, especially young people. In South Africa, these CSI initiatives are aligned to B-BBEE socio-economic development (SED) imperatives.

The trust committed more than R149.5 million over the past 10 years. Some of the areas of investment include:

#### – Education

Barloworld is committed to continued investment in education – from early childhood and beyond – to help address the skills shortage in South Africa.

Our education investment encompasses support for early childhood development; improving teaching and learning outcomes, particularly in the core subjects of mathematics, science and language proficiency at primary and secondary levels; and facilitating access to tertiary education for underserved and/or marginalised communities.

Through our continued involvement with and support of Enactus, a global community that harnesses the social entrepreneurial skills of university students to drive community-based projects, Barloworld is able to positively impact and strengthen local communities and build leadership capacity for the students as they embark on their journey to the world of work or entrepreneurial ventures.

Barloworld also supports programmes to develop leadership skills for young people to nurture future leaders.

#### – Environment

Not only is Barloworld committed in minimising our own environmental impact, we also support the work of environmental organisations such as the Endangered Wildlife Trust (EWT) and the Worldwide Fund for Nature South Africa (WWF). The former champions the conservation of threatened wildlife species and habitats in southern Africa and the latter strives to create awareness of, and eliminate, the degradation of the earth's natural environment.

#### – Employee Volunteer Programme

Barloworld encourages active citizenship and volunteerism by employees around the world, to make a difference in their communities and within their spheres of influence. On Mandela Day, our employees supported Stop Hunger Now, an organisation that provides nutritious meals to vulnerable children, by contributing to a meal packing initiative whose overall target was to provide three million meals to 56 000 beneficiaries across South Africa.



## Stop Hunger

### Twenty-three teams volunteer to fight hunger

Twenty-three Barloworld teams made up of 20 members each joined thousands of other Stop Hunger Now volunteers to successfully pack meals for needy beneficiaries in commemoration of Mandela Day. The target for the day was set at 800 000 meals, which was well surpassed.

For the second year running, Barloworld’s employees devoted their 67 minutes – and more this July, to pack meals as part of Stop Hunger Now’s “Stop Hunger on Mandela Day” project.

Barloworld regularly partners with global non-profit organisations such as Stop Hunger Now SA to make a difference to the plight of those living with chronic hunger as we strive to be responsive to the needs of the communities where we do business.

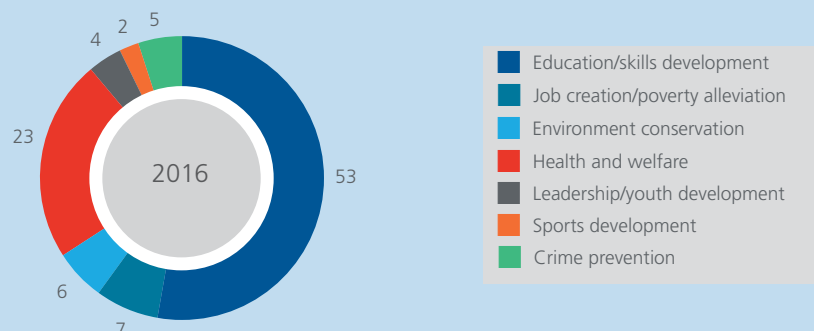
A human production line of 20 people per workstation was assembled to pack the meals, which contain rice, soya, a mix of dehydrated vegetables and a nutrient sachet, produced by Heinz, containing a hearty 23 vitamins and minerals.

At Barloworld we believe employee volunteering contributes to positive action, as well as to the teamwork and camaraderie that takes place when people have a common purpose and are proud to be a part of an initiative and partnership to highlight issues of food security and global hunger.

Creating value for our stakeholders

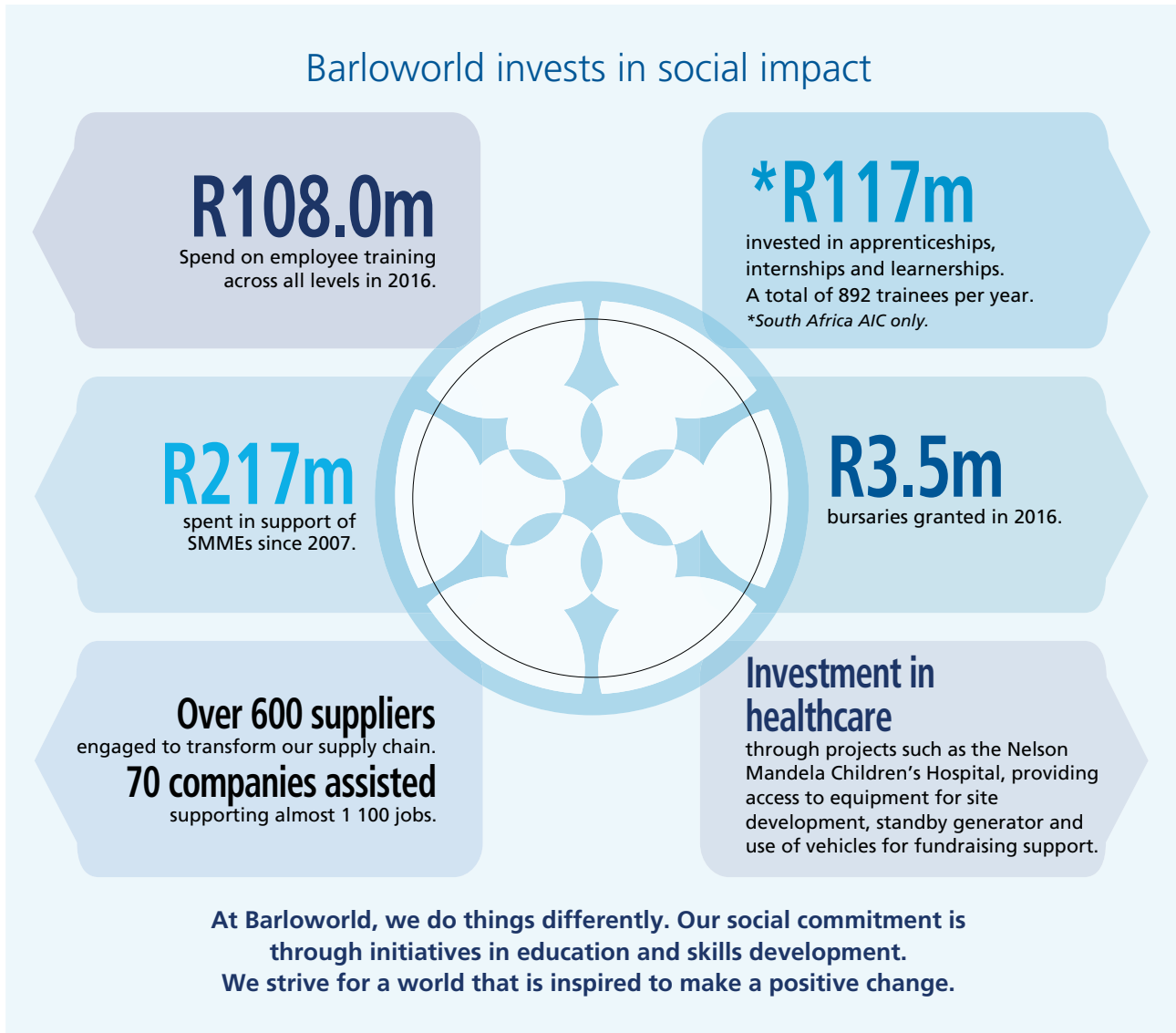
## Our performance in corporate social investment

2016 group CSI spend per sector (%)  
R16.8 million (2015: R16.6 million)





## Creating value for our communities



### 2017 outlook

In striving to be a good corporate citizen, Barloworld remains committed to creating shared value for stakeholders through inclusive opportunities that create pathways to sustainable livelihoods.

This is made possible by contributing to enhancing the quality of education and improving learner outcomes in early childhood development, primary and high school levels. Investing in programmes that provide access for young

people to participate in the mainstream economy including focus on social entrepreneurship.

We will also focus on conducting an impact assessment on key projects as part of our quest to realise real outcomes from our CSI partnerships and interventions. The group is also working on a community engagement framework that will inform and guide both the group and divisional community outreach initiatives.

# A world of difference.


At Barloworld, we do things differently.

- Inspire innovation to drive our business.
- Grow smart ideas by incubating future business leaders.
- Help build on education and skills development by bringing innovation to life.
- Drive entrepreneurship that supports job creation and sustainability.
- Strive for a world that is inspired to change perspective.
- It is not just innovation we see but the difference we can make with it.

*Perspective makes  
a world of difference.  
And so do we.*



Enactus South Africa.

For more information, please visit  
<http://www.barloworld.com/world-of-difference>  @BarloworldLtd



Creating value  
for our  
stakeholders



**Barloworld**  
Leading brands





# Customers

With innovative customer solutions as one of our SFAs, we strive to achieve market leadership by delivering solutions that help our customers succeed.

## Creating value for our customers

- Innovative customer solutions
- Value created and material themes
- Meeting evolving customer needs
- Technology-enabled solutions
- Customer loyalty
- 2017 outlook



# Creating value for our customers



## Innovative customer solutions

### Strategic intent

To drive market leadership by ongoing transformation of our business model from product-focused to service and solutions-focused, leveraging technology to deliver productivity and performance benefits to our customers.

### Value created and material themes

Our businesses range from business-to-business in our Automotive, Equipment, Handling and Logistics operations, to business-to-consumer in the Automotive businesses of Avis Budget Car Rental and Motor Trading. The needs of both types of customers are met through the principle of understanding customer needs through engagement, and meeting these through our mission to deliver innovative solutions for exceptional customer performance.

Value for our customers	SFAs addressing value for our customers	Material themes addressed by our SFAs
<ul style="list-style-type: none"> <li>– Innovation and integrated solutions that meet customer needs</li> <li>– Operational excellence to improve customer experience</li> <li>– Improved customer service and value proposition</li> <li>– Partnership relationship</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– Diversity and inclusion</li> <li>– Sustainable development</li> <li>– Innovative customer solutions</li> <li>– Profitable growth</li> <li>– Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>– Technology enabled solutions</li> <li>– Customer loyalty</li> </ul>
Impact on the capitals	– Enhancement of our <b>manufactured and intellectual</b> capital through investment in our facilities and technology to drive delivery of our solutions and value proposition	
Impact on our customers	– Enhancing our customers' success by providing them with innovative and environmentally sound solutions they require to remain competitive and meet their own sustainability objectives	
Engaging with our customers	<ul style="list-style-type: none"> <li>– Visits and feedback by appointed representatives (key account management)</li> <li>– Telephonic and email communication</li> <li>– Call centres</li> <li>– Group website and emails</li> <li>– Independent complaints channels</li> <li>– Direct marketing</li> <li>– Customer satisfaction surveys</li> <li>– Quarterly customer forums</li> </ul>	

Creating value for our stakeholders

# Creating value for our customers

## Innovative customer solutions

### Meeting evolving customer needs



### Sources of value and benefits for customers and Barloworld

#### Technology-enabled solutions

- Real-time fleet management through connected assets
- Reducing of operating costs
- Big data and predictive analytics
- Developing customer insights that drive productivity
- Safety and sustainability benefits

#### e-Business

- Customer portals to facilitate seamless online transactions
- Online marketing and lead management for faster response
- Mobile and social media strategy to increase interactions and customer feedback

#### Collaborative solutions

- Alliances to expand product and service offerings
- Alignment with principals to improve customer experience
- Integrated solutions from a trusted partner and adviser

#### Ownership to usership

- Motor vehicle and fleet management solutions in the automotive space
- Rental solutions in mining, construction and power

### Technology in action

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

On the TES front, there has been a strong focus on connecting customer assets which has resulted in a 465% increase over the last three years, representing more than a quarter of the total Caterpillar fleet. This growth has consistently exceeded Caterpillar targets in all territories. The data generated has enabled the group to sell equipment management contracts for 68% of these assets. Condition monitoring centres have been established and have achieved Caterpillar certification in Johannesburg, Madrid and Novosibirsk to assist customers with interpreting the data to maximise machine performance. Work has continued on finding ways to mine the data to generate more value for the customer and the group. This work resulted in the recent completion of a co-innovation project in conjunction with SAP and two mining customers to develop a mobile application to effectively consume the large volumes of data being generated by the equipment. This is assisting the customer to manage the mine fleets more effectively and improving interaction between the group and the customer to provide services.

On the e-commerce side the focus has been in the following areas: search engine optimisation in conjunction with Caterpillar to ensure that our products and services have high visibility, improved lead management processes to ensure that any digital leads identified in the Caterpillar digital ecosystem are actioned, the introduction of an online parts ordering web capability, extending of the direct ERP to ERP online ordering facilities for large customers, and a customer portal for registered customers to consume services online. These initiatives have resulted in over 30% growth in online revenue over the last year, despite the difficult trading conditions.





### Learning through Augmented Reality (AR)

To keep pace with rapid technology advancement in our CAT product range, Barloworld Equipment has found new ways of supporting our artisans in the field and is testing the practical application of the available technology. The AR project is a formal pilot to test the software and hardware available in the market.

Upon arrival of the trial equipment and software the team had to learn remotely how to use the equipment and software programs with some help from the agents in Sweden and official testing commenced in March. Once testing is complete the AR technology will be implemented for mentoring of artisans to assist with troubleshooting in the field and for technical specialists to deliver training from the field to the classroom.

### The age of smart iron

Caterpillar aims to be the industry leader in bringing digital solutions designed to improve productivity, efficiency, safety and profitability for customers. The vision is to enhance the Cat Connect Technology and Services offerings, entire fleets and job sites. Every machine, engine truck, tablet light tower, smart device and drone will eventually share data on one common technology platform and speak the same language. This is technology that is focused on solving, and even anticipating customer problems. Having smarter equipment means we also need to equip the people who operate them with data that makes them more productive, enhances safety and improves sustainability.

### Trading in a digital age

The Automotive division has been investing in channels and technology to enhance its capabilities to trade with the market utilising e-commerce systems, with a specific focus on digital auctioning. The division has invested in the SMD business which trades accident damaged and other used vehicles digitally utilising online auction technology. There have been ongoing investments in this technology domain and there is ongoing growth in used vehicle sales through the various digital channels.

The Avis Budget Group (ABG), our car rental principal, continues to invest significantly in its e-commerce capabilities. The division's Car Rental business is in the process of implementing ABG's new e-commerce system, which will enhance both the customer experience and the ability of the business to manage this channel more effectively. The new system has been built "mobile first" and will dramatically improve the convenience to the customer and support ongoing growth in the use of digital channels and mobility.

Creating value for our stakeholders



# Creating value for our customers

## Innovative customer solutions

### Technology-enabled solutions to deliver innovative customer solutions

#### Technology environment

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

#### Enabling sustainable value creation for customers

Technology is key in facilitating the shift from pure product offerings towards more consultative and solutions offerings. These integrated solutions add more value for the customer and assist in developing deeper partnerships. Technology is also a key enabler in improving operational efficiencies and returns. There is ongoing work utilising a broad array of the new technologies to improve operational productivity. Progress is being made across the group turning data captured from equipment and integrated systems into value for all stakeholders. The group's businesses play a key role in the elements of this transition promoted by its principals and the subsequent ongoing value delivery.

Improving interaction with customers is a key focus with the application of social media, internet-based and other mobile solutions. These solutions make it easier for customers to interact with the business improving engagement and to keep the business more in touch with sentiment in the market.

The group creates trust through the reliability of its systems and solutions, and the effective management of, this area is key to maintaining the sustainability of the group's businesses.

The systems landscape has broadened to support triple bottom-line reporting and the group's ethics and compliance thrust. A cloud-based system has been implemented to enable the measurement of sustainability statistics across the enterprise and there is a focus on systems to manage compliance and ethical practices.

The focus on IT and new technology entrenches Barloworld's competitive position and the sustainability of the business in a rapidly changing world.

#### Technology management approach Strategic alignment with our principals

The group's principals are actively working with new technologies and business forms. This is embodied in business brands that are made available to the group and technologies embedded in products and supporting services to improve the value to Barloworld's customers. Closer alignment with our principals is giving us access to the latest technical developments including technology solutions; e-commerce solutions and solutions to improve productivity in our businesses. The group's companies play a key role in taking these technologies to market and ensuring the requisite value is accrued. The group has close relationships with its principals and is sharing certain information with principals to feed their broader work in analytics. This in turn enables a more proactive response to customers.

#### Group IT strategy

The group has a decentralised IT strategy devolved to each business unit, headed by a business unit CIO reporting to the business unit CEO.

There is sharing and collaboration across the group to take synergies through people, scale and innovation. There has been a specific focus on aligning the technology-enabled solutions activities across the CAT dealerships, stimulating sharing and progress in conjunction with Caterpillar.

### Talented and diverse people

The continual development of our IT professionals is critical in a rapidly changing environment. New appointments are made with due consideration to critical skills that will enable us to address core technology gaps, diversity and transformation targets.

### The IT governance model

The IT environment is broadly governed according to King III and is fully integrated into the group's strategic planning process to ensure strategic, tactical and operational alignment in the achievement of business objectives.

Chief information officers in each division represent IT at divisional board level and the group finance director is responsible at a Barloworld board level.

IT steering committees at a group, divisional and business unit level enable alignment with business direction and synergies across IT in the group. The group IT steering committee is chaired by the finance director and comprises the group CE and divisional CEOs. The IT function is an agenda item at quarterly meetings of the risk and sustainability committee, a sub-committee of the board.

### Opportunities and risks

The new technology investments made by the group's principals continue to offer opportunities in various areas, many of them related to the offerings to customers. These investments cover a broad array of the current key technical trends. Maintaining pace with these offerings presents a risk, especially the skilled resources necessary to support them.

There is the risk of a competitor innovating in part of our value chain and rapidly taking market share. This is mitigated by the ongoing strategy work in this area as well as

investments made by the group and its principals in these new capabilities.

The other key risk is in the cyber-security area and there is ongoing focus to maintain an effective response to this risk.

### 2017 outlook

The group's businesses continue to make more use of e-commerce channels to the market, a process which is supported by internal and principal developed e-commerce systems. This includes further enhancement to B2B interaction with customers. There is ongoing growth in these channels.

There is growing use of cloud services in their various forms across the group and a number of business systems are now provided as software as a service. Cloud use in its differing aspects continues to be a theme to take opportunities where available.

There is an ongoing focus on the renewal and modernisation of business systems in a number of the group's businesses. These projects are focused on offering the businesses greater agility going forward, making use of the new technologies and more solution capability for customers.

Many of the businesses are focussed on creating awareness with customers on the value available to them through the new capabilities offered by advanced technologies and by connecting equipment to advanced systems. The customer footprint utilising these tools will continue to grow. There is an ongoing focus on newer technologies such as drones and the value they could bring.

Outsourcing of basic IT services has taken place in various parts of the group. This has enabled more management focus on value creating solutions for customers.

# Creating value for our customers

## Innovative customer solutions

### Customer loyalty through innovative customer solutions

Our forms of measure	How we measure performance
<p>In our <b>Equipment</b> business we align with our principal Caterpillar on delivering a consistent customer experience management, aiming for a premium experience at every touch point</p>	<ul style="list-style-type: none"> <li>– Monthly customer surveys are conducted using a standard set of questions related to service delivered</li> <li>– Customers score services against predetermined criteria</li> <li>– Scores are collated to reflect customer loyalty</li> <li>– These scores are monitored and analysed to inform future interactions and drive continuous improvement</li> </ul>
<p>Customer satisfaction index (CSI) surveys in our <b>Automotive</b> business to align with our OEMs and principal Avis</p>	<ul style="list-style-type: none"> <li>– All our Motor Retail dealers participate in external, independent customer satisfaction index surveys, normally conducted by the OEM. In addition, dealerships conduct their own customer surveys on an ongoing basis.</li> <li>– Car Rental and Avis Fleet conducts detailed independent customer surveys for all significant and relevant aspects of the business.</li> <li>– Overall Avis Rent a Car in South Africa is highly rated by customers with CSI scores generally above 90% (peaks up to 92%) and consistently voted the best car rental company.</li> <li>– Avis Fleet scores during the past year averaged around 87%.</li> <li>– CSI remains an important focus area and continues to receive attention.</li> </ul>
<p>Customer proximity driving our <b>Logistics</b> business</p>	<ul style="list-style-type: none"> <li>– Barloworld Logistics is focused on building long-term strategic relationships with its clients. It believes customer centricity and operational excellence are some of the main driving forces to achieving this. Programmes used to support this intent include:               <ul style="list-style-type: none"> <li>&gt; Key account plans and management structures are implemented across all major clients.</li> <li>&gt; Customer satisfaction measures and key performance indicators are managed and tracked on a monthly basis.</li> <li>&gt; Client interviews and market perception surveys are conducted annually.</li> <li>&gt; Formal feedback sessions (management meetings, steercoms, workshops) are held in alignment to client-specific requirements.</li> <li>&gt; Customised management reports are compiled monthly.</li> <li>&gt; Client engagement and knowledge sharing sessions are held in various formats.</li> </ul> </li> </ul>



### Avis scoops Sunday Times Top Brands Award

Avis has, for the 13th consecutive year, won the Business to Business award in the Car Hire Category at the 18th *Sunday Times* Top Brand Awards ceremony hosted on 23 August in Sandton.

The *Sunday Times* annual Top Brand Awards has made tremendous strides in raising brand awareness among consumers, and providing businesses with key insights into market perception of their brands.

Rainer Gottschick, chief executive for Car Rental says, “We are privileged to receive the recognition and the award. It’s not an easy task to be a leading car rental brand in such a competitive marketplace and we extend a heartfelt thank you to our loyal customers for their support over the years and to our Avis brand ambassadors for truly living our ‘We Try Harder’ brand promise”.

Avis’ ongoing commitment to exceed customer expectations is a direct outcome of putting people at the heart of its business. This is evident in Avis’ motto that people are more important than cars; which contributes to a strong legacy for its brand. Avis believes that no man is an island and that the formation and nurturing of solid relationships is key for business success.



# Principals and suppliers

To deliver on our SFAs of providing innovative customer solutions and enhancing diversity and inclusion, alignment with our principals and focus on localisation and supplier diversity are key drivers of successful market leadership.

## Creating value for our principals and suppliers

- Value created and material themes
- Alignment with principals
- Localisation and supplier diversity
- 2017 outlook



# Creating value for our principals and suppliers

## Principals and suppliers

### Value created and material themes

Value for our principals and suppliers	SFAs addressing value for our principals and suppliers	Material themes addressed by our SFAs
<ul style="list-style-type: none"> <li>– Sustained returns</li> <li>– Alignment</li> <li>– Innovation</li> <li>– Risk management</li> <li>– Management depth and leadership</li> <li>– Trusted partnerships and relationships</li> <li>– Sustainability and ethics</li> <li>– Responsible management of OEM brands</li> <li>– Transformation and B-BBEE</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– <b>Diversity and inclusion</b></li> <li>– <b>Sustainable development</b></li> <li>– <b>Innovative customer solutions</b></li> <li>– Profitable growth</li> <li>– <b>Financial returns</b></li> </ul>	<ul style="list-style-type: none"> <li>– Alignment with principals</li> <li>– Localisation and supplier diversity</li> </ul>
<p><b>Impact on the capitals</b></p>	<ul style="list-style-type: none"> <li>– Enhancing our <b>manufactured and intellectual capital</b> through investment in our facilities and technology to enhance delivery of value proposition on service and superior customer experience.</li> </ul>	
<p><b>Impact on our principals and suppliers</b></p>	<ul style="list-style-type: none"> <li>– Enhancement of our manufactured and intellectual capital through investment in our facilities and technology to deliver innovative customer as well as long-term sustainability solutions and value proposition.</li> </ul>	
<p><b>Engaging with our principals and suppliers</b></p>	<ul style="list-style-type: none"> <li>– Visits and feedback by appointed representatives (principal country management and supplier key account management)</li> <li>– High level principal conferences and forums</li> <li>– Supplier forums</li> <li>– Telephonic and email communication</li> <li>– Customer relationship management portals</li> </ul>	



## Alignment with principals to deliver innovative customer solutions

Sources of value and benefits for principals	Benefits for Barloworld
Enhancement of dealer performance through joint scorecards in our equipment business	Improved delivery of innovative customer solutions, customer satisfaction and improved financial returns
Dealer Growth and Profitability Project (DGAP) and Across the Table (AtT) to drive alignment on key performance priorities with our principal	Improved customer relationship and loyalty
Improved market penetration and customer-centricity across our businesses	Positive alignment scores with principals
Investment in infrastructure and business systems that support the delivery of our innovative customer solutions	Improved market penetration and customer retention
Increased brand exposure and market share	New opportunities to represent principal brands and ongoing support

### Leveraging opportunities through alignment Principal collaboration

The objective of AtT is to leverage the strength of Caterpillar and the dealer organisations, in order to ensure proactive development and deployment of world-class solutions to our customers. It is critical that the business shares collective know-how, intelligence, and business needs in a way that helps to optimise the performance and results for customers, dealers and Caterpillar.

Collaboration drives improved consistency and effectiveness in the services of Caterpillar and dealers. This requires dealers to learn from Caterpillar, and in turn for Caterpillar to learn from dealers. Dealers could also include customers in this network of learning collaboration.

A collaboration process is put in place with regular opportunities for sharing, discussion, and prioritisation with empowerment to drive change in the respective organisations (including machine and power systems sales teams in the collaboration).

All parties actively participate (seek, share, listen and champion) in the collaboration process. This would include leading practices, situation resolutions such as field service response time, work order data that would update standard jobs and repair process, among others.

Global Caterpillar and the dealer service operations team maintain ongoing governance.

In alignment with AtT, the DGAP initiative is aimed at leveraging and capturing the significant upside potential across our territory in sales and aftersales. The DGAP growth initiative is run jointly with Caterpillar.

### Strategic consultation structures

In our Automotive business we keep close to our principals, ensuring that we form part of future solutions, and various ongoing strategic consultation takes place between operations and the principals as well as key suppliers covering all areas of operation. This includes informal engagements, formal structured agreements and meetings, regular reporting, and the ongoing provision of statistics and requested information with the OEMs and Avis Budget Group (ABG) EMEA.

In addition, in the motor retail industry, a regular and formal dealer council structure exists on which the relevant operations are represented to engage with the OEMs. Continuous informal consultation also takes place. Principals convene regular conferences and ad hoc consultation structures, along with continuous informal consultation with franchisees.



## Creating value for our principals and suppliers

### Principals and suppliers



#### Recognition highlighting strong alignment with our principals

##### Marine certification

Barloworld South Africa and Namibia teams were awarded certification on the Marine Service Assessment (MSA). The dealership achieved Gold Level MSA certification for Cat and MaK at both Walvis Bay and Cape Town branches from Det Norske Veritas and Germanischer Lloyd (DNV GL). By achieving Gold Level certification, Barloworld South Africa and Barloworld Namibia are now certified as one of the very top marine service capability dealers in the Caterpillar dealer network, validating that the alignment efforts with the Caterpillar marine team and the distribution services team are yielding positive measurable results.

Caterpillar engaged the teams for input on the Barloworld certification experience in Cape Town and Walvis Bay, and overall feedback from DNV GL was extremely positive. The team assembled had participated in several pre-MSA audits. Each individual was tasked with appropriate sections. During the audit, the DNV GL auditor held one-on-one interviews with individuals covering virtually every aspect of Barloworld's marine service business. All sections of the MSA matrix were covered by multiple resources and departments.

The efforts are well recognised by the Caterpillar marine leadership team, who undertook to ensure that all customers interested in marine service in our territory are aware of the certifications.

## Automotive awards

The Automotive division has performed well in the last few years, improving returns while growing the business units. Growth in a predominately principal-driven business is often difficult. However, when in the spirit of true partnership there is alignment, the rewards are there for both the principal and the business.

This in part supports the great results from the Automotive division.

Some key awards include:

### Motor Retail South Africa

Various dealer accolades awarded across southern Africa, including:

- Volkswagen Macro Dealer Group of the Year: Barons
- Volkswagen Dealer of the Year: Barons Pietermaritzburg
- Barons Bruma: Club of Excellence
- Barons Pietermaritzburg: Club of Excellence
- Barloworld Toyota Centurion: Vice Presidents Award Automark
- Lexus Dealer of the Year: Barloworld Lexus Centurion
- Jaguar Land Rover: Gold Award
- Barloworld GM Ferndale: Honours Award
- Auto Atlantic: Top Mini Customer Service Award
- Mercedes-Benz Dealer of the year (medium volume): Garden City Motors
- Mercedes-Benz Chairman Award: Financial services – Mercedes-Benz Umhlanga.

### Avis Fleet

- Professional Management Review (PMR): Best overall Fleet Management Company (tenth consecutive year) – Diamond Arrow Award
- Laserfiche – Run Smarter – Best accounting finance initiative (second consecutive year).

### Car Rental

- *Sunday Times* – Business to Business award in the Car Hire Category (13th consecutive year)
- Icon Brand Awards – The number one car rental company in South Africa (fourth consecutive year)
- Best Car Rental Company by Daily News Readers (sixth consecutive year)
- Kasi Star Brand Awards – SA's top township brand – Winner of the Car Hire Category (second consecutive year)
- South Brands Awards – SA's top youth brand – Winner of the Car Hire Category (second consecutive year).

## Logistics awards

- Gold Logistics Achiever Award – an Enviro Award
- Nominated overall Logistics Achiever Award 2016 winners
- SmartMatta – Environmental Award



# Creating value for our principals and suppliers

## Principals and suppliers

### Localisation and supplier diversity to deliver innovative customer solutions

Sources of value and benefits for suppliers	Benefits for Barloworld
Access to financial and non-financial support to enhance both scale and scope of business	Competitiveness through alignment to national imperatives
Development partnerships that help transfer skills and resources	Credibility and legitimacy in the eyes of all stakeholders
Access to markets providing growth opportunities and sustainability	Positive sentiment and reputation of the organisation
Development in corporate compliance and governance	
Business development services	
Formal mentoring and training with supplier certification	

Siyakhula provides small, micro and medium-sized enterprises (SMMEs) with the assistance they need to be competitive – within Barloworld’s value chain as well as the larger marketplace.

**Since inception Siyakhula has invested an accumulative spend of over R217 million on enterprise and supplier development, indirectly sustaining over 650 jobs.**

Siyakhula implemented and partnered with various parties, including our principals, financiers and our internal stakeholders on a number of initiatives in 2016 to further develop Barloworld’s competitive edge within an evolving socio-economic environment; with particular emphasis on two main drivers of value creation in the supply chain, namely localisation and supplier development.

#### Localisation

Barloworld will pursue these opportunities motivated not only by the need for compliance with the sector codes, but also to unlock opportunities within both the local market and regional export markets.

As part of our forward strategy, we have identified localisation as a prime business opportunity for which Barloworld must prepare itself.

### Barloworld Siyakhula

Founded in 2007, Barloworld Siyakhula is Barloworld’s enterprise and supplier development arm, driving black economic empowerment and transformation in our South African business.

In 2016, Barloworld intensified activities to transform the group’s supply chain and enterprise development within our broader stakeholder environment. These efforts were in line with the dti’s revised Codes of Good Practice, which position supplier diversity, localisation and small business support as essential prerequisites for corporate competitiveness.

Barloworld Siyakhula has championed this process, guided by criteria set forth in the dti’s B-BBEE scorecard. Through a blend of financial and non-financial support, Barloworld

As part of our drive to pursue localisation as mandated by the sector codes, Barloworld has engaged with key principals within our value chain with a view to encouraging their participation in local manufacturing of products, leverage our partnerships with principals to ensure that Barloworld remains aligned with the codes in future, and further our market access within the public sector through alignment with the sector codes.

The plans for local assembly and manufacture will include supplier development and B-BBEE, affording Barloworld and our principals involved, empowering status. The benefits will also translate to duty-free and VAT-free access for imported equipment necessary for setting up manufacturing facilities.

### Supplier development

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

In order to meet the sub-minimum level of the dti's preferential procurement criteria, this initiative constitutes an important component for achieving Barloworld's sustainability over the short, medium and long term.

This year, the Automotive and Logistics divisions partnered with this initiative, co-hosting workshops with Barloworld Siyakhula and engaging with over 600 suppliers across Gauteng, KwaZulu-Natal and Western Cape; including an SMMEs empowerment event aimed at female suppliers specifically to address gender specific targets we have set for ourselves. These events have helped to catalyse procurement opportunities, and laid the groundwork for business support and development partnerships between participating SMMEs, Siyakhula, the various business units and external development partners.

### Our development partnerships

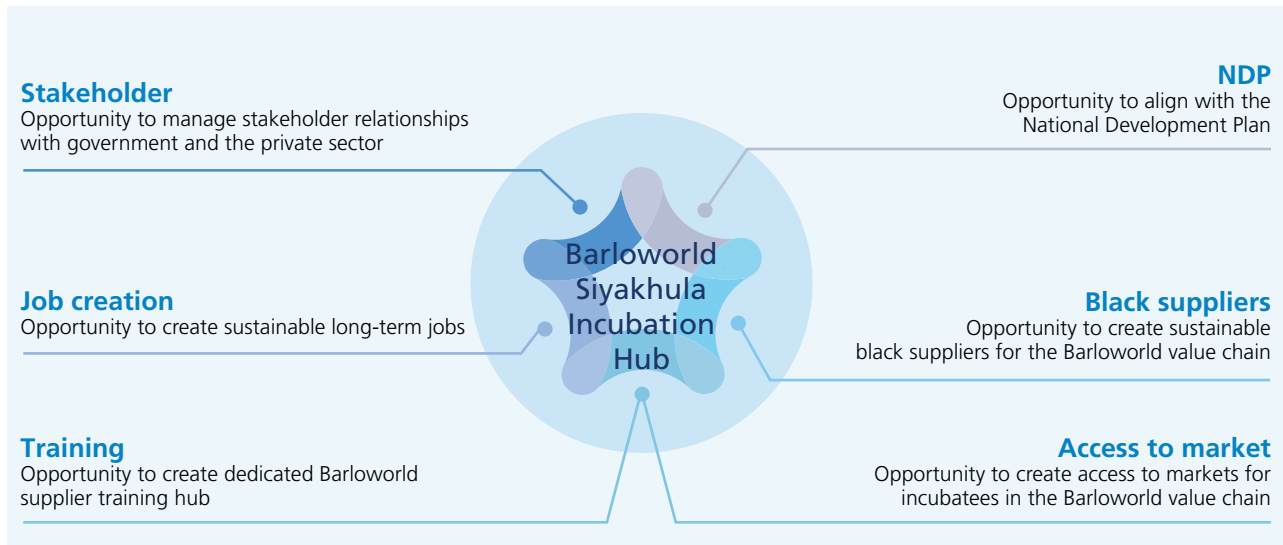
#### Department of Trade and Industry (dti)

As part of a collaborative partnership with the dti, Barloworld launched the Barloworld Siyakhula Incubation Hub (BSIH) as our flagship centre for supplier development. The project, capitalised with an initial injection of R60 million over three years, will see Barloworld and the dti commit funds of R10 million each per annum towards the initiative.

The BSIH focuses on the development and growth of Barloworld's black-owned suppliers, as well as other SMMEs within our value chain which have embraced transformation. Support provided through the incubator, which is housed on the campus of Barloworld's Head office, is aimed at strengthening the capacity of SMMEs in three critical areas: access to markets, access to finance and skills development.

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

Through its development partnership with Standard Bank, the hub facilitates supplier finance for eligible SMMEs that are awarded procurement contracts.



# Creating value for our principals and suppliers

## Principals and suppliers

### Standard Bank

During 2016 we finalised a supplier development finance collaboration with Standard Bank, resulting in R60 million in loan finance earmarked for SMME transactions. In addition, R8.7 million in non-recoverable development funds was made available, targeting SMMEs eligible for procurement opportunities within the Barloworld value chain.

### South African Supplier Diversity Council (SASDC)

Barloworld is a founding member of SASDC, a non-profit organisation that promotes sustainable supplier diversity within South Africa through various services such as advisory support, mentoring, supplier certification and training. We are able to help SMMEs access opportunities within corporate and public sector supply chains.

In 2016, Barloworld heightened its collaboration with SASDC, encouraging business units to leverage the council for supplier outreach and assessment. This year, a number of certified suppliers were introduced to Barloworld's supply chain.

### Empowerdex

As part of its transformation strategy, Barloworld Siyakhula has partnered with Empowerdex to implement B-BBEE and transformation within the group's value chain.

One of South Africa's leading B-BBEE rating agencies, Empowerdex, provides Barloworld with a range of services including empowerment auditing, advisory and consulting support. In addition, the agency assists with Barloworld Siyakhula's various supplier outreach and educational initiatives.

### 2017 outlook

The revised B-BBEE Codes of Good Practice have fundamentally transformed the South African marketplace. In government's drive to redress socio-economic imbalances and to create a black industrial and commercial class, a new procurement landscape has emerged.

Achieving employment equity will remain one of Barloworld's key priorities as we move forward. We will pursue, aggressively our ethnic and gender-specific targets, while investing heavily in the skills, training and development of the people we employ.

As we strengthen diversity and inclusion within our workforce, we will also strive to maintain our levels of black ownership, with the ultimate goal of achieving minimum level 3 B-BBEE status across the majority of the Barloworld SA operations.

Supplier and enterprise development will continue across our value chain, leveraging the Barloworld Siyakhula Incubation Hub to identify and develop targeted SMMEs. Through the BSIH initiative, Barloworld will drive the growth of competitive SMMEs within our supply chain, while shifting our procurement spend towards targeted supplier groups.

A world-class value chain has been, and will remain, one of our foremost priorities.

Barloworld has proven our ability to adapt and change. We have consistently ranked among the top empowered companies in South Africa, with 2016 seeing Barloworld cited as one of the top 20 organisations by an independent survey. For well over a century, we have continued to find new ways of unlocking value within an evolving marketplace.

As we move forward, Barloworld will remain committed to diversity and inclusion as key pillars of our business strategy, and to building partnerships that create shared value for our stakeholders.





### T-Marc Logistics – a win-win partnership

At the heart of Barloworld’s empowerment strategy is the concept of shared value, of building partnerships that yield mutual, sustainable benefit. In T-Marc Logistics, Barloworld has found a supplier committed to this ideal.

“Barloworld has been an excellent client – I really enjoy servicing them,” says Lolo Papo, the company’s CEO. “And with their support, my business has grown from strength to strength.”

A supplier to Barloworld for the past five years, T-Marc provides transport and distribution solutions to the group’s Logistics and Equipment divisions. From humble beginnings as a start-up with modest turnover and a skeleton staff, the company now enjoys revenues of over R11 million per annum, supported by a staff complement of 38.

With an operational footprint spanning three provinces – Eastern Cape, Limpopo and North West – T-Marc is poised for further growth.

In recognition of her achievements, Lolo was recently nominated for Standard Bank’s ‘Fast Growth Woman-Owned SMME Award’.

Impressed by her performance and potential as a supplier, Siyakhula has provided Lolo with ongoing mentorship and support aimed at strengthening her business systems and access to markets. Within eight months of this development partnership, T-Marc has seen a 40% increase in profits.

“Thanks to Siyakhula, my systems have improved tremendously,” says Lolo. “We’re operating much more efficiently now.”

In addition to business development support, Siyakhula has also assisted Lolo with asset finance, leveraging Barloworld’s supplier finance partnership with Standard Bank. Through a recent transaction, T-Marc received R1 million in funding for the purchase of three vehicles for its transport division.

According to Matthew Govender, managing director of Barloworld Siyakhula, T-Marc adds value to the Barloworld group not only for its empowerment credentials, but because of its operational efficiencies.

“Barloworld’s development partnership with T-Marc reflects our commitment to shared outcomes,” says Govender. “They’ve provided excellent service to the group at an operational level, while also helping us in our drive towards transformation and empowerment. It’s truly been a win-win partnership.”



# Shareholders

With profitable growth and financial returns as SFAs, we strive to deliver sustainable returns for our shareholders.

- **Creating value for our shareholders**
- **Value created and material themes**
- **Financial returns**
- **Profitable growth**
- **Finance director's review**
- **Summarised consolidated financial statements**
- **Governance review**

# Creating value for our shareholders

## Shareholders

### Value created and material themes

Value for our shareholders	SFAs addressing value for our shareholders	Material themes addressed by SFAs
<ul style="list-style-type: none"> <li>– Group strategy</li> <li>– Group performance and sustained returns</li> <li>– Sustainability and ethics</li> <li>– Risk management</li> <li>– Management depth and stable leadership</li> <li>– Innovation</li> <li>– Allocation of capital to businesses with high returns</li> <li>– Cash generation</li> </ul>	<ul style="list-style-type: none"> <li>– People</li> <li>– Diversity and inclusion</li> <li>– Sustainable development</li> <li>– Innovative customer solutions</li> <li>– Profitable growth</li> <li>– Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>– Targeted returns</li> <li>– Profitability</li> <li>– Return on capital</li> <li>– Asset efficiency</li> <li>– Adequate debt funding</li> <li>– Scale of business</li> <li>– Sustainability</li> </ul>
<p><b>Impact on the capitals</b></p>	<ul style="list-style-type: none"> <li>– Investment in high returning areas to enhance and increase financial capital and afford the ability to raise further capital for value enhancement initiatives</li> </ul>	
<p><b>Impact on our shareholders</b></p>	<ul style="list-style-type: none"> <li>– Strive to deliver top-quartile returns to our shareholders through responsible business practices</li> </ul>	
<p><b>Engaging with our shareholders</b></p>	<ul style="list-style-type: none"> <li>– Individual investor meetings</li> <li>– Investor relations website updates</li> <li>– Securities Exchange News Service (SENS) announcements</li> <li>– Conference calls</li> <li>– Annual general meetings</li> <li>– Industry and broker conferences</li> </ul>	

# Creating value for our shareholders

## Shareholders

### Key sources of financial capital

Barloworld sources capital from debt providers and shareholders. Debt providers include banks, listed bonds and asset managers. Our capital structure is maintained in an optimal range for the industry taking into account the risk-related return expected by the providers of capital. We use the debt to equity ratio to monitor that the sources of capital remain within our target range for the three business segments.

### Deployment of financial capital priorities

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

The Barloworld executive team recognises that in order to meet our return and value creation objectives, we need to understand our financial and operational value drivers and measure our financial performance against clear targets. These targets emphasise the importance of improving returns on capital, not just increasing profits.

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

Shared value creation supports Barloworld's business philosophy of sustainable value creation for all stakeholders.

This philosophy has resulted in the evolution of our IFVM which aims to provide the tools to model and measure long-term shareholder value creation.

Sources of value and benefits for investors	Benefits derived for Barloworld
<p>Revenue growth is driven by increased volume, price realisation, product mix and changes in currency in the geographies in which we operate.</p> <p>Operating margin measures the efficiency of fixed and variable cost controls to continuously improve processes and adapting to market changes.</p> <p>Working capital management requires optimal and continuous focus on the cash to cash cycle of inventory, receivables and payables.</p> <p>Asset efficiency to optimise capital expenditure is measured against revenue and depreciation.</p> <p>Optimal cost of capital structuring by adapting gearing to changes in cost of debt and cost of equity.</p>	<p>Implementation of our integrated financial value model is designed to:</p> <ul style="list-style-type: none"> <li>– identify the most important value drivers for each of our business units</li> <li>– develop meaningful financial targets that yield returns above cost of capital</li> <li>– implement improvements in operational drivers through aligning and engaging our people (as per our integrated employee value model)</li> <li>– monitor progress through the measurement of key financial metrics</li> <li>– achieve our strategic plans to ensure we deliver value creation for all our stakeholders.</li> </ul> <p>We expect a minimum financial performance for each business unit to exceed after tax return on economic capital above our weighted average cost of capital and return on equity that exceeds our cost of equity on average through the cycle.</p>



## Financial returns

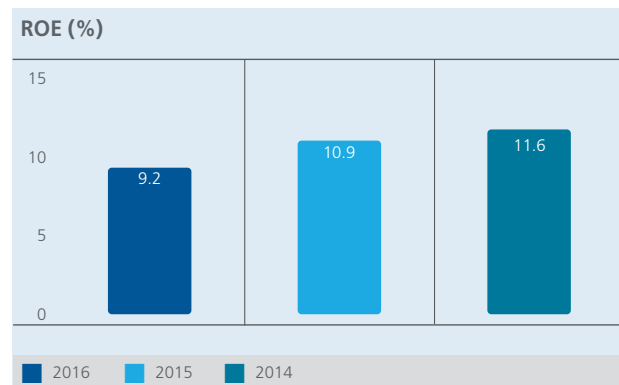
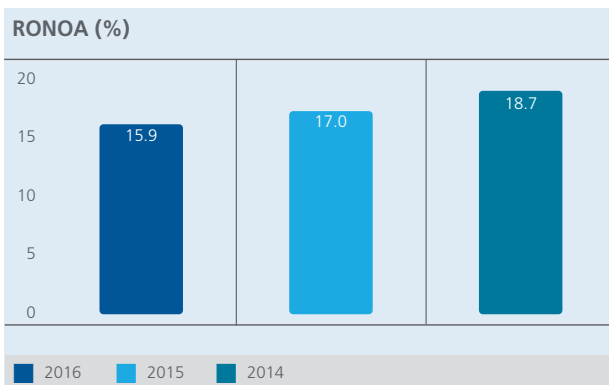
### Strategic intent

To achieve financial returns above our weighted average cost of capital (WACC) and cost of equity on average through the cycle in each of our strategic business segments.

### Key highlights and achievements in 2016

- Revenue growth up 6% to R66.5 billion
- Operating profit up 4% to R4 135 million
- Profit before non-operating and capital items up 14% to R2 693 million
- Cash generated from operations of R7 827 million
- Headline earnings per share up 3% to 838 cents
- Total dividend per share maintained at 345 cents
- Return on net operating assets (RONOA) of 15.9% (2015: 17.0%)
- Return on equity (ROE) of 9.2% (2015: 10.9%)

### Key financial return trends



Our performance against our RONOA target of 20% and ROE target of 15% was adversely impacted by the downturn in mining activity in Equipment southern Africa and the delay in recovery in Equipment Iberia. We remain committed to taking the necessary actions to achieve targeted return levels in the medium term.



# Creating value for our shareholders



## Profitable growth

### Strategic intent

To double revenue and achieve targeted growth in total shareholder returns (TSR) over the next five years to 2020.

### Corporate action supporting shareholder value creation

Over the period the group undertook significant corporate activity to enhance the quality of returns, achieve our growth ambitions and position the group for organic and acquisitive growth. These included:

#### Acquisitions and growth initiatives

- Two Mercedes-Benz passenger and commercial dealerships in Mpumalanga and KwaZulu-Natal to profitably expand our motor trading operations with a leading automotive franchise
- Toyota and Volkswagen dealerships in the Northern Cape to expand motor retail operations in this future growth node
- A majority share in Salvage Management and Disposals (SMD), a vehicle salvage company, to broaden our automotive offering in the extended value chain and optimise synergies with existing businesses
- Two niche logistics businesses to provide a platform for growth in the refrigerated transport segment, namely the entire equity of KLL Group and a 51% controlling stake in Aspen Logistic Services
- A further 28.8% of the minority shares in Barloworld Transport increasing our ownership to 79% in support of Logistics' growth objectives
- Formed joint venture in Zambia with BayWa AG and, subsequent to year-end, finalised a South African joint venture with BayWa incorporating South African materials handling and agriculture operations to leverage both companies' resources to optimise growth prospects.

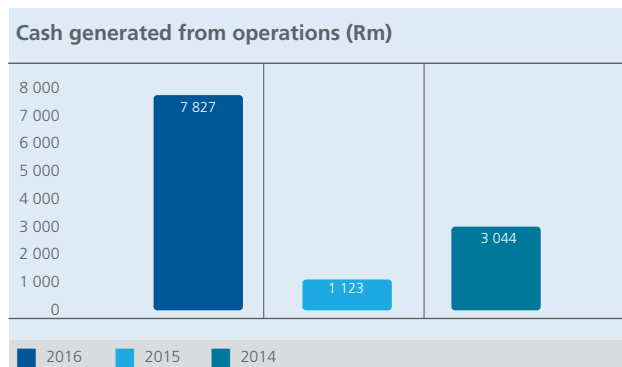
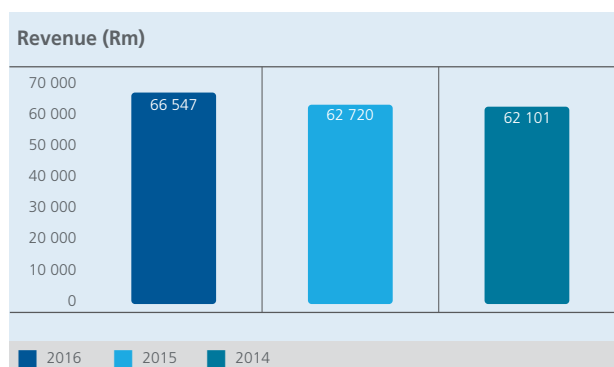
#### Disposals aimed at optimally allocating capital and resources

- Disposed of our non-core logistics supply chain software business in the UK and signed a long-term partnership agreement with Llamasoft to provide ongoing access to world-class logistics software solutions for our client base
- Disposed of Logistics Crane business
- Exited the Metso mobile crushing and screening business due to inadequate financial returns and limited growth prospects.

#### Aspects supporting growth

- Focused working capital management resulted in cash generated from operations of R7.8 billion in the current year
- Strong balance sheet and a well-managed debt maturity profile
- Adequate unutilised borrowing facilities available.

### Key financial indicator trends



### Growth matrix

Barloworld has identified the following industries and regions as central to our growth strategy. Due to our strategic profile, the OEMs and brands we represent, and our regions of activity, we are well positioned to realise opportunities in these growth industries.

Industry	Growth driver	Geography
<b>Mining</b>	Emerging market industrialisation driving long-term demand for commodities	<i>Southern Africa, Russia</i>
<b>Infrastructure</b>	Infrastructure backlogs and rapid urbanisation in developing economies	<i>Southern Africa, Russia, Iberia</i>
<b>Power</b>	Increasing demand in electricity, marine, petroleum and industrial power segments	<i>Southern Africa, Iberia, Russia</i>
<b>Agriculture</b>	Importance of food security, growing demand for biofuels and rich agricultural potential across southern Africa	<i>Southern Africa</i>
<b>Automotive</b>	Increasing need for flexible vehicle usage solutions in private, corporate and government segments, and exposure to the growing tourism market	<i>Southern Africa, East Africa, West Africa</i>
<b>Logistics</b>	Growing international trade and trend to outsource supply chain management activities	<i>Southern Africa, Middle East</i>

### 2017 outlook

The focus will remain on:

- Ongoing growth in total shareholder returns (TSR)
- Improving financial returns
  - › return on equity target  $\geq 15\%$
  - › return on net operating assets target  $\geq 20\%$
- Increasing group operating profit by executing turnaround and growth strategies
- Releasing capital from underperforming assets
- Increasing asset turn by reducing assets utilised and improving working capital efficiency

As part of our ongoing strategic planning process we are conducting a detailed strategic review of our operations aimed at achieving our Vision 2020 objectives, improving our returns and purposefully growing the group into the future beyond 2020. Supporting this objective we have appointed a group executive with specific strategy and M&A accountability.

# Creating value for our shareholders

## Shareholders



### Acquisitions to drive profitable growth

Barloworld Logistics has expanded its service offering into multi-temperature food logistics through acquiring 100% of KLL distributors and a controlling share in Aspen Logistic Services.

The acquisitions are in line with our strategy of servicing a growing market need for multi-temperature, multi-product, multi-principal and multi-drop network solutions, driven by client and consumer demand.

KLL is a leading multi-temperature secondary storage and distribution provider in South Africa mainly into the convenience sector and top-end retailers. It operates nationally through seven branches, 100 temperature-controlled delivery vehicles and employs over 400 skilled staff.

KLL's competitive edge lies in its flexibility and agility in servicing its customers. KLL provides speed to market through frequent small drops, an ability to integrate easily with national retailers' ERP systems, a national network and depth of distribution and its independence.

Aspen Logistic Services is a leading primary refrigerated road transport service provider operating a state-of-the-art fleet comprising in excess of 120 truck and trailer combinations nationally and cross-border operations. It offers comprehensive integrated temperature controlled transport solutions to the FMCG market.

The transactions provide the opportunity to scale for growth in this sector, leverage our capabilities, and offer more holistic supply chain solutions to a broader customer base thereby extracting greater value for the market.

The management and skills of these businesses have been retained for continuity and the integration of the businesses into Barloworld Logistics will position the company well for its growth into the future.

## Why invest in Barloworld



Creating value for our stakeholders

## Finance director's review

Cash generated from operations was very strong at R7 827 million primarily as a result of focused working capital management.



Don Wilson – Finance director

Revenue for the year increased by R3.8 billion (6.1%) to R66.5 billion with the bulk of the improvement in automotive and logistics which showed increases of R2.7 billion (9.5%) and R1.2 billion (28%) respectively. Revenue in Equipment Russia was up by 17.5% in Dollar terms while Equipment Iberia was down in Euro terms. Rand revenues for both regions benefited from translation gains. In Equipment southern Africa revenue decreased by R1.8 billion (8.7%). This was partially offset by the benefits of the weaker Rand in operations outside South Africa. The weaker Rand favourably impacted total revenue by R2.7 billion.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) was up by 3% to R6 674 million with depreciation and amortisation up by 2.2%.

Operating profit (excluding the B-BBEE charges) rose by 3.5% to R4 135 million with the operating margin down slightly to 6.2%. In Equipment southern Africa, operating profit was down by 16.3% with reductions in mining capital expenditure and production cutbacks negatively affecting both equipment and aftersales demand. Equipment Russia traded well ahead of the prior year, due to higher mining equipment and aftersales demand. Equipment Iberia operating profit was down on last year.

Automotive produced a record result with operating profit up 8.2% to R1 654 million. A marginal decline in the Avis Fleet business was offset by improved profits in Motor Trading and Car Rental.

Logistics generated an operating profit of R223 million which was 40% ahead of the prior year.

The total net negative fair value adjustments on financial instruments of R209 million (2015: R198 million) mainly relates to the cost of forward points on foreign exchange contracts and translation losses on monetary assets and liabilities in Equipment southern Africa and Handling. This was off-set by some gains on forward cover contracts in Equipment southern Africa.

Finance costs increased by R94 million to R1 346 million. This is mainly due to higher interest rates in South Africa.

Profits from non-operating and capital items of R120 million includes profits on sale of the Logistics Supply Chain software business (R63.4 million), a R15 million profit on sale of the



## Net interest-bearing debt at 30 September 2016 of R8 billion was R2.7 billion down on September 2015 (R10.7 billion).

Agriculture Zambia business and a foreign currency release in respect of an offshore subsidiary. This has been partially off-set by the impairments of goodwill in Avis Fleet Tanzania and the investment in Energyst.

The taxation charge increased by R1 million to R809 million while the effective taxation rate for the period (excluding prior year taxation and taxation on non-operating and capital items) was 27.4% (2015: 37.1%). The current year charge was negatively impacted by local tax relating to forex gains in the local currency accounts. The prior year rate was negatively impacted by the IAS 12.41 deferred tax charges arising from the depreciation of the Rouble in Equipment Russia, as well as local currency depreciation against the Dollar in Angola, Zambia and Mozambique.

Income from associates and joint ventures is significantly down on the prior period reflecting a loss of R25 million for the year compared to income of R287 million last year, mainly attributable to the decline in profits from the equipment associates in the DRC and Europe. This swing of R312 million has materially impacted the net profit and earnings for the year.

Headline earnings per share (HEPS) (excluding the B-BBEE transaction) was down by 9% to 838 cents compared to the 926 cents of last year, mainly as a result of the decrease of 148 cents per share arising from reduced associate earnings.

Basic earnings per share (EPS) of 891 cents is 10.1% higher than last year's comparable of 809 cents.

### Cash flow

Cash generated from operations was strong increasing to R7.8 billion from the R1.1 billion generated in 2015. Working capital decreased by R2.1 billion, mainly in Equipment southern Africa and Equipment Russia. This was significantly down on the absorption last year of R3.4 billion. Equipment southern Africa produced a reduction in working capital of R1.7 billion and Equipment Russia a reduction of R0.4 billion.

Cash applied to the investment in property, plant and equipment together

with subsidiaries and intangibles of R1 436 million includes net acquisitions in the Automotive and Logistics divisions of R639 million. In addition a further R339 million (\$25 million) was invested in Angolan US\$ linked bonds as protection against currency devaluation. The total investment in Angolan US\$ linked government bonds at September was \$51 million.

The net cash inflow before financing activities for the year of R3 507 million was R6 971 million better than the R3 464 million outflow at September 2015.

Summarised cash flow statement	2016	2015
	Rm	Rm
Operating cash flows before working capital	7 161	7 094
Movement in working capital	2 119	(3 370)
Net investment in leasing assets and vehicle rental fleet	(1 453)	(2 601)
Cash generated by operations	7 827	1 123
Other net cash flows	(2 112)	(1 947)
Dividends paid	(772)	(814)
Net cash retained from/(utilised in) operating activities	4 943	(1 638)
Net cash used in investing activities	(1 436)	(1 826)
Net cash inflow/(outflow)	3 507	(3 464)

### Financial position

Total assets employed in the group reduced by R2.1 billion (4.4%) to R46 billion compared to September 2015. The bulk of the reduction was driven by a reduction in inventories and receivables in Equipment southern Africa and Russia while the weaker Rand added R340 million to the total assets. Assets held for sale comprise mainly the assets of the South African Handling and Agriculture businesses which are to be sold into a joint venture.

Total interest-bearing debt at 30 September 2016 dropped strongly by R2.1 billion to R11 billion (September 2015: R13.1 billion) while cash and cash equivalents increased to R3 billion (September 2015: R2.4 billion). Net interest-bearing debt at 30 September 2016 of R8 billion was R2.7 billion down on September 2015 (R10.7 billion).

## Finance director's review

**At 30 September the group had unutilised borrowing facilities of R9.6 billion, of which R7.2 billion was committed.**

The UK pension scheme deficit increased from R1.9 billion (£93 million) to R2.8 billion (£161 million) primarily as a result of a 1.5% reduction in the AA corporate bond yield which significantly impacted the future pension liability. This reduction in the yield resulted from market moves which were further adversely impacted by the Brexit vote in the year.

### Debt

Debt maturity profile	Borrowings September	Redemption				
	2016 Rm	2017 Rm	2018 Rm	2019 Rm	2020 Rm	2021 onwards Rm
Southern Africa	10 432	2 303	1 231	2 831	1 912	2 155
Offshore	612	362	241	7	2	
<b>Total</b>	<b>11 044</b>	<b>2 665</b>	<b>1 472</b>	<b>2 838</b>	<b>1 914</b>	<b>2 155</b>

In October 2015, the company settled the R750 million BAW2 bond and in February 2016 the R200 million BAW15 bond matured and was settled from available facilities utilising its available banking facilities. In December 2015 the company issued an unsecured seven-year bond (BAW22) totalling R253 million, and in January 2016 the company issued a R500 million unlisted note (BAW23U), the proceeds of which were used to redeem the unlisted BAW20U. In September 2016, the company issued a three-year bond (BAW24) totalling R501 million. The proceeds of this was used to settle the R614 million BAW10 which matured on 30 September 2016. These bonds were issued under our existing South African Domestic Medium Term Note programme.

During the 2016 financial year the group finalised a new three-year revolving credit facility for R700 million and an evergreen facility for R650 million that will continue indefinitely subject to an 18-month notice period to exit the facility.

South African short-term debt includes commercial paper totalling R807 million (September 2015: R861 million). While this market has remained active, liquidity and spreads have been negatively impacted by interest rate uncertainty. We expect to maintain our participation in this market to the extent permitted by overall liquidity in the market.

Cash and cash equivalents at September of R3.0 billion included \$37.5 million (R516 million) held in local currency in Angola of which \$15.8 million is held in a captive account to support foreign currency allocations and \$16.2 million is required to fund local operating expenses.

At 30 September the group had unutilised borrowing facilities of R9.6 billion, of which R7.2 billion was committed. The group's ratio of long-term to short-term debt improved to 76%:24% (September 2015: 68%:32%).

Moody's Investors Services assigned a long-term and short-term issuer Global Scale Rating of Baa3 and P-3 and long-term and short-term issuer National Scale Rating of Aa3.za and P-1.za in June 2016. The outlook on the ratings is stable. The new credit rating implies that any new bonds issued would now qualify as level 2A High Quality Liquid Assets (HQLAs) which should make Barloworld paper more attractive to banks, which are required to hold a certain level of HQLAs to meet their liquidity coverage ratio targets.

The group's total debt-to-equity ratio at 30 September 2016 was 56% (September 2015: 67%), while group net debt to equity improved to 41% (September 2015: 55%).

### Shareholder value creation

The group utilises an integrated financial value model (IFVM) to drive returns on assets and guide decisions on the deployment of capital. This approach has seen the group divest from underperforming assets over the last few years and redeploy this capital in assets earning higher returns.

The group is well placed to fund growth opportunities that may arise.

Gearing in the three segments are as follows:

<b>Debt to equity (%)</b>	<b>Trading</b>	<b>Leasing</b>	<b>Car Rental</b>	<b>Group total debt</b>	<b>Group net debt</b>
Target range	30 – 50	600 – 800	200 – 300		
<b>Ratio at 30 September 2016</b>	<b>29</b>	<b>720</b>	<b>216</b>	<b>56</b>	<b>41</b>
Ratio at 30 September 2015	43	668	211	67	55

### Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The basis is consistent with the prior year except for the reclassification of the interest-bearing floor plan facilities provided to motor retail dealerships by the vehicle manufacturers to acquire inventories. The change in disclosure of the interest-bearing floor plan from borrowings to payables reflects the nature of the transactions and is in line with current industry disclosures.

Barloworld's results for the year ended 30 September 2015 were restated to reflect changes in disclosure of the interest-bearing floor plan facilities.

### Dividend

Dividends totalling 345 cents per share were declared in respect of this year's earnings (2015: 345 cents). All issued shares are entitled to receive dividends. The dividends declared this year are covered 2.4 times by headline earnings (2015: 2.6 times).

### 2017 outlook

The group will continue to work on improving margins while containing its cost base. This is particularly relevant in our Equipment businesses in southern Africa and Iberia which are generating returns below target. The group will further continue to focus on generating positive free cash flow in 2017 and trimming the asset base to improve returns. We will also proactively take steps for the early refinancing of debt that is maturing within the next 18 months ensuring the group is well placed to fund growth opportunities that may arise.



**DG Wilson**  
*Finance director*

18 November 2016

# Summarised consolidated income statement

for the year ended 30 September

	Note	Audited		% change
		2016 Rm	2015 Rm	
<b>Revenue</b>		<b>66 547</b>	62 720	6
<b>Operating profit before items listed below (EBITDA)</b>		<b>6 674</b>	6 479	
Depreciation		<b>(2 426)</b>	(2 355)	
Amortisation of intangible assets		<b>(113)</b>	(129)	
<b>Operating profit</b>		<b>4 135</b>	3 995	4
B-BBEE charge			(251)	
<b>Operating profit including B-BBEE charge</b>		<b>4 135</b>	3 744	10
Fair value adjustments on financial instruments		<b>(209)</b>	(198)	
Finance costs		<b>(1 346)</b>	(1 252)	
Income from investments		<b>113</b>	67	
<b>Profit before non-operating and capital items</b>		<b>2 693</b>	2 361	14
Non-operating and capital items	3	<b>120</b>	(6)	
<b>Profit before taxation</b>		<b>2 813</b>	2 355	
Taxation		<b>(809)</b>	(808)	
<b>Profit after taxation</b>		<b>2 004</b>	1 547	30
(Loss)/income from associates and joint ventures		<b>(25)</b>	287	
<b>Profit for the year</b>		<b>1 979</b>	1 834	
<b>Net profit attributable to:</b>				
Owners of Barloworld Limited		<b>1 883</b>	1 713	10
Non-controlling interest in subsidiaries		<b>96</b>	121	
		<b>1 979</b>	1 834	
<b>Earnings per share (cents)</b>				
– basic		<b>890.5</b>	808.7	
– diluted		<b>888.2</b>	806.1	

# Summarised consolidated statement of comprehensive income

for the year ended 30 September

	Audited	
	2016 Rm	2015 Rm
<b>Profit for the year</b>	<b>1 979</b>	1 834
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>(550)</b>	1 336
Exchange (loss)/gains on translation of foreign operations	(377)	1 454
Translation reserves realised on disposal of foreign joint venture and subsidiaries	(83)	(130)
(Loss)/gain on cash flow hedges	(121)	16
Deferred taxation on cash flow hedges	31	(4)
<b>Items that will not be reclassified to profit or loss:</b>	<b>(1 134)</b>	(46)
Actuarial losses on post-retirement benefit obligations	(1 343)	(57)
Taxation effect	209	11
Other comprehensive (loss)/income for the year, net of taxation	(1 684)	1 290
<b>Total comprehensive income for the year</b>	<b>295</b>	3 124
<b>Total comprehensive income attributable to:</b>		
Owners of Barloworld Limited	199	3 003
Non-controlling interest in subsidiaries	96	121
	<b>295</b>	3 124



# Summarised consolidated statement of financial position

at 30 September

	Note	Audited	
		2016	Restated 2015
		Rm	Rm
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>20 179</b>	19 906
Property, plant and equipment		13 806	14 380
Goodwill		2 015	1 740
Intangible assets		1 713	1 500
Investment in associates and joint ventures		923	923
Finance lease receivables		147	142
Long-term financial assets		448	438
Deferred taxation assets		1 127	783
<b>Current assets</b>		<b>25 015</b>	28 052
Vehicle rental fleet		2 789	2 488
Inventories		10 317	13 767
Trade and other receivables		8 826	9 331
Taxation		55	94
Cash and cash equivalents		3 028	2 372
Assets classified as held for sale	6	828	197
<b>Total assets</b>		<b>46 022</b>	48 155
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital and premium		441	282
Other reserves		5 134	5 793
Retained income		13 367	13 351
<b>Interest of shareholders of Barloworld Limited</b>		<b>18 942</b>	19 426
Non-controlling interest		737	616
<b>Interest of all shareholders</b>		<b>19 679</b>	20 042
<b>Non-current liabilities</b>		<b>12 446</b>	12 078
Interest-bearing		8 379	9 074
Deferred taxation liabilities		703	571
Provisions		111	139
Other non-current liabilities		3 253	2 294
<b>Current liabilities</b>		<b>13 830</b>	15 992
Trade and other payables		10 054	10 832
Provisions		931	1 058
Taxation		180	52
Amounts due to bankers and short-term loans		2 665	4 050
Liabilities directly associated with assets classified as held for sale	6	67	43
<b>Total equity and liabilities</b>		<b>46 022</b>	48 155

## Summarised consolidated statement of changes in equity

for the year ended 30 September

	Share capital and premium	Other reserves	Retained income	Attributable to Barloworld Limited shareholders	Non-controlling interest	Interest of all shareholders
	Rm	Rm	Rm	Rm	Rm	Rm
<b>Balance at 1 October 2014</b>	316	4 517	12 049	16 882	604	17 486
Total comprehensive income for the year		1 336	1 667	3 003	121	3 124
<b>Transactions with owners, recorded directly in equity</b>						
Other reserve movements		(60)	136	76		76
B-BBEE IFRS 2			198	198		198
Dividends			(699)	(699)	(109)	(808)
Share buy-back	(34)			(34)		(34)
<b>Balance at 30 September 2015</b>	282	5 793	13 351	19 426	616	20 042
Total comprehensive income for the year		<b>(550)</b>	<b>749</b>	<b>199</b>	<b>96</b>	<b>295</b>
<b>Transactions with owners, recorded directly in equity</b>						
Other reserve movements		<b>(109)</b>		<b>(109)</b>		<b>(109)</b>
Acquisition of subsidiary					<b>96</b>	<b>96</b>
Other changes in minority shareholders' interest and minority loans					<b>(55)</b>	<b>(55)</b>
Dividends			<b>(733)</b>	<b>(733)</b>	<b>(16)</b>	<b>(749)</b>
Share buy-back during the year	<b>(127)</b>			<b>(127)</b>		<b>(127)</b>
Share issue during the year	<b>286</b>			<b>286</b>		<b>286</b>
<b>Balance at 30 September 2016</b>	<b>441</b>	<b>5 134</b>	<b>13 367</b>	<b>18 942</b>	<b>737</b>	<b>19 679</b>

# Summarised consolidated statement of cash flows

for the year ended 30 September

	Notes	Audited	
		2016	Restated 2015
		Rm	Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating cash flows before movements in working capital		7 161	7 094
Movement in working capital		2 119	(3 370)
<b>Cash generated from operations before investment in leasing and rental fleets</b>		<b>9 280</b>	3 724
Fleet leasing and equipment rental fleet		(506)	(1 847)
Additions		(2 580)	(4 029)
Proceeds on disposal		2 074	2 182
Vehicles rental fleet		(947)	(754)
Additions		(3 798)	(3 276)
Proceeds on disposal		2 851	2 522
<b>Cash generated from operations</b>		<b>7 827</b>	1 123
Finance costs		(1 346)	(1 252)
Realised fair value adjustments on financial instruments		(105)	(210)
Dividends received from investments, associates and joint ventures		31	218
Interest received		113	67
Taxation paid		(805)	(770)
<b>Cash inflow/(outflow) from operations</b>		<b>5 715</b>	(824)
Dividends paid (including non-controlling interest)		(772)	(814)
Cash retained from/(applied to) operating activities		4 943	(1 638)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, investments and intangibles	4	(1 057)	(641)
Proceeds on disposal of subsidiaries, investments and intangibles	5	258	61
Movement investment in leasing receivables		9	(128)
Acquisition of other property, plant and equipment		(980)	(1 363)
Replacement capital expenditure		(459)	(690)
Expansion capital expenditure		(521)	(673)
Proceeds on disposal of property, plant and equipment		334	245
Net cash used in investing activities		(1 436)	(1 826)
Net cash inflow/(outflow) before financing activities		3 507	(3 464)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares repurchased for equity-settled share-based payment		(95)	(22)
Share buy-back		(162)	
Share issue		286	
Purchase of non-controlling interest		(142)	(6)
Non-controlling interest loan and equity movements		24	
Proceeds from long-term borrowings		2 500	3 921
Repayment of long-term borrowings		(3 311)	(1 971)
Movement in short-term interest-bearing liabilities		(1 853)	(390)
<b>Net cash (used in)/from financing activities</b>		<b>(2 753)</b>	1 532
Net increase/(decrease) in cash and cash equivalents		754	(1 932)
Cash and cash equivalents at beginning of year		2 372	4 162
Effect of foreign exchange rate movement on cash balance		(112)	156
Effect of cash balances classified as held for sale		14	(14)
<b>Cash and cash equivalents at end of year</b>		<b>3 028</b>	2 372
Cash balances not available for use due to reserving restrictions*		580	337

\* Includes cash balances held in local currency in Angola.

# Summarised notes to the consolidated 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 preliminary reports, and the requirements of the Companies Act applicable to the summarised financial statements. The Listings Requirements require preliminary reports to contain as a minimum the information required by IAS 34 Interim Financial Reporting and to be prepared in accordance with 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 with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards. 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 previous consolidated financial statements, except for the restatement as detailed in note 11. This announcement is a summary of the complete set of financial statements available for inspection at our registered office.

This preliminary report and the complete set of the consolidated financial statements were prepared under the supervision of SY Moodley (group general manager: finance) BCom, CA(SA), ACMA.

	Audited	
	2016	2015
	Rm	Rm
<b>2. Reconciliation of net profit to headline earnings</b>		
Net profit attributable to Barloworld shareholders	<b>1 883</b>	1 713
Adjusted for the following:		
(Profit)/loss on disposal of subsidiaries and investments (IFRS 10)	<b>(168)</b>	4
Profit on disposal of property and other assets (IAS 16)	<b>(10)</b>	(35)
Impairment of goodwill (IFRS 3)	<b>15</b>	33
Impairment/(reversal) of investments in associates and joint ventures (IAS 36)	<b>37</b>	(2)
Impairment of plant and equipment (IAS 16) and intangibles (IAS 38) and other assets	<b>6</b>	6
Profit on sale of plant and equipment excluding rental assets (IAS 16)	<b>(1)</b>	(10)
Rate change of amounts excluded from headline earnings		13
Taxation on profit of disposal of subsidiaries	<b>10</b>	
Taxation benefit on impairment of plant and equipment (IAS 16) and intangible assets (IAS 38)		1
Headline earnings	<b>1 772</b>	1 724
Headline earnings – excluding B-BBEE charge	<b>1 772</b>	1 960
<b>Weighted average number of ordinary shares in issue during the year (000)</b>		
– basic	<b>211 425</b>	211 843
– diluted	<b>211 973</b>	212 537
<b>Headline earnings per share (cents)</b>		
– basic	<b>838.1</b>	813.8
– diluted	<b>836.0</b>	811.1
<b>Headline earnings per share (cents) – excluding B-BBEE charge</b>		
– basic	<b>838.1</b>	925.5
– diluted	<b>836.0</b>	922.3

Finance and  
governance  
review

# Summarised notes to the consolidated statements

for the year ended 30 September

		Audited	
		2016	2015
		Rm	Rm
<b>3.</b>	<b>Non-operating and capital items</b>		
	Profit/(loss) on acquisitions and disposal of investments and subsidiaries	168	(4)
	Impairment of goodwill	(15)	(33)
	(Impairment)/reversal of investments	(37)	2
	Profit on disposal of properties and other assets	10	35
	Impairment of property, plant and equipment, intangibles and other assets	(6)	(6)
	<b>Gross non-operating and capital items</b>	<b>120</b>	(6)
	Rate change of amounts excluded from headline earnings		(13)
	Taxation charge on non-operating and capital profit	(10)	(1)
	<b>Net non-operating and capital items</b>	<b>110</b>	(20)
<b>4.</b>	<b>Acquisition of subsidiaries, investments and intangibles</b>		
	Inventories acquired	(154)	(21)
	Receivables acquired	(183)	(41)
	Payables, taxation and deferred taxation acquired	457	61
	Borrowings net of cash	(34)	62
	Property, plant and equipment, non-current assets, goodwill and non-controlling interest	(239)	(97)
	Total net assets acquired	(153)	(36)
	Goodwill arising on acquisitions	(290)	(92)
	Intangibles arising on acquisition in terms of IFRS 3 Business Combinations	(196)	(34)
	Total purchase consideration	(639)	(162)
	Deemed disposal of associate at fair value on obtaining control	21	20
	Net cash cost of subsidiaries acquired	(618)	(142)
	Bank balances and cash in subsidiaries acquired	142	6
	Investment and intangible assets acquired	(581)	(505)
	<b>Cash amounts paid to acquire subsidiaries, investments and intangibles</b>	<b>(1 057)</b>	(641)
	During the year the group acquired various businesses of which none was individually material.		
<b>5.</b>	<b>Proceeds on disposal of subsidiaries, investments and intangibles</b>		
	Inventories disposed	39	147
	Receivables disposed	22	71
	Payables, taxation and deferred taxation balances disposed and settled	(46)	(55)
	Borrowings net of cash	9	(1)
	Property, plant and equipment, non-current assets, goodwill and intangibles	146	16
	Net assets disposed	170	179
	Receivable from subsidiary disposed	(22)	
	Less: Non-cash translation reserves realised on disposal of foreign subsidiaries	1	(127)
	Profit on disposal	117	10
	Net cash proceeds on disposal of subsidiaries	266	62
	Bank balances and cash in subsidiaries disposed	(9)	(2)
	Proceeds on disposal of investments and intangibles	1	1
	<b>Cash proceeds on disposal of subsidiaries, investments and intangibles</b>	<b>258</b>	61
	The net cash proceeds on disposal of subsidiaries includes the disposal of Barloworld Supply Chain Software for R176.5 million and the proceeds from the sale of the assets of the Agriculture Zambia business into a joint venture company with BayWa AG.		



		Audited	
		2016	2015
		Rm	Rm
<b>6.</b>	<b>Assets classified as held for sale</b>		
	<b>The major classes of assets and liabilities comprising the disposal group and other assets classified as held for sale are as follows:</b>		
	Property, plant and equipment	152	5
	Goodwill		29
	Intangibles	2	97
	Inventories	650	32
	Trade and other receivables	24	20
	Cash balances		14
	Assets classified as held for sale	828	197
	Trade and other payables	(67)	(42)
	Provisions		(1)
	Total liabilities associated with assets classified as held for sale	(67)	(43)
	Net assets classified as held for sale	761	154
	<b>Per business segment:</b>		
	Handling	746	73
	Logistics	15	81
	Total group	761	154
	The majority of the assets held for sale relate to the net assets of the Handling South Africa and Agriculture South Africa operations.		
<b>7.</b>	<b>Financial instruments</b>		
	<b>Carrying value of financial instruments by class:</b>		
	<b>Financial assets:</b>		
	Trade receivables		
	– Industry	5 654	6 136
	– Government	423	419
	– Consumers	540	644
	Other loans and receivables and cash balances	4 899	3 823
	Finance lease receivables	379	400
	Derivatives (including items designated as effective hedging instruments)		
	– Forward exchange contracts	2	136
	Other financial assets at fair value	33	50
	<b>Other financial assets at fair value</b>	<b>11 930</b>	11 609
	<b>Financial liabilities:</b>		
	Trade payables		
	– Principals	2 603	2 903
	– Other suppliers	5 684	6 124
	Other non-interest-bearing payables	369	352
	Derivatives (including items designated as effective hedging instruments)		
	– Forward exchange contracts	46	20
	Interest-bearing debt measured at amortised cost	10 085	11 961
	<b>Total carrying value of financial liabilities</b>	<b>18 787</b>	21 360

# Summarised notes to the consolidated statements

for the year ended 30 September

## 7. Financial instruments continued

### Fair value measurements recognised in the statement of financial position

Level 1 measurements are derived from quoted prices in active markets. Level 2 and level 3 measurements are determined using discounted cash flows.

	2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Financial assets designated at fair value through profit or loss			28	28
<b>Available-for-sale financial assets</b>				
Shares			5	5
Derivative assets designated as effective hedging instruments		2		2
<b>Total</b>		2	33	35
<b>Financial liabilities at fair value through profit or loss</b>				
Financial liabilities designated at fair value through profit or loss		2		2
Derivatives		91		91
<b>Total</b>		93		93

	2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Financial assets designated at fair value through profit or loss	59		45	104
<b>Available-for-sale financial assets</b>				
Shares			5	5
Derivative assets designated as effective hedging instruments	77			77
<b>Total</b>	136		50	186
<b>Financial liabilities at fair value through profit or loss</b>				
Financial liabilities designated at fair value through profit or loss				1
Derivatives		20		13
<b>Total</b>		20		15

	Audited	
	2016	2015
	Rm	Rm
<b>8. Dividends</b>		
<b>Ordinary shares</b>		
Final dividend No 174 paid on 18 January 2016: 230 cents per share (2015: No 172 – 214 cents per share)	488	456
Interim dividend No 175 paid on 13 June 2016: 115 cents per share (2015: No 173 – 115 cents per share)	245	243
	733	699
Paid to non-controlling interest	16	109
	749	808
<b>Dividends per share (cents)</b>	345	345
– interim (declared May)	115	115
– final (declared November)	230	230

		Audited	
		2016	2015
		Rm	Rm
<b>9. Contingent liabilities</b>			
Performance guarantees given to customers, other guarantees and claims		<b>1 017</b>	1 343
Buy-back and repurchase commitments not reflected on the statement of financial position		<b>98</b>	62
<p>The group has received a provisional statement of objection from the Dutch competition authorities in respect of a subsidiary disposed of in 2013 setting out their provisional findings on an industry-wide investigation for the period ended 2010. At this stage the outcome of these proceedings cannot be predicted with any certainty. Management is, however, giving the matter its full attention and is, in conjunction with legal advisors, drafting a written response to the objection.</p>			
<b>10. Commitments</b>			
Capital expenditure commitments to be incurred:		<b>2 231</b>	2 112
Contracted – Property, plant and equipment		<b>392</b>	406
Contracted – Vehicle rental fleet		<b>1 196</b>	1 354
Approved but not yet contracted		<b>643</b>	352
Operating lease commitments		<b>3 316</b>	3 187
Finance lease commitments		<b>1 243</b>	1 451
<p>Capital expenditure will be financed by funds generated by the business, existing cash resources and borrowing facilities available to the group.</p>			

## 11. Changes in comparatives

### Floorplan

Motor Trading has a number of floorplan facilities which are arranged by the vehicle manufacturers to finance dealer inventory purchases. These short-term credit lines are initially interest-free and only become interest bearing after a certain specified period. During the current year the group reclassified the interest-bearing floorplan liability from Amounts due to bankers and short-term loans to Trade and other payables. This treatment is in line with the disclosure of other automotive companies.

The impact of the change in accounting policy on the comparative amounts is as follows:

	2015		
	Previously stated	Restatement	Restated
	Rm	Rm	Rm
<b>Consolidated statement of financial position</b>			
Amounts due to bankers and short-term loans	4 351	(301)	4 050
Trade and other payables	10 531	301	10 832
<b>Current liabilities</b>	<b>14 882</b>		<b>14 882</b>
<b>Consolidated statement of cash flows</b>			
<b>Cash flows from operating activities</b>			
Increase in working capital	(3 429)	59	(3 370)
Cash (utilised in)/retained from operating activities	(1 697)	59	(1 638)
<b>Cash flows from financing activities</b>			
(Decrease)/increase in short-term interest-bearing liabilities	(331)	(59)	(390)
Net cash from financing activities	1 591	(59)	1 532

# Summarised notes to the consolidated statements

for the year ended 30 September

## 12. Related-party transactions

There has been no significant change in related-party relationships since the previous year.

Other than in the normal course of business, there have been no other significant transactions during the year with associate companies, joint ventures and other related parties.

## 13. Events after the reporting period

On 17 November 2016 Barloworld signed an agreement for the sale of the assets of its Agriculture and Handling businesses in South Africa to a new operating company. The new operating entity will be held 50%:50% by Barloworld and BayWa AG, a German listed company. The closing of this transaction is contingent upon the fulfilment of the conditions precedent including approvals from the competition commission and principals, which we anticipate will be in place by the end of February 2017.

## 14. Operating segments (audited)

	Revenue		Operating profit/(loss)		Fair value adjustments on financial instruments		Operating profit/(loss) including fair value adjustments		Net operating assets/(liabilities)	
	Year ended 30 September		Year ended 30 September		Year ended 30 September		Year ended 30 September		30 September	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Equipment and Handling	29 362	29 506	2 264	2 368	(201)	(210)	2 064	2 158	16 552	19 806
Automotive and Logistics	37 183	33 213	1 877	1 688	(7)	(4)	1 870	1 684	11 158	10 450
Corporate	2	1	(6)	(61)	(1)	16	(8)	(45)	(2 330)	(1 499)
<b>Total group</b>	<b>66 547</b>	<b>62 720</b>	<b>4 135</b>	<b>3 995</b>	<b>(209)</b>	<b>(198)</b>	<b>3 926</b>	<b>3 797</b>	<b>25 380</b>	<b>28 757</b>

## Salient financial features

for the year ended 30 September

	Audited	
	2016	2015
<b>Financial</b>		
Group headline earnings per share (cents)	838	814
Headline earnings per share (cents) – excluding B-BBEE charge	838	926
Dividend per share (cents)	345	345
Operating margin (%) – excluding B-BBEE charge	6.2	6.4
Net asset turn (times)	2.1	2.1
EBITDA/interest paid (times)	5.0	5.2
Net debt/equity (%)	40.7	55.1
Group return on net operating assets (RONOA) (%)	15.9	17.0
Group return on ordinary shareholders' funds (%)	9.2	10.9
Net asset value per share including investments at fair value (cents)	8 997	9 157
Number of ordinary shares in issue, including B-BBEE shares (000)	212 693	226 728

Exchange rates (rand)	Closing rate		Average rate	
	2016	2015	2016	2015
United States dollar	13.75	13.86	14.75	11.98
Euro	15.45	15.43	16.32	13.73
British sterling	17.86	20.94	20.99	18.52

Exchange rates used:

Balance sheet – closing rate (rand)

Income statement and cash flow statement – average rate (rand)

# Governance review

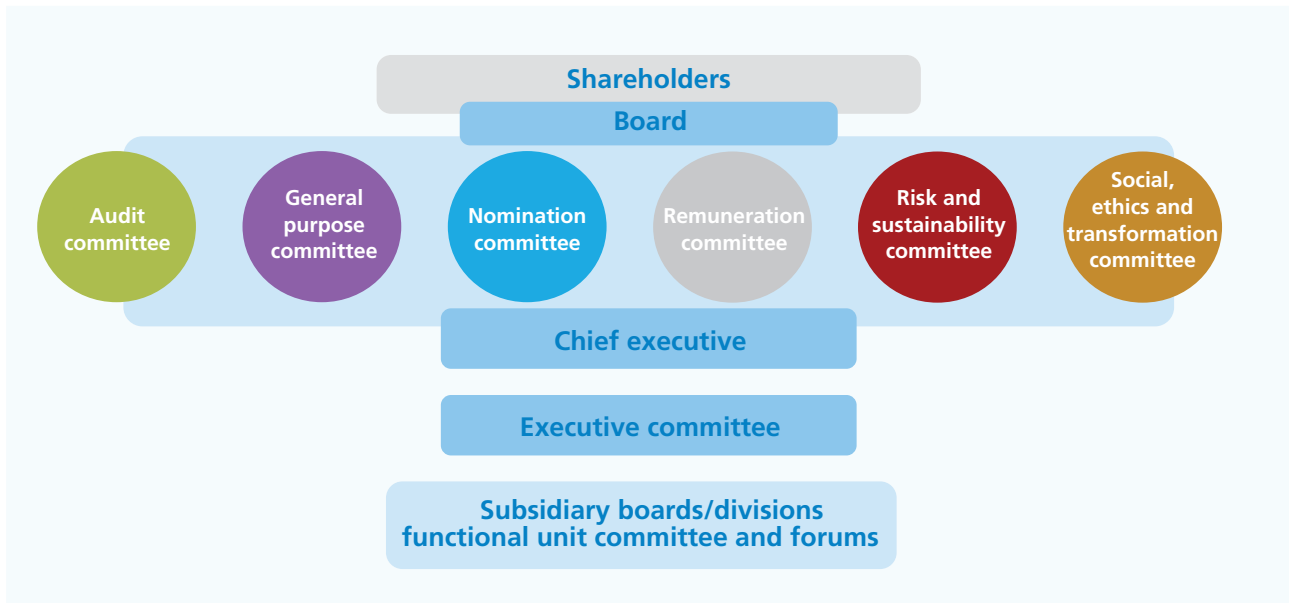
To Barloworld, corporate governance means more than a set of frameworks, principles, policies and rules. It means abiding by principles and structures that enable us to facilitate and foster good relationships between the board, shareholders, stakeholders and employees. Good corporate governance is our vehicle to business integrity, successful business relationships and value for our stakeholders.



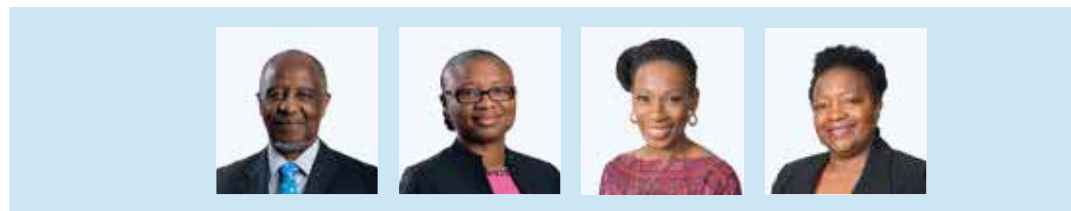
<p><b>Governance</b></p>	<p>The board recognises it is the custodian of corporate governance and always strives to ensure that the group aligns with local and international codes of good corporate governance, seeks to apply best practice and follows relevant trends in good corporate governance. The extent to which Barloworld applies the principles and recommended practices in the King Report on Governance for South Africa (King III) is reviewed regularly. This review identifies the governance principles already being applied and those which the company needs to address or further entrench. The review also identifies areas of improvement or ways in which our governance practices can be enhanced.</p>
<p><b>Ethics and values</b></p>	<p>Our Worldwide Code of Conduct articulates Barloworld’s commitment to doing business the right way, guided by our values of integrity, excellence, teamwork, commitment and sustainability. Our Code of Ethics requires Barloworld directors, management and employees to obey the law, respect others, be fair and honest, and protect the environment.</p>
<p><b>Risk</b></p>	<p>Identifying risks and opportunities through a robust and systematic process is central to our strategic planning process. A comprehensive risk management policy is in effect throughout the group and is complemented by the Barloworld Limited risk management philosophy.</p>
<p><b>Remuneration</b></p>	<p>Barloworld has adopted a holistic approach to its remuneration philosophy for senior executives and employees and has implemented a balanced structure which consists of both monetary and non-monetary components. Our business strategy concentrates on six strategic focus areas, which are supported by performance indicators. How we reward our employees, in particular our executive directors and prescribed officers, is in line with our dedication to achieving our strategic objectives. Our remuneration approach and practices link into these focus areas.</p>

# Who governs us

## Governance framework and committee membership key



## Non-executive directors



**Dumisa Buhle Ntsebeza**  
(Chairman)

**Neo Phakama Dongwana**

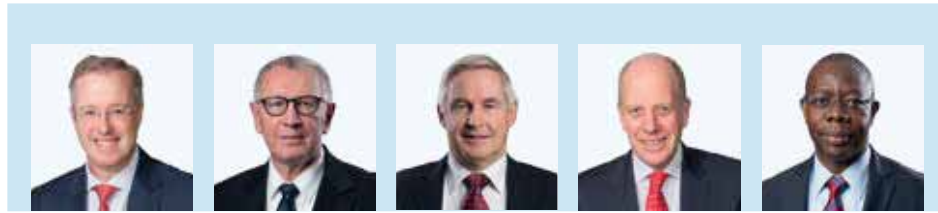
**Frances Ngozichukwuka Oluwatoyin Edozien**

**Sibongile Susan Mkhabela**

<b>Age</b>	66	44	51	60
<b>Qualifications</b>	BA, BProc, LLB, LLM (International Law)	BCom (Hons), CA(SA)	BA in Social Studies, MBA, MA (Cambridge)	BA Social Work (Hons), Dip Business Management, MAP
<b>Committees</b>				



## Executive directors



**Clive Bradney Thomson**  
(Chief executive)

**Donald Gert Wilson**  
(Finance director)

**Peter John Blackbeard**  
(Chief executive:  
Power Systems and  
Handling)

**Peter John Bulterman**  
(Chief executive:  
Equipment)

**Dominic Malentsha Sewela**  
(Deputy chief  
executive)

<b>Age</b>	50	59	59	60	51
<b>Qualifications</b>	BCom (Hons), MPhil (Cantab), CA(SA)	BCom, CTA, CA(SA)	BSc Eng (Mech) (Hons), Dip Business Management	HDip Mechanical Engineering	BSc Chemical Engineering
<b>Committees</b>					



**Babalwa Ngonyama**

**Sango Siviwe Ntsaluba**

**Steven Bernard Pfeiffer**

**Oupa Isaac Shongwe**

41	56	69	54
BCom (Accounting), CA(SA), MBA, HDip (Banking Law)	BCompt (Hons), CA(SA), HDip Tax Law, MCom	BA, MA (Oxon), JD (Yale)	BA (Hons), MPhil (Oxon)

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

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

In carrying out company priorities the board ensures the existence of the necessary committee structures, including the executive committee, with clear terms of reference that assist it in discharging its responsibilities. This is cascaded down in the business to subsidiary and divisional levels to ensure that the business is also provided with structure within which management can operate effectively.

# Governance and ethics

## Governance framework

The company's governance framework supports our strategic focus areas. The board plays a pivotal role in strategy planning and establishes clear benchmarks to measure the company's strategic objectives. It ensures that a sound structure and governance framework that will enhance good corporate governance, improve internal controls and company performance is in place. In carrying out company priorities the board ensures the existence of the necessary committee structures, including the executive committee, with clear terms of reference that assist it in discharging its responsibilities. This is cascaded down in the business to subsidiary and divisional levels to ensure that the business is also provided with structure within which management can operate effectively.

The group applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures.

Following the launch of King IV in November 2016, the company is in the process of reviewing application of current principles to align with King IV.

## Role and function of the board

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

The general powers of the directors are set out in the company's Memorandum of Incorporation. The directors have further unspecified powers and authority for matters that may be exercised and dealt with by the company, which are not expressly reserved to shareholders of the company in a general meeting.

The board always acts consistently in its duties of care, skill and diligence as well as its fiduciary duties.

## Ethical leadership

The board provides effective leadership based on a principled foundation and the group subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the company since its establishment in 1902.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short and long-term impact of its activities on the economy, society and the environment.

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

## Respected corporate citizenship

The board and management recognise that Barloworld is an economic entity and also a corporate citizen. As such, it has a social and moral standing in society with all the attendant responsibilities. Further information on respected corporate citizenship is provided in our corporate social investment (CSI) report on page 93.

## Compliance with laws, rules, codes, regulations and standards

The board is responsible for ensuring that the group complies with applicable laws and considers adhering to non-binding rules, codes and standards. The board recognises that the group's operations are located in many jurisdictions which are at different levels of maturity and in which the rule of law exists in varying degrees.

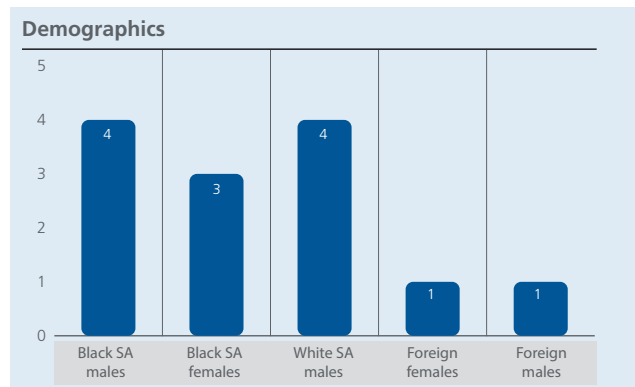
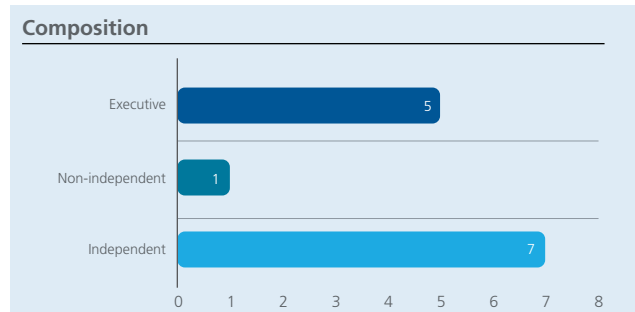
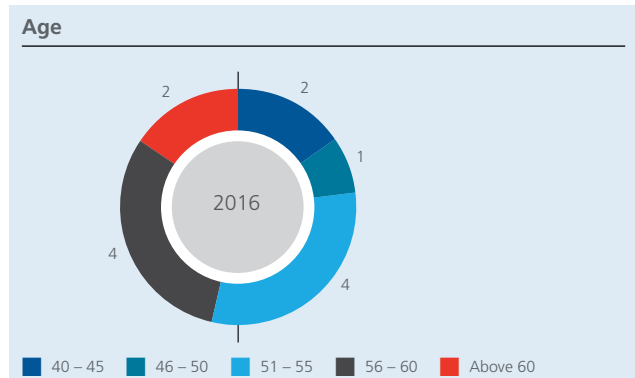
Barloworld is listed on the JSE Limited and maintains secondary listings on the London Stock Exchange (LSE) and the Namibia Stock Exchange. The board annually confirms that the company complies with the Listings Requirements of the JSE Limited.

## Composition of the board

Considerable thought is given to board balance and composition. Collectively, the board believes the current mix of knowledge, skill and experience meets the requirements to lead the company effectively. The board has 13 directors, comprising eight non-executive directors and five executive directors.

The board comprises a majority of non-executive directors. The board has evaluated the rationale and meaning of the requirements of independence of directors in accordance with King III. An assessment of the salient factors and unique circumstances of each non-executive director is performed annually. The independence of non-executives who have served on the board for longer than nine years is also assessed annually. The board is satisfied that seven of the eight non-executive directors are independent. Mr Isaac Shongwe is not regarded as independent in terms of King III as he was a member of the management executive team in the last three years.

Messrs Peter Bulterman, Dumisa Ntsebeza, Steven Pfeiffer and Clive Thomson are required to retire by rotation in accordance with the Memorandum of Incorporation (MOI) at the forthcoming AGM. Peter Bulterman, Steven Pfeiffer and Clive Thomson have not offered themselves for re-election and will accordingly retire at the AGM. Peter Bulterman continues in his position as chief executive of Barloworld Equipment. Dumisa Ntsebeza has made himself available for re-election. The board has evaluated his performance and independence, and accordingly recommend him to shareholders for re-election.



# Governance and ethics

## Chairman and chief executive

The responsibility for running the board and executive responsibility for conducting the business are differentiated. The chairman of the board, Adv Dumisa Ntsebeza SC, is an independent non-executive director and the chief executive, Mr Clive Thomson, is an executive director. The chairman is responsible for leading the board, ensuring its effectiveness and setting its agenda. The chief executive leads the executive team in running the business and coordinates proposals for consideration by the board.

## Board appointment process

To ensure a rigorous and transparent procedure, any new appointment of a director is considered by the board as a whole, on the recommendation of the nomination committee. The selection process involves considering the existing balance of skills and experience and a continual process of assessing the needs of the company.

## Board meetings and attendance

Board meetings are convened by formal notice incorporating a detailed agenda and relevant written proposals and reports. Information is distributed in good time before board meetings to enable adequate preparation. Decisions not taken at a board meeting are adopted by way of written resolutions in accordance with the company's Memorandum of Incorporation and these are tabled for noting at each subsequent board meeting.

When directors are not able to attend in person, video and teleconferencing facilities allow them to participate fully. The board meets as scheduled and, where necessary, special meetings are held to deal with specific aspects.

Board	Responsibilities	Membership	Meetings attended
	During the 2016 financial year, the board fulfilled the following functions in accordance with its mandate:		
<b>Board</b>	<ul style="list-style-type: none"> <li>– Reviewed and approved the strategies and strategic objectives of the group</li> <li>– Exercised independent, informed and effective judgement to bear on material decisions of the company and group companies</li> <li>– Performed a comprehensive review of the terms of reference to align with applicable legislation, sound corporate governance principles and the company's Memorandum of Incorporation</li> <li>– Confirmed that the company complies with applicable laws, relevant listings requirements and best corporate governance practice</li> <li>– Set the tone of the company values including principles of ethical business practice and the requirements of being a responsible corporate citizen</li> <li>– Approved the revised group approvals framework</li> </ul>	DB Ntsebeza (Chairman) CB Thomson PJ Blackbeard PJ Bulterman NP Dongwana FNO Edozien AGK Hamilton* A Landia^ SS Mkhabela B Ngonyama SS Ntsaluba SB Pfeiffer DM Sewela OI Shongwe DG Wilson	6/6 6/6 6/6 6/6 5/6 6/6 2/2 1/1 5/6 6/6 6/6 6/6 6/6 6/6 6/6
<b>FOCUS AREAS FOR 2017</b>			
	– Progressing the strategic initiatives under review by the board		

*^ Resigned with effect from 31 December 2015.*

*\* Retired with effect from 3 February 2016.*

## Board committees

The board has established six standing committees with delegated authority from the board. Each board committee is chaired by an independent non-executive director.

These committees play an important role in enhancing good corporate governance, improving internal controls and thus, the performance of the company. Each board committee acts according to written terms of reference which are reviewed annually and approved by the board.

Committee	Responsibilities	Membership	Meetings attended
	During the 2016 financial year, the committee had, in addition to the statutory functions prescribed in the Companies Act and other regulations, focused on the following:		
<b>Audit</b>	<ul style="list-style-type: none"> <li>– Monitored the appropriateness of the company's combined assurance model</li> <li>– Reviewed and recommended for adoption by the board such financial information that is publicly disclosed</li> <li>– Monitored and supervised the functioning and performance of internal audit, compliance with its charter and reviewed and approved the annual risk-based audit plans, resources and budgets</li> <li>– Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes management</li> <li>– Reviewed the group information security policy and the results of the internal self-assessments of the levels of control in place across the group</li> <li>– Considered to its satisfaction the independence, objectivity and effectiveness of the external auditors</li> <li>– Reviewed the performance and expertise of the group finance director, head of internal audit and overall finance function</li> </ul>	SS Ntsaluba (Chairman) B Ngonyama FNO Edozien <sup>^</sup> AGK Hamilton*  <sup>^</sup> Appointed with effect from 3 February 2016. * Retired with effect from 3 February 2016.	6/6 6/6 4/4 2/2
<b>FOCUS AREAS FOR 2017</b>			
	<ul style="list-style-type: none"> <li>– The revised auditor's report</li> <li>– King IV</li> <li>– Mandatory audit firm rotation proposal by IRBA</li> </ul>		

## Governance and ethics

Committee	Responsibilities	Membership	Meetings attended
<b>Social, ethics and transformation</b>	<ul style="list-style-type: none"> <li>– Approved diversity and inclusion targets for 2016 to align with the company's strategy across the group</li> <li>– Progressed the stakeholder engagement strategy for the public sector</li> <li>– Received a presentation on consumer protection legislation contextualised in respect of the committee's mandate</li> <li>– Considered the programme relating to the effective management of ethics</li> <li>– Considered the role of the company on social issues</li> <li>– Received reports on key labour relations issues across the group</li> </ul>	SS Mkhabela (Chairman) PJ Blackbeard NP Dongwana DB Ntsebeza OI Shongwe CB Thomson	4/5 5/5 5/5 5/5 3/5 5/5
<b>FOCUS AREAS FOR 2017</b>			
<ul style="list-style-type: none"> <li>– CSI strategy</li> <li>– Roll out of public sector engagement strategy</li> <li>– Monitoring implementation of diversity and inclusion programmes</li> </ul>			

Committee	Responsibilities	Membership	Meetings attended
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>– Determined the criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities</li> <li>– Considered the structure and development of the company's general policy on executive directors and prescribed officer remuneration</li> <li>– Reviewed the appropriateness and effectiveness of the short and long-term incentive schemes</li> <li>– Reviewed and approved the remuneration policy of the company</li> <li>– Ensuring that the remuneration report is accurate, complete and transparent; provides clear explanation of how the remuneration policy is implemented</li> <li>– Received reports from the company's independent remuneration advisers (PwC and PE Corporate Services) on global trends relating to executive and non-executive pay</li> </ul>	SB Pfeiffer (Chairman) AGK Hamilton* B Ngonyama SS Ntsaluba DB Ntsebeza  <i>*Retired with effect from 3 February 2016.</i>	5/5    1/1^ 1/1    1/1^ 5/5    1/1^ 5/5    1/1^ 5/5    1/1^  <i>^ During the 2016 financial year the committee held an additional one special meeting.</i>
<b>FOCUS AREAS FOR 2017</b>			
<ul style="list-style-type: none"> <li>– Performance metrics for short-term and long-term incentive schemes</li> <li>– King IV</li> </ul>			



Committee	Responsibilities	Membership	Meetings attended
<b>Nomination</b>	<ul style="list-style-type: none"> <li>Reviewed the succession plans in place for directors, in particular for the chairman and chief executive</li> <li>Made recommendations to the board on the size and composition of the board generally and its committees</li> <li>Considered the issue of the appointment of additional directors following vacancies on the board</li> <li>Considered and had oversight over the succession plan of the chief executive</li> <li>Evaluated the performance of the board, its committees and individual directors in order to assess the effectiveness of the board as a whole, its committees and the contribution of each director</li> </ul>	DB Ntsebeza (Chairman) AGK Hamilton* SS Mkhabela SB Pfeiffer OI Shongwe**  <i>* Retired with effect from 3 February 2016.</i> <i>** Appointed with effect from 3 February 2016.</i>	6/6 2/2 6/6 6/6 3/4
<b>FOCUS AREAS FOR 2017</b>			
<ul style="list-style-type: none"> <li>Board and committee composition</li> <li>Succession planning</li> </ul>			

Committee	Responsibilities	Membership	Meetings attended
<b>Risk and sustainability</b>	<ul style="list-style-type: none"> <li>Reviewed the adequacy and effectiveness of the risk management process</li> <li>Addressed sustainable development in the company including climate change and environmental stewardship</li> <li>Evaluated the non-financial audit matrix and confirmed the material sustainability elements of integrated reporting</li> <li>Reviewed and approved the insurance renewal programme and the extent to which the group should retain risk</li> <li>Governance of information technology</li> </ul>	NP Dongwana (Chairman) PJ Blackbeard PJ Bulterman SM Ford^ AGK Hamilton* B Ngonyama^ SS Ntsaluba K Rankin^ DM Sewela^ OI Shongwe** CB Thomson DG Wilson  <i>* Retired with effect from 3 February 2016.</i> <i>** Stepped down from the committee with effect from 3 February 2016.</i> <i>^ Appointed with effect from 3 February 2016.</i>	4/4 4/4 4/4 3/3 1/1 3/3 4/4 3/3 3/3 1/1 4/4 4/4
<b>FOCUS AREAS FOR 2017</b>			
<ul style="list-style-type: none"> <li>Effectiveness of the ethics and compliance programme</li> <li>Emerging risks</li> <li>Safety, health and environmental issues</li> </ul>			

## Governance and ethics

Committee	Responsibilities	Membership	Meetings attended
<b>General purposes</b>	<ul style="list-style-type: none"> <li>– Considered key strategic matters including significant acquisitions and disposals, group restructuring and funding decisions</li> <li>– Reviewed the implementation of, or adjustments to, the group's strategic plan</li> <li>– Received reports on matters having political, economic, legal and regulatory implications regarding the affairs of the company</li> <li>– Performed a comprehensive review of the terms of reference to align with sound corporate governance principles and the needs of the company</li> </ul>	DB Ntsebeza (Chairman) SS Ntsaluba# AGK Hamilton* A Landia** SB Pfeiffer OI Shongwe# CB Thomson  <i>* Retired with effect from 3 February 2016.</i> <i>** Retired with effect from 31 December 2015.</i> <i># Appointed with effect from 3 February 2016.</i>	6/6    1/1^ 4/4    1/1^ 2/2 1/1 6/6    1/1^ 4/4    1/1^ 6/6    1/1^  <i>^ During the 2016 financial year the committee held one additional special meeting.</i>
<b>FOCUS AREAS FOR 2017</b>			
	– Group's strategic initiatives		

### Executive committee

The company has an established executive committee (Exco) which is not a committee of the board. Exco comprises nine members, led by the chief executive. Exco meets on a regular basis and guides the chief executive in managing the day-to-day business of the group, monitors business performance against established best management practices and functional standards and acts as a medium of communication and coordination between business units, group companies and the board.

### Board and committee performance assessment

The performance of the board as a whole and the board committees individually is appraised annually. The recent performance assessment indicated that the board and the board committees are performing their duties and responsibilities effectively and efficiently.

### Company secretary

Ms Lerato Manaka is the company secretary, duly appointed by the board in accordance with the Companies Act and the JSE Listings Requirements. The company secretary is not a director of the company.

The board of directors annually considers and is satisfied that the company secretary is properly qualified and experienced to carry out the duties and responsibilities of a company secretary and that there is an arm's length relationship between itself and the company secretary.

The directors of the company have unrestricted access to the company secretary for advice on matters of governance and other services. The company secretary provides the board as a whole and directors individually with guidance on discharging their responsibilities.

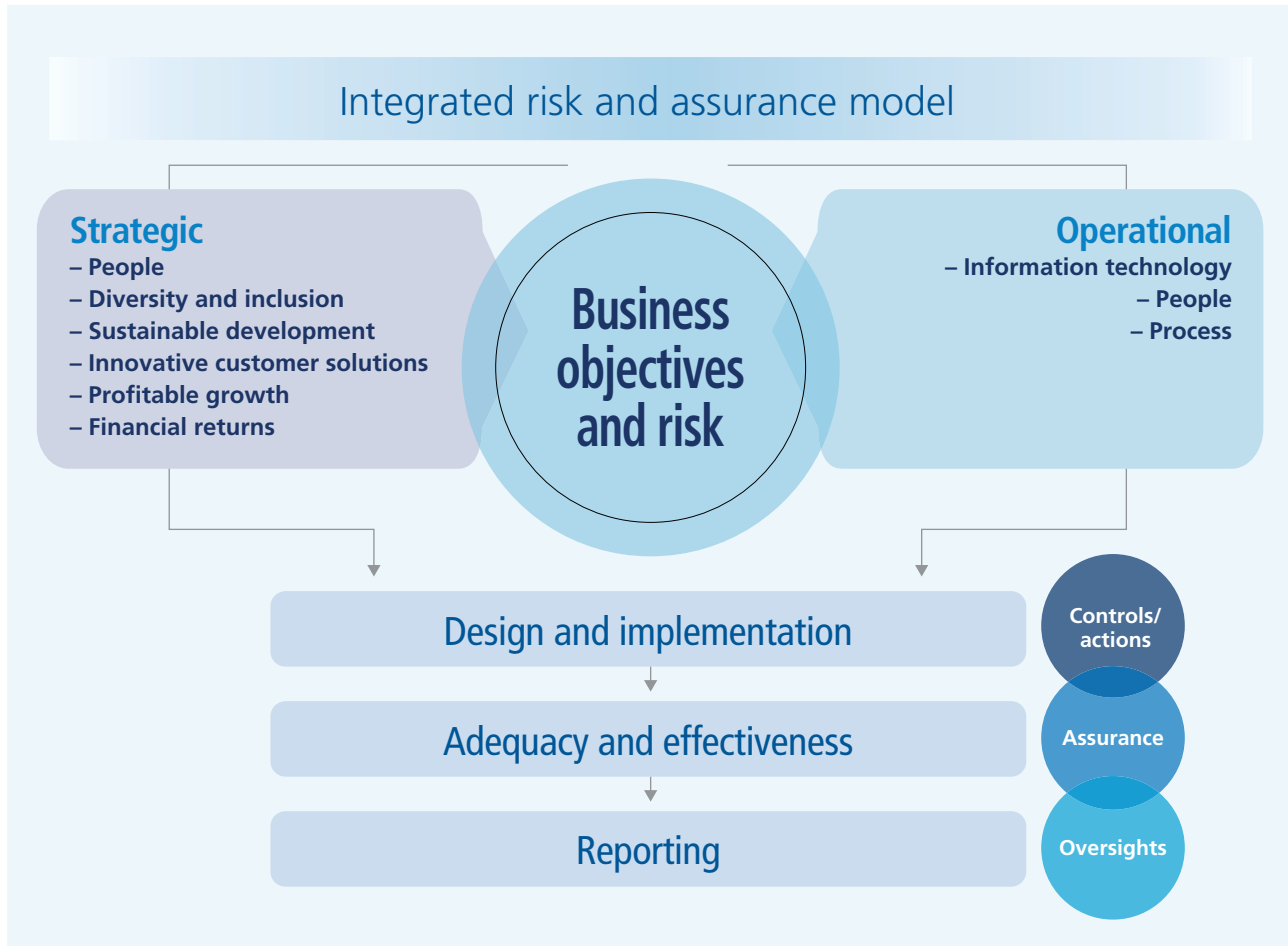
### Risk management process

A written risk management philosophy issued by the chief executive and endorsed by the directors states that the company is committed to managing its risks and opportunities in the interests of all stakeholders. An ongoing systematic enterprise-wide risk assessment process supports the group philosophy. Divisional boards and senior managers conduct ongoing self-assessment of risk to identify critical business, operational, financial and compliance exposures and the adequacy and effectiveness of control factors. The group risk department oversees strategic direction and continual improvement in methodology and process, as well as providing technical assistance.

### Internal audit

The purpose, authority and responsibility of the internal audit function is defined in the internal audit charter that is consistent with the Institute of Internal Auditors' definition of internal auditing, and the principles of King III. The charter is updated and approved by the board annually. Internal audit follows a risk-based audit approach. In line with the integrated risk and assurance approach, internal audit continues to liaise with the risk and compliance managers and other assurance providers to maximise efficiencies in assurance on critical risks.

## Integrated risk and assurance



## Governance and ethics

### Assurance matrix

Reporting aspect assured	Independent assurance providers	Scope of review	Framework/ standard	Output	Frequency
Annual financial statements	External audit (Deloitte)	Annual financial statements audit	<ul style="list-style-type: none"> <li>– IFRS</li> <li>– Companies Act</li> <li>– International Standards on Auditing (ISA)</li> </ul>	External audit opinion	Annual
Interim financial results	External audit (Deloitte)	Review of interim financial results	<ul style="list-style-type: none"> <li>– International Standard on Assurance Engagements (ISAE 2410)</li> <li>– Companies Act</li> <li>– International Standards on Auditing (ISA)</li> </ul>	Assurance statement	Annual
Internal controls and risk management process	Barloworld group internal audit  External audit (Deloitte)	Review of risk management, operational and non-financial reporting processes	<ul style="list-style-type: none"> <li>– Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing</li> <li>– Barloworld group internal audit methodology</li> </ul>	Internal audit opinion on the adequacy and effectiveness of controls and risk management processes	Annual
Internal financial controls	Barloworld group internal audit  External audit (Deloitte)	Assurance on the adequacy and effectiveness of financial controls	<ul style="list-style-type: none"> <li>– Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing</li> <li>– Barloworld Group internal audit methodology</li> <li>– Barloworld Internal Financial Control Framework</li> </ul>	Internal audit opinion on financial controls  External audit reports	Annual
Key non-financial indicators	External audit (Deloitte)	Assurance on selected key non-financial performance indicators	<ul style="list-style-type: none"> <li>– International Standard on Assurance Engagements (ISAE 3000) (Revised)</li> </ul>	Assurance report	Annual

Reporting aspect assured	Independent assurance providers	Scope of review	Framework/ standard	Output	Frequency
Black economic empowerment rating	Empowerdex	Verification of empowerment status	– Department of Trade and Industry (dti) Broad-Based Black Economic Empowerment (B-BBEE) scorecard	Empowerment rating certificate	Annual

### Relationship with stakeholders

The company is a strong proponent of transparency, best practice disclosure, consistent communication and equal and timely dissemination of information to stakeholders. It encourages the active participation of relevant stakeholders at general meetings and maintains an investor relations programme which, inter alia, arranges regular meetings between corporate and divisional executives, shareholders, potential investors and other relevant stakeholders. Further information on how we create value for our stakeholders is provided in our stakeholder report on pages 60 to 136.

## Remuneration report

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming AGM. It summarises the company's remuneration policy for non-executive directors, executive directors and prescribed officers. The information provided in this report has been approved by the board on the recommendation of the remuneration committee. The full remuneration report is available on the company's website, [www.barloworld.com](http://www.barloworld.com).

### Role of remuneration committee

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

### Members of remuneration committee

The remuneration committee is constituted as follows:

- SB Pfeiffer (Chairman) (independent non-executive);
- DB Ntsebeza (independent non-executive and chairman of the company);
- AGK Hamilton (independent non-executive), retired on 3 February 2016;
- SS Ntsaluba (independent non-executive); and
- B Ngonyama (independent non-executive).

The chief executive attends remuneration committee meetings by invitation, but does not participate in the vote process, and is not present when his own remuneration is

discussed or considered. PricewaterhouseCoopers (PwC), the company's independent advisers, attend the meetings in an advisory capacity. The company secretary, Ms L Manaka, acts as secretary to the remuneration committee.

### Advisers

During the 2016 financial year, the remuneration committee received advice and guidance from the following independent advisers:

- PwC – standing adviser to the remuneration committee on all executive and non-executive remuneration matters including guaranteed pay, short-term incentives, long-term incentives, non-executive directors' fees, remuneration reporting and general corporate governance standards; and
- PE Corporate Services – executive salary benchmarking and job grading.

### Linking remuneration to strategic objectives

Our business strategy concentrates on six strategic focus areas, which are supported by key performance indicators.

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









**SB Pfeiffer**  
Chairman  
Remuneration committee

18 November 2016

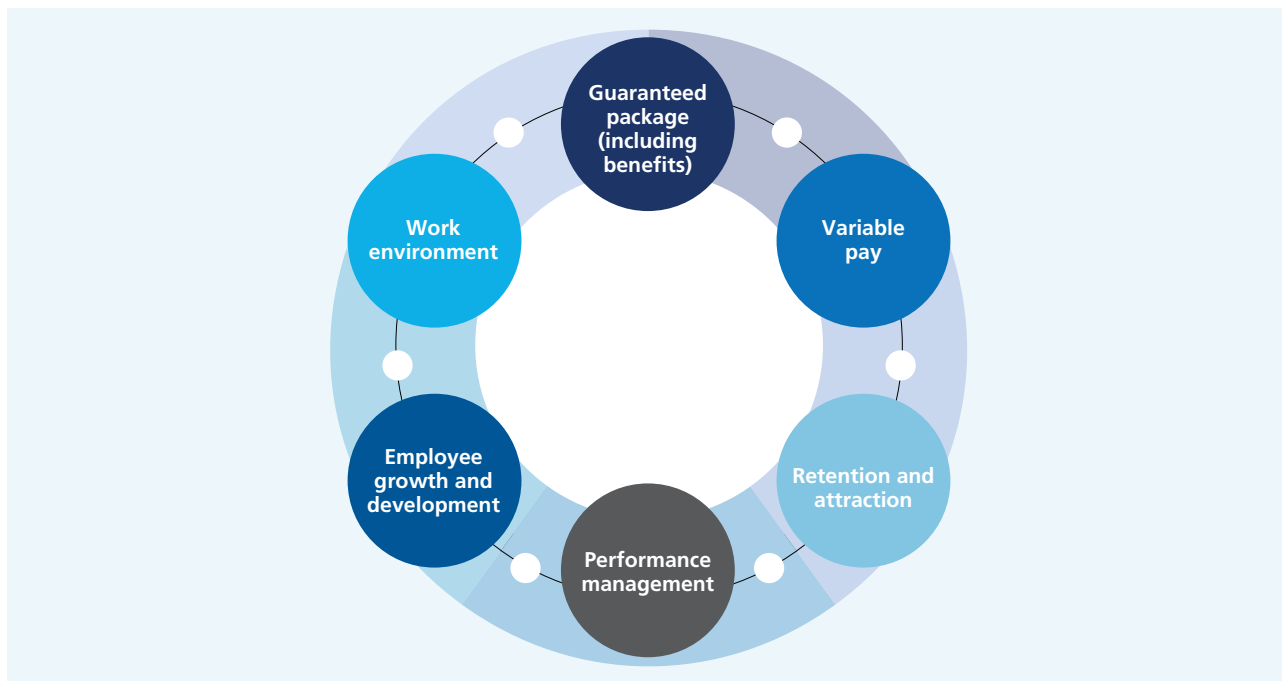


Below, we set out our six strategic focus areas, and discuss how our remuneration policy and practices link in to these focus areas.

Strategic focus areas	Strategic intent	Link to remuneration policies and practices
<b>People</b> 	To attract, develop and retain the people and skills required to deliver on our strategies and create shared value through innovation, collaboration and continuous improvement	Barloworld aims to provide a level of remuneration which attracts, retains and motivates staff and executives of the highest calibre. Barloworld's overall remuneration philosophy is to ensure that all staff, prescribed offers and executive directors are fairly rewarded for their contributions to the company's corporate objectives and strategy. Based on our philosophy, we are committed to providing remuneration that is competitive in relation to market benchmarks reviewed by the company annually.
<b>Diversity and inclusion</b> 	To maintain and enhance our competitiveness, credibility and legitimacy in the eyes of all stakeholders by leading in diversity and inclusion across all of our businesses	The following key performance indicators (KPIs) are included in personal scorecard objectives for the short-term incentive (STI): <ul style="list-style-type: none"> <li>— Workforce diversity targets by race</li> <li>— Workforce diversity targets by gender.</li> </ul> Furthermore, careful consideration is given to internal equity within the group and to align the remuneration paid with shareholder interests and best practice.
<b>Sustainable development</b> 	To lead in sustainable development through respectable corporate citizenship and by delivering products, services and solutions that generate sustainable outcomes and realise commercial opportunities for revenue enhancement and cost savings	The STI rewards and motivates achievement of agreed group, divisional and individual performance objectives through the inclusion of sustainable development KPIs in personal scorecard objectives. These include KPIs for: <ul style="list-style-type: none"> <li>— Safety and lost-time injuries</li> <li>— Fuel and electricity usage</li> <li>— Greenhouse gas emissions</li> <li>— Water usage and recycling.</li> </ul>
<b>Innovative customer solutions</b> 	To drive market leadership by ongoing transformation of our business model from product-focused to service and solutions-focused, leveraging technology to deliver productivity and performance benefits to our customers	The STI rewards and motivates the achievement of agreed group, divisional and individual performance objectives. In respect of personal scorecard objectives for the STI, the following KPIs would be included to drive performance in line with this strategic objective: <ul style="list-style-type: none"> <li>— Market share targets</li> <li>— Customer loyalty and satisfaction</li> <li>— Aftermarket growth targets.</li> </ul>
<b>Profitable growth</b> 	To double revenue and achieve targeted growth in total shareholder returns (TSR) to 2020	Executive remuneration is heavily weighted towards variable remuneration, to ensure the alignment of executive interests with those of our shareholders. Executive variable remuneration includes long-term incentive awards under the Forfeitable Share Plan (FSP) and share appreciation rights under the Share Appreciation Rights scheme (SARs). The vesting of these awards is dependent on the achievement of stretching performance conditions as detailed in part 2 of this report.
<b>Financial returns</b> 	To achieve financial returns above our weighted average cost of capital (WACC) and cost of equity on average through the cycle in each of our strategic business segments	A combination of the following metrics are used in the STI, to ensure that financial returns remain a top priority for our executives: <ul style="list-style-type: none"> <li>— Operating profit</li> <li>— Cash flow</li> <li>— Return on equity (ROE)</li> <li>— Headline earnings per share (HEPS).</li> </ul> The performance conditions used for the FSP include return on net operating assets and HEPS. The latter condition is also used in respect of the SARs.

# Remuneration report

Barloworld has adopted a holistic approach to its remuneration philosophy for senior executives and general staff, and has implemented a balanced design which consists of the following monetary and non-monetary components:



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

## Overview of remuneration for executive directors and prescribed officers

### Role of benchmarking, and salary adjustments

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

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

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

### Package design

Overleaf, we set out the potential executive director and prescribed officer total remuneration including guaranteed pay (GP), STI and long-term incentive (LTI) at different levels of performance.

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



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

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

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

### Elements of remuneration

The table below summarises the composition of the total remuneration package for executive directors and prescribed officers during the 2016 financial year and contains details of the LTI as it applies to all eligible employees. No material changes to the remuneration philosophy and practices in respect of executive directors and prescribed officers were made during the year, and no major structural changes are envisaged for the 2017 financial year.

Element	Objective	Policy	Changes for 2017
Fixed	<b>Base salary</b>	Reflects scope and nature of role, performance and experience.  In most cases, base salary is benchmarked to the market median. Variations around the median may be influenced by factors such as the nature of the assignment, level of experience of the executive, changes in responsibilities, performance track record, and strategic importance of the role.  The company uses independent consultants, PE Corporate Services, to conduct the annual benchmarking exercise, and the results are discussed with PwC, as standing advisers to the remuneration committee.  The level of base pay paid to executives is considered to be competitive.	None
	<b>Benefits</b>	Provides employees with contractually agreed basic benefits such as medical aid, retirement funding and a company car or car allowance as per the human resource policy.  The percentage of company contribution to benefits varies by country. In South Africa, a 14% company contribution to retirement funds and risk benefits applies.	Level of contribution may be reviewed due to retirement legislation reform

Finance and governance review

# Remuneration report

Element		Objective	Policy	Changes for 2017
Variable	STI	Rewards and motivates achievement of agreed group, divisional and individual performance objectives.	<p>STIs are paid in cash and are based on achievement of 12-month targets aimed at increasing shareholder value. The STI operates on an additive basis and is capped at 125% of annual basic salary for executives and 150% for the CEO. The criteria for earning a bonus consists of three elements:</p> <ul style="list-style-type: none"> <li>— Personal scorecard objectives (incorporating non-financial measures). The attainment of agreed personal objectives will yield a maximum value of up to 30% of annual basic salary. The participant will need to have achieved a minimum of 70% of these objectives to qualify for this portion of the bonus.</li> <li>— Diversity objectives, yielding a maximum value of up to 10% of annual basic salary.</li> <li>— Financial performance targets, counting 60% of annual salary for an on-target performance. The attainment of financial objectives will yield a maximum value of up to 85% of annual basic salary for executives and 110% for the CEO.</li> </ul> <p>Threshold, target and stretch performance targets are set by the remuneration committee annually in advance.</p> <p>The remuneration committee reviews the actual performance of the executives against the targets set. The ultimate bonus payment is at the discretion of the remuneration committee.</p>	No structural changes are anticipated
	LTI	Creates loyalty and ownership among eligible employees and acts as a retention mechanism. Also aligns with shareholder interests and long-term value creation.	<p>The company operates the following LTI plans:</p> <ul style="list-style-type: none"> <li>— Forfeitable Share Plan (FSP); and</li> <li>— Share Appreciation Right scheme (SARs).</li> </ul> <p>The long-term incentivisation and retention of executive directors and prescribed officers are essential to drive sustainable value creation over multiple reporting periods and for shareholders of the company. This is achieved through the FSP and SAR Scheme. In line with these objectives, in the case of the executive directors and prescribed officers, the FSP is 25% retention driven and 75% performance driven, and the SAR Scheme is 100% performance driven.</p> <p>From 2016 participants who are not executive directors and prescribed officers no longer participate in the SAR Scheme and receive a combination of performance and retention awards under the FSP.</p> <p>An aggregate limit of 22 744 049 (twenty-two million, seven hundred and forty-four thousand and forty-nine) shares, equating to approximately 10% (ten percent) of the current issued share capital of the company applies to all the share plans (including the old share option scheme). The maximum number of unvested FSP awards which may be made to any one participant is 0.25% of the issued ordinary share capital of the company. Similarly, the maximum number of unvested SAR Scheme granted to any one participant may not exceed 1% of the issued ordinary share capital of the company.</p> <p>On an annual basis, the remuneration committee determines the quantum of awards to be made, the performance targets and mix of instruments to be granted to eligible employees.</p>	No significant structural changes are anticipated

Element	Objective	Policy	Changes for 2017
<b>Variable</b> (continued)	LTIs (continued)	<p><b>FSP</b></p> <p>Awards are structured as forfeitable share awards, ie participants receive shares (including dividend and voting rights) on the date of award but those shares are subject to restrictions and a risk of forfeiture during a three-year vesting period.</p> <p>In respect of executive directors and prescribed officers, the vesting (over a three-year period) of the majority of the forfeitable share awards is subject to the satisfaction of performance targets. To the extent that the performance targets are not achieved, those shares will be forfeited and there will be no retesting of the performance targets.</p> <p>The total shareholder return (TSR) peer group used for the FSP was reviewed during 2016 and the relative weightings for the FSP performance conditions were reviewed (full details are set out in part 2 of this report).</p> <p><b>SARs</b></p> <p>The SAR was developed to provide employees with an opportunity to benefit from growth in the value of the ordinary shares of Barloworld. From 2016 onwards, only executive directors and prescribed officers participate in the SAR scheme.</p> <p>The SARs are subject to three, four and five-year vesting periods. All SARs will lapse if not exercised within 6 (six) years from date of grant. The first four awards (2006 to 2009) were cash settled. From 2011 onwards, awards are equity settled. From 2007, the entire SAR award was subject to performance targets.</p>	

# Remuneration report

## Performance targets

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

The metrics are as follows:

## Short-term incentive

### Financial metrics

A combination of the following metrics is used and equal weightings are currently applied (the weightings of the measures are evaluated on an annual basis):

- Operating profit
- Cash flow
- Return on equity (ROE)
- Headline earnings per share (HEPS).

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

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

The targets set take into account the current trading conditions and challenges faced by the company or relevant division and incorporate a meaningful level of stretch to motivate and retain senior employees. The threshold targets

are set at a level which represents the minimum level of acceptable performance for the business.

## Personal scorecard objectives

In respect of personal scorecard objectives, these would typically include aspects such as:

- Safety performance
- Market share targets
- Employee engagement
- People development and training
- Sustainable development KPIs
- Customer loyalty and satisfaction
- Relationships with principals
- Aftermarket growth targets
- Acquisitions and disposals
- Special projects.

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

## Diversity objectives

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

## Earning levels

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

### Chief executive

Performance metric	Threshold %	Target %	Stretch %
Bonus based on financial targets	25	75	110
Bonus based on personal scorecard objectives	15	22.5	30
Bonus based on diversity objectives	0	5	10
<b>Total bonus</b>	<b>40</b>	<b>102.5</b>	<b>150</b>

### Executive directors and prescribed officers

Performance metric	Threshold %	Target %	Stretch %
Bonus based on financial targets	25	60	85
Bonus based on personal scorecard objectives	15	22.5	30
Bonus based on diversity objectives	0	5	10
<b>Total bonus</b>	<b>40</b>	<b>87.5</b>	<b>125</b>



## Long-term incentives

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

	SAR	FSP
<b>Performance condition(s) and weighting</b>	HEPS SARs are also subject to the inherent performance condition of share price appreciation above the strike price (being the current share price at the date of issue)	The following performance targets are used: — Relative TSR — HEPS — RONO The relative weighting of the performance conditions are reviewed on an annual basis.
Vesting of awards at threshold performance	25%	30%
Vesting of awards at on-target performance	100%	100%
<b>Performance period</b>	The performance conditions are measured over a three-year period, commensurately with the financial years of the company.	

## Executive contracts

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

Provision	Policy
<b>Contract term</b>	Indefinite (or until normal retirement age in the relevant jurisdiction) subject to specified notice periods by the executive and the company
<b>Notice period</b>	Nine months for the group chief executive officer Six months for other executive directors
<b>Termination of employment and change of control payments and/or automatic vesting of long-term incentives</b>	Change of control provisions are covered by FSP and SAR rules and allow for proportionate vesting of awards. Change of control clauses in employment contracts provide for redundancy terms, based on established guidelines, in the event of termination of employment within six months of change of control
<b>Restraint of trade</b>	Not applicable
<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

## Non-executive directors

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

Non-executive directors receive a standard fee for their services on the board and board committees. The remuneration committee reviews the level of fees and makes recommendations to the board for consideration. In November 2016, a benchmarking exercise was conducted by PwC, the company's independent remuneration adviser. The exercise revealed that Barloworld NED fees were below lower quartile in the peer group. Barloworld's Memorandum of Incorporation specifies that non-executive director fees must be approved by shareholders at an annual general meeting (AGM). In light of this, the NED fees for 2016 were approved at the AGM held on 3 February 2016. Proposed fees for the 2017 financial year, which have been adjusted to align with the lower quartile fees of the peer group, are set out in the notice to the annual general meeting on page 6 of the AGM booklet.

## Non-binding advisory vote

Shareholders will be requested to cast a non-binding advisory vote on the aforementioned part 1 of this report.

# Social, ethics and transformation report

**The social, ethics and transformation committee (the committee) is pleased to present its report for the financial year ended 30 September 2016.**

The committee operates according to written terms of reference approved by the board and reviewed by the board annually. During the course of the 2016 financial year, the committee met formally five times to discharge its duties and responsibilities. The committee has a clearly defined framework, aligned to the Companies Act, King III 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 framework complements existing monitoring and reporting initiatives.

The committee recognises the fact that some of its statutory functions overlap with the functions or mandates or terms of reference of other committees of the board. Where appropriate, these functions had 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 attendance schedule of the committee is disclosed on page 144 of the corporate governance report.

## Composition

The committee consists of a mix of independent non-executive directors and executive directors. The committee is constituted as follows:

- SS Mkhabela (chairman – independent non-executive)
- PJ Blackbeard (executive)
- NP Dongwana (independent non-executive)
- DB Ntsebeza (independent non-executive and chairman of the company)
- OI Shongwe (non-independent non-executive)
- CB Thomson (CE)

## Purpose of the committee

The role of the committee is to assist the board of Barloworld Limited in discharging its statutory duties of ensuring that:

- Diversity and inclusion is promoted throughout its operations
- Non-discrimination is advanced through the elimination of any existing unfair discriminatory conditions, whether purposeful or inadvertent

- Broad-Based Black Economic Empowerment and transformation initiatives are pursued
- Social and economic development is promoted in communities in which the company operates
- The environment is protected
- Public health and safety is promoted
- Ethics is effectively managed in the group and is supported and governed by our values, in accordance with the Barloworld Worldwide Code of Conduct and Code of Ethics

Further, the committee strives to apply relevant codes of best practice including but not limited to the United Nations Global Compact Principles and Sustainable Development Goals, 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 III).

The committee has access to any director or prescribed officers or employees of the company. Where appropriate, they have provided information or explanation necessary for the performance of the committee's functions.

## Focus areas for the year under review Responsibilities

The committee carried out the following duties:

- Approved the diversity and inclusion programmes and targets on gender and race (South Africa only) for 2016
- Considered restructuring proposals including the impact on employment at the Equipment southern Africa and Handling South Africa businesses
- Received reports on the ethics line which identified certain matters for investigation with a report back to the committee, to understand emerging trends and behavioural traits that needed to be addressed
- Received reports on progress on the implementation of the public sector engagement strategy for the South African operations

- Approved the initiation of a strategic review of the corporate social responsibility programme to ensure better alignment with the company's strategy, to address national development imperatives of countries where we operate and to continue support for only those programmes that have the requisite social impact
- Reviewed and considered the impact of the new B-BBEE codes on the company's transformation agenda and approved a revised supplier diversity strategy
- Reviewed and considered the adequacy of the company's programme and policies for the effective management of ethics
- Reviewed and considered the company's Worldwide Code of Conduct for alignment with the Sustainable Development Goals of the United Nations and the National Development Plan of South Africa
- Received reports on the company's involvement in business organisations in South Africa and the engagement with stakeholders on developments in the economic, social and political arenas
- Received reports on the company's activities relating to the environment, health and public safety
- Received reports on labour relations climate across the group with focus on operations where restructuring was under way
- Received a report on the effectiveness of social and ethics committees in South Africa and considered insights garnered therefrom to enhance committee performance

### Diversity and inclusion

The adoption of diversity and inclusion as a strategic focus area for the company has elevated the profile of initiatives undertaken to date, not just in the eyes of our employees, but also our stakeholders. The bold targets we have set to increase workforce diversity requires a review of traditional HR strategies and a different approach that includes identifying and eliminating any employment barriers, perceived or real, to support the strategy. While the bulk of company spend is on procurement from OEMs, plans are under way to increase non-OEM spend with suppliers from under-represented groups in the supply chain. The diversity and inclusion strategy is aimed at ensuring the company remains competitive, credible and legitimate in the eyes of stakeholders and remains a leader in diversity and inclusion.

### Evaluation of the committee

The performance of the committee is formally assessed annually. The evaluation report confirmed that the committee was performing its overall responsibilities effectively and satisfactorily.

### Areas of focus for 2017

In a continued effort to meet the responsibilities under its mandate, the committee will focus on the following areas in the 2017 financial year:

- *Consumer protection*: our terms and conditions of sale in respect of the impact they have on consumers
- *Stakeholder engagement*: enhance the quality of relationships with stakeholders in the public sector
- *Diversity and inclusion*: review company policies and attraction and retention strategies to support the drive to foster a culture of inclusion for all
- *Human rights*: increase awareness of the importance of human rights in the company's supply chain
- *CSR*: oversee the review of the corporate social programme to ensure that strategy remains aligned to company objectives.



**SS Mkhabela**

*Chairman*

*Social, ethics and transformation committee*

18 November 2016

# Shareholder profile

Register date: 30 September 2016

Issued share capital: 212 692 583

## Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	25	0.26	2 308 964	1.09
Directors, prescribed officers and associates	14	0.15	1 552 807	0.73
Treasury <sup>#</sup>				
Employee trust	2	0.02	306 157	0.14
Tamarix Investment Holdings (Pty) Limited	9	0.09	450 000	0.21
Public shareholders	9 461	99.74	210 383 619	98.91
<b>Total</b>	<b>9 486</b>	<b>100.00</b>	<b>212 692 583</b>	<b>100.00</b>

<sup>#</sup> Shares the company purchased to settle FSP grants

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 941	73.17	2 348 894	1.10
1 001 – 10 000 shares	1 828	19.27	5 575 853	2.62
10 001 – 100 000 shares	518	5.46	17 265 366	8.12
100 001 – 1 000 000 shares	164	1.73	52 870 140	24.86
1 000 001 shares and above	35	0.37	134 632 330	63.30
<b>Total</b>	<b>9 486</b>	<b>100.00</b>	<b>212 692 583</b>	<b>100.00</b>

## Beneficial shareholders holding 3% or more

Beneficial shareholdings	Total shareholdings	% of issued capital
Government Employees Pension Fund (PIC)	32 793 568	15.42
WGI Emerging Markets Fund LLC	9 170 827	4.31
Saudi Arabian Monetary Agency (SA)	7 110 927	3.34
<b>Total</b>	<b>49 075 322</b>	<b>23.07</b>

## Investment managers holding 5% or more

Investment manager	Total shareholdings	% of issued capital
PIC	26 105 193	12.27
Westwood Global Investments LLC	22 442 751	10.55
Coronation Asset Management (Pty) Limited	13 784 763	6.48
Dimension Fund Advisors	13 579 647	6.38
Investec Asset Management	11 096 976	5.22
Prudential Investment Managers	10 715 046	5.04
<b>Total</b>	<b>97 724 376</b>	<b>46.00</b>

## Geographical analysis of shareholders – 2016

Region	Total shareholdings	% of issued capital
South Africa	108 085 892	50.73
United States of America and Canada	63 922 340	30.05
United Kingdom	10 848 304	5.11
Rest of Europe	9 796 861	4.61
Rest of the world <sup>1</sup>	20 039 186	9.50
<b>Total</b>	<b>212 692 583</b>	<b>100.00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.

## Geographical analysis of shareholders – 2015

Region	Total shareholdings	% of issued capital
South Africa	110 651 266	48.80
United States of America and Canada	69 649 344	30.72
United Kingdom	14 755 252	6.51
Rest of Europe	7 372 643	3.25
Rest of the world <sup>1</sup>	24 299 091	10.72
<b>Total</b>	<b>226 727 596</b>	<b>100</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.

## Statement by the board of directors

The board of directors acknowledges its responsibilities to ensure the integrity of the integrated report. The board believes the report addresses all material issues and presents fairly the integrated performance of the group. The integrated report has been prepared in line with best practice set out in the King III code.

Signed by



**Dumisa Ntsebeza**  
Chairman



**Clive Thomson**  
Chief executive



**Don Wilson**  
Finance director

5 December 2016

who have been duly authorised by the board.

### Directors:

**Non-executive:** DB Ntsebeza (Chairman), NP Dongwana, FNO Edozien\*, SS Mkhabela, B Ngonyama, SS Ntsaluba, SB Pfeiffer\*\*, OI Shongwe

**Executive:** CB Thomson (Chief executive), DG Wilson (Finance director), PJ Blackbeard, PJ Bulterman, DM Sewela  
\*(Nigerian) \*\*(American)

### Company secretary

LP Manaka

## Certificate by secretary

for the year ended 30 September 2016

In my capacity as the company secretary, I hereby certify that, to the best of my knowledge and belief, Barloworld Limited has lodged with the Registrar of Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act 71 of 2008 (as amended). Further, I certify that such returns and notices are true, correct and up to date.



**LP Manaka**  
Company secretary

Sandton  
18 November 2016

# Independent auditors' report

## Independent auditors' report on summary financial statements to the shareholders of Barloworld Limited

The accompanying summary consolidated financial statements of Barloworld Limited, which comprise the summary consolidated statement of financial position as at 30 September 2016, the summary consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Barloworld Limited for the year ended 30 September 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 18 November 2016. Our auditor's report on the audited consolidated financial statements contained an other matter paragraph: Other reports required by the Companies Act (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Barloworld Limited.

## Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 Engagements to Report on Summarised Financial Statements.

**National Executive:** \*LL Bam Chief Executive, \*TMM Jordan Deputy Chief Executive Officer, \*MJ Jarvis Chief Operating Officer, \*GM Pinnock Audit, \*N Sing Risk Advisory, \*NB Kader Tax, TP Pillay Consulting, S Gwala BPaaS, \*K Black Clients and Industries, \*JK Mazzocco Talent and Transformation, \*MJ Comber Reputation and Risk, \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request.

*\*Partner and Registered Auditor.*

**B-BBEE rating:** Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

## Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Barloworld Limited for the year ended 30 September 2016 are consistent, in all material respects, with those annual consolidated financial statements, in accordance with the conceptual framework and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the information required by IAS 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

## Other reports required by the Companies Act

The Other reports required by the Companies Act paragraph in our audit report dated 18 November 2016 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.



**Deloitte & Touche**  
Registered auditor

*Per: Bongisipho Nyembe*  
Partner

18 November 2016



# Independent auditors' report

## Independent auditors' non-financial limited assurance report to the directors of Barloworld Limited

We have performed our limited assurance engagement in respect of the selected sustainability key performance indicators, as described below, disclosed in the Barloworld integrated report and modular response (the reports) for the year ended 30 September 2016.

### Subject matter

The subject matter comprises the sustainability key performance indicators disclosed in accordance with management's basis of preparation, supported by the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the Greenhouse Gas (GHG) Protocol Corporate Standard. The subject matter includes the following:

### Value created

- Statement of total value added (R million)

### Community support

- Group corporate social investment spend (R million)

### People

- Total number of employees
- Employee breakdown by race (RSA only) and gender

### Safety

- Number of work-related fatalities
- Lost-time injury frequency rate

### Energy

- Fuel consumption – petrol and diesel (ML)
- Electricity consumption (MWh)
- Non-renewable energy consumption (GJ)

### Carbon emissions (tCO<sub>2</sub>e)

- Scope 1 emissions
- Scope 2 emissions
- Scope 3 rental fleet emissions – Avis Budget South Africa

### Water

- Water withdrawal (municipal sources) (ML)

### Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the selection, preparation and presentation of the subject matter in accordance with the criteria as disclosed in the reports for the year ended 30 September 2016. This responsibility includes ensuring that the subject matter is

prepared in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard, the identification of stakeholders and stakeholder requirements, material matters, for commitments with respect to the sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the integrated report and the modular response, that is free from material misstatement, whether due to fraud or error.

### Assurance practitioner's responsibility

Our responsibility is to express our limited assurance conclusion on the above sustainability performance indicators for the year ended 30 September 2016, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining sufficient appropriate evidence about whether the selected subject matter is fairly presented and free from material misstatement.

We shall not be responsible for reporting on any sustainability performance indicator transactions beyond the period covered by our limited assurance engagement.

### Quality control

The firm applies 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.

### Independence and other ethical requirements

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

### Summary of work performed

We have performed our procedures on the subject matter, the sustainability key performance indicators of Barloworld, as prepared in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard, for the year ended 30 September 2016.

## Independent auditors' report

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the integrated report and the modular response
- Inspected supporting documentation and performed analytical review procedures
- Evaluated whether the selected sustainability performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes at Barloworld.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators has been presented, in all material respects, in accordance with management's internal basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard.

Our limited assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

**National Executive:** \*LL Bam Chief Executive, \*TMM Jordan Deputy Chief Executive Officer, \*MJ Jarvis Chief Operating Officer, \*GM Pinnock Audit, \*N Sing Risk Advisory, \*NB Kader Tax, TP Pillay Consulting, S Gwala BPaaS, \*K Black Clients and Industries, \*JK Mazzocco Talent and Transformation, \*MJ Comber Reputation and Risk, \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request.

*\*Partner and Registered Auditor.*

**B-BBEE rating:** Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

### Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected sustainability key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 30 September 2016, is not prepared, in all material respects, in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines and the GHG Protocol Corporate Standard.

### Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the integrated report and the GRI modular response.

The maintenance and integrity of the Barloworld website is the responsibility of Barloworld's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the website, the reports or our independent assurance report that may have occurred since the initial date of presentation.

### Restriction on use and distribution

Our report is made solely to the directors of Barloworld in accordance with our engagement letter dated 15 April 2016, for the purpose of providing limited assurance over the key sustainability performance indicators disclosed in the Barloworld integrated report and the GRI modular response for the year ended 30 September 2016.



**Deloitte & Touche**

*Registered auditors*

*Per Nina le Riche*

*Director*

5 December 2016

## Corporate information

### Barloworld Limited

(Registration number 1918/000095/06)

JSE codes: BAW and BAWP

ISIN codes: ZAE000026639 and ZAE000026647

### Registered office and business address

Barloworld Limited, 180 Katherine Street, PO Box 782248,  
Sandton 2146, South Africa

Tel +27 11 445 1000 Email [invest@barloworld.com](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)

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Namibia

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### Enquiries

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(For background information visit [www.barloworld.com](http://www.barloworld.com))



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