



CASE STUDY SERIES: Innovative Financing for Gender Equality via Bonds



South Africa: SUSTAINABILITY-LINKED BOND ISSUED BY AN INDUSTRIAL COMPANY

Barloworld Ltd

South African Rand (ZAR)



**LUXEMBOURG
GREEN EXCHANGE**
by Luxembourg Stock Exchange



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AID & DEVELOPMENT**



United Nations Entity for Gender Equality
and the Empowerment of Women



Issuer	<p>Barloworld is an industrial processing, distribution and services company with two primary areas of focus: industrial equipment and services and consumer industries (food and ingredient solutions).</p> <ul style="list-style-type: none"> • Barloworld Equipment is the official dealer for the Cat® construction, mining and industrial machine range in 11 southern African countries, and Equipment Eurasia represents the combined UK, Russian and Mongolian Caterpillar® operations. • Ingrain is Africa’s largest producer of unmodified and modified starch, glucose and related products. <p>The Company was founded in 1902 and currently has operations in 16 countries around the world.¹ On 15 March 2023, Barloworld received the ESG Bond Deal of the Year award at the Bonds, Loans and ESG Markets Africa Awards 2023 ceremony in Cape Town.</p>
Issuance tranche	BAWGL1 (ZAG000189168) and BAWGL2 (ZAG000189176)²
Amount issued	BAWGL1 tranche of ZAR 415 million (about US\$25 million) and BAWGL2 tranche of ZAR 728 million (about US\$45 million)
Date of issuance	18 August 2022 (BAWGL1) and 19 August 2022 (BAWGL2)
Date of maturity	22 August 2025
Number of issuances	Dual-tranche issuance
Coupon rate	+142 basis points (bps) (Margin) for BAWGL1 and +160 bps (Margin) for BAWGL2. Source: Bloomberg Terminal
Listing (domestic or international)	Domestic



Stock exchanges where listed	Johannesburg Stock Exchange (JSE): https://www.jse.co.za/
Future issuances	Not applicable
Key Performance Indicators and/or Sustainability Performance Targets	<p>Barloworld is committing explicitly to future improvements in, and the maintenance of, gender diversity outcomes within a predefined timeline. These gender diversity outcomes are deemed to be relevant, core and material to Barloworld’s overall business.</p> <p>For the selection of the gender-linked KPIs, Barloworld set two KPIs:³</p> <ul style="list-style-type: none"> • KPI 1: Gender diversity in leadership • KPI 2: Growing the proportion of black women–owned businesses in Barloworld’s South African Operations’ supply chain <p>Barloworld set the following ambitions to advance gender equality, both in the organization and more broadly in the South African economy:</p> <ul style="list-style-type: none"> • SPT 1: Targeting 50 per cent female representation in leadership • SPT 2: Targeting 15 per cent procurement from black women–owned businesses <p>The two bonds issued by Barloworld have sustainability-linked features that are aligned to the Sustainability-Linked Bond Principles (SLBPs) and ensure that both a coupon benefit (step-down) and penalty (step-up) are implemented in the corresponding scenarios:⁴</p> <ul style="list-style-type: none"> • If the Gender Performance Target Level (GPTL) is achieved, the Step-Down Margin will become effective on each relevant target observation date. • If the Penalty Threshold Level (PTL) is achieved, the coupon remains unchanged on each relevant target observation date. • If the Penalty Threshold Level (PTL) is not achieved, the Step-Up Margin will become effective on each relevant target observation date.



Gender considerations in the Key Performance Indicators

Barloworld's Gender-Linked Bond Framework (GLBF) includes two gender-related thematic components with supporting KPIs and Gender Performance Targets (GPTs). The GLBF is focused on the materiality of Barloworld's South African continuing operations in the context of Barloworld's total organizational presence.

KPI 1 on female representation

Definition of leadership: All Group or Divisional Board or Executive Committee members (permanent employees and/or non-executive board members) at Barloworld's South African continuing operations and Barloworld Limited Board.

Rationale:⁵ The rationale for strengthening female representation at the leadership level aligns with Barloworld's Gender Diversity Strategy. The strategy aims to achieve female representation within Barloworld's workforce that exceeds the targets for economically active women in the Commission of Employment Equity (CEE) annual report. To deliver on Barloworld's strategy to increase representation of women at all levels, Barloworld has targeted Leadership as a step towards enhancing a culture of gender diversity.

Materiality: Female employees from Barloworld's South African continuing operations comprise 74 per cent of Barloworld's total female employees and Barloworld's South African continuing operations comprise 68 per cent of Barloworld's total revenue, as of 30 September 2021. In addition, the Leadership in Barloworld's South African continuing operations and Barloworld Limited Board comprise 78 per cent of Barloworld's total Leadership. This KPI is therefore deemed material in the operating context of Barloworld's overall strategy and business.

KPI 2 on procurement from black women-owned businesses

Definition of discretionary spend: Total measured procurement spend excluding spend on imported capital goods (like Caterpillar for example) by Barloworld's South African continuing operations.

Rationale:⁶ The rationale to increase the participation of women-owned businesses through their supply chain aligns with Barloworld's strategy on strengthening women's economic empowerment. It is the view of Barloworld that this is an impactful KPI due to the value of spend on procurement and the sphere of influence that the business has in the selection of suppliers.

Materiality: Discretionary spend procurement by Barloworld's South African continuing operations comprises 53 per cent of Barloworld's total procurement. This KPI is therefore deemed material in the context of Barloworld's overall strategy and business.



<h3>Alignment with the Sustainable Development Goals (SDGs)</h3>	<p>The achievement of the Gender Performance Target 1 on diversity in Leadership contributes to the following SDG:</p>  <p>The achievement of the Gender Performance Target 2 on procurement contributes to the following SDGs:</p> 
<h3>SDG targets that the bond addresses</h3>	 <p>Target 5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>  <p>Target 8.3 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>
<h3>Target population</h3>	<p>Even though there are no specific provisions regarding the target populations in the Sustainability-Linked Bond Principles (SLBP), the issuer has decided to disclose the scope of application of the two social KPIs by defining the two following target populations:</p> <ul style="list-style-type: none"> • Barloworld’s Leadership defined as permanent employees and/or non-executive board members at Barloworld’s South African continuing operations and Barloworld Limited Board. • Black women–owned businesses in the South African economy.



Indicators related to gender equality	Barloworld has disclosed the first results ⁷ relating to its gender-linked bond performance targets four months after the issuance and has requested IBIS Environmental Social Governance Consulting South Africa Pty Ltd ('IBIS') to conduct a limited assurance engagement related to the performance data disclosed below: ⁸			
	KPIs		Baseline as at 30 September 2021	Progress as at 30 September 2022
	KPI 1	% female representation in Leadership	44.9%	43.28%
KPI 2	Discretionary spend procurement from black women-owned suppliers as a % of total measured discretionary procurement spend	13.8%	16.26%	
International standards alignment	<ul style="list-style-type: none"> • ICMA Sustainability-Linked Bond Principles (SLBP) • GRI Standards 			
Link to framework	<p>Barloworld. 2022. Gender-Linked Bond Framework. 4 August.</p> <p>https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-framework-2022.pdf</p>			
Link to Second Party Opinion	<p>IBIS ESG Consulting Africa (Pty) Ltd (IBIS). 2022. Independent Pre-Issuance Second Party Opinion (SPO) to the Directors of Barloworld for the Barloworld Gender-Linked Bond Framework (GLBF). 3 August.</p> <p>https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-second-party-opinion.pdf</p>			



Second Party Opinion provider	IBIS ESG Consulting Africa (Pty) Ltd
Credit enhancement <i>(yes or no)</i>	No
Was the bond oversubscribed and were there any special considerations?	The bond was 2 times oversubscribed.
Partners	<ul style="list-style-type: none">• Rand Merchant Bank (RMB) (technical assistance⁹ and sole arranger)• Bowman Gilfillan Incorporated (law firm)• Nedbank Limited (debt sponsor)• The Standard Bank of South Africa Limited (paying agent and settlement agent¹⁰)



Other features

Factors that support achievement of the target on diversity in Leadership:

- Leadership commitment to diversity is included in each Senior Executive's performance scorecards
- Continuous monitoring and evaluation of the outcome of this metric by the Social Ethics and Transformation Committee (SETC) twice a year.
- Forms part of the short-term incentives for the organization

Risks¹¹ to the target on diversity in Leadership:

- Leadership commitment from an oversight perspective of human capital (decentralized model)
- Ability to retain females in Leadership, given the lack of senior female talent in the broader market
- Future changes in Leadership or structural changes
- Future policy changes and regulatory reporting requirements
- Affordability from a group perspective

Factors that support achievement of the target on procurement:

- The metric is driven at the group level
- Improvement in the scorecards is beneficial to the group's licence to trade
- Leadership commitment to this target forms part of divisional and group's performance targets

Risks to the target on procurement:

- Future policy changes and regulatory reporting requirements
- Future changes in Leadership or structural changes
- Growing sustainable, women-owned businesses require investment and time which may limit the ability to make further progress within the defined period



Lessons learned

Barloworld's issuance of its sustainability-linked bond with gender-specific key performance indicators and targets (gender-linked bond or GLB) paved the way to encourage other companies to improve their disclosure on gender-related metrics and ultimately commit to targets for improvement in gender diversity in their own businesses.

Barloworld interestingly set annual interim Gender Performance Targets (GPTs)¹² until the maturity of the bonds, which allows the company to gradually reach its ambitious 2025 gender equality targets and investors to regularly monitor progress. This positions the issuer as a leader in terms of transparency and proves a commitment not only in the long run but also in the short and medium term.

Barloworld's business strategy highlights the importance of human capital investment by the organization to achieve its strategic ambition. Barloworld's human capital ambitions are further materialized through comprehensive policies that guide practices and procedures in the organization. Barloworld has experienced seamless executive discussion on what the company prerogatives are in terms of gender transformation. The targets are monitored monthly and the divisions compete in terms of achievement.



Endnotes

1. Barloworld. “Businesses.” <https://www.barloworld.com/our-business/barloworld-equipment/>
2. The reference data of the GLBs is specified in the pricing documents, available at: Barloworld. “Debt investors.” <https://www.barloworld.com/investors/debt-investors/>
3. Barloworld. 2022. Gender-Linked Bond Framework. 4 August, p. 15. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-framework-2022.pdf
4. Barloworld. 2022. Barloworld’s Inaugural Gender-Linked Bond Issuance. Debt Investor Presentation. 3 August. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-debt-investor-presentation.pdf
5. Barloworld. 2022. Gender-Linked Bond Framework. 4 August, left table, p. 15. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-framework-2022.pdf
6. Ibid., right table.
7. Barloworld. 2022. Integrated report: For the 12 months ended 30 September 2022, p. 64. https://www.barloworld.com/pdf/investors/integrated_reports/2022/full-iar.pdf
8. Ibis. 2022. Independent assurance report to the Directors of Barloworld Limited. 15 December. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-annual-reporting-2022.pdf
9. RMB. 2022. “RMB arranges Africa’s first gender-linked bond issuance for Barloworld.” Media Release. 19 August. <https://www.rmb.co.za/news/rmb-arranges-africas-first-genderlinked-bond-issuance#:~:text=RMB%20successfully%20arranged%20a%20R1,as%20Arranger%20and%20Sustainability%20Coordinator>
10. Barloworld. 2022. Applicable Pricing Document. Issue of ZAR415,000,000 Senior Unsecured Floating Rate Notes due 22 August 2025. Under its ZAR15,000,000,000 Domestic Medium Term Note Programme. https://www.barloworld.com/pdf/investors/debt_instruments/pricing/2022/bawgl1%20applicable%20pricing%20supplement.pdf; Barloworld. 2022. Applicable Pricing Document. Issue of ZAR728,000,000 Senior Unsecured Floating Rate Notes due 22 August 2027. Under its ZAR15,000,000,000 Domestic Medium Term Note Programme. https://www.barloworld.com/pdf/investors/debt_instruments/pricing/2022/bawgl2-applicable-pricing-supplement.pdf
11. Barloworld. 2022. Gender-Linked Bond Framework. 4 August, p. 16. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-framework-2022.pdf
12. Barloworld. 2022. Barloworld’s Inaugural Gender-Linked Bond Issuance. Debt Investor Presentation. 3 August, p. 35. https://www.barloworld.com/pdf/investors/debt_instruments/debt_programme/2022/barloworld-gender-linked-bond-debt-investor-presentation.pdf

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**UN WOMEN IS THE UN ORGANIZATION
DEDICATED TO GENDER EQUALITY AND
THE EMPOWERMENT OF WOMEN.
A GLOBAL CHAMPION FOR WOMEN AND
GIRLS, UN WOMEN WAS ESTABLISHED TO
ACCELERATE PROGRESS ON MEETING
THEIR NEEDS WORLDWIDE.**

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.



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