

SASOL LIMITED

Integrated Report

30 June 2016

Sasol is an international integrated chemicals and energy company that leverages the expertise of our 30 100 people working in 33 countries. We develop and commercialise technologies, and build and operate world-scale facilities to produce a range of high-value product streams, including liquid fuels, chemicals and low-carbon electricity.



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IR **Our Integrated Report provides cross-references to our suite of reporting publications:**

20-F **Form 20-F**

Our annual report issued in accordance with the Securities Exchange Act of 1934.

SR **Sustainability Reporting**

Supporting information to the Integrated Report. Prepared in accordance with the GRI G4 framework.

AFS **Annual Financial Statements**

The financial statements and remuneration report, prepared in accordance with International Financial Reporting Standards.

These reports are available on our website, www.sasol.com, or on request from Sasol Public Affairs. Contact details are on page 108.

IFC Inside front cover.

Directors' approval

The Sasol Limited Board (the Board) is ultimately responsible to ensure the integrity of Sasol's integrated reporting. We confirm that the 2016 Integrated Report addresses all material issues and matters, and fairly represents the group's integrated performance. The Audit Committee, as delegated by the Board, approved this report and authorised its publication on 27 September 2016.

Signed on behalf of the Board.

M Gantsho
Chairman

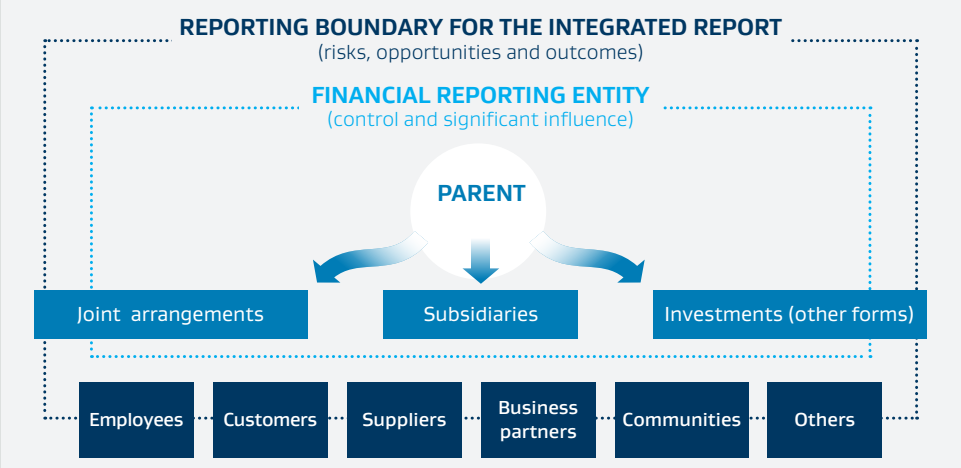
B Nqwababa
Joint President and Chief Executive Officer

S Cornell
Joint President and Chief Executive Officer

P Victor
Chief Financial Officer

ABOUT THIS REPORT

The Integrated Report is our primary report to stakeholders.



The report aims to provide a balanced, accurate and accessible assessment of our strategy, performance and opportunities in relation to material financial, economic, social, environmental and governance issues. This year, we provide a more detailed discussion on the **material matters (see page 32) which could substantially affect our ability to create value in the short, medium or long term.** These matters form the anchor of the content throughout this report.

Committed to growing shareholder value sustainably, our Joint Presidents and Chief Executive Officers (CEOs) are accountable for the successful implementation of the group strategy and the overall management and performance of Sasol.

The Group Executive Committee is responsible for developing the strategy and manages the business in an integrated manner, taking into consideration available resources and the interests of all our stakeholders. The Board approves the strategy.

In preparing our Integrated Report, we were guided by the International Integrated Reporting Framework, published by the International Integrated Reporting Council in December 2013. Our sustainability reporting (SR) with supporting information to the Integrated Report, is informed by the Global Reporting Initiative (GRI) G4 guidelines to ensure the contents are aligned with the material matters impacting our ability to create value.

The Board governs the group's disclosure control processes, including the integrity of Sasol's annual reports. All significant items are reported on a like-for-like basis, with no major or significant restatements. Our disclosure and reporting processes and suite of publications are aligned with the disclosure requirements of the Companies Act 71 of 2008, the Johannesburg Stock Exchange, the New York Stock Exchange, the Securities and Exchange Commission and the integrated reporting requirements of the King Code of Governance Principles for South Africa 2009 (King III). The disclosure controls and processes in place to comply with sections 302 and 404 of the Sarbanes-Oxley Act, 2002 are subject to internal and external audit assessment.

INTERNAL CONTROL AND COMBINED ASSURANCE FRAMEWORK

The Board, with the support of the Audit Committee, is ultimately responsible for Sasol's system of internal control, designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss. We apply a combined assurance model, which seeks to optimise the assurance obtained from management and internal and external assurance providers while fostering a strong ethical climate and mechanisms to ensure compliance.

Through the enterprise risk management approach, determined by the Risk and SHE Committee, management identifies key risks facing Sasol and implements the necessary internal controls. The process is monitored and evaluated under the direction of internal audit; external assurance is obtained where required.

The Board reviewed the effectiveness of controls for the year ended 30 June 2016, principally through a process of management self-assessment, including formal confirmation from executive management and also considered reports from internal audit, the external auditor and other assurance providers.



TRANSITIONING TO THE FUTURE

Over the past four years, Sasol has successfully undertaken a significant change programme to ensure resilience through the commodity price cycle. The Sasol of today is a more energised, focused and cost-effective company.

In our 2016 financial year, we continued to transition. Given the challenging and uncertain global landscape, we further sharpened our focus on factors within our control and on executing our strategy to deliver on our definition of victory: to grow shareholder value sustainably.

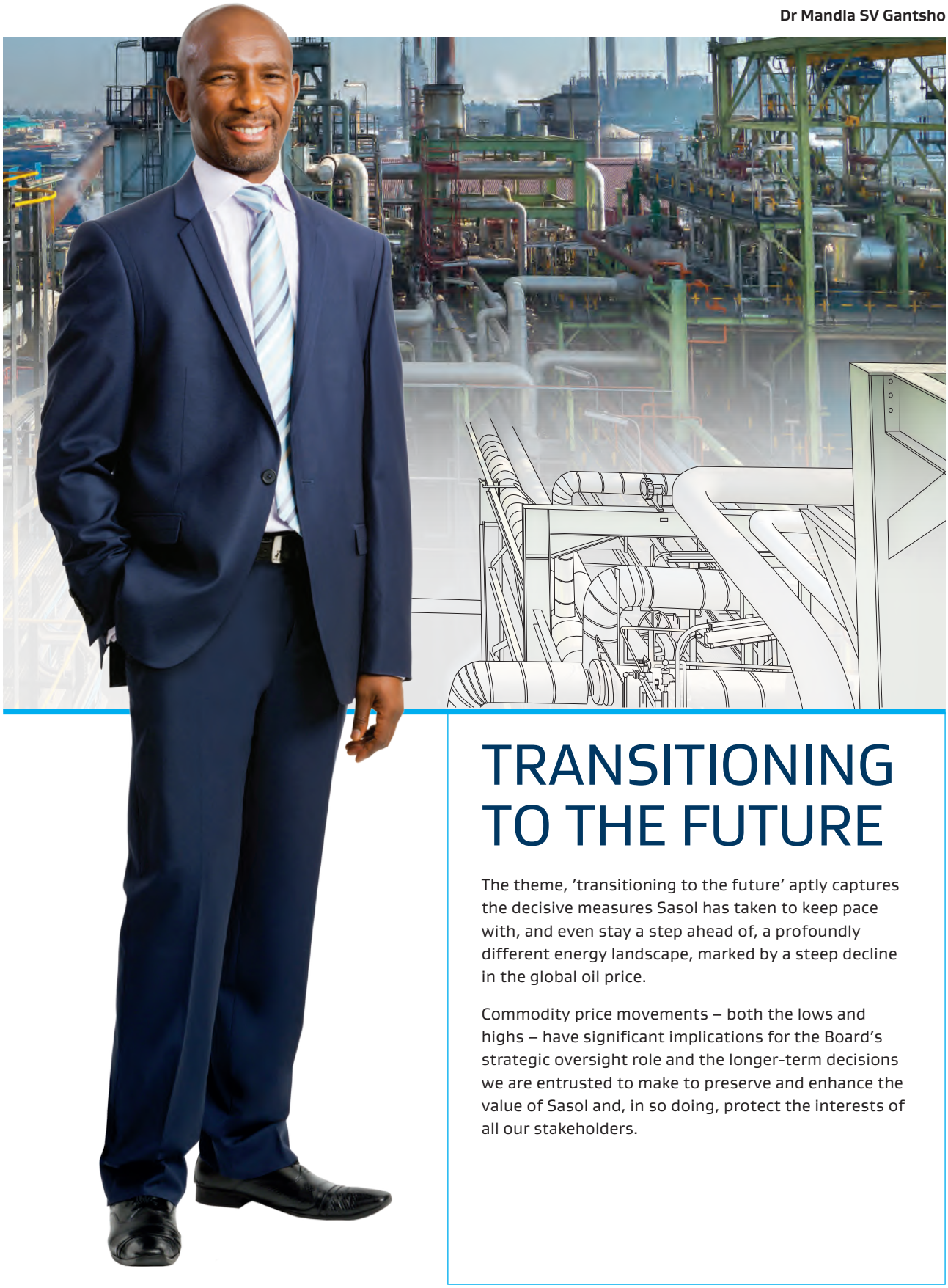
We continued to achieve sustainable cost and process improvements, and to drive short-term cash conservation. We maintained safe, reliable and efficient operations and met the capital requirements of our growth projects.

We re-affirmed our near- to medium-term strategy, which remains relevant and achievable in a lower oil price environment. With our direction thus set, we are focusing our efforts on optimising our existing assets and driving selective growth, particularly through our mega projects, to create value for all our stakeholders.



CHAIRMAN'S STATEMENT

Dr Mandla SV Gantsho



TRANSITIONING TO THE FUTURE

The theme, 'transitioning to the future' aptly captures the decisive measures Sasol has taken to keep pace with, and even stay a step ahead of, a profoundly different energy landscape, marked by a steep decline in the global oil price.

Commodity price movements – both the lows and highs – have significant implications for the Board's strategic oversight role and the longer-term decisions we are entrusted to make to preserve and enhance the value of Sasol and, in so doing, protect the interests of all our stakeholders.

Dear stakeholder,

The year under review was characterised by continuing global economic volatility, with emerging economies being particularly affected by sluggish demand for commodities. The financial performance of the Sasol group, as a global player, has invariably been impacted by the movements in international markets, and the effects of on-going depressed prices of crude oil and related chemicals products prices. Headline earnings decreased by 17%.

However, it is pleasing to note that the measures initiated since 2012 to streamline our business and sustainably reduce costs, coupled with additional response plans to counter the effects of depressed commodity prices, resulted in the 2016 financial performance that has preserved shareholder value and allowed the company to continue implementing our growth-oriented diversification strategies, and maintain dividend distributions within the targeted range.

Addressing our material matters

Responsibly exercising our fiduciary and statutory obligations requires that we take account of our strategy, operating model, business environment and associated risks to identify, assess, prioritise and monitor matters that are material to our company.

Through an inclusive process involving both internal and external stakeholders, the Sasol Board has identified and prioritised material matters across four broad themes, namely:

- managing the business sustainably and profitably in a volatile macro-economic environment;
- investing in our people;
- unlocking value by optimising and growing our business; and
- promoting sustainability.

Our Integrated Report is the primary reporting channel to our stakeholders and addresses all the material matters.

Maintaining our strategic focus

The Board maintained its focus on the implementation of the group's near- to medium-term strategy to ensure that there is operational stability, delivery of strong business results, unwavering commitment to safety, and disciplined and optimal capital allocation. As reported in previous years, this strategic focus places emphasis on selective gas-based growth mainly in Southern Africa, specifically Mozambique, and in the North American Lake Charles Chemicals Project (LCCP).

To this end, we are pleased by the progress made in further unlocking Mozambique's hydrocarbon potential through Sasol's on-going drilling campaign in the Inhambane province, which is part of the first phase of the field development plan for the Production Sharing Agreement licence that we were awarded by the Government of Mozambique. The Mozambican gas industry is poised to play an increasingly important role in the Southern African regional energy landscape, and Sasol is proud to be a catalyst thereto.

In North America, the Board has noted the increased capital requirements for the LCCP but remains confident that it will be successfully implemented and that it will be value accretive to the shareholders in the long term. We have directed that appropriate measures be taken to prevent further cost increases and to ensure successful commissioning of the project, within the revised timeframes and budget.

Oversight

Sasol's operating environment remains volatile and complex, and the associated business risks are ever evolving. The Board continues to maintain a high level of focus on risk management and monitoring across the spectrum of the group's operations. In particular, the measures to enhance cybersecurity, and the sharpened focus on efficient and effective project delivery through the formation of the Capital Investment Committee, serve as examples of interventions taken by the Board in this regard.

Returning value to our shareholders

In a sustained depressed oil price scenario, the Board approved measures to increase the previously communicated cash conservation target range to between R65 billion and R75 billion up to end of financial year 2018. The strategy has enabled the group to remain flexible within the gearing targets, capital funding requirements and dividend policy of 2,2 to 2,8 times headline earnings cover range.

At 30 June 2016, the dividend cover was 2,8 times, compared to 2,7 times the previous year. Taking into account the current operating environment, capital investment plans, the cash conservation initiative, the current strength of our financial position, and the dividend cover range, the Board has declared a final gross dividend of R9,10 per share.

IR Refer to our material matters on page 32 for further detail.

For details on our sustainability reporting, refer to our website www.sasol.com.

Driving transformation

I am pleased to report that we declared an interim dividend of R356 million to our BEE partner Tshwarisano, which holds a 25% shareholding in our Sasol Oil subsidiary. Based on the attractive returns generated by Sasol Oil over the past nine years, the debt relating to our BEE partner's equity shareholding has now been settled well ahead of the anticipated timelines.

Transformation remains at the heart of Sasol. The Board is committed to driving employment equity and localisation goals and enhancing diversity across the group. Specific initiatives aimed at recruitment, development and retention of candidates from under-represented groups as well as measures to enhance gender equity have been implemented.

Governance and succession

At the end of this financial year, we bade farewell to David Constable who led the company for the past five years as President and Chief Executive Officer (CEO). We thank David for his able and skilful leadership and management of the group, and wish him well in his future endeavours.

Succeeding David are our new Joint Presidents and CEOs, Bongani Nqwababa and Stephen Cornell, whose appointments became effective on 1 July 2016. The Board is confident that Messrs Nqwababa and Cornell's complementary skills, experience, qualifications and backgrounds will contribute towards placing the group on a new trajectory of business growth and sustainable profitability.

Following Mr Nqwababa's appointment as Joint President and CEO, the Board appointed Mr Paul Victor, an internal candidate, as Executive Director and Chief Financial Officer (CFO), effective on 1 July 2016.

In December 2015, the Board took leave of Professor Jürgen Schrempp, who retired as director and Lead Independent Director. He was appointed to the Sasol Board in 1997 and served as Lead Independent Director since 2008. Professor Schrempp has made enormous and indelible contributions to the Board and the business during his tenure, and on behalf of the Board and the group, I would like to express my sincere appreciation to him.

Mr Henk Dijkgraaf, another long-standing board member, has since been appointed Lead Independent Director. On 1 June 2016, Mr Manuel João Cuambe, a Mozambican national, was appointed an independent non-executive director to the Board. Mr Cuambe has more than 27 years of experience in the energy sector and previously served as the Executive Chairman and CEO of Electricidade de Moçambique (EDM) from November 2005 to March 2012.

After more than a decade of dedicated service to Sasol, in September 2016, Ms Nolitha Fakude resigned as Executive Vice President for Strategy and Sustainability and as an executive director of Sasol Limited, effective 31 December 2016. We thank her for invaluable contribution, most notably to the landmark broad-based black economic empowerment transaction, Sasol Inzalo, in 2008. More recently, she drove the development of Sasol's strategy and the company's diversity programme.

I acknowledge and thank my fellow Board members for their unwavering commitment and outstanding contributions to the company over the past year. The people who are entrusted with the day-to-day management of the group's operations – our management and staff – have been exemplary in dealing with the many business challenges and in maintaining the group's position as an innovative and successful global leader in our industry.

In conclusion, I would like to express my sincere appreciation to Sasol's many stakeholders for entrusting us with the leadership of this great company, Sasol, and for their continued support.



Dr Mandla SV Gantsho

Chairman
27 September 2016

2016 PERFORMANCE OVERVIEW

Solid operational performance across most of the value chain

Record production volumes at Secunda Synfuels Operations

Normalised sales volumes

- Performance Chemicals **up 1,8%**, Base Chemicals **down 2,6%**
- Liquid fuels remained flat, **2% up** on market guidance

Business Performance Enhancement Programme delivered

- Sustainable actual cost savings of **R4,5bn**
- Updated target exit run rate of **R5,4bn** by 2018

Response Plan cash savings exceeding expectations

- **R28bn** cash savings delivered for the year
- **R12bn** above 2016 target
- Updated sustainable savings target to **R2,5bn** by 2019, **up R1bn**

Lake Charles Chemicals Project 50% complete

- Addressing challenges with project execution
- Significantly sharpened focus on cost and schedule delivery, following the increase in project cost to **US$11bn**

Headline earnings per share down 17% to R41,40, despite an average 25% decline in Rand oil prices

Safety Recordable Case Rate (RCR), excluding illnesses, improved to

0,29,

regrettably two fatalities*

Normalised cash fixed costs down

8,1%

in real terms

Liquid fuels BEE partner, Tshwarisano, investment now fully unencumbered

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Direct and indirect taxes paid to South African Government

R36,8 billion

** Subsequent to 30 June 2016, we experienced three tragic fatalities, of which two were due to a motor vehicle accident on a public road. Management has implemented focused interventions to ensure safe operations.*

ABOUT SASOL

For over 65 years, Sasol has been a pioneer in the inventive monetisation of hydrocarbons. Using coal, crude oil and natural gas, along with the skills of our people and our technological advantage, we have become one of the world's largest producers of synthetic fuels and a global chemicals player.

OUR VISION

To grow profitably, sustainably and inclusively, while delivering value to shareholders through technology and the talent of our people in the energy and chemical markets in Southern Africa and worldwide.

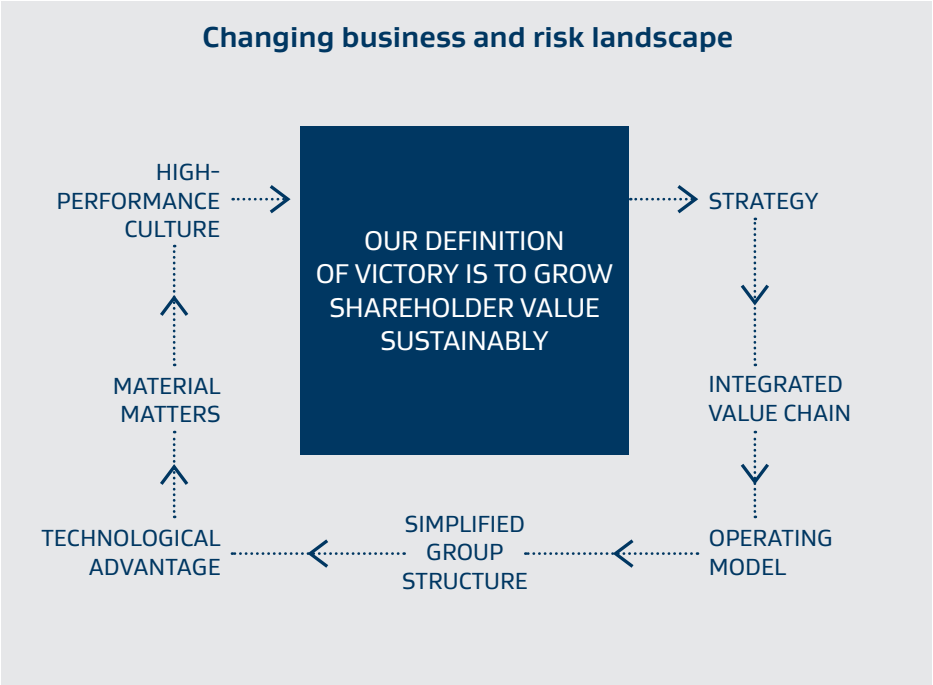
OUR VALUES

At Sasol, we define ourselves, our behaviour and our decisions by a set of shared values. They determine the way in which we deliver results, interpret and respond to risks, business opportunities and challenges and how we strive to manage the business.

Safety | People | Integrity | Accountability | Stakeholder focus | Excellence

OUR APPROACH

To safeguard our ability to respond appropriately to the changing business and risk landscape, we efficiently and effectively integrate our strategy, value chain, operating model, structure, technology, material matters and high-performance culture. This enables us to grow shareholder value sustainably.



WHAT DIFFERENTIATES US

- Our high-performing people
- Our technology
- Our diverse asset portfolio
- Our integrated value chain
- Our ability to respond to a changing business environment

HOW WE STRUCTURE OURSELVES TO CREATE VALUE

Our businesses and functions are arranged by capabilities along an integrated value chain that draws on each business's unique capabilities and areas of specialisation to enable decision-making as an integrated organisation.

OPERATING BUSINESS UNITS	REGIONAL OPERATING HUBS	STRATEGIC BUSINESS UNITS
Upstream	Operations	Energy and Chemicals
SOURCE FEEDSTOCK	MAKE PRODUCTS	SELL PRODUCTS
Mining	Operations	Energy
Exploration and Production International		Chemicals
■ Mozambique ■ Canada ■ Gabon	■ Secunda Synfuels ■ Secunda Chemicals ■ Sasolburg Operations ■ Satellite Operations ■ Natref Operations ■ US Operations ■ Eurasian Operations	■ Liquid fuels ■ Electricity ■ ORYX GTL ■ Escravos GTL
		■ Base Chemicals ■ Performance Chemicals

GROUP FUNCTIONS TO ENABLE BUSINESS

MATERIAL MATTERS IMPACTING OUR ABILITY TO CREATE VALUE

Responding to the volatile macro-economic environment

- Extending and intensifying our low oil price Response Plan to conserve cash
- Increasing our self-imposed gearing target
- Effectively allocating capital for growth projects
- Executing selective growth projects

Investing in our people

- Promoting safety
- Attracting and developing high-performing people
- Embedding our critical behaviours
- Driving diversity and cultural transformation

Unlocking value by optimising and growing our business

- Optimising the way we operate
- Leveraging our full capabilities
- Ensuring efficient project execution
- Managing Lake Charles Chemicals Project cost and schedule
- Ensuring efficient and optimal capital allocation

Promoting sustainability

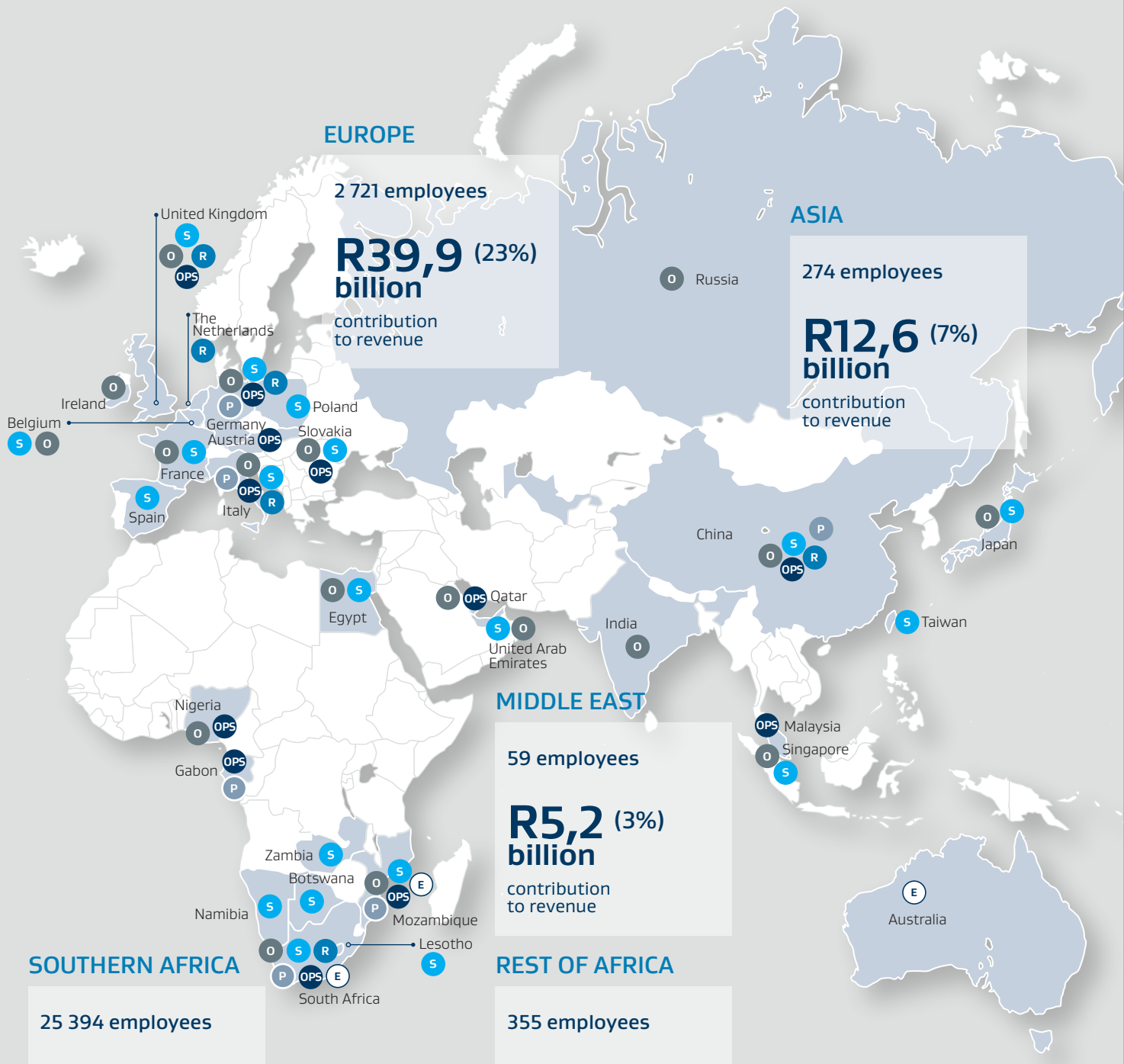
- Delivering social and economic value
- Managing environmental and regulatory challenges
- Securing our licence to operate
- Acting responsibly

Grow shareholder value sustainably

IR Refer to our material matters on page 32 for further detail.

OUR GLOBAL PRESENCE

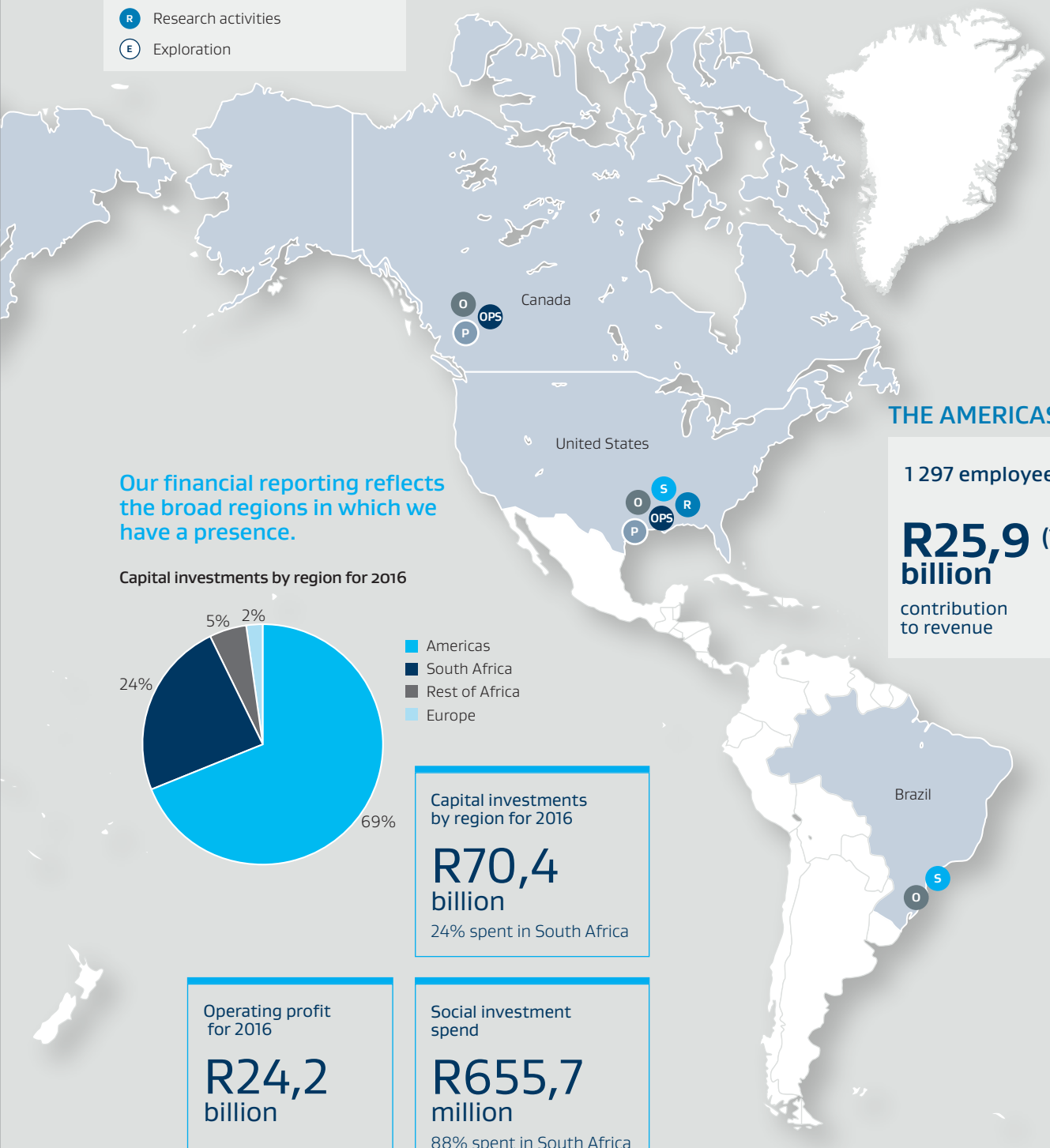
Sasol has exploration, development, production and marketing and sales operations in 33 countries around the world. Our growth strategy incorporates a largely dual-regional focus on Southern Africa and North America.



This is a broad indication of Sasol's global presence.

LEGEND

- O Office
- OPS Operations
- S Sales
- P Projects at the pre-feasibility, feasibility or implementation phase
- R Research activities
- E Exploration



THE AMERICAS

1 297 employees

R25,9 billion (15%)
contribution to revenue

Our financial reporting reflects the broad regions in which we have a presence.

Capital investments by region for 2016

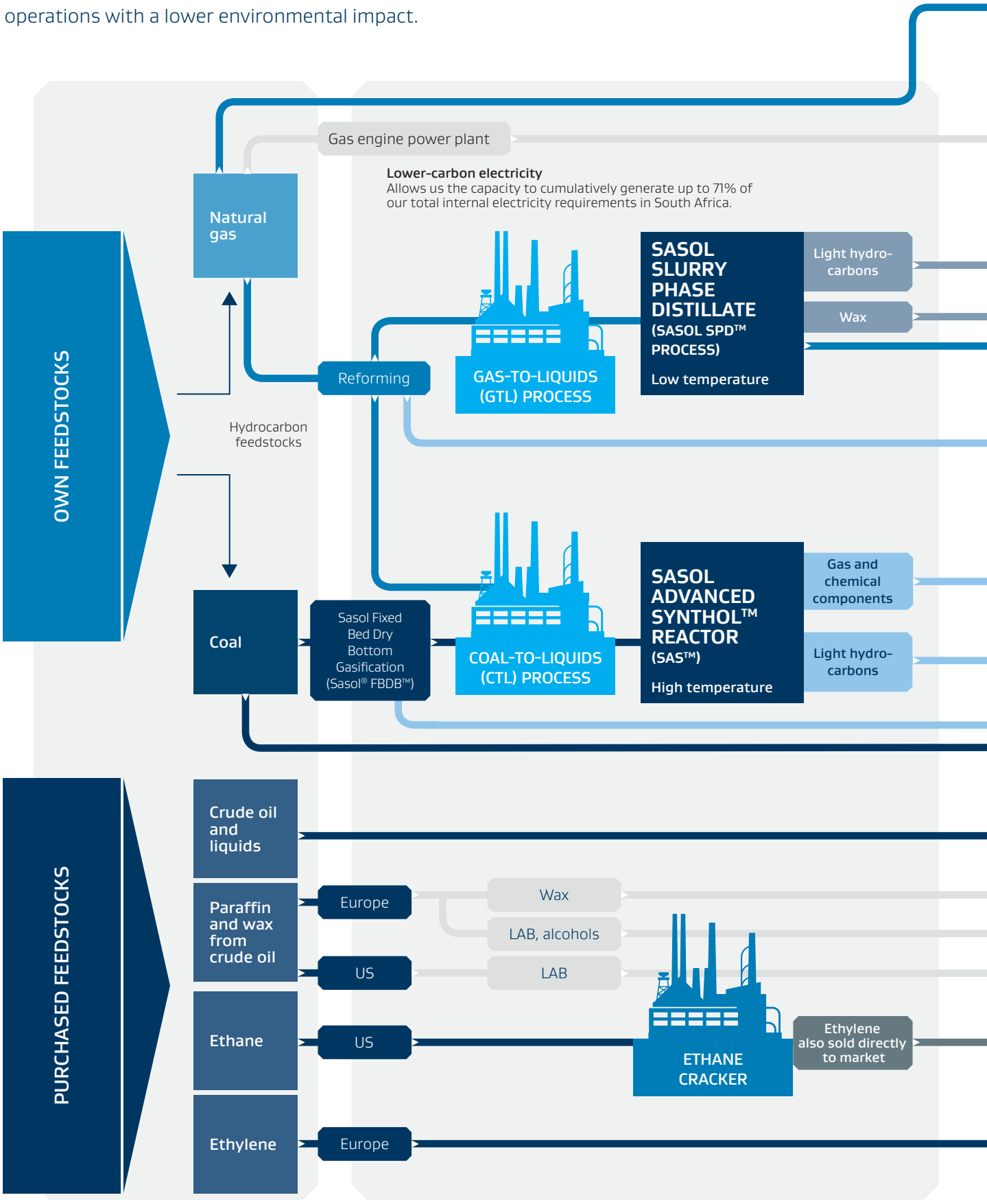
Capital investments by region for 2016
R70,4 billion
24% spent in South Africa

Operating profit for 2016
R24,2 billion

Social investment spend
R655,7 million
88% spent in South Africa

OUR INTEGRATED VALUE CHAIN

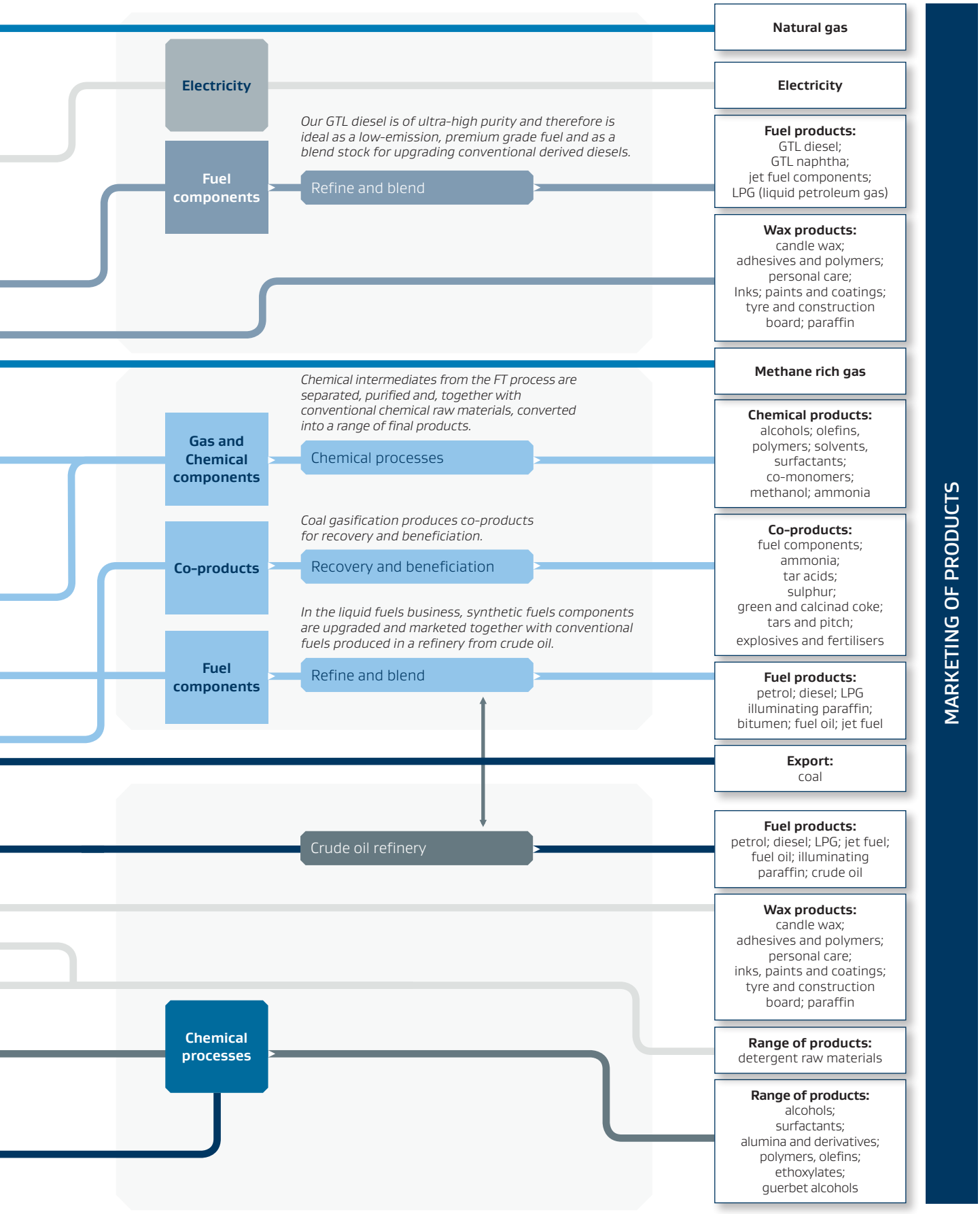
Our integrated value chain is at the heart of our differentiated value proposition. We continue to improve our coal-to-liquids and gas-to-liquids processes, to ensure safe, reliable and efficient operations with a lower environmental impact.



This excludes our joint ventures.

Our products

We produce bulk fuel and chemical commodities as well as high value-add or differentiated products. We supply mainly to industries, but also directly to consumers in South Africa through our fuel products retail business. We export coal to international power generation customers. Our third product stream is lower-carbon electricity, produced for our own consumption or sold into the Southern African grids.



OUR OPERATING MODEL STRUCTURE

Our operating model and refined legal structures allow us to approach our decision-making as an integrated organisation, driving the best interests of the entire group and not of a particular business or facility.

SASOL GROUP

OPERATING BUSINESS UNITS

Secure the sustainable supply of low-cost feedstocks to Sasol: coal from Mining and gas through Exploration and Production International. Help to deliver the selective growth and advancement of the group.

MINING

Secures the coal feedstocks for the Southern African value chain, mainly for gasification, but also for electricity and steam generation. Mines approximately 40 million tons (mm tons) of coal a year from one of the world's largest underground mining complexes at Secunda and Sasolburg. Also exports more than 3mm tons of coal a year.

EXPLORATION AND PRODUCTION INTERNATIONAL

Secures and develops gas feedstocks for the Southern African value chain. Exploration activities are centred on Southern Africa while production activities are in Mozambique, Canada and Gabon.



REGIONAL OPERATING HUBS

Responsible for converting feedstocks received for the production of a wide range of products and accountable for delivering against agreed safety, cost, volume and specification targets set by the group.

OPERATIONS

Secunda Synfuels
Operates a coal- and gas-based synthetic fuels manufacturing facility which also produces chemicals feedstocks and utilities.

Secunda Chemicals
Produces chemicals and provides site services to the Secunda complex.

Sasolburg Operations
Produces chemicals and cobalt catalyst and supplies utilities and site services to Sasolburg Operations.

Satellite Operations
Includes a wax blending plant in Durban, the gas, fuels and chemicals pipelines between Mozambique, Secunda, Sasolburg and KwaZulu-Natal and the explosive accessory plants in Ekandustria.

Natref Operations
Operates a crude oil refinery and is 63,64% owned by Sasol.

US Operations
Comprises a set of chemicals processing facilities in a number of US locations, the most significant of which is in Lake Charles, Louisiana.

Eurasian Operations
Consists of chemicals processing facilities in China, Germany and Italy.

GROUP FUNCTIONS

Focus on delivering fit-for-purpose, supportive and enabling business services and solutions.

Our operating platform has resulted in Sasol being a far more streamlined and cost-conscious organisation. It arranges our businesses and functions along Sasol's integrated value chain which draws on each unit's unique capabilities and areas of specialisation, namely Operating Business Units (OBUs), Regional Operating Hubs (ROHs), Strategic Business Units (SBUs) and Group Functions.

STRATEGIC BUSINESS UNITS

Market and sell products received from the Regional Operating Hubs in the energy and chemicals markets with the objectives of achieving optimal sustainable margins and growing the market.

As part of our stakeholder focus, as well as to increase efficiencies, our Key Account Management Executive Sponsorship initiative prioritises Sasol's key customers, servicing them through a single contact point.

ENERGY

Markets liquid fuels, natural gas and electricity in Southern Africa. Supplies about a quarter of South Africa's inland liquid fuels requirements. Develops, implements and manages Sasol's gas-to-liquids business ventures internationally.

CHEMICALS

Base Chemicals

Markets commodity chemicals based on the group's Fischer-Tropsch, ethylene, propylene and ammonia value chains. The foundation of the business is feedstock advantage, scale, product quality and cost leadership.

Performance Chemicals

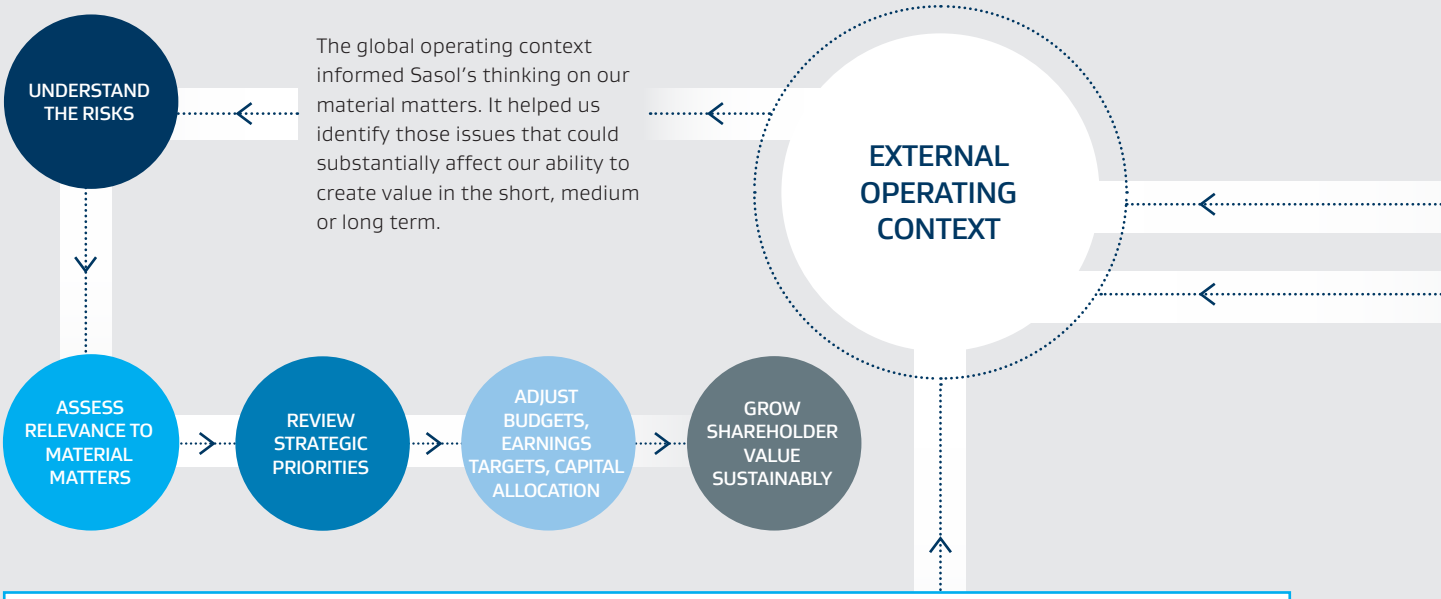
Markets commodity and differentiated performance chemicals. Works to further develop our strengths in product differentiation through technological leadership and strong customer focus.





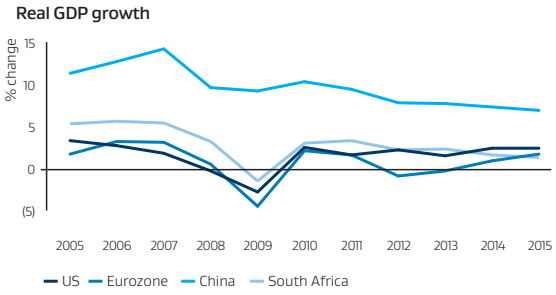
OUR EXTERNAL OPERATING CONTEXT

2016 was another challenging year for businesses across the world. Sluggish economic growth gave rise to sharply lower and more volatile commodity prices, in turn reducing the market value of commodity-led companies. Businesses globally intensified their interventions to reduce costs, conserve cash and optimise asset portfolios. This resulted in an increasing number of projects being delayed or re-scoped, reducing global economic growth and dampening job creation.



Sluggish economic growth and unpredictable currencies

Global growth slowed to 3,1% in calendar 2015. South Africa grew by only 1,3% as soft commodity prices, electricity supply concerns, infrastructure constraints and poor sentiment weighed on output. In the first quarter of calendar 2016, the economy contracted by 1,2%. The rand was volatile, weakening by 27% over our financial year. The United States grew by 2,4% in 2015 and the Eurozone by 1,5%. China's GDP growth slowed to 6,9%, and a recession in Brazil and Russia deepened.



How this affected our business

With economies under pressure, demand for many commodities declined, pulling down prices, and in turn reducing our revenue, margins and earnings. This led to a curtailment of our capital investment programme, pressure on our share price and an extension of our Response Plan to alleviate further pressure on our balance sheet and gearing. Volatility in the rand/US dollar exchange rate made planning and budgeting difficult, and affected our cost of funding as well as our rand-based product prices.

The outlook

The outcome of the British referendum to leave the European Union adds a further element of uncertainty and downside risk to the global growth outlook. Currently, we expect growth to remain modest in developed economies, and challenging in developing markets, including South Africa. There is a possibility of a sovereign credit downgrade in South Africa towards the end of the 2016 calendar year. Financial market and exchange rate volatility is set to continue. We estimate that a 10 cent change in the annual average rand/US dollar exchange rate will impact our operating profit by approximately R650 million in 2017. This assumes an average crude oil price of US$40/bbl.

Link to material matters:

Responding to the volatile macro-economic environment.

Investing in our people.

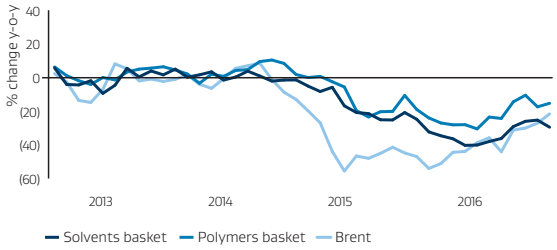
Unlocking value by optimising and growing our business.

Promoting sustainability.

Volatile commodity prices

Subdued demand and a supply overhang led to a steep decline in crude oil prices: Brent averaged US$43,37/bbl from US$73,46/bbl in the prior year. Uncertainty over the health of the Chinese economy and its impact on commodity demand, as well as a stronger US dollar, led to wide swings in many commodity prices. Natural gas prices tracked oil prices. The price of ethane, as well as polyethylene, ethylene, polypropylene and propylene, were similarly weak.

Chemical prices vs Brent



Prices reflect international commodities or baskets of commodities and are not necessarily Sasol specific.

Sources: RSA Department of Energy, ICIS-LOR, Reuters, Platts, International Energy Agency

How this affected our business

The volatile global economic environment and its effects on commodity chemical prices continued to challenge our business. As crude oil prices fell, so did the selling price of fuel marketed by our Energy business, which is determined by South Africa's Basic Fuel Price. This government-determined formula considers world crude prices and the rand/US dollar exchange rate. The purchase cost of crude oil (used in our Natref joint venture refinery) was volatile, making budgeting difficult. Our Base Chemicals business was significantly impacted by the 22% decrease in commodity chemical prices, reducing profitability. However, the average margin on our performance chemicals remained resilient.

The outlook

We expect crude oil price volatility to continue in the short term. Longer term, we expect to see some upturn. For every US$1/bbl increase in the annual average crude oil price, operating profit will be impacted by approximately R820 million, assuming an average exchange rate of R14,50 for 2017. Natural gas prices are expected to rise in the medium to longer term as demand for LNG exports increases. Demand for US ethane is expected to rise sharply in the next five years, however, we expect the market will still be in oversupply.

Increasing regulatory requirements and labour market volatility

Globally, business operated in a more challenging environment with increased regulatory requirements, geopolitical uncertainty, exchange rate volatility and increasing societal challenges and expectations linked to the recent Climate Change Conference (COP21) in Europe.

In South Africa, environmental policy and regulations relating to air quality, climate change, water, waste, as well as contaminated land management are unfolding rapidly. This will result in increased obligations for corporates. In addition, there is uncertainty regarding key pieces of legislation which could impact investment in South Africa. These include the delay in finalisation of the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill as well as the lack of alignment between the carbon tax bill and the carbon budgets.

Outside of South Africa, Europe has introduced more stringent directives on air quality, ground water protection and plant safety, while the US changed ambient air quality standards.

How this affected our business

To position ourselves for enhanced compliance, we continued to develop plans to ensure sustainability and invested effectively in environmental improvement projects.

In South Africa, we intensified our efforts to improve our broad-based black economic empowerment (B-BBEE) rating after our contributor status deteriorated under the revised Codes of Good Practice from level 4 to level 8.

We engaged more actively with the government and regulators to express our concerns over the two climate change policy approaches namely: the carbon tax, and carbon budgets. In our view, South Africa needs appropriate incentives to invest in new, more energy-efficient processes and projects that will improve our energy security and maintain our global competitiveness.

The outlook

Globally the important emerging themes regarding the environment include: costs associated with carbon emitted are being passed on to industry, growing pressure for air quality improvements, growing awareness about the health effects of air pollution, harmonisation of carbon pricing globally, emerging climate change regulation and legislation, pressure to report transparently, water scarcity and quality, Non-Governmental Organisations' power spurred as a result of a highly connected society, and investor engagement on environmental issues increasing.

In South Africa, although uncertainty on the MPRDA remains, we are hopeful that this Bill will be finalised in the near term, taking industry's views into account.

We continue to actively engage with the South African government in a solution-oriented, constructive manner.

IR Refer to our material matters on page 32 for further detail.

OUR INTERNAL OPERATING CONTEXT

In our internal operating context, the greatest challenge facing Sasol is the efficient and effective project execution of the Lake Charles Chemicals Project (LCCP) in the US. It is an important component of the 'unlocking value by optimising and growing our business' material matter. When complete, this project – which consists of a 1,5 million ton per year ethane cracker and six downstream chemical units – will represent more than half of Sasol's market capitalisation. Its successful execution is therefore key in ensuring the continued delivery of Sasol's strategy.





Reviewing the project

In March 2016, following the decision to pace the execution of the LCCP to support the company's low oil price Response Plan (RP), we launched a detailed review of the project, the results of which we released in August 2016. The review put the expected capital cost of the project, including site infrastructure and utility improvements, at US$11 billion. This is an increase of US$2,1 billion from the estimate at the time of final investment decision (FID) in October 2014. The new estimate includes a contingency that, when measured against industry norms for this stage of project completion, we consider is sufficient to take the project to beneficial operations (BO).

The US$2,1 billion capital cost increase was the result mainly of the following, in approximately equal proportion:

- a significant increase in site and civil costs, 50% more weather day delays than the norm, and much lower field productivity as a result of less ideal site and material mobilisation;
- an increase in the home office and construction costs of the engineering, procurement, construction and management contractor; and
- an increase in labour costs as well as lump-sum contracts having been placed at higher rates than estimated at the time of FID.

Addressing the challenges

Notwithstanding these challenges, we have identified various opportunities to make savings and these are being implemented to mitigate against the increase in the overall capital cost estimate. With the project more than 50% complete, several changes have been, or are in the process of being, implemented to ensure that there is a good probability that the LCCP will be completed within the updated guidance we have provided on cost and schedule.

These actions address the root causes of process weaknesses identified during the detailed review. They include improved productivity and construction readiness that will be achieved through focused risk management processes, improved phasing of engineering, cost-effective mobilisation of resources and synchronised workforce planning, as well as improved change management practices and key project leadership personnel changes.

Although unplanned event-driven risks (such as abnormal weather) may still impact the execution and cost of the project, we are confident that the remaining construction, procurement, execution and business readiness risks can be managed within the estimate as a result of these changes. We are pleased with the project's outstanding safety record.

Holding people accountable

We have taken corrective actions to ensure that individuals are held accountable for the controllable factors leading to the cost increase. The Remuneration Committee has imposed penalties on the short-term incentive for the previous President and Chief Executive Officer, David Constable, the Group Executive Committee and senior management who are involved in the construction of the LCCP. We have also documented the lessons learnt to ensure that we can improve on our project execution of our other large projects.

Sticking to our funding plan; extending the schedule

Even though Sasol's expected capital expenditure for the LCCP has increased, we do not expect this to result in the company exceeding its self-imposed gearing targets. Our funding strategy has not changed: the project will continue to be funded from existing facilities and ongoing group cash flow.

The slower rate of capital expenditure until June 2018 related to the RP, coupled with project delays in developing the site infrastructure, resulted in an extension of the LCCP's schedule. The first unit – a linear low-density polyethylene facility – is expected to reach BO in the second half of the 2018 calendar year. It will be followed by the ethane cracker and ethylene oxide and monoethylene glycol units later that year, and the low-density polyethylene unit shortly thereafter. This will mean that facilities representing more than 80% of the LCCP's total output will reach BO by early 2019. The remaining derivative units, which will produce specialty alcohols, ethoxylates and alumina products, will reach BO by the second half of 2019.

Confirming the investment rationale

The decision in October 2014 to proceed with the LCCP was prompted by the change in the dynamics of the ethane supply situation in North America. This provided an opportunity for Sasol to invest in a world-scale ethane cracker that could be supplied with abundant, low-cost feedstock and that would be sited in a location with robust infrastructure and easy access to both US and international markets. Currently, most of Sasol's chemical production facilities are located in South Africa, Europe and at the Lake Charles site in Louisiana in the US.

The LCCP's product slate, technology and targeted end-use markets will be much more diverse than those of most of the other cracker projects being constructed on the US Gulf Coast. Similar projects under construction are committed almost exclusively to commodity plastics and ethylene glycol. Our diversified and differentiated product slate will allow us to participate in numerous markets, many of which are insulated from traditional chemical cycles. This should result in stable earnings across the life of the project.

Considering the returns and sensitivities

On an unlevered total project cost basis, and including our lower-for-much-longer oil price outlook, we expect the returns from the LCCP to be above the company's US dollar weighted average cost of capital of 8%. However, they are expected to be below those envisaged at the time of FID.

We estimate the sensitivities for the project to be as follows:

- For every 10 US cent per gallon movement in the ethane price from the base assumption, the internal rate of return (IRR) is impacted by approximately 1%;
- For every $500 million in capex overspend above US$11,0 billion, the IRR is impacted by approximately 0,3%; and
- For every three-month schedule delay, the IRR is impacted by approximately 0,2%.

Sasol's definition of victory is to grow shareholder value sustainably. It is clear that this depends on the successful execution of this project, and others. Management remains closely involved in guiding the LCCP team, which was recently bolstered with additional senior Sasol resources to ensure even greater attention is given to the various execution activities. Despite the lower expected returns, we still consider the LCCP to be a sound investment that will return value to our shareholders for many years to come.

Unlocking value by optimising and growing our business.

HOW WE CREATE VALUE USING THE SIX CAPITALS

We create value by developing and commercialising technologies and building and operating facilities to convert hydrocarbon reserves into a range of high-value product streams. Products include liquid fuels needed to move people and goods, chemicals used in industrial and consumer products and electricity that powers our facilities and contributes to South Africa's and Mozambique's power-generating capacity.

Natural capital

We require natural gas, shale gas, coal and crude oil, as well as air, water, land and energy to convert hydrocarbon reserves into value-adding product streams.

Human capital

To operate our facilities safely, reliably and efficiently and to deliver our growth projects on time and within budget, we require high-performing and diverse people with the right skills and experience.

Social and relationship capital

To create an enabling environment for investment, we integrate the needs of our stakeholders into our business process and we deliver on our commitments.

Intellectual capital

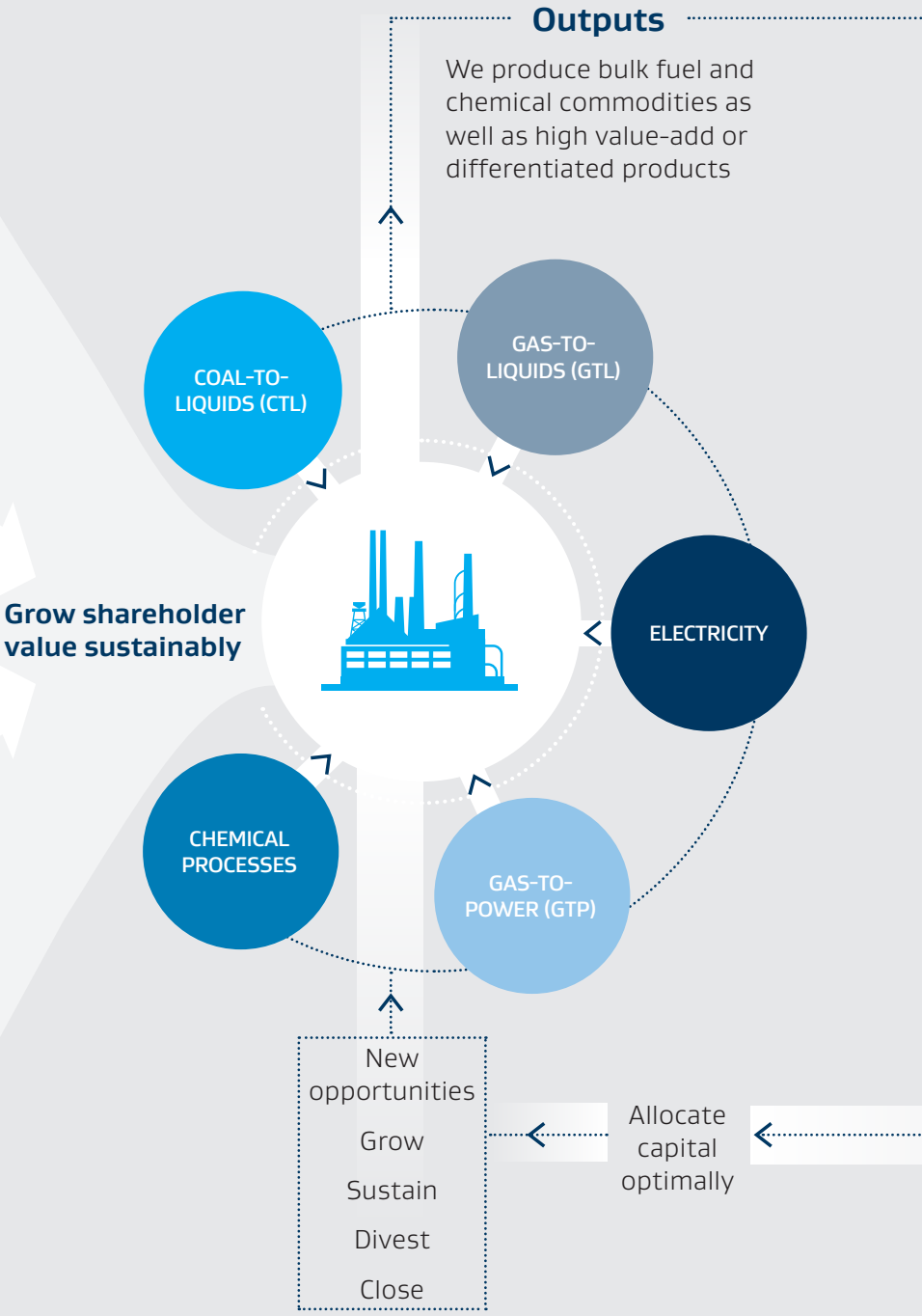
Our knowledge-based assets – mainly our proprietary or licensed technologies, but also our software, licences, procedures and protocols – support Sasol's competitive advantage.

Manufactured capital

Our on-going investment in plants and equipment allows us to operate safely and reliably. It also reduces our environmental footprint and enables us to comply with regulatory requirements.

Financial capital

We use our financial strength – debt and equity financing, as well as cash generated by our operations and investments – to run our business and fund our growth.



Risk management **High-performing people** **Zero harm**

When making decisions on how to manage and grow our business, we take into account the resources and relationships that are critical to our ability to create value. We refer to these as the six capitals. Inputs of each are needed for the effective production and delivery of Sasol goods and services, thereby generating value for all our stakeholders.

OUTCOMES FOR OUR STAKEHOLDERS



The Board and management continues to

Evaluate risk tolerance and risk appetite measures

Assess impact on our material matters

Evaluate impact on our strategic priorities

Financial impact

Total capital expenditure
R70,4 billion

Operating profit
R24,2 billion

Prioritised investment in Research and Development
R1,1 billion

Value distributed

Direct and indirect taxes paid to South African Government
R36,8 billion

Dividends paid
R10,7 billion

Social investment spend and skills development
R1,2 billion

Wages and benefits paid
R26,4 billion

Number of employees
30 100

Sustainability impact

Total greenhouse gas emissions
69 250
kilotons (CO_2 equivalent)

Water stewardship
R5 million
leveraged with R8 million partnership funding

RCR of 0,29

Advanced housing scheme in Mozambique
102
houses delivered

Total energy use
412 973
thousand gigajoules

B-BBEE Level 8

Managing the capital trade-offs | **Governance** | **Environmental and regulatory compliance**

NATURAL CAPITAL

We convert natural capital into financial and societal value by deploying our technology and other resources.

We have a positive impact on our stakeholders by delivering on the country's needs by monetising natural capital into high-value products. Our commitment to minimising negative impacts is evident in our decision not to pursue coal-to-liquids growth, and to focus on natural gas as a bridge to a lower-carbon economy. We invest significantly in reducing our environmental footprint and in enhancing the positive contributions of our products and processes.

KEY NATURAL CAPITAL INPUTS

	2016	2015
Coal (dry ash-free basis) (kilotons)	**17 963**	17 674
Crude oil processed (mm bbl)	**33**	33
Natural gas (bscf)	**101**	134
Total water use (thousand cubic metres)	**138 622**	135 458
Total energy usage (thousand GJ)*	**412 973**	413 838
Oxygen from air (kilotons)	**12 747**	12 711
Nitrogen from air (kilotons)	**528**	718
Other (eg chemicals) (kilotons)	**5 841**	5 136
Surface area affected by operations (hectares)	**6 820**	6 629

*Includes electricity usage, of which up to 71% can be self-generated.

OUTPUTS OF OUR ACTIVITIES ON NATURAL CAPITAL

	2016	2015
Total greenhouse gas emissions (CO_2 equivalent) (kilotons)	**69 250**	69 772
Greenhouse gas (GHG) emissions intensity (CO_2 equivalent/ton product)	**3,68**	3,58**
Nitrogen oxides (NO_x) (kilotons)	**156**	157
Sulphur oxides (SO_x) (kilotons)	**223**	208
Particulates (fly ash) (kilotons)	**10**	12
Liquid effluent (thousand cubic metres)	**27 544**	28 573
Total waste (kilotons)	**498**	482

**GHG emission intensity has been restated, due to refinement in calculation methodology. This excludes equity accounted joint ventures and associates.*



MANAGING OUR OUTCOMES

- Investing more than R25 billion since 2005 on capital projects to minimise our environmental footprint. In South Africa, we are currently making progress with our volatile organic compound emissions abatement and coal tar filtration projects.
- Investing in research and development and partnering with others to find innovative solutions related to our processes, products and by-products.
- Setting stringent targets for greenhouse gas mitigation, water and energy efficiency and air quality improvement.
- Partnering with municipalities and communities to promote water stewardship and minimise air pollution.
- The 2016 utility Energy Intensity index for our operations in South Africa improved by 0,7% (off a new 2015 fiscal year baseline).
- Developing Production Sharing Agreement (PSA) in Mozambique to access additional gas reserves to replace coal feedstock.

TRADE-OFFS IN OUR USE OF NATURAL CAPITAL

We impact negatively on **natural capital** by using non-renewable resources, and through our emissions and wastes. In some instances, we also impact adversely on **human** and **social and relationship capital** through, for example, increased competition for resources such as water. However, by converting natural capital into a range of high value-add products, we boost the stocks of **all the other capitals**.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

HUMAN CAPITAL

The skills, experience, diversity and productivity of our people enable us to operate our facilities safely, reliably and sustainably, and allow us to deliver on our growth objectives.

Committed to achieving zero harm, we focus on best practice safety and wellness interventions. We invest considerably in employee development to attract and retain values-driven, high-performing and diverse talent. Our focus for the reporting period has been on stabilising and realigning our teams to our business goals post the restructuring.

KEY HUMAN CAPITAL INPUTS

- A safe, healthy, engaged and productive workforce of our 30 100 people with relevant skills, knowledge and experience.
- A strong leadership team, driving a culture of high performance.
- More than 21 000 service providers, delivering against agreed terms and conditions.

OUTCOMES OF OUR ACTIVITIES ON HUMAN CAPITAL

	2016	2015
Number of employees	**30 100**	30 919
Amount paid in wages and benefits	**R26,4bn**	R24,4bn
Number of work-related employee and service provider fatalities	**2**	1
Recordable Case Rate (RCR)* (excluding illnesses)	**0,29**	0,32
Investment in employee learning**	**R678m**	R692m
Number of employees receiving artisan training and external technical skills development	**758**	542
Number of employees receiving leadership training	**1 197**	2 872
Number of employees and contractors receiving HIV screening, counselling and testing	**3 273**	7 739

* *The recordable case rate (RCR) is a measure for reporting work-related injuries. The RCR is the number of fatalities, lost workday cases, restricted work injuries and medical treatment cases for every 200 000 employee hours worked.*

** *Investment in employee learning excludes the compulsory 1% skills levy.*



MANAGING OUR OUTCOMES

- Driving our risk-based One Sasol Safety, Health and Environment (SHE) Excellence approach to deliver a world-class safety performance and realise our goal of zero harm.
- Promoting a working environment that allows employees to deliver high performance.
- Embedding our new operating model and group structure.
- Engaging, enabling and energising our teams by embedding the critical behaviours and high-performance culture.
- Developing critical skills to drive business performance.
- Building leadership capability to enable productivity, high performance and sustainable growth.
- Embedding focused talent sourcing and succession planning to enable our long-term strategy and accelerate diversity.
- Driving a high-performance culture to ensure delivery of our growth objectives.

TRADE-OFFS IN OUR USE OF HUMAN CAPITAL

Since the start of our BPEP and RP, we have reduced our workforce by 15% to 30 100 and cut our external spend for service providers sharply. This had negative implications for **human capital** - our people, as well as our service providers, and hence **social and relationship capital**. However **financial capital** was positively impacted, as it enabled the company to achieve its cost savings targets and become much more resilient, focused and considerably more efficient.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

SOCIAL AND RELATIONSHIP CAPITAL

We contribute to social and economic development and focus on developing partnerships based on trust that will enhance our longer-term viability.

In addition to the societal value we create through our core business activities, we undertake targeted community and enterprise development initiatives. To create an enabling environment for investment, and to develop and enhance markets for our products, we strive to be proactive and responsive to stakeholders' interests. Recognising that our business activities impact many people and communities – both positively and negatively – we have strategies, systems and processes in place aimed at developing positive relationships with stakeholders.

KEY SOCIAL CAPITAL INPUTS

- Sasol promotes an employee relations culture that encourages employee inputs and involvement, and partners with relevant stakeholders in enabling employee engagement.
- We maintain constructive relationships and partnerships with all representative unions and works councils who enjoy consultative or negotiating powers on issues of mutual interest.
- The sustained confidence of investors in our business.
- Constructive and informed engagement with government representatives and regulators.
- Collaborative relationships with customers and suppliers, based on mutually agreed terms of engagement and the drive to innovate and excel.
- Open channels of communication and constructive relationships with neighbouring communities, Non-Governmental Organisations and the media.
- Effective partnerships with business peers, sector organisations and research bodies.
- A sustained 'social licence to operate' in the regions in which we do business.

OUTCOMES OF OUR ACTIVITIES ON SOCIAL AND RELATIONSHIP CAPITAL

	2016	2015
Direct and indirect taxes paid to the South African Government	**R36,8bn**	R34,7bn
Social investment spend and skills development initiatives	**R1,2bn**	R1,2bn
Broad-based black economic empowerment status*	**Level 8**	Level 4
Person-days of production lost to strike action	**13 016**	0

** In South Africa, we intensified our efforts to improve our B-BBEE record after our contributor status deteriorated under the revised Codes of Good Practice from level 4 to level 8. We expect to reach our targeted level 4 rating by 2020.*



MANAGING OUR OUTCOMES

- Fostering positive employee and union relationships, informed by trust and respect.
- Upholding the right to collective bargaining and maintaining communication with employee representatives.
- Implementing our diversity plan on the recruitment, development and retention of candidates from under-represented groups. This includes the embedding of gender equity.
- Prioritising social investment projects in skills development, community development and the environment where there is a convergence of multiple stakeholder interests to achieve maximum impact in our communities.
- Creating awareness of our revised code of ethics, supported by an independent whistleblowing facility.
- Supporting independent small and medium enterprises, including through loan financing and development grants, and bolstering our supply chain.
- Ensuring consistent and effective engagement with investors, with the objective of aligning shareholder expectations with our strategy and targets.

TRADE-OFFS IN OUR USE OF SOCIAL AND RELATIONSHIP CAPITAL

We invest in **social and relationship capital** to enable growth in **financial capital** over the long term. However, in the short term, **financial capital** is reduced.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

20-F Refer to Sasol's Form 20-F for detail on our B-BBEE strategies.

INTELLECTUAL CAPITAL

Our value proposition is based on our technology advantage and our intellectual capital inputs, including the patented proprietary technologies we use to convert natural gas and coal into fuels and chemicals.

Key organisational intangibles also include our know-how and management systems and our company culture. We assess the extent to which our proprietary or licensed technologies, in combination with our expertise, provide sufficient advantage to generate our targeted returns on investment. We also strive to protect our proprietary intellectual property.

KEY INTELLECTUAL CAPITAL INPUTS

- Our patented technologies.
- Sasol held 2 023 patents worldwide at the end of 2016.
- Skilled, experienced and technically qualified employees, industry thought leaders and experts.
- Our business processes and management systems.
- Intangible assets worth R2,2 billion.

OUTCOMES OF OUR ACTIVITIES ON INTELLECTUAL CAPITAL

	2016	2015
Number of new patents issued	**239**	166*
Investment in research and development	**R1 105m**	R1 645m
Investment in bursary scheme	**R49,2m**	R40,3m
Number of undergraduate and postgraduate bursaries	**369**	440
Number of workplace/leadership coaches mentored	**410**	122

**Basis for calculation changed from patent families to patents granted per jurisdiction.*



MANAGING OUR OUTCOMES

- Prioritising focused research and development activities despite RP.
- Combining thorough understanding of interfacial phenomena with our ability to manipulate organic and inorganic compounds to meet increasing consumer and industrial requirements.
- Ramping up our plant which uses first-of-its-kind ethylene tetramerisation technology.
- Provide a unique, advanced polymer characterisation capability which can rapidly and effectively deliver analytical solutions for our customers and operations.
- Furthering our research and development at our fuels research facilities to produce cleaner fuels.
- Partnering with academic institutions, research bodies and industry peers to develop, pilot and implement new technologies.
- Providing training and technical skills development for Sasol artisans, accountants and engineers.
- Driving excellence in science, technology, engineering and mathematics education in previously disadvantaged sectors of society.
- Leveraging our deep understanding of Fischer-Tropsch and petro-based wax composition and processing to develop high-performance waxes.

TRADE-OFFS IN OUR USE OF INTELLECTUAL CAPITAL

By investing in boosting our stocks of **intellectual capital**, we reduce the stocks of **financial capital** in the short term. However, in the longer term **financial capital**, as well as **manufactured, natural, human and social and relationship capital**, are likely to be enhanced by our current commitments.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

MANUFACTURED CAPITAL

We rely on our significant fixed assets (property, plant and equipment) to deliver our goods and services safely, efficiently, reliably and sustainably.

We continue to invest to nurture and grow these assets, reducing the environmental footprint of our facilities and enabling compliance with new regulatory requirements. We are committed to executing our 2050 strategy. Given the low oil price environment, we have de-risked and re-phased certain projects, while prioritising capital to advance our growth projects in Southern Africa and the United States. Sufficient capital has been allocated to maintenance and sustenance activities to ensure that the business continues to operate sustainably.

KEY MANUFACTURED CAPITAL INPUTS

- Property, plant and equipment of R155 billion (net asset value).
- Assets under construction of R104 billion.
- Exploration, development, production, marketing and sales operations in 33 countries.
- Our own core assets, supported by joint venture assets in our flagship gas-to-liquids (GTL) plant in Qatar (49% interest) and our indirect 10% interest in the EGTL plant in Nigeria.
- Gas-to-power plant in Mozambique.
- Access to extensive and reliable infrastructure networks – such as road, rail, pipelines, storage facilities and utilities – in the regions in which we operate.

OUTPUTS OF OUR ACTIVITIES ON MANUFACTURED CAPITAL

	2016	2015
Refined product (mm bbl)	**52,5**	51,9
Electricity generated (megawatts)*	**820**	825
Saleable chemicals production (ktpa)	**6 264**	6 179

**This represents 51% (2015: 52%) of own requirements.*

OUTCOMES OF OUR ACTIVITIES ON MANUFACTURED CAPITAL

	2016	2015
Capital expenditure (including capital accruals)	**R70,4bn**	R45,1bn
Capital expenditure in South Africa	**24%**	44%
Sustenance capital expenditure	**R17,0bn**	R25,0bn
Depreciation and amortisation	**R16,4bn**	R13,6bn
Impairment of assets	**R12,3bn**	R0,8bn

This excludes equity accounted joint ventures and associates.



MANAGING OUR OUTCOMES

- Heightened focus on the construction of the US$11 billion ethane cracker project and downstream derivatives complex (including infrastructure) in Lake Charles.
- Construction of our 50% joint venture high-density polyethylene plant (US$299 million) with INEOS Olefins and Polymers US is progressing.
- In January 2016, we obtained approval from the Mozambican government for a field development plan that will see further hydrocarbon resources developed to support our Southern African growth drivers. Committed capital for phase 1, tranche 1 of this project is US$1,4 billion.
- Our R14 billion mine replacement project in Secunda, South Africa, which ensures sustainable coal reserves and extends the lifespan of our Southern Africa integrated value chain to 2050, is substantially complete.
- Continuing to invest in our planned maintenance programme to extend the lifespan of our assets, enhance operational improvements, and ensure safe, reliable and efficient operations to 2050.

TRADE-OFFS IN OUR USE OF MANUFACTURED CAPITAL

By pursuing our growth projects we are increasing the stock of **manufactured capital**. Increasing capital expenditure on our mining facilities to access additional coal reserves reduces our stocks of **financial** and **natural capital** in the near term. Our commitment to reduce the environmental footprint of our existing facilities will benefit **natural, intellectual, human and social and relationship capital**, at the cost of **financial capital**.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

FINANCIAL CAPITAL

The effective management of the balance sheet is a key consideration in investing to sustain and grow our business.

We deliver a significant positive contribution to financial capital through our technologies, processes, people and resources that monetise natural capital. We consider the targeted return on capital when making investment decisions. Apart from creating value through our business activities, the resulting financial capital is also reinvested in each of the six capitals in a carefully balanced manner to ensure the most effective and efficient achievement of our definition of victory.

KEY FINANCIAL CAPITAL INPUTS

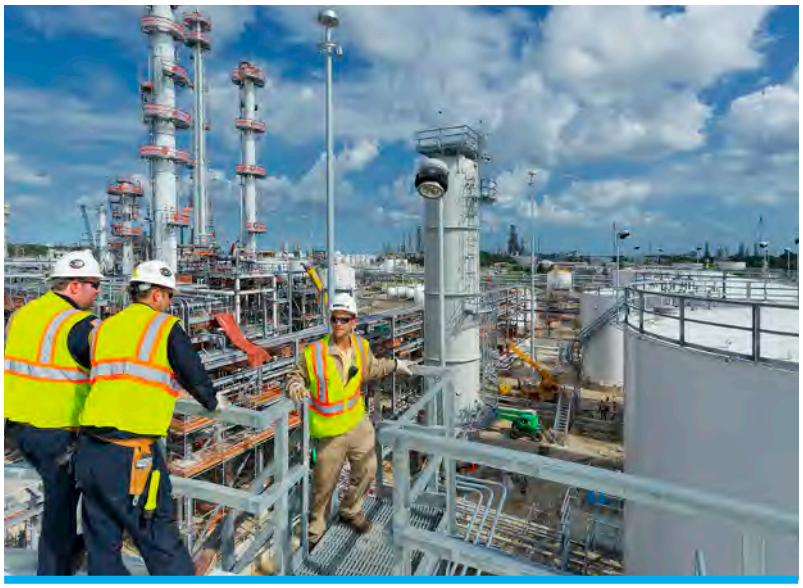
- Market capitalisation of R259 billion at 30 June 2016.
- Debt raised to execute capital investments of R37 billion.
- Interest received of R1,8 billion.
- Funding facilities of R133 billion, of which R80 billion has been utilised.

OUTCOMES OF OUR ACTIVITIES ON FINANCIAL CAPITAL

	2016	2015
Operating profit	**R24,2bn**	R46,5bn
Cash generated by operating activities	**R54,7bn**	R61,8bn
Net debt to EBITDA (ratio)	**0,56**	(0,09)
Net borrowings to shareholders' equity (gearing)	**14,6%**	(2,8%)
Headline earnings per share	**R41,40**	R49,76
Earnings attributable to shareholders	**R13 225m**	R29 716m
Return on invested capital*	**7%**	17%
Dividends paid to shareholders	**R10,7bn**	R12,7bn
Savings through Business Performance Enhancement Programme	**R4,5bn**	R2,5bn
Response Plan cash conserved	**R28,2bn**	R8,9bn
Foreign credit rating**		
Moody's	**Baa2**	Baa1
Standard and Poor's	**BBB**	BBB

* *Including assets under construction.*

** *Our foreign currency credit rating according to Moody's is Baa2/negative outlook P-1 and our national scale issuer rating is Aa1.za/P-1.za. Standard and Poor's (S&P) current outlook on Sasol is stable. The foreign currency credit rating by S&P is BBB/Stable/A-2.*



MANAGING OUR OUTCOMES

- Demonstrating strategic agility in our response to oil price volatility through our Response Plan.
- Focusing on optimal capital allocation and delivering returns on invested capital consistently above our weighted average cost of capital and internal hurdle rates.
- Considering alternatives to fund our capital growth investments – including project financing, export credit agency funding, bank loans, and corporate and project bonds.
- Implementing plans and reviewing cost and cash savings targets to ensure the business is sustainable at oil prices of US$40/bbl.
- Benefiting from intensified risk management processes to define financial risk appetite and tolerance measures, ensuring business is sustainable.
- Temporarily increased self-imposed gearing target to 44% until 2018 to manage volatility and a lower-for-much-longer oil price environment.
- Stress testing business case at oil price of US$30/bbl to identify contingency plans for this scenario.
- Stress testing solvency and liquidity to determine debt tolerance.

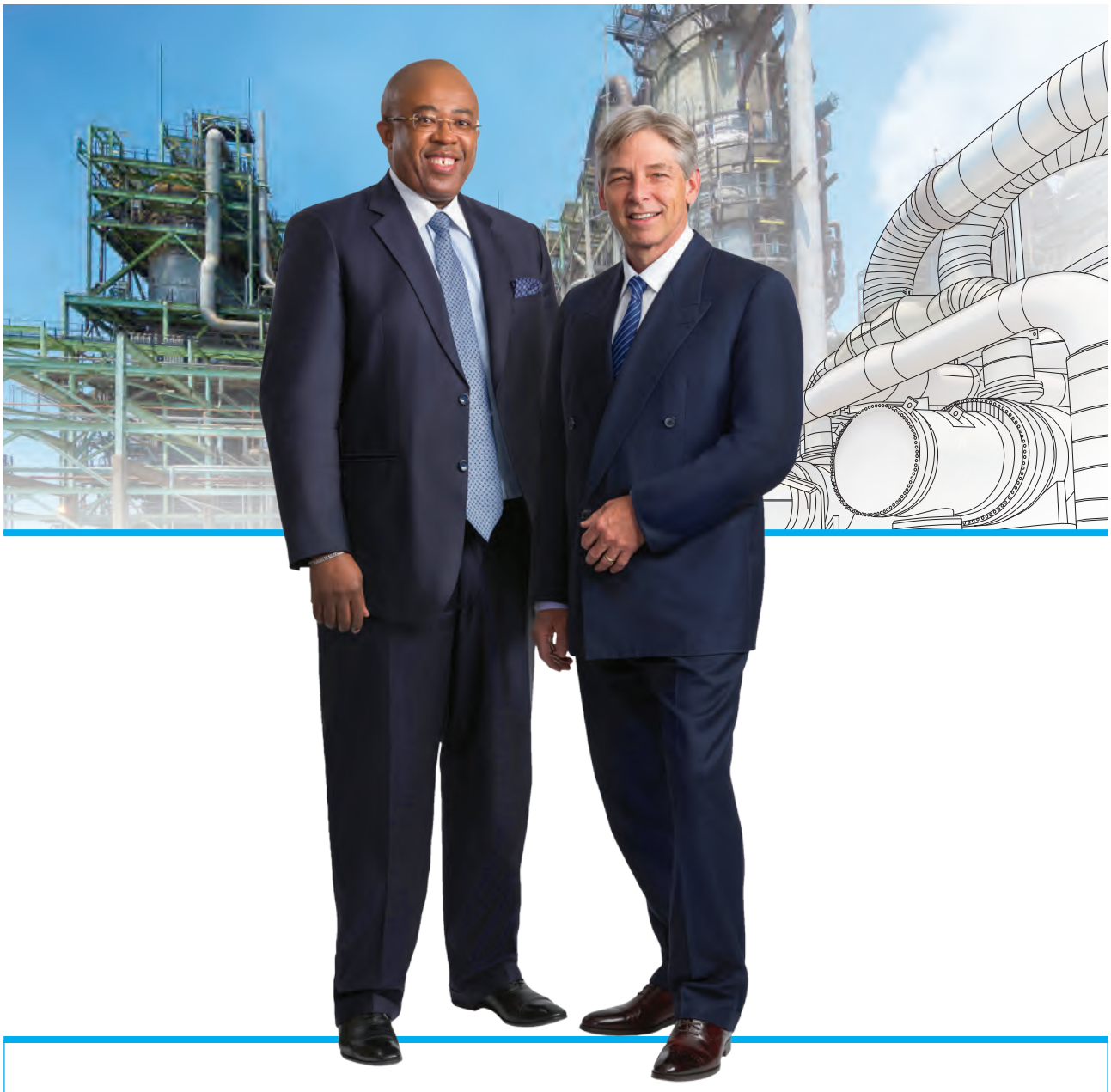
TRADE-OFFS IN OUR USE OF FINANCIAL CAPITAL

Our application of **financial capital** allows us to sustain and grow our business, with positive impacts on **manufactured, human, intellectual and social and relationship capital**, and negative impacts on **natural capital**.

IR Refer to pages 33 to 37 for capital trade-offs per material matter.

STATEMENT OF THE JOINT PRESIDENTS AND CHIEF EXECUTIVE OFFICERS

Bongani Nqwababa and Stephen Cornell



TRANSITIONING TO THE FUTURE

Encouraged by the group's greater resilience in the face of tough macro-economic conditions, we are excited that Sasol's long-term strategic direction is set, with a clear focus on growth and with the aspiration to develop an increasingly diverse and robust portfolio.

In the near to medium term, our strategic focus is on delivering gas-based growth in Sub-Saharan Africa and North America.

KEY MESSAGES

- The transition to new leadership
- Our immediate priorities
- Progress of our dual-regional strategy
- How we are reinforcing our existing asset base
- The outlook for our business

Dear shareholder,

In 2016, our industry continued to adapt to the tough environment created by the dramatic drop in oil prices. Although oil and chemical price cycles are expected, this particular fall in the crude oil price has been steep and protracted, from over US$100 a barrel in 2014, to a low of US$27 in January 2016 and US$48 by June 2016. As a consequence, the industry has adopted a prudent outlook by cancelling or delaying capital expenditure and significantly impairing assets. At Sasol, we have similarly reprioritised our capital portfolio to conserve cash and have impaired assets to the value of R12,3 billion.

The work done since 2012, under the leadership of our predecessor David Constable, to reposition Sasol and sustainably reduce Sasol's cost base proved wise, as it allowed us to better withstand these challenges. Nonetheless, we intensified and increased the targets of our low oil price Response Plan to make the business more resilient in the short term. The current environment has, however, impacted our financial results, as well as those of our competitors.

So, while the oil price is beyond our control, we have performed strongly on the factors that we can control – safe and reliable operations, cost containment with more sharpened focus required on capital allocation. Most notably, we have seen improvements in volumetric performance at our Secunda facilities.

As we take the helm as the Joint Presidents and CEOs, we are excited that Sasol's long-term strategic direction is set, with a clear focus on growth and with the aspiration to develop an increasingly diverse and robust portfolio. In the near to medium term, our strategic focus is on delivering on gas-based growth in Sub-Saharan Africa and North America.

Notwithstanding our excitement about Sasol's promising long-term future, it is with sadness and heavy hearts that we mourn the deaths of our colleagues Mondli Hlabisa and Gerhardus Bronkhorst. Since 30 June 2016, we experienced three tragic fatalities, of which two were due to a motor vehicle accident on a public road. We have further intensified our focus on safety and once again convey our sincere condolences to their families and friends.

Our immediate priorities to deliver on our strategy are:

- **To pursue zero harm to all Sasol employees and service providers**
  We must improve our leading and lagging indicators of occupational and process safety and health and improve the critical safety controls associated with our service providers.
- **To build a resilient organisation for the future**
  We need to embed a diverse and inclusive workforce as a source of competitive advantage, build critical skills and leadership capability, and energise a high-performance culture by ensuring that we drive the priority actions identified in our recent 'Heartbeat' employee engagement survey.
- **To nurture our foundation businesses and secure our licence to operate**
  It is imperative that we achieve our BPEP and RP targets; maintain a strong focus on stakeholders by delivering on our promises; and implement plans to meet our environmental commitments in an integrated manner. To make our business sustainable, we believe in delivering shared benefit to all our stakeholders.
- **To deliver sustainable growth and clarify our future investment opportunities**
  This includes ensuring that we reach project milestones in Mozambique; deliver on our large chemicals investments; position ourselves for opportunities in the changing Southern African energy landscape; and focus on value-accretive growth beyond these initiatives.
- **To drive operational and capital excellence**
  We must maintain the integrity of our existing assets and ensure that our operations are predictable, reliable and efficient. We need to deliver on the cost and schedule commitments of our current and future projects and must focus on operating model excellence, driving supply chain efficiencies and adherence to defined capital allocation principles.

OUR STRATEGY

IR These priorities are closely linked to our strategy on page 30 and managing the material matters identified in the year as described in further detail on page 32.

Prioritising our people

People are at the heart of our value proposition: we understand that we need to unlock the full potential of our people to deliver sustained value creation. So, at the outset, our focus is to drive a truly high-performance culture, with increased attention on talent management and engagement with our 30 100 employees across 33 countries.

In order to further instil our values-driven, high-performance culture and support the implementation of our new operating model, we continued to embed our three critical behaviours: *Working to a common game plan; Taking a One Sasol, one bottom line approach; and Embracing empowered accountability through targeted team interventions*.

Making progress in North America

The Lake Charles Chemicals Project (LCCP), in Louisiana in the United States, is being developed to a slightly delayed schedule. The LCCP consists of a 1,54 million ton/year ethane cracker and six individual downstream process units. This project is larger and more complex than any other project currently under construction on the Gulf Coast. In executing this project, we are establishing an integrated, multi-asset site similar in concept to our Secunda facility in South Africa. This project was launched to deliver on the strategic objectives of our chemicals business, and as a material component in the development of a robust group portfolio. By year end, the project was 50% complete with capital expenditure of US$4,8 billion having been spent.

We are closely monitoring the capital cost of the project and have seconded experienced senior managers to the US to ensure that we deliver on the project – both from a cost and schedule perspective. The project costs have been evaluated and 'scrubbed' to ensure that all efficiencies have been incorporated and unnecessary costs have been excluded. The updated estimate indicates an increase in the capital cost to US$11 billion, from the final investment decision amount of US$8,9 billion. The estimated increase is mainly due to construction delays caused by higher-than-expected rainfall, higher labour costs, increased contract prices and a requirement for more bulk materials than originally estimated.

The increase in capital spend has, however, not impacted on our funding approach – the project will continue to be financed through existing facilities and on-going group cash flow. The ethane cracker will achieve beneficial operations in the second half of calendar 2018, which will enable facilities representing around 80% of the complex's total output to start producing by early calendar 2019.

Reaching new milestones in Southern Africa

To meet the strategic objective of our upstream business to deliver cost-competitive feedstock in Southern Africa, in the year we launched our integrated oil, LPG and gas development in Mozambique. This project, the first phase of which is expected to cost approximately US$1,4 billion, demonstrates Mozambique's importance in Sasol's oil and gas plans in Southern Africa.

Sasol's commitment to Mozambique began well over a decade ago, when, with our partners, we established a project to develop the Pande and Temane gas fields. This pioneering development continues to deliver significant benefits to Mozambique and South Africa. It unlocked Mozambique's natural wealth and still provides a platform for foreign investment, economic growth, skills development and social advancement as well as contributing to economic growth and environmental improvements in South Africa.

The drilling campaign for the new project in Mozambique, which started in May 2016, is part of our broader 2050 plan to ensure the efficiency and reliability of our Southern African operations to the middle of the century. It reaffirms Sasol's longer-term position and commitment in Southern Africa to deliver value to the mutual benefit of all shareholders and stakeholders. So too does the commissioning during the year of the final two of three new collieries in South Africa, substantially completing on budget our R14 billion mine replacement programme.



Alongside these projects is another aimed at helping sustain the group's liquid fuels, chemicals and power-generation operations until at least 2050: the further expansion of the transmission capacity of the Mozambique-to-South Africa gas pipeline by our ROMPCO joint venture. Work on the construction of the R2,7 billion Loopline 2 began in November 2015 and will be completed in the first quarter of 2017.

Managing regulatory requirements

As an international petrochemical company, we are subject to extensive regulation and many of our business activities require approval from several levels of government in all of the countries within which we operate.

We continue to support action to address the risk of climate change and have been engaging with the South African government on carbon tax and the proposed design thereof.

We welcome the direction provided by the historic agreement reached at the UN climate conference in Paris. Governments, companies and consumers all have to make an appropriate contribution and we will continue to play our part through means including energy efficiency, renewable energy and increasing the share of natural gas in our portfolio.

Reinforcing the base

In line with the strategic objectives of our operations, to continuously improve the existing asset base and maintain our technological lead, in 2016 we completed the Secunda growth programme. This delivered an increase in volumes from Secunda Synfuels. We also advanced the second phase of our R13,6 billion project to expand our wax facility at Sasolburg, which is expected to reach beneficial operations in the second half of 2017, ahead of schedule and below budget.

The initiation in 2016 of development and appraisal drilling and further seismic work on the upstream leases in Mozambique will serve to strengthen our existing integrated value chain between Mozambique and South Africa. This development is aimed at further defining and unlocking the gas reserves base to serve both Mozambique and South Africa; to deliver the first oil production and support the development of an LPG facility in Mozambique.

We continued to extend our retail presence in South Africa to protect the margins of our liquid fuels business in a volatile oil price environment. This focus will continue in the period ahead.

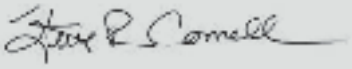
Technological innovation is an important element of Sasol's success. In 2016, we embarked on a process to diversify our innovation portfolio in new and novel ways by exploring new research platforms that seek to utilise Sasol's competitive advantages and competence base. We reviewed our gas-to-liquids (GTL) value proposition, defining a framework to ensure that our proprietary technology remains competitive and economically attractive at oil and gas prices of US$80/bbl and US$5/mmbtu respectively. This will inform our GTL and broader research agenda going forward.

Shortly before year end, two global ratings agencies re-affirmed South Africa's sovereign credit rating at investment grade. Going forward, we continue to plan for both sovereign investment as well as sub-investment grade scenarios.

Extending our thanks

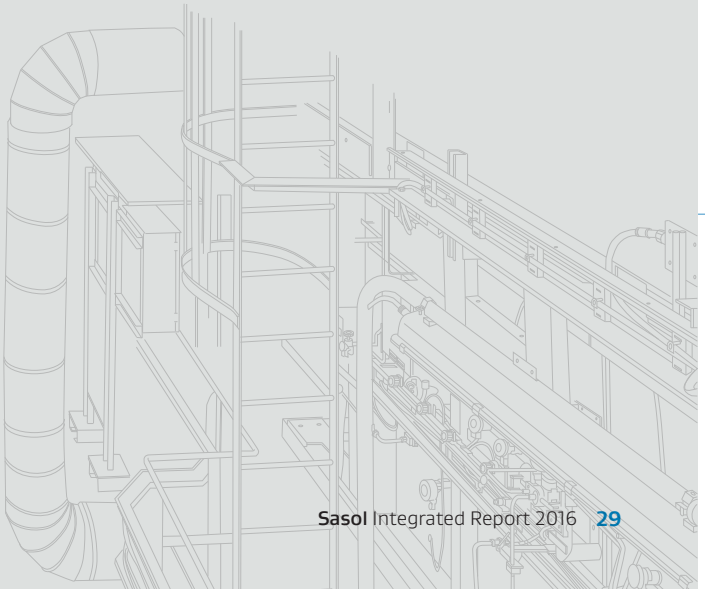
Just as the year was a difficult one for the industry, so too was it a tough one for our people and our host communities, both feeling the impact of our BPEP and RP efforts. We would like to thank our Sasol people and dedicated service providers around the world for remaining focused on achieving our strategic objectives despite the demanding business environment. To our host communities and other key stakeholders, we extend our appreciation for your continued support and understanding. On behalf of the executive leadership, we thank David Constable for his commendable leadership of Sasol over the past five years, and we wish him and his family all the very best in future.

As we look ahead, we take comfort in the resilience of Sasol and our people, as well as the group's improved agility in responding to the challenges and opportunities that lie ahead. Our strategy is clear, our commitment to deliver on it unwavering and our core capabilities intact: we shall strive to continuously deliver shared benefit for our shareholders and all other stakeholders.



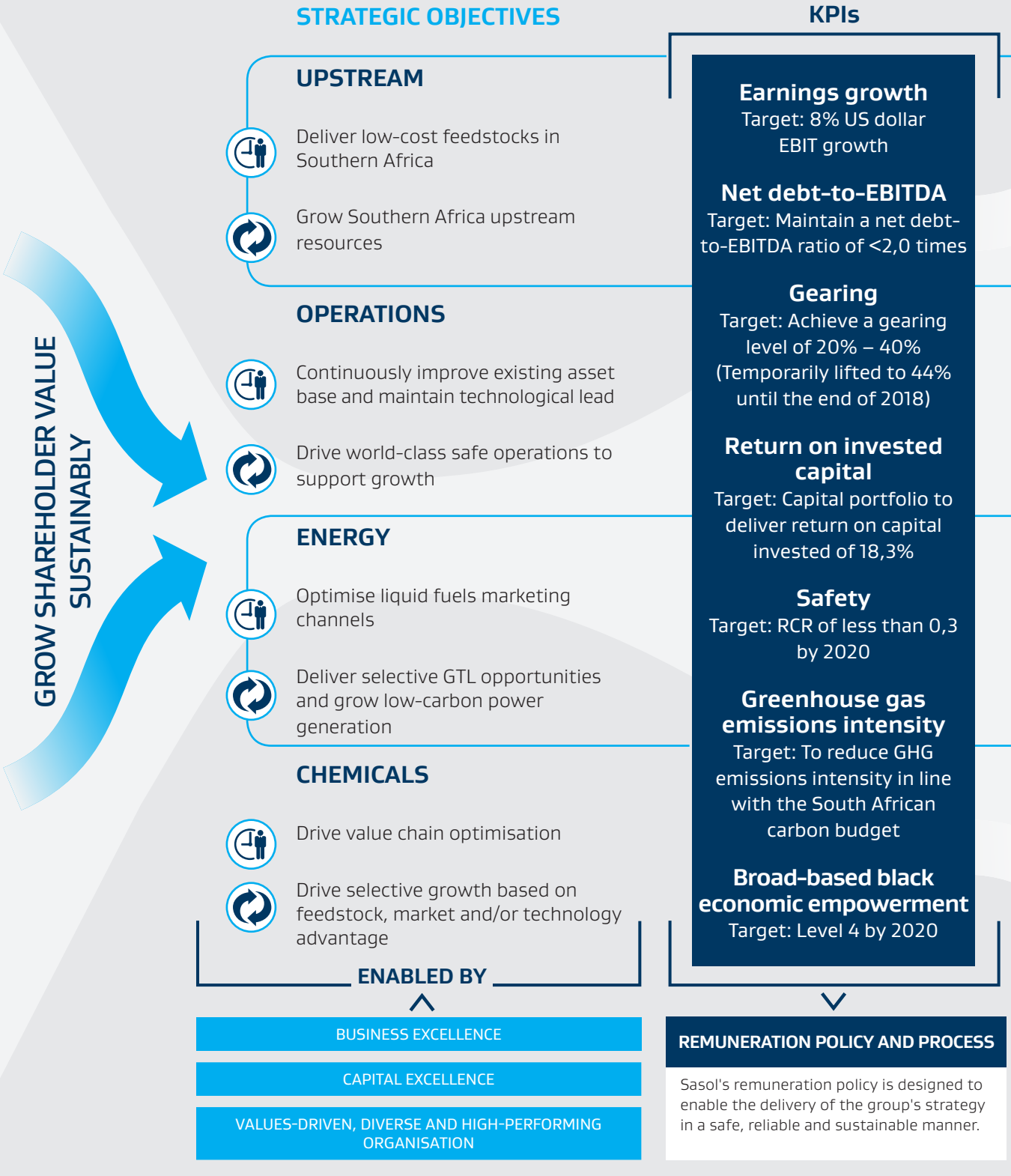
Bongani Nqwababa **Stephen Cornell**

Joint Presidents and Chief Executive Officers
27 September 2016



OUR STRATEGY

Our definition of victory, over the near to medium term, is to grow shareholder value sustainably. Our strategy is designed to ensure resilience through periods of uncertainty and volatility as well as position the group to capitalise on future opportunities. We measure progress on the overall strategy in terms of our ability to deliver sustainable earnings growth and returns, manage our operations in a safe and environmentally sustainable manner and add value to our host communities and countries.



Sustaining our business of today.

Transitioning into the business of tomorrow.

IR Summarised report of the Remuneration Committee is on page 66.

UPSTREAM

DELIVERY IN 2016

- Obtained approval to develop oil, LPG and gas project, Mozambique
- Further de-risked our Canadian gas asset by settling the carry obligation
- Secured exploration licences for areas PT5-C and A5-A, Mozambique
- Continued seismic surveys in Durban basin, South Africa
- Substantially completed mine replacement programme, South Africa

NEAR- TO MEDIUM-TERM PROJECT PIPELINE

- Develop PSA licence area, Mozambique
- Explore/develop areas A, PT5-C, A5-A, Mozambique
- Manage Montney shale gas asset, Canada
- Explore offshore South Africa

OPERATIONS

DELIVERY IN 2016

- Completed Secunda growth programme, South Africa
- Improved overall safety performance
- Increased production volumes across most of the value chain

NEAR- TO MEDIUM-TERM PROJECT PIPELINE

- Install Secunda 17th air separation unit, South Africa
- Complete volatile organic compounds abatement project, South Africa
- Continue investigating solutions to meet air quality standards post 2020, South Africa

ENERGY

DELIVERY IN 2016

- Expanded retail network, South Africa
- Secured approval for licensing FT GTL technology
- Continued to ramp-up EGTL, Nigeria
- Renewed agreements to sell power to Eskom, South Africa

NEAR- TO MEDIUM-TERM PROJECT PIPELINE

- Expand ROMPCO Mozambique-to-South Africa pipeline with Loopline 2
- Optimise retail site footprint, South Africa
- Return to excellent utilisation rates at ORYX GTL, Qatar; ramp-up EGTL, Nigeria
- Ramp-up gas-to-power plant, Mozambique

CHEMICALS

DELIVERY IN 2016

- Completed C3 (propylene) expansion project, South Africa
- Progressed construction of LCCP, United States
- Commercialised a new line of robust surface-modified aluminas for emission control in diesel automobiles, Germany
- Continued to ramp-up ethylene tetramerisation plant, United States

NEAR- TO MEDIUM-TERM PROJECT PIPELINE

- Complete wax expansion project, South Africa
- Develop ethane cracker and derivatives complex with increased focus on cost and schedule, United States
- Complete joint venture HDPE plant, United States

IR Details of our performance against the strategic objectives are in our operational reviews, pages 92 to 107.

IR Our operating model structure, page 12.

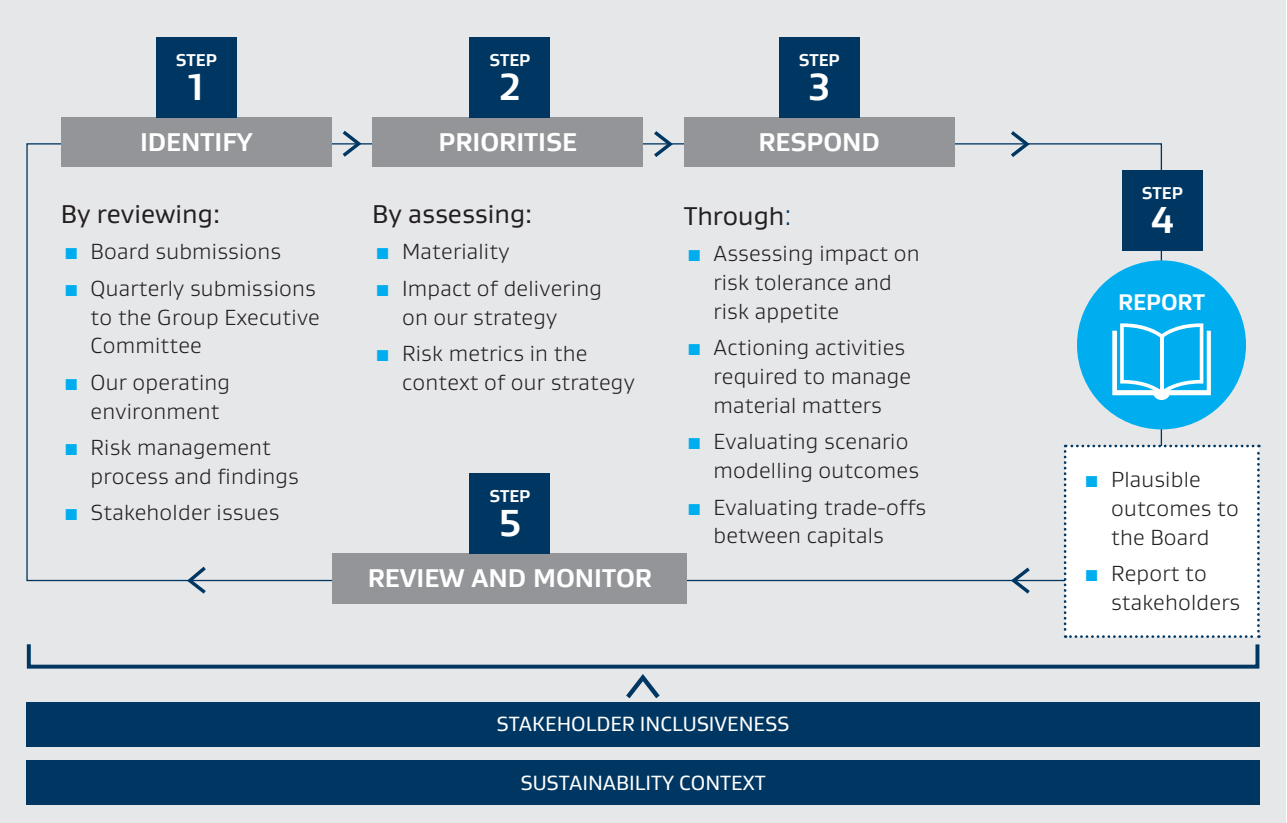
IR Our key performance indicators, page 42.

IR Our investment case, page 106.

MATERIAL MATTERS IMPACTING OUR STRATEGY

Our material matters are those issues that could substantially affect Sasol's ability to create value in the short, medium or long term as a result of not being able to execute on our strategy.

We use the following process to manage these:



In 2016, we identified four material matters:

MATERIAL MATTER	CONTEXT
Responding to the volatile macro-economic environment	■ Extending and intensifying our low oil price Response Plan to conserve cash ■ Increasing our self-imposed gearing target ■ Effectively allocating capital for growth projects ■ Executing selective growth projects
Investing in our people	■ Promoting safety ■ Attracting and developing high-performing people ■ Embedding our critical behaviours ■ Driving diversity and cultural transformation
Unlocking value by optimising and growing our business	■ Optimising the way we operate ■ Leveraging our full capabilities ■ Ensuring efficient project execution ■ Managing Lake Charles Chemicals Project cost and schedule ■ Ensuring effective and optimal capital allocation
Promoting sustainability	■ Delivering social and economic value ■ Managing environmental and regulatory challenges ■ Securing our licence to operate ■ Acting responsibly

RESPONDING TO THE VOLATILE MACRO-ECONOMIC ENVIRONMENT

Global economic growth slowed and emerging market currencies depreciated in 2016. The South African economy remained under pressure as soft commodity prices, infrastructure constraints, weak manufacturing conditions and poor consumer and investment sentiment weighed on output. The rand, and many other commodity exporters' currencies, fell sharply against hard currencies. Marked by volatility, global crude oil and natural gas prices continued their decline, pressured by a supply overhang. Margins on base chemicals narrowed, with unpredictable commodity and currency markets leading to volatile chemical market prices.

IMPACT ON OUR ABILITY TO CREATE VALUE

- Decline in demand for some of our commodity products
- Erosion of our competitive advantage
- Reduced revenue, margins and earnings
- Curtailed capital investment programme
- Lower return on invested capital resulting in pressure on our share price

MANAGING THE CAPITAL TRADE-OFFS

By intensifying and extending our Response Plan (RP) and Business Performance Enhancement Programme (BPEP), we conserved a significant amount of **financial capital**. However, reducing our headcount, implementing a vacancy freeze and optimising spend with suppliers had a negative impact on **human** as well as **social and relationship capital**. Curtailing our capital projects was to the detriment of **manufactured capital**, but to the benefit of **natural** and **financial capital**. The review of our GTL value proposition to ensure that it remains attractive in a low oil price environment boosted **intellectual capital**.

The overall improvement of our cost initiatives to protect our low cost of product and competitive advantage improved **manufactured** and **financial capital.**



HOW WE RESPONDED

- Ensured through BPEP and RP, that current business can operate profitably at US$40/bbl compared to US$90/bbl in 2010
- Intensified our RP to run to the end of 2018 and increased our cash savings target range to between R65 billion and R75 billion
- Increased RP sustainable cash cost savings target to R2,5 billion by 2019
- Achieved RP cash conservation of R28,2 billion and BPEP savings of R4,5 billion in 2016
- Reduced our headcount by 15% from the 2013 base of approximately 35 400 employees, reducing employee costs
- Temporarily increased our self-imposed gearing limit to 44% until 2018 to allow for flexibility in executing growth projects
- Launched review of our GTL value proposition
- Impaired Canadian shale gas assets by R9,9 billion (CAD880 million) due to lower North American gas prices
- Renegotiated agreements with JV partner to phase development of shale gas assets during period of low gas prices

IR Refer to pages 20 to 25 for trade-offs on the six capitals.

INVESTING IN OUR PEOPLE

Our human resources (HR) strategy seeks to enable effective delivery of Sasol's strategy. We strive to provide a work environment that attracts, develops and retains the best talent, promotes a values-driven, high-performance culture, embeds diversity and transformation, and fosters sound employee relations. In 2016 we continued to restructure the organisation and re-align employee placements at senior management layers of the organisation as part of our BPEP and RP. As part of this process, approximately 726 employees left the organisation, either through voluntary retrenchments or early retirements. To support employees and their families affected by the BPEP, we offer ICAS counselling through our Wellness Programme, and financial counselling through our Pension Fund. We have continued to focus on critical skills development to ensure that we have the right skills base and culture for future growth.

IMPACT ON OUR ABILITY TO CREATE VALUE

- Skilled, experienced, diverse and productive people enable us to operate safely, reliably and sustainably
- Pursuing zero harm is paramount: safe plants are stable plants, allowing us to meet production targets
- Providing a safe work environment where employees are healthy and engaged
- Ensuring that we have the right talent in the right place at the right time enables Sasol's transformation and growth
- Delivering the Sasol employee value proposition enables employee engagement and a high-performance culture which is key to delivering on our strategy

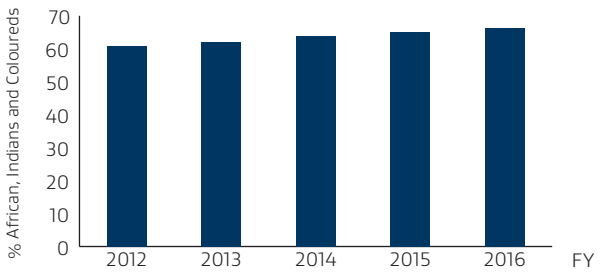
MANAGING THE CAPITAL TRADE-OFFS

By investing in the safety, health and wellbeing of our employees, ensuring our culture is one of high performance and in nurturing talent we built the stocks of **human and social and relationship capital**, but reduced our **financial capital**. The regrettable injuries and tragic fatalities in the year negatively impacted **human capital**. After the 15% reduction in our headcount since 2013, our teams had to adapt, encouraging creative thinking and in so doing, supporting **intellectual capital.** The transformation of our workforce and promoting an inclusive culture is key in protecting our **human, social** and ultimately our **financial capital**.

HOW WE RESPONDED

- Tragically during the year, the group experienced two fatalities. We have further intensified our focus on safety for employees and service providers. We reported an RCR of 0,29
- Embedded our critical behaviours to drive high-performance culture
- Invested R739,7 million in bursaries, learnerships and focused critical skills development
- Rolled out the LEAD Sasol development programme to equip leaders with the skills required to lead within the context of our new operating model and high-performance culture
- Reviewed succession plans and identified talent development actions
- Despite challenges posed by low oil price reality, we provided fit-for-purpose remuneration to attract and retain values-driven, high-performing people
- Our diversity 10-point plan continued to drive recruitment, development and retention of candidates from under-represented groups, including women and people with disabilities
- Since the 2012 inception of our five-year employment equity plan, the representation of African, Coloured and Indian ethnic groups in South Africa has improved from 61% to 66%

Ethnic Diversity Improvement in South Africa (%)



IR Refer to pages 20 to 25 for trade-offs on the six capitals.

UNLOCKING VALUE BY OPTIMISING AND GROWING OUR BUSINESS

In an environment of macro-economic volatility, slow growth, more stringent regulatory requirements and greater competition, Sasol needs to position itself to remain competitive. We need to unlock growth by effective capital allocation, proactively optimising our business and executing large growth projects within cost and schedule. This requires excellence in all we do, from achieving zero harm, leveraging our financial strength and raising capital at the best possible rates, to containing costs, improving talent sourcing and recruitment, executing projects more effectively as well as operating at sustainably higher rates. This pertains particularly to the LCCP. Refer to pages 16 and 17 for a detailed analysis on the LCCP.

IMPACT ON OUR ABILITY TO CREATE VALUE

- The lower-for-much-longer oil price reality requires that we continuously improve our capital allocation processes to ensure that maximum value is returned to shareholders. We critically evaluate any significant deviation and immediately institutionalise lessons learnt
- By optimising our business and delivering on our performance targets, we are able to improve our safety, production, environmental and financial performance
- This, in turn, allows us to invest in growth projects, and so deliver on our strategy and create value for all stakeholders

MANAGING THE CAPITAL TRADE-OFFS

Finding better ways to do things means that we are able to improve our safety, production, technological, environmental and financial performance. This has positive implications for all the capital stocks: **human, social and relationship, manufactured, natural, intellectual** and **financial capital** – the latter by growing total shareholder return over the long-term. By ensuring efficient capital project planning and execution, we are able to support **manufactured capital** and make the best use of **financial capital**.



HOW WE RESPONDED

- Re-evaluated most optimal way to allocate capital and deliver on project portfolio to ensure that we deliver maximum value to shareholders
- Focused on scenario planning within defined risk tolerance and appetite measures to test robustness of growth strategy
- Lake Charles Chemicals Project business review completed, corrective actions taken to address the US$2,1 billion capital overrun
- Optimised the way in which we operate through gross margin improvement and volume allocation to maximise returns
- Completed the Secunda growth programme; increased Secunda Synfuels output from 7,4 million tons to a record 7,8 million tons in 2016
- Substantially completed the Secunda mine replacement programme to provide access to additional coal reserves
- Secured approval for development of integrated oil, LPG and gas project in Mozambique
- Commercialised the next generation proprietary FT catalyst for future GTL ventures
- Advanced the second phase of the FT wax expansion project due to be completed in the first half of calendar 2017

IR Refer to pages 20 to 25 for trade-offs on the six capitals.

PROMOTING SUSTAINABILITY

Delivering social and economic value

Contributing to social and economic development is essential to creating and sustaining an enabling environment for investment as well as being a credible partner to our stakeholders. In 2016, we realigned our social investments towards programmes that seek to respond more directly to our communities' desired outcomes and to enable the positioning of our organisation as a credible stakeholder partner. Our social investment approach is being refocused to align with the country's drivers such as job creation, environmental compliance (South Africa and Mozambique), local procurement, vocational skills development, municipal services delivery (South Africa) and small, medium and micro enterprises (SMMEs) development (all regions). Programmes are selected to achieve the greatest impact and to satisfy the needs and interests of multiple stakeholders.

IMPACT ON OUR ABILITY TO CREATE VALUE

- Securing our licence to operate
- Providing the markets for our products and stimulating economic growth
- Maintaining our production integrity by ensuring responsible supplier management
- Localising and diversifying our supply chain by supporting the development of SMMEs
- Developing the skills we need to maintain our technological lead

MANAGING THE CAPITAL TRADE-OFFS

By promoting social value through our business activities and applying **financial capital**, building trust through effective stakeholder engagement and delivering value through social investment we built the stocks of **human and social and relationship capital**, but reduced our **financial capital**. Promoting ethical behaviour and respect for human rights also had a positive impact on those capitals, as did our contributions to the communities in which we operate. In addition, our work to upgrade community infrastructure boosted **manufactured capital**.

HOW WE RESPONDED

- Promoted social value through our business activities
- Spent R655,7 million on social investment programmes to uplift communities in which we operate
- Launched Sasol business incubator in Sasolburg to promote SMMEs and drive B-BBEE
- Continue efforts to build trust and accountability through effective stakeholder engagement
- Invested R79,6 million in science, technology, engineering and mathematics education
- Provided R57,2 million in loans to black-owned small business suppliers in South Africa
- Promoted ethical behaviour; respected human rights
- Embarked on a renewed process to build relationships with communities
- Hosted Techno-X exhibition which attracted 22 000 students
- Provided R4 million to enable employee volunteerism
- Handed over Pambarra Clinic in Mozambique
- Funded small business development workshops in US



IR Refer to pages 20 to 25 for trade-offs on the six capitals.

IR Refer to social and relationship capital on page 22.

Managing environmental and regulatory challenges

Business is operating in increasingly constrained conditions, with greater scrutiny and demands from regulators and civil society with regards its impacts on the economy, environment and communities. These can affect Sasol's long-term success. Legislation is continuing to evolve, requiring innovative thinking and practices to ensure that we remain a good corporate citizen, committed to doing business the right way. A strong compliance programme helps prevent errors or failures before they occur or allows detection at an early stage, in turn supporting operational efficiency. We continue to position ourselves to meet the outcomes of COP21; Sasol's approach to mitigation is directed towards improving the carbon and energy efficiency of our processes, thereby reducing GHG emissions.

IMPACT ON OUR ABILITY TO CREATE VALUE

- To deliver on strategy and create value requires that we operate within the law
- To operate within the law demands an integrated approach to environmental management, that we develop carefully considered roadmaps for sustainability and invest significantly in environmental improvement projects
- This in turn necessitates increased engagement with all our stakeholders, including our participation in all environmental-related policies

MANAGING THE CAPITAL TRADE-OFFS

In moving towards compliance with environmental emissions, we continued to consider the trade-offs between the different environmental issues affecting **natural capital**. As our plant processes are highly integrated, implementing emission abatement equipment could have technical implications and negatively impact **manufactured capital**. Addressing air emissions from community sources can, however, contribute towards addressing air quality challenges and result in a trade-off between interventions at our plants, and implementing offsets to address non-industrial emissions. The latter offers opportunities to achieve desired environmental outcomes more cost effectively, and with potentially greater socio-economic outcomes. This could enhance **social and relationship capital**.



IR Refer to pages 20 to 25 for trade-offs on the six capitals.

HOW WE RESPONDED

- Embedded environmental responsibilities in our activities
- Driving sustainable air quality and waste management
- Recorded decrease in total emissions of nitrogen oxides, sulphur oxides and particulates
- Reduced total GHG emissions globally to 69 250 kilotons from 69 772 kilotons
- Promoted water stewardship and responsible product stewardship
- Prioritised key safety, health and environmental risks
- Since 2005, invested more than R25 billion on environmental projects
- Made operational modifications to Selective Catalytic Cracker plant in Secunda to reduce particle matter emissions
- Improved Energy Intensity index by 0,7% (off a new 2015 fiscal year baseline)
- Capacity to generate 71% of our own electricity

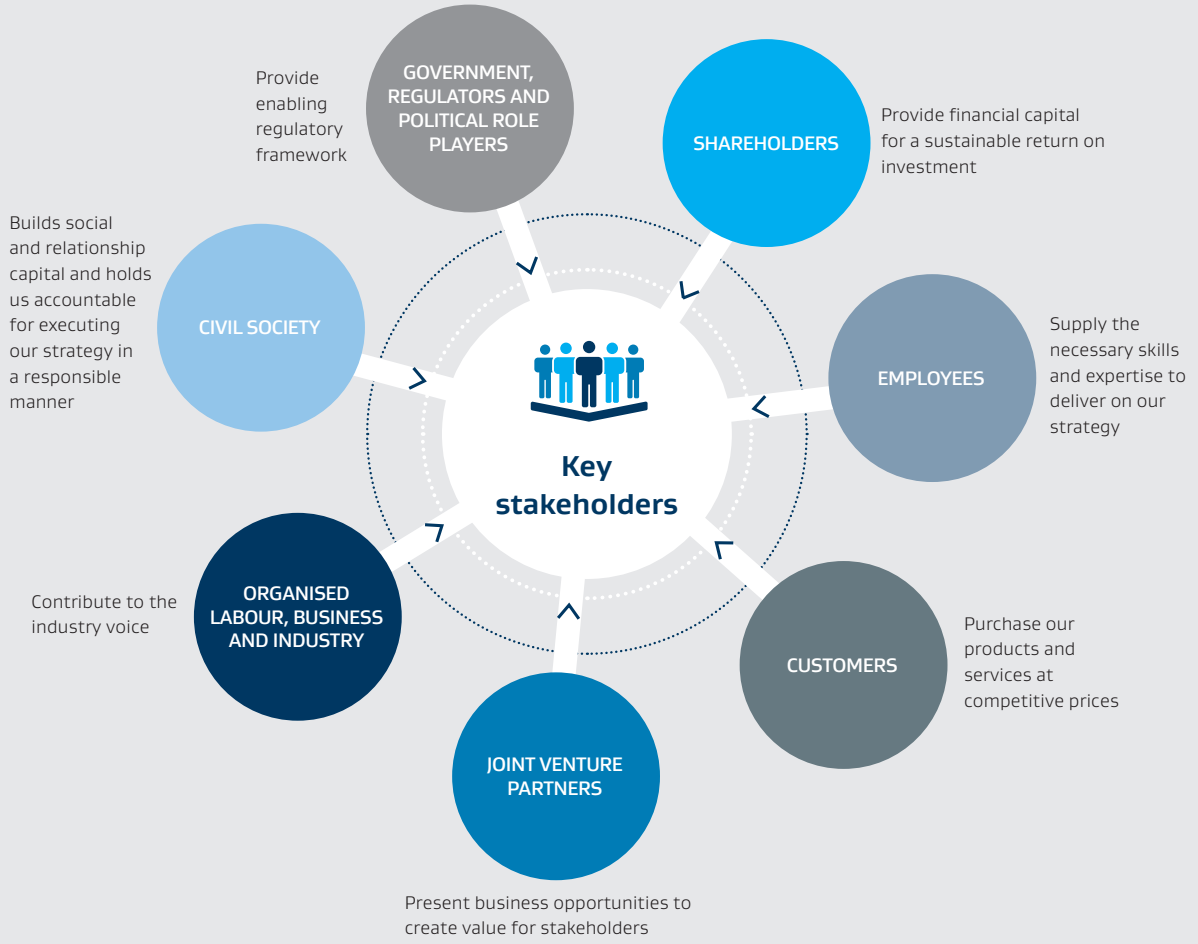
IR Refer to natural capital on page 20.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS

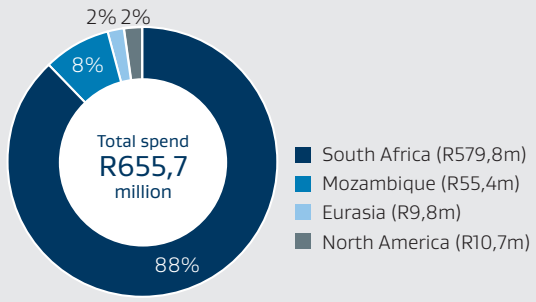
Our stakeholders are integral to our ability to protect, create and grow value – a process that is advanced through relationships with others.

Stakeholder engagement involves communicating our strategic aspirations, performance, decisions and activities that impact our stakeholders or are of significant interest to them, as well as understanding the needs and perspectives of our various stakeholders. This helps us evaluate our strategy and future growth plans.

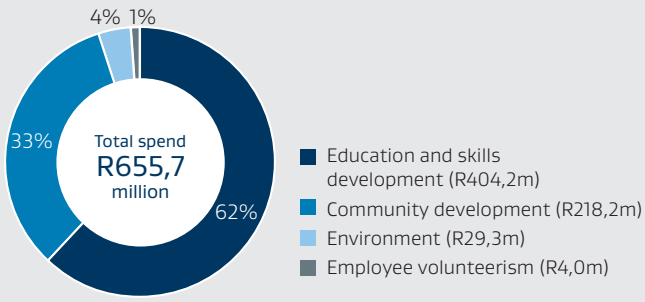
By determining those matters we consider most material through engaging our stakeholders, we are able to confirm the themes pertaining to our most significant risks and opportunities as well as manage expectations and priorities. In this way, we facilitate our licence to operate, enhance our organisational effectiveness and ultimately drive the long-term success of our business. The key stakeholders who materially contribute to our value drivers are:



Social investment spend by region



Social investment spend by focus area



The views and actions of our stakeholders can impact on our ability to execute our strategy and conduct our business activities. In 2016, we considered the following to be the top issues raised by our stakeholders, and our responses:

Delivery of the Lake Charles Chemicals Project (LCCP), on schedule and cost increase

Management and the Board intensified their focus on the delivery of the LCCP. We seconded senior employees with years of project experience to the US to ensure that we have the best people on site to deliver the project in the most optimal way. We maintain that the fundamentals of establishing such large-scale facilities based on an attractive North American gas feedstock advantage is a sound and prudent growth strategy. Our Capital Investment Committee is closely monitoring the project's cost and schedule. The Board remains of the view that Sasol will return long-term value to our shareholders through projects like the LCCP, and through future projects that will take advantage of our existing facilities and site infrastructure in Louisiana. Refer to pages 16 and 17 for a detailed analysis on the LCCP.

Increasing the pace of transformation and localisation

Transformation and localisation are an integral part of our strategy to ensure that we remain sustainable and contribute to the communities in which we operate. In 2016, in terms of the Department of Trade and Industry's revised Codes of Good Practice, our B-BBEE contributor status declined to level 8 from level 4. We view B-BBEE in South Africa as a business imperative and have embarked on a project to realise, by 2020, the goals envisaged by the revised codes. We remain committed to achieving our employment equity goals and despite the implementation of our low oil price Response Plan, are making good progress towards achieving these. In Mozambique we have established a local content drive to increase our local procurement.

Impact of lower-for-much-longer oil price on earnings, growth plans and job creation

Since 2012, we have been working to create a stronger, simpler and more focused business. This has positioned us well to respond to the lower oil and gas price environment. We are reducing capital expenditure by paring back and re-phasing activities as necessary, as well as capturing the benefits of declining industry costs. We are driving down cash costs through a reduction in third-party costs, and through efficiency and simplification across the organisation. As always, safe and reliable operations are our first priority. Through our Business Performance Enhancement Programme, we are now able to operate profitably in a US$40/bbl oil price world compared to US$90/bbl in 2010. We have increased our cost savings targets and extended our Response Plan to ensure that we can deliver shareholder value sustainably. We have also implemented risk management programmes with defined risk appetites and tolerances and scenario planning which allows us to plan for the unexpected and prepare the organisation for these 'shock events'. In 2015, we revised our dividend policy to a 2,2 to 2,8 times headline earnings cover range. This provides us with flexibility to manage the balance sheet. We remain committed to contributing to the communities in which we operate, and this expenditure has been prioritised in the Response Plan.

Mitigating our environmental impact

Our ability to anticipate and respond to the changing regulatory and policy landscape, particularly relating to air quality and other environmental legislation in South Africa, is one of our most material challenges. Compliance is integral to how we manage our operations. We aim to mitigate and minimise the environmental impacts of our activities, while striving to ensure our presence pays due regard to the interests of all our stakeholders, in particular the communities in which we operate. We continue to mitigate our impact on the environment through monitoring, reporting, investing and rehabilitating and environmental stewardship. Sasol's environmental improvement programmes continue despite global economic challenges. We are transitioning to the requirements of the Minimum Emission Standards relating to air quality. We are also furthering our understanding of health risks of air pollution from various contributors to refine our actions, including investing in environmental programmes beyond our factory fence.

Link to material matters:

- Responding to the volatile macro-economic environment.
- Investing in our people.
- Unlocking value by optimising and growing our business.
- Promoting sustainability.

IR Refer to our material matters on page 32 for further details.
20-F Refer to Sasol's Form 20-F for details on our B-BBEE strategies.

Social investment

Our social investment approach is aligned with country-specific drivers such as job creation, environmental compliance (South Africa and Mozambique), local procurement, vocational skills development, municipal service delivery (South Africa) and SMME development (all regions) to enable the positioning of our organisation as a credible stakeholder partner.
In 2016, we spent R655,7 million on social investment programmes compared to R751,9 million in 2015. We prioritised projects where we could achieve the greatest impact and which satisfied the needs and interests of multiple stakeholders.
The global focus areas are as follows:

Education and Skills Development to support our focus on enhancing Science, Engineering, Mathematics and Technology. Among others, over the period we distributed over 100 new bursaries and scholarships (South Africa, Mozambique, United States); held the Sasol Techno X expo, hosting 22 000 learners from 300 schools (South Africa); and invested in artisan training benefiting 60 young people (Mozambique and South Africa).





Environmental education is a key feature of our initiatives to **protect the environment**.
Highlights include:
The development of the e-nature smart phone application in partnership with the Friends of the Environment Centre. The application promotes awareness of the rich diversity of Qatar's natural environment. In partnership with the Govan Mbeki Municipality and through an innovative approach, we realised 60% of water losses at six schools.



Community Development with a focus on community infrastructure development and SMME development.
Project highlights include the upgrade of three clinics, as well as the construction of two new clinics (South Africa and Mozambique); the upgrade of four sewer reticulation systems (South Africa); and the installation of a new electrical substation (Secunda). In addition, we disbursed R57,2 million of loan funding through the Sasol Siyakha Fund, benefiting 10 SMMEs. We launched the Sasol Business Incubator in Sasolburg, where we are hosting 23 SMMEs.
A total of 155 SMMEs were supported by the business development team (South Africa and Mozambique).
We initiated monthly certification workshops to enable the local community to access business opportunities (United States).

Through the Sasol for Good **employee volunteerism programme**, we encourage our employees to assist their communities by providing them with the time and resources needed to volunteer in company and/or employee-initiated social development causes. During Mandela month, our employees collected over 18 000 books, learning material and educational toys which were donated to over five educational institutions. As part of our 65-year birthday celebration, employees upgraded the facilities at four schools by upgrading facilities such as offices, water storage tanks, food gardens, classrooms, playgrounds and a laboratory. To support drought relief initiatives, employees collected over 200 000 litres of bottled water which was donated to communities in the Free State and Mpumalanga provinces (South Africa).
Over 600 employees participated in financial matched giving, contributing a total of R4 million to over 142 NGOs (South Africa and North America).



OUR PERFORMANCE SCORECARD

Our performance scorecard provides an overview of how we have done in the year. It shows our progress against seven key performance indicators (KPIs) that are linked to the delivery of our strategy and ultimately our definition of victory. The KPIs are integral to our risk management process, providing a tool with which to measure our risk appetite and risk tolerance.

STRATEGIC OBJECTIVES

UPSTREAM

- Deliver low-cost feedstocks in Southern Africa
- Grow Southern Africa upstream resources

OPERATIONS

- Continuously improve existing asset base and maintain technological lead
- Drive world-class safe operations to support growth

ENERGY

- Optimise liquid fuels marketing channels
- Deliver selective GTL opportunities and grow low-carbon power generation

CHEMICALS

- Drive value chain optimisation
- Drive selective growth based on feedstock, market and/or technology advantage

ENABLED BY

- BUSINESS EXCELLENCE
- CAPITAL EXCELLENCE
- VALUES-DRIVEN, DIVERSE AND HIGH-PERFORMING ORGANISATION

Sustaining our business of today.

Transitioning into the business of tomorrow.

KPIs to measure performance

KPI	2016	2015	2014
Earnings growth Target: 8% US dollar EBIT growth	**(23%)**	(5%)	1%
Net debt -to-EBITDA Target: Maintain a net debt-to-EBITDA ratio of <2,0 times	**0,56**	(0,09)	(0,16)
Gearing Target: Achieve a gearing level of 20% – 40% (Temporarily lifted to 44% until the end of 2018)	**14,6%**	(2,8%)	(6,3%)
Return on invested capital Target: Capital portfolio to deliver return on capital invested of 18,3%	**7%[1]** **12%[2]**	17%[1] 27%[2]	18%[1] 29%[2]
Safety Target: RCR of less than 0,3 by 2020	**0,29 with two fatalities**	0,32 with one fatality	0,36 with five fatalities
Greenhouse gas emissions intensity Target: To reduce GHG emissions intensity in line with the South African carbon budget	**3,68**	3,58[3]	3,28
Broad-based black economic empowerment (B-BBEE) Target: Level 4 by 2020	**Level 8 (new codes)**	Level 4 (2007 codes)	Level 3 (2007 codes)

Our performance measurement

Achieved Work in progress

AUC – Asset under construction.
[1] Including AUC.
[2] Excluding AUC.
[3] Our GHG emissions intensity has been restated, due to a refinement in the calculation methodology.

IR Refer to our Key Performance Indicators on page 42 for further details.

OUR KEY PERFORMANCE INDICATORS

Our key performance indicators (KPIs) set defined targets for a number of measures aligned to our strategy and take into account the impact of our material matters (pages 32 to 37). The remuneration of executives is linked to progress in achieving these targets (refer to our Summarised Remuneration Report on page 72). The KPIs seek to measure the company's success in maintaining value through sustainable earnings growth, driving overall business excellence as well as our ability to operate in a safe and effective manner. We continually monitor, and when necessary, revise these targets to take into account refinements in the group's strategy.

KPI: Earnings Growth

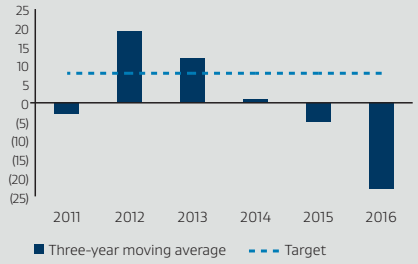
US dollar EBIT growth of 8% per annum on a three-year moving average

Target	2016	2015	2014
8% US dollar EBIT growth	**(23%)**	(5%)	1%

Performance against the KPI

The decline in the oil price meant we did not achieve our target in 2016, even though the impact was partially offset by our BPEP and RP initiatives. Our near- to medium-term earnings will remain under pressure but in the longer term, Sasol's cash-generative business and growth prospects should enable us to achieve sustainable compound earnings growth of 8% per annum. The business still remains profitable at oil prices of US$40/bbl as a result of a 20% improvement in the cash fixed cost base (measured against a 2013 baseline).

US dollar EBIT growth



KPI: Net debt to EBITDA

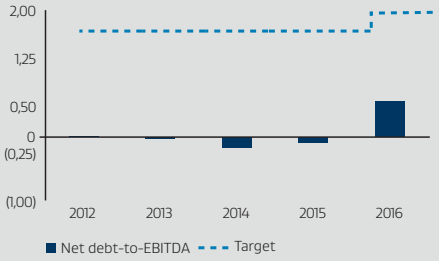
Maintain a net debt-to-EBITDA cover ratio of below 2 times

Target	2016	2015	2014
Net debt-to-EBITDA ratio of <2,0 times	**0,56**	(0,09)	(0,16)

Performance against the KPI

In 2016, increased capital expenditure in a low oil price environment resulted in a net debt-to-EBITDA cover ratio of 0,56 times within our target range. This takes cognisance of our substantial capital investment programme as well as our exposure to external market factors such as crude oil prices, commodity chemical prices and exchange rates.

Net debt to EBITDA



KPI: Gearing

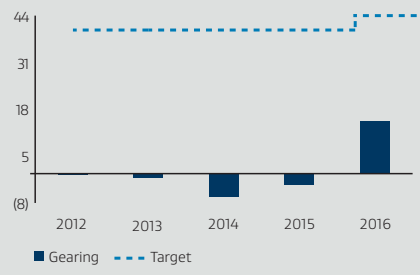
To maintain a gearing level (net debt-to-equity ratio) of 20% – 40%, temporarily lifted to 44% until the end of 2018

Target	2016	2015	2014
Net debt-to-equity of 20% – 44%	**14,6%**	(2,8%)	(6,3%)

Performance against the KPI

In 2016, increased capital expenditure amid low oil price environment resulted in gearing of 14,6%, still comfortably below our ceiling. Our target takes into account our substantial capital investment programme as well as our exposure to external market factors such as crude oil prices, commodity chemical prices and exchange rates. Our gearing level impacts on our credit rating and securing facilities to fund existing operations and new growth projects, including the US$11 billion ethane cracker in the United States. To date, we have secured more than 80% of the funding requirements for the project. To manage the lower-for-much-longer oil price environment, the Sasol Board temporarily lifted our internal gearing ceiling to 44% until the end of the 2018 financial year. We do not plan to breach our 44% gearing target as a result of the increased spend on the LCCP.

Gearing



KPI: Return on invested capital

To target returns for net investments of 1,3 times weighted average cost of capital (WACC)

Target	2016	2015	2014
Return on capital invested, including AUC of 18,3%	**7%[1]**	17%[1]	18%[1]
	12%[2]	27%[2]	29%[2]

Performance against the KPI

All new growth-related capital projects are required to provide a return of at least 1,3 times our WACC. In South Africa, our WACC is 14,05%. In the US, our WACC is 8,00%. This rate of return does not apply to sustenance capital expenditure on existing operations. In 2016, we did not achieve our target.

As part of our cash conservation efforts, in recent years we have reprioritised our capital investments. Due to the lower-for-much-longer oil price environment and the impact of significant capital investments with a long ramp-up (mainly the US$11 billion LCCP in the United States), we expect the return on invested capital ratio to remain under pressure in the short to medium term. Excluding the assets under construction, we expect to achieve our target in the short-to medium-term. We continue to maintain a diversified asset portfolio and expect that once the LCCP starts up in 2018, our ROIC (including assets under construction) should improve to risk appetite levels.

[1] Including AUC.
[2] Excluding AUC.
AUC – Asset under construction.

KPI: Safety

To achieve a recordable case rate (RCR)[3] excluding illnesses of less than 0,30 by 2020 with no fatalities

Target	2016	2015	2014
<0,30 by 2020	**0,29 with two[4] fatalities**	0,32 with one fatality	0,36 with five fatalities

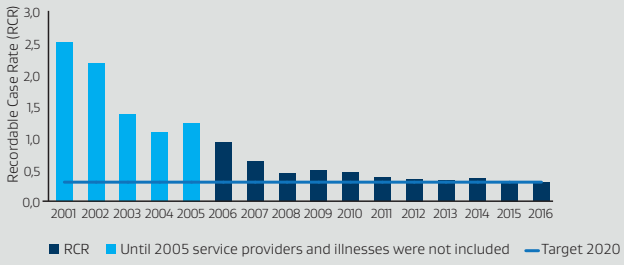
Performance against the KPI

In line with our 2020 target to consistently achieve a Recordable Case Rate (RCR) of better than 0,30 with no fatalities, our RCR (excluding illnesses) was 6% better than the year's target of 0,31 and 9% better than our 2015 performance. This was despite a 5% reduction of exposure hours. However, regrettably, we had two occupational-related fatalities and a number of serious Lost Work Day Case (LWDC) incidents.

[3] The Recordable Case Rate (RCR) is a measure for reporting work-related injuries. The RCR is the number of fatalities, lost workday cases and restricted work injuries and medical treatment cases for every 200 000 employee hours worked.

[4] Subsequent to 30 June 2016, we had three tragic fatalities, of which two were due to a motor vehicle accident on a public road. Management has implemented focused interventions to ensure safe operations.

Sasol Recordable Case Rate (RCR)



KPI: Greenhouse gas (GHG) emissions intensity

To reduce GHG emissions intensity in line with the South African carbon budget

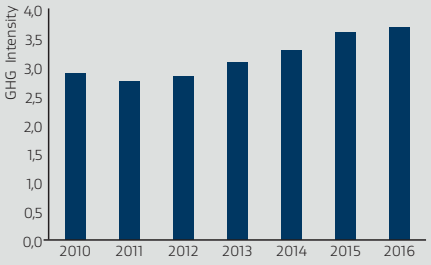
Target	2016	2015	2014
*	**3,68**	3,58[5]	3,28

Performance against the KPI

Our total GHG emissions globally (measured in CO_2 equivalent) reduced from 69,8mm tons in 2015 to 69,3mm tons in 2016. This figure includes direct emissions associated with our processes and our own tanker fleets (Scope 1), as well as the indirect emissions associated with our electricity imports (Scope 2). However, our GHG emissions intensity (tons CO_2 per ton production) increased to 3,68 in 2016 from 3,58 in 2015. This is mainly due to lower production associated with a major planned shutdown at our Sasolburg operations. The LCCP is likely to reduce our GHG emissions intensity on a ton-by-ton basis even though the absolute GHG emissions will increase due to growth. In line with the carbon budget currently being implemented in South Africa, in future Sasol will target absolute reductions in GHG emissions.

** We are transitioning to using an absolute reduction in GHG emissions as a performance measure, which is in line with the carbon budget currently being implemented in South Africa.*

GHG Intensity



[5] Our GHG emissions intensity has been restated, due to a refinement in the calculation methodology.

KPI: Broad-based black economic empowerment (B-BBEE)

To achieve level 4 contributor status in terms of the revised Codes of Good Practice by 2020

Target	2016	2015	2014
Level 4	**Level 8 (new codes)**	Level 4 (2007 codes)	Level 3 (2007 codes)

Performance against the KPI

In 2016, in terms of the Department of Trade and Industry's revised Codes of Good Practice, our B-BBEE contributor status declined to level 8 from level 4. We view B-BBEE in South Africa as a business imperative and have embarked on a project to realise over time the goals envisaged by the revised codes.

RISK MANAGEMENT



Nolitha Fakude, *Executive Vice President Strategy and Sustainability*

We are committed to effective risk management in pursuit of our strategic objectives, with the ultimate aim of growing shareholder value sustainably. We are significantly enhancing our capability to anticipate risks and respond with agility and confidence in managing them. As we expand our business globally, we recognise that proactive risk management is both an essential element of sound corporate governance and a crucial enabler in realising opportunities.

Our approach to risk management

In the year, we continued to evolve our risk management approach to ensure flexibility and relevance to Sasol's business needs in a changing operating environment, while facilitating appropriate standardisation. Our Risk Policy was reviewed and updated. The policy strengthens the link between risk and strategy, provides additional emphasis on embedding risk management into key decision-making processes and requires assurance of effective risk management to the Sasol Limited Board.

We assess, manage and report on all significant risks in accordance with our defined risk reporting protocol. As part of our journey to become more proactive and responsive, we continuously monitor the external and internal environment to identify key developments related to our significant risks, implications for Sasol and key responses.

We are implementing a dynamic risk process to ensure that emerging risk themes and material matters are actively monitored. Sasol is also analysing reputational risk, with the focus on understanding our reputational risk levers and related measurement criteria.

In the context of our operating model changes and as part of our evolving risk management approach, we will soon be publishing our enterprise risk management (ERM) framework. It will better enable our business units to respond effectively to risks and opportunities in a standardised and systematic way. We embrace the Sasol shared values and believe our ERM framework sets the tone for creating a high-performance organisation in pursuit of a One Sasol approach to risk management. This supports the achievement of our strategic objectives.

Governance of risk management

At Sasol, the Board retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of our strategic objectives. It is the Risk and SHE Committee's responsibility to review and assess the integrity of the risk management processes, working closely with the Audit Committee to ensure that these processes comply with the relevant governance requirements and standards and are implemented successfully. Risk management is inextricably linked to our strategy and control is exercised by way of a governance framework, which includes principles of effective risk management.

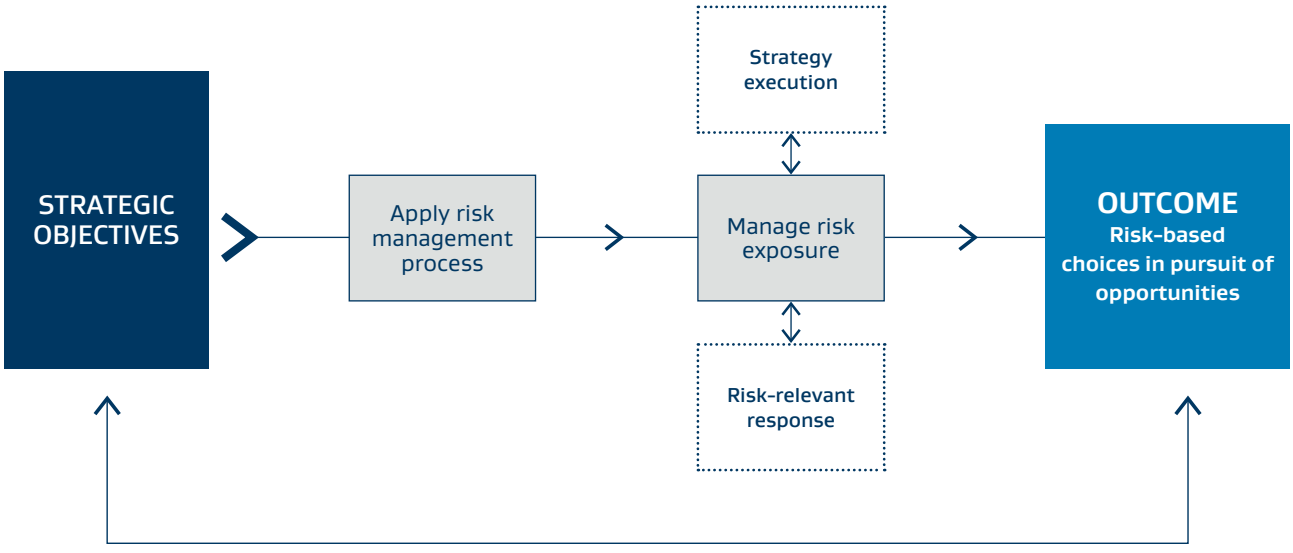
The Group Executive Committee (GEC) members are responsible and accountable for management of risks in their areas with delegated responsibility and ownership to their respective line managers.

The leaders of each business unit are responsible and accountable for the management of risks in their areas and may delegate specific responsibilities appropriately. Oversight of risk management at the business unit level takes place through the relevant executive committees. The Combined Assurance and Disclosure Committee, a subcommittee of our GEC, provides independent oversight, assurance and alignment on group-wide significant risks. Going forward, the GEC will provide such oversight directly.

We continue to integrate the risk management approach with the combined assurance model, to drive improved levels of assurance related to our significant risks.

Responsibility and accountability for Sasol's global risk management process resides with the Senior Vice President: Risk and Safety, Health and Environment (SHE).

Risk and opportunity management



REDUCING UNCERTAINTY BETWEEN STRATEGIC OBJECTIVES AND OUTCOMES

In pursuit of the group's strategic objectives, we proactively apply the risk management process to inform the strategic choices we make and realise expected outcomes.

Risk tolerance and risk appetite

We understand the risks associated with our business and we manage them proactively and effectively, within our risk appetite and risk tolerance, in order to optimise business returns. Risk appetite is the total exposure that Sasol wishes to undertake on the basis of risk-return trade-offs for one or more desired outcomes. Risk tolerance is the amount of uncertainty that Sasol is prepared to accept and identifies the maximum boundary beyond which Sasol is unwilling to operate. Financial risk appetite metrics have been reviewed, approved and are enhancing the decision-making process in Sasol. Financial risk appetite metrics relate to income, expenditure and capital. Sasol monitors the impact of applicable risks on its financial risk appetite and tolerance metrics and implements appropriate management action, where required, to ensure that risk appetite metrics are managed within its appetite and tolerance levels.

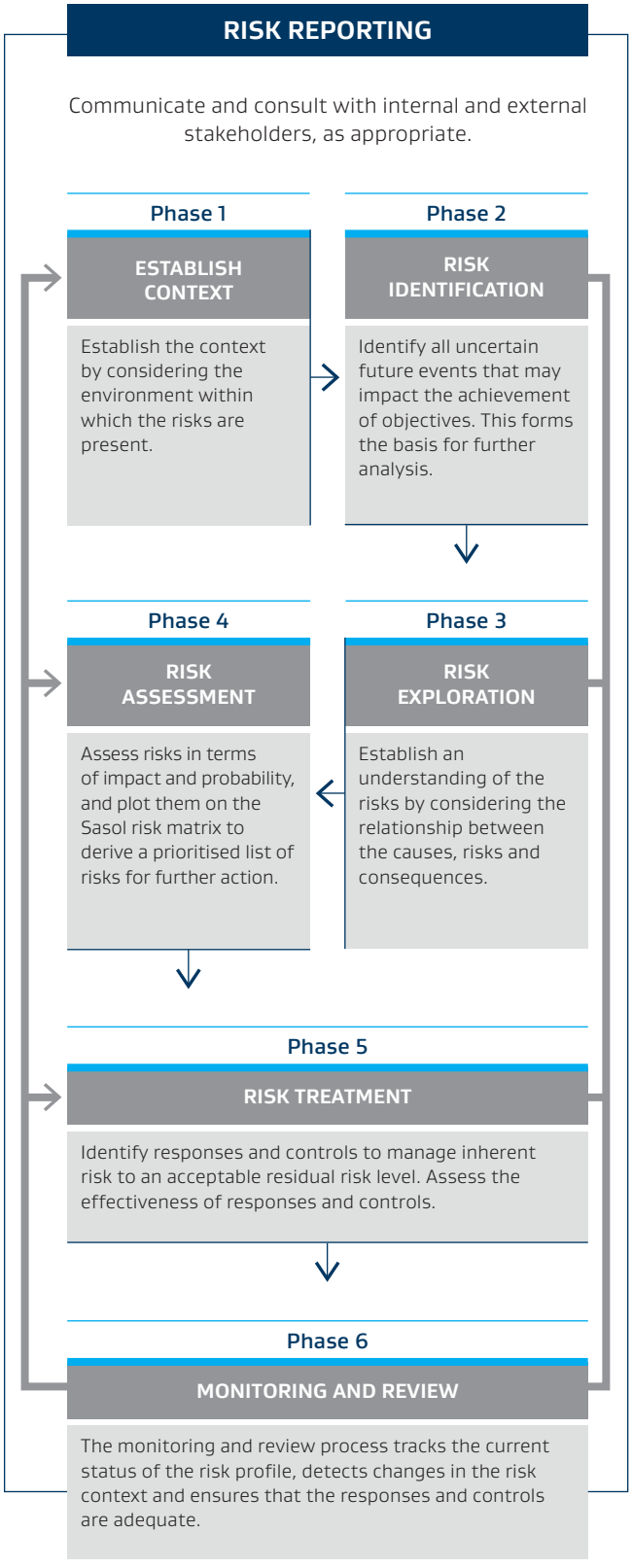
Risk reporting and escalation

We report risks at different levels within the organisation in accordance with a defined reporting protocol:



Our risk management process

Our structured risk management process, which is aligned to industry standards and rolled out across the group, is set out below.

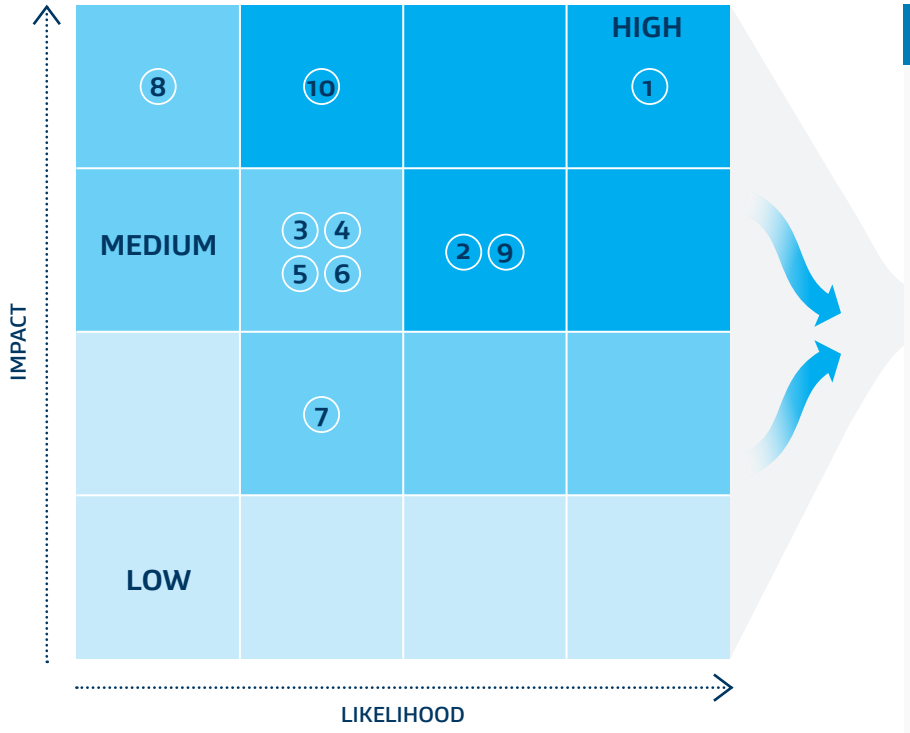


MITIGATING OUR TOP RISKS

We determine our group top risks through a review process that analyses the risks facing the group and our business units, in relation to Sasol's near- to medium-term strategy and longer-term aspirations, in the context of the external and internal environment.

Top risks include those risks and opportunities that have a direct potential impact on income, expenditure and capital as these are the main drivers of the approved financial risk appetite and tolerance metrics, achievement of longer-term strategic objectives, reputation and/or delivery on near- to medium-term business plans.

Group top risks at a glance



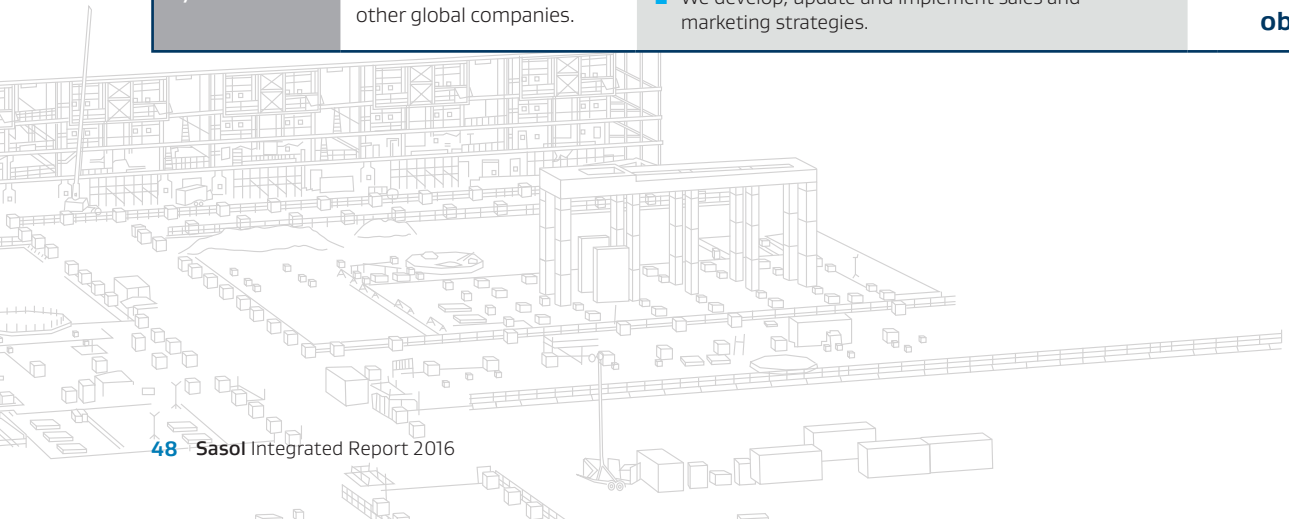
RISK	RISK DESCRIPTION
1	Risk of macro-economic factors impacting on Sasol's ability to sustain the business and execute the growth strategy
2	Risk of failure to achieve transformation objectives
3	Risk of changing global competitiveness dynamics
4	Risk of not consistently achieving competitive capital project performance
5	Risk of complexity of public policy and regulatory developments and non-compliance with laws, regulations and standards
6	Risk of a major safety, health or environmental (SHE) undesirable event or liability occurring
7	Risk of non-availability of sufficient management and technical skills
8	Risk of major unplanned production interruptions impacting Sasol's integrated value chain
9	Risk of climate change and related policies, and drivers impacting Sasol's operations, growth strategy and shared value
10	Risk of not delivering on strategic growth objectives

Although we number these risks 1 – 10, this does not represent a ranking of their potential impact and likelihood.

We are reviewing our group top risks in the context of the current external and internal environment and will provide an update in 2017.

20-F For a comprehensive disclosure of our material risks, refer to Sasol's Form 20-F filed with the SEC.

TOP RISK	CONTEXT	MITIGATION	POTENTIAL AREA OF IMPACT
1 Risk of macro-economic factors impacting on Sasol's ability to sustain the business and execute our growth strategy	Sasol's ability to sustain the business and execute on its growth strategy depends on key macro-economic factors that drive near- to medium-term business plans and long-term strategic decisions. Unexpected, unanticipated changes or sustained periods of unfavourable macro-economic conditions may impact earnings, cash flow, liquidity and growth.	■ Our planning assumptions take account of important near- to medium-term and long-term drivers related to key macro-economic factors. ■ We monitor the external environment continuously and adjust our planning assumptions accordingly. ■ We implemented the Business Performance Enhancement Programme (BPEP) and the Response Plan (RP) to assist the organisation in responding to unfavourable macro-economic conditions. ■ Group hedging strategies and policies for oil and commodity price risks are used when appropriate. ■ We closely monitor the Board-approved risk appetite measures for specific financial metrics and actively manage cash flow and liquidity.	**Financial risk appetite and tolerance, Near- to medium-term business plans**
2 Risk of failure to achieve transfor-mation objectives	While Sasol complies with, and will continue to comply with, all legislative and contractual requirements in areas where we operate, the risk of not achieving transformation objectives positions the transformation risk beyond compliance. The focus is thus on ensuring sustainable delivery on transformation objectives, in support of our strategy. Failure to meet these could have material consequences for Sasol's reputation, access to resources, permits and our licence to operate, as well as our ability to attract and retain skills.	■ We continue to focus on creating a high-performance, ethical and inclusive culture for all our employees. ■ We are implementing an integrated stakeholder engagement strategy and mapping. ■ We are implementing local content and localisation strategies and plans. ■ We are implementing an integrated B-BBEE strategy, with supporting implementation and stakeholder engagement plans. ■ We comply with the broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry, and the South African Liquid Fuels Charter. ■ We are delivering on our agreed diversity targets.	**Reputation, Long-term strategic objectives**
3 Risk of changing global competitive-ness dynamics	Sasol's main manufacturing facilities are located in South Africa, the United States and Europe, but we supply our products into global markets and are therefore subject to competitive threats from other global companies.	■ A key objective of the group's BPEP is to ensure that the organisation is able to respond more effectively, efficiently and competitively to the changing dynamics of our global marketplace. ■ We have responded to the global economic uncertainty by intensifying of our RP. ■ We develop, update and implement sales and marketing strategies.	**Near- to medium-term business plans, Long-term strategic objectives**



TOP RISK	CONTEXT	MITIGATION	POTENTIAL AREA OF IMPACT
4 Risk of not consistently achieving competitive capital project performance	Sasol's success depends on long-term, capital-intensive projects which also comprise larger and more complex projects. Unexpected or unanticipated changes in the external environment may result in escalating project costs and schedule delays.	■ Robust integrated project management teams manage our major projects. These teams combine Sasol expertise with that of partner companies which have project management and deep local experience. ■ We are improving our capital project management capabilities and discipline. ■ To mitigate increases in project costs, we continue to broaden our supply base, building relationships with new equipment manufacturers and industry specialists. ■ Every major project has a manpower development plan and resource plan to ensure appropriately skilled staff are sourced for the project. ■ Contracting strategy developed for capital projects to assist in mitigating potential cost and schedule risks. ■ We are implementing various actions to strengthen mitigations for the LCCP. These actions include improved productivity and construction readiness that will be achieved through focused risk management processes, improved phasing of engineering, cost-effective mobilisation of resources and synchronised workforce planning, improved change management practices and key project leadership personnel charges.	**Near- to medium-term business plans, Long-term strategic objectives**
5 Risk of complexity of public policy and regulatory developments and non-compliance with laws, regulations and standards	Sasol is committed to comply with all applicable laws and regulations. Many countries in which Sasol operates have over recent years increased the level of new or revised policies and regulations. In addition to more complex legal and regulatory frameworks, authorities have enforced laws more vigorously.	■ We have multi-disciplinary compliance programmes in place to address compliance requirements. ■ We are focused on identifying changes in the regulatory landscape and ensuring that we are prepared to respond to these changes. ■ We have systems and processes in place to ensure compliance with applicable laws and regulations. ■ We conduct annual compliance training and certification. ■ Setting the tone at the top through appropriate policies and procedures to improve the control environment.	**Long-term strategic objectives, Reputation**
6 Risk of a major safety, health or environmental (SHE) undesirable event or liability occurring	Safety improvement is imperative for sustainable and competitive operations. We remain committed to achieving zero harm to people and minimising our impact on the environment, being a responsible and accountable corporate citizen.	■ Our zero harm philosophy underpins all our activities. ■ Our One Sasol SHE Excellence approach standardises initiatives to enhance safety performance. ■ Our on-going efforts to emphasise the importance of continuous risk awareness and the importance of life-saving behaviours. ■ We have strict performance targets on safety, health and environment. ■ We continue to focus on improvements in process safety management. We interact on process safety issues with various global networks, conduct regular internal and external audits, implement process safety roadmaps focussed on asset integrity and operational discipline, implement process safety training programmes and measure performance using leading indicators.	**Near- to medium-term business plans, Reputation**

TOP RISK	CONTEXT	MITIGATION	POTENTIAL AREA OF IMPACT
7 Risk of non-availability of sufficient management and technical skills	Sasol is reliant on sufficient management and technical skills, including qualified scientists, engineers, artisans and operators as well as seasoned managers, to improve and optimise our existing businesses and advance our growth projects. Without these, we will not be able to meet our objectives.	■ We have a strategic talent management framework in place that spans the key talent management drivers of attraction, development and retention. ■ We focus on developing levels of competence through our significant investments in our bursary programme, as well as in a wide range of skills development and learnership programmes aimed at the skillsets we require. ■ Succession management and development is crucial for our growth and the development of critical skills in our businesses. ■ We have refocused our critical skills programmes to address our skills gaps.	**Near- to medium-term business plans, Long-term strategic objectives**
8 Risk of major unplanned production interruptions impacting Sasol's integrated value chain	Sasol's growth ambitions rely on the ability of current production assets to generate cash for new projects. If the existing operations cannot produce as planned, this may impact our ability to maintain the assets or execute new projects.	■ We continue to implement and embed the Sasol operations' standard framework. ■ We are implementing set renewal and utilities expansion programmes. ■ We continue to maintain good relations with trade unions and other employee representative bodies. ■ We engage and invest significantly in the communities in which we operate. ■ We continue to focus on achieving Energy Efficiency targets and to implement site water use efficiency measures. ■ We procure property damage, business interruption and liability insurance at acceptable levels.	**Near- to medium-term business plans, Reputation**

9 Risk of climate change and related policies and drivers impacting Sasol's operations, growth strategy and shared value	Sasol's efforts to reduce GHG emissions are aimed at addressing the climate change challenge, even as we seek to grow our portfolio of hydrocarbon monetisation options.
	Global efforts to reduce GHG emissions are continuing and the costs and challenges associated with GHG emissions are rising.
	COP21 decisions indicate a move to more stringent requirements over time for developing countries.
		■ The group's approach to mitigating these risks is based on:
		  ■ actions to ensure alignment in communication, stakeholder engagement and regulatory responses;
		  ■ co-ordinated intervention in the regulatory development process; and
		  ■ business unit level interventions including specific energy efficiency and other GHG mitigation projects.
		■ Sasol's carbon budget has been approved and is in place for the next five years. Work is underway to populate the pollution prevention plan in support of the carbon budget.
		■ The group's approach to mitigating GHG emissions is focused on:
		  ■ considering sustainable lower carbon technologies (eg gas monetisation options) in order to reduce our carbon footprint;
		  ■ increasing the use of natural gas for power generation;
		  ■ investigating available energy and carbon efficiency and offset opportunities through the One Environmental Roadmap; and
		  ■ proactively setting internal GHG targets, measurements and transparent disclosures on Sasol's group climate change risks and associated challenges.
			Long-term strategic objectives, financial risk appetite and tolerance

TOP RISK	CONTEXT	MITIGATION	POTENTIAL AREA OF IMPACT
10 Risk of not delivering on strategic growth objectives	Lower long-term macro-economic factors, as a result of market weakness, which impacts capital available to achieve growth targets, may impact the company's ability to timeously execute its growth initiatives in line with the strategy.	■ We are focusing on identifying the necessary business development and other activities that should be prioritised and executed in this current low capital environment. ■ We are aligning capital allocation principles with company earnings growth and asset return targets, taking balance sheet and funding risks into consideration. ■ We are refocusing our capital portfolio to enable flexibility in terms of investment strategies and choices aligned to group financial growth and return targets.	**Financial risk appetite and tolerance, Long-term strategic objectives**

In addition to the overall top risks, Sasol's Information Management (IM) risks are reviewed, updated and reported to the Audit Committee and Risk and SHE Committee on an annual basis. The IM strategic risks include cyber security, cloud computing and risks that may impact information technology service continuity.

We also track developments related to emerging risk themes. Emerging risk themes include uncertain future events, external to Sasol, which may be beyond the organisation's direct capacity to control, difficult to measure or quantify, not well understood (unpredictable), maybe without historical precedent, or events that could potentially have a significant or unforeseen impact on the business.

EMERGING RISK THEMES INCLUDE:

- Political, social and fiscal instability
- Major public health crises
- Security threats (employees, assets and supply chain)
- South African refining industry developments
- Stakeholder activism
- External infrastructure developments
- Developments in renewable energy

We continue to monitor the external environment to proactively identify emerging risk themes.

