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

**Form 20-F**
Our annual report issued in accordance with the Securities Exchange Act of 1934.

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

**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.

**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

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IFC
Inside front cover.
ABOUT 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, 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.

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.

In the Integrated Report, we 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.
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.
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.

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

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.

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.

Changing business and risk landscape

- HIGH-PERFORMANCE CULTURE
- MATERIAL MATTERS
- TECHNOLOGICAL ADVANTAGE
- SIMPLIFIED GROUP STRUCTURE
- OPERATING MODEL
- INTEGRATED VALUE CHAIN
- STRATEGY
- OUR DEFINITION OF VICTORY IS 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

Mining

Upstream

Source feedstock

Exploration and Production International

Operations

Make products

Operations

Energy

Energy and chemicals

Energy

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

Investing in our people

Unlocking value by optimising and growing our business

Promoting sustainability

▪ 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

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

▪ 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

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

Grow shareholder value sustainably

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

Capital investments by region for 2016

- Americas: 69%
- South Africa: 24%
- Rest of Africa: 5%
- Europe: 2%

**THE AMERICAS**

- 1,297 employees
- **R25.9 billion** (15%) contribution to revenue

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.
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.

Electricity

- Our GTL diesel is of ultra-high purity and therefore is ideal as a low-emission, premium grade fuel and as a blend stock for upgrading conventional derived diesels.

Co-products

- Chemical intermediates from the FT process are separated, purified and, together with conventional chemical raw materials, converted into a range of final products.

Chemical processes

- Coal gasification produces co-products for recovery and beneficiation.

Fuel components

- In the liquid fuels business, synthetic fuels components are upgraded and marketed together with conventional fuels produced in a refinery from crude oil.

Natural gas

- Wax products: candle wax; adhesives and polymers; personal care; inks; paints and coatings; tyre and construction board; paraffin

Methane rich gas

- Chemical products: alcohols; olefins; polymers; solvents; surfactants; co-monomers; methanol; ammonia

Co-products:

- fuel components; ammonia; tar acids; sulphur; green and calcined coke; tars and pitch; explosives and fertilisers

Fuel products:

- petrol; diesel; LPG; illuminating paraffin; bitumen; fuel oil; jet fuel

Export:

- coal

Fuel products:

- petrol; diesel; LPG; jet fuel; fuel oil; illuminating paraffin; crude oil

Wax products:

- candle wax; adhesives and polymers; personal care; inks, paints and coatings; tyre and construction board; paraffin

Range of products:

- detergent raw materials

Range of products:

- alcohols; surfactants; alumina and derivatives; polymers, olefins; ethoxylates; guerbet alcohols
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.

<table>
<thead>
<tr>
<th>OPERATING BUSINESS UNITS</th>
<th>REGIONAL OPERATING HUBS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MINING</strong></td>
<td><strong>EXPLORATION AND PRODUCTION INTERNATIONAL</strong></td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>OPERATIONS</th>
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<tbody>
<tr>
<td><strong>Secunda Synfuels</strong></td>
</tr>
<tr>
<td>Operates a coal- and gas-based synthetic fuels manufacturing facility which also produces chemicals feedstocks and utilities.</td>
</tr>
<tr>
<td><strong>Secunda Chemicals</strong></td>
</tr>
<tr>
<td>Produces chemicals and provides site services to the Secunda complex.</td>
</tr>
<tr>
<td><strong>Sasolburg Operations</strong></td>
</tr>
<tr>
<td>Produces chemicals and cobalt catalyst and supplies utilities and site services to Sasolburg Operations.</td>
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</tbody>
</table>

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<thead>
<tr>
<th>REGIONAL OPERATING HUBS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Satellite Operations</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

**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.

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.

**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**


**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.

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

Link to material matters:
ADJUST BUDGETS, EARNINGS TARGETS, CAPITAL ALLOCATION
REVIEW STRATEGIC PRIORITIES
ASSESS RELEVANCE TO MATERIAL MATTERS
UNDERSTAND THE RISKS

The global operating context informed Sasol’s thinking on our material matters. It helped us identify those issues that could substantially affect our ability to create value in the short, medium or long term.

GLOBAL OPERATING CONTEXT

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.
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.

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.
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 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 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 US$500 million in capital cost 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.
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.

**Outputs**
We produce bulk fuel and chemical commodities as well as high value-add or differentiated products.

**Grow shareholder value sustainably**

**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.

### 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
- Wages and benefits paid: R26.4 billion
- Number of employees: 30,100
- Social investment spend and skills development: R1.2 billion

### Sustainability Impact
- Total greenhouse gas emissions: 69,250 kilotons (CO₂ 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
- Environmental and regulatory compliance
- Governance
- Our strategic business context
- Our governance
- Our performance review
- Additional information
How we create value using the six capitals
(continued)

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

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

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

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.

OUTPUTS OF OUR ACTIVITIES ON NATURAL CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total greenhouse gas emissions (CO₂ equivalent) (kilotons)</td>
<td>69 250</td>
<td>69 772</td>
</tr>
<tr>
<td>Greenhouse gas (GHG) emissions intensity (CO₂ equivalent/ton product)</td>
<td>3.68</td>
<td>3.58**</td>
</tr>
<tr>
<td>Nitrogen oxides (NOₓ) (kilotons)</td>
<td>156</td>
<td>157</td>
</tr>
<tr>
<td>Sulphur oxides (SOₓ) (kilotons)</td>
<td>223</td>
<td>208</td>
</tr>
<tr>
<td>Particulates (fly ash) (kilotons)</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Liquid effluent (thousand cubic metres)</td>
<td>27 544</td>
<td>28 573</td>
</tr>
<tr>
<td>Total waste (kilotons)</td>
<td>498</td>
<td>482</td>
</tr>
</tbody>
</table>

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

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.

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

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

* 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.

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

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

* 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.

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

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.

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.
- Providing 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.

OUTCOMES OF OUR ACTIVITIES ON INTELLECTUAL CAPITAL

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

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

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.

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

**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.

**OUTPUTS OF OUR ACTIVITIES ON MANUFACTURED CAPITAL**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined product (mm bbl)</td>
<td>52.5</td>
<td>51.9</td>
</tr>
<tr>
<td>Electricity generated (megawatts)*</td>
<td>820</td>
<td>825</td>
</tr>
<tr>
<td>Saleable chemicals production (ktpa)</td>
<td>6,264</td>
<td>6,179</td>
</tr>
</tbody>
</table>

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

**OUTCOMES OF OUR ACTIVITIES ON MANUFACTURED CAPITAL**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure (including capital accruals)</td>
<td>R70.4bn</td>
<td>R45.1bn</td>
</tr>
<tr>
<td>Capital expenditure in South Africa</td>
<td>24%</td>
<td>44%</td>
</tr>
<tr>
<td>Sustenance capital expenditure</td>
<td>R17.0bn</td>
<td>R25.0bn</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>R16.4bn</td>
<td>R13.6bn</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>R12.3bn</td>
<td>R0.8bn</td>
</tr>
</tbody>
</table>

This excludes equity accounted joint ventures and associates.

**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.

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

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

* 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.

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.
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.

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 all have to make an appropriate contribution and we will continue to play our part through 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 the 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.

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

KPIs

- **Earnings growth**
  Target: 8% US dollar EBIT growth

- **Net debt-to-EBITDA**
  Target: Maintain a net debt-to-EBITDA ratio of <2,0 times

- **Gearing**
  Target: Achieve a gearing level of 20% – 40% (Temporarily lifted to 44% until the end of 2018)

- **Return on invested capital**
  Target: Capital portfolio to deliver return on capital invested of 18,3%

- **Safety**
  Target: RCR of less than 0,3 by 2020

- **Greenhouse gas emissions intensity**
  Target: To reduce GHG emissions intensity in line with the South African carbon budget

- **Broad-based black economic empowerment**
  Target: Level 4 by 2020

ENABLED BY

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

REMUNERATION POLICY AND PROCESS

Sasol’s remuneration policy is designed to enable the delivery of the group’s strategy in a safe, reliable and sustainable manner.

Summarised report of the Remuneration Committee is on page 66.
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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>IDENTIFY</th>
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<tbody>
<tr>
<td>By reviewing:</td>
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<tr>
<td>▪ Board submissions</td>
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<td>▪ Quarterly submissions to the Group Executive Committee</td>
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<td>▪ Our operating environment</td>
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<tr>
<td>▪ Risk management process and findings</td>
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<td>▪ Stakeholder issues</td>
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<tr>
<th>STEP 2</th>
<th>PRIORITISE</th>
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<td>By assessing:</td>
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<tr>
<td>▪ Materiality</td>
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<tr>
<td>▪ Impact of delivering on our strategy</td>
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<tr>
<td>▪ Risk metrics in the context of our strategy</td>
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<tr>
<th>STEP 3</th>
<th>RESPOND</th>
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<td>Through:</td>
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<tr>
<td>▪ Assessing impact on risk tolerance and risk appetite</td>
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<tr>
<td>▪ Actioning activities required to manage material matters</td>
<td></td>
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<tr>
<td>▪ Evaluating scenario modelling outcomes</td>
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<tr>
<td>▪ Evaluating trade-offs between capitals</td>
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<th>STEP 5</th>
<th>REVIEW AND MONITOR</th>
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In 2016, we identified four material matters:

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

**RESPECTING THE VOLATILE MACRO-ECONOMIC ENVIRONMENT**

**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

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

OUR HUMAN RESOURCES STRATEGY

INVESTING IN OUR PEOPLE

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.

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

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.

MANAGING THE CAPITAL TRADE-OFFS

- 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%

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

HOW WE RESPONDED

Ethnic Diversity Improvement in South Africa (%)
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.

**UNLOCKING VALUE BY OPTIMISING AND GROWING OUR BUSINESS**

**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.

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

PROMOTING SUSTAINABILITY

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

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

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

Managing the capital trade-offs

How we responded

- 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

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.

- 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

Sasol Integrated Report 2016 37
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:

- **SHAREHOLDERS**
  - Provide financial capital for a sustainable return on investment
- **GOVERNMENT, REGULATORS AND POLITICAL ROLE PLAYERS**
  - Provide enabling regulatory framework
- **CIVIL SOCIETY**
  - Builds social and relationship capital and holds us accountable for executing our strategy in a responsible manner
- **EMPLOYEES**
  - Supply the necessary skills and expertise to deliver on our strategy
- **CUSTOMERS**
  - Purchase our products and services at competitive prices
- **ORGANISED LABOUR, BUSINESS AND INDUSTRY**
  - Present business opportunities to create value for stakeholders
- **JOINT VENTURE PARTNERS**
  - Contribute to the industry voice

**Social investment spend by region**
- Total spend: R655,7 million
- South Africa (R579,8m)
- Mozambique (R55,4m)
- Eurasia (R9,8m)
- North America (R10,7m)

**Social investment spend by focus area**
- Total spend: R655,7 million
- Education and skills development (R404,2m)
- Community development (R218,2m)
- Environment (R29,3m)
- Employee volunteerism (R4,0m)
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:**
- Referring to the volatile macro-economic environment.
- Investing in our people.
- Unlocking value by optimising and growing our business.
- Promoting sustainability.

Refer to our material matters on page 32 for further details.

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).

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).

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.

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).

We initiated monthly certification workshops to enable the local community to access business opportunities (United States).
## 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.

### KPIs to measure performance

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

### 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**

Sasol – 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.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% US dollar EBIT growth</td>
<td>(23%)</td>
<td>(5%)</td>
<td>1%</td>
</tr>
</tbody>
</table>

**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).

**KPI: Net debt to EBITDA**

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

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt-to-EBITDA ratio of &lt;2,0 times</td>
<td>0,56</td>
<td>(0,09)</td>
<td>(0,16)</td>
</tr>
</tbody>
</table>

**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.

**KPI: Gearing**

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

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt-to-equity of 20% – 44%</td>
<td>14,6%</td>
<td>(2,8%)</td>
<td>(6,3%)</td>
</tr>
</tbody>
</table>

**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 LCEP.
KPI: Return on invested capital
To target returns for net investments of 1.3 times weighted average cost of capital (WACC)

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on capital invested, including AUC of 18.3%</td>
<td>7%¹</td>
<td>17%¹</td>
<td>18%¹</td>
</tr>
<tr>
<td>GHG Intensity</td>
<td>3.28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 sustaining 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 RORC (including assets under construction) should improve to risk appetite levels.

¹ Including AUC.
² Excluding AUC.
³ AUC – Asset under construction.

KPI: Safety
To achieve a recordable case rate (RCR)¹ excluding illnesses of less than 0.30 by 2020 with no fatalities

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;0.30 by 2020</td>
<td>0.29 with two fatalities</td>
<td>0.32 with one fatality</td>
<td>0.36 with five fatalities</td>
</tr>
</tbody>
</table>

Performance against the KPI

In line with our 2020 target to consistently achieve a Recordable Case Rate (RCR) of less 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.

¹ 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.
² 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.

KPI: Greenhouse gas (GHG) emissions intensity
To reduce GHG emissions intensity in line with the South African carbon budget

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Intensity</td>
<td>3.68</td>
<td>3.58 ⁵</td>
<td>3.28</td>
</tr>
</tbody>
</table>

Performance against the KPI

Our total GHG emissions globally (measured in CO₂ equivalent) reduced from 69.8 mm tons in 2015 to 69.3 mm 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 CO₂ 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.

¹ 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.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 4</td>
<td>Level 8 (new codes)</td>
<td>Level 4 (2007 codes)</td>
<td>Level 3 (2007 codes)</td>
</tr>
</tbody>
</table>

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.
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.

Risk and opportunity management

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).

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.

RISK REPORTING

Communicate and consult with internal and external stakeholders, as appropriate.

Phase 1: ESTABLISH CONTEXT

Establish the context by considering the environment within which the risks are present.

Phase 2: RISK IDENTIFICATION

Identify all uncertain future events that may impact the achievement of objectives. This forms the basis for further analysis.

Phase 4: RISK ASSESSMENT

Assess risks in terms of impact and probability, and plot them on the Sasol risk matrix to derive a prioritised list of risks for further action.

Phase 3: RISK EXPLORATION

Establish an understanding of the risks by considering the relationship between the causes, risks and consequences.

Phase 5: RISK TREATMENT

Identify responses and controls to manage inherent risk to an acceptable residual risk level. Assess the effectiveness of responses and controls.

Phase 6: MONITORING AND REVIEW

The monitoring and review process tracks the current status of the risk profile, detects changes in the risk context and ensures that the responses and controls are adequate.
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

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

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.

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

<table>
<thead>
<tr>
<th>Risk of macro-economic factors impacting on Sasol’s ability to sustain the business and execute our growth strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>MITIGATION</strong></td>
</tr>
</tbody>
</table>
| ▪ 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. |
| **POTENTIAL AREA OF IMPACT** |
| Financial risk appetite and tolerance, Near- to medium-term business plans |

<table>
<thead>
<tr>
<th>Risk of failure to achieve transformation objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>MITIGATION</strong></td>
</tr>
</tbody>
</table>
| ▪ 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. |
| **POTENTIAL AREA OF IMPACT** |
| Reputation, Long-term strategic objectives |

<table>
<thead>
<tr>
<th>Risk of changing global competitiveness dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>MITIGATION</strong></td>
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</tbody>
</table>
| ▪ 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. |
<p>| <strong>POTENTIAL AREA OF IMPACT</strong> |
| Near- to medium-term business plans, Long-term strategic objectives |</p>
<table>
<thead>
<tr>
<th>TOP RISK</th>
<th>CONTEXT</th>
<th>MITIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Risk of not consistently achieving competitive capital project performance</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We are improving our capital project management capabilities and discipline.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To mitigate increases in project costs, we continue to broaden our supply base, building relationships with new equipment manufacturers and industry specialists.</td>
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<tr>
<td></td>
<td></td>
<td>Every major project has a manpower development plan and resource plan to ensure appropriately skilled staff are sourced for the project.</td>
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<tr>
<td></td>
<td></td>
<td>Contracting strategy developed for capital projects to assist in mitigating potential cost and schedule risks.</td>
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<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>Near- to medium-term business plans, Long-term strategic objectives</td>
<td></td>
</tr>
<tr>
<td>5 Risk of complexity of public policy and regulatory developments and non-compliance with laws, regulations and standards</td>
<td>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.</td>
<td>We have multi-disciplinary compliance programmes in place to address compliance requirements.</td>
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<tr>
<td></td>
<td></td>
<td>We are focused on identifying changes in the regulatory landscape and ensuring that we are prepared to respond to these changes.</td>
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<tr>
<td></td>
<td></td>
<td>We have systems and processes in place to ensure compliance with applicable laws and regulations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We conduct annual compliance training and certification.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Setting the tone at the top through appropriate policies and procedures to improve the control environment.</td>
</tr>
<tr>
<td></td>
<td>Long-term strategic objectives, Reputation</td>
<td></td>
</tr>
<tr>
<td>6 Risk of a major safety, health or environmental (SHE) undesirable event or liability occurring</td>
<td>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.</td>
<td>Our zero harm philosophy underpins all our activities.</td>
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<td></td>
<td>Our One Sasol SHE Excellence approach standardises initiatives to enhance safety performance.</td>
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<tr>
<td></td>
<td></td>
<td>Our on-going efforts to emphasise the importance of continuous risk awareness and the importance of life-saving behaviours.</td>
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<tr>
<td></td>
<td></td>
<td>We have strict performance targets on safety, health and environment.</td>
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<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>
## TOP RISK

<table>
<thead>
<tr>
<th>Risk of non-availability of sufficient management and technical skills</th>
</tr>
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<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>MITIGATION</strong></td>
</tr>
<tr>
<td>▪ We have a strategic talent management framework in place that spans the key talent management drivers of attraction, development and retention.</td>
</tr>
<tr>
<td>▪ 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.</td>
</tr>
<tr>
<td>▪ Succession management and development is crucial for our growth and the development of critical skills in our businesses.</td>
</tr>
<tr>
<td>▪ We have refocused our critical skills programmes to address our skills gaps.</td>
</tr>
<tr>
<td><strong>POTENTIAL AREA OF IMPACT</strong></td>
</tr>
<tr>
<td>Near- to medium-term business plans, Long-term strategic objectives</td>
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<table>
<thead>
<tr>
<th>Risk of major unplanned production interruptions impacting Sasol’s integrated value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
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<tr>
<td>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.</td>
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<tr>
<td><strong>MITIGATION</strong></td>
</tr>
<tr>
<td>▪ We continue to implement and embed the Sasol operations’ standard framework.</td>
</tr>
<tr>
<td>▪ We are implementing set renewal and utilities expansion programmes.</td>
</tr>
<tr>
<td>▪ We continue to maintain good relations with trade unions and other employee representative bodies.</td>
</tr>
<tr>
<td>▪ We engage and invest significantly in the communities in which we operate.</td>
</tr>
<tr>
<td>▪ We continue to focus on achieving Energy Efficiency targets and to implement site water use efficiency measures.</td>
</tr>
<tr>
<td>▪ We procure property damage, business interruption and liability insurance at acceptable levels.</td>
</tr>
<tr>
<td><strong>POTENTIAL AREA OF IMPACT</strong></td>
</tr>
<tr>
<td>Near- to medium-term business plans, Reputation</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Risk of climate change and related policies and drivers impacting Sasol’s operations, growth strategy and shared value</th>
</tr>
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<tbody>
<tr>
<td><strong>CONTEXT</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>MITIGATION</strong></td>
</tr>
<tr>
<td>▪ The group’s approach to mitigating these risks is based on:</td>
</tr>
<tr>
<td>▪ actions to ensure alignment in communication, stakeholder engagement and regulatory responses;</td>
</tr>
<tr>
<td>▪ co-ordinated intervention in the regulatory development process; and</td>
</tr>
<tr>
<td>▪ business unit level interventions including specific energy efficiency and other GHG mitigation projects.</td>
</tr>
<tr>
<td>▪ 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.</td>
</tr>
<tr>
<td>▪ The group’s approach to mitigating GHG emissions is focused on:</td>
</tr>
<tr>
<td>▪ considering sustainable lower carbon technologies (eg gas monetisation options) in order to reduce our carbon footprint;</td>
</tr>
<tr>
<td>▪ increasing the use of natural gas for power generation;</td>
</tr>
<tr>
<td>▪ investigating available energy and carbon efficiency and offset opportunities through the One Environmental Roadmap; and</td>
</tr>
<tr>
<td>▪ proactively setting internal GHG targets, measurements and transparent disclosures on Sasol’s group climate change risks and associated challenges.</td>
</tr>
<tr>
<td><strong>POTENTIAL AREA OF IMPACT</strong></td>
</tr>
<tr>
<td>Long-term strategic objectives, financial risk appetite and tolerance</td>
</tr>
</tbody>
</table>
### TOP RISK

<table>
<thead>
<tr>
<th>RISK</th>
<th>CONTEXT</th>
<th>MITIGATION</th>
<th>POTENTIAL AREA OF IMPACT</th>
</tr>
</thead>
</table>
| 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.
OUR GOVERNANCE FRAMEWORK

As a values-based organisation, Sasol is committed to high standards of business integrity and ethics in all activities. The Board is responsible for the strategic direction and control of the company and brings independent, informed and effective judgement and leadership to bear on material decisions reserved for the Board. The Board ensures that Sasol is governed effectively in accordance with good corporate governance practice, including risk and legal compliance management, appropriate and relevant non-binding industry rules, codes and standards, and internal control systems. It is satisfied that it fulfilled all its duties and obligations in the 2016 financial year.

As well as ensuring delivery on the strategic objectives of the company, the Board is focused on ensuring that strategy, risk, performance and sustainable development considerations are effectively integrated and appropriately balanced.

For more details on the responsibilities, powers, policies, practices and processes of the Board, directors and the company’s executives and other officials, refer to the Board charter on our website, www.sasol.com as well as the company’s memorandum of incorporation.

As a company listed on the Johannesburg Stock Exchange (JSE) and the New York Stock Exchange (NYSE), Sasol is subject to, and has implemented controls to provide reasonable assurance of, compliance with all relevant requirements in respect of these listings.

The Board confirms that we comply in most significant respect with the governance standards imposed on domestic US companies listed on the NYSE and that we apply all the principles of the King Code of Governance Principles for South Africa (King III).

We have identified specific areas of law as key group legal compliance risk areas. These are competition law, anti-bribery and anti-corruption laws, sanction laws and safety, health and environmental laws. We have implemented risk mitigation controls for each of these areas, aiming to achieve a balanced approach on compliance by taking into consideration Sasol’s obligations as well as Sasol’s rights. The Board and its committees continue to monitor closely the implementation of Sasol’s legal compliance policy and processes and improve upon them to mitigate the risk of non-compliance with the laws in the various jurisdictions in which we do business.

We regularly review and benchmark the group’s governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainable development and ensure that they are applied in the best interests of Sasol and our stakeholders.
We have the necessary policies and processes in place to ensure that all entities in the Sasol group adhere to essential group requirements and minimum governance standards. As a direct or indirect shareholder, the company exercises its rights and is involved in the decision-making of its subsidiaries on material matters.

The Board appoints Group Executive Committee members on the recommendation of the Joint Presidents and CEOs and the Nomination, Governance, Social and Ethics Committee.

Our directors and composition of the Board and committees

The Board recognises and embraces the benefits of diversity at Board level to enhance the range of directors’ perspectives. We appreciate that Board diversity is an essential component for sustaining a competitive advantage. Directors are chosen for their corporate leadership skills, experience and expertise. A combination of business, geographic and academic backgrounds as well as diversity in age, gender and race, enhance the composition of a truly diverse Board.

During 2016, as a result of effective succession planning, Sasol announced the appointment of a new Lead Independent Director, new Joint Presidents and Chief Executive Officers as well as a new Chief Financial Officer. All executive director appointments were from positions within the company.

The Joint Presidents and CEOs can act jointly or separately and are jointly and severally delegated with authority from, and are jointly and severally accountable to the Board.

The committees established by the Board play an important role in enhancing standards of governance and effectiveness within the group. The terms of reference of the Board and its committees form part of the Board charter and are reviewed every year.

The roles and functions of the Chairman, the Lead Independent Director and the Joint Presidents and CEOs are described in the Board charter available on our website at www.sasol.com.

The complete terms of reference of the committees are available on Sasol’s website, www.sasol.com.

A summary of the terms of reference of the Audit Committee, including its duties and the execution thereof, are set out in the Audit Committee report included in the Annual Financial Statements and the functions of the Remuneration Committee, as well as directors’ remuneration and other relevant remuneration information are available in the Remuneration Report.
Our governance framework (continued)

1 In terms of our memorandum of incorporation, the Board shall consist of a maximum of 16 directors. Up to five may be executive directors. One-third of directors must retire at every annual general meeting and are eligible for re-election.

2 Retired as Director and Lead Independent Director on 4 December 2015.

3 Appointed as Lead Independent Director on 4 December 2015.

4 Appointed as Director on 1 June 2016.

5 Resigned as President and CEO with effect from 1 July 2016.

6 Existing Director appointed as Joint President and CEO with effect from 1 July 2016.

7 Appointed as Director and Joint President and CEO with effect from 1 July 2016.

8 Appointed as Director and CFO with effect from 1 July 2016.

We have the right balance of skills and experience to make meaningful contribution to the business of the company.

<table>
<thead>
<tr>
<th>Skills and Experience</th>
<th>Number of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil, gas and upstream</td>
<td>100%</td>
</tr>
<tr>
<td>Engineering, capital projects and manufacturing</td>
<td>43%</td>
</tr>
<tr>
<td>Finance and mergers &amp; acquisitions</td>
<td>78%</td>
</tr>
<tr>
<td>Strategy and risk</td>
<td>78%</td>
</tr>
<tr>
<td>Remuneration</td>
<td>36%</td>
</tr>
<tr>
<td>Corporate knowledge and governance</td>
<td>100%</td>
</tr>
<tr>
<td>Public policy, legal and regulatory</td>
<td>28%</td>
</tr>
<tr>
<td>Global experience</td>
<td>35%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Diversity</th>
<th>Number of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>21.4%</td>
</tr>
<tr>
<td>Historically disadvantaged</td>
<td>78.6%</td>
</tr>
</tbody>
</table>

INDEPENDENT NON-EXECUTIVE DIRECTORS
C Beggs (Chairman)
NNA Matyumza
IN Mkhize
MJN Njeke
S Westwell

INDEPENDENT NON-EXECUTIVE DIRECTORS
MSV Gantsho (Chairman)
HG Dijkstraaf
ZM Mkhize
MJN Njeke
JE Schrempp

INDEPENDENT NON-EXECUTIVE DIRECTORS
HG Dijkstraaf (Chairman)
MSV Gantsho
IN Mkhize
PJ Robertson
NNA Matyumza
JE Schrempp

INDEPENDENT NON-EXECUTIVE DIRECTORS
PJ Robertson (Chairman)
S Westwell
NNA Matyumza
MJ Cuambe

EXECUTIVE DIRECTORS
DE Constable
SR Cornell
B Nqawaba
P Victor

EXECUTIVE DIRECTORS
IN Mkhize
C Beggs
HG Dijkstraaf
MSV Gantsho
S Westwell
PJ Robertson

EXECUTIVE DIRECTORS
B Nqawaba
SR Cornell
DE Constable
VN Fakude
P Victor

APPONITED AS MEMBER ON 4 DECEMBER 2015.
10
APPONITED AS MEMBER ON 4 DECEMBER 2015.
11
THE JOINT PRESIDENTS AND CEOs ARE NOT MEMBERS OF THESE COMMITTEES BUT ATTEND MEETINGS BY INVITATION. THEY ARE REQUESTED TO LEAVE THE MEETING, WHERE APPROPRIATE, BEFORE ANY DECISIONS ARE MADE THAT RELATE TO THEM PERSONALLY.
12
CAPITAL INVESTMENT COMMITTEE ESTABLISHED ON 24 AUGUST 2015.
13
WILL RESIGN AS EXECUTIVE VICE PRESIDENT: STRATEGY AND SUSTAINABILITY AND EXECUTIVE DIRECTOR, WITH EFFECT FROM 31 DECEMBER 2016.
14
78% OF OUR SOUTH AFRICAN DIRECTORS REPRESENT HISTORICALLY DISADVANTAGED INDIVIDUALS.
The Nomination, Governance, Social and Ethics Committee assists with the identification of suitable candidates to be proposed for appointment to the Board and shareholders, taking into consideration the annual review of Board effectiveness, which includes among others, its composition. We consider all facets of diversity in determining the optimal composition of the Board, having due regard to the Board’s gender diversity policy, which should be balanced appropriately and enable it to discharge its duties and responsibilities effectively.

The Board did not determine measurable objectives for achieving diversity on the Board in 2016. The representation of women reduced to 21.4%, while the representation of historically disadvantaged individuals declined to 78% from the previous 87%. We will put appropriate measures in place to ensure balanced representation suitable for the company, should the opportunity arise.

**Development**

We apprise newly appointed directors of Sasol’s business and their duties and responsibilities as directors and give them the opportunity to visit Sasol’s plants and operations. The development of industry and group knowledge is a continuous process and we brief directors on legal developments and changes in the risk and general business environment on an on-going basis. The Board, its committees as well as any director are entitled to seek independent professional advice concerning the company’s affairs and to gain access to any information they may require in discharging their duties as directors.

**Performance and independence**

Every year, we evaluate the effectiveness and performance of the Board, its committees and individual directors. During 2016, we performed a self-assessment, by way of individual questionnaires. No major concerns were raised by any director in respect of the functioning of the Board or any of its committees.

The Audit Committee did, however, recognise that its Information Technology mandate in terms of King III was placing strain on it. As a result, the Board decided to schedule additional meetings to cater for the added workload.

We continuously review and enhance Board and committee meeting processes to ensure the effective functioning of the Board and its committees. Ever-changing issues facing companies make it essential for us to look at the Board’s agenda to ensure that it meets current needs, stays aligned with good governance and best practices and matters of strategic importance.

We specifically consider the independence of directors and their other commitments when they are first appointed, as well as annually, or at any other time when a director’s circumstances change and warrant re-evaluation. This is done to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily. Should the Nomination, Governance, Social and Ethics Committee be of the view that a director is over-committed or has an unmanageable conflict, the Chairman will meet with that director to discuss the resolution of the matter to the satisfaction of the Committee.

The Board is of the view that all non-executive directors are independent in accordance with King III and the rules of the NYSE. We have reconfirmed the independence of our non-executive directors who have been in office for more than nine years, namely Dr Gantsho, Ms Mkhize and Mr Dijkgraaf. We did this after taking into account, among other considerations, the extent to which the diversity of their views, skills and experience continue to enhance the Board’s effectiveness.

The Lead Independent Director is responsible for ensuring that the performance of the Chairman is evaluated annually. This was done in the year under review and the Board expressed its satisfaction with the performance of the Chairman.
Sustainability, social and ethics responsibilities

In executing its social and ethics responsibilities as required by the South African Companies Act, the Nomination, Governance, Social and Ethics Committee considers and monitors Sasol’s activities, having regard to relevant legislation, human rights and prevailing best practice, in matters relating to:

- **Social and economic development**, including Sasol’s compliance with the 10 principles of the United Nations Global Compact as well as the purposes of the Organisation for Economic Co-operation and Development recommendations regarding corruption. The Committee also considered Sasol’s activities in relation to good corporate citizenship with an emphasis on Sasol’s social investment and global programmes embarked on within education, skills development, environment, community development and employee volunteerism.

- **Labour and employment activities**, taking into consideration employment relationships, organised labour and the International Labour Organisation Protocol on decent work and working conditions. The Committee also considers Sasol’s progress in terms of the South African Employment Equity Act, No 55 of 1998, focusing on gender diversity and women empowerment and Sasol’s contribution towards the educational development of employees.

Sasol is committed to promoting equal opportunities and fair employment practices globally across all its businesses. We have implemented several programmes to ensure the practical application of our commitment to human rights, including worker participation and employment equity, always maintaining our high standards and statutory compliance.

The Committee approved Sasol’s revised code of ethics in June 2015, emphasising that ethical behaviour in everything Sasol does globally is an essential building block to embed a values-driven organisation and high-performance culture. We have translated the revised code into the most common languages of the major countries in which we operate. Our values are included in employee’s performance assessments. We conducted an extensive awareness campaign for our employees, service providers and customers and implemented a supplier code of ethics with effect from 1 July 2015.

- **Stakeholder relationships**, including supplier and consumer relationships and the governance of the group’s stakeholder engagement activities as well as Sasol’s standing in terms of the South African Broad-Based Black Economic Empowerment (B-BBEE) Act, No 53 of 2003, including Sasol’s proposed response to the revised B-BBEE Codes.

The Board, assisted by the Committee, is responsible for ensuring that disputes with Sasol’s stakeholders are resolved as effectively, efficiently and expeditiously as possible. It considers the legitimate interests and expectations of stakeholders in all its decision-making.

We regularly communicate with our stakeholders, including by presenting the company’s strategy and performance. In terms of the Promotion of Access to Information Act, 2 of 2000, Sasol considers and responds to all requests for access to information. We ensure appropriate engagement with requesting parties without compromising Sasol’s rights with respect to the protection of certain information. In 2016, we granted all requests received, including third-party requests, except for one. In this case, we could not grant access because we had no knowledge of the records referred to and some of the records were not relevant to Sasol.

Further details on our sustainability reporting, including social and ethics matters and PAIA requests, are provided on our website at [www.sasol.com](http://www.sasol.com).
OUR BOARD OF DIRECTORS

The Board is responsible for the strategic direction and ultimate control of the company according to its memorandum of incorporation and board charter. Through its oversight and strategic steer, it ensures that Sasol capitalises on its opportunities as an ethical, decisive and responsible corporate citizen.

FROM LEFT: Nomgando Matyumza, Henk Dijkgraaf, Nolitha Fakude, Paul Victor, Colin Beggs, Bongani Nqwababa and Mandla Gantsho
The careful selection of individual directors, to ensure the most appropriate combination of expertise and experience, underpins the effectiveness of the Board in fulfilling its role.
EXECUTIVE DIRECTORS

**BONGANI NQWABABA**  
BAcc (Hons), CA(Z), MBA  
South African | born 1966  
**JOINT PRESIDENT AND CEO**  
Appointed to the Board in 2013 and as an executive director in 2015

**STEPHEN CORNELL**  
BSc Chem Eng  
American | born 1956  
**JOINT PRESIDENT AND CEO**  
Appointed to the Board in 2016

**PAUL VICTOR**  
BCompt (Hons), CA(SA), International Tax law (Hons)  
South African | born 1972  
**CHIEF FINANCIAL OFFICER**  
Appointed to the Board in 2016

**NOLITHA FAKUDE**  
BA (Hons)  
South African | born 1964  
**EXECUTIVE DIRECTOR**  
Appointed to the Board in 2005 and will resign with effect from 31 December 2016

**Expertise and experience**

Mr B Nqwababa became our Joint President and CEO on 1 July 2016. He was previously Group Chief Financial Officer, having been appointed to the Group Executive Committee on 1 March 2015.

Before joining Sasol, he was Finance Director at Anglo American Platinum Limited. He is also a previous Finance Director of Eskom Holdings and Chief Financial Officer of Shell Southern Africa, and served as a non-executive director of Old Mutual plc and as Chairman of the South African Revenue Services Audit Committee. In his previous roles, he has worked in many countries across the world including The Netherlands and United Kingdom.

From December 2013 to September 2014, he served as an independent non-executive director of Sasol.

Mr SR Cornell became our Joint President and CEO on 1 July 2016. He joined Sasol as Executive Vice President, International Operations on 1 February 2014, and was responsible for all Sasol’s operational activities outside Africa.

Prior to that, he held senior positions at BP North America. He was Chief Operating Officer for US Fuels, responsible for production, sales, marketing and logistics of BP fuel products in the US. He was also BP’s Global Head of major downstream projects, providing oversight to all large capital projects in the petrochemicals and fuels businesses. He was also responsible for the development of BP’s fuels business in China.

Before these positions he was Regional Vice President for Refining, responsible for BP’s refining business in the United States.

Mr P Victor became our Chief Financial Officer (CFO) on 1 July 2016. He was previously Senior Vice President: Financial Control Services at Sasol, and served as Acting CFO from 10 September 2013 to 28 February 2015. During this period he was instrumental in implementing the cost containment programme. He also provided thought leadership and proactively supported the GEC in implementing a cash conservation response plan in reaction to the significant drop in the crude oil price.

Mr Victor gained invaluable experience during his 10 years as Chief Financial Officer of Sasol Synfuels – a position he held until 2011, when he was appointed to head up the group’s financial governance and reporting.

Before joining Sasol, Ms VN Fakude was a member of the Group Executive Committee at Nedbank Group Limited. She was also a director of Harmony Gold Mining Company Limited, BMF Investments (Pty) Ltd and Woolworths Holdings Limited.

She is the Chairman of Datacentrix Holdings Limited. She is also a council member and second Deputy Chairman of the Human Resources Development Council of South Africa.

She is a member of the advisory board of the University of Cape Town’s Graduate School of Business.

She attended the Senior Executive Programme at Harvard Business School in the United States in 1999.
INDEPENDENT NON-EXECUTIVE DIRECTORS

MANDLA GANTSHO
BCom (Hons), CA(SA), MSc, MPhil, PhD
South African | born 1962

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2003 and Chairman to the Board in 2013

COLIN BEGGS
BCom (Hons), CA(SA)
South African | born 1948

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2009

HENK DIJKGRAAF
MSc Eng (Mining)
Dutch | born 1946

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2006

IMOGEN MKHIZE
BSc (Information Systems), MBA
South African | born 1963

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2005

Board Committee

Expertise and experience
Dr MSV Gantsho is the Chairman of Africa Rising Capital, the Chairman and member of the Audit Committee of Ithala Development Finance Corporation and the Chairman of Impala Platinum Holdings Limited.

He was the Vice President Operations: Infrastructure, Private Sector and Regional Integration of the African Development Bank from 2006 to 2009, and before that the Chief Executive Officer and Managing Director of the Development Bank of Southern Africa.

He served as a Director of the South African Reserve Bank from 2011 to 2013. In 1997, he was appointed as a Commissioner of the Finance and Fiscal Commission, a body set up in terms of the South African Constitution to advise the South African parliament on intergovernmental fiscal transfers. In 2002, he was appointed as a Member of the Myburgh Commission of Enquiry into the rapid depreciation of the rand during 2001.

Board Committee

Expertise and experience
Mr C Beggs was the Chief Executive Officer of PricewaterhouseCoopers until the end of June 2009. He is a former Chairman of the Board of the South African Institute of Chartered Accountants (SAICA). He served as Chairman of the Accounting Practices Committee and was a Member of the Accounting Practices Board. He is also a Director of the Ethics Institute of South Africa.

He is a Director and Audit Committee Chairman of Absa Bank Limited, Barclays Africa Group Limited and SAB Zenzele Holdings Limited.

Board Committee

Expertise and experience
Mr HG Dijkgraaf is the former Chief Executive Officer of the Dutch natural gas companies, GasTerra, Gasunie and Nederlandse Aardolie Maatschappij. He held various positions in the Royal Dutch Shell group in a number of countries between 1972 and 2003 including the positions of President, Shell Nederland BV, Director, Shell Exploration and Production and Chief Executive, Gas, Power and Coal.

He is Vice Chairman of the Board and Chairman of the Audit Committee of Eneco Holding NV, a major sustainable energy company in Western Europe, a member of the Board of the Southern African-Netherlands Chamber of Commerce and Deputy Chairman and Treasurer of the Netherlands Institute for the Near East.

He attended the Senior Executive Programme at the Massachusetts Institute of Technology in the United States in 1987.

Board Committee

Expertise and experience
Ms IM Mkhize is the former Chairman of The Richards Bay Coal Terminal Company Proprietary Limited. She was the Chief Executive Officer of the 18th World Petroleum Congress from 2003 to 2006 and before that, the Managing Director of Lucent Technologies South Africa. She is a former member of the Financial Markets Advisory Board and previous directorships include Mondi Plc and Mondi Limited, MTN SA, Murray & Roberts, Illovo, Allan Gray, Datacentrix and the Council for Scientific and Industrial Research in South Africa.

She is a director of NPC-Cimphor and Imbewu Capital Partners. She is the Chairman of Rhodes Business School and an emeritus member of the Harvard Business School Global Alumni Board. She is also a member of the Accenture South Africa Advisory Board and a Director of the Ethics Institute of South Africa.

Imogen is a chartered director with the Institute of Directors South Africa.
INDEPENDENT NON-EXECUTIVE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2014

MS NNA MATYUMZA
LLB, CA(SA)
South African | born 1963

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2009

JJ NIEKE
BCompt (Hons), CA(SA), HDip Tax Law
South African | born 1958

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2012

PETER ROBERTSON
BSc (Mech Eng), MBA
American and British | born 1947

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2014

NOMGANDO MATYUMZA
LLB, CA(SA)
South African | born 1963

Board Committee

Expertise and experience

Mr Pj Robertson held various positions ranging from management to executive leadership for Chevron Corporation in the United Kingdom and the United States between 1973 and 2009. These executive positions include Vice President: Finance, Chevron USA, President: exploration and production company, and President: ChevronTexaco Overseas Petroleum. He served as Vice-Chairman of the Chevron Corporation Board of Directors from 2002 to 2009. He has served as the Chairman of the US Energy Association and as a Non-Executive Director of Sasol Chevron Holdings Limited.

Mr PJ Robertson is a director and member of the Audit Committee of Jacobs Engineering Group Inc. He is a member of the Advisory Board of Campbell Lutynes and is Chairman of the World Affairs Council and the US-Saudi Arabian Business Council.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2012

NIKE NIEKE
BCompt (Hons), CA(SA), HDip Tax Law
South African | born 1958

Board Committee

Expertise and experience

Mr MJN Njeke is a past Chairman of the South African Institute of Chartered Accountants. He was the Managing Director of Kagiso Trust Investments from 1994 to 2010. He previously served as a member of the Katz Commission of Inquiry into Taxation in South Africa, the General Committee of the JSE Securities Exchange, the Audit Commission – Supervisory Body of the Office of Auditor General and the Audit Committee of National Treasury.

He is the chairman of Adcorp Holdings Limited, MMI Holdings Limited and serves on the boards of Resilient Property Income Fund and the Council of the University of Johannesburg.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2009

PETER ROBERTSON
BSc (Mech Eng), MBA
American and British | born 1947

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board in 2012

Ms NNA Matyumza is the Lead Independent Director of Wilson Bayly Homes-Ovcon Limited and Chairman of its Audit and Risk Committee.

She is a Non-Executive Director of Hulamin Limited and a member of its Audit Committee. She is also a non-executive director of Ithala Development Finance Corporation Limited. She has held senior financial management and executive positions in various organisations, including South African Breweries, Transnet and Eskom. Gando is a chartered accountant and also holds an LLB degree. She is an ordained minister of the African Methodist Episcopal Church.

She attended the University of Cape Town Graduate School of Business Executive Management Programme in 2000.
Expertise and experience

Mr S Westwell is the Chief Executive Officer and Director of EFR Group BV. He is also a director and chairman of the Audit Committee of Control Risk Limited. He was the Chief Executive Officer of Silver Ridge Power Inc. from 2013 to 2014. He held various management and executive positions for BP in South Africa, the United States, and the United Kingdom between 1988 and 2007. These executive positions include head of BP's retail business in South Africa and Board Member of BP Southern Africa, Chief Executive Officer for BP Solar; and Chief Executive officer for BP Alternative Energy. He served as Group Chief of Staff and member of BP Plc’s executive management team in the United Kingdom from 2008 to 2011. He also worked for Eskom Holdings Limited in several operational capacities.

Expertise and experience

Mr ZM Mkhize is the Executive Director: Manufacturing, Rolled Products of Hulamin Limited and also serves as director of a number of subsidiaries of Hulamin.

Expertise and experience

Mr MJ Cuambe is the Managing Director of MC Investimentos & Consultoria (MCICO). He served as the Executive Chairman and Chief Executive Officer of Electricidade de Moçambique (EDM) from November 2005 to March 2012. Mr Cuambe is the Chairman of Companhia Eléctrica do Zambeze (CEZA), a wholly-owned subsidiary of EDM.

He was a non-executive director of Companhia de Transmissão de Moçambique (MOTRACO), a joint venture between EDM, the Swaziland Electricity Company (SEC) and Eskom, from 1998 to 2002 and served as the Chairman of the Executive Committee of the Southern Africa Power Pool from November 2005 to April 2008.

He has a post-graduate certificate in management studies from the Management College of Southern Africa.
RESPONSIBILITIES OF OUR GROUP EXECUTIVE COMMITTEE

The Joint Presidents and CEOs are jointly and severally liable and accountable and there is joint oversight in all decision-making. However, to ensure that the business is managed effectively, our leadership model uses dual reporting lines, allocating responsibilities into portfolios which comprise a balance across business, functions and regions.

JOINT PRESIDENTS AND CHIEF EXECUTIVE OFFICERS
Bongani Nqwababa* and Stephen Cornell*

Mining
US Operations
Energy
Base Chemicals
Exploration and Production International
Eurasian Operations
Public Affairs
Performance Chemicals
Business Enablement
Secunda Synfuels Operations
Secunda Chemicals Operations
Sasolburg Operations
Natref
Satellite Operations
Dear shareholder,

I am pleased to present the Sasol 2016 summarised remuneration report on behalf of the Remuneration Committee (the Committee). This report only highlights the key components of our policy and how these align to the group’s strategy.

The remuneration policy is a crucial enabler of Sasol’s strategy, encouraging sustainable performance based on a values-driven organisational culture, and aligning behaviour with the company’s approach to risk management. The Committee is tasked by the Sasol Limited Board (the Board) to approve and oversee the implementation of a remuneration policy (policy) that will enable the achievement of the group’s objectives, translate into market-related yet affordable performance-linked rewards, and ensure transparent and balanced reward outcomes that align with shareholder interests over the short and long term.

Ultimately, our policy should enable the attraction and retention of valuable talent.

I had the pleasure over the past four years to engage with our largest shareholders on the policy that has been transformed since 2011. During the past year, we again introduced policy enhancements which include a holding period of two years on the long-term incentive awards offered to top management as well as the termination of the accelerated vesting period in respect of long-term incentives awarded to ‘good leavers’.

The 2016 financial year was significantly impacted by the volatile macro-economic environment including the weakening rand against hard currencies and the significant drop in the crude oil price. However, strong operational performance was supported by delivering on our cash fixed cost and volume targets which were included in our Short-Term Incentive plan. The Committee is pleased with the performance of the group against the short-term incentive target for Fires, Explosives and Releases (FERs), the first time we included this in our efforts to include more environmental measures in our incentive plans.

The inability to achieve the headline earnings target again negatively influenced the percentage pay-out under the Short-Term Incentive plan. In support of the proactive cash conservation measures of the Business Performance Enhancement Programme (BPEP), no salary increases were offered.

We continue to actively enhance our remuneration policy, incorporating feedback from shareholders and aligning it with best market practice.

The detailed Remuneration Report is included as part of the Annual Financial Statements, page 35 – 55.
awarded to employees in executive, management and specialist positions. Below-inflation increases were granted to lower-level employees falling outside the collective bargaining units. This decision assisted the group greatly in meeting the cost savings targets. The Committee further decided to use its discretion and reduce the short-term incentive payments for members of the Group Executive Committee, given the LCCP cost escalation of US$2.1 billion. No fee increases will be tabled for non-executive directors, for the next financial year.

The long-term incentives (LTI) that were issued in September 2013 with corporate performance targets, will vest at 93% in September 2016.

Some remuneration policy changes were also agreed to by the Committee, which will take effect from the next financial year. The Board appointed two Joint Presidents and CEOs to take over from David E Constable who stepped down from his position on 30 June 2016. In both cases, remuneration packages that are within the confines of our policy yet commensurate with the responsibilities taken on, were offered and accepted and the minimum share ownership requirements for these positions as well as for the Executive Directors, were increased by 50%. The Committee will table an equity-settled Long-Term Incentive plan to shareholders for approval at the 2016 annual general meeting.

For the first time, the Committee also approved the inclusion of a Return on Invested Capital as a target to replace growth in attributable Headline Earnings, in the Long-Term Incentive plan. Finally, an Energy Efficiency target at group level, will be included in the Short-Term Incentive Plan. 20% of our STI scorecard is now dedicated to environmental, social and governance related matters.

We appreciate your on-going support.

Henk Dijkgraaf
Chairman of the Remuneration Committee
8 September 2016
### Key components of Sasol's remuneration policy

Our remuneration policy is linked to our strategy and is a key enabler for the achievement of the group’s key performance indicators.

<table>
<thead>
<tr>
<th>Remuneration component</th>
<th>Policy principles and application</th>
<th>Performance targets and pay-out details</th>
</tr>
</thead>
</table>
| **Total Guaranteed Package (TGP)/base salary** | ▪ Broad pay bands are set around location- and sector-specific median benchmark points.  
▪ The total cost of annual increases is approved by the Committee and set in accordance with market movement, affordability and forecast inflation.  
▪ Distribution of increases to employees outside the bargaining forums is done with reference to individual performance, internal equity, competence and potential. Effective date: 1 October.  
▪ Performance-based increases are not applied for the bargaining sectors. Effective date: 1 July. | ▪ Salaries are paid monthly to all employees except for employees in the United States and Canada who receive salary payments on a bi-weekly basis in line with local market practice.  
▪ Employees who are promoted are considered for adjustments, if justified.  
▪ SA bargaining sector increases varied between 6% and 6.75% for 2016. |
| **Benefits and allowances** | ▪ Benefits include, but are not limited to, membership of a retirement plan and health insurance, disability and death cover to which contributions are made by both the company and the employee.  
▪ Allowances are paid in terms of statutory compliance and mostly at unionised levels. | ▪ Benefits are offered on retirement, for reasons of sickness, disability or death.  
▪ Allowances are linked to roles within specific locations and paid together with salaries. |
| **Short-Term Incentive (STI) plan** | ▪ A single structure is applicable to all employees globally, excluding certain employees who are aligned with Mining production or sales commission arrangements.  
▪ Target incentive percentages are set in accordance with median benchmarks.  
▪ The STI structure consists of group, entity and individual performance targets set in advance of every financial year.  
▪ Annual payment of STIs in September, upon approval by the Committee. Monthly payment of the production bonuses to Mining employees. | ▪ Group targets as per the STI plan.  
▪ Entity targets are set in line with business plans including project milestones, approved by the responsible executive vice president (EVP). Sustainability, safety and B-BBEE targets are also set at entity level.  
▪ Individual targets are included in the performance agreement and refer to the requirements of the role. |
| **Long-Term Incentive plan (LTI)** | The LTI structure consists of future cash incentive payments calculated with reference to the market value of a Sasol ordinary share (or American Depository Receipt (ADR) for international participants), subject to the vesting conditions.  
The Committee is responsible for governing LTI awards and considers these in the case of promotions, appointments and retention of eligible employees. Awards are directly linked to the role and individual performance, and vesting is subject to service and performance targets. Vesting period is three years, with a further holding period of two years for top management in respect of 50% of the award. | Of the total award, the following portion is linked to corporate performance targets (CPTs):  
▪ Group Executive Committee (GEC): 100%  
▪ Other participants: 60%  
Corporate performance targets are included in the long-term incentive target table as set-out on page 71. |
## Short-term incentive targets

The following table sets out the targets and weightings approved for the STI plan, for periods 2015 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>2015 targets</th>
<th>Weight</th>
<th>2016 targets</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-on-year growth in headline earnings</td>
<td>35%</td>
<td>Year-on-year growth in headline earnings</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Year-on-year growth in cash fixed costs</td>
<td>15%</td>
<td>Year-on-year growth in cash fixed costs including BPEP</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Volume growth (fuel equivalent tons)</td>
<td>20%</td>
<td>Volume growth (fuel equivalent tons)</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Employment equity</td>
<td>10%</td>
<td>Employment equity</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Safety (RCR)</td>
<td>10%</td>
<td>Preferential procurement</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Key milestones in Business Performance Enhancement Programme (BPEP)</td>
<td>10%</td>
<td>Improvement in working capital and gross margin</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

Changes to targets are in direct response to our strategy and business plan and the key areas that we need our employees to focus on. The reduction in the weight allocated towards headline earnings was reduced specifically in response to our shareholders’ request. However, the Committee has agreed to not reduce the weighting any further.

Achievement against the 2016 targets is included on page 70.

The following targets were approved for the long-term incentives awarded during 2015 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>2015 targets</th>
<th>Weight</th>
<th>2016 targets</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in tons produced per head</td>
<td>25%</td>
<td>Increase in tons produced per head</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Compound growth in attributable earnings</td>
<td>25%</td>
<td>Compound growth in attributable earnings</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>TSR – MSCI World Energy Index</td>
<td>35%</td>
<td>TSR – MSCI World Energy Index</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>TSR – JSE Resources 10 Index (excl Sasol)</td>
<td>15%</td>
<td>TSR – MSCI World Chemicals Index</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

As illustrated, the only change over the period 2015/2016 relates to the exclusion of the JSE Resources 10 Index in favour of the MSCI World Chemicals Index which better reflects the Sasol business model and is also a more stable index used for comparative purposes.

Achievement against the targets in respect of LTIs that have vested during 2016, is included on page 71.

The President and CEO’s performance is assessed by the Board, on recommendation of the Committee and the Chairman of the Board. Performance is measured against a pre-determined set of objectives that include, *inter alia*, strategic leadership, business results, project progress and stakeholder relations as reflected in the performance scorecard.

As the portfolios of GEC members cover a number of business units or group functions and large-scale projects, we include a weighted combination of the relevant scores in the individual performance score for each GEC member. The measures that are assessed for the individual performance factors for members of the GEC include a combination of portfolio-specific targets.
Achievements against the 2016 STI targets

The following table details the incentive scores against each of the group targets:

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Group targets</th>
<th>Weighting</th>
<th>Threshold (0%)</th>
<th>Target (100%)</th>
<th>Stretch target (150%)</th>
<th>Weighted achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings growth</td>
<td>Year-on-year growth in headline earnings</td>
<td>30%</td>
<td>2015 + CPI (measured over the fiscal year) +2%</td>
<td>2015 + CPI (measured over the fiscal year) +8%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year-on-year growth in volumes</td>
<td>20%</td>
<td>2015 volumes +1,5%</td>
<td>2015 volumes +2%</td>
<td>16,67%</td>
<td></td>
</tr>
<tr>
<td>Gearing</td>
<td>Year-on-year growth in cash fixed costs (CFC) less PPI</td>
<td>20%</td>
<td>Approved group 2016 CFC budget including BPEP target savings and RP target savings of R3,5bn</td>
<td>Approved group 2016 CFC budget including BPEP target savings and RP target savings of R4,5bn</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Working capital and gross margin</td>
<td>10%</td>
<td>2016 gross margin and working capital budget – 15%</td>
<td>2016 gross margin and working capital budget</td>
<td>9,82%</td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td>Broad-Based Black Economic Empowerment B-BBEE Preferential Procurement</td>
<td>5%</td>
<td>0% improvement on 51% Black owned spend in South Africa of R2,3bn</td>
<td>51% Black owned spend in South Africa of R3,2bn</td>
<td>7,5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment Equity</td>
<td>5%</td>
<td>30% of all opportunities used to appoint African and Coloured employees</td>
<td>60% of all opportunities used to appoint African and Coloured employees</td>
<td>7,5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Safety indicators (FERs) (RCR excluding illnesses) modified for fatalities</td>
<td>5%</td>
<td>No improvement on 2015 actual FERs</td>
<td>5% improvement on 2015 actual FERs</td>
<td>10% improvement on 2015 actual FERs</td>
<td>7,5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5%</td>
<td>0,380</td>
<td>0,31 being a 5% improvement on 2015 actual RCR</td>
<td>10% improvement on 2015 actual RCR</td>
<td>3%</td>
</tr>
</tbody>
</table>

TOTAL 81,99%

The STI group performance achievement of 81,99%, compares to 82,2% achieved in 2015.

Grow shareholder value sustainably
Long-term incentive targets

The following table summarises the corporate performance targets (CPTs), under which we granted the FY16 LTI awards. Vesting is considered in terms of the weighted performance measured against four targets. There is no opportunity for re-testing of targets.

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Measures</th>
<th>Weight (of the portion linked to the CPTs)</th>
<th>Target (at which 100% of the award vest)</th>
<th>Stretch (at which 200% of the award vest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings growth</td>
<td>Increase in tons produced per head</td>
<td>25%</td>
<td>0% improvement on 2015 base target</td>
<td>1% improvement on 2015 base target</td>
</tr>
<tr>
<td>US dollar EBIT growth</td>
<td></td>
<td></td>
<td>2% improvement on 2015 base target</td>
<td></td>
</tr>
<tr>
<td>Return on invested capital</td>
<td>Growth in attributable earnings</td>
<td>25%</td>
<td>80% of average compound CPI for the three financial years</td>
<td>&gt;100% to 120% of average compound CPI for the three financial years</td>
</tr>
<tr>
<td>Target: Capital portfolio to deliver return on capital invested of 18.3%</td>
<td>TSR² – MSCI World Energy Index</td>
<td>25%</td>
<td>40th percentile</td>
<td>60th percentile</td>
</tr>
<tr>
<td></td>
<td>TSR² – MSCI World Chemicals Index</td>
<td></td>
<td>75th percentile</td>
<td></td>
</tr>
</tbody>
</table>

¹ Vesting on a ranked relative basis between threshold and target and between target and maximum.
² TSR = Total Shareholders’ Return.

The following table provides a summary of outstanding LTI awards and vesting percentages:

<table>
<thead>
<tr>
<th>Financial year of allocation</th>
<th>Vesting year (financial year)</th>
<th>Vesting range</th>
<th>Weighting of performance targets</th>
<th>Vesting results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Growth in attributable earnings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Production volume growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Increase in tons produced/head</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TSR vs MSCI Chemical Index</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TSR vs JSE RESI 10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TSR vs MSCI Energy Index</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>2016</td>
<td>40% to 160%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>30% to 170%¹</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% to 160%²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2018</td>
<td>0% to 200%¹</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% to 160%²</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>2016</td>
<td>2019</td>
<td>0% to 200%¹</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% to 160%²</td>
<td></td>
<td>25%</td>
</tr>
</tbody>
</table>

¹ GEC.
² All other participants.

No Share Appreciation Rights Awards have been made since 2013. More detail on the plan and vesting percentages is included on pages 45 – 46 of the Annual Financial Statements.

The Committee made no changes to formulaic results. The LTIs vesting in September 2016 at 93% is largely as a result of the TSR performance against the JSE RESI10 and MSCI Energy Index respectively (below median), record production volumes and reduced headcount.
Share ownership guideline

The share ownership guideline which became effective on 1 July 2014 has been increased as follows and will be effective from 1 July 2016:

- President and Chief Executive Officer: 300% of annual pensionable remuneration
- Chief Financial Officer and other executive directors: 200% of annual pensionable remuneration

The requirement must be fully achieved within five years from 1 July 2014, or from the date of appointment, if after this date.

Sasol clawback policy

The Board may implement clawbacks for material misstatement of results, errors in incentive calculations and gross misconduct leading to dismissal. Clawbacks may be implemented from all gains derived from any Short- or Long-Term Incentive plan, excluding the Sasol Inzalo (BEE) plans. In the event that an employee has left the services of the company, or there is limited possibility of recovering amounts from future incentive awards, the company may institute proceedings to recover such amounts.

Non-executive director fees

Non-executive directors are appointed to the Sasol Limited Board based on their ability to contribute competence, insight and experience appropriate to assisting the group to set and achieve its objectives. Consequently, we set fees at levels to attract and retain the calibre of director necessary to contribute to a highly effective board. These directors do not receive short-term incentives, nor do they participate in long-term incentive plans. No arrangement exists for compensation in respect of loss of office. We review actual fees and the fee structure annually. In setting the fees, we give consideration to the increasing responsibility placed on non-executive directors due to onerous legal and regulatory requirements and the commensurate risk assumed. The peer group we use for benchmarking of fees is the same as that used for executive remuneration benchmarking. The Board recommends the fees payable to the Chairman and non-executive directors for approval by shareholders.

Remuneration in 2016

President and Chief Executive Officer and Executive Directors’ remuneration

The President and Chief Executive Officer’s salary and short-term incentive is paid to him on a net of tax basis in US Dollars in terms of the company’s expatriate remuneration policy.

The required rand-based disclosure is impacted by the rand/US$ exchange rate. In the past financial year, the rate has fluctuated between R12,25 and R16,88 which distorts the actual remuneration received when disclosed in rand. Therefore, to facilitate comprehensive remuneration disclosure, the table below provides the actual year-on-year increase in net base salary and STI in US Dollars since 2012.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net base salary</td>
<td>827 782</td>
<td>865 032</td>
<td>899 633</td>
<td>935 618</td>
<td>935 618</td>
<td>0%</td>
</tr>
<tr>
<td>Net STI</td>
<td>839 803</td>
<td>1 320 231</td>
<td>1 717 770</td>
<td>1 034 794</td>
<td>524 015</td>
<td>(49%)</td>
</tr>
</tbody>
</table>

The table below provides factors considered in the final determination of the annual STI award. The final Individual Performance Factors (IPFs) are disclosed in a range. In response to the LCCP overruns, the Board agreed to reduce the short-term incentives of the GEC members through a negative modifier, to the extent that they were directly or indirectly responsible for project execution.

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>TGP/Base salary as at 30 June 2016</th>
<th>Target %</th>
<th>Group factor %</th>
<th>Individual Performance factor % range</th>
<th>Board Modifier (LCCP) %</th>
<th>FY16 STI value F = AxBxCxDxE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE Constable</td>
<td>US935 618</td>
<td>115</td>
<td>81,99</td>
<td>90 - 100</td>
<td>(40)</td>
<td>US524 015</td>
</tr>
<tr>
<td>VN Fakude</td>
<td>R8 049 146</td>
<td>90</td>
<td>81,99</td>
<td>90 - 100</td>
<td>(15)</td>
<td>R5 048 613</td>
</tr>
<tr>
<td>B Nqwababa</td>
<td>R6 700 000</td>
<td>90</td>
<td>81,99</td>
<td>95 - 105</td>
<td>(15)</td>
<td>R4 412 517</td>
</tr>
</tbody>
</table>

1 Net USD salary used to calculate net USD short-term incentive.
2 Actual score determined by performance against individual scorecard, in range of 0% – 150%.
Remuneration and benefits paid (disclosed in rands) and approved in respect of 2016 for executive directors were as follows:

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>DE Constable(^3)</th>
<th>B Nqwababa(^4)</th>
<th>VN Fakude(^5)</th>
<th>P Victor(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>2016</td>
<td>2015</td>
<td>% change</td>
<td>2016</td>
</tr>
<tr>
<td>Total salary and benefits</td>
<td>29 600</td>
<td>23 433</td>
<td>26</td>
<td>8 906</td>
</tr>
<tr>
<td>Annual Short-Term Incentive(^1)</td>
<td>12 437</td>
<td>23 578</td>
<td>(47)</td>
<td>4 413</td>
</tr>
<tr>
<td>Long-Term Incentive gains(^2)(^,(^7)</td>
<td>14 352</td>
<td>13 196</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total annual remuneration</strong></td>
<td><strong>56 389</strong></td>
<td><strong>60 207</strong></td>
<td><strong>(6)</strong></td>
<td><strong>13 319</strong></td>
</tr>
</tbody>
</table>

\(^1\) Incentives approved on the group results for the 2016 financial year and payable in the following year. Incentives are calculated as a percentage of total guaranteed package/net base salary as at 30 June 2016. The difference between the amount approved as at 9 September 2016 and the total amount accrued as at 30 June 2016 represents an over/under provision of R19.3 million. The overprovision of R14.2 million for 2015 was reversed in 2016.

\(^2\) Total annual remuneration includes gains derived from the long-term incentive plan vesting during the year under review.

\(^3\) Salary and short-term incentive paid in US dollars, reflected at the exchange rate of the month of payment for the salaries, and on 9 September 2016 for the incentive being the date of approval of the consolidated annual financial statements. Change in rand values are as a result of exchange rate fluctuations. Other benefits for Mr DE Constable include the cost of grossing up additional benefits offered under the expatriation policy for tax purposes. Security (R603 500), medical aid (R258 125), housing including gross-up (R2 274 411), vehicle insurance (R3 975), home leave allowance including gross-up (R700 737), risk and personal cover (R156 693) and leave encashment including gross-up (R3 676 188). Medical benefits include international cover for dependents.

\(^4\) B Nqwababa was appointed as Chief Financial Officer on 1 March 2015 and amounts reflect pro-rata period for 2015. A sign on payment totalling R9 000 000 and payable over three years was concluded with Mr B Nqwababa as part of his employment contract compensating partially for incentives and benefits forfeited when he resigned from his previous employer. This amount reflects the first and second tranche, apportioned for his period of service within the 2016 financial year. The remaining balance will be paid in FY17.

\(^5\) Benefits include a 10 year long-service award and Inzalo dividends earned during the financial year.

\(^6\) Pro rata remuneration received by Mr P Victor as acting Chief Financial Officer (CFO) during the 2015 financial year. Other benefits include a retention payment of R1 500 000 in October 2014. Mr P Victor stood down as acting CFO with effect from 28 February 2015 and as such there were no LTIs which vested at 30 June 2015, in his capacity as acting CFO.

\(^7\) Long-term incentives for the 2016 financial year represent the number of units \(X\) corporate performance target achieved (2016) \(X\) closing share price on 8 September 2016. Actual vesting date is 26 September 2016. Financial year 2015 long-term incentive gains reflect LTIs vested in September 2015. We have amended our 2015 comparatives to align to this principle. The gains from SARs exercised during 2016 are disclosed on page 138 of the Annual Financial Statements.

### Prescribed Officers

The table below provides factors considered in the final determination of the annual STI award. The final Individual Performance Factors (IPFs) are disclosed in a range.

<table>
<thead>
<tr>
<th>Prescribed Officers</th>
<th>TGP/Base salary as at 30 June 2016</th>
<th>Target %</th>
<th>Group factor %</th>
<th>Individual performance factor % range(^1)</th>
<th>Committee modifier (LCCP)%</th>
<th>FY16 STI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR Cornell</td>
<td>US$669 500</td>
<td>75</td>
<td>81.99</td>
<td>65-75</td>
<td>(25)</td>
<td>US$231 577</td>
</tr>
<tr>
<td>FR Grobler</td>
<td>R4 631 949</td>
<td>75</td>
<td>81.99</td>
<td>95-105</td>
<td>(15)</td>
<td>R5 412 109</td>
</tr>
<tr>
<td>VD Kahlen</td>
<td>R5 469 952</td>
<td>75</td>
<td>81.99</td>
<td>95-105</td>
<td>(15)</td>
<td>R3 042 102</td>
</tr>
<tr>
<td>BE Klingenberg</td>
<td>R6 316 568</td>
<td>75</td>
<td>81.99</td>
<td>100-110</td>
<td>(15)</td>
<td>R3 651 742</td>
</tr>
<tr>
<td>M Radebe</td>
<td>R8 668 500</td>
<td>75</td>
<td>81.99</td>
<td>95-105</td>
<td>(15)</td>
<td>R2 671 933</td>
</tr>
<tr>
<td>CF Rademan</td>
<td>R5 938 650</td>
<td>75</td>
<td>81.99</td>
<td>100-110</td>
<td>(15)</td>
<td>R3 414 456</td>
</tr>
<tr>
<td>SJ Schoeman</td>
<td>R5 300 000</td>
<td>75</td>
<td>81.99</td>
<td>90-100</td>
<td>(15)</td>
<td>R2 770 237</td>
</tr>
</tbody>
</table>

\(^1\) Actual score determined by performance against individual scorecard, in range of 0% – 150%.
Remuneration and benefits paid (disclosed in Rands) and approved in respect of 2016 for Prescribed Officers were as follows:

<table>
<thead>
<tr>
<th>Prescribed Officers</th>
<th>SR Cornell</th>
<th>FR Grobler</th>
<th>VD Kahla</th>
<th>BE Klingenberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>2016</td>
<td>2015</td>
<td>% change</td>
<td>2016</td>
</tr>
<tr>
<td>Total salary and benefits</td>
<td>16 066</td>
<td>12 582</td>
<td>28</td>
<td>4 653</td>
</tr>
<tr>
<td>Annual Short-Term Incentive ≥</td>
<td>3 243</td>
<td>6 489</td>
<td>(50)</td>
<td>2 542</td>
</tr>
<tr>
<td>Long-Term Incentive gains ≥</td>
<td>12 736</td>
<td>–</td>
<td>100</td>
<td>6 825</td>
</tr>
<tr>
<td>Total annual remuneration</td>
<td>32 045</td>
<td>19 071</td>
<td>(68)</td>
<td>14 020</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prescribed Officers</th>
<th>E Oberholster</th>
<th>M Radebe</th>
<th>CF Rademan</th>
<th>SJ Schoeman</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>2016</td>
<td>2015</td>
<td>% change</td>
<td>2016</td>
</tr>
<tr>
<td>Total salary and benefits</td>
<td>–</td>
<td>3 469</td>
<td>5 005</td>
<td>4 818</td>
</tr>
<tr>
<td>Annual Short-Term Incentive ≥</td>
<td>–</td>
<td>2 063</td>
<td>2 672</td>
<td>3 002</td>
</tr>
<tr>
<td>Long-Term Incentive gains ≥</td>
<td>–</td>
<td>–</td>
<td>4 233</td>
<td>5 418</td>
</tr>
<tr>
<td>Total annual remuneration</td>
<td>–</td>
<td>5 532</td>
<td>11 910</td>
<td>13 238</td>
</tr>
</tbody>
</table>

1. Incentives approved on the group results for the 2016 financial year and payable in the following year. Incentives are calculated as a percentage of total guaranteed package/net base salary as at 30 June 2016. The difference between the amount approved as at 9 September 2016 and the total amount accrued as at 30 June 2016 represents over/under provision of R9,6 million. The overprovision of R6 million for 2015 was reversed in 2016.
2. Total Annual remuneration includes gains derived from the long-term incentive award vesting on the performance of the financial year under review.
3. Mr SR Cornell is paid in US dollars and the increase in salary and benefits reflect impact of the rand/US$ exchange rate. Mr SR Cornell received a payment of US$100 000 linked to a deferred sign on agreement which is part of his employment contract. Other benefits include a sign on payment of US$750 000 linked to a retention period of 36 months. This amount reflects the portion related to his period in service for the financial year (US$750 000*12/36).
4. Mr E Oberholster retired from the group with effect from 31 March 2015.
5. Benefits include Inzalo Dividends earned during the financial year.
6. Benefits include a 35 year long-service award.
7. Mr SJ Schoeman received a salary/TGP increase in March 2016 upon his appointment to the US Mega project team.
8. Long-term incentives for the 2016 financial year represent the number of units x corporate performance target achieved (2016) x closing share price on 8 September 2016. The actual vesting date for the annual awards made on 12 September 2013, is 26 September 2016. Included in the 2016 long-term incentive gains, are gains for awards allocated on appointment to Sasol. The actual vesting date for these awards are 13 March 2017 for Mr SJ Cornell (R12 736 297), 20 November 2016 for Mr FR Grobler (R3 389 579), and 5 June 2017 for Mr SJ Schoeman (R3 389 579). Financial year 2015 long-term incentive gains reflect LTI units vested in September 2015. We have amended our 2015 comparatives to align to this principle.
Non-executive directors

Non-executive directors’ remuneration for the year was as follows:

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>Board meeting fees R’000</th>
<th>Independent Director fees R’000</th>
<th>Committee fees R’000</th>
<th>Share Incentive Trust fees R’000</th>
<th>Ad hoc or special meetings R’000</th>
<th>Total 2016 R’000</th>
<th>Total 2015 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSV Gantsho (Chairman)</td>
<td>4 900</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4 900</td>
<td>4 900</td>
</tr>
<tr>
<td>JE Schrempp(^1, (^2)</td>
<td>1 050</td>
<td>305</td>
<td>279</td>
<td>34</td>
<td>63</td>
<td>1 731</td>
<td>2 909</td>
</tr>
<tr>
<td>(Lead Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HG Dijkgraaf(^1, (^5)</td>
<td>2 183</td>
<td>452</td>
<td>1 158</td>
<td>67</td>
<td>95</td>
<td>3 955</td>
<td>2 788</td>
</tr>
<tr>
<td>(Lead Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Beggs</td>
<td>660</td>
<td>–</td>
<td>515</td>
<td>–</td>
<td>21</td>
<td>1 196</td>
<td>1 129</td>
</tr>
<tr>
<td>MJ Cuambe(^1, (^3)</td>
<td>186</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>186</td>
<td>–</td>
</tr>
<tr>
<td>NNA Matyumza</td>
<td>660</td>
<td>–</td>
<td>350</td>
<td>–</td>
<td>–</td>
<td>1 010</td>
<td>610</td>
</tr>
<tr>
<td>IN Mkhize</td>
<td>660</td>
<td>–</td>
<td>569</td>
<td>134</td>
<td>21</td>
<td>1 384</td>
<td>1 317</td>
</tr>
<tr>
<td>ZM Mkhize</td>
<td>660</td>
<td>–</td>
<td>117</td>
<td>–</td>
<td>42</td>
<td>819</td>
<td>689</td>
</tr>
<tr>
<td>MJN Njeke</td>
<td>660</td>
<td>–</td>
<td>228</td>
<td>–</td>
<td>–</td>
<td>888</td>
<td>792</td>
</tr>
<tr>
<td>B Nqwababa(^4)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>171</td>
</tr>
<tr>
<td>PJ Robertson(^1)</td>
<td>2 183</td>
<td>–</td>
<td>1 129</td>
<td>67</td>
<td>32</td>
<td>3 411</td>
<td>2 276</td>
</tr>
<tr>
<td>S Westwell(^1)</td>
<td>2 183</td>
<td>–</td>
<td>950</td>
<td>–</td>
<td>32</td>
<td>3 165</td>
<td>2 357</td>
</tr>
</tbody>
</table>

Total: 15 985 757 5 295 302 306 22 645 19 938

\(^1\) Board and committee fees paid in US dollars.
\(^2\) Prof JE Schrempp retired from the board effective 4 December 2015.
\(^3\) Appointed as non-executive director effective 1 June 2016.
\(^4\) Mr B Nqwababa resigned as non-executive director effective 26 September 2014 and was re-appointed as executive director with effect from 1 March 2015.
\(^5\) Appointed as Lead Independent Director on 4 December 2015.
SUMMARISED CHIEF FINANCIAL OFFICER’S REVIEW

Paul Victor, Chief Financial Officer

WHAT YOU WILL READ:

- Financial performance
- Operational performance
- Key financial risks
- Funding plan and capital allocation
- Our outlook for 2017
Overview

The 2016 financial year proved to be yet another challenging year for Sasol as management continued to implement and intensify a range of initiatives to sustainably reduce operating costs, rebalance the capital portfolio, effectively manage our balance sheet, and – most importantly – continue to deliver maximum shareholder value sustainably.

Global economic uncertainty, heightened exchange rate volatility and lower oil and commodity chemical prices continued to affect our profitability. Oil prices remained low, falling by more than 50% as our industry found itself in a position not seen for many years. The sustained low price, driven mostly by a continued global oversupply, is expected to start rebalancing by the end of the 2016 calendar year. Our work in repositioning Sasol through our Business Performance Enhancement Programme (BPEP), initiated in 2012, as well as our low oil Response Plan (RP) enabled us to proactively manage the business during this uncertain and volatile period.

Against the strong headwinds of a 41% lower average Brent crude oil price and a 27% weaker rand/US dollar exchange rate, Sasol’s headline earnings per share (HEPS) declined by 17% to R41.40 per share and earnings per share (EPS) declined by 56% to R21.66. EPS was mainly negatively impacted by lower oil prices as well as the impairment of R9.9 billion (CAD880 million) of our Canadian shale gas assets on the back of declining North American gas prices.

We continued to focus on factors within our control: volume growth through safe and sustainable operations, cost containment to below inflation and proactively managing our balance sheet within our gearing and liquidity risk parameters.

The detailed Chief Financial Officer’s review is included as part of the Annual Financial Statements, pages 2 to 23.
Operational performance

Overall, the group delivered a strong operational performance across most of the value chain. This was driven by a 1% increase (97,000 tons) in Secunda Synfuels’ production volumes to a record 7.8 million tons (mm tons) and a 1% increase in Natref production and a 4% increase in production at our Eurasian Operations.

Despite the turbulent macro-economic environment, sales volumes from our Performance Chemicals business, normalised for the planned shutdown at our Sasolburg facilities and ethylene plant in North America, increased by 1.8% and reported resilient average gross margins due to its diverse product portfolio. Base Chemicals reported an 8% decline in sales volumes as a result of a planned extended shutdown to enable the commissioning activities of the C3 expansion project, subdued demand for explosives and fertilisers as well as a planned stock build. Normalised sales volumes decreased by 2.6%.

Cost performance

Without compromising on the safety, reliability and sustainability of our operations, we accelerated our cost containment and cash conservation initiatives. This resulted in an 8.1% decline in normalised cash fixed costs, in real terms, compared to the prior year. We updated our BPEP targets and now plan to deliver R5.4 billion in sustainable cash cost savings by the end of the 2018 financial year. We further intensified and extended our RP to run over a 42-month period to the end of the 2018 financial year and increased our cash conservation and savings target range to achieve between R65 billion and R75 billion. The contribution of these projects, supported by our fit-for-purpose operating model and our diversified asset base, allows Sasol to operate profitably at oil prices of US$40 per barrel (bbl).

Capital growth projects

Our near- to medium-term growth strategy focuses on two regions: Southern Africa and North America. Therefore, we are paying particular attention to the execution of our world-scale ethane cracker and derivatives complex – the Lake Charles Chemicals Project (LCCP) – in the United States (US) as well as further developing our footprint in Mozambique.

A detailed review on the LCCP confirmed that the total cost for the project is expected to be US$11 billion, an increase of US$2.1 billion from the estimate at the time of final investment decision (FID) in October 2014. This includes a sufficient contingency to effectively manage the project to beneficial operations (BO). The increase was mainly the result of:

- higher site and civil costs as more ground works were required to establish the site than previously estimated;
- an increase in the home office and construction costs of the engineering, construction and procurement management contractor; and
- higher labour costs.

Acknowledging the extent of this increase, we are intensifying our focus to manage these costs lower. On an unlevered basis, the returns from LCCP are expected to be slightly above the company’s US dollar weighted average cost of capital of 8%, although below the returns expected at the time of FID. We still consider the LCCP to be a sound strategic investment that will return value to our shareholders for many years. It is an ideal opportunity to build a world-scale chemicals facility that will be placed in the bottom quartile of the cost curve, with availability of large quantities of attractively priced feedstock and easy access to domestic and export markets, comparatively superior infrastructure and in a location with low political and other investment risks. Refer to pages 16 and 17 for a detailed analysis on the LCCP.

In Mozambique, we obtained approval from the Mozambique Council of Ministers in January 2016, for a field development plan that will see further hydrocarbon resources developed to support our Southern African growth drivers. The first phase of the Production Sharing Agreement (PSA) licence area development proposes an integrated oil, liquefied petroleum gas (LPG) and gas project adjacent to the Petroleum Production Agreement area. We also received approval from the Government of Mozambique, in January 2016, to develop a fifth train at the Central Processing Facility to process additional gas from the PSA licence area. The total project cost for tranche one of the first phase of the PSA licence area and the fifth train is estimated at US$1.4 billion. The project is in its early stages of execution with the drill rig proceeding with the 13 well drilling programme.

Given our growth initiatives, in the year our capital expenditure (including capital accruals) was R70.4 billion. This was below our earlier guidance to the market of R74 billion largely the result of our cash conservation initiatives and our active management of the capital portfolio. As part of our intensified RP, we further had to de-risk and re-phase certain projects, while prioritising capital for our Southern African and US growth projects.

Strong cash flows from our various diversified businesses coupled with the delivery of RP actions resulted in a year-end gearing of 14.6%. Despite the higher LCCP capital cost estimate, we are still of the view that we can fully fund the project, remain below our self-imposed gearing limit of 44% until 2018 (40% gearing thereafter) as we continue to declare dividends in line with our dividend policy of 2.2 to 2.8 times headline earnings cover range.
Financial performance

Earnings attributable to shareholders for the year ended 30 June 2016 decreased by 55% to R13,2 billion from R29,7 billion in the prior year. Headline earnings per share (HEPS) decreased by 17% to R41,40 and earnings per share (EPS) decreased by 56% to R21,66.

Operating profit of R24,2 billion decreased by 48% compared to the prior year on the back of a challenging and highly volatile global market. Average dated Brent was US$43/bbl for the year ended 30 June 2016 compared with US$73/bbl in the prior year. Although commodity chemical prices were lower due to depressed oil prices, there was still strong demand and robust margins in certain key markets. The average price of the basket of commodity chemicals decreased by 22% compared to a 41% decrease in oil prices. However, the average margin for our specialty chemicals business remained resilient compared to the prior year. The effect of lower oil and commodity chemical prices was partly offset by a 27% weaker average rand/US dollar exchange rate (R14,52/US$ for the year ended 30 June 2016 compared with R11,45/US$ in the prior year). On average the rand/bbl oil price of R630 was 25% lower compared to the prior year.

Earnings per share (EPS) including and excluding once-off items (Rand per share)

Key drivers impacting operating profit

The key indicators of our operating performance during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>%</th>
<th>2015</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td></td>
<td>Rm</td>
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</tr>
<tr>
<td>Turnover</td>
<td>172 942</td>
<td>(7)</td>
<td>185 266</td>
<td>(9)</td>
<td>202 683</td>
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<tr>
<td>Variable gross margin</td>
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<td>(5)</td>
<td>101 428</td>
<td>(7)</td>
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<tr>
<td>Non-cash costs</td>
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<td>14 354</td>
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<tr>
<td>Operating profit margin</td>
<td>%</td>
<td></td>
<td>24</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Operating profit</td>
<td>24 239</td>
<td>(48)</td>
<td>46 549</td>
<td>2</td>
<td>45 818</td>
</tr>
<tr>
<td>Earnings attributable to shareholders</td>
<td>13 225</td>
<td>(55)</td>
<td>29 716</td>
<td>–</td>
<td>29 580</td>
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<tr>
<td>Earnings per share</td>
<td>Rand</td>
<td></td>
<td>48,71</td>
<td></td>
<td>48,57</td>
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<tr>
<td>Headline earnings per share</td>
<td>41,60</td>
<td>(17)</td>
<td>49,76</td>
<td>(17)</td>
<td>60,16</td>
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</table>

Operating profit decreased by 48% (R22 310 million) in 2016 compared to a 2% increase (R731 million) in 2015.

The movement in the reported operating profit can be graphically depicted as follows:

Operating profit – price volume variance analysis (R million)
Sasol’s profitability was further impacted by the following notable once-off and significant items:

- a net remeasurement items expense of R12,9 billion compared to a R0,8 billion expense in the prior year. These items relate mainly to a partial impairment of our low density polyethylene cash generating unit in the US of R1,0 billion (US$65 million) and our share in the Montney shale gas asset of R9,9 billion (CAD$880 million);
- a cash-settled share-based payment charge to the income statement of R371 million compared to a credit of R1,4 billion in the prior year. The credit in the prior year was largely due to a 29% decrease in the share price in financial year 2015; and
- the reversal of a provision of R2,3 billion (US$166 million) based on a favourable ruling received from the Tax Appeal Tribunal in Nigeria relating to the Escravos Gas-to-Liquids (EGTL) project.

The increase in the effective corporate tax rate from 31,7% to 36,6% was mainly as a result of the R9,9 billion partial impairment of our Canadian shale gas assets which was partially offset by the recognition of a previously unrecognised deferred tax asset on the PSA in Mozambique of R945 million. The normalised effective tax rate, excluding equity accounted investments, remeasurement items and once-off items, was 28,2% compared to 33,0% in the prior year.

Operational performance

Notwithstanding a tough macro-economic environment, we maintained a strong operational performance across our global integrated value chain over the year. Our Energy business liquid fuels production increased by 1% compared to the prior year due to record production volumes by Secunda Synfuels Operations and continued stable operations at the Natref Operations.

The composition of turnover and profit from operations by segment is set out below:

### Contribution to group turnover (%)

<table>
<thead>
<tr>
<th>Segment report</th>
<th>Turnover</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>204 666</td>
<td>187 312</td>
<td>173 042</td>
<td></td>
</tr>
<tr>
<td>Exploration and Production International</td>
<td>14 334</td>
<td>15 687</td>
<td>16 975</td>
<td></td>
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<tr>
<td>Energy</td>
<td>5 208</td>
<td>5 172</td>
<td>4 211</td>
<td></td>
</tr>
<tr>
<td>Base Chemicals</td>
<td>86 052</td>
<td>75 800</td>
<td>64 341</td>
<td></td>
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<tr>
<td>Performance Chemicals</td>
<td>45 040</td>
<td>39 728</td>
<td>35 067</td>
<td></td>
</tr>
<tr>
<td>Group Functions</td>
<td>73 574</td>
<td>71 784</td>
<td>73 634</td>
<td></td>
</tr>
<tr>
<td>Group Functions</td>
<td>53</td>
<td>221</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Group performance</td>
<td>224 061</td>
<td>208 392</td>
<td>194 336</td>
<td></td>
</tr>
<tr>
<td>Intersegmental turnover</td>
<td>(21 378)</td>
<td>(23 126)</td>
<td>(21 394)</td>
<td></td>
</tr>
<tr>
<td>External turnover</td>
<td>202 683</td>
<td>185 266</td>
<td>172 942</td>
<td></td>
</tr>
</tbody>
</table>

### Contribution to group profit from operations (%)

<table>
<thead>
<tr>
<th>Segment analysis</th>
<th>Turnover</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Operating Business Units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>(6 975)</td>
<td>1 173</td>
<td>(3 527)</td>
<td></td>
</tr>
<tr>
<td>Exploration and Production International</td>
<td>4 739</td>
<td>4 343</td>
<td>2 453</td>
<td></td>
</tr>
<tr>
<td>Base Chemicals</td>
<td>(11 714)</td>
<td>(3 170)</td>
<td>(5 980)</td>
<td></td>
</tr>
<tr>
<td>Performance Chemicals</td>
<td>29 831</td>
<td>45 448</td>
<td>50 013</td>
<td></td>
</tr>
<tr>
<td>Group Functions</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Energy</td>
<td>14 069</td>
<td>22 526</td>
<td>31 423</td>
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<tr>
<td>Base Chemicals</td>
<td>14 846</td>
<td>10 208</td>
<td>6 742</td>
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</tr>
<tr>
<td>Performance Chemicals</td>
<td>11 276</td>
<td>12 714</td>
<td>11 848</td>
<td></td>
</tr>
<tr>
<td>Group Functions</td>
<td>1 383</td>
<td>(72)</td>
<td>(668)</td>
<td></td>
</tr>
<tr>
<td>Group performance</td>
<td>24 239</td>
<td>46 549</td>
<td>45 818</td>
<td></td>
</tr>
<tr>
<td>Intersegmental turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operating Business Units

Mining’s operating profit increased by 9% to R4 739 million mainly as a result of meaningful contributions from the BPEP and RP levers. Normalised unit costs of production were contained to 5% below inflation for the second consecutive year. Our Syferfontein colliery produced a South African record of 11 million tons of production by an underground mine in a financial year. Export coal volumes decreased by 6% to 3.2 million tons and continued to benefit from the weaker rand/US dollar exchange rate.

Exploration and Production International (E&PI) recorded an operating loss of R11 714 million compared to an operating loss of R3 170 million in the prior year. Excluding the partial impairment of our Canadian shale gas operations of R9 882 million (CAD880 million), our E&PI businesses recorded a loss of R1 832 million.

Our Mozambican operations recorded a profit of R1 128 million compared to a profit R1 847 million in the prior year. The decrease was mainly due to translation losses of R573 million. Production volumes increased by 5% as a result of our efforts to de-bottleneck the production facility, coupled with the increase in gas transportation capacity to 169 bscf and a full volume offtake by our joint electricity operations in Mozambique.

The lower oil price had a significant impact on our Gabon assets resulting in a loss of R994 million compared to a R1 124 million loss in the prior year, which included the partial impairment of the asset of R1 331 million. The new development wells brought on line during the financial year resulted in a 16% higher average of 18 824 barrels of oil production per day (on a gross basis) when compared to 16 284 barrels in the prior year.

Our Canadian shale gas asset in Montney generated an operating loss of R10 957 million, including a partial impairment of R9 882 million. Excluding the effect of the partial impairment, the loss decreased to R1 075 million compared to R1 153 million in the prior year, mainly due to a lower depreciation rate. Our Canadian gas production volumes were 5% lower compared to the prior year due to reduced development activities, driven by lower oil and gas prices. In order to manage the shale gas asset through the low gas price environment, we concluded an agreement with our partner, Progress Energy, to settle the outstanding funding commitment of R4 160 million (CAD380 million) and reduce the pace of appraisal, development and drilling activities. An 18-month reduced work programme was approved in June 2016.

Despite the impact of lower gas prices and weaker oil prices affecting the profitability of the business, E&PI contributed R5,1 billion to Sasol’s cash conservation initiatives during the year through reduced capital cash flow and exploration spend and cash fixed cost savings.

Strategic Business Units

Energy’s operating profit of R14 069 million decreased by R8 457 million or 38% compared to the prior year, compared to a 41% reduction in crude oil prices. Operating margins held firm at 22%, mainly as a result of record production volumes, higher liquid fuels sales through higher yielding marketing channels, the weaker rand/US dollar exchange rate and contributions from the BPEP and RP initiatives. Normalised cash fixed costs remained flat in nominal terms.

The total production of liquid fuels increased by 1%. Sales volumes, however, remained flat on the back of challenging market and trading conditions experienced during the first half of the financial year, driven by lower demand for liquid fuels in Southern Africa, specifically in the agricultural, mining and manufacturing sectors. Gas sales volumes were 1% higher compared to the prior year, mainly due to higher methane-rich gas sales to commercial customers. Our share of the Central Térmica de Ressano Garcia (CTRG) joint operation in Mozambique delivered 653 gigawatt-hours of electricity.

Internationally, our share of losses from equity accounted investments of R19 million, was R1 442 million lower compared to the prior year, primarily due to lower global oil prices. The ORYX GTL facility achieved an average utilisation rate of 81%, while maintaining a world class safety recordable case rate of 0.0. In Nigeria, the EGTL plant is still in its ramp-up phase and working towards stable operation to maximise diesel and naphtha production. A ramp-up in production volumes is expected following the planned shutdown that will occur during the first half of 2017.

During February 2016, in light of the current economic environment, we decided to review our long-term strategic interest in Uzbekistan Gas-to-Liquids (GTL) investment. As a result, in April 2016, we decided to withdraw from our equity participation in the project. This resulted in a net loss of R563 million.

Base Chemicals reported a 56% decrease in operating profit to R4 486 million compared to the prior year, and the operating margin decreased from 26% in the prior year to 13%. Excluding the partial impairment of our low density polyethylene cash generating unit in the US of R956 million (US$65 million) and R537 million impairment of our methyl isobutyl ketone business
in Sasolburg and other once-off items, operating profit decreased by 33% to R5 979 million compared to the prior year. Sales volumes were down by 8% as a result of a planned extended shutdown to enable commissioning activities associated with the C3 expansion project, subdued demand for explosives and fertilisers and a planned stockbuild. Normalised sales volumes were down by 2.6%, of which 1% relates to the planned stock build. A 22% decrease in our basket of commodity chemical prices was partly negated by the weaker rand/US dollar exchange rate.

In nominal terms, we reduced our cash fixed costs by 1.5% compared to the prior year, mainly as a result of benefits achieved from the BPEP and RP initiatives and a refinement of our cost transfer allocation methodology between strategic business units.

**Performance Chemicals** continued to deliver a solid performance. Operating profit of R11 276 million decreased by 11% compared to the prior year mainly as a result of the R2 021 million impairment reversal on the FT wax expansion project (FTWEP) in the prior year. Normalising for this impact, operating profit increased by 5%.

Our operating margin reflects the full annual depreciation charge being recognised on FTWEP, while the project is still ramping up to full production. This increase was largely as a result of the resilience of the margins achieved by our European surfactants and alcohols businesses, negated by lower ethylene prices which negatively impacted the margins of our assets in the US. Production volumes in our Eurasian Operations increased by 4%, while production volumes at our US Operations remained flat compared to the prior year.

Total sales volumes decreased marginally by 1% compared to the prior year, as a result of planned shutdowns at our ethylene plant in North America and our production facilities in Sasolburg and reduced demand for oil field chemicals. The decrease in wax and ammonia sales volumes was compensated for by an increase of 4% in organic sales volumes. Normalised sales volumes were up by 1.8%. Normalised cash fixed costs decreased by 5.2% in nominal terms, as a result of BPEP and RP initiatives.

**Key financial risks and uncertainties affecting our performance**

In order to appreciate the impact of the operating environment on our business, it is important to understand those factors that affect our delivery against key performance indicators (KPIs), and ultimately the achievement of our definition of victory in delivering sustainable value to our shareholders and ultimately our stakeholders.

Our risk management process is continuous. Our internal audit function evaluates the design and effectiveness of our internal controls and key risks are reported regularly to the Audit Committee. We closely monitor the progress of our strategic objectives by considering and planning for various likely financial scenarios in determining whether the risks are within the limits of our risk tolerance and risk appetite as well as testing the robustness of our mitigation actions. Any indication of breaches of the risk tolerance threshold triggers intensified management interventions to ensure that the risks remain within appetite levels. The key financial risks can be summarised as follows with details available in our full CFO’s report in the Annual Financial Statements.

**a. Crude oil prices**

We are exposed to the volatility associated with the selling price of fuel marketed by our Energy business. This selling price is guided by the basic fuel price (BFP), as determined in the regulated petrol pump price by the South African government. The key factors influencing the BFP include the crude oil price, the rand/US dollar exchange rate and refining margins.

For forecasting purposes, we estimate that for every US$1/bbl increase in the annual average crude oil price, operating profit will increase by approximately R820 million (US$57 million) in 2017. It should be noted that in the current volatile environment, these sensitivities could be materially different, depending on the crude oil price, exchange rates, product prices and volumes.

**b. Gas prices**

Natural gas is an attractive fuel alternative in the industrial and electricity generation sectors because of its lower carbon intensity compared to coal and oil.

Our investment in the Canadian shale gas assets, situated in the Montney Basin, supports our strategy to access low cost feedstock. To create flexibility in managing the asset in a low gas price environment, we entered into an agreement with our partner, Progress Energy, to settle the remaining funding commitment of R4.2 billion (CAD380 million). We further agreed with our partner to reduce future drilling activities and capital expenditure in Canada until such time that we see a sustainable recovery in North American gas prices.

Gas prices in North America remain depressed. The spot natural gas price for the US benchmark (Henry Hub) was US$2.94/mmbtu at 30 June 2016 compared to US$2.80/mmbtu in the prior year.
c. Exchange rates

A large portion of our turnover and capital investments are significantly impacted by the rand/US dollar exchange rate. Some of our fuel products are governed by the BFP, of which a significant variable is the rand/US dollar exchange rate. Our chemical products are mostly commodity products whose prices are largely based on global commodity and benchmark prices quoted in US dollars.

For forecasting purposes, we estimate that a 10c change in the annual average rand/US dollar exchange rate will impact our operating profit by approximately R650 million (US$40 million) in 2017. It should be noted that in the current volatile environment, these sensitivities could be materially different, depending on the crude oil price, exchange rates, product prices and volumes.

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d. Chemical prices

The fall in oil prices in the year meant lower cost feedstocks for most of the chemical value chain and lower corresponding sales prices. For the product and markets in which pricing is primarily cost-based, margins remained largely stable, however, continuing strong demand supported increased margins, specifically for our surfactants and alcohols in Europe.

Commodity chemicals prices showed continued resilience when compared to the decline in average crude oil prices. Global demand/supply dynamics, as well as the competitive forces at play in markets within which we sell our Base Chemicals products, provided support for the overall sales price levels achieved against the backdrop of significant economic volatility.

While margins for our Performance Chemicals business in Europe were largely unaffected by the fall in the oil price, margins on US ethylene were significantly lower.

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e. Our cost base

To ensure that Sasol is structured in the most efficient and effective way, in 2012 we implemented the BPEP, with one of the key objectives being to reduce our cost base sustainably.

In 2016, we delivered actual sustainable cost savings of R4,5 billion, exceeding our exit run rate target of R4,3 billion. Cost trends are still forecast to track the South African producer price index (SA PPI) from the 2017 financial year. Given the lower-for-much-longer oil price environment, we have increased the targeted exit run rate to R5,4 billion by the end of the 2018 financial year.

Cost reduction is a target of our Short-Term Incentive scheme with the objective of reducing cost increases to the rate of inflation, or 2% below inflation as a stretch target.

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f. Executing on capital projects

Delivering shareholder value sustainably depends on the successful execution of our growth and sustenance projects. We aim to have the most effective and optimum allocation of capital to deliver returns on invested capital consistently above our WACC as well as our internal hurdle rates. To ensure that we capitalise on the right opportunities, it is imperative that we focus on opportunities in the best geographic regions and deliver on those projects within planned timelines.

We monitor our capital investment programme continuously to ensure that capital is employed effectively from the translation of our strategy into portfolios of delivered projects that are beneficial to the long-term growth of the group. Not only do we test our planned capital investments in a range of economic scenarios to ensure that risks are appropriately identified, evaluated and managed, but we also follow rigorous investment assurance and capital governance processes prior to each decision point. We emphasise the selection of effective projects whose execution will deliver maximum return and asset value for our shareholders on the back of the most effective risk management process.
Managing our cash fixed costs

Being primarily a commodity business, we aim to control and maintain increases in our cash fixed costs to within inflation on a year-on-year basis. In 2016, the indicative average South African PPI inflation rate was 5.6% (2015: 5.0%) and the average South African CPI inflation rate was 5.6% (2015: 5.1%).

We continued to drive our cost containment programme and held cash fixed costs flat in nominal terms compared to the prior year. Excluding the impact of inflation, exchange rates and once-off costs, our cash fixed costs reduced by 8.1% compared to the prior year.

The year-on-year increase in cash fixed costs can be graphically depicted as follows:

Going forward, our objective to keep our costs in line with inflation may be negatively impacted by:

- expenditure to ensure continued plant stability and reliability;
- labour and electricity costs which escalate above inflation;
- costs incurred on growth initiatives and new projects; and
- currency effects.

To mitigate these risks, our BPEP identified key drivers for cost optimisation. These are aimed at extracting efficiencies from the new operating model, improving operational productivity, establishing fit-for-purpose functions, and driving inbound supply chain cost reductions. We expect to achieve sustainable savings at an exit run rate of R5.4 billion by the end of the 2018 financial year. As part of our low oil price Response Plan, we are currently working to deliver further sustainable cash cost savings of R2.5 billion annually by the 2019 financial year. In addition, our strategic imperatives such as the Operations Excellence programme, business improvement plans and the increase in self-generated electricity, are all geared to reduce cost on a sustainable basis.

Responding to the low oil price

Our comprehensive RP, focusing on cash conservation in reaction to the lower-for-much-longer oil price environment, has continued to yield positive cash savings in line with our 2016 financial year targets, despite margin contraction and difficulties experienced in placing product. The RP realised R28 billion of cash savings for the year, which exceeded the upper end of our 2016 financial target of R16 billion by R12 billion. The RP places the group in a strong position to operate profitably within a US$40-50/bbl oil price environment. During the year, we updated and extended the scope of the RP to at least the 2018 financial year, to ensure continued balance sheet strength and earnings resilience at notably lower oil price scenarios.

We also increased the target from R30 billion to R50 billion to between R65 billion and R75 billion for a 42 month period ending 2018. Most of the savings will be delivered from the current RP work streams. We expect our sustainable cash cost savings to increase to R2.5 billion by the 2019 financial year, up R1 billion from the previous guidance provided of R1.5 billion.
Our cash flow generation and utilisation

Cash generated by operating activities decreased by 12% to R54,7 billion compared with R61,8 billion in the prior year despite to an average 25% decrease in Rand oil prices. Our net cash position remained favourable and decreased marginally by 2%, from R53 billion in June 2015 to R52 billion as at 30 June 2016, driven largely by our cash conservation initiatives and the impact of the favourable rand/US dollar translation effect.

We had negative free cash flow of R23,2 billion in the year (2015: R13,7 billion positive free cash flow) mainly due to significant capital expenditure in the year of R70,4 billion. Free cash flow generation is one of the most important drivers of sustaining and increasing shareholder value.

We apply cash generated from operating activities to repay our debt and tax commitments and then provide a return to our shareholders in the form of dividends. Remaining cash is used to fund our capital investment programme. Any shortfall in the funding of our capital investment programme will be funded from borrowings. As a result, this will impact our gearing ratio.

We generated R54,7 billion cash from operating activities in 2016. Over the last three years, we generated an average of R60,6 billion cash a year from operating activities.

In 2016, the cash outflow of our capital investment programme exceeded the cash retained from operating activities by R36 billion.

Cash generated by operating activities

<table>
<thead>
<tr>
<th>(R billion)</th>
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<tbody>
<tr>
<td>12</td>
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<td>13</td>
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<tr>
<td>14</td>
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<tr>
<td>15</td>
</tr>
<tr>
<td>16</td>
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</tbody>
</table>

Free cash flow waterfall analysis

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In 2016, the cash outflow of our capital investment programme exceeded the cash retained from operating activities by R36 billion.
Managing our funding strategy and capital allocation

We have a stringent process in place to ensure that we allocate capital optimally. Various governance structures, which support the Capital Investment Committee, the Group Executive Committee and the Sasol Limited Board, rigorously screen all capital investment projects.

We have optimised our investment assurance process and resource structure to ensure independent, integrated and fit-for-purpose investment assurance on all capital projects presented to these committees.

We evaluate projects against prioritisation criteria and rank them with a focus on risks and returns. The prioritisation criteria include strategic alignment, competitive advantage, business robustness, financial returns, project risk and execution capability, project maturity and markets.

Actual capital expenditure (including capital accruals) during the year amounted to R70,4 billion. The capital expenditure performance in 2016 was achieved through continued emphasis on prudent portfolio management, rigorous independent investment assurance and adherence to stringent capital governance processes to enable effective capital decision-making. Due to the impact of the weakening of the rand/US dollar exchange rate and the revised cost estimate on the LCCP, we increased our capital expenditure forecast to R75 billion for 2017 and R60 billion for 2018.

Notwithstanding our cash conservation achievements, we maintain a balance to ensure that appropriate business development activities continue to fill the project pipeline and in so doing enable the fulfilment of our strategic objectives beyond the Response Plan period.

The trend analysis for capital investments is illustrated below:

In general, approximately 80% of all new growth capital investment projects are required to provide a targeted return of at least 1,3 times our WACC rate, which is currently 14,05% in South African rand terms and 8,00% in US dollar terms. This rate of return does not apply to sustenance capital expenditure on existing operations, in particular environmental projects where it is typically difficult to demonstrate economic viability.

Financing our capital projects

We actively consider all alternatives to fund our capital investments. We generally prefer internal funding options – such as the phasing or reduction of capital expenditure, enhancing project economics, as well as cost optimisation – to more expensive debt and equity funding. However, these internal alternatives include an element of risk and associated costs.

We have prioritised our growth aspirations as we steadily advance our growth strategy, particularly in Southern Africa and North America. Capital investments in these regions will constitute a significant portion of our total capital expenditure over the next 10 years. Our gearing remains low, and we have sufficient headroom in our balance sheet to fund these opportunities, and provide a buffer against volatilities.

Given our standing in global credit markets, we are acutely aware that we need to manage our gearing within our long-term targeted range. We recognise the importance of lenders and bondholders as stakeholders. We expect that our gearing is likely to reach our targeted gearing range of 20% – 44% in the near term.
Solvency and Liquidity

We manage our solvency and liquidity risk by adhering to our defined risk appetite and tolerance measures. Factors which influence solvency and liquidity include the ability of our business to generate positive equity driven by profit, the effect of macro-economic factors and foreign exchange movements on earnings and changes in capital requirements. The group monitors liquidity risk by effectively managing its working capital, capital expenditure and cash flows by making use of a central treasury function to manage pooled business unit cash investments and borrowing requirements. We finance our capital expenditure from funds generated out of our business operations, existing borrowing facilities and, in some cases, additional borrowings to fund specific projects.

We have a dynamic funding plan that is updated on a regular basis, and presented to the Sasol Limited Board quarterly, which takes into account the risk metrics to ensure that we are solvent and liquid for the year ahead. Capital and dividend decisions are modelled against the defined risk appetite and tolerance measures and stress tested against many scenarios to ensure that the group remains resilient. The solvency and liquidity test is then further stress tested to establish debt tolerance.

Currently the group is maintaining a positive cash position, conserving the group’s cash resources through a renewed focus on working capital improvement and capital reprioritisation. The group meets its financing requirements through a mixture of cash generated from its operations and, short- and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained. The Sasol group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future.

We believe that cash on hand and funds from operations, together with our existing borrowing facilities, will be sufficient to cover our reasonably foreseeable working capital and debt service requirements in the year ahead.

Managing our debt profile

Our debt profile has a longer-term bias, which reflects both our capital investment programme and the overall positive results generated by our operating activities over the last three years. Our long-term capital expansion projects are financed by a combination of floating and fixed-rate long-term debt, as well as internally generated funds. We endeavour to match debt to the currency of the underlying revenue generation. As we execute our growth initiatives in the United States, we expect that our debt exposure will be biased towards the US dollar, matching the currency in which marginal revenues will be earned.

Analysing our shareholding and equity

We return value to our shareholders by way of both dividends and share price appreciation.

Over the past five years, the price of Sasol’s ordinary shares has been volatile. A shareholder who purchased a Sasol share on 30 June 2011 at R355,98 would have received R92,10 in cumulative dividends. Based on a closing share price of R397,17 on 30 June 2016, the share price has appreciated by R41,19 in capital over the same period.

Total shareholder return (TSR) is a measure of the performance of the company’s shares over time, and combines both share price appreciation and dividends paid to indicate the total return to a shareholder over the period. Sasol’s TSR for the five-year period ending 30 June 2016 was 38%, expressed in rand terms and negative 37% in US dollar terms, which is in the mid-range of our peers.

Dividends

Sasol’s dividend policy is to pay dividends within a dividend cover range based on headline earnings per share, which takes into consideration various factors, including overall market and economic conditions, Sasol’s financial position, capital investment plans as well as earnings growth. The dividend policy provides flexibility for the group to manage our balance sheet. This will also allow us to execute our growth programme while continuing to return value to shareholders through dividend payments.

At 30 June 2016, the dividend cover was 2,8 times (30 June 2015: 2,7 times). The Sasol Limited Board of Directors declared a final gross dividend of R9,10 per share (21% lower than the prior year). The dividend demonstrates our commitment to return value to shareholders through dividend payments.
Outlook for 2017

The significant change programme, launched in 2012, has placed the group in the strongest position possible to respond to the volatile macro-economic environment. Our BPEP and RP targets have been intensified to prepare the group for a lower-for-much-longer oil price. The year ahead is likely to present a demanding operating environment marked by lower oil and commodity prices with a volatile exchange rate. However, the group’s strategic positioning, flexible balance sheet, and committed employees will enable us to withstand the macro-economic uncertainties and volatile markets for the sustained benefit of our shareholders.

While the outcome of the United Kingdom referendum adds a further element of uncertainty and downside risk to the global economic outlook, we expect moderate global growth to be maintained, with advanced economies generally performing better than commodity- and oil-exporting nations. In the short term, high oil inventory levels are expected to continue weighing on the market, but as more evidence emerges of lower non-OPEC production, the oil price cycle is likely to turn higher. The extent and timing of this upturn remains difficult to predict. Although the rand showed some resilience in recent months, we believe that the currency still faces a number of near-term depreciation risks as the potential for a sovereign credit downgrade has not been eliminated, domestic growth prospects remain challenging, and emerging market sentiment is still fragile. As oil price and foreign exchange movements are outside our control, our focus remains firmly on managing factors within our control, including volume growth, cost optimisation, project execution, effective capital allocation and cash conservation.

We expect an overall strong production performance for the 2017 financial year, with:

- Liquid fuels sales volumes for the Energy business in Southern Africa to be approximately 61 million barrels;
- Base Chemicals and Performance Chemicals sales volumes to be higher than the prior year;
- A higher average utilisation rate at ORYX GTL in Qatar of approximately 90%;
- Improved utilisation rate at EGTL in Nigeria due to a steady ramp-up;
- Normalised cash fixed costs to remain in line with SA PPI;
- The RP cash flow contribution to range between R15 billion and R20 billion;
- BPEP cash cost savings to achieve an annual run rate of R5.4 billion by financial year 2018;
- Capital expenditure, including capital accruals, of R75 billion for 2017 and R60 billion in 2018 as we progress with the execution of our growth plan and strategy. The LCCP capital spend guidance has been provided in the Investor Fact Sheet available on our website at www.sasol.com. Capital estimates may change as a result of exchange rate volatility;
- Our balance sheet gearing up to a level of between 25% and 35%;
- Average Brent crude oil prices to remain between US$40 and US$50; and
- On-going rand/US dollar volatility due to various factors, including the pending outcome of the next review of the South African sovereign credit rating and increased capital inflows resulting from investors seeking higher yields globally, including South Africa.

Our balance sheet remains strong and is again testament to our commitment to deliver value. We will continue to diligently manage each of our value drivers, to create value for our shareholders on a sustainable basis.

Paul Victor
Chief Financial Officer
9 September 2016
## Statement of financial position

at 30 June

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>155 054</td>
<td>135 822</td>
</tr>
<tr>
<td>Assets under construction</td>
<td>104 011</td>
<td>61 977</td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>2 680</td>
<td>2 293</td>
</tr>
<tr>
<td>Equity accounted investments</td>
<td>13 118</td>
<td>11 870</td>
</tr>
<tr>
<td>Post-retirement benefit assets</td>
<td>614</td>
<td>590</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>3 389</td>
<td>1 752</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>3 715</td>
<td>2 617</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>282 581</td>
<td>216 921</td>
</tr>
<tr>
<td>Assets in disposal groups held for sale</td>
<td>1 064</td>
<td>89</td>
</tr>
<tr>
<td>Inventories</td>
<td>23 798</td>
<td>23 141</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>30 913</td>
<td>29 973</td>
</tr>
<tr>
<td>Short-term financial assets</td>
<td>42</td>
<td>124</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>52 316</td>
<td>53 351</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>108 133</td>
<td>106 678</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>390 714</td>
<td>323 599</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>206 997</td>
<td>191 610</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>5 421</td>
<td>4 873</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>212 418</td>
<td>196 483</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>78 015</td>
<td>39 269</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>18 810</td>
<td>13 431</td>
</tr>
<tr>
<td>Post-retirement benefit obligations</td>
<td>12 703</td>
<td>10 071</td>
</tr>
<tr>
<td>Long-term deferred income</td>
<td>6 31</td>
<td>825</td>
</tr>
<tr>
<td>Long-term financial liabilities</td>
<td>2 844</td>
<td>8</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>23 691</td>
<td>22 570</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>136 694</td>
<td>85 774</td>
</tr>
<tr>
<td>Liabilities in disposal groups held for sale</td>
<td>–</td>
<td>15</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>2 000</td>
<td>3 331</td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td>855</td>
<td>198</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>38 611</td>
<td>37 479</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>136</td>
<td>319</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>41 602</td>
<td>41 342</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>390 714</td>
<td>323 599</td>
</tr>
</tbody>
</table>

### Additions to assets

- Capital expenditure of R73.3 billion is R27.3 billion (59%) higher than the prior year, mainly due to the significant capital expenditure on the LCCP project. US$2.9 billion (R42,4bn or 58%) of the 2016 capital expenditure relates to the LCCP. Of this spend US$561 million is still payable to suppliers, an increase of US$320 million from the previous year.

### Impairment of assets

In 2016, the steep decline in oil prices and low gas prices in North America as well as the increase in the South African weighted average cost of capital (WACC) rate triggered a number of impairment tests to determine whether the carrying value of our assets is recoverable. As a result, we recognised net impairments of R11.4 billion for the year ended 30 June 2016. The most significant impairments include:

- **Canadian shale gas assets** – R9 882 million (CAD880 million). Our shale gas assets in Canada continue to remain under pressure due to poor market conditions in North America.
- **Lake Charles Chemicals Project** – The Low Density Polyethylene cash-generating unit (CGU) was impaired by R956 million (US$65 million) during 2016. The impairment was driven by an increase in capital costs and lower margins.

### Working capital

Our working capital decreased by R2.3 billion in 2016 compared with the prior year. Our working capital ratio for 2016 was 10.5% compared with 11.7% in the prior year. Our target working capital ratio of 16% remains in place for 2017. The Response Plan, which we entered into in 2015, to better position the company in tough credit markets, continues to result in strong cash resources being available to the company.

### Equity

Shareholders’ equity benefitted from translation effect of R15 billion due to the weaker average rand/US dollar exchange rate.

### Debt

The movement in long-term debt comprises mainly of proceeds of new debt raised of R36.9 billion, offset by payments of debt totalling R6.5 billion for the year. The new debt relates mainly to the funding of the LCCP.
### Income statement

**for the year ended 30 June**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>172 942</td>
<td>185 266</td>
<td>202 683</td>
</tr>
<tr>
<td>Materials, energy and consumables used</td>
<td>(71 320)</td>
<td>(80 169)</td>
<td>(89 224)</td>
</tr>
<tr>
<td>Selling and distribution costs</td>
<td>(6 914)</td>
<td>(6 041)</td>
<td>(5 762)</td>
</tr>
<tr>
<td>Maintenance expenditure</td>
<td>(8 453)</td>
<td>(7 628)</td>
<td>(8 290)</td>
</tr>
<tr>
<td>Employee-related expenditure</td>
<td>(23 911)</td>
<td>(22 096)</td>
<td>(28 569)</td>
</tr>
<tr>
<td>Exploration expenditure and feasibility costs</td>
<td>(282)</td>
<td>(554)</td>
<td>(604)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(16 367)</td>
<td>(13 567)</td>
<td>(13 516)</td>
</tr>
<tr>
<td>Other expenses and income</td>
<td>(9 073)</td>
<td>(9 912)</td>
<td>(7 415)</td>
</tr>
<tr>
<td>Translation gains/(losses)</td>
<td>1 070</td>
<td>(1 115)</td>
<td>798</td>
</tr>
<tr>
<td>Other operating expenses and income</td>
<td>(10 143)</td>
<td>(8 797)</td>
<td>(8 213)</td>
</tr>
<tr>
<td>Remeasurement items</td>
<td>(12 892)</td>
<td>(807)</td>
<td>(7 629)</td>
</tr>
<tr>
<td>Equity accounted profits, net of tax</td>
<td>509</td>
<td>2 057</td>
<td>4 144</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>24 239</td>
<td>46 549</td>
<td>45 818</td>
</tr>
<tr>
<td>Finance income</td>
<td>1 819</td>
<td>1 274</td>
<td>1 220</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(2 340)</td>
<td>(2 230)</td>
<td>(1 925)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>23 718</td>
<td>45 593</td>
<td>45 113</td>
</tr>
<tr>
<td>Taxation</td>
<td>(8 691)</td>
<td>(14 431)</td>
<td>(14 696)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>15 027</td>
<td>31 162</td>
<td>30 417</td>
</tr>
</tbody>
</table>
| **Attributable to**
| Owners of Sasol Limited                | 13 225    | 29 716    | 29 580    |
| Non-controlling interests in subsidiaries | 1 802   | 1 466     | 837       |
| **Earnings attributable to shareholders** | 15 027    | 31 162    | 30 417    |

### Commentary

**Turnover**

Turnover decreased by 7% due to lower oil and gas prices. Normalised sales volumes were up 1.8% for Performance Chemicals, down 2.6% for Base Chemicals and liquid fuels remained flat.

**Employee-related expenditure**

Excluding the impact of the share-based payment, our employee costs remained flat due to our labour transition processes which were concluded in 2016. During the year, 726 employees left the organisation through voluntary retrenchments and voluntary early retirements.

**Remeasurement items**

Most significant remeasurement items include the impairment of our Canadian shale gas assets of R9 882 million (CAD880 million) and the low density polyethylene cash-generating unit impairment of R956 million (US$65 million).

**Taxation**

The effective corporate tax rate increased from 31.7% to 36.6%, mainly as a result of the R9.9 billion partial impairment of our Canadian shale gas assets which was partially offset by the recognition of a previously unrecognised deferred tax asset on the Production Sharing Agreement (PSA) in Mozambique of R945 million.

Normalised for equity accounted investments, remeasurement items and once-off items, the effective tax rate is 28.2% compared to 33.0% in the prior year.

**Earnings attributable to shareholders**

Earnings attributable to shareholders decreased by 55% to R13.2 billion on the back of challenging and highly volatile global markets. Average Brent crude oil prices moved dramatically lower by 41% and commodity chemical prices decreased by 22%. The effect of lower oil and commodity chemical prices was partly offset by a 27% weaker average rand/US dollar exchange rate.

On average, the rand/bbl oil price of R630 was 25% lower compared to the prior year.
## Statement of cash flows
for the year ended 30 June

<table>
<thead>
<tr>
<th></th>
<th>2016 Rm</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash receipts from customers</td>
<td>175 994</td>
<td>186 839</td>
<td>203 549</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(121 321)</td>
<td>(125 056)</td>
<td>(138 100)</td>
</tr>
<tr>
<td><strong>Cash generated by operating activities</strong></td>
<td>54 673</td>
<td>61 783</td>
<td>64 449</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>52 356</td>
<td>56 344</td>
<td>67 592</td>
</tr>
<tr>
<td>Decrease/(increase) in working capital</td>
<td>2 317</td>
<td>5 439</td>
<td>(2 143)</td>
</tr>
<tr>
<td>Dividends received from equity accounted investments</td>
<td>887</td>
<td>2 812</td>
<td>4 717</td>
</tr>
<tr>
<td>Finance income received</td>
<td>1 633</td>
<td>1 234</td>
<td>1 203</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(3 249)</td>
<td>(2 097)</td>
<td>(499)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(9 129)</td>
<td>(10 057)</td>
<td>(13 647)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(10 680)</td>
<td>(12 739)</td>
<td>(13 248)</td>
</tr>
<tr>
<td><strong>Cash retained from operating activities</strong></td>
<td>33 935</td>
<td>40 936</td>
<td>43 975</td>
</tr>
<tr>
<td>Total additions to non-current assets</td>
<td>(67 158)</td>
<td>(42 645)</td>
<td>(38 779)</td>
</tr>
<tr>
<td>Additions to non-current assets</td>
<td>(70 409)</td>
<td>(45 106)</td>
<td>(38 779)</td>
</tr>
<tr>
<td>Increase in capital project-related payables</td>
<td>3 251</td>
<td>2 461</td>
<td>–</td>
</tr>
<tr>
<td><strong>Settlement of funding commitment on Canadian assets</strong></td>
<td>(3 339)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of interests in equity accounted investments</td>
<td>–</td>
<td>–</td>
<td>(519)</td>
</tr>
<tr>
<td>Cash acquired on acquisition of equity accounted investments</td>
<td>–</td>
<td>–</td>
<td>527</td>
</tr>
<tr>
<td>Additional investments in equity accounted investments</td>
<td>(548)</td>
<td>(588)</td>
<td>(16)</td>
</tr>
<tr>
<td>Proceeds on disposals</td>
<td>569</td>
<td>1 210</td>
<td>1 538</td>
</tr>
<tr>
<td>Other net cash flow from investing activities</td>
<td>(558)</td>
<td>(62)</td>
<td>(564)</td>
</tr>
<tr>
<td><strong>Cash used in investing activities</strong></td>
<td>(71 034)</td>
<td>(42 085)</td>
<td>(37 813)</td>
</tr>
<tr>
<td>Share capital issued on implementation of share options</td>
<td>54</td>
<td>144</td>
<td>373</td>
</tr>
<tr>
<td>Contributions from non-controlling shareholders in subsidiaries</td>
<td>–</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders in subsidiaries</td>
<td>(1 296)</td>
<td>(365)</td>
<td>(372)</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>34 008</td>
<td>14 543</td>
<td>3 263</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(3 120)</td>
<td>(1 663)</td>
<td>(2 207)</td>
</tr>
<tr>
<td>Proceeds from short-term debt</td>
<td>2 901</td>
<td>2 686</td>
<td>2 346</td>
</tr>
<tr>
<td>Repayments of short-term debt</td>
<td>(3 369)</td>
<td>(2 280)</td>
<td>(2 497)</td>
</tr>
<tr>
<td><strong>Cash generated by financing activities</strong></td>
<td>29 178</td>
<td>13 065</td>
<td>909</td>
</tr>
<tr>
<td>Translation effects on cash and cash equivalents</td>
<td>7 069</td>
<td>3 095</td>
<td>455</td>
</tr>
<tr>
<td><strong>(Decrease)/increase in cash and cash equivalents</strong></td>
<td>(852)</td>
<td>15 011</td>
<td>7 526</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>53 032</td>
<td>38 021</td>
<td>30 555</td>
</tr>
<tr>
<td>Reclassification to held for sale</td>
<td>–</td>
<td>–</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>52 180</td>
<td>53 032</td>
<td>38 021</td>
</tr>
</tbody>
</table>

### Commentary

#### Additions to non-current assets
Included in additions to non-current assets of R70,4 billion, including capital accruals, is R62,4 billion (US$2,9 billion) relating to the construction of the Lake Charles Chemicals Project (LCCP).

#### Settlement of funding commitment on Canadian assets
To create flexibility in managing the asset in a low gas price environment, we entered into an agreement with our partner, Progress Energy, to settle the remaining funding commitment of R4,4 billion (CAD380 million). R3,3 billion (CAD305 million) was settled on 29 June 2016 with the remaining amount of CAD75 million due on 1 July 2018.

#### Proceeds from long-term debt
Relates mainly to the funding of the LCCP and other growth projects.
UPSTREAM: MINING

Mining is responsible for securing the coal feedstock for the Southern African integrated value chain, mainly for gasification but also to generate electricity and steam.

Riaan Rademan, Executive Vice President
Upstream and Business Enablement

MATERIAL DEVELOPMENTS

- Deterioration in our safety performance, with one fatality
- Substantially completed R14 billion mine replacement programme with commissioning of two new collieries
- Contained normalised unit cost of production to below inflation
- Recorded savings of R309 million through BPEP and RP
- Advanced our home ownership scheme for eligible employees
- Produced 11 million tons in a financial year at Syferfontein, a record in South Africa

<table>
<thead>
<tr>
<th>Performance</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety (RCR)</td>
<td>0,59</td>
<td>0,59</td>
</tr>
<tr>
<td>Lost work-day case rate</td>
<td>0,29</td>
<td>0,25</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>4 739</td>
<td>4 343</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Saleable production (mm tons)</td>
<td>40,3</td>
<td>39,2</td>
</tr>
<tr>
<td>External purchases* (mm tons)</td>
<td>5,0</td>
<td>5,1</td>
</tr>
<tr>
<td>Sales to Sasol customers (mm tons)</td>
<td>42,1</td>
<td>41,7</td>
</tr>
<tr>
<td>External sales to export market (mm tons)</td>
<td>3,2</td>
<td>3,4</td>
</tr>
<tr>
<td>Employee numbers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total water use (mm³)</td>
<td>7 263</td>
<td>7 908</td>
</tr>
<tr>
<td></td>
<td>1,90</td>
<td>1,80</td>
</tr>
</tbody>
</table>

*We have an agreement in place to buy approximately 5,1 million tons a year from a third party until 2026 to supplement coal feedstock supply to Secunda.
Sustaining the supply of low-cost feedstocks to Secunda and Sasolburg

Mining maintained stable operations in 2016, ensuring the continuous supply of coal to our facilities in Secunda and Sasolburg, delivering a pleasing performance.

By replenishing our reserves and replacing our ageing mines, Mining is able to fulfil the Sasol strategic objective for which it is responsible: to deliver low-cost feedstock in South Africa, thereby helping sustain the group’s liquid fuels, chemicals and power generation operations to at least 2050.

We substantially completed our R14 billion mine replacement programme to establish three new mines to replace 60% of Mining’s operating capacity in Secunda by 2020. Our Thubelisha Mine, commissioned in 2012, is producing from 11 sections and is due to reach full production capacity by 2019.

Our second replacement mine – Impumelelo – reached beneficial operations in October 2015 and is producing from four sections. In April 2016, we handed over all surface infrastructure for our third replacement mine, Shondoni. All three mines remain within budget. Impumelelo and Shondoni were partially funded externally, and we are on track to settle that funding by the end of the 2018 calendar year.

We also completed – below budget – the new Tweedraai adit, which provides additional access to reserves adjacent to our Syferfontein operations, ensuring that we can meet demand from Secunda Synfuels. Syferfontein produced a South African record of 11 million tons of production by an underground mine in a financial year.

Prioritising safety and productivity

Improving our safety performance remained a group top priority. Tragically, in May 2016 we experienced a fatality of maintenance artisan Mr GF Bronkhorst at our Sigma Mine. We continue to focus on implementing critical controls on major hazards and to drive the behaviour-based safety programme, as well as other safety initiatives, throughout our Mining operations.

As part of our annual wage negotiations, we successfully concluded agreements with four of our five recognised trade unions. While the Association of Mineworkers and Construction Union (AMCU) has embarked on industrial action, we continue to engage the union to bring a swift and amicable resolution to the matter. During this time, our focus remains on the safety of our employees, contractors, the community and our assets. Strengthening relationships with our recognised trade unions remains key in the years ahead.

Although operations remained stable, productivity in 2016 could have been better. Production was impacted by stoppages as part of proactive safety measures, as well as the slower-than-planned ramp-up of the Impumelelo Mine.

For details on our reserves and resources, refer to Sasol’s Form 20-F filed with the SEC.

Containing costs

Operating profit increased by 9% to R4 739 million, supported by the contribution of cost savings and cash conservation from the Business Performance Enhancement Programme (BPEP) and the Response Plan (RP), as well as stable operations and the benefits to our export sales of the weaker rand/US dollar exchange rate. We recorded savings of R309 million and normalised unit costs of production were contained to 5% below inflation for the second consecutive year.

The softer rand cushioned the impact on the value of export sales of lower US dollar coal prices. Export sales volumes decreased by 6% to 3.2 million tons.

Focusing on sustainability

South Africa has substantial reserves of coal that can be extracted at costs that compare favourably with those of imported natural gas. Notwithstanding the real need for South Africa to increase the use of low-carbon energy, we believe that coal will continue to play an important role in the supply of electricity and liquid fuels.

We continued to track developments in the regulatory environment, in particular the Mineral and Petroleum Resources Development Act Amendment Bill which remained before parliament for reconsideration. The Mining Charter to facilitate transformation was revised and a draft issued in April 2016. It is aligned to the Codes of Good Practice, promulgated under the Broad-Based Black Economic Empowerment Act, as amended. Public comments on the draft Mining Charter closed during May 2016. The Department of Mineral Resources is currently considering the comments and industry is waiting for the updated Mining Charter to be issued.

As part of our work to deliver social and economic value, we aim to establish stable and sustainable communities close to our operations. This is essential to maintain our licence to operate. In 2016, we continued to participate in a number of infrastructure projects around Secunda, with a particular focus on facilitating greater home ownership by our people.

In February 2016, we handed over to first-time homeowners, 16 new houses of a planned 100 in eMbalenhle, in line with our efforts to improve the living conditions of our employees in surrounding communities. The next phase of this development is progressing well and the remaining 84 houses should be complete by the end of the 2017 calendar year. We plan to hand over 100 similar-styled houses in Secunda.

Looking ahead

Investing in our people is a material matter at Sasol. In the year ahead, we will continue to focus on our safety performance as well as enhance our productivity. Key to achieving these will be employee morale, our focus on strengthening our relationship with organised labour as well as the smooth integration of our new mines into existing operations. We will endeavour to lock in the savings achieved in recent years, maintaining our emphasis on cash conservation and cost containment.
Exploration and Production International (E&PI) develops and manages the group’s upstream interests in oil and gas exploration and production in Mozambique, Canada, Gabon, South Africa and Australia.

**MATERIAL DEVELOPMENTS**

- Obtained approval for development of an integrated oil, liquefied petroleum gas (LPG) and gas-to-power project in Mozambique and initiated drilling of the first well in the Production Sharing Agreement (PSA) licence area
- Contributed R5,1 billion to Sasol’s cash conservation programme
- Spent R51 million on social, economic and skills development in Mozambique
- Renegotiated partnership agreements for Canadian shale gas asset to provide flexibility in future production profile and capital spend to cater for low gas price environment
- Partially impaired Canadian shale gas asset by R9,9 billion (CAD880 million), due to continued low gas prices
- Successful in our bids for two exploration blocks during the bid round in Mozambique

<table>
<thead>
<tr>
<th>Performance</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety (RCR)</td>
<td>0,10</td>
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<tr>
<td>Production (Sasol’s equity share)</td>
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<tr>
<td>– Natural gas – Mozambique (bscf)</td>
<td>1 144</td>
<td>109,2</td>
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<tr>
<td>– Condensate – Mozambique (m bbl)</td>
<td>324</td>
<td>332</td>
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<tr>
<td>– Crude oil – Gabon (m bbl)*</td>
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<td>1 346</td>
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<tr>
<td>– Natural gas – Canada (bscf)</td>
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<td>– Condensate – Canada (m bbl)</td>
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<td>Operating (loss)/profit</td>
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<td>(3 170)</td>
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<tr>
<td>– Mozambique</td>
<td>1 128</td>
<td>1 847</td>
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<tr>
<td>– Gabon</td>
<td>(994)</td>
<td>(1 124)</td>
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<tr>
<td>– Canada</td>
<td>(10 957)</td>
<td>(2 449)</td>
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<td>– Other</td>
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<tr>
<td>Employee numbers</td>
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<td>494</td>
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<tr>
<td>Direct greenhouse gas emissions (mm tons)</td>
<td>0,27</td>
<td>0,31</td>
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</table>

*Comparative crude oil production volumes for Gabon has been restated to exclude royalties to reflect net production volume throughout.
Growing Sasol’s upstream resources

The approval by the Mozambican authorities in 2016 of our plan to develop an integrated oil, LPG and downstream gas-monetisation project marked a significant milestone in meeting our strategic objective to grow our Southern Africa upstream resources.

The continued fall in crude oil prices pressured our assets in Gabon resulting in a loss of R994 million. However in 2016, gross production increased by 16% to average 18.824 barrels a day due to new development wells that were brought on line.

Through reduced capital cash flow, a cutback in exploration activities and increased savings in cash fixed costs, E&P was able to contribute R5.1 billion to the group’s cash-conservation initiatives. In addition, we reported a strong safety performance in all our operations, as well as increased gas production volumes from our assets in Mozambique.

Planning Sasol’s first oil development in East Africa

In January 2016, the Mozambican authorities sanctioned the initial tranche of our field development plan for the Production Sharing Agreement (PSA) licence area. Since then, we have engaged with our stakeholders about implementing the plan that involves the phased development of the oil, LPG and gas-to-power project in the PSA area, which is adjacent to our Petroleum Production Agreement (PPA) area.

We already produce gas and condensate from the Pande and Temane fields in the PPA area, with most of the gas currently exported for use as feedstock for our chemical and synthetic fuel operations in South Africa as well as for the South African gas market.

The PSA work will include gas and oil developments and will assist Mozambique to further realise the value of its natural resources, stimulate growth and increase domestic access to electricity. During the year, the Mozambican Government also approved a development plan for a fifth train at the Central Processing Facility (CPF) to process additional gas from the PSA licence area. Tranche one of the first phase of the PSA development project, including the fifth train, is estimated to cost US$1.4 billion. We commenced drilling of the first well in May 2016.

In addition, late in the 2015 calendar year we started work to expand the annual capacity of the CPF, established over 10 years ago. This followed the commissioning of a low-pressure compression project at the CPF in December 2015 to compensate for lower reservoir pressure in the fields due to gas production.

In October 2015, as part of Mozambique’s fifth hydrocarbon exploration licensing bid round, Sasol and our partners were successful and invited to commence negotiations for Exploration Production Concession Contracts for onshore block PTS-C (south of the Pande and Temane fields) and offshore block AS-A (in the central area of the country, north-east of the Pande and Temane fields). Exploration activities will commence in the new financial year.

We also continued to explore, alongside our partners, for hydrocarbons in South Africa. Off the east coast, we identified a number of high-grade leads in block ER23B. Off the west coast, we worked to define prospective plays in block 3A/4A.

Introducing flexibility into our shale gas assets in Canada

A further deterioration of economic conditions in the North American gas market led to the R9.9 billion (CAD880 million) partial impairment of our share in the Montney shale gas asset in Canada.

To create flexibility in managing the asset, we entered into an agreement with our partner, Progress Energy, to settle our funding commitment. We further agreed with our partner to slow the pace of appraisal and development and significantly reduce activities in order to responsibly steward the Montney asset through the low gas price environment.

Delivering social and economic value

While our projects across the world continue to deliver economic value, it is essential that we ensure they also deliver social value. In Mozambique over the past 16 years, Sasol has invested more than US$2.1 billion in developing and producing natural gas. We have also invested substantially in developing local capabilities through our education, training and skills development initiatives as well as through investments to improve local communities’ access to healthcare, education and clean water.

At year end, more than 90% of the employees at the CPF were Mozambican. The focus going forward is to accelerate leadership capability and enhance technical skills. In order to attract more local managerial-level employees to a remote site, we completed building a clinic, crèche, school and housing complex for more than 80 families. We also continued to advance the development of local content through procuring Mozambican goods and services in one of the world’s fastest-growing economies. In total, we spent R51 million on social, economic and skills development in Mozambique in 2016.

Looking ahead

In the year ahead, we will work to maintain excellent operational and safety standards across our E&P businesses. We will monitor Mozambique’s sovereign debt situation closely and are actively managing our risk. We expect a sharp rise in activity in that country, including the commencement of drilling and seismic work in remote areas, which will increase our exposure to safety incidents. We will continue to adhere to the highest applicable safety standards, applying Sasol’s standards as a minimum and we will monitor the security situation in Mozambique to ensure the safety of our people and the integrity of our facilities.

Further afield, Gabon remains a key component of E&P’s growth strategy and in Canada we continue to prioritise the appraisal of our gas assets. In the face of continuing weakness in oil and gas prices, we will continue our focus on cash conservation, setting the pace for other exploration activities globally. In addition, we will also focus on growth, seeking value accretive opportunities for Sasol in the medium to long term.
Operations represents our core petroleum and chemical product manufacturing assets. In Southern Africa, these are Secunda Synfuels, Secunda Chemicals, Sasolburg, Satellite and Natref Operations. Internationally, they include facilities in the United States, Europe and Asia. The value proposition of these regional operating hubs lies in our ability to integrate and operate complex technologies at scale, with world-class product quality and cost advantages.

MATERIAL DEVELOPMENTS

- Improved overall safety performance
- Increased total production volumes with a new record output at Secunda Synfuels as well as at our Brunsbüttel and Marl sites in Germany
- Completed Sasolburg’s largest maintenance shutdown since inception in the 1950s
- Contained costs to below inflation
- Completed R13,8 billion Secunda growth programme
- Progressed environmental projects, with a focus on the VOC abatement programme to be completed in 2017
- North America operations continue to focus on operational and business start-up readiness in the lead up to the LCCP

Performance

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety (RCR*)</td>
<td>0,23</td>
<td>0,32</td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Synfuels refined product (mm bbl)</td>
<td>33,2</td>
<td>32,9</td>
</tr>
<tr>
<td>– Crude oil processed (mm bbl)</td>
<td>21,2</td>
<td>20,9</td>
</tr>
<tr>
<td>– Natref white product yield (%)</td>
<td>91</td>
<td>91</td>
</tr>
<tr>
<td>– Saleable chemical production (ktpa)</td>
<td>6 264</td>
<td>6 179</td>
</tr>
<tr>
<td>External purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– White product (mm bbl)</td>
<td>6,3</td>
<td>5,9</td>
</tr>
<tr>
<td>– Natural gas (bscf) **</td>
<td>21,8</td>
<td>21,4</td>
</tr>
<tr>
<td>Total water use (m³)</td>
<td>136,4</td>
<td>133,4</td>
</tr>
<tr>
<td>Fire explosions, releases</td>
<td>18</td>
<td>22</td>
</tr>
</tbody>
</table>

* Includes RCR for US Mega projects.
** Reflects natural gas purchased from 30% – JV partner in Mozambique.
Making progress on our strategic objectives

In 2016, we focused on the strategic objectives for which we are accountable: to continuously improve the existing asset base and maintain our technological lead, as well as to drive world-class safe operations to support growth.

By remaining focused on the safety, predictability and availability of our plants, Secunda Synfuels increased production volumes by 1.3% to a record 7.8 million tons.

We completed the R13.8 billion Secunda growth programme, surpassing many of our targets. Commenced in 2005, the programme was aimed at alleviating bottlenecks by enabling Secunda Synfuels to process an additional 26.2 bscf/a of natural gas, and so increase production volumes by 3% and electricity generation by 270 megawatts.

After a successful planned maintenance shutdown in September 2015, in which fewer contractors than usual were brought on site, we started up the Secunda Synfuels plant ahead of schedule. Without significant additional capital investment, we sustainably increased our production of 95 octane unleaded petrol to respond to market demand. This petrol contributed to more than 50% of unleaded petrol production.

At Secunda Chemicals, production volumes increased by 1% despite lower polypropylene output due to planned commissioning activities associated with the C3 (propylene) expansion project. Following the completion of this project, valued at R1.1 billion over two years, our two downstream polypropylene plants can now deliver to full design capacity. We produced record volumes of C2 (ethylene), which resulted in less ethylene being lost to flare. The solvents operations also reflected record production.

In 2017, Secunda Chemicals expects even higher polypropylene output.

Our R2.2 billion project to replace tar tanks and separators, in order to ensure that the production capacity of the Secunda complex is maintained, reached beneficial operations in June 2016, three months ahead of schedule.

The largest planned maintenance shutdown since the original Sasolburg site was built in the 1950s, as well as constraints on polymers production, limited overall production volumes at Sasolburg Operations to the same level as in 2015. This was despite an 8% increase in wax output after the first phase of the Fischer-Tropsch Wax Expansion Project came on line in May 2015. Plant disruptions also significantly affected ammonia production at Sasolburg.

Our Natref joint venture crude oil refinery at Sasolburg completed a significant shutdown in November 2015, mainly to enable the production of 50 ppm low-sulphur diesel from January 2016. Natref will be completing another large planned shutdown in October/November 2016 on the fluidised catalytic cracker and the alkylation unit.

In the United States, we ran our facilities safely and at high rates of capacity utilisation, taking advantage of the competitive feedstocks available resulting from the abundance of shale gas in North America and the lower oil price-related feedstocks in Europe. Overall production volumes remained flat despite a planned maintenance shutdown of our US ethylene cracker.

In Europe, we recorded higher production volumes at our Brunsbüttel and Marl sites. There was a particular cost-reduction focus at our Italian operations, which includes an energy-integration project and at our wax operation in Hamburg, where we initiated a business restructuring to simplify our operations and product offering.

We made good progress in meeting our RP and BPEP targets and this resulted in a decrease in unit costs.

Investing in a high-performance culture

To ensure a culture that embraces both safety and high performance, we implemented initiatives across our Southern African operations aimed at greater engagement as well as capability development, and leadership development focusing on diversity and inclusion. We relied less on contractors and increased productivity.

Given the number of large-scale planned maintenance shutdowns carried out at our facilities – which included more than 29 700 people coming through our gates in Secunda on a single day – our overall safety performance in the year was noteworthy. However, tragically, in April 2016, we experienced a fatality of learner process controller Mr M Hlabisa at Secunda Synfuels. We continue to focus on achieving zero harm.

We delivered social value by cleaning the greenbelts in Secunda and Sasolburg and driving various sewage, security, education and infrastructure projects, as well as supporting capacity building at municipalities. In the United States, we carried out numerous social responsibility projects as part of the LCCP.

Managing environmental challenges

Since 2005, our operations have invested more than R25 billion on projects delivering significant environmental enhancements. In 2016, our environmental performance continued to improve and we made progress with the implementation of the requirements of the National Environmental Management: Air Quality Act.

At Secunda over many years, we are investing a total of R2.8 billion on a project to reduce the emissions of volatile organic compounds (VOCs). This complex project is expected to reach beneficial operations in the 2017 calendar year and will contribute to the planned 80% reduction of VOCs at the Secunda site by June 2020 off a 2009 baseline.

While a significant generator of its own electricity, Sasol is dependent in South Africa on a secure electricity supply from Eskom. Since the country’s electricity crisis of 2008, we have added more than 400 megawatts of gas-fired power generation, taking our installed generation capacity to 71% of demand.

The renewal in 2016 of our short-term power purchase agreements with Eskom for some of our additional capacity will allow us to manage our energy cost inflation.

Looking ahead

In the year ahead, we will focus on ensuring safe, predictable and reliable facilities, as well as looking for opportunities to optimise our operations, including through a number of capital projects to improve our environmental performance in South Africa. We will continue to work to find solutions to meet air quality standards post 2020.
ENERGY BUSINESS

In Southern Africa, the Energy Strategic Business Unit markets and sells fuels, pipeline gas and electricity. Internationally, we develop, implement and manage Sasol’s gas-to-liquids (GTL) business ventures based on our proprietary technology.

Maurice Radebe, Executive Vice President
Energy Business

MATERIAL DEVELOPMENTS

- Operating margins held firm due to record production volumes, increased gas prices, higher electricity sales and solid cost containment
- Increased retail footprint; recognised as having best fuel stations in South Africa
- Decided to license out our proprietary Sasol Slurry Phase LTFT™ technology
- ORYX GTL impacted by lower oil prices and statutory shutdown; EGTL continued to ramp-up steadily
- Tshwarisano settled remaining debt related to its 25% equity shareholding in Sasol Oil (Pty) Ltd
- Started construction of Loopline 2 to further increase capacity of Mozambique-to-South Africa gas pipeline

Performance

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety (RCR)</td>
<td>0,23</td>
<td>0,26</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
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<tr>
<td>– Liquid fuels (mm bbl)</td>
<td>61,3</td>
<td>61,5</td>
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<tr>
<td>– Natural gas (bscf)</td>
<td>33,4</td>
<td>33,8</td>
</tr>
<tr>
<td>– Methane-rich gas (bscf)</td>
<td>24,7</td>
<td>24,0</td>
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<tr>
<td>Operating margin</td>
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<td>Operating profit (Rm)</td>
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<td>22 526</td>
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<td>Employee numbers</td>
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<tr>
<td>Fire, explosions, releases</td>
<td>0</td>
<td>1</td>
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</table>
Remaining profitable despite a sharp drop in oil prices
Our Energy Business recorded a commendable performance, remaining profitable and managing gross margins despite tough macro-economic conditions. Among notable successes were those supporting the long-term sustainability of our South African operations as well as those designed to further leverage Sasol’s proprietary technology.

Operating profit declined 38% to R14 069 million. This decline compares favourably with the 41% decrease in oil prices in the year. Operating margins held firm at 22%. This was mainly as a result of record production volumes, liquid fuels sales via higher-yielding marketing channels, favourable gas prices and increased electricity volumes. It was also supported by the weaker rand and the contribution of our BPEP and RP efforts. Normalised cash fixed costs remained flat in nominal terms. Sales volumes remained flat on the back of difficult market and trading conditions as well as constrained Southern African demand for liquid fuels.

Based on the attractive returns generated by Sasol Oil Proprietary Limited over many years, in February 2016 our black economic empowerment partner Tshwarasano LFB – which holds 25% of Sasol Oil – settled the last of its debt relating to its equity shareholding. This represents the realisation of one aspect of our work over many years to deliver on transformation in the liquid fuels industry.

Focusing on our strategic objectives
Liquid fuels
We made good progress in achieving our strategic objective to optimise our liquid fuel marketing channels, which are currently predominantly in the wholesale market. Aiming to increase our retail and commercial sales volumes to match half of our total production by 2025, in 2016 we increased our retail sales volumes by 5%. We opened 11 new outlets and divested from six, bringing the number of Sasol and Exel-branded retail sites in South Africa to 388.

Cheaper fuel helped support retail consumer demand, while our innovative low-sulphur Sasol turbodiesel™ ULS 10 ppm, our partnership with Burger King and our link to the Absa loyalty programme encouraged more consumers to choose Sasol Convenience Centres for their fuel purchases. The South African Customer Satisfaction Index (SAcsi) survey of fuel retailers rated Sasol as industry leader.

Commercial volumes were impacted by the low levels of activity in the economy, particularly the mining sector, as well as agriculture, where drought led to reduced use of diesel. Sales in the wholesale market were steady.

We increased the supply of low-sulphur 50 ppm diesel to the market, following modifications to our Natref joint venture refinery.

International energy
Lower crude oil prices put pressure on the profitability of our ORXY GTL joint venture. A 54-day planned shutdown led to a decrease in the plant’s average utilisation rate to 81%, compared with 90% in 2015. The facility maintained a world-class safety performance, with no recordable injuries in the past five years. In Nigeria, the Escravos GTL (EGTL) plant continued to steadily ramp-up towards design capacity.

In February 2016, in light of the current economic environment, we decided to review our long-term strategic interest in the Uzbekistan Gas-to-Liquids (GTL) investment. Resulting from this review, we opted to withdraw from our equity participation in the project, thereby placing the project on hold.

A significant milestone in the year was the approval by the Group Executive Committee of plans to selectively license out our proprietary Sasol Slurry Phase LTFT™ technology as a way of expanding this portfolio. This will complement Sasol’s strategy for GTL going forward.

Gas and electricity
In line with our intent to grow our interests in Mozambique, as well as support the sustainability of our South African operations, in November 2015 our R0MPCO joint venture began construction of the R27 billion Loopline 2 to increase its annual gas transmission capacity from 169,4 bscf to 191 bscf.

The Energy Business is tasked with fulfilling the group’s strategic objective to grow low-carbon power generation in Southern Africa. The region requires affordable electricity supply to support economic development.

In Mozambique, our Central Térmica de Ressano Garcia joint venture 175 megawatt gas-fired power plant completed its first full year of operations, operating at design capacity and providing electricity to more than two million Mozambican citizens. We are pursuing another gas-to-power project in Mozambique, as part of the PSA development.

Prioritising safety
After a sharp improvement in our safety performance during 2015, in 2016 we were able to improve our RCR to 0,23 from 0,26. We were also pleased to report not a single transport safety incident and an improved performance on our significant fires, explosions and releases severity index, which remained comfortably below the group’s target.

We continue to work to achieve zero harm.

Looking ahead
Faced with weak domestic growth prospects and volatile international oil prices, in the near term the Energy Business will focus on further extending our South African retail footprint to protect our margins and maintain our sales volumes. We will seek to achieve excellent utilisation rates at ORXY GTL and support the ramp-up of EGTL.

Cost savings and cash conservation will remain key drivers throughout our business, including managing the cost of complying with environmental legislation, particularly at our Natref joint venture.
CHEMICALS BUSINESS

Our Chemicals Business is made up of the Base Chemicals and Performance Chemicals Strategic Business Units. Base Chemicals markets commodity chemicals from our upstream Fischer-Tropsch, ethylene and propylene value chains. Performance Chemicals markets commodity and differentiated performance chemical products, which include organics, inorganics and wax value chains.

Fleetwood Glober, Executive Vice President
Chemicals Business

MATERIAL DEVELOPMENTS

- Achieved resilient average gross margins in Performance Chemicals
- Reported increased sales volumes at Performance Chemicals when normalised for extended planned shutdowns, lower sales volumes at Base Chemicals
- Benefited from our sharp focus on managing cash fixed costs
- Commercialised production of next-generation proprietary FT catalyst
- Stabilised distribution of new FT wax streams

<table>
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<tr>
<th>Base Chemicals – Performance</th>
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<tbody>
<tr>
<td>Safety (RCR)</td>
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<tr>
<td>Sales volumes</td>
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<tr>
<td>– Polymers (kt)</td>
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<tr>
<td>– Solvents (kt)</td>
<td>942</td>
<td>911</td>
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<tr>
<td>– Other (kt)</td>
<td>781</td>
<td>972</td>
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<tr>
<td>– Normalised total*</td>
<td>3 083</td>
<td>3 165</td>
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<tr>
<td>Operating profit (Rm)</td>
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<td>Employee numbers¹</td>
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<td>5 983</td>
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<table>
<thead>
<tr>
<th>Performance Chemicals – Performance</th>
<th>2016</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Safety (RCR)</td>
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<tr>
<td>Sales volumes</td>
<td>3 458</td>
<td>3 487</td>
</tr>
<tr>
<td>– Organics (kt)</td>
<td>2 304</td>
<td>2 220</td>
</tr>
<tr>
<td>– Waxes (kt)</td>
<td>528</td>
<td>554</td>
</tr>
<tr>
<td>– Other (kt)</td>
<td>626</td>
<td>713</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>11 276</td>
<td>12 714</td>
</tr>
<tr>
<td>Employee numbers¹</td>
<td>6 365</td>
<td>6 326</td>
</tr>
</tbody>
</table>

¹Includes employees in Regional Operating Hubs.
Base Chemicals

Managing costs to limit margin pressure

2016 was a challenging year for Base Chemicals, as sales volumes declined by 8%. Polypropylene volumes were lower because of an extended planned shutdown to enable the commissioning of the C3 expansion project. Other sales volumes decreased due to subdued demand for explosives and fertilisers as well as inventory replenishment in some areas to improve customer supplies. The 22% drop in the price of our basket of commodity chemicals in 2016 was lower than the 41% decline in oil prices and was partly offset by the weaker rand/US dollar exchange rate. Besides the impact of oil prices, the market prices of some of our products were lower as a result of additional supply due to capacity expansions. Globally, chemical market growth remained buoyant with little impact in demand for Base Chemicals products.

With many external challenges, we put a strong emphasis on factors within our control, and reduced cash fixed costs by 1,5%, mainly due to our BPEP and RP initiatives. Operating profit decreased by 56% to R4 486 million, mainly due to the partial impairment of our low density polyethylene cash generating unit in the US of R956 million (US$65 million).

In pursuit of our strategic objective to drive value chain optimisation, we made progress to enhance the placement of our products, with a particular focus on improving our supply chains and marketing approach in the rest of Africa.

We continued to review our portfolio of businesses, noting the challenges faced by explosives and fertilisers. We assisted our customers through a number of efforts in the mining industry with our technical service and customised blasting solutions. In the severe drought conditions in South Africa, we worked closely with our customers to provide advice on the benefits of using our limestone ammonium nitrate (LAN) fertilisers, which can provide farmers with improved crop yields if the fertilisers are applied at planting during dry conditions.

Construction of our 50% joint venture high-density polyethylene plant with Ineos Olefins and Polymers USA continues to make good progress, and is on track for mechanical completion early in the 2017 calendar year. Upon completion, the plant will be the largest bi-modal high-density polyethylene (HDPE) manufacturing facility in the US with a nameplate capacity of 470 kilotons annually. Our current end of job estimate is approximately US$299 million (Sasol share), however the operator (our joint venture partner) is experiencing more cost and schedule pressure in delivering the project. We continue to work with our joint venture partner to manage these pressures on the project and an update will be provided at the mid-year results announcement. The start-up is also coming at a more opportune time as market conditions remain favourable due to lower feedstock costs along with the premium margins associated with bi-modal resins.

Performance Chemicals

Demonstrating resilience

A diverse product portfolio consisting of commodity, differentiated and specialty products, sold into a wide range of industries, applications, and geographies helped Performance Chemicals deliver a robust sales and financial performance in 2016, helping strengthen the overall Sasol portfolio. Focus on differentiation led to record financial results for both the global intermediates and surfactants part of the organics business as well as the global alumina part of the inorganics business.

Despite macro-economic headwinds, sales volumes increased by 1,8% when normalised for extended planned shutdowns. The steep fall in crude oil prices only led to an impact on oil field chemicals demand, US ethylene margins and Italy inventory valuations, while all other applications and product lines remained robust. Cash fixed costs (normalised for currency effects) were maintained to well below inflation due to our focus on BPEP and RP initiatives.

On a normalised basis, operating profit increased by 5%, mostly as a result of demand in Europe being stronger than expected while other geographies and applications were mostly in line with expectations. Margins improved for alcohols and surfactants as well as inorganics while remaining resilient for other product lines with the exception of ethylene. US ethylene prices were lower due to lower crude oil prices which negatively impacted the profitability of our US assets. Our focus on metal working and lubricants markets continued to deliver increased results.

Overcoming distribution challenges

The implementation of a single chemicals SAP system in South Africa resulted in outbound supply chain challenges in delivering wax and other South African products to the satisfaction of our customers. Significant progress was made to stabilise these business processes and from April 2016 the focus moved to full stabilisation and further optimisation of our business processes.

Looking ahead

As we move into 2017, we are set to deliver on a number of exciting growth opportunities. In Base Chemicals, we are focusing on future investments in the polymer value chain, given that we continue to see growth in demand for polyethylene products in excess of global GDP rates as the emerging market middle class grows. Following completion of the Gemini HDPE joint venture, we will see growth from the low-density polyethylene and linear-low-density polyethylene facilities being built as part of the LCCP in Louisiana.

In Performance Chemicals, we will continue our business readiness work for the second phase of the FT wax expansion project, and for the LCP, by diligently preparing the market and business process requirements. We will also focus on the expansion of our surfactants facilities in China, and progress with a number of incremental growth projects (most notably in alumina) that have attractive returns and a short payback period. We will continue groundwork on other projects, so that these plans are ready when the funds to invest in them are available. In Performance Chemicals, plans are underway to expand our initiatives in differentiated, high-growth markets in which Sasol’s unique product offerings can provide compelling value to our customers.

Finally, we will continue to actively manage our portfolio and harness synergies within Base Chemicals and Performance Chemicals which together provide strength to Sasol’s portfolio.
Our Group Technology function is made up of Research and Technology, Capital Projects, Engineering and Project Services, as well as Planning and Optimisation. Mega Projects includes all projects of over US$1 billion, with a particular focus on the LCCP and the PSA.

**Stephan Schoeman, Executive Vice President Technology**

**MATERIAL DEVELOPMENTS**

- Sharpened focus on US$11 billion LCCP, 50% completed by 30 June 2016
- Commercialised production of new generation FT catalyst
- Achieved top honours in 2016 Universum South Africa Most Attractive Employers Awards
- Completion of second phase of FT wax expansion project planned for March 2017, ahead of schedule
- Our safety performance deteriorated, with an RCR of 0,32* from 0,2*

<table>
<thead>
<tr>
<th>Project (June 2016)</th>
<th>Approved by Sasol Board Rm</th>
<th>Contracted to date Rm</th>
<th>Estimated cost Rm</th>
<th>Estimated beneficial operations (calendar year)</th>
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</thead>
<tbody>
<tr>
<td><strong>Growth project</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Fischer-Tropsch wax expansion project, South Africa</td>
<td>13 623</td>
<td>12 898</td>
<td>13 480</td>
<td>2017</td>
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<tr>
<td>Lake Charles Chemicals Project, United States</td>
<td>US$11 000m</td>
<td>US$6 887m</td>
<td>US$11 000m</td>
<td>2018</td>
</tr>
<tr>
<td>Mozambique Production Sharing Agreement (PSA) development</td>
<td>US$1 400m</td>
<td>US$203,4m</td>
<td>US$1 400m</td>
<td>2021</td>
</tr>
<tr>
<td><strong>Projects to sustain the business</strong></td>
<td></td>
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<tr>
<td>Coal tar filtration east project, South Africa</td>
<td>2 853</td>
<td>2 618</td>
<td>2 853</td>
<td>2018</td>
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<tr>
<td>Volatile organic compounds (VOC) abatement programme, South Africa</td>
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<td>2 827</td>
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<tr>
<td>Oxygen train 17, South Africa</td>
<td>2 018</td>
<td>193</td>
<td>2 440</td>
<td>2018</td>
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<tr>
<td>Sixth Fine Ash Dam phase one, South Africa</td>
<td>6 000</td>
<td>451</td>
<td>6 000</td>
<td>2019</td>
</tr>
</tbody>
</table>

* Excludes RCR for US Mega projects.
Project execution

The top priority of Group Technology is to deliver, within the updated budget and schedule, the LCCP. This is the largest and most complex project currently under construction on the US Gulf Coast: it will establish an integrated, multi-asset site similar in concept to our flagship Secunda facility. Refer to pages 16 and 17 for a detailed analysis on the LCCP and our role on delivering of the project.

Group Technology also worked on other mega projects in the year, most notably the PSA integrated oil and gas development in Mozambique and the second phase of the FT wax expansion project in Sasolburg.

Over the past three years, we have introduced significant improvements to our capital and project management processes. As a result, we have successfully completed many large and complex projects, such as the R13,8 billion Secunda growth project, the R14 billion mine replacement programme and the R5 billion chemicals expansion. These all benefited from the robust process we put in place to institutionalise lessons learnt from projects that had in the past not been executed to plan.

Since 2011, around four-fifths of our capital projects have been completed on or under budget and half had been on or ahead of schedule.

We improved the execution of capital projects such as Loopline 1 on the Mozambique-to-South Africa gas pipeline and the increase in 95 octane petrol production at the Secunda site. Through the Secunda growth programme, we increased Secunda Synfuels volumes from 7,4 million tons to a record 7,8 million tons in 2016.

Unlocking value by optimising and growing our business

Apart from our keen focus on delivering capital excellence and driving selective growth based on our technology advantage, Group Technology made progress on our strategic objective to maintain Sasol’s technological lead.

We worked to deliver technological improvements at our plants and in our processes and develop new technologies.

Support to operations focused on plant stability, reliability and efficiency. Amid a scaling back of capital projects, we used available resources to progress innovation and broaden the experience of our employees.

We continued to develop Sasol’s energy efficiency throughout operations as well as ramp-up the ethylene tetramerisation plant in the US and the Escravos GTL plant in Nigeria. While we are pleased with the chemical process for the production of 1-hexene and 1-octene through ethylene tetramerisation, we continued work to resolve process bottlenecks in the plant at Lake Charles, aiming to achieve full-scale production in the 2017 calendar year. In Germany, we commercialised a new line of robust surface-modified carriers for emission control in automobiles.

Responding to the volatile macro-economic environment

In light of lower crude oil and gas prices, we secured approval of plans to selectively license out our proprietary Sasol Slurry Phase LTFT™ technology to expand this portfolio. We remain focused on ensuring that we have the right skills in place to execute on our important projects, and despite the cost conservation initiatives of the RP, we continued to prioritise expenditure on project study costs, as well as research and development.

Investing in our people

We nurtured skills through our support to universities, as well as our bursary and graduate development programmes. Based on in-depth surveys of students and professionals, Sasol achieved top honours in the 2016Universum South Africa Most Attractive Employers Awards.

Promoting sustainability

Sasol recognises that our projects will be successful only if our communities share in that success and remain sustainable. Our social investment approach is being refocused to align it with specific country drivers.
GROUP FUNCTIONS

Our Group Functions have been redesigned to ensure that they are fit-for-purpose to enable business performance through standardised processes.


MATERIAL DEVELOPMENTS:
- Rolled out extended RP, reported higher-than-forecast savings and cash conservation
- Commenced project to realise goals of revised B-BBEE codes by 2020
- Listed Sasol Inzalo on the JSE black economic empowerment board
- Defined risk tolerance and appetite measures to manage capital allocation
- Progressed transformation of information management
- Assisted ROMPCO to refinance a R5.7 billion loan with banks to fund Loopline 2

Supporting our businesses
Our Group Functions performed well, delivering fit-for-purpose and supportive business services and solutions to our operations and global businesses, enabling them to execute plans to manage the material matters identified in the year.

Responding to the volatile macro-economic environment
Responsible for ensuring delivery of the RP and the BPEP, we reported higher-than-forecast savings and cash conservation in the year. We intensified and extended the targets on the RP after performing a thorough scenario planning and analysis to account for the lower-for-much-longer oil price reality. Simultaneously, we focused on defining risk tolerance and appetite measures to determine the nature and extent of risk we are willing to accept in pursuit of our strategic objectives. We consider risk appetite in the context of the severity of the consequences should the risk materialise, and manage business opportunities and capital allocation within appetite levels.
Faced with the impact on capital portfolio management of the lower oil price, we closely managed capital allocation and the group’s capital structure. We reduced our capital portfolio activities by a quarter from the baseline at the start of the RP in December 2014.

Our treasury safeguarded cash, maximised the return on surplus cash, minimised the use of general banking facilities and made certain that cash was available at the right time and in the required currency. We closely monitored our funding requirements to ensure that the appropriate credit facilities and levels of liquidity were maintained to minimise any adverse impact on our investment rating.

Promoting sustainability

Transformation is vital in South Africa and we are committed to contributing meaningfully in this regard. We therefore view broad-based black economic empowerment (B-BBEE) as a social and business imperative. This commitment saw us record a level 4 B-BBEE contributor rating up until April 2016, when the South African government’s amended Codes of Good Practice were applied to Sasol’s audit, leading to a decline to level B.

However, we commenced a project to realise by 2020 the goals envisaged by the revised codes. Despite the implementation of the BPEP and RP, we continued to work to achieve our 2017 employment equity goals in South Africa. Since the 2012 inception of our employment equity plan, the representation of African, Coloured and Indian ethnic groups has improved from 61% to 66%.

We transferred trade in shares in our B-BBEE vehicle, Sasol Inzalo, from an over-the-counter platform and on to the empowerment segment of the JSE. This was in line with new Financial Services Board requirements. We also devoted much attention to identifying and developing new B-BBEE exempt micro enterprises and qualifying small enterprises as well as helping existing suppliers become B-BBEE compliant.

We invested R1,2 billion in education, skills development, community development and environmental protection.

Committed to world-class safety, we made good progress to standardise safety, health and environmental (SHE) management as part of the risk-based One Sasol SHE Excellence approach. We also advanced efforts to simplify our risk management. We improved our control framework to ensure compliance with those laws deemed to be high risk, in particular anti-trust, sanctions, anti-bribery and corruption laws. Designing compliance programmes in a dynamic regulatory landscape remained a challenge.

Investing in our people

To further instil our values-driven, high-performance culture and support our new operating model, we implemented a suite of interventions to realign teams with our business goals and to embed our culture. We measured the progress of our change journey and its impact on our workforce through a quarterly ‘change risk assessment’. The results informed leadership activities with the aim of supporting employees effectively.

We continued with our organisational restructuring and the re-alignment of employee placements at senior management level as part of our BPEP and RP to conserve cash. In this process, approximately 726 employees left the organisation, either through voluntary retrenchments or early retirements. A group-wide vacancy freeze and hiring moratorium are delivering further cash conservation benefits.

We continued to develop our people through internal training programmes designed to raise basic competency levels, improve technical skills and enhance leadership effectiveness. An important focus is on identifying and developing high-potential talent, while promoting diversity and transformation.

During the year, 26 767 employees participated in internal learning and development programmes, comprising 1 200 learnerships; 5 878 women and 302 graduates. In South Africa, we invested a total of R398,94 million in developing skills among our black employees, of which R103,7 million was spent on black women.

We assessed levels of employee engagements and enablement through the heartbeat survey in March 2016.

Unlocking value by optimising and growing our business

On a number of fronts we helped optimise the way Sasol operates, assisting in leveraging our full capabilities to grow our business. We nearing completion of our information management (IM) transformation journey to deliver global services in infrastructure and networks, and established data and analytics functions.

We progressed our Commercial (SAP, Infrastructure and Networks) and Manufacturing Execution Systems (MES) towards a globally standardised architecture, supported by increased outsourcing to global network carriers, cloud processing and equipment providers, who have a strong footprint in South Africa and all of the geographies that we operate in. The design, implementation and maintenance of our systems are based on international standards, best practice and governance standards as appropriate, overseen by the Combined Assurance and Disclosure Committee and Audit Committee and regular internal audit testing. Data privacy, prevention detection and recovery of information security within financial and production areas continues to be a focus area of the IM function.

During the year our new SAP based Chemicals system, which consolidates and enables the new Sasol Operating Model, was completed within schedule, budget and quality and it provides enhanced processing and management information to this strategic business unit. This implementation received the Gold certificate at the SAP annual global Quality Awards held in Waldorf Germany.

We assisted our ROMPCO joint venture in concluding an agreement with banks for a R5,7 billion facility to refinance its debt and fund Loopline 2 on the Mozambique-to-South Africa gas pipeline. In support of our US growth projects, we hedged against increases in the US$ LIBOR rate, by swapping approximately half of our US$ LIBOR exposure on the LCCP loan to a fixed LIBOR rate of 2.7%.

2D-F Refer to Sasol’s Form 20-F for details on our B-BBEE strategies.

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

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OUR INVESTMENT CASE

Investing in Sasol provides exposure to our robust portfolio, comprising feedstock advantaged operations, combined with human talent and unique technology, creating long-term shareholder return.

ROBUST PORTFOLIO
- Integrated value chains (backward integrated where possible)
- Diversified business (chemicals, energy, upstream and electricity)

FEEDSTOCK
- Low cost feedstock (low oil price breakeven)
- Long life resource (Secunda coal, Mozambique gas, Qatar gas, US ethane)

MANAGEMENT ACTIONS
- Stable operations (volumes stable and cost control)
- Business intervention (Response Plan and Business Performance Enhancement Programme)
- Increased focus on execution of capital projects
- Focused actions to address increase in LCCP capital cost estimate
- Rand hedge stock
- Emerging market exposure with developed market governance

EMERGING MARKET STOCK

ADVANCED TECHNOLOGY
- Gas-to-liquids (convert stranded gas to high value products)
- Coal-to-liquids (convert low quality coal to fuel and chemicals)
- Proprietary chemical technologies

UNDERPINNED BY CURRENTLY UNDEMANDING VALUATION OF THE SASOL SHARE
Despite the low oil price, our investment case remains compelling.

**STAKEHOLDER BENEFITS**

- **High margin, cash generative** business compared with peers.
- **Low cost of production** makes us competitive and resilient.
- **Value to stakeholders translates as:**
  - Share price appreciation
  - Returning cash to shareholders via dividends
  - Contributing to social and economic development in the regions where we operate
  - Providing 30,100 people with jobs and stimulating the economies in which we operate.
Shareholders’ diary

Annual general meeting

Dividend

Interim dividend
SA rand per ordinary share

Final dividend
– rand per share
– date declared
– last date to trade cum dividend
– payable
**Disclaimer – Forward-looking statements:** Sasol may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return, executing our growth projects and cost reductions, including in connection with our BPEP and RP. Words such as “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour”, “target”, “forecast” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors are discussed more fully in our most recent annual report on Form 20-F filed on 27 September 2016 and in other filings with the United States Securities and Exchange Commission. The list of factors discussed therein is not exhaustive; when relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

**Please note:** A billion is defined as one thousand million. All references to years refer to the financial year ended 30 June. Any reference to a calendar year is clearly articulated as such.

**Abbreviations**

- mm bbl - million barrels
- mm tons - million tons
- bscf - billion standard cubic feet
- m bbl - thousand barrels
- ktpa - thousand tons per annum
- Rm - Rand millions
- $/ton - US dollar per ton
- R/ton - Rand per ton
- mm³ - million cubic meters