

Remaining responsive to a changing business context

To achieve our definition of victory – to grow shareholder value sustainably – we are proactive and continue reinforcing the resilience of our business in addressing the challenges we face.

Global Market Challenges

Globally, markets are continuing to feel the effects of the 2008 financial crisis. Despite the recovery in economic activity in developed economies and continued growth in emerging economies, such as India and China, investor confidence remains generally low. The World Economic Forum's annual assessment of global risks highlights the fragility of the recovery. Their assessment points to the potential for fiscal crises in key economies, structurally high unemployment and under-employment, rising levels of income disparity, the failure of global governance, and increasing political and social instability. Environmental concerns are also prominent, with water scarcity, climate change and extreme weather events, each featuring in the top ten global risks.

Against this backdrop, there is a consistent and increasing demand for energy. This is being driven, in particular, by rapid consumer growth in Asia and continuing industrialisation and urbanisation in emerging economies. Accompanying the growth in energy demand, are calls for resource nationalism and the rising influence of state-owned companies in the extractives sector. This is particularly the case in Sub-Saharan Africa where governments and communities have become increasingly vocal about how the benefits of resource extraction should be shared. This reflects a broader shift across many stakeholder groups regarding the role of business in addressing societal challenges.

An eventful year in South Africa

In South Africa, our home-base and the location of our largest operations, it has been a particularly eventful year. We are a proudly South African company and our commitment to the country and the region is unequivocal. In 2014, the country marked 20 years of democracy with a robustly contested yet peaceful election. Despite this positive landmark in the country, there have been continuing concerns regarding limited economic growth, youth unemployment and inequality, and frustration in some communities about the slow pace of service delivery persist. Furthermore, investors and the business community continue to express concern regarding regulatory and policy uncertainty, and the potentially adverse effects of tightening regulatory requirements.

Immediate concerns regarding national electricity supply reflect longer-term challenges in the South African coal sector. These include recent downward revisions to the estimates of available coal reserves in the Mpumalanga province, changes in the national electricity utility's planned coal demand profile, and increasing export demand for national coal reserves. These challenges have significant implications for companies in the energy and extractive industries.

In the broader mining sector, the five-month platinum strike dominated the year. The strike's profound social, economic and financial implications brought into sharp focus the critical importance of restoring trust and developing stronger relationships between business, government and labour. It also raised difficult questions about business models in the extractive industries, dented the country's reputation among investors and was a key contributor to the downgrading of South Africa's sovereign rating.

Positioning Sasol for growth in a changing business context

These global and regional challenges highlight the complexity and interconnectedness of the societal factors that shape our operating context, and underscore the critical importance of a considered and holistic approach to sustainable development.

Our strategic response to societal issues is informed by an integrated understanding of the resources and relationships – or capital stocks – that we depend on to create sustainable value for our shareholders and, in turn, our stakeholders. The strategic decisions we make in allocating resources to run our business and advance our growth projects take cognisance of our use of, and impacts on, the following six capitals:

- **Natural capital:** the ecological processes and natural resources – such as coal, gas, crude oil and water – that we need to provide our goods and services.
- **Human capital:** the skills, experience, productivity, diversity and excellence of our people, that enable us to operate our facilities safely, reliably and efficiently, and to deliver our growth projects on time and within budget.
- **Social and relationship capital:** the quality of the relationships that we have with our key stakeholders, that is essential to facilitate collaboration, the effective sharing of knowledge, and the establishment of an effective enabling environment for investment.
- **Intellectual capital:** our knowledge-based assets such as technology patents, copyrights, software, licences, procedures and protocols.
- **Manufactured capital:** our ongoing capital investment in our plants and equipment that enables us to operate these assets safely and reliably for an extended period of time.
- **Financial capital:** the debt and equity financing, as well as the cash generated by our operations and investment that are used to run our business and fund our growth projects.

We continuously review our strategy to ensure it is aligned to the significant changes in our business environment. This involves refining the group's strategic agenda to ensure it remains relevant and achievable.



Please refer to our website, www.sasolsdr.com, for our "nurture and grow" strategy and our "expand and deliver" strategy.

