



**SASOL**

**APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 2016**

- Ethical culture
- Good performance
- Effective control
- Legitimacy

1 July 2018

**SASOL LIMITED**

Sasol Limited (Sasol / the Company) is listed on the Johannesburg Stock Exchange operated by the JSE Limited (JSE). Sasol is also listed on the New York Stock Exchange (NYSE) for the purpose of registering its American Depositary Receipts with the United States Securities and Exchange Commission (SEC). The Company complies with the principles of King IV, the mandatory corporate governance requirements of the JSE and the applicable NYSE corporate governance requirements. Paragraph 3.84 of the JSE Listings Requirements stipulates that issuers must comply with certain specific requirements concerning corporate governance. Sasol complies with all the requirements of paragraph 3.84. For the period ended 30 June 2018, Sasol applied all the principles of King IV as disclosed in the attached table.

## Application of the King IV principles

### Leadership, ethics and corporate citizenship

#### Leadership

##### **Principle 1 The Board should lead ethically and effectively**

Sasol Limited's board of directors (the Board) exercises effective leadership, adhering to the duties of a director. The directors have the necessary competence and act ethically in discharging their responsibility to provide strategic direction and control of the Company as provided for in the Board Charter and the Sasol Limited MOI<sup>1</sup>.

The Board Charter outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the Company and declarations of conflicts of interest. Directors adhere to Sasol's declarations of interest policy, which is based on the Companies Act<sup>2</sup> requirements. The Board, through the Nomination and Governance Committee, considers and takes note of the declarations of interests tabled and identifies and acts on untenable conflicts. Sasol's directors, executives and senior employees are prohibited from dealing in Sasol securities during certain prescribed periods. The Company Secretary regularly informs directors, executives and senior employees of the insider trading legislation and advises them of closed periods. A report on directors' dealings in Sasol's shares is tabled at each Board meeting and disclosed in terms of the applicable JSE and NYSE listings requirements.

The Board is committed to driving the Sasol's strategy and operations based on an ethical foundation, to support a sustainable business, and acting in the best interest of the Company, while taking into account Sasol's short- and long-term impact on the economy, society, environment and its stakeholders, as well as considering risks and overseeing and monitoring implementation and execution by management, thereby ensuring accountability for the Company's performance.

The Board exercises control through the governance framework of the Company which includes detailed reporting to the Board and its committees, Board reserved decision-making authority and a system of assurance on internal controls.

#### Organisational ethics

##### **Principle 2 The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture**

The Board determines and sets the tone of Sasol's values, including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen and through the Safety, Social and Ethics Committee, approves Sasol's Code of Conduct<sup>3</sup> (Code).

<sup>1</sup> Memorandum of Incorporation [17 November 2017]

<sup>2</sup> Companies Act 71 of 2008

<sup>3</sup> Sasol's revised Code of Conduct adopted 1 March 2018

## Application of the King IV principles

The Code adopts a behaviours-based approach which reinforces the importance of linking Sasol's day-to-day actions to its shared values and aspirational culture. The Code is further underpinned by policies and guidance notes to enhance its everyday-application.

Management has been delegated the responsibility for implementation and execution of the Code and the Board, with the assistance of the Safety, Social and Ethics Committee, exercises ongoing oversight of the management of ethics, monitoring Sasol's activities with regard to ethics, and ensuring it is integrated in the operations of the Company.

The Code guides interaction with all stakeholders of the Group and reaffirms Sasol's commitment to only do business on the basis of fair, lawful, efficient and transparent practices. Sasol has been operating an independent ethics reporting telephone line through external advisors since 2002. This confidential and anonymous EthicsLine provides an impartial facility for all stakeholders to report deviations from ethical behaviour, including fraud and unsafe behaviour or environmental misconduct.

The Code is published on the website and incorporated by reference in supplier and employee contracts. A high level overview for governing and managing ethics is also disclosed in the Integrated Report.

## Responsible corporate citizenship

### **Principle 3 The Board should ensure that the company is and is seen to be a responsible corporate citizen**

In terms of its role of overseeing the Company's conduct as a good corporate citizen, the Board approves the strategy and priorities of the business, including Sasol's material matters and, more specifically, those related to sustainability. Through stakeholder engagement and collaboration, Sasol has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding lasting solutions to sustainability challenges.

It is a Sasol Group imperative to be a values-driven organisation, to deliver on the South African transformation agenda, to meet local content requirements in countries where Sasol operates, to fulfil its legal and moral obligations, and to ensure good governance practices are in place.

The Board, with the support of the Safety, Social and Ethics Committee and the group executive, oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen. This is measured against performance targets agreed with management in support of Sasol's strategic imperatives.

Sasol's Integrated Report, supplemented by web-based sustainability reporting, details the Group's progress against its priorities and sustainability framework, within the context of global change, material sustainability challenges, governance, ethics and human rights, safety, developing and retaining a skilled and diverse workforce, responding to the changing regulatory context, addressing climate change and promoting water stewardship, highlighting planned future focus.

## Application of the King IV principles

### Strategy, performance and reporting

#### Strategy and performance

**Principle 4**    **The Board should appreciate that the company’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**

The Board informs and approves Sasol’s strategy which is aligned with the purpose of the Company, the value drivers of its business and the legitimate expectations of its stakeholders and aimed at ensuring sustainability; and which takes into account the top risks facing the Group. The Board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and priorities and ensures that the Company accounts for its performance by, amongst others, reporting and disclosure.

Sasol’s risk policy re-affirms that Sasol is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision making processes. The Board’s primary risk management focus is on Group top risks that could materially impact the achievement of our short, medium and long-term objectives to sustainably grow shareholder value. The achievement of these objectives is dependent on the effective delivery of certain key business imperatives, referred to as “aspects.” Within a dynamic strategic context, the identification and definition of these aspects provide the anchor for the Group top risks that are reported to the Board.

More details regarding the Company’s performance against its strategic objectives is reported in the Integrated Report.

#### Reporting

**Principle 5**    **The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company’s performance, and its short, medium and long-term prospects**

The Board, through the Audit Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. The Company complies with all required disclosures. Reporting frameworks and materiality are approved by the Audit Committee to ensure compliance with legal requirements and relevance to stakeholders.

The Audit Committee oversees the integrated reporting process and reviews the audited financial statements.

Sasol ensures that the annual reports, including the AFS<sup>4</sup>, the Integrated Report, the Form 20-F, sustainability reports and any other relevant information to stakeholders are published on the Company’s website, as well as through other media as is appropriate.

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<sup>4</sup> Annual Financial Statements

## Application of the King IV principles

### Governing structures and delegation

#### Primary role and responsibilities of the Board

**Principle 6 The Board should serve as the focal point and custodian of corporate governance in the company**

The Board has an approved charter which it reviews annually. The charter sets out its governance responsibilities, including the role, responsibilities, membership requirements and procedural conduct. Through the Nomination and Governance Committee, the Board implements and monitors the governance practices within the Group.

The Board as well as any director or Committee may obtain independent, external professional advice at Sasol's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management as and when required.

An appropriate governance framework and necessary policies and processes are in place to ensure 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. Subsidiaries have adopted the governance framework as appropriate and have aligned their MOIs and shareholder agreements with the Group's governance framework.

Sasol's governance framework disclosed in the Integrated Report.

#### Composition of the Board

**The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

**Principle 7**

*See also: JSE3.84(e): Categorisation of directors. JSE3.84(a): Balance of power and authority on the Board. JSE3.84(b): Appointment of CEO and Chairman. JSE3.84(i) and (j): Policy on the promotion of gender and race diversity on the Board. JSE3.84 (d): CV of each director standing for election or re-election.*

The capacity of each director is categorised as defined in the JSE listings requirements, also taking into consideration King IV and other factors as outlined in the Board Charter. The Board comprises a majority of independent non-executive directors. A rigorous review on the independence and performance of independent non-executive directors serving more than 9 years is undertaken by the Board with the support of the Nomination and Governance Committee.

## Application of the King IV principles

There are three executive directors on the Board namely, the Joint CEOs<sup>5</sup> and the CFO<sup>6</sup>. In terms of the Company's MOI, one-third of directors must retire at every AGM<sup>7</sup> and are eligible for re-election. When considering appointment or re-election of directors the Board, with the support of the Nomination and Governance Committee, considers the knowledge, skills and resources required for conducting the business and considers its size, diversity and demographics to ensure its effectiveness. It has further limited the period for new directors joining the Board after 25 November 2016 to 9 years (which may be extended to a maximum with 3 years to retain knowledge, skills and experience and maintain continuity).

There is a clear distinction between the roles of the Joint CEOs and the Chairman and these positions are occupied by separate individuals. All non-executive directors have been determined by the Board to be independent directors and in adopting best practice, Sasol has also appointed a lead independent director.

The Board incorporated a policy on the promotion of gender diversity at board level into its Board Charter and reports in the Integrated Report how it has considered and applied the policy. The Board Charter emphasises the importance of race, age and gender diversity in the composition of the Board. Sasol's Board comprises 33,3% female directors and 46,7% black persons from South African descent. The process for appointment and election of directors is set out in the Company's MOI.

The Nomination and Governance Committee assists with the process of identifying suitable candidates to be proposed for appointment to the Board and election by the shareholders, taking into consideration the annual review of the Board's effectiveness, which includes, amongst others, its composition. All facets of diversity, having due regard to the Board's gender diversity policy, are considered in determining the optimal composition of the Board, which should be balanced appropriately and enable the Board to discharge its duties and responsibilities effectively.

A brief CV for each director standing for election or re-election at the AGM accompanies the notice of the AGM.

Newly appointed directors are inducted in Sasol's business, Board matters, their duties and governance responsibilities as directors under the guidance of the Company Secretary, in accordance with each director's specific needs. Directors are given the opportunity to visit Sasol's plants and operations and receive briefings on new legal developments and changes in the risk and general business environment on an on-going basis. The succession plan for directors is reviewed annually by the Nomination and Governance Committee and includes the identification, mentorship and development of future candidates.

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<sup>5</sup> Joint Presidents and Chief Executive Officers

<sup>6</sup> Chief Financial Officer

<sup>7</sup> Annual General Meeting

## Application of the King IV principles

### Committees of the Board

#### Principle 8

**The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties**

*Also refer to: JSE3.84(c): Audit Committee, Remuneration Committee and Social and Ethics Committee. JSE3.84(g): Expertise and experience of the financial director.*

Committees have been established to assist the Board in discharging its responsibilities. The Committees of the Board comprise the Audit, Nomination and Governance, Remuneration, Safety, Social and Ethics, Capital Investment and Digital, Information Management and Hedging Committees.

The Committees are appropriately constituted and members are appointed by the Board. The Nomination and Governance Committee reviews the composition of Board committees and makes recommendations to the Board as to their composition, including appointment of the chairmen of each committee, taking into account factors such as diversity and skills and the need to create an even spread of power and authority. External advisors, executive directors and members of senior management attend Committee meetings by invitation. The Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal terms of reference are established and approved for each Committee, which are reviewed annually. The terms of reference of the Committees form part of the Board Charter and can be viewed on Sasol's website.

The Board considers the allocation of roles and associated responsibilities and the composition of membership across committees holistically, so as to achieve the following:-

- Effective collaboration through cross-membership between committees, where required; coordinated timing of meetings; and avoidance of duplication or fragmented functioning in so far as possible.
- Where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such matter is defined to ensure complementary rather than competing approaches.
- There is a balanced distribution of power in respect or membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.

A delegation by the Board of its responsibilities to a committee will not by or of itself constitute a discharge of the Board's accountability. The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the chairman of a committee at each Board meeting.

## Application of the King IV principles

### *Audit committee*

The Board has an independent Audit Committee and its independence and effectiveness is reviewed on an annual basis. The Audit Committee is constituted as a statutory committee of Sasol Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the Board in respect of all other duties assigned to it by the Board and US legislation. The Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to subsidiaries.

The Audit Committee comprises 5 independent, non-executive members. The Chairman of the Board is not a member of the Committee. Members of the Committee are elected by shareholders at the AGM. All Committee members are financially literate and have extensive Audit Committee experience. Mr C Beggs is designated as the Committee's financial expert in accordance with the SEC rules.

The Committee provides independent oversight of, among others, the effectiveness of the Company's assurance services, with particular focus on combined assurance, including external assurance service providers, internal audit and the finance function and the integrity of the AFS and, to the extent delegated by the Board, other external reports issued by the Company. The Committee also considers annually, and satisfies itself of, the appropriateness of the expertise and experience of the CFO and the finance function. The performance of the Audit Committee and significant issues dealt with during the year are contained in the Report of the Audit Committee included in the AFS.

### *Nomination and Governance Committee [Committee responsible for nominations of members of the Board]*

The Board has delegated oversight of, amongst others, the following to the Nomination and Governance Committee (i) the process for nominating, electing and appointing members of the Board, (ii) succession planning of directors and (iii) evaluation of the performance of the Board and its Committees.

All members of the Nomination and Governance Committee are independent non-executive directors and the Chairman of the Board is the Chairman of this Committee.

### *Remuneration Committee [Committee responsible for remuneration]*

The Remuneration Committee is responsible for overseeing remuneration. All members of the committee are independent non-executive directors. The Chairman of the Board is a member of this committee.

### *Safety, Social and Ethics Committee [Committee responsible for social and ethics matters]*

The Safety, Social and Ethics Committee is responsible to oversee and report on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. It is also responsible to execute on its statutory duties under the Companies Act. The Joint CEOs are members of this Committee.

## Application of the King IV principles

### Evaluations of the performance of the Board governing body

**Principle 9**    **The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The Nomination and Governance Committee evaluates the effectiveness and performance of the Board, its committees and the individual directors every second year. The Chairman of the Board, through the Committee and assisted by the Company Secretary, leads the evaluation process.

The performance of the Chairman, the Board, the Board's committees and the Company Secretary was evaluated by way of a self-assessment in 2018. The evaluation results indicated that, overall, the Board and its committees are working well; the structure, mandate and decision roles are appropriate for the size/complexity of Sasol and the Chairman's performance, and that of the Company Secretary, is satisfactory. The Board emphasised that board reports should be more concise and requested additional time to review the pre-reading for Board and Committee meetings.

We are satisfied that the evaluation process is improving the Board's performance and effectiveness.

The Board, with the support of the Nomination and Governance Committee, determines the number of external directorships and other positions a director may hold, taking into consideration the relative size and complexity of an organisation.

Annually the Nomination and Governance Committee considers other commitments of directors and whether the director has sufficient time to fulfil the responsibilities as a director to ensure they can still execute their job effectively and is free from conflicts that cannot be managed satisfactorily. Should the 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 role of the Chairman is formalised and an assessment of the Chairman's ability to add value, and his performance against what is expected of his role and function, is conducted by the Board. The lead independent director is responsible for ensuring that the performance of the Chairman is evaluated annually. The Board and the Nomination and Governance Committee are responsible for succession planning for the position of the Chairman.

The role and responsibilities of the Board, its Committees, the Chairman and the directors are outlined in the Board Charter which is publically available.

## Application of the King IV principles

### Appointment and delegation to management

**Principle 10**      **The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

*Also refer to: JSE-3.84(h): The Company Secretary.*

#### *Joint CEOs and Group Executive Committee*

The Joint CEOs were appointed by the Board, on recommendation of the Nomination and Governance Committee. The role and functions of the Joint CEOs are specified in the Board Charter and the performance of the Joint CEOs is evaluated by the Board against the criteria specified.

The Board appoints members of the GEC<sup>8</sup> upon recommendation of the Joint CEOs and the Nomination and Governance Committee and, with the assistance of the Nomination and Governance Committee, is responsible for ensuring that succession plans are in place for the position of Joint CEOs and other members of the GEC.

The Board approves and regularly reviews the framework and top level delegation of authority in terms of which matters are delegated to the Joint CEOs. The Joint CEOs are jointly and severally the highest executive decision-making authority of the Group and are jointly and severally delegated with authority from and are accountable to the Board for the successful implementation of the Group strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term shareholder value.

The Joint CEOs can act separately or jointly. Specific matters have been reserved that require a joint decision by the Joint CEOs. The Board has agreed to the manner in which to resolve a deadlock in respect of any matter pertaining to their delegated authority or regarding the development and implementation of the group's strategy and the overall management and performance of the Sasol Group. In terms of the delegation of authority framework, the GEC supports the Joint CEOs in the implementation of the group's strategy and the overall management and performance of the Sasol Group. The Joint CEOs may sub-delegate all matters not specifically reserved for decision-making by the Board or shareholders.

The Joint CEOs are not members of the Remuneration, Audit or Nomination and Governance Committees, but attend by invitation any meeting, or part thereof, as needed to contribute pertinent insights and information.

The Joint CEOs and the Board will agree on whether the Joint CEOs take up additional professional positions, including membership on other governing bodies outside Sasol. Time constraints and potential conflicts of interest will be considered and balanced against the opportunity for professional development. The Board annually evaluates the performance of the Joint CEOs against agreed performance measures and targets.

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<sup>8</sup> Group Executive Committee

## Application of the King IV principles

### *The Company Secretary*

Mr VD Kahla, the EVP<sup>9</sup>, Advisory, Assurance and Supply Chain, is the Company Secretary, duly appointed by the Board in accordance with the Companies Act. Mr Kahla is not a director of the Company. The Board annually considers the competence, qualifications and experience of the Company Secretary and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary. Mr Kahla holds BA and LLB degrees and, in his professional career of over two decades, he has held several senior executive leadership roles covering, amongst others, legal and regulatory services, corporate governance, assurance services, compliance and risk management, within the private and public sectors.

The Company Secretary has a direct channel of communication to the Chairman, while maintaining an arm's-length relationship with the Board and the directors as far as reasonably possible. The role and responsibilities of the Company Secretary are set out in the Board Charter.

## Governance functional areas

### Risk governance

#### **Principle 11 The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives**

The Board directly assumes responsibility for the governance of risk; it approves Sasol's risk policy that gives effect to its set direction on risk. Sasol's risk policy re-affirms that Sasol is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision making processes. The Board also approves Sasol's Group top risk profile and financial risk appetite and tolerance levels, ensuring that risks are managed within these levels and considers the risk environment from time to time, as deemed appropriate and based on materiality and changes in the external and internal environments.

To support the Board in ensuring effective risk management oversight, the Board Committees are responsible for ensuring the effective monitoring of relevant Group top risks, in compliance with Sasol's Enterprise Risk Management (ERM) framework and risk policy, within the ambit of each Committee's scope and mandate. In monitoring and providing oversight on Sasol's Group top risks, each committee will consider potential Group top risks and/or opportunities as appropriate.

The Board is provided with assurance that Sasol's approved ERM framework, process and methodology remain in accordance with best practice and good governance requirements. Sasol's approach to increasing the probability of anticipating unpredictable risks includes regular monitoring of key developments in the external and internal environment, as well as, identifying and monitoring developments associated with risks on its "watch-list" (emerging risks). At a Group level, Sasol is implementing actions to strengthen its business continuity capabilities with a specific focus on Group crisis management. In 2019, Sasol will be finalising the implementation of an enhanced approach to manage risks at Board level.

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<sup>9</sup> Executive Vice President

## Application of the King IV principles

Furthermore, a combined assurance model (CAM) is being implemented to ensure pro-active monitoring and assurance of key responses and mitigation strategies related to the Group top risks.

The Board approves an annual risk management plan, with annual plan deliverables that aim to ensure that adequate and effective processes and systems are in place to understand, manage and monitor risks or uncertain events that may impact Sasol's objectives, and assist governing bodies to govern risk in a way that supports the organisation in setting and achieving its strategic objectives; to ensure that adequate and effective responses or mitigation strategies in place to respond to risks or uncertain events; and to ensure communication of risks or uncertain events clearly to internal and external stakeholders.

Management provides feedback to the Board on the effectiveness of the risk management process. Internal Audit undertakes an annual audit of the ERM process in Sasol.

Sasol's ERM framework, process and methodology has been rolled-out to all of Sasol's OMEs<sup>10</sup>—and entails the determination and development of OME top risk profiles. Risks are considered at a Group level through the management of Group top risks and risks on the “watch-list” (emerging risks) that may potentially impact Sasol's ability to achieve its strategic objectives. Risks at OME level are considered in achieving OME business objectives that are aligned to the Sasol Group strategy. Risks at the process level also include the management of operational, project, key Group-wide initiatives, financial and legal compliance risks.

Oversight of risk management at an OME level takes place through the accountable executive and executive committees, supported by the Risk and SHE<sup>11</sup> function headed by Sasol's SVP<sup>12</sup>, Risk and SHE, who has suitable experience and is responsible for ensuring that an ERM process is in place.

For more information regarding the top risks in Sasol, refer to the Integrated Report and the Form 20F filed with the SEC.

## Technology and information governance

### Principle 12 The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives

The Board is ultimately accountable for the governance of information and technology management and the Digital, Information Management and Hedging Committee supports the Board in this regard.

The Information Management (IM) function is accountable for the operational governance of IM, which includes IT, in the Sasol Group.

<sup>10</sup> Operating Model Entity

<sup>11</sup> Safety, Health and Environment

<sup>12</sup> Senior Vice President

## Application of the King IV principles

Assurance is provided that the IM controls in place are effective, information management risks are addressed and the return on major IT investments, aligned to Sasol's strategy, is monitored. External auditors and internal audit perform assessments as part of their audit of IM-related controls. All significant IM-related audit findings are reported to the Audit Committee and the Board and managed accordingly.

The IM strategy is aligned to Sasol business needs and sustainability objectives. The IM charter is in place and best practice frameworks have been adopted, including Information Technology Infrastructure Library (ITIL) COBIT, ISO27001 and ISO27002.

The IM risk management framework is aligned to the Group risk management framework, and includes measures for third-party management, asset management, service continuity and disaster recovery.

All technology solutions impacting financial reporting are part of the internal and external auditing scope.

Measures to ensure compliance to all relevant laws, information security and the protection of personal information are in place.

## Compliance governance

### Principle 13

**The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.**

Sasol policy requires all Group companies and their directors and employees to comply with all applicable laws. Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws in the various jurisdictions in which Sasol does business and also to ensure appropriate responses to changes and developments in the regulatory environment.

The Nomination and Governance Committee receives regular reports on compliance matters and the Combined Assurance and Disclosure Committee oversees the Group's legal compliance programme. Reports on those legal and regulatory matters that have an impact on the financial statements, are presented to the Audit Committee.

Specific areas of law have been identified as key group legal compliance risk areas and risk mitigation and control steps have been identified for each of these areas.

Competition law, anti-bribery and anti-corruption laws, sanction laws and safety, health and environmental laws, identified as key group legal compliance risk areas, remain our focus.

Sasol has a compliance department headed by a suitably skilled and experienced Chief Compliance and Ethics Officer who reports to the Senior Vice President: Governance, Compliance and Ethics.

## Application of the King IV principles

### Remuneration governance

**Principle 14**     **The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term**

*Also refer to: JSE LR 3.84(k): The remuneration policy and the implementation report.*

Sasol's Remuneration Committee (the Committee) is tasked by the Board to independently approve and oversee the implementation of a remuneration policy (the policy) that will encourage the achievement of Sasol's strategy and grow stakeholder value sustainably through fair, responsible and transparent remuneration practices. The Committee has considered the meaning of 'fair, responsible and transparent remuneration' and adopted a definition thereof which is included in the policy.

Sasol has an embedded rewards strategy and policy which translates into competitive yet appropriate reward outcomes. The policy addresses arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation. The Committee ensures a balanced mix of rewards which is appropriate for the various employee structures globally. Incentive scheme targets and design principles are reviewed annually to ensure ongoing relevance in the context of the markets within which the company operates and the business objectives. Incentive targets consist of a balanced mix of financial and non-financial targets that cover the various contexts and capitals appropriate to the short- and long-term incentives. Claw back provisions and minimum shareholding requirements are dictated in the policy.

The Committee has overriding discretion to mitigate the risk of unjustified rewards. The policy and the implementation report are reported on in detail in the remuneration report section of the AFS and a summarised version of this report is included in the Integrated Report. The remuneration report consists of a Background statement, an overview of the main provisions of the policy and an implementation report with tables detailing the single total figure of remuneration for all directors and prescribed officers. The outcome of incentive plans relative to the targets set at the start of the financial year, are also disclosed.

The policy aims to enable the attraction and retention of skilled resources and results in balanced rewards aligned with shareholder interests. The policy is designed to achieve the following objectives:

- To attract, motivate, reward and retain human capital.
- To promote the achievement of strategic objectives in a manner which is aligned with the company's approach to risk management.
- Recognition for equal pay for work of equal value.
- To promote positive outcomes aligned with short, medium and long term objectives, an ethical culture and responsible corporate citizenship. Fair and reasonable remuneration practices for executives in the context of overall remuneration in the company

Sasol discloses the remuneration of each individual executive and non-executive director as well as all prescribed officers, in the Implementation Report.

## Application of the King IV principles

Since 2011, the Remuneration Committee has actively engaged with Sasol's large institutional investors considered to be important stakeholders and the policy has undergone significant changes over this period. The Remuneration Committee considers shareholders' contributions thoroughly and incorporates them into the policy where these enhancements align with the group's strategy.

At the November 2017 AGM, 92,40% of votes cast were in favour of the policy and 89,30% of votes cast were in support of the implementation report. In line with the recommended practices in King IV, at the AGM in November 2018, both the policy and the implementation report will again be tabled for separate non-binding advisory votes by the shareholders. The policy further provides for the measures that Sasol commits to take in the event that either the policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.

## Assurance

### Principle 15

**The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports**

The Audit Committee is responsible for the quality and integrity of Sasol's integrated reporting. The Board, with the support of the Audit Committee, satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Company's external reports.

Based on the results of the review of Sasol's systems of internal control and risk management, including the design, implementation and effectiveness of internal financial controls through a formal documented management self-assessment process during the year ended 30 June 2018, and taking into consideration information and explanations provided by management and discussions with the external auditor on the results of the external audit, it is the Chief Assurance Officer's opinion that Sasol's systems of internal control and risk management are effective.

The Group maintains a system of internal financial control that is designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as and when they are identified.

A combined assurance approach has been implemented that assists in addressing control over the key risks facing the Group. Such risks and their mitigating controls are identified and controlled by management, within a risk framework determined by the Board, and the process is monitored and evaluated under the direction of internal audit. The traditional three lines of defence have also been expanded as appropriate, in accordance with the recommended practices.

The Sasol Assurance Services function covers Sasol's operations globally and is responsible for amongst others, assisting the Board and management in maintaining an effective internal control environment, ensuring the integration of assurance provided and monitoring the adequacy and effectiveness of combined assurance over Sasol's risk management process.

## Application of the King IV principles

An Internal Audit Charter is in place and outlines the responsibilities of the internal audit function. The Audit Committee has been delegated the responsibility for overseeing that assurance services are executed in line with the charter.

The three year rolling audit plan, approved by the Audit Committee and updated as appropriate to ensure it is responsive to change, is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the Audit Committee, GEC and management. It includes activities that support the achievement of an effective internal control environment, which supports the integrity of information.

A Chief Assurance Officer is appointed, and may be removed, by the Audit Committee. He reports to the Chairman of the Audit Committee on the performance of duties and functions that relate to assurance services and the Internal Audit Charter gives him direct access to the Joint CEOs, the CFO and the chairmen of the other Board committees. He administratively reports to the EVP: Advisory, Assurance and Supply Chain.

He functions independently from management and has the necessary authority, which includes unfettered access to meetings, minutes, documentation and risk registers of Sasol's businesses and functions. His performance is evaluated annually by the Audit Committee who ensures that he has the necessary competence and independence. The Committee also assesses quarterly whether the necessary arrangements are in place to ensure that adequate skills and resources are in place and that assurance services is supplemented as required by specialist, and as applicable, external services.

The internal audit function is required to undergo an independent quality review at least every four years and was subjected to such review in 2018. It was concluded that the function generally conforms to the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

## Stakeholder relationships

### Stakeholders

**Principle 16** **In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time**

Sasol strives to ensure a systematic and integrated approach to stakeholder engagement across the Group to enable increased assurance to the Board that all stakeholder issues have been identified, prioritised and issues of concern to them are appropriately addressed.

The Board, through the Safety, Social and Ethics Committee, as part of its social and ethics mandate under the Companies Act, considers issues around stakeholder perceptions. The Committee has oversight of stakeholder engagement and management. Through regular reporting to the

## Application of the King IV principles

Safety, Social and Ethics Committee, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.

It is a business imperative that Sasol understands and is responsive to the needs and interests of its key stakeholder groups which includes: employees and their representatives; government and regulators; shareholders; the communities around our operations; suppliers and customers; and business partners. The individual stakeholders within these groups are highly diverse, with sometimes competing interests. Sasol is therefore constantly seeking to improve the way in which we engage with our stakeholders to effectively respond to this complexity and diversity.

Interaction with our stakeholders happens during the normal course of business at multiple levels across the Sasol Group and we strive to resolve disputes with its stakeholders effectively and expeditiously. The role of the Corporate Affairs Function, the custodian of the stakeholder engagement approach, associated processes and standards, ensures a coordinated and consistent approach across the Group. The Function acts as an enabler to the organisation with the goal to systematically embed and continuously improve how stakeholders are managed and to report on stakeholder perceptions of Sasol.

To ensure the company communicates with its smaller shareholders and those stakeholders who lack access to electronic media, the Company publishes and reports on details of its corporate actions and performance (including its interim and final financial results) in the main South African daily newspapers. The Company also publishes its most recent financial and operational performance and provides recent historical information, including its annual reports, on its website. Sasol invites all shareholders to attend its AGM and also facilitates participation by way of focused proxy solicitation. Electronic participation is available at shareholders meetings. The Joint CEOs, the CFO and Investor Relations function conduct regular roadshows on the Group's performance and strategy to analysts, institutional investors and the media in South Africa, North America and Europe. Sasol's Investor Relations function maintains regular contact with the investor community and analysts.

The Policy, Sustainability and Stakeholder Relations Committee, a subcommittee of the GEC, meets on a quarterly basis to provide strategic direction on Group-wide stakeholder relations, to ensure the achievement of balanced and integrated economic, social and environmental performance.