UNLOCKING THE POTENTIAL OF SOUTHERN AFRICA’S GAS RESOURCES

Our activities in Mozambique are an important example of the regional partnerships and co-operation that will drive our strategies in the region. Mozambique’s natural gas fields were stranded for several decades, due to limited markets and infrastructure, and, at the time, uncertain political conditions. Sasol’s capabilities and markets in the region have enabled the monetisation of Mozambique’s abundant gas resources.

Opening new markets for cleaner burning natural gas

Sasol developed a commercialisation plan for the country’s gas resources over 15 years ago, and it has been 10 years since operations started at the Central Processing Facility (CPF) in Temane, Mozambique. The CPF processes gas, through cleaning and drying, before it is transported via an 865-kilometre pipeline to Sasol’s gas reticulation network in Secunda. This established South Africa’s natural gas markets in the domestic and industrial sector, where we now have approximately 550 industrial and commercial customers. It also provided the supply we needed to switch our Sasolburg platform from coal to gas, which has significantly reduced our carbon footprint.

In monetising Mozambican natural gas, Sasol has supported the creation of a favourable investment climate, and established a hydrocarbon exploration and production sector in the country. Our natural gas off-take agreements are also stimulating gas-based industries and helping the country address electricity demand through the construction of the country’s first large-scale gas-fired electricity generation plant.

Our US$246 million 175 MW gas-fired electricity generation plant at Beira Nova (CTRG), in partnership with the country’s state-owned power utility, Electricidade de Moçambique (EDM), is expected to achieve beneficial operation in October 2014. EDM will be the sole off-taker of the electricity under a power purchase agreement.

Ongoing development of our interests in Mozambique

While the Pande and Temane gas fields had an estimated 30-year lifespan at inception, focused exploration and development across our integrated portfolio of assets in Mozambique have extended the horizon. We are actively pursuing exploration opportunities, both onshore and offshore, with a particular focus on natural gas. This will not only secure the feedstocks we need to grow and sustain our integrated value chain in Southern Africa, but also enhance energy security and diversify the region’s energy mix.

In 2012, we increased capacity from 120 million gigajoules (M/GJ) to 183 M/GJ per year at the CPF and expanded the capacity of the pipeline to support increased demand from both Mozambique and South Africa. We started construction on the low pressure compression project to compensate for the production depletion of reservoir pressure in the fields.

Natural gas as a catalyst for socio-economic growth and development

Sasol is one of the largest tax payers in Mozambique. Besides tax revenue and revenue generated from equity investments in the natural gas project, Mozambique continues to benefit from the spin-offs from secondary industries. We are also a joint-venture partner to the state oil company, Petromoc, in Petromoc e Sasol Sar (P655), which supplies liquid fuel and lubricant products to the retail network, mining, road haulage, construction and agricultural segments throughout Mozambique. With current annual sales of approximately 80 million litres of petroleum product, we are growing the network of 11 petrol stations with our partner.

Through ongoing engagement with national and local stakeholders, we have aligned our corporate social responsibility initiatives to local priorities. We continue to invest in social development, including health, welfare and capacity building initiatives. Education and skills transfer remain cornerstones of our approach.

Playing a key role in future development

Mozambique’s proposed Gas Master Plan prioritises the development of electricity, gas-to-liquids, chemicals and fertiliser plants—all areas where Sasol has proven expertise. Based on our ability to develop and commercialise technology at scale, including in power generation from gas, we remain an important partner in the implementation of this national strategy. Also, despite significant natural gas discoveries in the north of Mozambique, Sasol is still the only operator to monetise gas in the region. We are well positioned to unlock Mozambique’s resource potential based on our track record with partners, competitive technology and market position in the region. This will serve to further develop and benefit the region.

The contribution for the next 10 years is forecast to be US$3.5 billion

At the CPF, we are increasing the percentage of Mozambican operational staff, targeting 85% by 2015

During the CPF expansion project, of the total cost of US$220 million, 30% was spent with local suppliers

CTRG provides electricity to 2 million Mozambicans, or 23% of current power demand
A safe, healthy and inspired workforce drives our ability to create value over time. We continue to intensify our efforts to attract, retain and develop the right people to operate our facilities in a safe, reliable and efficient manner, and to successfully deliver our growth projects.

This year, we focused on optimising talent sourcing and recruitment, investing in skills development initiatives, and developing the necessary leadership for our new operating model. A particular area of activity has been our international talent attraction and sourcing framework to support our expansion efforts in North America. We are growing Sasol’s employer brand presence internationally, including through social media.

Developing, empowering and retaining values-driven, high-performing employees with the right skills and experience is critical to maintaining our success in an increasingly competitive market.

Embedding a high-performance culture

To support our efforts to create a less complex, more agile organisation, we have been rolling out a number of interventions to embed a high-performance culture.

Last year, we launched a new global employee survey, Sasol Heartbeat, to gain insight into employees’ perceptions of our organisation, we have been rolling out a number of interventions to support our efforts to create a less complex, more agile

Embedding a high-performance culture

To support our efforts to create a less complex, more agile organisation, we have been rolling out a number of interventions to embed a high-performance culture.

Last year, we launched a new global employee survey, Sasol Heartbeat, to gain insight into employees’ perceptions of our organisation. The results indicated that Sasol is performing in line with global norms in engaging and enabling employees. We are using the strengths and gaps identified to guide our efforts to reach the top quartile of high-performing organisations.

To support our employees during the significant changes associated with the introduction of new operating model, we have provided workshops for managers, team leaders and our human resources (HR) function to assist them in their engagement with employees. Training was also provided to employees to understand the changes, and provide practical and emotional support.

Various onboarding sessions were held for employees to understand their new roles and accountabilities and toolbox kits were provided to the relevant employees. As we enter this new era for Sasol our organisation’s culture is a key driver of our success. This provides a foundation for instilling a values-driven, high-performance culture.

Developing and training existing talent

We place a strong emphasis on identifying and developing high-potential talent, and through this, supporting diversity and transformation across the group.

Last year we piloted the Sasol Leap (learning, experiencing, transforming across the group.

Intensify our efforts to attract, retain and develop the right people to operate our facilities in a safe, reliable and efficient manner, and to successfully deliver our growth projects.

This year, we focused on optimising talent sourcing and recruitment, investing in skills development initiatives, and developing the necessary leadership for our new operating model. A particular area of activity has been our international talent attraction and sourcing framework to support our expansion efforts in North America. We are growing Sasol’s employer brand presence internationally, including through social media.

Developing, empowering and retaining values-driven, high-performing employees with the right skills and experience is critical to maintaining our success in an increasingly competitive market.

Embedding a high-performance culture

To support our efforts to create a less complex, more agile organisation, we have been rolling out a number of interventions to embed a high-performance culture.

Last year, we launched a new global employee survey, Sasol Heartbeat, to gain insight into employees’ perceptions of our organisation. The results indicated that Sasol is performing in line with global norms in engaging and enabling employees. We are using the strengths and gaps identified to guide our efforts to reach the top quartile of high-performing organisations.

To support our employees during the significant changes associated with the introduction of new operating model, we have provided workshops for managers, team leaders and our human resources (HR) function to assist them in their engagement with employees. Training was also provided to employees to understand the changes, and provide practical and emotional support.

Various onboarding sessions were held for employees to understand their new roles and accountabilities and toolbox kits were provided to the relevant employees. As we enter this new era for Sasol our organisation’s culture is a key driver of our success. This provides a foundation for instilling a values-driven, high-performance culture.

Developing and training existing talent

We place a strong emphasis on identifying and developing high-potential talent, and through this, supporting diversity and transformation across the group.

Last year we piloted the Sasol Leap (learning, experiencing, accelerating potential) programme to deliver future talent, particularly at strategic leadership level. The initiative is a two- to five-year career development programme that gives high-potential individuals exposure to different roles across business units, and geographies supported by formal learning and mentorship. Nine employees were selected for the inaugural programme, with two-thirds being diversity candidates. In 2015, we will be launching our Sasol lead campaign, focusing on top and senior managers.

Nurturing future talent

We are working to ensure that we employ the right talent, with the right skills, in the right roles, at the right time to consistently deliver outstanding business results. We also continue to invest in skills development in our principal countries of operation. These range from basic literacy skills, and science and maths education at school level, through to skills development initiatives for professionals. These initiatives serve to enhance employee engagement and productivity, and motivate and retain our employees.

We run one of the largest bursary schemes in Southern Africa, focused on science, technology and engineering.

To achieve nationally recognised qualifications for our leadership programmes, we partnered with the Flavus Mareka TVET College, a tertiary technical college in South Africa. We also partnered with the Mozambican Ministry of Mineral Resources, making 30 bursaries available for Mozambicans to undertake study in engineering, science and geology. We have signed a Memorandum of Understanding with Eduardo Mondlane University to establish a downstream curriculum and lecturer programme. It will provide students and academic staff with practical, international-level experience.

Enhancing workforce diversity

Embracing a culture of inclusion is critical to our business, and we are committed to driving employment equity goals and enhancing diversity across the group. Our Diversity 10 Point Plan provides a set of qualitative measures for recruiting, developing and retaining candidates from under-represented groups.

Our Sasol Women’s Network is launching chapters in North America, Eurasia and Mozambique, translating the South African successes into fit-for-purpose programmes that increase female representation across the group. Several of our South African business units have also implemented programmes to increase the proportion of women in their workforce.

Reasonable accommodation of employees with disabilities remains a priority for Sasol. After re-vamping the disability management processes, creating a recruitment framework and educating more than 100 HR, health and wellness representatives, we plan to run a broader campaign to educate Sasol employees and line managers during the next financial year.

For detailed information on our people initiatives, including our performance on employee diversity, refer to “Investing in our people” in our 2014 sustainable development report.

For detailed information on our people initiatives, including our performance on employee diversity, refer to “Investing in our people” in our 2014 sustainable development report.
PARTNERING WITH OUR STAKEHOLDERS

Being responsive to the concerns and advancing the interests of our stakeholders is integral to effective investment and management of the resources and relationships necessary to achieve our strategic aspirations. As such, we consider our stakeholders to be our partners in proactively addressing the risks and realizing the opportunities in the markets in which we compete.

In line with global best practices and the King III Code, Sasol has adopted an inclusive approach to stakeholder relations.

Our commitment to stakeholder focus is underpinned by our Global Stakeholder Management Strategy, which directs our inclusive and coordinated approach to building and maintaining the mutually beneficial relationships on which we depend to create sustainable value.

In collaboration with our operations, the public policy and regulatory team manages Sasol’s relationships with key stakeholders, identified as those who can influence our ability to deliver on our strategic objectives over the short-, medium- or long-term. We identify their interests through engagements that take place as part of our regular business activities, with feedback on our annual integrated and sustainable development reports also taken into account.

Our global stakeholder management strategy and stakeholder engagement charter is relevant to all jurisdictions and stakeholder categories, and sets priorities for managing reputation, stakeholder relations and brand as three critical intangible assets.

Our commitments

- Further embed implementation of our corporate social investment strategy across the group;
- Drive achievement of our targets relating to broad-based black economic empowerment;
- Provide training on our new human rights policy and its implications for key personnel; and
- Integrate and embed human rights considerations into our engagements with suppliers.

Promoting social and economic development

Driving positive development in the countries in which we have a presence is essential to securing and maintaining our licence to operate and thrive. Our community investment and enterprise development initiatives enhance the economic and social value we deliver through our core business activities.

We make a valuable contribution to socioeconomic development in these countries by:
- Providing employment, skills and training to our employees and the broader community;
- Investing in the development of infrastructure and other social services in our communities;
- Paying taxes and royalties to governments, which are invested in addressing societal issues; and
- Purchasing goods and services from local businesses.

Creating value through social investment

Our community investment initiatives seek to promote people-centred, needs-driven sustainable development of the communities in which we operate. We aim to create sustained social impact through activities focused on legacy creation and to integrate the concept of ‘giving’ into the Sasol fabric and culture.

Investing in entrepreneurship

Promoting the development of independent entrepreneurs is one of the most effective ways of stimulating job creation and promoting economic growth. Through our investments into enterprise and supplier development, Sasol has been supporting independent small and medium (SME) enterprises since 1997.

We are making a direct and material contribution to the enhancement of economic and developmental opportunities in the broader community. While the focus of our enterprise development activities is primarily in South Africa where we have the greatest potential to make a positive impact, this approach informs the nature of our engagement in other economies in which we operate.

This year we have shifted from our previous focus on supporting enterprise development in general, to a more specific focus on developing and supporting suppliers in the Sasol value chain. We have placed a particular emphasis on supporting suppliers from previously disadvantaged communities, with the aim of ensuring the diversity of our supplier pool, while growing the competitiveness of our supply chain. This shift in approach has been driven in part by the South African government’s new scorecard for broad-based black economic empowerment.

Sasol Siyakha Trust: provides suppliers with funding for their growth and improvement strategies. Disbursed a total of R60,1 million in loans and supported 9 672 employees

Successful conclusion of wage negotiations, with our operations only affected for 31 days

R40.7 billion paid in direct taxes to government globally

Spent R1.4 billion on socioeconomic and skills development. The total combined turnover of the suppliers we support is in excess of R** million.
ADVANCING OUR GAS-BASED GROWTH PROJECTS IN NORTH AMERICA

In North America, the shale gas revolution, along with the wide differential between oil and gas prices and the abundance of low-cost ethane, has created attractive opportunities for our continued investment in the region. Sasol is uniquely positioned to monetise and diversify the use of natural gas resources in North America through our technologies.

Sasol continues to develop our upstream gas assets in Canada, and to advance our growth projects in the US. Our US growth programme will increase production volumes significantly, and strengthen our position across several industry sectors on the continent. Given the scale of these projects, they are pivotal in advancing the group’s international growth aspirations. As such, they are potentially game-changing for Sasol, and will contribute significantly to US energy security, growing its manufacturing base, and spurring economic growth in the region.

Advancing our US growth projects

Our US growth programme comprises two distinct projects which forms the basis of our gas-based growth programme in the continent. In pursuing our US growth programme a key consideration is unlocking value for our shareholders.

Ensuring successful project execution

Considering the value and importance of these growth projects, Sasol has constituted an integrated project management team to ensure that these projects are executed on schedule and within budget. The team is based on-site to implement the processes to measure progress, and brings with it experience from a number of other Sasol growth projects, including our flagship ORYX GTL plant in Qatar.

We have appointed world-class engineering and technology contractor, Technip, to work hand-in-hand with the project team during the FEED phase. Technip worked as the execution contractor on ORYX GTL and is also the primary FEED contractor for our proposed GTL project in Uzbekistan.

We plan to deliver the GTL project in two phases of at least 48,000 barrels per day (bbl/d) each. To alleviate risk associated with a shortage of craft skills, we will implement a modularisation structure where specific construction and fabrication activities will be done off-site. The integrated project team will track all aspects of the process, to ensure successful construction and commissioning.

We have received the requisite approvals for key project incentives from the state of Louisiana as well as the required air, water and wetlands permits.

In addition we introduced the Voluntary Property Purchase Program for residents who are likely to be affected by our expansion in Westlake. It provides affected property owners and residents the opportunity to sell and relocate to an alternative neighbourhood.

Developing our assets and opportunities in Canada

Sasol established its presence in Canada in 2010, acquiring a 50% stake in the Farrel Creek and Cypress A shale gas assets located in the Montney basin, British Columbia. In November 2013, our Canadian partner, Talisman Energy Inc., reached an agreement to sell its 50% in the Montney shale gas assets to Progress Energy Canada Ltd. Since then, we have forged a solid working relationship with our new partner in developing the Montney Basin assets. We have also completed a feasibility study into a potential GTL plant in Strathcona County, in Alberta’s industrial heartland. As part of the prioritisation of our capital project portfolio, this investment opportunity will be phased in after the ethane cracker and US GTL facility.

As we expand our global presence we will continue to fly the South African flag with distinction.

These projects mark one of the largest single manufacturing investment in the history of Louisiana and one of the largest foreign direct investment manufacturing projects in the history of the US.

In addition our US growth projects will create more than 1200 full time jobs, up to 5000 construction jobs at peak construction and more than 50,000 indirect jobs across the US.
Managing our environmental impact

Sasol’s commitment to sustainable development is informed by a holistic risk-based approach. We strive to minimise our environmental impacts, while protecting the health and wellbeing of our people and communities, driving socioeconomic development, in balance with maintaining the Group’s financial strength.

Our approach
Various group functions co-ordinate Sasol’s strategic approach to sustainable development. The safety, health and environment (SHE) function is mandated by the President and Chief Executive Officer, Group Executive Committee, and the Risk and SHE board Committee, to design systems and processes, and to ensure and assure adherence to group SHE requirements. The executive vice president: sustainability and HR is the custodian of the group’s sustainability initiatives.

This year we finalised the One Sasol SHE Excellence approach, a management framework to deliver on our goal of achieving zero harm and sustainability through a risk-based, standardised and systematic approach to SHE. Delivery against our commitments forms part of the key performance indicators, personal appraisals and incentive schemes of relevant employees. We continue to liaise extensively with governments and regulators, focusing on regulatory developments relating to air pollution, climate change, water and waste, and collaborating to find practical and sustainable solutions.

Air quality and waste management
In addition to significant investments in improving our production processes, we are involved in various initiatives beyond our factory fence to achieve immediate improvements in ambient air quality and improve community health. In response to last year’s implementation of the National Waste Information Regulation, we revised Sasol’s waste standards and procedures for our South African operations, and introduced changes to our internal waste reporting systems. We registered all our hazardous waste generating activities and commenced quarterly reporting into the South African Waste Information System.

Climate change and energy
As a carbon-intensive company we recognise that we have a particular responsibility and opportunity to contribute to finding solutions to the climate change challenge. Given recent policy developments in South Africa, where most of our greenhouse gas (GHG) emissions occur, as well as the shift in our strategic focus to gas, we believe our current GHG intensity targets are no longer appropriate. We have therefore initiated an internal process to develop a new set of GHG mitigation targets for both our South African and our international operations. This will allow for a more meaningful assessment of our progress in meeting policy requirements.

Investing in the transition from coal to natural gas as a feedstock forms a key element of our climate change and energy response strategies. Following the introduction of natural gas from Mozambique and transforming the Sasolburg complex at a cost of R150 million, we have achieved an approximate 3% reduction in GHG emissions at the facility. Further reductions have been achieved through exceeding our target for self-generated power capacity, which stood at 51% by year-end and will eventually allow us to reduce CO₂ emissions by a further one million tons a year. We believe that carbon capture and storage (CCS) will form part of our long-term GHG mitigation plans. As a shareholder in Technology Centre Mongstad in Norway, we are continuing to support the development of technology for large-scale capture of CO₂. We also contribute to the South African Centre for CCS and are developing in-house knowledge on applying various cleaner coal technologies. We are active participants in international policy processes in this regard.

Water stewardship
Water is a critical feedstock for our primary processes, with several of our current or planned facilities located in water-stressed areas. Sasol Technology has a portfolio of water research projects dedicated to supporting our operations in Sasolburg and Secunda, as well as our new gas-to-liquids (GTL) ventures. We have also been working with our joint venture partners to proactively respond to water challenges. We continue to support our QBYX GTL facility in implementing water re-use solutions to meet the facility’s ambitious water targets, and are working with our partners in Canada to ensure the hydraulic fracturing process is conducted safely and in an environmentally responsible way. Key activities included the finalisation of a group water landscape, the preliminary identification and prioritisation of water risks at a regional level, and co-ordinated engagement with government on various water policy matters.

We continue to work with other water users in the Vaal River System in South Africa to identify the most cost-effective high-impact opportunities for improved water usage. Although our total water demand from the system is high (almost 60% of total supply), it is small compared to that of the other main users, notably urban homes and agriculture. To address water losses from municipal water supply infrastructure in the Vaal catchment area, which is as high as 50%, we have entered into three water conservation partnerships with municipalities located in the Vaal catchment area. The partnerships comprise an R26 million investment by Sasol, with committed leveraged partner funding of R1 billion. The focus has been on fixing leaking taps and toilets in residential areas, and providing associated job opportunities, an innovative approach aimed at enhancing water security for all users reliant on the Vaal catchment. We have also undertaken a comprehensive water education and awareness-raising campaign in partnership with the Department of Water Affairs. In addition, we have partnered with the South African Irrigation Institute, the Sand-Vet water users association and around 100 farmers to improve irrigation effectiveness.

For detailed information on our environmental performance, refer to “responding to environmental challenges” in our 20th sustainable development report.