



SASOL

SASOL KHANYISA- QUESTIONS AND ANSWERS

Sasol Khanyisa Frequently Asked Questions

<p>1. How is the Sasol Khanyisa transaction structured and what is the B-BBEE ownership percentage?</p>	<ul style="list-style-type: none"> • If approved by Sasol shareholders, Sasol Khanyisa will ultimately achieve at least 25% B-BBEE ownership credentials in Sasol South Africa (SSA) (taking into account the holding of the Foundation in Sasol), for a period of up to ten years and thereafter via the Sasol Group SOLBE1 shareholding on an ongoing basis.
<p>2. Who will take part in the Sasol Khanyisa transaction?</p>	<ul style="list-style-type: none"> • The eligible participants will comprise (to be finalised on implementation): <ul style="list-style-type: none"> ○ Eligible Sasol employees (~10% of SSA); ○ Existing Sasol Inzalo Public and Groups shareholders; (~10% indirectly of SSA); and ○ Existing Black Sasol shareholders that trade on the empowerment segment of the JSE (~2%).
<p>3. How are Black people defined in the Sasol Khanyisa Transaction?</p>	<ul style="list-style-type: none"> • The definition of “Black people” is contained in the B-BBEE Act, which currently means Africans, Coloureds and Indians who are citizens of South Africa - <ul style="list-style-type: none"> ○ by birth or descent or ○ who became citizens of South Africa by naturalisation before 27 April 1994; ○ on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.
<p>4. How many shares or rights to shares will each participant receive?</p>	<p>Sasol Inzalo Public Cash Participants</p> <ul style="list-style-type: none"> • At the unwind of Sasol Inzalo, existing Sasol Inzalo Public (SOLBE1) Paid-up shareholders will have the opportunity to either remain within the empowerment segment of the JSE, or receive Sasol ordinary shares (SOL). • <u>If you decide not to participate in Sasol Khanyisa and NOT remain on the empowerment segment of the JSE</u>, at the end of Sasol Inzalo, your SOLBE1 shares will automatically become Sasol ordinary shares (SOL) and you will: <ul style="list-style-type: none"> ○ receive SOL shares ○ not participate in Sasol Khanyisa; and ○ not receive any additional shares. • <u>However, should you decide to remain within the empowerment segment of the JSE</u>; you will: <ul style="list-style-type: none"> ○ receive one bonus SOLBE1 share for every four SOLBE1 shares owned; ○ After this election, you become eligible to participate in Khanyisa, then: <ul style="list-style-type: none"> ▪ receive one Sasol Khanyisa Public share for every one SOLBE1 share held, funded in full by debt provided by Sasol; and ▪ in addition, receive, a further SOLBE1 share, at no cost to you, for every 10 Khanyisa Public shares <p>Sasol Inzalo Groups and Public (funded)</p> <ul style="list-style-type: none"> • will be invited to participate in Sasol Khanyisa Public, and will

receive:

- 1 Sasol Khanyisa Public share for every Sasol Inzalo share held, funded in full by debt provided by Sasol,
- 1 SOLBE1 share for every 10 Khanyisa Public shares, that are immediately tradeable, also at no cost to you

Employee Participants

- **Sasol employees participating in Sasol Inzalo trusts:**

- who are actively employed at the inception of Sasol Khanyisa;
- will each receive, at no cost to the employee, vested rights in SOL or SOLBE1 shares to the value of R100 000 (once off share award);
- this will be subject to tax when vesting takes place;
- which will give full ownership in 3 years' time (2021), provided that an employee is still in the employ of Sasol group;
- which will be tradeable once ownership transfers in 2021; and
- dividends will be paid to employees, when declared, during this period.

- **Black employee participants** will be given:

- "rights to shares in Sasol South Africa" that will be held in a trust,
- these rights will be exchanged for an equivalent value of Sasol shares listed on the empowerment segment of the JSE at the end of the 10-year period or earlier if the debt is repaid before then (SOLBE1), and
- be subject to tax when vesting takes place.

- The value of these "rights to shares" will only be determined when Sasol Khanyisa ends. To give you an indication at current value:

- These "rights to shares" amount to approximately R500 000 per qualifying employee on inception, and are funded in full by debt provided by Sasol.
- This R500 000 funding will however be paid off using a majority of the dividends declared by Sasol South Africa over the 10-year period

5. How will Sasol Khanyisa be funded?

- Sasol Khanyisa will be fully vendor funded by Sasol i.e. no third-party funding. As a result, there will no external funding, and no cash flows out of Sasol

6. What is the duration of Sasol Khanyisa?

- For eligible Inzalo participants who are still employed at the time that we implement Khanyisa, rights to shares will vest after three years.
- For Black participants, all "rights to shares" will be exchanged for Sasol shares listed on the empowerment segment of the JSE at the earlier of 10-years or full debt repayment.
- This value-for-value exchange to SOLBE1 shares trading on the JSE Empowerment Segment should assist in ensuring that 25% of SSA remains empowered.
- SOLBE1 can only be traded amongst Black participants, so even when existing SOLBE1 shareholders sell their shares, SSA will still be able to track and retain its required 25% B-BBEE ownership credentials.

<p>7. How does Sasol Khanyisa assist in creating net value for its participants?</p>	<ul style="list-style-type: none"> • The initial step is to grant participants a shareholding in Sasol's South African businesses (except Sasol Oil and Sasol Mining, both of which are separately empowered) as close to the cash flows of the businesses as possible, i.e. at operating asset level. • This is one of the key lessons learned from our analysis of B-BBEE transactions in South Africa and will create net value to the extent that vendor financing can be repaid within 10 years (as per base case assumptions). • Subsequent to this, participants will exchange their shareholdings for value equivalent shareholdings in Sasol Limited's SOLBE1 shares, thereby allowing for monetisation of their shareholding without compromising Sasol's B-BBEE credentials.
<p>8. Is this the best time to do a new B-BBEE transaction given the current low oil price?</p>	<ul style="list-style-type: none"> • The Inzalo transaction had an empowerment period of 10 years that will come to an end in 2018. • The Inzalo transaction does not create net value for its shareholders at the current share price resulting in Sasol not achieving its ownership sub-minimums under the new DTI Codes. • A new transaction is thus critical and must be implemented in 2018 to achieve sub-minimum requirements and to achieve Sasol's overall transformation objective of at least a Level 4 contributor status by FY20. • There are advantages to implementing the transaction in a low oil price scenario as the enterprise value based on forward looking discounted cash flow is currently significantly reduced due to lower macro-economic assumptions which allows for a more affordable buy-in by BEE participants on a vendor funded basis. This will allow for a greater probability of repayment of vendor funding. • The shares issued to incentivize Inzalo shareholders to participate in Khanyisa will be issued at a lower share price and thus have a smaller underlying IFRS2 charge
<p>9. Why would the new transaction be a success in comparison to the old transaction?</p>	<ul style="list-style-type: none"> • The old transaction had some of the debt at a fixed interest rate and was entered into at a time when interest rates were very high, whereas 75% of prime will be more reflective of market conditions. • The old transaction relied on share price appreciation to settle debt (dividends were supposed to cover interest). The share price did not appreciate over the 10-year period due to a mixture of macro-economic conditions and perceived value gap currently in the share price, based on perceptions in the market. • Having a transaction that allows for direct access to operational cash flow will allow for continuous payment of interest and capital with no reliance on a listed share price. • The operational entity's equity value on day 1 has been structured to allow for optimal repayment from available operational cash flows (gearing adjustment between enterprise value and equity value). • The absence of third-party debt allows for more flexibility on vendor funding.

	<ul style="list-style-type: none"> • Components of the new scheme allow for evergreen recognition. • The new transaction allows for a simplified structure.
10. What will happen with the Sasol Inzalo Foundation now that Sasol Khanyisa has been announced?	<ul style="list-style-type: none"> • The Foundation will continue its good work after Inzalo unwinds • The Sasol Inzalo Foundation will, as a public benefit organisation registered in terms of section 10(1)(cN) and section 30 of the Income Tax Act, 1962, continue to hold 1,5% in Sasol beyond 2018. • With the Foundation continuing to hold approximately 1.5% of Sasol's issued share capital, it will within Sasol Khanyisa, contribute to approximately 3.5% at SSA level towards Sasol's B-BBEE ownership credentials.
11. How does Sasol Khanyisa attempt to overcome the "once empowered, always empowered" conundrum?	<ul style="list-style-type: none"> • Participants will ultimately hold Sasol Limited shares trading on the empowerment segment of the JSE. • The empowerment segment requires participants to be Black as defined by the Codes (i.e. African Indian & Coloured). • As such, these shares will continue to be traded amongst Black participants, even when they change hands. • These shares will therefore continue to count towards Sasol's B-BBEE ownership score on an evergreen basis.