

**sasol**  
reaching new frontiers



summary report 2011

# pursuing responsible growth



David Constable, chief executive officer

*The following is an excerpt from Sasol's Integrated Annual Report 2011 in which our chief executive officer shares his views on Sasol's unique value proposition, its strategy and prospects for the future.*

## about sasol

**Sasol** is an integrated energy and chemicals company, driven by innovation. We add value to coal, natural oil and gas reserves, using these feedstocks to produce liquid fuels, fuel components and chemicals through our proprietary processes. We mine coal in South Africa and produce natural gas and condensate in Mozambique, oil in Gabon and shale gas in Canada.

We continue to advance our upstream oil and gas activities in West and Southern Africa, the Asia Pacific region and Canada. In South Africa, we refine imported crude oil and retail liquid fuels through our network of 406 Sasol and Exel service stations, which include five Sasol branded integrated energy centres, and supply gas to industrial customers. We also supply fuels to other licensed wholesalers in the region.

We have chemical manufacturing and marketing operations in South Africa, Europe, the Middle East, Asia and the Americas. We are focused on commercialising our gas-to-liquids (GTL) and coal-to-liquids (CTL) technology internationally.

We employ approximately 33 700 people worldwide and remain one of South Africa's largest investors in capital projects, skills development and technological research and development.

## sasol's values



## message from the chief operating officer

### Q How do you think Sasol performed over the 2011 financial year?

- A Exceptionally well, as Sasol continued to deliver on its strategy throughout the year. The focus on further improving the performance of our assets delivered strong production, cost and margin benefits. The group also took significant strides in pursuing responsible growth, both in South Africa and abroad. What is particularly pleasing is the progress made in advancing our upstream strategy through the acquisition of two shale gas assets in Canada, as well as the headway made on other gas-to-liquids (GTL) opportunities.

We made good progress in further developing our technology and reached a milestone in commercialising our proprietary ethylene tetramerisation offering with the approval of plans to establish a facility in the United States. This complex will use Sasol's novel technology to produce 1-octene, a co-monomer that is expected to see increasing demand globally.

Our growth projects in Southern Africa, including further upstream exploration in Mozambique, the wax expansion in Sasolburg and the Secunda growth plan, are progressing.

Our existing operations also made good progress. We maintained our focus on enhancing operational efficiencies, delivering on business improvement plans and strict cost management. Stronger oil prices (average dated Brent crude oil price of US\$96,48/barrel) and higher global commodity prices, contributed to the group's strong performance, despite the particularly robust rand (average of R7,01/US dollar for the year). The group's cash fixed cost increases were contained to within inflation – testament to the dedication of all Sasol team members. In addition, a concerted effort to improve margins across the group has yielded successful results for our chemical businesses in particular. In fact, the chemical cluster contributed an impressive 29% of group operating profit for the year.

Our healthy cash flow generation has resulted in a total dividend of R13,00 per share, in line with our progressive dividend policy. Equally important, our strong balance sheet positions us well to pursue abundant growth opportunities.

# headline progress on material challenges

## Summary of skills statistics for 2011

Investment in employee learning*	<b>R673 million</b>
Investment in learning as a % of payroll	<b>6,5%</b>
Proportion of the above focused on black employees**	<b>R432 million</b>
Development interventions	<b>126 847</b>
Investment in bursary scheme	<b>R38,5 million</b>
Undergraduate and postgraduate bursars	<b>654</b>
Employees currently on chartered accountant training programme	<b>22</b>
Employees in Sasol's maintenance artisan learner pools	<b>883</b>
Learner artisans that Sasol trained for the petroleum industry as part of oil, gas and electrical manufacturing project since 2007	<b>947</b>
Technical personnel in global venture support programme	<b>484</b>
Investment in South African universities	<b>R25 million</b>
Number of employees receiving leadership training	<b>4 077</b>

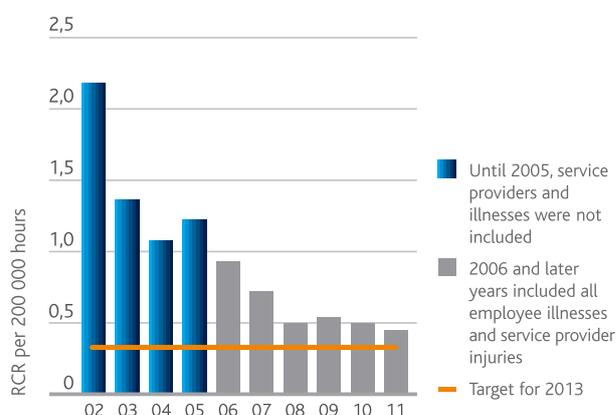
\* Excluding the compulsory 1% or R109,6 million skills levy  
 \*\* African, Coloured and Indian people



### Embedding a culture of safety

Safety remains a top priority and core value of everyone at Sasol. Our long-term safety goal remains zero harm and we strive to manage our activities to eliminate incidents, minimise risk and enable excellence in our operational performance.

Recordable case rate – RCR  
 (recordable cases per 200 000 hours)

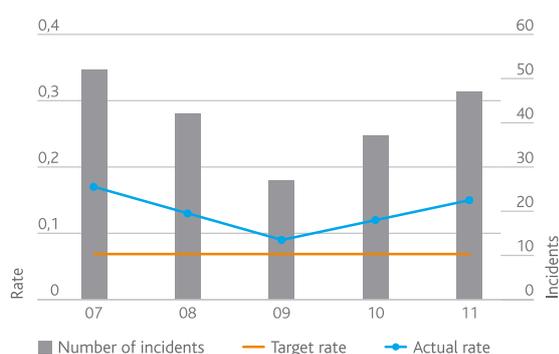


### Ethics, governance and human rights

We encourage our suppliers to support the Sasol code of ethics so that they operate in an ethically and legally compliant manner.

## Logistics incidents

Transport incident rate  
 (Incidents per 100 kt product transported)



**Target:** to achieve a transport incident rate of 0,065 by June 2014.



We have committed

# R8 million

to support community water conservation partnerships.



Sasol successfully pioneers the first listing on the black economic empowerment board of the JSE in South Africa.

## understanding the business case for sustainable development at sasol

Large companies such as ours have an increasing responsibility to demonstrate leadership in addressing social and environmental challenges. Businesses are a component of society and can be an extremely influential part of the communities within which they operate. Beyond our desire to be a responsible company, a strong business case exists for sustainable development. We believe sustainability practices make good business sense for the following reasons:

- **Managing risk:** On the operational side, a commitment to sustainability encourages us to identify and manage our risks responsibly and to ensure effective compliance with legal requirements. By reducing incidents, we save on cleanup and other costs, including insurance premiums and legal liabilities.
- **Enhancing reputation:** We recognise that companies – particularly those that operate at a global level – are coming under increasing scrutiny from various stakeholders and that there are significant and potentially costly reputation risks associated with any perception of adopting unsustainable practices. In addition to avoiding damage to our reputation, we can in fact enhance our reputation by playing a lead role in addressing challenges such as climate change and the skills shortage in South Africa.
- **Freedom to operate:** By maintaining a sound record of legal compliance and by working constructively towards fostering trust with our stakeholders, we are able to maintain our ability to operate in the communities in which we do business. Being seen as a responsible company assists us in securing permission to expand or build new facilities.
- **Access to financial markets:** The introduction of initiatives such as the Equator Principles, the increasing growth in social investment funds, and initiatives such as the Dow Jones Sustainability Index (DJSI), the JSE Social Responsibility Index (SRI) and the Carbon Disclosure Project (CDP), have made it increasingly apparent that socially and environmentally responsible practices can improve access to financial markets and reduce the costs of capital.
- **Staff motivation and retention:** Our reputation has an important bearing on our ability to attract and retain the best employees at all levels, which is critical to our sustained growth. Furthermore, we believe employees who are happy in their workplace will tend to be more innovative and productive and will strive to look for continuous improvement opportunities in the company.
- **Eco-efficiency:** Through our cleaner production programmes, we have achieved valuable savings through improved energy and material efficiency and with reduced waste disposal and pollution management costs.
- **Product market opportunities:** By being proactive in developing environmentally innovative products – such as our Sasol turbo-branded petrol and superior GTL diesel – we are able to position ourselves favourably in the market, while at the same time contributing to improved environmental sustainability.

## our commitments in action

### Promoting empowerment in South Africa

Transformation is one of Sasol's top priorities driven personally by the chief executive officer. Sasol's biggest contribution is through our broad-based black economic empowerment (BEE) initiatives. This year we moved our BEE office, which coordinates BEE reporting, equity, administration, compliance and coordination of codes to our enterprise development arm, Sasol ChemCity, thus strategically bringing the two units closer together.

We met our BEE objective for 2012 early, being issued a level 4 BEE verification certificate in September 2010. Our focus is on performance in preferential procurement and employment equity activities as we anticipate the forthcoming BEE targets will be stricter. We are working to understand the impacts of these new targets.

### Developing leaders

Our investment in future leaders is aligned with the Sasol strategy. Our leadership programmes are designed to develop the skills and knowledge of managers and leaders at different stages of their careers. We are formalising our coaching and mentoring processes to enrich future leaders and transfer institutional knowledge. This year, 4 077 employees benefited from leadership development.

### Reducing and managing HIV/Aids in the workplace

Our integrated Sasol HIV/Aids Response Programme (SHARP) is now in its seventh year. Its focus is on identifying and providing support services to HIV-infected employees and their families, and preventing new infections through awareness, education, access to testing, counselling and treatment.

We conducted initial HIV/Aids testing across our South African operations between 2002 and 2005. The results showed an incidence rate of 7,1% based on an 82% uptake of testing. We are currently initiating a new knowledge attitudes and perception survey to compare results with the incidence rate and statistics from 2002 to 2005. Since 2006, business units have been focusing on ensuring access to testing. This is done through awareness programmes and by encouraging testing through community and medical aid resources, as well as by offering voluntary counselling and testing (VCT) at wellness days and at our occupational health clinics.



### Progress on safety

Our long-term goal is zero harm, and we manage our activities to eliminate incidents, reduce safety risks and enable excellence in operations performance. Tragically ten people died this year from injuries sustained at Sasol (five Sasol employees and five service providers). Six of these fatalities occurred in the mining environment. Fatalities at our facilities are unacceptable and avoidable. In response, we have launched a Group-wide Safety Improvement Plan (SIP). We believe that we are already seeing the benefits of implementing the SIP. The number of significant process safety incidents reduced by 17% from 2010 to 2011 and the RCR reduced by 18%.

### Responding to climate change

Sasol has a comprehensive climate change response strategy and ambitious emission reduction targets. We are committed to reducing the greenhouse gas emissions intensity of all our operations by 15% by 2020 on a 2005 baseline, and to reduce our absolute GHG emissions by 20% for all new coal-to-liquid (CTL) plants commissioned before 2020, and by 30% for plants commissioned before 2030. To meet these targets our focus is on energy efficiency, new energy and carbon-efficient technologies, carbon capture and storage (CCS) opportunities, financial instruments for mitigation like the Clean Development Mechanism, working with governments and stakeholders in the countries where we operate, and engaging our employees.

Project Everest, the committee responsible for executing Sasol's climate change strategy, has been focusing on integrating Sasol's climate change approach into Sasol's core strategy. This year, the committee has been involved in understanding the implications of the Climate Change Response Paper and the proposed Carbon Tax in South Africa, and engaging with the South African government on these policy developments.

### Addressing water scarcity

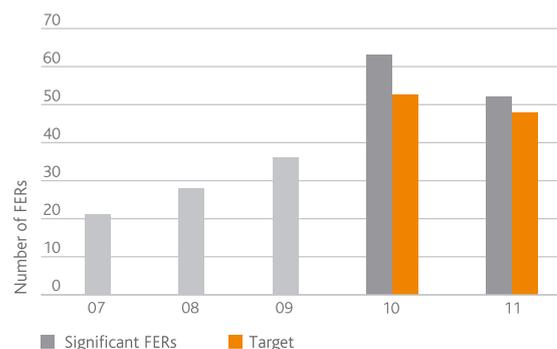
Ensuring access to a reliable supply of water is a strategic priority for Sasol as our operations use significant volumes of water. This is problematic when we operate facilities in regions including South Africa, Qatar, China, India and Uzbekistan with water supply challenges. To address long-term water risks, water management strategies have been developed for Sasol's relevant operations, with water targets set for direct operations in Sasolburg and Secunda this year, as well as focusing on optimising the design of new facilities to reduce water demand, and to re-use and recycle water where possible. We also support water resource management in the catchments where we operate and participate in public policy development on water in South Africa.

### Managing the impacts of our products

We have a renewed focus on managing the impacts of our products. Sasol has played a leading role in enhancing the safe use of chemicals worldwide, encouraging our partners to operate at our standards. We have begun implementing the Globally Harmonised System of Classification and Labelling of Chemicals (GHS) for our products in countries where the GHS is a legal requirement. For the past five years, Sasol experts have been advising the South African government on the implementation of GHS, which is not yet legislated in the country. We also participate in the UN sub-committee of Experts on the GHS, representing the South African Department of Trade and Industry. All Sasol products exported to the EU are being registered to comply with EU regulations concerning Registration, Evaluation, and Authorisation of Chemicals (REACH).

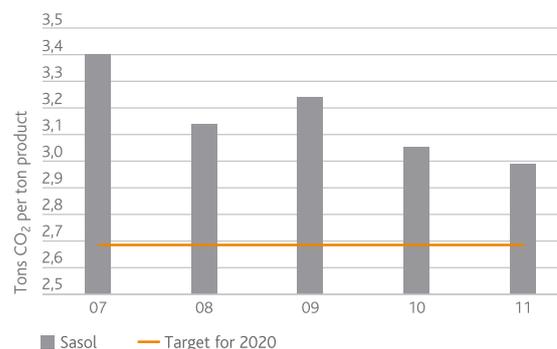
### Process safety (fires, explosions and releases (FER))

Number of significant FERs



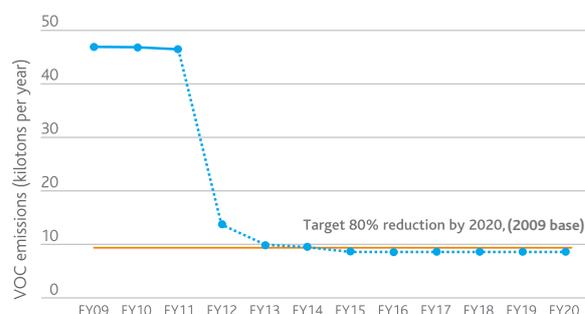
### Greenhouse gases

Greenhouse gas emission intensity (tons CO<sub>2</sub> per ton product)



### Volatile organic compounds (VOC)

Volatile organic compound emissions (Kilotons per year)



## hot topics



*Energy and water security remains material challenges for Sasol.*

### The role of shale gas in delivering on Sasol's growth plans

Natural shale gas is becoming an increasingly important feedstock for Sasol. Not only will it help us deliver on our growth plans to expand outside South Africa, but it will also help to lower the company's carbon footprint. To access shale gas requires drilling and extraction process called hydraulic fracturing (or 'fracking'). Fracturing liquids (comprised mainly of water, sand and less than 1% chemical additives) are pumped at high pressure into the shale rock to create fractures that increase the rock permeability and allow the gas to flow back up the well bore.

While it can be a safe process when managed responsibly, the risks associated with hydraulic fracturing have recently been brought to the attention of South Africans through the public's response to another company's application to explore for shale gas in the Karoo Basin of South Africa (Karoo Basin). Concerns have been raised around water: accessing water for hydraulic fracturing, potential contamination of drinking water and the safe disposal and treatment of water used in this process.

Sasol currently only has the rights to study the potential of shale gas exploitation in the Karoo Basin. We do not conduct any activities in this area, such as drilling or hydraulic fracturing. We would only consider doing so if it could be done in an environmentally responsible manner and within a regulatory framework.

We are committed to ensuring that our growth plans, which include growth through monetising Canada's shale gas reserves, are undertaken in a manner that contributes to socioeconomic development, addresses challenges relating to energy security,

and mitigates risks to the environment. We currently source shale gas from Canada, where we own a 50% stake in two shale gas assets. Our partner, Talisman Energy Inc. (Talisman), owns the remaining half of the assets and as the operator of the venture is responsible for ensuring the hydraulic fracturing process is conducted safely and in an environmentally responsible way. Sasol supports Talisman in ensuring the operations at our shale reserves are safe, follow industry best practice and within a regulated environment.

### Project Everest – aligning our approach to climate change

To ensure a co-ordinated response to the climate change challenge that is aligned with Sasol's overall group strategy, we have established the Project Everest initiative. It focuses on developing a co-ordinated internal approach to climate change, and ensuring alignment in external communication, stakeholder engagement and regulatory responses.

So far, we have significantly increased our level of engagement with the government on climate change policy, submitting detailed comments on recent government policy papers, through representative business bodies (such as BUSA) as well as in our own right. We were represented by five delegates at the international negotiations of UNFCCC COP 16 in Cancun where Sasol sponsored a side event.

We are playing an active role in the business contribution to the UNFCCC meeting in Durban in December 2011, including taking the initiative with Eskom to establish a CEO forum on Climate Change. The team engages the National Economic Development and Labour Council (Nedlac) and the National Planning Commission on their climate change projects. Internally, we have been conducting more specific assessments of costs, timeframes and effectiveness of initiatives to mitigate and adapt to climate change.



Website link <http://sasolsdr.com>  
Statement on summary, i.e. shortened version of Sasol's SDR

[www.sasol.com](http://www.sasol.com)



Use your QR code reader on your smartphone to scan this barcode. The link will take you directly to [www.sasol.com](http://www.sasol.com)

## our products

Our fuels, chemicals and related products benefit the lives of millions of people around the world. From hot-melt adhesives and car parts to microchip coatings, printing inks, household and industrial paints, mobile phone circuit boards, transport fuels, compact discs, medical lasers, sun creams, perfumes and plastic bottles. Our wide range of products are made in South Africa, the United States, Europe, the Middle East, Asia and other regions and have many thousands of end uses.



### Going green

Ammonium sulphate and lime ammonium nitrate are only a few of the liquid and granular fertilisers produced by Sasol Nitro, providing nutrients for crops and pastures. Ortho-Cresol, produced by Merisol, is used in herbicides and pesticides.

**It's in the fabric.** Cotton fibres are treated with wax from Sasol Wax, to allow for smooth running in weaving machines. Acrylic fibre, which is made from a combination of propylene and ammonia, is used to manufacture blankets, knitted garments and carpets.




## Don't forget the sun screen

Para-cresol, marketed by Merisol, is the UV active agent in sunscreen and fragrances and in antioxidants.

**Did you know?** Aspirin contains phenol which is also derived from coal.



**Bright and shiny.** Candles, crayons and shoe polish all have a common ingredient: wax, produced by Sasol Wax.

Most popular house paints are sold in pails made from polypropylene manufactured by Sasol Polymers.



**Mirror, mirror on the wall.** Propyl-alcohol, a product of Sasol Solvents, is the solvent that provides the smooth finish on mirrors.

## Cooking with gas



LPG (liquid petroleum gases like propane, butane and pentane) is supplied by Sasol Oil. They are derived from the Sasol coal- or gas-to-liquids process.

## Pure picnic pleasure

Just about everything in a coolerbox has a component that comes from Sasol Polymers: Moulded bottles and containers are made from Polyvinyl Chloride (PVC). Ethylene and polypropylene are used in the production of clingwrap and other plastics.



## Magazines.

Printing ink contains Propylol™, manufactured by Sasol Solvents, as well as special waxes from Sasol Wax.



## Light bulbs

Argon, an inert gas used in conventional light bulbs, is produced by Sasol Synfuels.



## Tank up

Sasol produces automotive fuel from coal and gas and also supplies a range of lubricants for motor vehicles.

Sasol also refines imported crude oil.



**Flying high** Sasol Oil markets and supplies Jet A-1 fuel to commercial airline businesses at OR Tambo International. Sasol Synfuels has also produced the world's first fully synthetic jet fuel.



Sasol Olefins & Surfactants is one of the world's leading producers of surfactant intermediates and surfactants, which ultimately find their way into laundry detergents, other household and industrial cleaning products and personal care products.



Sasol Wax produces the wax that is used as a covering to preserve fruit longer and it is also the main component of red cheese rind. Bananas are ripened with ethylene and esters from Sasol Solvents are the base of artificial food flavourants.



## Looking good

Sasol Solvents provides the solvents used in cosmetics like lipstick, face creams and mascara. Ethyl alcohol is the propellant in hairspray and ethylol is the solvent in aftershave. Surfactants from Sasol Olefins & Surfactants are the cleaning or foaming agents in shampoos and toothpaste.

## In the fast lane

- Many plastic components in cars are manufactured from polypropylene, a Sasol Polymers product.
- Brake fluid contains Sasol Pentylol™, made by Sasol Solvents.
- The Poly ethyl benzene in automotive paint and bitumen on road surfaces comes from Sasol Oil's subsidiary, Tosas.
- Sasol Olefins & Surfactants' inorganic specialities like high purity alumina are used in autoemission control catalysts and GTL catalysts.
- Plasticiser alcohol is used for dashboards.

