

our risk management

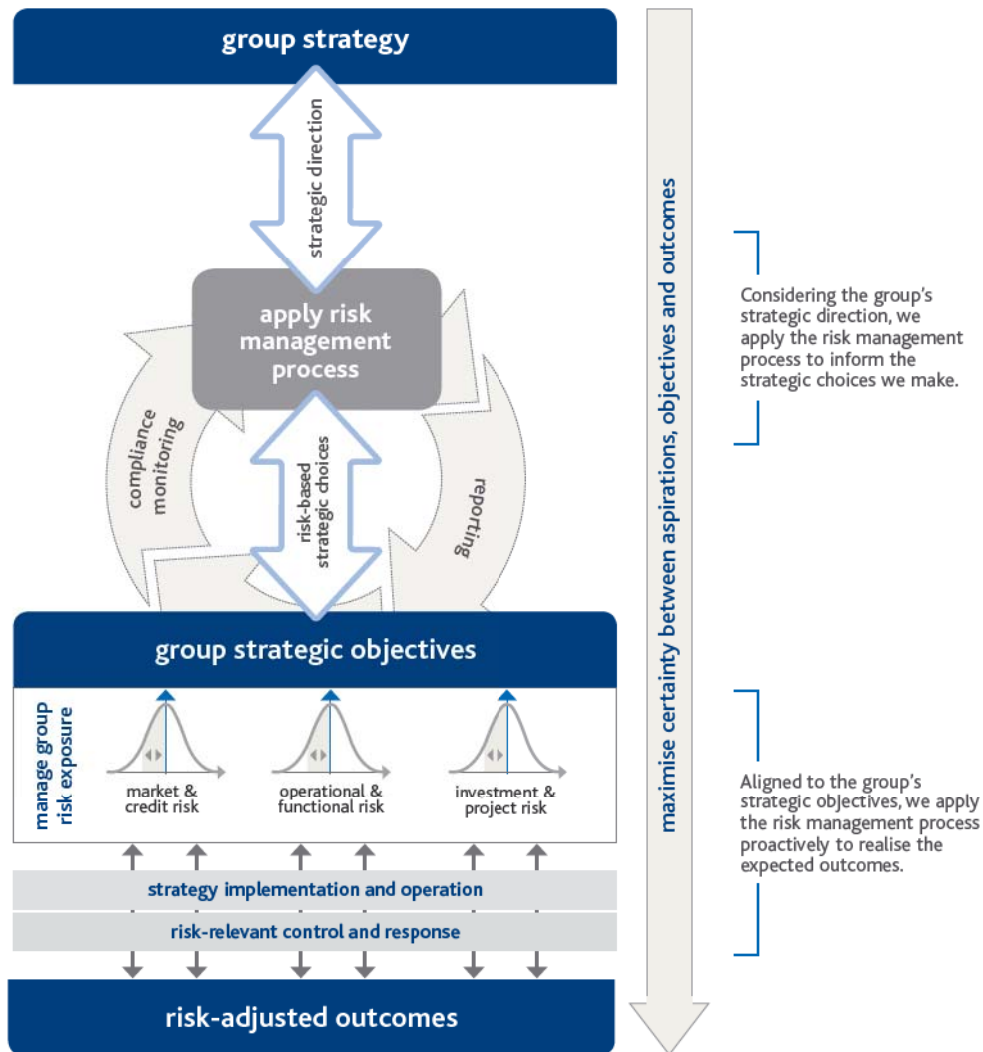
Sasol is committed to effective risk management and recognises that the management of business risk is crucial to our continued growth and success. Sasol’s risk management strategy is to infuse risk identification, assessment and treatment into decision-making, thereby enhancing shareholder value through risk-adjusted business decisions.

The group risk management function has a specific mandate, supported by the group executive committee to:

- Provide management of risk leadership that is independent, setting of the risk policy, influencing the risk culture, setting risk appetite and tolerance levels, identifying risks, determining risk mitigation strategies and actions, monitoring risks and reporting on risks; and
- Provide risk management assurance embodied in functional leadership and shaping, and assurance over the management of risks and the effectiveness of the risk management process.

Our risk management model

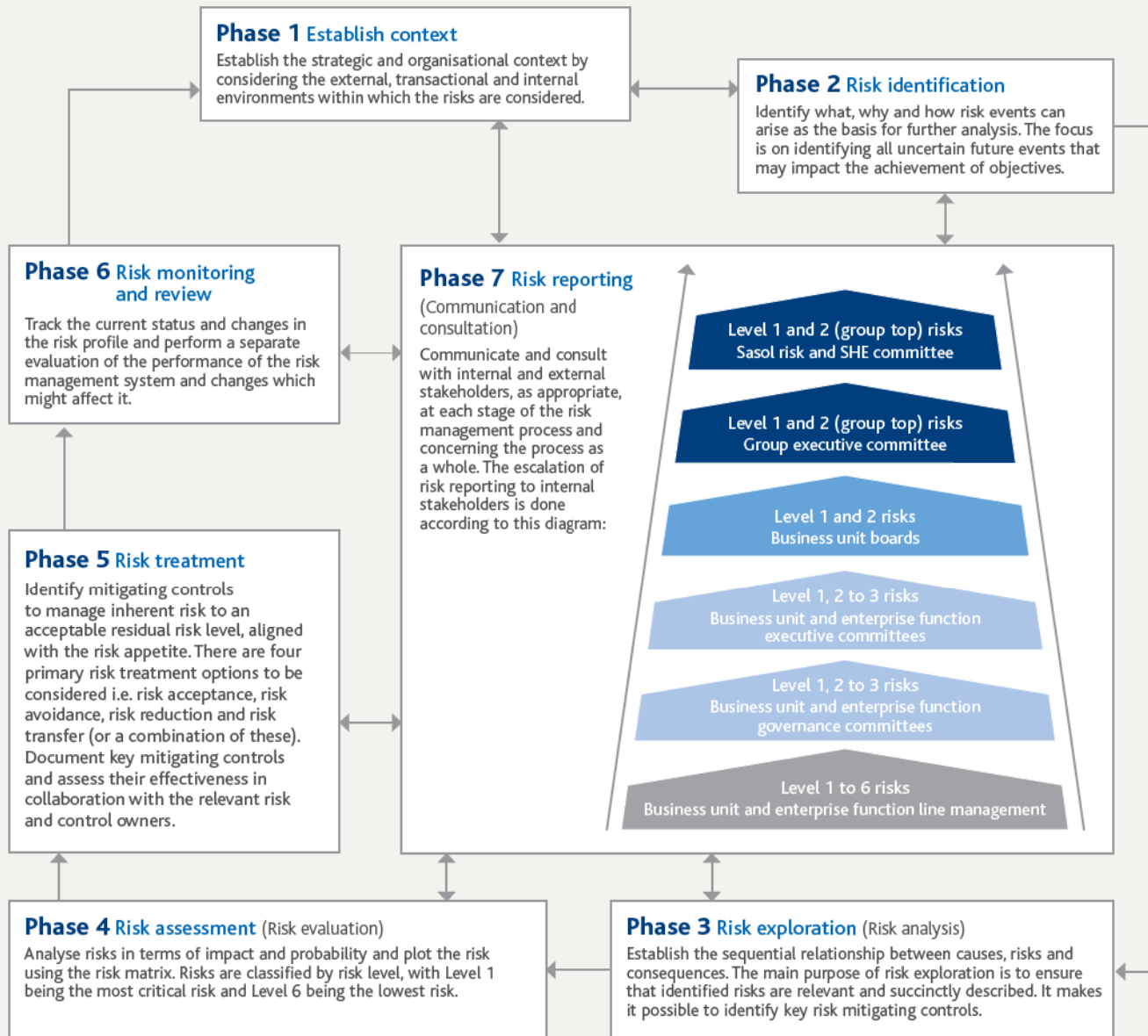
Sasol’s risk management model is designed to assist the group in achieving its strategic objectives through embedding risk management into critical decision-making processes and informing management decisions with regards to strategy, investments, capital projects and operations.



20-F For a comprehensive disclosure of our material risks, please refer to Sasol’s 2012 annual report on Form 20-F filed with the SEC.

Our risk management process

Sasol's structured risk management process, which is aligned to industry standards, is detailed below. This process is rolled out across the group, and risk profiles are developed at business, functional, process and project levels. These profiles are then analysed at an integrated level to identify the top risks which could significantly impact the achievement of our group strategy and our integrated value chain, which requires a group-wide initiative to mitigate.



Risk governance

The Sasol Limited board's risk and safety, health and environment (SHE) committee provides oversight of Sasol's risk management activities and considers Sasol's top risks.

The risk and SHE committee and the audit committee work closely to ensure that risk management complies with the relevant standards and that it is working effectively. Oversight of risk management at business and function level takes place through internal risk and governance committees, executive committees and the various boards of the businesses.

Risk tolerance and risk appetite

The Sasol Limited board has approved a set of risk tolerance and risk appetite measures and targets for the group. The risk appetite targets are based on key financial, social and environmental factors that are appropriate to Sasol. Together, risk tolerance and risk appetite are used to inform management judgement and aid in decision-making within Sasol.

our top risks

how we manage longer-term risks

Top risks differ from top issues, in that top risks are longer term in nature and top issues are of more immediate concern. Both our top issues and top risks are in some cases reflective of our material sustainability issues, which we cover in our sustainable development report.

The table below sets out the top risks identified through our enterprise risk management process. It also provides mitigation plans and how the respective risks link to our strategy.

Opportunities associated with these risks are detailed in the individual business reports. For more details on how we identify risks, please see our risk management report on page 34. Given that the intensity of risks change from time to time, we have not ranked the risks in order of priority. All these risks are important to the Sasol group and may impact our ability to deliver on our strategy.

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Further details on the top issues impacting our business are provided on page 39.

Top risk	Context	Mitigation	Link to strategy
Strategic growth			
Competitors introducing viable superior or alternative technologies	Sasol realises that technology advantage is critical to business growth. For this reason, we strive to achieve technology leadership and remain committed to reaching new frontiers through innovation.	We continuously monitor the technology landscape to identify and assess disruptive and competitive technologies.	Sasol's sustainable growth strategy is based on the following objectives: <ul style="list-style-type: none"> Accelerate GTL and consider selective CTL growth Grow related upstream business Grow our technological lead Grow chemicals based on feedstock, market and/or technology advantage Develop and grow new energy
Not delivering on our CTL and GTL growth objectives	Through the use of our unique Sasol proprietary technologies, we add value to coal, oil and gas feedstocks to make liquid fuels, fuel components and chemicals. The challenge remains to adequately predict, understand and interpret competitive forces in the external environment in terms of better or new technologies. In line with our strategic intent, Sasol is pursuing local and international opportunities to grow our upstream asset base and leverage our proprietary Fischer-Tropsch conversion technology to develop new gas-to-liquids (GTL) and coal-to-liquids (CTL) facilities. The current environment of high oil prices and low gas prices presents a significant opportunity for the acceleration of our GTL value proposition. Although GTL growth remains a key pillar of the growth strategy, we continue to consider selective CTL opportunities.	Sasol Technology directs the research and development, technology innovation and management process. It helps our fuel and chemical businesses to maintain growth and competitive advantage through appropriate technology solutions and services. Critical to the success of our GTL/CTL strategy is to secure sufficient competitively priced feedstock for the plants and maintain a competitive GTL/CTL value proposition in relation to other monetisation options. This will include reducing capital intensity, operating costs, and carbon dioxide (CO ₂) intensity.	These are underpinned by the strategic imperatives of Operations Excellence, Capital Excellence, Business Excellence and a Values-driven Organisation.
Not succeeding with the engineering, construction and commissioning of new plants	The global economic crisis has reduced pressure on some project costs, but the price of many key inputs, like steel, remains high. Global expenditure on capital projects is increasing, particularly in Asia. In addition, the availability of highly skilled employees for project implementation is under pressure, with labour costs increasing in all regions.	To mitigate project costs, we continue to broaden our supply base, building relationships with new equipment manufacturers. We review international benchmarks on project management and put into practice learning from previous projects. Every major project has a manpower development plan and resource strategy to ensure appropriately skilled staff are sourced for the project.	Our group imperative of Capital Excellence aims to ensure the greatest possible return on investment from our project value chain.

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Top risk	Context	Mitigation	Link to strategy
Human resources			
Insufficient management and technical skills	To develop and apply new technologies and meet our growth ambitions, Sasol needs to recruit and retain qualified scientists, engineers, artisans and operators as well as seasoned managers to execute major projects. Labour market dynamics, such as new legislation and skills shortages, put upward pressure on labour costs.	The development of management and technical skills within Sasol is an integral part of our human resources strategy. Sasol's learning strategy balances standardised curriculum-based learning with on-the-job application to achieve a culture of life-long learning. To develop future talent, Sasol runs one of the largest bursary schemes in South Africa. Our total investment for the year was R40,8 million. Our primary focus is on developing talent in science, technology and engineering.	Two key foundation elements of Sasol's strategy are to develop and empower high-performing, values-driven people; and to deliver on the South African transformation agenda.
Failure to address transformation, localisation, diversity and cultural requirements in South Africa and other countries in which Sasol operates	Transformation is one of Sasol's strategic objectives. To sustain Sasol's business, the group understands the importance of creating a high-performance, ethical, inclusive culture for all its employees. In this way, we will be able to attract and retain the skills we need. South Africa has various laws in place to meet the country's transformation objectives. Failure to meet these could have material consequences for Sasol's reputation, access to resources, licence to trade and ability to attract and retain skills. More onerous legislation, potential penalties and slow progress in achieving employment equity plans could impact negatively on Sasol's transformation objectives. Cultural awareness and responsiveness is important in the global environment as Sasol aims to become a key global player. There are localisation and diversity requirements in many target countries which we will have to adhere to.	A Values-driven Organisation, talent management, employment equity, diversity management and compliance with the broad-based black empowerment (BEE) scorecard underpin Sasol's success in meeting and exceeding transformation requirements. We participate in the Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry, and the South African Liquid Fuels Charter. The group's enterprise development arm, Sasol ChemCity, now houses the BEE office, delivering a more integrated approach to the five pillars of broad-based BEE. Sasol continues to become more culturally sensitive and globally aware in order to succeed in doing business in different cultural environments.	
Disruptive industrial action	The majority of our employees worldwide belong to trade unions. Certain sectors in South Africa, particularly the mining industry, are currently experiencing significant levels of disruption due to strike action by employees, which resulted in disruptions to production and supply of products to the markets.	We have good, constructive relations with our employees and their unions as key stakeholders in our business.	
Operational			
A major safety, health or environmental (SHE) incident or liability	Safety improvement is a strategic imperative for sustainable and competitive operations. Our recordable case rate improved from 0,42 in 2011 to 0,39 in 2012, however, we reported four fatalities in our operations. We remain committed to achieving our goal of zero harm to people and the environment and being a responsible and accountable corporate citizen. Our facilities and their respective operations are subject to various risks including fires, explosions, leaks and other industry-related incidents. The development of facilities in new territories presents a challenge to ensuring that Sasol's SHE policies and design standards are strictly followed.	Our zero exposure to harm philosophy underpins all our activities. Focus on our safety improvement plan continues, building on business unit initiatives to develop safety leadership at management and supervisory levels. We have strict performance targets on safety and health, process safety management, greenhouse gas (GHG) emissions, water management, energy efficiency and volatile organic compounds. We regularly update and train our staff on these key SHE requirements and carry out internal and external audits to check our compliance.	One of Sasol's top priorities is to improve safety performance with the aim of achieving zero fatalities. Improving stakeholder relationships including with our employees, unions and the local communities is a strategic priority. Operations Excellence is a group imperative to improve operational and production practices across Sasol's value chain.
Risk of major unplanned production interruptions along Sasol's integrated value chain	Sasol's growth ambitions rely on the ability of current production assets to generate cash for new projects. If the existing operations cannot produce as planned, this may impact our ability to maintain the assets or execute new projects. Key threats in this regard are strikes and related labour disruptions, supply chain interruptions and feedstock supply.	We continuously improve the necessary attitudes, skills, processes and systems to mitigate the risk of SHE incidents and production interruptions. We also procure property damage, business interruption and liability insurance at acceptable levels.	Operations Excellence is a group imperative to improve operational and production practices across Sasol's value chain.

Top risk	Context	Mitigation	Link to strategy
Operational continued			
Increasing utility and infrastructure risks in South Africa	<p>Increasing utility and infrastructure risks also pose a threat to production.</p> <p>South Africa faces challenges in respect of its electricity, water, rail, road, pipeline and port services. Sasol's operations rely heavily on these services and any inefficiencies or disruptions have a direct impact on our variable costs and may reduce our competitiveness in the markets we serve.</p>	<p>Sasol has mitigation plans in place to, as far as practical, reduce the impact of failures by the public sector to deliver affordable and efficient utility services. As a major consumer of these services, private public partnerships form the basis for finding sustainable solutions.</p> <p>In response to the immediate power supply constraints in the country, Sasol is on track to increase its own electricity generation capacity and to meet its commitment to conserve electricity and achieve the compulsory Energy Conservation Scheme (ECS) targets.</p>	
Regulatory			
Non-compliance with applicable laws, regulations and standards	<p>Authorities globally are intensifying efforts to enforce compliance with laws, and are focused on anti-competitive behaviour in particular. Various jurisdictions have specialised legislation aimed at combating corruption and companies found guilty of contraventions face fines and damage to their reputations. Tax laws are becoming increasingly complex, as are sanctions against certain jurisdictions. South Africa and other countries are considering introducing new climate change requirements, including a carbon tax.</p> <p>Significant challenges are associated with meeting the requirements of the new Air Quality Act, the Waste Act and new fuels specifications in South Africa. The government is also reviewing the Mine Health and Safety Act and is intensifying its enforcement of environmental laws.</p> <p>There are possible risks posed by the potential imposition of UN, US, Canadian and European Union economic sanctions in connection with our interest in Arya Sasol Polymer Company in Iran.</p>	<p>Sasol is focused on identifying changes in the regulatory landscape that have implications for the group and ensuring that we are prepared to respond to these changes.</p> <p>Specific efforts to meet various requirements are described throughout the annual integrated report and the sustainable development report.</p> <p>Systems and processes are in place to ensure compliance with applicable laws and regulations by all employees, and annual training and certification takes place.</p> <p>Sasol has taken various measures to comply with sanctions legislation and is currently in the process of divesting its interest in Iran.</p>	<p>A strategic objective is that Sasol remains a Values-driven Organisation. Our focus on strong compliance and governance programmes will support this.</p>
Risk of climate change and related policies impacting Sasol's operations growth strategy and earnings	<p>Sasol's efforts in reducing greenhouse gas (GHG) emissions are aimed at contributing to the world's fight against global warming. Global efforts to reduce GHG emissions are intensifying. Our growth aspirations rely on viable CO₂ reduction solutions being developed. The costs and challenges associated with GHG emissions are rising and could increase substantially with the potential introduction of carbon management regulatory regimes in countries in which we operate. These regulations could include carbon taxes, product carbon labelling, carbon budgets and carbon-related border tax adjustments linked to bilateral agreements.</p>	<p>GHG reduction targets are in place. The group's approach to reducing its GHG emissions is based on four pillars:</p> <ul style="list-style-type: none"> • Increased use of low-carbon energy; • Increased use of renewable energy; • Improved energy efficiency at our operations; and • Implementation of carbon capture and storage. <p>Sasol has increased its level of engagement with government and key stakeholders on the development of a climate change policy in South Africa.</p>	<p>The foundation pillar of our strategic agenda – to continuously improve and grow our existing asset base – focuses on moderating our environmental impact.</p>
Financial			
Risk of macro-economic factors impacting on Sasol's ability to sustain the business and execute the growth strategy	<p>Sasol's business is highly sensitive to fluctuations in the rand/US dollar exchange rate as well as to changes in the crude oil price. Both these factors are impacted by global economic growth.</p> <p>For forecasting and budgeting purposes, the sensitivities are as follows:</p> <ul style="list-style-type: none"> • 10 cent change in average rand/US dollar exchange rate has an R801 million impact on net operating profit; and • US\$1/barrel change in Brent crude oil price has a R580 million impact on net operating profit. <p>In addition, there is an interrelation between the external macroeconomic factors. For example, the global economic crisis impacts oil and gas prices, as well as chemicals production and prices. The impact of the oil price on Sasol depends on the rand/US dollar exchange rate. At times in the past, a weak rand exchange rate has helped to cushion the impact of a low oil price on Sasol's operating profit. With gas underpinning the growth strategy, the gas price also becomes a critical factor for us to monitor.</p>	<p>We use derivative instruments to protect against adverse movements in exchange rates on certain transactional risks in accordance with our group's hedging policies, as well as against day-to-day changes in the US dollar oil price. However, but this does not protect us against longer-term fluctuations.</p> <p>Based on our experience during the last global economic crisis, additional monitoring and management initiatives were introduced to manage counterparty credit risk.</p>	<p>As part of developing Sasol's long-term strategy, beyond 2020, we are looking at longer-term macroeconomic and supply/demand dynamics, as well as the competitive landscape likely to influence our markets in the future, to ensure that our strategy takes them into account.</p>

our top issues impacting our business

how we proactively manage prevailing issues

During the year, we enhanced our issues management process, which seeks to address those matters that are likely to impact our common objectives, strategy and growth targets. In identifying the issues, we ensure that the pertinent implications of policy and regulatory changes as well as the socioeconomic and reputational drivers are properly understood. Equally important, we seek to take proactive steps to limit the possibility that a particular issue becomes a longer-term risk for the group.

In the following table, we describe the top issues for the group at the end of 2012.

“ In business, to be best placed to respond to the challenges and the opportunities, one has to be aware of all of the possible issues and hidden obstacles. Awareness is half the battle won, and, at Sasol, we strive to understand the issues before they become risks, so that we can tackle these proactively, and decisively. ”

David E. Constable
chief executive officer

Top issue	What we are doing about it
Sasol's response to climate change	<p>In 2010, we constituted a cross-functional and cross-business project team to evaluate Sasol's response to climate change, as well as to climate change-related policies. This project focuses on:</p> <ul style="list-style-type: none"> • The strategies that underpin Sasol's energy efficiency, and consolidated and centralised lower-carbon drive; • The accelerated use of gas as a bridge to a lower-carbon economy; and • Providing input into the development of climate change policies.
Compliance with competition laws	<p>Following our group-wide competition law review, concluded in 2010, we evaluate, on an ongoing basis, our response to any investigations by competition authorities relating to the industries in which we operate. We also continue to provide input to the South African Competition Commission in its investigations of the polymers, fertiliser, coal mining, piped gas and petroleum sectors. In tandem, we stepped up our internal competition law compliance programme, and enhanced our ethics management systems.</p>
Compliance with the Air Quality Act	<p>We have invested significantly to introduce the appropriate measures to ensure our ongoing compliance with environmental legislation. We have assembled a cross-functional and cross-business team to:</p> <ul style="list-style-type: none"> • Ensure Sasol's continuing compliance with the Air Quality Act in South Africa; • Invest in methods to significantly reduce volatile organic compounds, boiler emissions and hydrogen sulphide emissions; • Engage with national government and local authorities to find optimal solutions for appropriate emission reductions while maintaining energy security and supply to South Africa; and • Evaluate the compounding effect of competing legislative requirements like clean fuels specifications and climate change policies.
Diversity and inclusion	<p>In all that we do, we are working to foster a One Sasol – rather than a fragmented – approach. This includes:</p> <ul style="list-style-type: none"> • Meeting our employment equity targets with the aim of addressing areas of under-representation across occupational levels; • Addressing income differentials; • Focusing on diversity relating to race and gender, skills, nationality and thinking; and • Empowering local talent in all the regions we operate in and implementing our shared values.

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More information on our material sustainable issues, is provided in our sustainable development report.