Our investment criteria

Investing effectively to create sustainable value

Sasol seeks to operate and grow inclusively, responsibly and sustainably. The strategic decisions we make in allocating resources to run our business and advance our growth projects are based on integrated criteria (the six capitals). These criteria take cognisance of the resources and the relationships we depend on to create sustainable value for our shareholders and, in turn, our stakeholders.

1 **Natural capital**	Our value proposition requires that we secure sufficient natural gas, shale gas, coal and crude oil, as well as water, land and energy. These natural capital inputs are critical to our ability to operate and are assessed when allocating capital and investigating potential investment opportunities.	IR Our key performance indicators on page 42.
2 **Human capital**	The skills, experience, productivity, diversity and excellence of our people are what enable us to operate our facilities safely, reliably and efficiently, and to deliver our growth projects on time and within budget. In making our investment decisions, we assess whether we have the necessary skills in place, and whether we are able to secure additional specialised and local skills, if needed, to deliver on our objectives.	IR Our corporate values and culture on page 7.
3 **Social and relationship capital**	Developing and enhancing markets for our products and maintaining quality relationships with all our stakeholders, particularly our business partners, suppliers, customers, employees, unions, regulatory authorities, governments and local communities. These are fundamental to creating and sustaining an enabling environment for investment. We assess the strength of these markets and relationships, when evaluating investment opportunities.	IR Our value added statement on page 34.
4 **Intellectual capital**	Our intellectual capital inputs include all our knowledge-based assets such as technology patents, copyrights, software, licences, procedures and protocols. As a key competitive advantage that underpins our international growth ambitions, we assess the extent to which our proprietary or licenced technologies, in combination with our expertise, provide sufficient advantage to generate the returns on investment we seek.	IR Sasol Technology operating review on page 123.
5 **Manufactured capital**	Our ongoing capital investment in our plants and equipment enables us to operate these assets safely and reliably for an extended period of time. It also serves to reduce the environmental footprint of our facilities and enables compliance with new legislation such as those pertaining to air quality and clean fuels. We assess whether we have sufficient financial capital to maintain and enhance our existing assets, while also investing in our growth projects around the world.	IR Operating performance section starting on page 92.
6 **Financial capital**	Our financial capital inputs are used to run our business and fund our growth projects. Sources of financial capital include debt and equity financing as well as cash generated by our operations and investments. The extent to which we can efficiently leverage our financial strength, or are able to raise the necessary capital at the best possible rates, is one of the key considerations in making investments to sustain and grow our business. We also consider the targeted return on capital when making investment decisions. Refer to our key performance indicators on page 42.	IR Summarised Chief Financial Officer's review starting on page 76.

sasol reaching new frontiers

APPLYING INTEGRATED INVESTMENT CRITERIA

Our business model centres on monetising hydrocarbon resources in developed and emerging countries. Inputs from each of the six capitals are crucial for the conversion of hydrocarbon reserves into product streams. These primary outputs include the liquid fuels needed to move people and goods, the chemicals widely used in industrial and consumer products, and the low-carbon electricity that increasingly powers our facilities and contributes to national power generation capacity. The effective production and delivery of our goods and services generates value for all our stakeholders.

Making sound capital allocation decisions to sustain and grow our business requires a critical assessment of the availability, affordability and quality of these key inputs to our processes, operations and projects.

IR Our integrated value chain and product streams are set out on page 16.

IR Relevant quantitative and qualitative data in respect of our key inputs and outcomes is provided on pages 10 to 15.

Connecting stakeholder engagement to strategic decision-making

Being responsive to the concerns of our stakeholders, and advancing their interests is integral to our ability to effectively allocate resources and manage the relationships necessary to operate sustainably and achieve our strategic aspirations. We have deepened our stakeholder focus over the last three years and have implemented a co-ordinated and constructive engagement approach, which informs strategic decision-making at the highest levels of the group.

IR Social and relationship capital on page 12.

Streamlining our governance and decision-making structures and processes

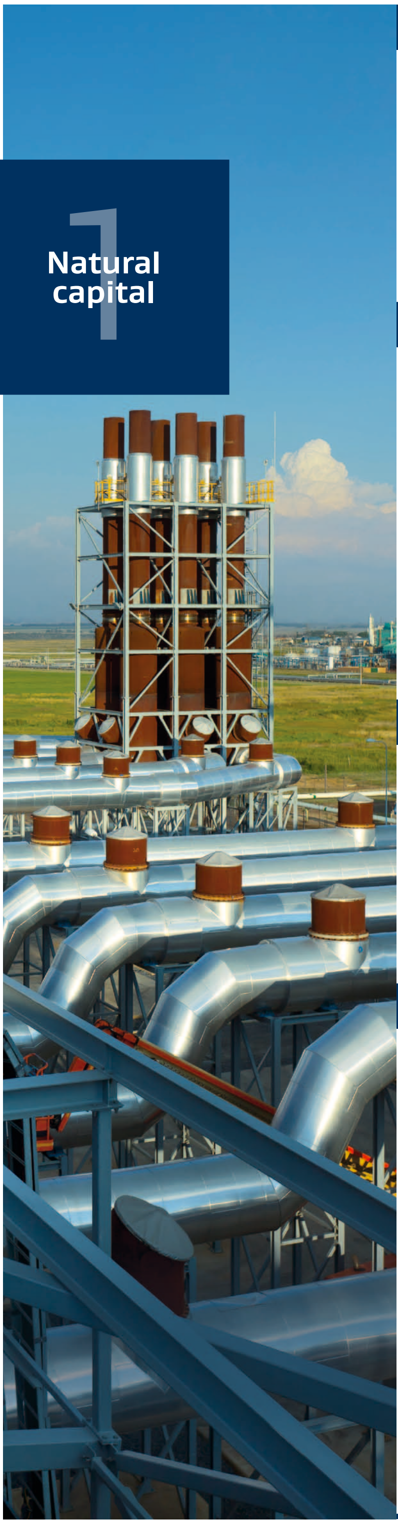
Our decision-making and control frameworks are ultimately underpinned by our commitment to maintaining high standards of business integrity and ethics in all our activities. We maintain sound corporate governance and risk management structures and processes, which the Sasol Board considers pivotal to delivering sustainable growth in the interests of all stakeholders. In the last year, based on best practice, we re-organised and prioritised the way we make strategic, group, high-risk and high-value decisions. Our new governance structure and decision-making framework will ensure integrated and effective decision-making at all levels, which includes strategic, tactical, operational, statutory and functional support.

IR Summarised corporate governance report on page 54.

Our value creation scorecard

Managing the critical capital input we require

The resources and relationships that are critical to our ability to create value are all interdependent, which, at times, necessitate certain trade-offs between them. In managing these trade-offs, we aim to minimise our negative impacts on the capital inputs and maximise positive outcomes, in the interests of all our stakeholders.



1 Natural capital

Relevance

As an integrated hydrocarbon monetiser, we make a substantial net-positive contribution to most of the capital inputs. However, we acknowledge that the key natural capital inputs to our business are non-renewable resources, which may impact negatively on human and social capital. For example, by competing for resources such as water. Our strategic decision not to pursue coal-to-liquids growth, but to focus, instead, on gas as a bridge to a low-carbon economy, demonstrates our commitment to reducing the negative impacts of our operations on natural capital. We also invest significantly in reducing our own environmental footprint and in enhancing the environmental contribution of our products and processes.

Key capital inputs

	2014	2013	2012
Coal (kilotons)	**17 556**	17 896	17 040
Crude oil (kilotons)	**4 133**	3 392	5 492
Natural gas (kilotons)	**3 949**	3 616	4 031
Water (cubic metres)	**149 552**	147 209	148 372
Total energy use (gigajoules)	**425 257 000**	427 801 000	419 294 000
Oxygen (kilotons)	**14 907**	15 017	14 064
Nitrogen (kilotons)	**1 356**	1 513	409
Other (e.g. Chemicals) (kilotons)	**6 357**	6 892	7 673
Land area used (hectares)	**126 136***	2 528	2 671

* The increase in area affected by operations is due to the inclusion of two new mine projects: Impumelelo and Shondoni.

Outcomes (impacts on the capital)

	2014	2013	2012
GHG emissions (Scope 1 & 2) (kilotons)	**67 484**	67 905	68 903
Nitrogen oxides (NOx) (kilotons)	**159**	158	155
Sulphur oxides (SOx) (kilotons)	**223**	215	202
Particulates (fly ash) (kilotons)	**19,3**	17,5	–
Liquid effluent (cubic metres)	**35 833 000**	33 307 000	34 122 000
Total waste (kilotons)	**571**	1 032	1 318

Activities

- Applying a risk-based approach to integrating environmental considerations into our decision-making, with clear performance targets, policies and procedures.
- Investing more than R20 billion in the last 10 years in capital projects to minimise our environmental footprint.
- Continuing to invest in research and development (R&D), and form partnerships with industry leaders, to find innovative environmental solutions.
- Partnering with municipalities and communities to reduce water usage and minimise air pollution.
- Implementing a product stewardship strategy to minimise the impacts of our products through their life cycle, and identifying opportunities to use our products to assist customers to reduce their environmental footprints.
- Working to set new Greenhouse gas (GHG) mitigation targets separately for our South African and international operations, including updated energy efficiency targets.
- Working with our partners in Canada to ensure the hydraulic fracturing process is conducted safely and in an environmentally responsible way.
- Securing feedstock for our coal requirements as part of our commitment to extending the lifespan of our existing assets in Southern Africa to 2050.

2 Human capital

Relevance

We invest significantly in developing, empowering and retaining high-performing, values-driven, diverse employees who have the skills and experience we need to remain successful in increasingly competitive global markets. Given the risks to health and safety in our operating environments, we focus specifically on a range of best-practice safety and wellness interventions, in line with our commitment to achieving zero harm, both within our employee base and in our supply chain.

Key capital inputs

- A safe, healthy and inspired workforce (more than 33 000) with relevant skills and knowledge.
- Empowered leaders and employees demonstrating values-driven behaviour.
- Invested R901 million in skills development initiatives aimed at developing our workforce.

Outcomes (impacts on the capital)

- More than 33 000 employment opportunities, with R25 billion paid in wages and benefits during the year.
- R5,7 billion in employee share-based payment incentives in 2014.
- Projects at Secunda and Sasolburg created 12 500 construction jobs and 29 000 plant shutdown employment opportunities.
- 451 recordable cases, comprising five fatalities, 156 lost workday cases, 223 medical treatment cases and 67 illnesses.
- 230 523 employees trained, 577 bursaries allocated, and 9 191 employees participated in individual senior development programmes.
- 6 379 employees and 1 735 contractors took up HIV counselling and testing.

Activities

- Investing significantly in ensuring world-class safety performance. This year we finalised the One Sasol SHE Excellence approach and continued to drive process safety.
- Seeking to create an environment in which employees can work in a healthy and engaged manner which contributes to personal development, through our group-wide wellness programme.
- Optimising talent sourcing and recruitment, investing in skills development and developing the necessary leadership competencies to drive our new operating model and high-performance culture.
- Piloted the Sasol LEAP (learning, experiencing, accelerating, potential) programme to give high-potential individuals exposure to different roles across business units and geographies, supported by formal learning and mentorship.
- Continuing to provide ongoing education and skills development initiatives, ranging from basic literacy, science and maths education through to professional development.
- Maintaining a strong focus on enhancing transformation across the group.

SD Further details on our employment equity scorecard are in our sustainable development report.

3 Social and relationship capital

Relevance

We continue to strengthen our stakeholder relationships, which are fundamental to ensuring effective operations, establishing and enhancing markets for our products, delivering our growth projects and maintaining our licence to operate. We have strategies, systems and processes in place that enable us to understand and respond to our stakeholders' concerns, form collaborative partnerships to find solutions to collective challenges, and to drive needs-based development in the communities in which we operate. As we expand globally, we continue to invest in increasing diversity and inclusion within our business, which underpins our ability to work effectively in different countries and to service diverse markets.

Key capital inputs

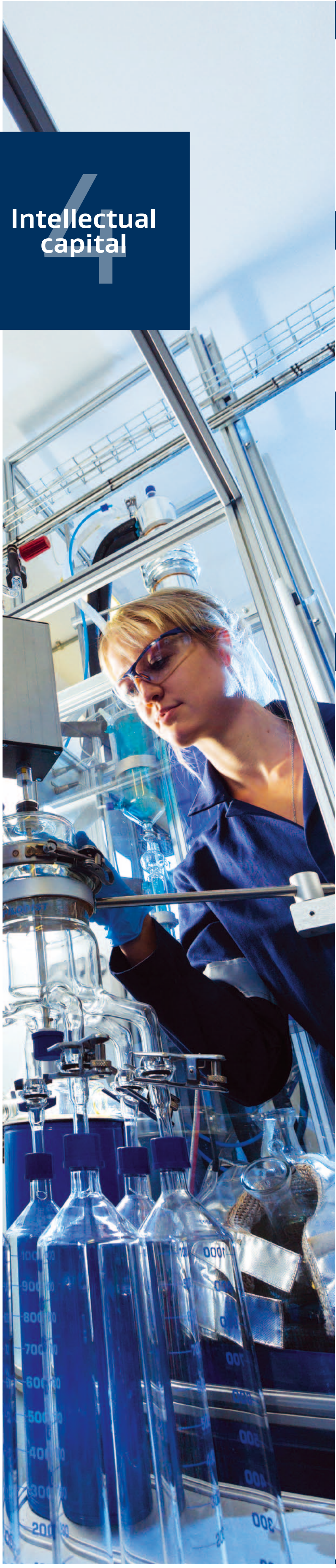
- Collaborative relationships with customers.
- Positive relations with our unionised and non-unionised workforce.
- The confidence of our stakeholders and investors in our business.
- Constructive engagement with government representatives and regulators.
- Collaborative partnerships with business peers on safety matters and participating in sector organisations and with research bodies.
- Mutually agreed terms of engagement with suppliers and customers.
- Maintaining open channels of communication and positive relationships with neighbouring communities, non-governmental organisations and the media.

Outcomes (impacts on the capital)

- Employee turnover rate of 6,1% in South African operations and 2,5% in other operations.
- Successful conclusion of wage negotiations.
- R40,7 billion paid in direct and indirect taxes to governments globally. In South Africa, Sasol is one of the top contributors to the national fiscus, paying R35,8 billion in direct and indirect taxes in 2014.
- Invested R311 million in other skills development and socio-economic development initiatives globally, excluding our Ikusasa programme and our workforce skills development programmes.
- Invested R186 million of the total R800 million committed to the Ikusasa programme in South Africa. The programme is focused on improving education, health and wellbeing, infrastructure and safety and security in the communities in which we operate.
- Developing collaborative initiatives with our suppliers and customers.
- Obtained a level 3 broad-based black economic empowerment (BBBEE) contributor status.
- Established more than 20 mentorship circles in South Africa as part of the Sasol Women's Network, with plans to launch in Eurasia and Mozambique.
- Developed successful partnerships with business peers, research bodies, and governmental and non-governmental organisations to deliver social value.
- Voted employer of choice by the Top Employers Institute.

Activities

- Implementing programmes to improve the effectiveness of customer engagement, which included piloting a Sasol Key Account Management programme.
- Continuing to collaborate with customers in developing and manufacturing differentiated, value-adding chemicals products.
- Continuing to develop a work environment that attracts and develops the best talent, promotes a values-driven, high-performance culture, encourages diversity and transformation, and builds positive employee relations.
- Continuing to develop markets for products worldwide.
- Pilot project underway to provide fit-for-purpose artisan training to the youth, with 120 learners currently on the three-year programme.
- Providing workshops for managers, team leaders and employees to support them during the significant changes associated with the new operating model.
- Utilising the Diversity 10 Point Plan for the recruitment, development and retention of candidates from under-represented groups, including women.
- Implementing a global Stakeholder Management Strategy to build and maintain mutually beneficial relationships needed to create sustainable value.
- Sasol Global Foundation prioritising social investment in education, economic development and the environment.
- Comprehensively revised our code of ethics, with a strong focus on corruption, bribery and human rights, supported by an independent whistleblowing facility (EthicsLine).
- Establishing a dedicated Enterprise and Supplier Development function to support independent small and medium enterprises and bolster our supply chain. This includes the development of the ChemCity Eco-Industrial Park.



4 Intellectual capital

Relevance

Our unique value proposition is based on our technology advantage, which has underpinned our growth since inception. Specifically our intellectual capital includes the proprietary and licenced technologies we use to convert natural gas and coal into high-quality fuels and chemicals, as well as low-carbon electricity. Our organisational, knowledge-based intangible assets include not only our intellectual property and patents, but also our internal knowledge and management systems and our company culture, which are all critical to our ability to sustain and grow our business.

Key capital inputs

- 310 employees with PhDs, and 65 patents added in 2014.
- Created integrated project management teams to ensure world-class execution of our growth projects, both in South Africa and globally.
- Sasol's values driven, high-performance culture.
- Other intangible assets of R1,8 billion.

Outcomes (impacts on the capital)

- Ninth year of 10-year collaboration with 11 South African universities, in which we are investing R250 million.
- Coached and mentored 393 workplace and leadership coaches.
- Partnered with the Mozambican Ministry of Mineral Resources, and made 30 bursaries available for Mozambicans to undertake studies in engineering, science and geology.
- Over the past four years, non-binding grants to the value of R16 million have been awarded to increase the pipeline of African, Indian and Coloured students at postgraduate level.

Activities

- Launching Sasol turbodiesel™ ULS 10ppm, the lowest sulphur content diesel available on the African continent, extending Sasol's lead in developing innovative products.
- Rolled out various initiatives to drive our values-driven, high-performance culture; promote performance management and accountability; create a culture of collaboration and acknowledgement; and foster diversity and inclusion.
- Continuing to carry out new-generation fuels research at our state-of-the-art facilities in Sasolburg and Cape Town.
- Enhancing our research and development facilities in Sasolburg.
- Establishing partnerships with academic institutions, research bodies and industry peers to develop, pilot and implement new technologies.
- Providing training and technical skills development for Sasol artisans, accountants and engineers, and driving excellence in science, technology, engineering and maths education in previously disadvantaged sectors of society.
- Exploring various opportunities globally to expand our gas-to-liquids (GTL) footprint.
- ORYX GTL is our flagship GTL plant, producing at levels greater than its nameplate capacity on a sustained basis.

5 Manufactured capital

Relevance

Our fixed assets (property, plant and equipment), and our continuing investment in maintaining and improving these assets, enable us to deliver our goods and services efficiently, safely and reliably. Underpinned by the ongoing development of our engineering processes, which is a key focus of our technology function, we are also able to progressively minimise the environmental impacts of our facilities.

Key capital inputs

- Property, plant and equipment of R111 billion (net asset value).
- Assets under construction of R51 billion.
- Exploration, development, production, marketing and sales operations in 37 countries.
- Our Secunda assets are a significant component of our South African operations.
- Key assets include our flagship gas-to-liquids (GTL) plant in Qatar (49% interest) and GTL plant in Nigeria (10% interest), which achieved beneficial operation during June 2014.
- We are advancing further GTL opportunities in the US, Mozambique, Canada and Uzbekistan, as well as the Lake Charles Chemicals Project in the US.
- Significant investment in developing our upstream assets.
- Enhancing our operations, as part of our commitment to extending the lifespan of our existing assets in Southern Africa to 2050.

Outcomes (impacts on the capital)

- Capital expenditure of R39,5 billion, of which 57% was invested in South Africa.
- Sustenance capital expenditure amounted to R20 billion in 2014, of which 85% was invested in South Africa.
- Depreciation and amortisation of R13,5 billion.
- Impairment of Canadian shale gas assets of R5,3 billion.
- Partial impairment and final loss on disposal of Solvents Germany of R1,4 billion.

Activities

- Continuing to invest in established plant and equipment as part of our strategy to ‘nurture and grow’ our established manufacturing base. Through planned maintenance and capital expenditure we extend the lifespan of our assets, enhance operational improvements and ensure safe, reliable and efficient operations.
- Following the extension of our Secunda mining rights to 2040, we are driving the next two phases of our R14 billion mine replacement project, which will ensure sustainable coal reserves and extend the lifespan of our Southern Africa integrated value chain to 2050.
- Our R14 billion Synfuels growth programme in Secunda, due to be completed at the end of the 2014 calendar year, will increase production by 3,2% off a 7,3 million ton baseline, ensuring ongoing security of supply.
- Our R1 billion state-of-the-art limestone ammonium nitrate granulation plant uses the latest energy efficiency and waste minimisation technologies, and the resulting supply of nitrogen products meets more than 25% of South Africa’s nitrogen fertiliser demand.
- In early 2014, we inaugurated a new R1,9 billion ethylene purification unit in Sasolburg, which will help to address the local plastics industry’s growing demand for polyethylene.
- In Mozambique, our 175 MW gas-fired electricity generation plant in partnership with the state-owned power utility, is expected to achieve beneficial operation in the second half of the 2014 calendar year.
- As part of our ‘expand and deliver’ sustainable growth pillar we will be investing in a wider portfolio of gas monetisation options and technologies, and a more focused chemicals growth portfolio, resulting in significant investments in manufactured capital.
- In 2014, we constructed the world’s first commercial ethylene tetramerisation unit at the Lake Charles production site in the US.
- In the US, we are constructing a 470 kiloton per annum high-density polyethylene (HDPE) plant in partnership with INEOS. The ethylene required for the production of HDPE will be supplied from our existing Lake Charles operations.

sasol
reaching new frontiers

6 Financial capital

Relevance

We continue to make a significant positive contribution to financial capital. In addition to creating value through our business activities, the financial capital is reinvested in each of the other five capitals in a manner that balances the trade-offs between them. Going forward, managing and accessing financial capital will become even more crucial as we advance our global growth projects.

Key capital inputs

- Dividends paid to shareholders of R13,2 billion.
- Debt raised to execute growth projects of R3,3 billion.
- Re-investment of self-generated funds of R31 billion.
- Interest earned from investments (including income from equity-accounted joint ventures and associates) of R5,3 billion.

Outcomes (impacts on the capital)

	2014	2013	2012
Operating profit	**R41,7 bn**	R38,8 bn	R31,7 bn
Cash generated by operating activities	**R65,5 bn**	R51,9 bn	R40,9 bn
Net borrowings to shareholders' equity (gearing)	**(6,3%) un-geared**	(1,1%) un-geared	0,3%
Headline earnings per share	**R60,16**	R52,62	R42,28
Earnings attributable to shareholders	**R29 580 m**	R26 274 m	R23 580 m
Return on shareholders' equity	**18,5%**	19,1%	20,3%
Savings through business enhancement initiatives	**R469 m**	–	–

Activities

- Maintaining our proven track record in strategically allocating capital to deliver returns on invested capital consistently above our weighted average cost of capital and internal hurdle rates.
- Given the scale of our capital requirements for growth initiatives, we consider various funding alternatives, including specific project financing, export credit agency funding and bank loans, as well as corporate and project bonds.
- Where projects are executed in partnerships and in foreign jurisdictions where an element of political risk exists, we use project finance as a development tool to mitigate such risk.
- Capital investment in North America will constitute a significant portion of total capital expenditure over the following eight years. Currently our gearing remains low and we have sufficient headroom in our balance sheet to fund our growth opportunities, grow dividends and provide a buffer against volatilities.
- Following the successful issuance of our US dollar bond in 2013, flexibility has been introduced into our funding plan, providing the opportunity to approach international bond markets on a regular basis to fund our growth projects in North America.
- Actively considering all alternatives to fund our capital investments, with internal funding options (such as reduction of capital expenditure and cost optimisation) generally preferred to more expensive debt and equity funding.
- Strong and transparent governance structures in place, with rigorous screening processes, to ensure optimal capital allocation.