Risk Factors

Risks related to financial matters

We may not be able to refinance, extend or repay our substantial bank market indebtedness on time, which would have a material adverse effect on our financial condition and ability to continue as a going concern

Our financial results have been prepared assuming that we will continue as a going concern. Currently, we have substantial indebtedness due to the construction of the Lake Charles Chemicals Project (LCCP) in the US. A number of short to medium-term factors, including, among others, the global impact of COVID-19, have adversely affected our business and financial condition.

Our net debt to EBITDA ratio at the end of the 30 June 2021 reporting period was 1,5 times.

Global macroeconomic factors, along with our level of indebtedness and the resultant deterioration of our credit rating has resulted in a significant contraction of bank market capacity for our credit. We, therefore, may need to refinance a portion of the bank loans in the debt capital markets before the loans mature. Should we not be able to refinance our debt prior to maturity, it may negatively impact our liquidity position and we may not be able to continue as a going concern.

We may not achieve our Sasol 2.0 cash conservation targets

In November 2020 Sasol announced the Sasol 2.0 business transformation programme to the market, which builds on the short-term successes of the initial cash conservation efforts through the implementation of sustainable improvements. Sasol 2.0 is the programme aimed at stabilising and transforming the Sasol organisation while creating the ability to fund its turnaround. It is the vehicle to drive the change required to reach the ambition of a competitive and sustainable Future Sasol and has very specific targets for cash fixed cost, gross margin, working capital and maintaining capital spend. The programme consists of several improvement initiatives, which are identified, matured and executed through following a governed stage-gate process.

The achievement of the Sasol 2.0 programme is a top priority for Sasol, however, there are factors that may impact the delivery negatively. These include negative macro-economic development or further deterioration of market conditions. The actual cash flow improvement achieved may therefore differ significantly from the current targeted amounts. If the anticipated benefits cannot be realised from these efforts or unintended consequences from implementation of the programme realised, our business, operating results, financial condition and cash flows could be adversely affected.

Our level of indebtedness may result in an inability to comply with our net debt to EBITDA covenant, which in turn, could have a material adverse impact on our financial position and results, credit rating, and/or liquidity

We still have a substantial, albeit much reduced, level of indebtedness. Our vulnerability to adverse economic conditions therefore remains at a heightened level. The risk of not meeting the maximum net debt to EBITDA covenant level of 3,0 times in the event of any further economic shocks therefore remains, albeit much lower than in the previous year.

Our principal credit facilities contain restrictive covenants. These covenants limit, among other things, encumbrances on existing assets of Sasol and its subsidiaries, the ability of Sasol and our wholly owned subsidiaries to incur incremental debt and the ability of Sasol and its subsidiaries to dispose of assets in certain circumstances. These restrictive and financial covenants could limit our operating and financial flexibility.

As part of the covenant amendments entered into with lenders we agreed to a restriction on our capital expenditure for the financial year ended 30 June 2021 that would not exceed the level of R20 billion by more than 10%. This restriction has been complied with as the actual capital expenditure for the period amounted to R16 billion.

We are exposed to a number of inherent business risks, including, for example, unplanned production outages, lower margins for our products, higher-than-anticipated capital requirements for projects under development, as well as other risks described in this section, any of which, or a combination of which, could cause us to breach our debt covenants during a reporting period. This risk is exacerbated by the ongoing COVID-19 pandemic and its impact on our turnover and profitability.

Failure to comply with any covenant would enable the lenders to accelerate repayment obligations and will lead to cross-defaults with the other facilities. Sasol's credit facilities have standard provisions whereby certain events relating to other borrowers within the Sasol group could, under certain circumstances, lead to default and/or acceleration of debt repayment under the credit facilities and other borrowings. Should cross-default clauses be triggered, this will likely create liquidity pressures and create a risk for the sustainability of Sasol. In addition, the mere market perception of a potential breach of any financial covenant could have a negative impact on our share price and our ability to refinance indebtedness or the terms on which this could be achieved, which could place pressure on the validity of our going concern assumption.

Our access to and cost of funding is affected by our credit rating, which in turn is affected by, among other factors, our key financial metrics and the sovereign credit rating of the Republic of South Africa, as well as our ability to comply with acceptable environmental emissions targets

Sasol's credit rating is impacted by our business performance and leverage, as well as the financial policy and sovereign rating of the Republic of South Africa, including other factors such as global oil and chemical market conditions which may be outside of our control. Both Moody's Investor Services (Moody's) and S&P Global (S&P) have Sasol at sub-investment grade levels currently.

In May 2021, S&P affirmed South Africa's credit rating. Sasol's credit rating could also be further negatively impacted if the South African sovereign rating is further downgraded. In addition, Sasol's credit rating may be further downgraded if Sasol's credit metrics deteriorate outside the guidance provided by the rating agencies for a period longer than 12 to 18 months.

As a result of Sasol's credit rating downgrades:

- the cost of debt on certain existing facilities has increased;
- the cost of debt on any new bank facilities or bonds issued will likely be higher; and
- access to funding in both the bank market and the debt capital markets will likely be more limited.

Further downgrades to our credit rating, be that due to the deterioration of our metrics or the impact of the sovereign credit rating, will also adversely affect our cost of financing, restrict our ability to grow and may force us to make non-strategic divestments that could impact our long-term sustainability. A substantial portion of cash flows from operations is required to meet the payment of principal and interest on our existing debt, which will limit our ability to use our cash flow for other purposes such as:

- to fund capital expenditure in our operations;
- to pay dividends; and
- to fund future business opportunities.

As discussed in more detail below, our key manufacturing processes in South Africa, especially coal gasification and combustion, result in relatively high greenhouse gas (GHG) emissions. Our relatively high carbon emissions and the use of coal as a key feedstock could limit our ability to source financing in debt capital and/or bank markets or increase our cost of funding. Please refer to "—Our ability to respond to climate change could negatively impact our growth strategies, reduce supply/demand for our products, increase our operational costs, reduce our competitiveness, negatively impact our stakeholder relations, adversely affect our legal licence to operate and our access to capital and financing" for further information.

Fluctuations in crude oil, natural gas, ethane, chemical and petroleum product prices and refining margins may adversely affect our business, operating results, cash flows and financial condition

Market prices for crude oil, natural gas, ethane and chemical and petroleum products fluctuate as they are subject to local and international supply and demand fundamentals and other factors over which we have no control. Worldwide supply conditions and the price levels of crude oil may be significantly influenced by general economic conditions; industry inventory levels; technology advancements; production quotas or other actions that might be imposed by international associations that control the production of a significant proportion of the worldwide supply of crude oil;

weather-related damage and disruptions; competing fuel prices and geopolitical risks, including warfare; especially in the Middle East, North Africa and West Africa.

During 2021, the dated Brent crude oil price averaged US$54,20/bbl and fluctuated between a high of US$73,04/bbl and a low of US$40,15/bbl. This compares to an average dated Brent crude oil price of US$51,22/bbl during 2020, when it fluctuated between a high of US$69,96/bbl and a low of US$13,24/bbl.

A substantial proportion of our turnover is derived from sales of petroleum, natural/piped gas and petrochemical products, prices of which have fluctuated significantly in recent years and are affected by crude oil prices, changes in the demand for products, the price and availability of substitute fuels, changes in product inventory, product specifications, production capacity and other factors.

The South African government controls and/or regulates certain fuel prices. The pump price of petrol is regulated at an absolute level. Furthermore, maximum price regulation applies to the refinery gate price of liquefied petroleum gas (LPG) and the sale of unpacked illuminating paraffin. South African liquid fuels are valued using the “Basic Fuel Price” (BFP) mechanism. BFP is a formula-driven price that considers, among others, the international prices of refined products (petrol, diesel, jet fuel, illuminating paraffin and LPG), the rand/US dollar exchange rate and the logistical cost of transporting liquid fuels to South Africa. The BFP is then used as a component in the regulated prices that are published by the government on a monthly basis. Piped gas prices are regulated through the approval of maximum piped gas prices by the National Energy Regulator of South Africa (NERSA) from time to time.

Through our equity participation in the National Petroleum Refiners of South Africa (Pty) Ltd (Natref) crude oil refinery, we are exposed to fluctuations in refinery margins resulting from fluctuations in international crude oil and petroleum product prices. We are also exposed to changes in absolute levels of international petroleum product prices through our synthetic fuel operations.

Prolonged periods of low crude oil, natural gas and chemicals and petroleum prices could also result in projects being delayed or cancelled, as well as the impairment of certain assets.

We use derivative financial instruments from time to time to partially protect us against day-to-day and longer-term fluctuations in US dollar oil, export coal and ethane prices. The oil price affects the profitability of both our energy and chemical products. See “Item 11—Quantitative and qualitative disclosures about market risk”. While the use of these instruments may provide some protection against fluctuations in crude oil prices, it does not protect us against longer-term fluctuations in crude oil prices or differing trends between crude oil and chemicals and petroleum product prices.

It is inherently difficult to forecast fluctuations in crude oil, ethane, natural/piped gas and chemicals and petroleum products prices. This risk is exacerbated by the COVID-19 pandemic and its impact on those product markets. Fluctuations in any of these may have a material adverse effect on our business, operating results, cash flows and financial condition. Refer “Item 5A—Operating results” for the impact of the crude oil prices on the results of our operations.

Fluctuations in exchange rates may adversely affect our business, operating results, cash flows and financial condition

The rand is the principal functional currency of our operations and we report our results in rand. However, a significant portion of our turnover is impacted by the US dollar and the pricing of most petroleum and chemical products is based on global commodity and benchmark prices which are quoted in US dollars.

Further, as explained above, the components of the BFP are US dollar-denominated and converted to rand, which impacts the price at which we sell fuel in South Africa.

A significant part of our borrowings are US dollar-denominated, as they relate to investments outside South Africa or constitute materials, engineering and construction costs imported into South Africa. Fluctuations in the rand/US dollar exchange rate impact our financial leverage and estimated capital expenditure.

We also generate turnover and incur operating costs in euro and other currencies.

Fluctuations in the exchange rates of the rand against the US dollar, euro and other currencies impact the comparability of our financial statements between periods due to the effects of translating the functional currencies of our foreign subsidiaries into rand at different exchange rates.

Accordingly, fluctuations in exchange rates between the rand and US dollar, and/or euro may have a material effect on our business, operating results, cash flows and financial condition.

During 2021, the rand/US dollar exchange rate averaged R15,40, fluctuating between a high of R17,64 and a low of R13,44. This compares to an average exchange rate of R15,69 during 2020, when it fluctuated between a high of R19,11 and a low of R13,84. At 30 June 2021 the closing rand/US dollar exchange rate was R14,28 as compared to R17,33 at 30 June 2020.

The rand exchange rate is affected by various international and South African economic and political factors. Subsequent to 30 June 2021, the rand has strengthened against the US dollar closing at R14,78 and against the euro closing at R17,32 on 20 September 2021. In general, a weakening of the rand would have a positive effect on our operating results. Conversely, strengthening of the rand would have an adverse effect on our operating results, cash flows and financial condition. However, given the significance of our foreign currency denominated long-term debt, a weaker closing rand against the US dollar has a negative impact on our gearing. Refer to “Item 5.A—Operating results” for further information regarding the effect of exchange rate fluctuations on our results of operations. We engage in hedging activities which partially protect the balance sheet and our earnings against fluctuations in the rand exchange rate. While the use of these instruments may provide some protection against fluctuations in the rand exchange rate, it does not protect us against a longer-term strong rand/US dollar exchange rate. Refer to “Item 11—Quantitative and qualitative disclosures about market risk”.

Although the exchange rate of the rand is primarily market-determined, its value at any time may not be an accurate reflection of its underlying value, due to the potential effect of, among other factors, exchange controls. For more information regarding exchange controls in South Africa see “Item 10.D—Exchange controls”.

The phasing out of LIBOR after 2021 may adversely affect the amounts of interest we pay under our debt arrangements and our ability to hedge LIBOR exposures and as a consequence affect our business, operating results and financial condition

Libor is widely used as a reference for setting the interest rate on loans globally. We have used LIBOR as a reference rate in certain of our revolving credit facilities, term loans and derivative instruments, such that the interest due to our lender pursuant to these loans is and the amounts payable under these derivative instruments are currently calculated using LIBOR.

Pursuant to announcements made on 5 March 2021 by the United Kingdom Financial Conduct Authority (FCA), which regulates LIBOR, and the ICE Benchmark Administration (IBA), which determines and publishes LIBOR, the publication of 1 week and 2 month US dollar LIBOR is to cease after 31 December 2021, while the remaining tenors of US dollar LIBOR will continue to be published on a representative basis until the end of June 2023 and cease to be published as representative rates thereafter.

It is not currently possible to predict the effect of any discontinuation or change in the calculation methodology for the other US dollar LIBOR tenors after 30 June 2023, or how any such changes or any alternative or fallback benchmark interest rates would be applied to any particular existing agreement containing terms based on LIBOR, such as certain of our existing loan agreements and derivative instruments. There is, in addition, the possibility of new US federal legislation to make provision for the consequences of the cessation of LIBOR on agreements which continue to reference it. Any such changes in the calculation methodology pursuant to which LIBOR rates are determined after 30 June 2023 or the effect of any new legislation may result in an increase in reported LIBOR rates or a requirement, in certain circumstances, to use specific alternative rates which may be higher than the LIBOR rates we have been using. If that were to occur, the amount of interest we pay under our financing arrangements may be adversely affected, which may adversely affect our business, operating results and financial condition.

Although we intend to agree an alternative, market acceptable, basis with the lenders under our revolving credit facilities and term loans, and with the counterparties under our derivative instruments, to replace the applicable LIBOR rates with another reference rate in terms of rapidly developing marking practice being established by the Loan Markets Association (LMA) prior to any cessation of LIBOR there can be no assurance that we will be able to reach agreement on favourable terms or at all. We have an engagement plan, and we are actively engaging with our counterparties to reach agreement on an alternative basis. Any agreement on an alternative benchmark rate may however negatively impact the value of our credit facilities, term loan or derivative instruments, may expose us to additional financial, tax, legal, operational or other costs, or expose us to additional interest rate-related risks, such as different alternative reference rates.

There may be restrictions imposed on certain market participants as to use of LIBOR for new financial instruments, including hedging, and we may not be permitted to hedge our remaining LIBOR exposures or any such hedging, if undertaken, may be more expensive.

Risk related to COVID-19

Our global operations expose us to pandemics, such as the COVID-19 pandemic, that may adversely affect our workforce and impact business continuity, operating results, cash flows and financial condition

Sasol’s global workforce, including service providers, suppliers and customers, are exposed to the COVID-19 pandemic which can impact their wellbeing, safety and health with an associated direct or indirect effect on the safety and continuity of our operations. An increased rate of COVID-19 infections among our workforce, service providers, suppliers and customers, and the related impact on prices and demand for our products has had and may continue to have a material adverse effect on Sasol’s business, operating results, cash flows and financial condition.

A large portion of our South African and Mozambican workforce is directly or indirectly exposed to living environments where home quarantine and self-isolation pose practical challenges. This is exacerbated by a slower-than-preferred roll-out of the COVID-19 vaccination process, especially in South Africa and Mozambique and by ongoing changes in laws and regulations in response to the COVID-19 pandemic, imposing restrictions on the movement of people and products/assets, as well as activities, that can be performed in the countries and jurisdictions in which Sasol operates and increasing the risk of availability of critical resources to continue operations. The risk may extend to the availability of senior leadership, specifically senior executives, in the organisation challenging the efficacy of our alternate arrangements and succession plans. Our operations have, to some extent, been impacted by lower employee morale, resulting in disengagement and reduced productivity.

Additionally, COVID-19 could negatively affect our internal controls over financial reporting as some of our workforce is required to work remotely and therefore new processes, procedures, and controls could be required to respond to changes in our business environment. This is further exacerbated by the increased demand on employees as activities increased on the launch of our optimisation of the business through Sasol 2.0, change in our operating model and the workforce transition process.

As the impact of COVID-19 continues to evolve, the outbreak of any potential future waves of infection or mutations in the strain of the virus may continue to have, and also increase having, a negative impact on our business performance. We expect that the ultimate magnitude of these disruptions, including the extent of their adverse impact on our financial and operational results, will be determined by the length of time that such disruptions continue, which will, in turn, depend on the duration of the pandemic, the time taken to access and administer vaccines and the impact of governmental regulations that might be imposed in response to it. The most material challenges faced by Sasol are the ability to anticipate or model infection rates, local / regional / global spread patterns, recovery and mortality rates, potential for future recurrent infection waves and the resultant direct and indirect impacts on our business and continuity of our operations.

A key challenge is the impact of the pandemic on the commodity markets, including the demand for our products, which is not under our control. As we cannot predict the spread of the virus and the impact on the economy in the countries in which we operate, COVID-19 may have an increasingly negative impact on our business, operating results, cash flows and financial condition, and even put Sasol’s financial viability at risk.

The pandemic impacted, and continues to impact, all economies in which we operate. The current impact varies among the countries and it is difficult to predict the further development of such impact. A lockdown of business and social activities in various countries led to a sharp decline in demand for, among others, fuel products which contributed to a further fall in the global crude oil price. In South Africa, the lockdown led to a destruction of the demand for fuels and kerosene. The South African market is the most important market for our fuel products which are a large part of Sasol’s turnover. Therefore, we are particularly vulnerable to a sharp decline in demand for fuel products in South Africa and a decline of the crude oil price.

Please refer to “Item 5.A—Operating Results” for the impact of COVID-19 in the financial year ended 30 June 2021. The pandemic could have an increased level of material adverse effect on our business, operating results, cash flows and financial condition in the current financial year.

Risks related to our capital investments

Our large projects are subject to schedule delays and cost overruns, and we may face material changes in market conditions or other business assumptions, which could render our projects unviable or less profitable than planned

The low-density polyethylene (LDPE) unit of the LCCP achieved beneficial operations on 15 November 2020. The LDPE unit is the seventh and final LCCP unit to come online. The LCCP is now complete and total capital expenditure incurred is within the previously communicated guidance of US$12,8 billion.

In Mozambique, the Field Development Plan Amendment (FDP) of the PSA was approved by the Government of Mozambique (GoM) on 29 September 2020. The PSA development will allow for flexible production from the different reservoirs with gas sales to Central Termica de Temane (CTT) and Sasol South Africa Limited (SSA), Oil/Condensate sales to the international markets and LPG sales to Empresa Nacional de Hidrocarbonetos (ENH). On 19 February 2021, the Sasol Board of Directors (the Board) approved the Final Investment Decision (FID) with an estimated project cost of US$760 million. The project execution has been delinked from CTT financial close and execution commenced in quarter three of calendar 2021. In addition, COVID-19 restrictions may have an impact on the overall project schedule.

The development of these and similar projects involves capital-intensive processes carried out over long durations. It requires us to commit significant capital expenditure and allocate considerable management resources in utilising our existing experience and know-how.

Our large capital projects were and are subject to the risk of delays and cost overruns inherent in any large project, including as a result of:

- shortages or unforeseen increases in the cost of equipment, labour and raw materials;
- unforeseen design and engineering problems, contributing to or causing late additions and/or increases to scope;
- unforeseen construction problems;
- unforeseen failure of mechanical parts or equipment;
- unforeseen technical challenges on start-up causing delays in beneficial operations being achieved;
- inadequate phasing of activities;
- unforeseen process safety issues;
- labour disputes;
- inadequate workforce planning or productivity of workforce;
- inadequate change management practices;
- natural disasters and adverse weather conditions, including excessive winds, higher-than-expected rainfall patterns, tornadoes, cyclones and hurricanes or a pandemic, such as COVID-19;
- failure or delay of third-party service providers; and
- regulatory approvals and compliance obligations, including changes to regulations, such as environmental regulations, and/or identification of changes to project scope necessary to ensure safety, process safety, and environmental compliance.

For example, the LCCP which is now complete, experienced significant cost overruns, with the estimated cost to completion having risen from US$8,9 billion to US$12,8 billion. The last unit achieved beneficial operations on 15 November 2020. The reasons for the cost overruns included adverse weather conditions (including Hurricane Harvey), unforeseen costs in addressing ground conditions and fire.

In addition, significant variations in the assumptions we make in assessing the viability of our projects, including those relating to commodity prices and the prices for our products, exchange rates, import tariffs, interest rates, discount rates (due to changes in country risk premiums) and the demand for our products, may adversely affect the profitability or even the viability of our investments.

As the PSA capital investment is particularly material to Sasol, any cost overruns, schedule delays, process safety incidents or adverse changes in assumptions affecting the viability of the project could have a material adverse effect on our business, cash flows, financial condition and prospects. This risk is further exacerbated by the COVID-19 pandemic and its potential impact on the project schedule and costs.

Our operating cash flow and credit facilities may be insufficient to meet our capital expenditure and related incremental working capital plans and requirements, depending on the timing and cost of development of our existing projects, including, in particular, PSA and any further projects we may pursue, as well as our operating performance and the resultant utilisation of our credit facilities. As a result, new sources of capital may be needed to meet the funding requirements of these projects and to fund ongoing business activities. Our ability to raise and service significant new sources of capital will be a function of macroeconomic conditions, our credit rating, our net debt to EBITDA ratio and other risk metrics, the condition of the financial markets, our share price, future prices for the products we sell, particularly oil and key chemical products, the prospects for our industry, our operational performance and operating cash flow and debt position, among other factors.

In the event of unanticipated operating or financial challenges, such as those caused by COVID-19, any dislocation in financial markets, a deterioration in the price outlook for the products we sell, particularly oil and key chemical products, any downgrade of our credit ratings by rating agencies or new funding limitations, our ability to pursue new business opportunities, invest in existing and new projects, fund our ongoing business activities and retire or service outstanding debt and pay dividends, could be constrained. Any of these could have a material adverse effect on our business, operating results, cash flows and financial condition.

Refer “Item 5.A—Operating results” for the impact of our large projects, such as PSA, on the results of our operations.

Exposure related to significant investments in associates and joint arrangements may adversely affect our business, operating results, cash flows and financial condition

We have invested in a number of associates and joint arrangements and will consider opportunities for further upstream gas and downstream investments (including licensing opportunities), where appropriate, as well as opportunities in chemicals. The development of these projects may require investments in associates and joint arrangements, some of which are aimed at facilitating entry into countries and/or sharing risk with third parties. Although the risks are shared, the objectives of our associates and joint arrangement partners; their ability to meet their financial and/or contractual obligations; their behaviour; their compliance with legal and ethical standards; and the increasing complexity of country-specific legislation and regulations may adversely affect our reputation and/or result in disputes and/or litigation. All of these may have a material adverse effect on our business, operating results, cash flows and financial condition, and may constrain the achievement of our growth objectives.

We may not pay dividends or make similar payments to shareholders in the future due to various factors

As further described under “Item 8. Financial Information”, the company’s dividend policy takes into consideration various factors, including overall market and economic conditions, the group’s financial position, capital investment plans as well as earnings growth. Whether funds are available for distribution to shareholders depends on a variety of factors, including the amount of cash available and our capital expenditures and other liquidity requirements existing at the time. Under South African law, the company will be entitled to pay a dividend or similar payment to its shareholders only if it meets the solvency and liquidity tests set out in the South African Companies Act, 71 of 2008 (Companies Act), and is permitted to do so in terms of the Memorandum of Incorporation (MOI). Given these factors and our board’s discretion to declare cash dividends or other similar payments, dividends may not be paid in the future.

Given the risk of a prolonged period of economic uncertainty and the company’s current level of indebtedness, the board believes that it would be prudent to continue with the suspension of dividends until further notice. This will allow us to protect our liquidity in the short term and focus on reducing leverage in order to create a firm platform to execute our strategy and drive long-term shareholder returns.

Risk related to our sustainability

Our strategy to respond to climate change could not be successful in achieving its emission reduction targets and could negatively impact our growth. Concerns around climate change could reduce supply/demand for our products, increase our operational costs, reduce our competitiveness, negatively impact our stakeholder relations, adversely affect our legal licence to operate and our access to capital and financing

Key manufacturing processes in South Africa, especially coal gasification and combustion, result in relatively high GHG emissions. Sasol’s ability to develop and implement an appropriate climate change mitigation response poses challenges to meet ambitious emission reduction targets and in any event a significant transitional risk for our business, most notably in South Africa. This is heightened by the necessity to appropriately address increasing societal pressures and shifts away from carbon-intensive processes and products, as well as meeting new and anticipated policy and legislative requirements, including carbon tax, carbon budgets and GHG reduction targets. It is particularly challenging in South Africa, amid a COVID-19-impacted society, where access to low-carbon energies is limited and related infrastructure is under-developed.

A carbon tax was implemented in South Africa on 1 June 2019. This significantly increases the operational costs of our South African operations in the first phase of its implementation and is anticipated to be higher after 1 January 2023, when the second phase commences. The tax relief measures implemented by the South African government in 2020 in response to the COVID-19 pandemic included a three-month deferral for filing and first payment of carbon tax until 31 October 2020. Sasol paid its first carbon tax by 31 October 2020. Despite the continued implementation of COVID-19 mitigation measures, no payment deferrals were made available for 2021 and Sasol’s second carbon tax payment was made by 31 July 2021. For the first phase up to 2022, several transitional tax-free allowances are provided for in legislation. We paid our first carbon tax liability in 2020 of R320 million for the first seven-month period since the gazetting of the Carbon Tax Act. In 2021, we paid R579 million after offsets and electricity levies. The tax is applicable to an entity’s scope 1 emissions for each calendar year. The headline carbon tax is R134 per ton of CO_2e (carbon dioxide equivalent) on emissions generated in calendar 2021 before tax-free allowances, for emissions above the tax-free thresholds, escalating at CPI +2 percentage points each year until 2022.

The South African government is developing carbon budgets in parallel. Currently, regulatory confirmation on how mandatory carbon budgets will be aligned to the associated carbon tax regime is awaited and regulatory engagement is therefore ongoing. Sasol faces uncertainty in respect of the group’s carbon tax liability and/or potential penalties that may apply for exceeding the carbon budgets for the subsequent mandatory phases from 2023 onwards, if these instruments lack effective alignment and the scale of required mitigation is not possible in the timeframe required.

South Africa’s developmental challenges, civil discontent, the structure of its economy, the impacts of COVID-19, the downgrade of the sovereign credit rating and the fact that the carbon tax design is not currently aligned with the carbon budget system, remains a risk. Sasol is supportive of carbon pricing and in this instance, the alignment of the carbon budget with the carbon tax offers an efficient and effective mechanism for the South African economy to recover from the COVID-19 pandemic, while transitioning to a low-carbon economy. We actively engage with government and various stakeholders to enable an approach that appropriately manages and balances the need for economic development, job creation, energy security and GHG emission reductions.

Sasol foresees a low-carbon emission world representing changes to energy demand, regulations and commodity consumption patterns. Depending on the extent and speed of these changes, companies that do not effectively respond to these possible realities could find parts of their portfolios, or potentially their entire business model, becoming unsustainable over time. Through scenario analysis, Sasol stress tests the potential areas where our business might become less sustainable due to further changes in demand patterns, regulations or technology changes. Sasol uses a set of scenarios that considers how market conditions, technology, political and other influences interact to produce vastly different future outcomes for development of our GHG reduction roadmaps, which have steered Sasol toward ambitious targets for 2030 and 2050.

Nevertheless, we cannot assure you that our stress testing will be successful in implementing our transition to a low-carbon business.There are risks associated with accuracy, completeness and correctness of various assumptions that are used as inputs to the scenario analysis work undertaken by Sasol, including scenarios developed to test resilience to climate change threats. In addition, the estimates of required or available capital and other assumptions underpinning necessary investments to make our business sustainable for the long term could prove to be incorrect and lead to delays or infeasibility of capital expenditure projects. Should all or some of these assumptions prove to be inaccurate, incomplete or incorrect, this could potentially significantly impact our resilience and long-term sustainability.

We are targeting a 30% scope 1 and 2 GHG emission reduction by 2030 in support of accelerated action to curb climate change. We have concrete plans to directly reduce emissions by approximately 25%, through known, available technologies. We also have an interdependent energy efficiency improvement target of 30% by 2030, off a 2005 baseline. Our ambition is for net zero emissions by 2050. Our targets and ambitions are supported by roadmaps detailing the interventions we intend leveraging to achieve our targets and ambition. The primary risks associated with achieving the 2030 GHG reduction targets are the unavailability and unaffordability of gas as feedstock or as a source of energy and the potential prohibitive costs of green hydrogen, electrolysers and the lack of enabling legal frameworks. Meeting the energy efficiency target is dependent on continued stable operations. We can provide no assurances that Sasol’s plans to reduce GHG emissions as per our set targets and ambition will be viable or successful, but we are assessing and mitigating the associated risks which would include capital availability and technology advancement at a pace and a scale in line with the target but which may not be available in alignment with the proposed timeline.

Further, climate change poses a significant risk for both our South African and global business as it relates to potential physical impacts, including change in weather patterns, water scarcity and extreme weather events, such as cyclones/hurricanes, tornadoes, flooding and sea level rise. In this regard, work continues to be refined into our operational strategies and responses for the identified key priority regions such as the US Gulf Coast, Mozambique, and South African operations (Secunda and Sasolburg). Ongoing monitoring efforts guide our interventions to improve our maintenance, asset integrity processes and response procedures. The ongoing COVID-19 pandemic has sharpened our focus on managing these risks as we expect that the effects of changing climate could exacerbate potential future pandemics.

Further, climate change-related laws and regulations may threaten our licence to operate and substantially increase the cost of doing business because of the imposition of higher carbon taxes or similar taxes. Replacement of coal with natural gas, sustainably verified biomass and green hydrogen as sustainable feedstocks for our operations in Secunda are likely to increase the cost of production and reduce our profitability significantly. Current information indicates that imported liquified natural gas, biomass and green hydrogen are more costly feedstocks than coal for our operations in Secunda. In transitioning to these low GHG intensity feedstocks there will be an impact on the margin of some of our products. These climate change-related effects could have a material adverse effect particularly on our South African business, operating results, cash flows, financial condition and future growth. Our relatively high carbon emissions and the use of coal as a key feedstock could also impact negatively on our potential base of shareholders and our ability to source financing in capital and/or bank markets and/or increase our cost of capital.

Our international operations are less carbon-intensive and have been operating for some time in a more mature GHG regulatory regime. However, enhanced focus on issues concerning the environment, human rights and climate change may result not only in a more complex regulatory environment, but also additional legal risk to the extent that compensation for damages relating to climate change and other environmental impacts are brought into judicial systems around the world. In addition, our permits and operational licences are subject to public comment and/or input from stakeholders in certain of the jurisdictions in which we operate and there is an emerging trend by activists to use the public comment process to challenge the issuance or renewal of a company's permit based on its response to climate change and social issues such as human rights and community impacts. The increased use of litigation against companies for compensation or to force action related to climate change and associated social issues could adversely impact the resilience of Sasol's operations and our continued licence to operate.

Risks related to our safety and operations

We may face potential costs in connection with industry and value chain-related operational interruptions, accidents or deliberate acts of terror or civil unrest causing property damage, personal injury or environmental contamination

Operational interruptions impacting our business or value chains may have a material adverse effect on volumes produced and costs. These impacts could be caused by the failure of critical assets, extreme weather events or natural disasters, lack of feedstock (coal, natural gas, ethane, ethylene), supply chain disruption (inbound and outbound), utility interruption (electricity, water, oxygen, steam, hydrogen, nitrogen) or a breach of our licence to operate (non-compliance with regulatory requirements or permits).

We operate coal mines, explore for and produce oil and gas and operate a number of plants and facilities for the manufacture, storage, processing and transportation of oil, chemicals and gas, related raw materials, products and waste materials. These facilities and their respective operations are subject to various risks, such as fires, explosions, hurricanes, releases and loss of containment of hazardous substances, soil and water contamination, flooding, land subsidence, and geological complexity, among others. As a result, we are subject to the risk of, and in the past have experienced, industry-related incidents. Such incidents can be subjected to inspections by relevant authorities, with the associated potential consequences of enforcement action, including directions to temporarily cease and desist operations and/or the imposition of fines and penalties. This may have a material adverse effect on our business.

Our facilities are also subject to the risk of deliberate acts of terror.

Accidents and acts of terror may result in damage to our facilities and may require the shutdown of the affected facilities, thereby disrupting production and increasing production costs and may in turn disrupt the mining, gas, chemicals and oil businesses which make up a significant portion of our total income. Furthermore, accidents or acts of terror at our operations may have caused, or may in future cause, environmental contamination, personal injuries, health impairment or fatalities and may result in exposure to extensive environmental remediation costs, civil litigation, the imposition of fines and penalties and the need to obtain or implement costly pollution-control technology.

Sasol operates the Pande and Temane gas fields in Mozambique. Gas is produced from a portfolio of wells, and then processed through a Central Processing Facility (CPF). Gas is sold to our operations in Secunda and Sasolburg as well as to external customers in Mozambique and South Africa. The production of gas through wells, pipelines and a processing plant is inherently exposed to the risk of integrity failures which may result in a loss of containment and/or a disruption of gas supply to our own and/or customers' operations. The risk of any well, pipeline or plant equipment failure is managed through a structured, continuously ongoing maintenance and management programme. Short- and medium-term interruptions (e.g. COVID-19) are managed by means of existing contractual mechanisms. Were Sasol's Mozambique gas wells or facilities to experience a catastrophic, simultaneous, long-term outage, particularly if we were then unable to offset such outages through existing contractual gas sales agreement mechanisms, this could have a material adverse effect on our revenue, cash flows and costs.

Our products are ultimately sold to customers around the world and this exposes us to risks related to the transportation of such products by road, rail, pipelines and/or marine vessels or the nefarious use of our products for illegitimate purposes, such as the manufacture of illicit drugs and chemical weapons, or the use of explosives for violent and criminal acts. Such activities would generally take place in the public domain, exposing us to incident risks over which we have limited control.

It is Sasol's policy to ensure effective service provider management and procure appropriate insurance cover for property damage and business interruption for its production facilities. The policy is to procure cover above acceptable deductible levels at acceptable commercial premiums. However, full cover for all loss scenarios may not be available at acceptable commercial rates, and we cannot give any assurance that the insurance procured for any particular year would cover all potential risks sufficiently or that the insurers will have the financial ability to pay all claims that may arise.

The costs we may incur as a result of the above or related factors could have a material adverse effect on our business, operating results, cash flows and financial condition.

Risks related to legal, regulatory and governance matters

We identified a material weakness in our internal controls over financial reporting in 2020, which we are still in the process of remediating. If we are unable to remediate this material weakness, or if we experience additional material weaknesses or other significant deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately and timely report our financial results, which could cause shareholders to lose confidence in our financial and other public reporting, and adversely affect our share price

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. Under “Item 15— Controls and Procedures”, a material weakness in internal control over financial reporting was disclosed for the financial year ended 30 June 2021. The material weakness was identified in 2020 and relates to the level of precision applied to the impairment assessments performed on the South African integrated value chain cash generating units (CGUs) within one segment of the company and has now been expanded to all CGUs within the South African integrated value chain. This material weakness is still in the process of being remediated.

While the material weakness relating to the LCCP capital cost estimation process was fully remediated as at 30 June 2021 and while we are currently implementing remedial measures, there can be no assurance that our efforts will be successful. The material weakness was not considered remediated until completion of the design and implementation of the longer-term remediation efforts and the applicable remedial controls operate for a few cycles and management has concluded, through testing, that these controls were operating effectively. As a result of the material weakness described above, management concluded that our disclosure controls and procedures remain ineffective as of 30 June 2021.

We cannot be certain that any remedial measures we are currently in the process of implementing, or our internal controls over financial reporting more generally, will ensure that we design, implement and maintain adequate controls over our financial processes and reporting in the future. Our failure to implement our remediation plans referred to above, or to implement newly required or improved controls or to adapt our controls, or difficulties encountered in their operation, or difficulties in the assimilation of acquired businesses into our control system, could prevent us from meeting our financial reporting obligations or result in a restatement of previously disclosed financial statements. These financial reporting obligations include filing our periodic reports with the SEC on a timely basis and maintaining compliance with applicable New York Stock Exchange (NYSE) listing requirements.

If other currently undetected material weaknesses in our internal controls exist, they could result in material misstatements in our financial statements requiring us to restate previously issued financial statements. In addition, material weaknesses, and any resulting restatements, could cause investors to lose confidence in our reported financial information. They could also subject us to regulatory scrutiny and to litigation from shareholders, which could have a material adverse effect on our business. Furthermore, the remediation of any such material weakness could require additional remedial measures including additional personnel, which could be costly and time-consuming. The implementation of the remediation actions could further be impacted by the increased demand on employees. This is because there are increased requirements related to the activities from our optimisation of the business, as well as the personnel impact of the strategic reset through Future Sasol. If we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis. This, in turn, could cause a decline in our share price and adversely affect our results of operations and financial condition. Failure to comply with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act) could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Actual or alleged non-compliance with regulatory requirements could result in criminal or civil sanctions or could harm our reputation and negatively impact our licence to operate

Non-compliance with anti-corruption and anti-bribery laws, sanction laws, environmental laws, competition or anti-trust laws and data privacy laws have been identified as our top five regulatory risks.

Anti-corruption and anti-bribery laws

Ethical misconduct and non-compliance with applicable anti-corruption/anti-bribery laws could result in criminal or civil sanctions and could have a material adverse impact on our reputation, operations and licence to operate.

Companies need to be particularly vigilant with regard to the risk of bribery, especially when the scale of investments and the corruption perception of the countries where operations take place are considered. We, like other international petrochemical companies, have a geographically diverse portfolio and conduct operations in some countries which have a perceived high prevalence of corruption. Our operations must comply with applicable anti-bribery laws, such as the US Foreign Corrupt Practices Act as well as similar anti-corruption and anti-bribery laws of South Africa and other applicable jurisdictions. There has been a substantial increase in the global enforcement of these laws. In particular, major investments in countries with a high corruption exposure create an elevated risk when dealing with private companies, governments or government-controlled entities. We have an anti-corruption and anti-bribery compliance programme in place which is designed to prevent and reduce the likelihood of violations of such laws by our employees and companies associated with us. However, a violation could result in substantial criminal or civil sanctions and could damage our reputation.

Sanctions laws

Our international operations require compliance with applicable trade and economic sanctions or other restrictions imposed by governments, such as the US and United Kingdom, and organisations, such as the United Nations, the European Union (EU) and its member countries. We closely monitor developments in these sanction programmes and assess the possible impact they could have on our group’s activities. These trade and economic sanctions are not always aligned and this increases the complexities when a company has operations in various countries. A violation of any of these sanction regimes could lead to a loss of import or export privileges, penalties against or the prosecution of Sasol and our employees, which could have an adverse effect on our reputation, business, operating results, cash flows and financial condition.

We have a sanctions compliance programme and sanctions screening systems in place. We believe that we are in compliance with all applicable sanctions and other trade restrictions and intend to maintain such compliance. However, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to frequent amendments or changing interpretations.

Environmental laws and regulations

In recent years, the environmental legislation in South Africa has resulted in significantly stricter standards. For instance, by 1 April 2020, our existing plants were required to meet the more stringent point source standards for air quality emissions applicable to newly commissioned plants. Meeting some of these requirements requires the retrofitting of some of our existing plants, and accordingly, we obtained postponements until 1 April 2025 from the National Air Quality Officer to implement abatement projects in accordance with our air quality roadmaps. Sasol’s short-term cash conservation measures necessitated capital deferment. This was implemented in 2020 with associated project execution delays, which necessitates the ongoing revision of our air quality roadmap delivery as Sasol’s financial position improves.

Meeting the new boiler sulphur dioxide (SO_2) emission standards before 31 March 2025 remains a challenge for our Secunda steam plant boiler considering the time required to implement the possible solutions. Coal beneficiation has the potential to effectively reduce SO_2 emissions to below 1000 mg/Nm^3, the recently promulgated standard. However, coal beneficiation is only likely beyond 1 April 2025 due to the magnitude and complexity of the implementation which will entail an extensive scope across mining and manufacturing plants. Coal beneficiation is not, however, aligned to Sasol’s sustainability objectives nor the long-term vision of moving away from coal. In parallel with this, we are considering synergies with GHG reduction efforts in the interest of implementing an overall environmentally sustainable solution considering Sasol's ambition to decarbonise our operations. Introducing incremental amounts of additional gas would allow us to accelerate our GHG reduction plans while also enabling the shutdown of boilers, thereby reducing the total mass of Sasol's SO_2 emissions. It, however, remains likely that the implementation of the selected solution will also extend beyond 1 April 2025.

Accordingly, we continue to assess available legal mechanisms to leverage in mitigation of any potential non-compliance risks that may arise on 1 April 2025, pending the completion of the air quality roadmaps along adjusted timelines. We continue to engage with the Department of Forestry, Fisheries and the Environment (DFFE) and the local licensing authorities as necessary. The outcome of these processes and applications cannot be guaranteed and may be successfully challenged by third parties and hence the risk of non-compliance could still materialise. Non-compliance may result in the violation of licence conditions with the associated consequence of administrative enforcement action, which may include directions to cease operations and fines and penalties including criminal prosecution. This may have a material adverse impact on our business.

We recognise that existing standards may become stricter over time which may pose a risk to some of our maturing operations in South Africa. This may, in some cases, adversely affect our business, financial condition, results of operations and cash flows.

Some of our South African operations are situated in declared air quality priority areas which are subject to the requirements of the Vaal Triangle Air-Shed Priority Area Air Quality Management Plan and the Highveld Priority Area Air Quality Management Plan. These plans are currently under review, subject to the completion of source apportionment studies, and are also the subject of litigation currently. Accordingly, further emission reduction commitments may be required from Sasol and are likely to trigger additional costs for air quality improvements in these priority areas.

Outside of South Africa, we operate a number of plants and facilities for the storage and processing of chemical feedstock, products and wastes. These operations are subject to numerous laws, regulations and ordinances relating to safety, health and the protection of the environment which may also affect our operating results and financial condition. The essential objectives of these legal frameworks are largely consistent with that of the South African framework, although regulatory and permitting requirements are more established and entrenched in some regions.

Competition laws/Anti-trust laws

Non-compliance with competition/anti-trust legislation could expose the group to administrative penalties, civil claims and damages, including punitive damages by companies which can prove they were harmed by the breach of competition/anti-trust legislation. Such penalties and damages could be significant and have an adverse impact on Sasol's business, operating results, cash flows and financial condition. In addition, Sasol's reputation could be damaged by findings of such contraventions and individuals could be subject to imprisonment or fines in countries where competition/anti-trust violations are a criminal offence.

It is Sasol's policy to comply with all laws. Notwithstanding this, and our training and compliance programmes, we could inadvertently contravene competition/anti-trust laws and be subject to the imposition of fines, criminal sanctions and/or civil claims and damages. We endeavour to remain compliant with competition/anti-trust legislation in all the jurisdictions in which we operate to avoid any material adverse impact on our reputation, business, operating results, cash flows and financial condition.

Data privacy laws and regulations

We operate in countries that have data protection laws and regulations. It is our policy to comply with all applicable laws, and we implement numerous training, awareness and data privacy compliance programmes. However, non-compliance with data protection laws could result in fines and/or civil claims and damages. This could have a material adverse impact on our reputation and a consequential financial impact.

South African mining legislation may have an adverse effect on our mineral rights

In December 2019, the Minister of Mineral Resources and Energy (Minister) separated oil and gas-related matters from that of mineral related matters in the Mineral and Petroleum Resource Development

Amendment Bill (MPRDA Bill). The draft Upstream Petroleum Resources Development Bill was published in the Government Gazette on 24 December 2019. Sasol submitted comments on this Bill directly to the Department of Mineral Resources (DMR) and via the relevant business association. However, due to the impact of COVID-19, further consultation processes were delayed. Once promulgated, the "Petroleum Bill" currently before parliament will repeal and replace the relevant sections in the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) which currently regulates oil and gas exploration and production.

The Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (2018 Mining Charter) was published on 27 September 2018 for implementation on that date. The 2018 Mining Charter contains a number of changes compared to the previous Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry (the previous Mining Charter) including but not limited to an increase in the Broad-based Black Economic Empowerment (B-BBEE) shareholding requirement from 26% to 30% in respect of new mining right applications. Furthermore, recognition is given to mining right holders who have achieved 26% B-BBEE shareholding and whose shareholders exited prior to commencement of the 2018 Mining Charter. Such recognition is however only applicable for the duration of the right and not for subsequent renewals in which instance a 30% B-BBEE shareholding is required. The 2018 Mining Charter contains more stringent compliance criteria than the previous Mining Charter, especially in respect of applications for new mining rights and the requirements in respect of procurement of mining goods. These may have a material adverse effect on Sasol Mining Proprietary Limited (Sasol Mining). The potential impact on Sasol Mining may be two-fold: higher cost of production and the risk of being in non-compliance with the requirements of the 2018 Mining Charter, which could lead to the suspension or cancellation of Sasol Mining's mining and/or prospecting rights. If a holder of a prospecting right or mining right in South Africa conducts prospecting or mining operations in contravention of the MPRDA, the converted mining rights can be suspended or cancelled by the Minister. The entity, upon receiving a notice of breach from the Minister, has a specific period of time to remedy such breach, failing which the mining right can be suspended or cancelled.

The MPRDA and applicable provisions in the National Environmental Management Act 107 of 1998 and National Water Act 36 of 1998 impose additional responsibilities with respect to environmental management as well as the prevention of environmental pollution, degradation or damage from mining and/or prospecting activities.

The effect on our mining and petroleum rights of possible future amendments to the MPRDA, associated regulations to be promulgated and the 2018 Mining Charter may have a material adverse effect on our business, operating results, cash flows and financial condition. See "Item 4.B—Business overview—Regulation—Empowerment of historically disadvantaged South Africans—The Mining Charter and the Mineral and Petroleum Resources Development Amendment Bill".

Legislation in South Africa related to petroleum and energy activities may have an adverse impact on our business, operating results, cash flows and financial condition

Regulation of petroleum products in South Africa

The Petroleum Products Amendment Act 2 of 2005 (Petroleum Products Act)

The Petroleum Products Act requires that persons involved in the manufacture and wholesale and retail sale of petroleum products obtain relevant licences for such activities. Sasol Oil (Pty) Ltd (Sasol Oil), Natref and SSA have submitted applications for their respective operations. The Sasol Oil wholesale licence and SSA manufacturing licence applications have been approved and the licences issued. The Sasol Oil manufacturing licence application pertaining to the Natref refinery has been accepted, however, the licence has not yet been issued. As provided in the Petroleum Products Act, Sasol Oil continues to act as a deemed licence holder in relation to its manufacturing activities.

Accordingly, Sasol Oil and Natref continue to operate as being persons who, as of the effective date of the Petroleum Products Act, are deemed to be holders of a licence until their applications have been finalised. Until then, we cannot provide assurance that the conditions of the licences may not have a material adverse impact on our business, operating results, cash flows and financial condition.

The Petroleum Products Act entitles the Minister to regulate the prices, specifications and stock holding of petroleum products and the status in this regard is as follows:

- The retail pump prices of petrol, the maximum refinery gate price of LPG and the single maximum national price of illuminating paraffin are regulated. Prices are adjusted monthly according to published working rules and pricing formulae;

- The DMR is currently reviewing the BFP mechanism. Revisions to the formula used to calculate the BFP could significantly impact revenue derived from liquid fuel sales in South Africa;

- Regulations to better align South African liquid fuels specifications with those prevailing in Europe (so-called Clean Fuels II Regulations) were due to become effective on 1 July 2017. As none of the local refineries, including those of Sasol, would have been able to comply with these new specifications, the Minister rescinded and amended the regulations in June 2017. On 30 March 2021, new draft regulations were published for a 60-day public comment period for Clean Fuels II Specifications. The draft regulations indicated an implementation date of 5 years from the date of promulgation. Compliance with these new fuel specifications will require substantial capital investments at both Natref and Secunda operations. Sasol approved the required capital to upgrade the Secunda operations in time for the expected regulation date in 2026. A Natref Clean Fuels II solution was developed, however, no investment decision has been made. Discussions with the South African government are ongoing. On 31 August 2021, the new Clean Fuels II Regulations, replacing the previous regulations were published. The technical specifications are aligned with that previously prescribed, but the promulgated regulations now stipulate the required implementation thereof by 1 September 2023. In terms of the Clean Fuels II Regulations, fuels that do not comply with the prescribed specifications may not be sold or produced for domestic consumption in South Africa. Sasol, together with industry bodies, are engaging with the DMR with a view to revise the implementation date because we are of the view that the refining industry in South Africa would require a substantially longer period than two years to meet these specifications. The implementation of the Clean Fuels II solution at Secunda is progressing well and is on track to deliver on-specification product by the end of 2025. The promulgated Clean Fuels II Regulations with the prescribed implementation date of 1 September 2023 may have a material adverse effect on our fuel manufacturing operations at Secunda and Natref; and

- On 30 March 2021, new mandatory biofuel blending regulations were published for a 60-day public comment period and on 1 September 2021 the new regulations were promulgated. These regulations oblige licenced manufacturers of fuel to blend between 2% and 10% of bio-ethanol with petrol and a minimum of 5% bio-diesel with diesel in South Africa. This required blending of bio-fuels at the maximum level, may pose challenges to the compliance with the Clean Fuels II specifications. The new regulations are being reviewed in conjunction with the Clean Fuels II Regualtions to determine the compliance requirements and the required technical responses to enable such compliance. These Regulations may have an adverse effect on our fuel manufacturing operations at Secunda and Natref.

Regulation of pipeline gas activities in South Africa

The Gas Act 48 of 2001 (Gas Act)

The Gas Act provides NERSA with the authority to issue licences for the construction and operation of gas pipelines and the trading in gas. NERSA also has the authority to approve gas transmission tariffs and maximum gas prices that may be charged by gas traders, where there is inadequate competition as contemplated in the South African Competition Act 89 of 1998. The Gas Act further gives NERSA the authority to impose fines and other punitive measures for failure to comply with the licence conditions and/or the provisions of the Gas Act. Future regulation of maximum gas prices may have a material adverse effect on our business, operating results, cash flow and financial condition.

Pursuant to the 2013 NERSA decisions approving the Sasol Gas (Pty) Ltd (Sasol Gas) maximum gas prices and transmission tariffs, Sasol Gas implemented a standardised pricing mechanism in its supply agreements with customers in compliance with the applicable regulatory and legal framework. In November 2017, NERSA approved further maximum gas prices and transmission tariffs based on the same pricing and tariff mechanisms.

Seven of Sasol Gas’s largest customers initiated a judicial review of the 2013 NERSA decisions relating to its maximum price and tariff methodologies and NERSA’s decision on Sasol Gas’s maximum price and transmission tariff applications. On 15 July 2019, the Constitutional Court overturned the 2013 NERSA maximum price decisions and ordered NERSA to revise its decisions. The new decision by NERSA regarding the maximum gas price to be approved for Sasol will apply retrospectively from 26 March 2014 when the original decisions (now overturned) became effective.

During May 2020, the Industrial Gas Users Association of Southern Africa, an industry association whose members include a number of large gas customers, launched an application to review and overturn the November 2017 NERSA maximum gas price decision approving maximum gas prices for Sasol Gas for the period from 1 July 2017 to 30 June 2020. This NERSA decision was overturned on 3 May 2021 and accordingly, the new decision by NERSA regarding the maximum gas price will apply to this period as well.

Following the abovementioned outcome of the appeal to the Constitutional Court, NERSA has to approve new maximum gas prices for Sasol in terms of the provisions of the Gas Act. After a public consultation process in which Sasol participated, in April 2020 NERSA adopted a new maximum gas price methodology, which it published in June 2020. After the adoption of the new maximum gas price methodology NERSA engaged with licensees and affected stakeholders on the intended application of the methodology. Pursuant to the Sasol Gas price application submitted to NERSA in December 2020 on 6 July 2021 NERSA published its maximum gas price decision in which it approved maximum gas prices for Sasol Gas for the period from 2014 up to 2021 and also determined how the maximum prices are to be determined for 2022 and 2023.

The implementation of the new NERSA-approved maximum gas price could have an adverse effect on our business, operating results, cash flows and financial condition. Because the new maximum gas price approved by NERSA for the period of the overturned decision is lower than the actual price charged to a large number of Sasol Gas’s customers, a retrospective liability may arise for Sasol Gas when customers institute claims for compensation based on the differences between the new approved maximum gas prices and actual gas prices historically charged by Sasol Gas. Sasol Gas raised a provision of R1,4 billion as at 30 June 2021 in respect of these anticipated claims by customers.

The Gas Amendment Bill was gazetted on 13 April 2021. This Bill is currently in the public comment phase and the ultimate effect of the proposed amendments to the Gas Act on our sales and our financial condition cannot be determined at this time.

Changes in safety, health, environmental and/or chemical regulations, other legislation and public opinion may adversely affect our business, operating results, cash flows and financial condition

We are subject to a wide range of general and industry-specific environmental, health and safety and other legislation in the jurisdictions in which we operate. See “Item 4.B—Business overview—Regulation—Safety, health and environment—Regions in which Sasol operates and their applicable legislation”.

One of our most material challenges is the ability to anticipate and respond to the rapidly changing context and associated stakeholder challenges, in particular relating to environmental legislation in South Africa. Evolving legislation relating to air quality, climate change, water, waste and chemicals management introduces regulatory challenges to our existing plants in South Africa. The quality, emission and disposal limit requirements imposed in our air quality, waste management and water use licences for our South African operations are consequently becoming increasingly more stringent while our existing plants are maturing. These laws and regulations and their enforcement are likely to become more stringent over time in all the jurisdictions in which we operate, although these laws in some jurisdictions are already more established than in others. These compliance challenges are further impacted by the fact that, in some instances, legislation does not adequately provide for sufficient and/or flexible transitional arrangements for existing plants to comply with the imposed more stringent requirements. Ensuring that we are compliant with these requirements is a significant factor in our business. We continue with transparent disclosures and engagements with our key stakeholders in an effort to address these challenges. A failure to comply could have an impact on our licence to operate, as well as result in administrative and criminal enforcement, and could harm our reputation and relationships with stakeholders.

Sasol's highly energy-intensive operations in South Africa are running in the midst of rapidly evolving national legislation on GHG emissions. In support of the Paris Agreement, the South African government published the "Draft Climate Change Bill", promulgated the Carbon Tax Act 15 of 2019 effective 1 June 2019 and also promulgated the Pollution Prevention Plan and Greenhouse Gas Mandatory Reporting Regulations. Sasol submitted its GHG inventory data for South Africa in compliance with the regulations and successfully obtained internal approval for its first mandatory "Pollution Prevention Plan" for the five year cycle from 2016 to 2020. We subsequently submitted the required annual report on our pollution prevention plan in March 2020 which in turn informed our carbon tax payment. In March 2021, we submitted the final annual report for the first five year cycle and kicked off the second five year cycle submission which will include data from 2021 to 2025. We envisage that compliance with carbon budgets will become mandatory once the enabling carbon budget regulations are finalised. This will follow the finalisation of the Climate Change Act which we anticipate being gazetted in the second half of calendar 2021. The recent transition of presidential administrations in the US has created uncertainty for our US operations due to increased scrutiny of environmental and climate change issues (including environmental justice and disclosures of environmental and climate related data) by governmental agencies, investors and communities. Administration changes (both at federal and state level) could lead to revocation and revision of existing environmental and disclosure regulations. The costs associated with compliance with additional or increased regulation of environmental and climate issues could be significant and could have a material adverse impact on our business, operating results, cash flows and financial condition.

For further information on the impact of carbon taxes refer to "Item 3.D—Our ability to respond to climate change could negatively impact our growth strategies, reduce supply/demand for our products, increase our operational costs, reduce our competitiveness, negatively impact our stakeholder relations and adversely affect our legal licence to operate and our access to capital and financing".

Changes to waste management legislation in South Africa, particularly around landfill prohibitions, are compelling our South African operations to find alternative solutions to waste management and disposal. The changing regulatory landscape introduces increasingly stringent waste disposal restrictions, extended producer liabilities and punitive fiscal reform measures including potential waste levies. We continue to quantify the potential costs associated with meeting these requirements. We depend on regulatory authorities clarifying the interpretation and applicability of specific requirements to our waste streams, to determine whether there would be compliance challenges associated with technical and feasibility constraints.

Water use licences being issued by the South African Department of Water and Sanitation include increasingly stringent requirements, such as waste water discharge limits, that must be complied with over time. This may not be achievable.

From a chemicals management perspective, our products must be registered in accordance with regulatory requirements for many of the countries in which we operate, and sold in line with permit conditions, among other considerations. These include filing of Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) registrations for chemicals we produce or import into Europe, and chemical notifications for other regions, especially the US, Canada and China, as well as South Korea, Taiwan and other Asian countries. Many countries are in the process of revising their chemicals regulations based on the EU REACH regulation, which is also expected to be updated soon. These changing chemical regulations come with further obligations and requirements with which Sasol will need to comply. Sasol is preparing to file UK REACH registrations following Brexit.

South Africa is also in the process of localising in its national regulations many international commitments on safe chemicals management. This process includes the adoption of the Globally Harmonized System of Classification and Labelling of

Chemicals (GHS) through the Department of Employment and Labour’s Hazardous Chemical Agents Regulations promulgated on 29 March 2021.

At Sasol systems and processes are in place, monitored and improved upon, to ensure our compliance with laws and regulations applicable to Sasol and its obligations upstream and downstream in the value chain. However, we cannot assure you that we will be in compliance with all laws and regulations at all times. For example, non-compliance with environmental, health or safety laws may occur from system or human errors in monitoring our emissions of hazardous or toxic substances into the environment, such as the use of incorrect methodologies or defective or inappropriate measuring equipment, errors in manually capturing results, or other mistaken or unauthorised acts of our employees or service providers.

There is growing public opinion and awareness of public health and safety associated with the manufacturing and use of chemicals and industries reliant on fossil fuels. Challenges are also increasingly being raised on these issues. Our manufacturing processes may utilise and result in the emission of or exposure to substances with potential health risks. We also manufacture products which may pose safety, health and environmental risks. We remain committed to apply a duty of care principle and implement measures to eliminate or mitigate associated potential risks, including through our commitment to the Responsible Care® program and adoption of the GHS. However, we may be subject to liabilities as a result of the use or exposure to these materials or emissions. Non-governmental organisations, activists and other stakeholders increasingly use environmental, health and safety permitting processes, including ours, to challenge a company's practices to promote greater environmental sustainability in its operations and value chain. We expect this kind of participation to increase over time, which could impede our ability to obtain new or renewed permits or result in more stringent standards imposed in them. See “Item 4.B—Business overview—Regulation” for more detail.

We recognise that evolving chemicals control regulations globally may require additional product safety evaluations with the potential for restrictions on product uses. Consequently, markets may apply pressure on us concerning certain of our products, feedstock, manufacturing processes, transportation and distribution arrangements. As a result of these additional pressures, the associated costs of compliance and other factors, we may be required to modify or withdraw certain products from the market, which could have a material adverse effect on our business, operating results, cash flows, financial condition and reputation.

For example, the fast growth of plastics, combined with challenges in effective waste disposal, has resulted in a global problem associated with plastics waste in the environment. The main source of the problem is identified as short-life consumer packaging-type applications, often referred to as single-use plastics. Consumer and regulator sentiment regarding the plastic pollution challenge may pose future responsibilities and business constraints on the wider industry, including Sasol, through bans on certain polymer product applications, production restrictions and reduced demand for polymers where alternatives are perceived to be more acceptable to the markets they serve. The DFFE promulgated the Extended Producer Responsibility regulations which may result in additional financial obligations together with various other responsibilities for Sasol.

We are subject to risks associated with litigation and regulatory proceedings

As with most large corporations, we are involved from time to time as a party to various lawsuits, arbitrations, regulatory proceedings, investigations or other disputes. Litigation, arbitration and other such legal proceedings or investigations involve inherent uncertainties and, as a result, we face risks associated with adverse judgments or outcomes in these matters. Even in cases where we may ultimately prevail on the merits of any dispute, we may face significant costs defending our rights, lose certain rights or benefits during the pendency of any proceeding or suffer reputational damage as a result of our involvement. We are currently engaged in a number of legal and regulatory proceedings and arbitrations in various jurisdictions including the litigation relating to the Sasol Khanyisa B-BBEE transaction described under “Item 3.D—There are country-specific risks relating to the countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition—(a) Political and socio-economic issues—ii. Transformation and local content” and the Sasol Financing International Limited (SFI) tax proceedings described under “Item 3.D —There are country-specific risks relating to the countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition—(c) Legal and regulatory—ii. Tax laws and regulations”, as well as described under “Item 4.B—Business overview—Legal proceedings and other contingencies”.

We could also face potential litigation or governmental investigations or regulatory proceedings in connection with the material weaknesses we identified in 2019, 2020 and 2021 in our internal controls over financial reporting (see “Item 3.D—We identified a material weakness in our internal control over financial reporting in 2020, which we are still in the process of remediating. If we are unable to remediate this material weakness, or if we experience additional material weaknesses or other deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately and timely report our financial results, which could cause shareholders to lose confidence in our financial and other public reporting, and adversely affect our share price”).

On 5 February 2020, a securities class action complaint was filed on behalf of US ADR owner Chad Lindsey Moshell and other US ADR holders who purchased Sasol securities from 10 March 2015 to 13 January 2020. It was filed in the United States District Court, Southern District of New York against Sasol Limited and five of its current and former executive directors. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and claims, among other things that (i) Sasol had conducted insufficient due diligence into, and failed to account for multiple issues with, the LCCP, including as to the true cost of the project, (ii) construction and operation of the LCCP was consequently plagued by control weaknesses, delays, rising costs, and technical issues; (iii) these issues were exacerbated by Sasol’s top-level management, who engaged in improper and unethical behaviour with respect to financial reporting for the LCCP and the project’s oversight; (iv) all the foregoing was reasonably likely to render the LCCP significantly more expensive than disclosed and negatively impact the company’s financial results and (v) as a result, certain of the company’s public statements were materially false and misleading during the class period. On 4 May 2020, Mr. David Cohen was appointed as lead plaintiff and filed an amended complaint on 4 June 2020. Sasol and the individual defendants filed a motion to dismiss on 2 July 2020. On 24 August 2020, Sasol’s motion to dismiss was granted in part (relating to the effectiveness of Sasol’s controls over financial reporting) and denied in part (relating to alleged misrepresentations as to the cost and schedule of the LCCP) and Fleetwood Grobler was dismissed from the case. On 30 October 2020, Sasol filed a Motion for Reconsideration with the court related to the remaining elements of the case. Plaintiffs filed an opposition on 19 January 2021, and Sasol filed a reply on 1 February 2021. On 7 July 2021, the court denied Sasol’s Motion for Reconsideration. Sasol has appealed that decision but failing a successful appeal discovery proceedings will commence. The lead plaintiff has not specified the quantum of any alleged damages. Any impact of the class action complaint cannot be reasonably estimated at this point in time, but it cannot be excluded that it may have a material adverse effect on our business, operating results, cash flows and financial condition.

There can be no assurance as to the outcome of any litigation, arbitration or other legal proceeding or investigation, and the adverse determination of material litigation could have a material adverse effect on our business, operational results, cash flows and financial condition.

Intellectual property risks may adversely affect our freedom to operate our processes and sell our products and may dilute our competitive advantage

Our various products and processes, including most notably our specialty chemical and energy products and processes, have unique characteristics and chemical structures and, as a result, are subject to confidentiality and/or patent protection, the extent of which varies from country to country. Rapid changes in our technology commercialisation strategy may result in a misalignment between our intellectual property protection filing strategy and the countries in which we operate. The disclosure of our confidential information and/or the expiry of a patent may result in increased competition in the market for our products and processes, although the continuous supplementation of our patent portfolio reduces such risk to an extent. In addition, aggressive patenting by our competitors, particularly in countries like the US, China, Japan and Europe may result in an increased patent infringement risk and may constrain our ability to operate in our preferred markets.

A significant percentage of our products can be regarded as commodity chemicals, some of which have unique characteristics and chemical structure which make the products more suitable for different applications than typical commodity products. These products are normally utilised by ourselves or our customers as feedstock to manufacture specialty chemicals or application-type products. We have noticed a worldwide trend of increased filing of patents relating to the composition of product formulations and the applications thereof. These patents may create pressure on both Sasol and those of our customers who market these product formulations which may adversely affect our sales to these customers. These patents may also increase our risk to exposure from limited indemnities provided to our customers of these products in case there is a patent infringement which may impact the use of the product on our customers' side. Patent-related pressures may adversely affect our business, market reputation, operating results, cash flows and financial condition.

We believe that our proprietary technology, know how, confidential information and trade secrets provide us with a competitive advantage. A possible loss of experienced personnel to competitors, and a possible transfer of know-how and trade secrets associated therewith, including the patenting by our competitors of technology built on our know-how obtained through former employees, may negatively impact this advantage.

Similarly, operating and licensing technology in countries in which intellectual property laws are not well established and enforced may result in an inability to effectively enforce our intellectual property rights. The risk of some transfer of our know-how and trade secrets to our competitors is increased by the increase in the number of licences granted under our intellectual property, as well as the increase in the number of licensed plants which are brought into operation through entities which we do not control. As intellectual property warranties and indemnities are provided under each new licence granted, the cumulative risk increases accordingly. These risks may adversely affect our business, operating results, cash flows and financial condition.

Risk related to geopolitical and stakeholder relationships

There are country-specific risks relating to the countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition

Several of our subsidiaries, joint arrangements and associates operate in countries and regions that are subject to significantly differing political, social, economic and market conditions. See "Item 4.B—Business overview" for a description of the extent of our activities in the main countries and regions in which we operate. Although we are a South African-domiciled company and the majority of our operations are located in South Africa, we also have significant energy businesses in other African countries, chemical businesses in Europe, the US, the Middle East and Asia, a joint venture GTL facility in Qatar and joint operations in the US and Canada.

In 2020, Sasol concluded divestments in South Africa, Nigeria and USA. In 2021, Sasol concluded divestments in the USA, Germany, Mozambique, South Africa and Gabon.

For further discussion related to our country-specific risk that could adversely affect our business, operating results, cash flows and financial condition refer to the following sections:

- "Item 4.B—Business overview—Regulation—Empowerment of historically disadvantaged South Africans";
- "Item 4.B—Business overview—Legal proceedings and other contingencies";
- "Item 4.B—Business overview—Regulation—Safety, health and environment";
- "Item 5.B—Liquidity and capital resources"; and
- "Item 10.D—Exchange controls".

Particular aspects of country-specific risks that may have a material adverse impact on our business, operating results, cash flows and financial condition include:

(a)Political and socio-economic issues

i. Political, social and economic uncertainty

We have invested, or are in the process of investing in and/or divesting from, significant operations in Southern African, European, North American, Asian and Middle Eastern countries that have in the past, to a greater or lesser extent, experienced political, social and economic uncertainty.

In addition to severe negative COVID-19-related economic impacts, South Africa faces ongoing challenges in improving the country's short- to long-term growth potential, socio-economic inequalities, weak public finances, corruption and addressing weaknesses at state-owned enterprises and other institutions. In addition, South Africa continues to face actual events and potential future risks related to civil and social unrest. In 2021, the country experienced such events which significantly impacted the economy, business as a whole and Sasol specifically across various fronts including security threats to operations and people, continuity risks in operations and business, reductions in market demand for products, and interruptions in supply chains. These factors remain a significant risk to South Africa's sovereign credit rating outlook and future socio-economic stability.

In Mozambique, uncertainties around the duration and intensity of the impact of COVID-19, high levels of public sector debt, political conflict, severe insurgency risks, lack of essential services, the need to further strengthen institutions, insufficient fiscal sustainability and extreme weather events are expected to remain significant risks to the sovereign credit and operational outlook for the foreseeable future.

At a global level, COVID-19 and the supply, equity and pace of the roll-out of vaccines, as well as their efficacy against new strains pose ongoing risks to economic activity, sentiment, global supply chains, commodity demand and travel and tourism. Uncertainties related to US and China relations remain a risk. Furthermore, geopolitical tensions, financial vulnerabilities, accentuated by COVID-19, abrupt shifts in financial conditions and their impact on the socio-economic outlook can also influence the countries in which we operate.

Other countries in which we operate could from time to time face sovereign rating risks, which may impact our counterparties' ability to access funding and honour commitments.

Government policies, laws and regulations in countries where we operate, or plan to operate, may change in the future. Governments in those countries have in the past and may in the future pursue policies of resource nationalisation and market intervention, including through protectionism like import tariffs and subsidies. The impact of such changes on our ability to deliver on planned projects cannot be determined with any degree of certainty. Such changes may therefore have an adverse effect on our operations and financial results.

ii. Transformation and local content

In all countries, our operations are required to comply with local procurement, employment equity, equity participation, corporate social responsibility and other regulations that are designed to address country-specific social and economic transformation and local content issues. Should we not meet or are perceived to not be meeting country-specific transformation or local content requirements or regulations, our ability to sustainably deliver on our business objectives may be impacted.

In Mozambique, we have agreed Local Content Plans (LCPs) with the GoM for our sustainable operations and for our projects. Not delivering on the key performance indicators of the LCPs may impact our ability to sustainably deliver on our business objectives in Mozambique.

In South Africa, there are various transformation regulations with which we are required to comply since Sasol operates in more than one sector of the economy. The broad risks that we face should we not comply with these transformation regulations include the inability to obtain licences to operate in certain sectors such as mining and liquid fuels, limited ability to successfully tender for government and public entity business and potential loss of customers (as private sector customers increasingly require their suppliers to have a minimum B-BBEE contribution rating).

The 2018 Mining Charter was published for implementation on 27 September 2018. On 19 December 2018 certain amendments, as well as the Mining Charter Guidelines, were published in the Government Gazette which provided that existing mining right holders must implement the 2018 Mining Charter from 1 March 2019. Although the 2018 Mining Charter is an improvement on the 2017 draft, on 29 March 2019 the Minerals Council South Africa (Minerals Council) commenced with a judicial review of certain aspects, which includes the ownership and procurement elements, of the 2018 Mining Charter. The review application was heard by a full bench of the High Court from 3 May to 6 May 2021 and the judgement is pending.

In August 2020, the Minister withdrew the notice of appeal to the Supreme Court of Appeal in respect of the Minerals Council's position on the "once empowered always empowered" approach which the court found in favour of the Minerals Council. However, the Minister's decision to withdraw the notice of appeal has no bearing on the Minerals

Council’s application for the judicial review of various aspects of the 2018 Mining Charter. Sasol Mining will monitor the outcome of this judicial review process which may either result in the status quo being retained or certain amendments being made to the 2018 Mining Charter that may address the Minerals Council’s concerns. For more information refer to “Item 3.D—South African mining legislation may have an adverse effect on our mineral rights”.

On 27 March 2020, the Minister published amendments to the Mineral and Petroleum Resources Development Regulations (Amendment Regulations). The Amendment Regulations may have a negative impact on our business in terms of uncertainty regarding the interpretation and higher cost for the business.

The revised Codes of Good Practice for B-BBEE (the Revised Codes), which came into effect on 1 May 2015, further amended on 31 May 2019, provide a standard framework for the measurement of B-BBEE across all sectors of the economy, other than sectors that have their own sectorial transformation charters (e.g. the mining and liquid fuels industries). The liquid fuels industry and other relevant stakeholders, through the Petroleum and Liquid Fuels Sector Charter Council, is developing the “Petroleum and Liquid Fuels Sector Charter” (PLFSC) which is intended to align the existing Liquid Fuels Charter adopted in November 2000 with the Revised Codes to regulate B-BBEE in the liquid fuels and gas sector. The PLFSC has not yet been published for public comment and it is therefore not possible to assess its impact. It is anticipated that the PLFSC will set industry-specific targets that cannot be more lenient than those in the Revised Codes.

Since our September 2017 announcement of plans to unwind the Sasol Inzalo B-BBEE transaction and introduce the Sasol Khanyisa B-BBEE transaction, we placed specific management focus on engaging with trade unions on issues pertaining to employee share ownership levels. Two of the five Sasol trade unions, Solidarity and the Chemical, Energy, Paper, Printing, Wood and Allied Workers’ Union (CEPPWAWU), declared disputes relating individually to Sasol Khanyisa and the unwind of Sasol Inzalo which, if not resolved, might result in industrial action, which could adversely affect our operations and could give rise to costs which would impact earnings. In the case of the Solidarity trade union, the Sasol Khanyisa dispute is similar to disputes the trade union has with three other large employers in South Africa. The President of the Labour Court requested the various employers to prepare a stated case in order to allow the Labour Court to give guidance in this regard. Despite best endeavours to do so, the parties abandoned this attempt and to date the matter which Solidarity has against Sasol has not been pursued. Solidarity has not succeeded in getting the three other large employers to participate in the stated case compilation, the consolidated matter was not submitted to the Labour Court and since October 2020 it has made no further advances to progress with the matter. It is, therefore, not a Sasol-only matter in South Africa and also affects other large companies. The Sasol Inzalo dispute lodged by the CEPPWAWU trade union has lost its momentum and been left dormant by the trade union, and it is no longer regarded as a major threat to Sasol.

On 6 May 2019, Sasol received a statement of claim filed by the trade union Solidarity with the Labour Court in Johannesburg, alleging that the Sasol Khanyisa Employee Share Option Plan (ESOP) element of the Sasol Khanyisa transaction is discriminatory as it does not include white employees in South Africa and employees working for Sasol outside South Africa. Sasol Mining applied to the DMR for the recognition of the Sasol Khanyisa ESOP to meet the ownership requirements contained in the 2018 Mining Charter. The DMR declined the request due to the ongoing litigation as the outcome could possibly have an impact on the number of employees participating in the scheme and the resultant ownership percentage. Consequently, Sasol Mining is unable to fully comply with the 2018 Mining Charter ownership requirements related to new mining right or mining right renewal applications. At this stage, all applications submitted prior to the 2018 Mining Charter becoming effective are being processed based on Sasol Mining’s historic ownership level. Furthermore, the South African Broad Based Black Economic Empowerment Commission (B-BBEE) Commissioner may not recognise that the vendor financing mechanism allows us to be allocated points on Enterprise Supplier Development.

However, we expect that the long-term benefits of Sasol Khanyisa to the company and South Africa should outweigh any possible adverse effects, such as dilution to existing shareholders, but we cannot assure you that future implications of compliance with these requirements or with any newly imposed conditions will not have a material adverse effect on our shareholders or business, operating results, cash flows and financial condition. For instance, any rights issue, depending on the uptake ‘appetite’ could possibly dilute the Khanyisa shareholding and may result in Sasol not complying with the South African Broad-based Black Economic Empowerment Act, 53 of 2003 (B-BBEE Act). See "Item 4.B—Empowerment of historically disadvantaged South Africans".

Value creation, if any, to the majority of the Khanyisa shareholders at the conclusion of the transaction is exposed to the inherent business risks of SSA during the empowerment period, including any adverse impact from the COVID-19 pandemic. The value created is determined with reference to the extent the fair value of SSA and any dividends declared by SSA exceed any outstanding vendor financing related to these Khanyisa shareholders at the end of the transaction period. Any adverse impact on dividend distributions to the Khanyisa shareholders or on the valuation of the SSA business on conclusion of the transaction will reduce the ultimate value created.

iiiDisruptive industrial action

The majority of our employees worldwide belong to trade unions. These employees comprise mainly of general workers, artisans and technical operators. While the Sasol employee relations landscape remains stable, amid the global economic turmoil as well as COVID-19, the South African labour market remains volatile and can be characterised by major industrial action in key sectors of the economy especially during wage negotiations.

In SSA, the wage negotiations process in respect of the Industrial Chemicals and Petroleum sectors resumed in May 2021 under the auspices of the National Bargaining Council for Chemicals Industry (NBCCI) with trade unions in both sectors demanding 15% wage increments for 2022. The employer associations and trade unions in both sectors have not been able to reach any settlement on their own and the wage negotiations processes have now progressed to conciliation stages in terms of which the NBCCI has assigned facilitators to assist with potential settlements. Should the conciliation processes fail, the facilitators will respectively issue dispute non-resolution certificates which will entitle the trade unions to embark in strike actions in respect of both industries or sectors.

Considering that this process entails the assessment of the unaffordability of the wage increases to Sasol, we may be ordered to comply in the event that the Exception Panel of the NBCCI arrives at a different conclusion.

In Sasol Mining, the wage negotiations for 2022 have recently resumed with trade unions having submitted demands for 15% wage increments. Should there be no settlement in this regard, one or more trade unions bargaining within Sasol Mining may declare a dispute at the Commission for Conciliation, Mediation and Arbitration (CCMA). Inability to reach any resolution pertaining to such dispute could lead to the CCMA issuing a dispute non-resolution certificate which will entitle the relevant trade union to embark on a strike action at Sasol Mining.

The wage negotiations process at Mozambique CPF Plant is imminent. Similarly, the inability to reach a settlement could potentially give rise to strike action by the relevant trade union.

In view of all the aforesaid, although we have positive relationships with our employees and trade union partners, labour disruptions could occur in the future and this may have a bearing on our labour costs which could increase in the future.

(b)Fiscal and monetary policies

Macroeconomic factors, such as inflation and interest rates, could affect our ability to contain costs and/or ensure cost-effective debt financing in the countries in which we operate.

Our sustainability and competitiveness are influenced by our ability to optimise our cost base. As we are unable to control the price at which our products are sold, an increase in inflation in countries in which we operate may result in significantly higher future operational costs.

South African consumer price inflation averaged 3,5% in 2021, compared to 3,7% in 2020. Recent inflation trends were affected mainly by contained inflation expectations, rand-denominated oil price movements and generally weak economic conditions. With inflation remaining around the lower-end of the South African central bank's 3-6% inflation target range during the year, combined with COVID-19-induced economic challenges, the South African Reserve Bank maintained the policy interest rate at a relatively low 3,50% during 2021.

South Africa's economic outlook remains challenging. Strained government finances, declining real per capita gross domestic product, civil discontent, COVID-19-related pressures, slow vaccine roll-out, electricity supply constraints, policy uncertainty, low confidence levels, and geopolitical events all pose risks to the economy.

Exchange rate fluctuations, food prices, electricity, water and import tariffs, global inflation trends, oil price developments and the sovereign rating outlook remain key risks to the inflation outlook. COVID-19 uncertainties, global financial conditions, trade disputes, emerging market sentiment swings and domestic socio-political and policy developments, could contribute to significant ongoing currency volatility.

Even though there is a gradual roll-out of vaccines across the world, this is inequitable and the COVID-19 pandemic continues to impose high humanitarian and economic costs, which impacts our business, operations cash flows, financial condition, and financials.

(c)Legal and regulatory

i. Exchange control regulations

South African law provides for exchange control regulations which apply to transactions involving South African residents, including both natural persons and legal entities. These regulations may restrict the export of capital from South Africa, including foreign investments. The regulations may also affect our ability to borrow funds from non-South African sources for use in South Africa, including the repayment of these borrowings from South Africa and, in some cases, our ability to guarantee the obligations of our subsidiaries with regard to these funds. These restrictions may affect the manner in which we finance our transactions outside South Africa and the geographic distribution of our debt.

The Economic and Monetary Community of Central Africa (CEMAC), which includes Gabon, issued Foreign Exchange Regulation No. 02/18 CEMAC-UMAC which came into effect on 1 September 2019. This regulation allows the CEMAC Central Bank (BEAC) to take measures to restore reserves in foreign exchange currency including restrictions on foreign currency bank accounts in and outside CEMAC and limits a company’s ability to enter into loans, import / export services and assets and make investments. Fines for breach are extremely severe, being up to 50% of the company’s assets. BEAC has issued two moratoria on the regulation with the current moratorium being effective until 31 December 2021. The current moratorium is documented in Decision No.119/GR/2020, of 5 November 2020. Although we no longer have any oil and gas assets in Gabon, we continue to have a presence in Gabon while Sasol Gabon SA remains active. As such, along with other companies active in the region, we continue to engage with BEAC and the IMF to seek a compromise that will allow the oil and gas industry to operate more efficiently.

See “Item 10.D—Exchange controls” and “Item 5.B—Liquidity and capital resources”.

ii.Tax laws and regulations

We operate in multiple tax jurisdictions globally and are subject to both local and international tax laws and regulations. Although we aim to fully comply with tax laws in all the countries in which we operate, tax is a highly complex area leading to the risk of unexpected tax uncertainties. Tax laws are changing regularly, and their interpretation may potentially result in ambiguities and uncertainties, in particular in the areas of international taxation and transfer pricing. Where the tax law is not clear, we interpret our tax obligations in a responsible way, with the support of legal and tax advisors as deemed appropriate. Tax authorities and courts may arrive at different interpretations to those taken by Sasol, which may lead to substantial increases in tax payments. Although we believe we have adequate systems, processes and people in place to assist us with complying with all applicable tax laws and regulations, the outcomes of certain tax disputes and assessments may have a material adverse effect on our business, operating results, cash flows and financial position.

We could also be exposed to significant fines and penalties and to enforcement measures, including, but not limited to, tax assessments, despite our best efforts at compliance. In response to tax assessments or similar tax deficiency notices in particular jurisdictions, we may be required to pay the full amount of the tax assessed (including stated penalties and interest charges) or post security for such amounts notwithstanding that we may contest the assessment and related amounts.

In particular, one of our subsidiaries, SFI, received assessments in February 2018 regarding the 2002 to 2012 tax years in relation to its international business activities and specifically regarding SFI’s place of effective management. The litigation proceedings relating to the assessments in respect of SFI are still ongoing.

For more information regarding pending tax disputes and assessments see “Item 4.B—Business overview—Legal proceedings and other contingencies”.

Any of these risks may materially and adversely affect our business, results of operations, cash flows and financial condition.

iiiOwnership rights

We operate in several countries where ownership of rights in respect of land and resources is uncertain and where disputes in relation to ownership or other community matters may arise. For example, the South African government is considering the expropriation of land without compensation to enhance land reform and redistribution. The impact of these policy intentions and related disputes are not always predictable and may cause disruption to our operations or development plans.

iv.Legal and regulatory uncertainties

Some of the countries where we have already made investments, or other countries where we may consider making investments, are in various stages of developing institutions and legal and regulatory systems that are characteristic of democracies and market economies.

The procedural safeguards of the legal and regulatory regimes in these countries in many cases are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

(d)Transportation, water, electricity and other infrastructure

Our operations are located in multiple regions across the world and are reliant upon stable supply of electricity, availability of water and access to transportation routes in order to optimally run our operations and/or move our products. The infrastructure in some countries in which we operate, such as rail infrastructure, inland water systems, electricity and water supply, may need to be further upgraded and expanded, and in certain instances, possibly at our own cost. Should we not have access to reliable electricity supply, or should we have limited access to water or experience infrastructure challenges in the regions in which we operate, this could have a material adverse effect on our business, operating results, cash flows, financial condition and future growth.

Reliable supply of electricity is important to run our plants optimally. The South African power system remains very tight. Unplanned power outages, as we experienced at our South African plants at the start of 2021, had a negative impact on our production volumes, cost and profitability. While we have the capacity to generate half of our own requirements at our South African plants, this only mitigates the risk partially as we remain dependent on external electricity supply from Eskom.

Water, as a resource, is becoming increasingly limited as global demand for water increases. A significant part of our operations, including mining, chemical processing and others, requires the use of large volumes of water. South Africa is generally an arid country and prolonged periods of drought or significant changes to current water laws could increase the cost or availability of our water supplies or otherwise impact our operations. Water use by our operations varies widely depending largely on feedstock and technology choice. Water to our South African operations is supplied from the Integrated Vaal River System (IVRS), currently making up 81% of Sasol’s total water demand. While the water supply to these operations remains secure, expectations are for a worsening of the water supply imbalance. This may lead to issues of water availability or the imposition of restrictions on its use. Seasonal changes, such as deterioration in quality of water supplied from the IVRS, results in feed water which is highly variable and regularly of a poor quality. This increases the cost of treating it. Although various technological advances may improve the water efficiency of our processes, these are capital intensive. We may also experience limited water availability due to periodic drought events aggravated by delays in completing phase 2 of the Lesotho Highlands Water Project which is currently underway. We may also experience a deterioration in water quality and other infrastructure challenges related to our South African operations, which could have a material adverse effect on our business, operating results, cash flows, financial condition and future growth.

The transportation of inbound materials to our plants and of products to our customers is reliant on the region’s available infrastructure. Numerous factors like natural disasters, political unrest, pandemics or extreme weather events may impact on transportation modes which could have a material adverse effect on our business, operating results, cash flows, financial condition and future growth.

(e)Stakeholder relationships

Sasol has a complex network of stakeholders, often with competing interests. Beyond our financial community, our stakeholders are persons or groups who are or may be directly or indirectly affected by our operations, as well as those who have interests in our business and/or the ability to influence its outcomes. Stakeholders may include members of local communities and their representatives, national, provincial or local government authorities, officials at all spheres of government, government agencies, multilateral organisations, regulators, political and religious leaders, civil society organisations and groups with special interests, suppliers, investors, business partners, customers, employees, trade unions, academics and the media. Failure to manage relationships with our stakeholders may harm our reputation as well as our ability to conduct our operations effectively. Our stakeholder objective is to position Sasol as a credible partner and build trust with all our stakeholders. Our engagement approach is premised on open and effective communication and mutually beneficial outcomes where possible, as well as inclusiveness and integrity.

Given the impact of operating in a volatile macroeconomic environment and considering the fallout of the COVID-19 pandemic, especially in South Africa, where the rate of vaccinations is slower than other jurisdictions in which we operate, we may not be able to meet some of our stakeholder commitments in 2022. This may have a material impact on stakeholder relations. Various processes are in place to proactively engage with stakeholders and to mitigate associated risks. However, we cannot assure you that the strategy will fully mitigate the risk and therefore, actions taken by stakeholders could have a material adverse effect on our business, operating and financial results, and future growth.

(f)Contract stability

Host governments in some of the resource-rich countries in which we operate or consider making investments may display tendencies of wanting to change existing contracts through early terminations, non-renewal or cancellation of contractual rights. In these jurisdictions, we may not be able to fully enforce our contractual rights or enforce judgements obtained in the courts of other jurisdictions, should the host governments hold the view that these contracts are not beneficial to their countries.

(g)Other specific country risks that are applicable to countries in which we operate and which may have a material adverse effect on our business include:

- acts of warfare and civil clashes;
- the loss of control of oil and gas field developments and transportation infrastructure;
- failure to receive new permits and consents;
- expropriation of assets;
- lack of capacity to deal with emergency response situations;
- social and labour unrest and riots due to economic and political factors in host countries;
- terrorism, insurgency, xenophobia and kidnapping threats;
- security threats to assets, employees and supply chain including cyber threats;
- possible demands to participate in unethical or corrupt conduct that lead us to forgo certain opportunities;
- feedstock security of supply; and
- sanctions against countries in which we operate.

Risks related to the market

Cyclicality in petrochemical product prices and demand may adversely affect our business, operating results, cash flows and financial condition

Sasol's chemicals portfolio includes several products that are exposed to cyclicality in margins. Margins for polymers, solvents, surfactants and fertilisers trend in a cyclical manner that usually, but not always, coincides with the normal business cycles of regional and global economies. Periods of high industry profitability (generally driven by high utilisation rates) tend to alternate with times of low profitability (generally characterised by low utilisation rates), amplified by subsequent periods of over- and under-investment in new capacity. Long construction lead times result in waves of capacity additions toward the end of the high-margin expansionary phase, thus exacerbating the already weakening market conditions. The ensuing cyclical downturn and low profitability tends to rein in capital spending, leading to an extended period of very slow capacity growth that generally coincides with rapid demand growth during the economic recovery phase. This situation, in turn, tends to create tight market conditions and improved margins.

Currently, the global spread of the COVID-19 pandemic has caused significant volatility impacting chemicals demand, supply and the global supply chains that serve them. This has translated into both opportunities and risks for Sasol as the organisation’s global presence and diversified product portfolio allow it to manage the volatility that may arise in a specific market. Demand risks to the chemicals outlook include an uncertain but somewhat more optimistic global economic growth outlook, US/China trade relations, geopolitical tensions, and business and consumer confidence trends. Supply is currently largely affected by the capacity overbuild taking place in the US and China mainly in the ethylene and propylene value chains. COVID-19-related supply chain disruption could impact our ability to reach global markets from South Africa or other producing regions and could also restrict access to specific markets. Consequently, forecasting the timing of the industry business cycle, and prices for chemical products during the current volatility remains difficult and a deterioration in overall conditions may have a material adverse effect on our business, operating results, cash flows and financial condition.

Our coal, synthetic oil, natural oil and natural gas reserve estimates may be materially different from quantities that we eventually recover or ultimately make use of

Our reported coal, synthetic oil, natural oil and gas reserves are estimated quantities based on applicable reporting regulations that, under present conditions, have the potential to be economically mined, processed, produced, delivered to market and sold.

There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production, including factors that are beyond our control. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation, costs to develop and produce, and market prices for related products.

Reserve estimates are adjusted to reflect improved recovery and extensions, and also revised from time to time based on improved data acquired from actual production experience and other factors. In addition, regulatory changes and market prices may result in a revision to estimated reserves. Revised estimates may have a material adverse effect on our business, operating results, cash flows and financial condition. See “Item 4.D—Property, plants and equipment”.

We may be unable to access, discover, appraise and develop new coal, synthetic oil, natural oil and natural gas resources at a rate and price that is adequate to sustain our business and/or enable growth

Competition for suitable opportunities, increasing technical difficulty, stringent regulatory and environmental standards, large capital requirements and existing capital commitments may negatively affect our ability to access, discover, appraise and develop new resources in a timely manner, which could adversely impact our ability to support and sustain our current business operations.

Our natural gas reserves in Mozambique are of particular importance as feedstock for our plants in South Africa, as well as for sales of gas into the market in South Africa. There is currently a lack of alternative sources of natural gas in southern Mozambique with similar volumes and at affordable development and production costs. Although alternative sources of gas supply in southern Africa are being considered, there is a risk that these resources may not be secured at a price adequate to sustain our business and/or enable growth.

Our future growth could also be impacted by these factors, potentially leading to a material adverse effect on our business, operating results, cash flows and financial condition.

Increasing competition in relation to products originating from countries with low production and logistical costs may adversely affect our business, operating results, cash flows and financial condition

Certain of our chemical production facilities are located in developed countries, including the US and in Europe. Economic and political conditions in these countries result in relatively high labour costs and, in some regions, relatively inflexible labour markets. Increasing competition from regions with lower production costs and more flexible labour markets, for example the Middle East, India and China, exerts pressure on the competitiveness of our chemical products and, therefore, on our profit margins. This could result in the withdrawal of particular products or the closure of specific facilities, which may have a material adverse effect on our business, operating results, cash flows and financial condition.

We may not be able to exploit technological advances quickly and successfully or competitors may develop superior technologies

Many of our operations, including the manufacture of synthetic fuels and petrochemical products, are dependent on the use of advanced technologies. The development, commercialisation and integration of the appropriate advanced technologies can affect, among other things, the competitiveness of our products, the continuity of our operations, our feedstock requirements and the capacity and efficiency of our production.

It is possible that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate. Unexpected advances in employed technologies or the development of novel processes can affect our operations and product ranges in that they could render the technologies we utilise or the products we produce obsolete or less competitive in the future. Difficulties in accessing new technologies may impede us from implementing them and competitive pressures may force us to implement these new technologies at a substantial cost.

In addition to the potential technological challenges, expansion projects are often integrated across our value chain. Delays with the development of an integrated project might, accordingly, have an impact on more than one business segment.

Our ability to compete may partly depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercialising these advances irrespective of competition we face. Failure to do so could result in a material adverse effect on our business, operating results, cash flows and financial condition.

Our ambition to become a green hydrogen supplier in South Africa, Africa and possibly more broadly will be impacted by the company’s ability to partner with others in the hydrogen value chain to effectively shorten the learning and development curve and get products to market. This market also has to be created and it will be critical for Sasol to recognise the investments required for these new or incremental lines of business so that Sasol can be on the front end of the winning technologies and skills development.

Over time, hydrogen is anticipated to be a feedstock for the green products that Sasol will increasingly look to produce however, this will depend on the affordability of green hydrogen and Sasol’s ability to procure the technology cost effectively. Our effort to become a green hydrogen supplier may be unsuccessful and the process may lead to increased operational costs and may negatively impact other growth strategies. Refer to “Item 3.D—Our ability to respond to climate change could negatively impact our growth strategies, reduce supply/demand for our products, increase our operational costs, reduce our competitiveness, negatively impact our stakeholder relations and adversely affect our legal licence to operate and our access to capital and financing” for more information.

Risk related to information management

We may face the risk of information security breaches or attempts to disrupt critical information technology services, which may adversely impact our operations

The increasing use of information technology to enable digital processes in operations is making all industries, including the energy and chemicals industries, much more susceptible to cyber threats and information security breaches. As digitalisation expands to include our financial, commercial, transacting and production systems, so the cyber security risk increases. While Sasol has an information security programme in place, cyber security threats we face consistently evolve and emerge to expose the organisation, both in business and operating systems, to significant external threats. However, we recognise that if there is a breach of information security we could experience disruptions of critical services or be exposed to ransomware attacks. In the worst case scenario, this could result in financial loss, have a material adverse effect on our business, operating results, cash flows, financial condition and our disclosure of control processes.

Risk related to our people

We may not be successful in attracting, developing and retaining sufficiently or appropriately skilled employees

In order for Sasol to deliver on its strategic objectives, sustainably grow into the future, and effectively operate and continuously improve existing and future assets and technologies, we are highly dependent on our human capital.

We maintain a focus on attracting, developing and retaining sufficiently diverse, skilled and experienced employees, including critical or scarce skills like qualified scientists, engineers, project execution managers, artisans and operators and highly skilled employees in business and functional roles. However, there still exist various risks that may impact our ability to attract and retain required skills.

There is constant competition in global labour markets for critical or scarce skills. The quality and availability of skills in certain labour markets may also be impacted by the challenges within the education and training systems. Localisation, diversity and other similar legislation in countries in which we operate are also key considerations in the attraction and retention of sufficiently skilled employees. The increasing use of digital technologies across our industry is placing increasing demand on data and digital technology skills. The availability and supply of these new skill sets are limited due to demand outweighing supply. The transition to cleaner technologies will also impact the current skills demand and supply.

Risks related to our ADSs

The exercise of voting rights by holders of ADRs is limited in some circumstances

Holders of ADRs may exercise voting rights with respect to the ordinary shares underlying their ADSs only in accordance with the provisions of our deposit agreement with J.P. Morgan Chase Bank N.A., as the depositary. For example, ADR holders will not receive notice of a meeting directly from us. Rather, we will provide notice of a shareholders meeting to J.P. Morgan in accordance with the deposit agreement. J.P. Morgan has undertaken in turn, as soon as practicable after receipt of our notice, to mail voting materials to holders of ADRs. These voting materials include information on the matters to be voted on as contained in our notice of the shareholders meeting and a statement that the holders of ADRs on a specified date will be entitled, subject to any applicable provision of the laws of South Africa and our MOI, to instruct J.P. Morgan as to the exercise of the voting rights pertaining to the shares underlying their respective ADSs.

Upon the written instruction of an ADR holder, J.P. Morgan will endeavour, in so far as practicable, to vote or cause to be voted the shares underlying the ADSs in accordance with the instructions received. If instructions from an ADR holder are not received by J.P. Morgan by the date specified in the voting materials, J.P. Morgan will not request a proxy on behalf of such holder. J.P. Morgan will not vote or attempt to exercise the right to vote other than in accordance with the instructions received from ADR holders.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct J.P. Morgan to vote the shares underlying your ADSs. In addition, J.P. Morgan and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be no recourse if your voting rights are not exercised as you directed.

Holders of Sasol’s ordinary shares or ADSs may be subject to dilution as a result of any non-pre-emptive share issuance, and shareholders outside South Africa or ADS holders may not be able to participate in future offerings of securities (including Sasol’s ordinary shares) carried out by or on behalf of Sasol

Future share issuances by Sasol, with or without subscription rights, could (depending on how the share issuance is structured) dilute the interests of existing shareholders or require them to invest further funds to avoid such dilution.

In the case of an equity offering with subscription rights, holders of Sasol’s shares in certain jurisdictions may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. In particular, holders of Sasol's securities who are located in the United States (including those who hold ordinary shares or ADSs) may not be able to participate in securities offerings by or on behalf of Sasol unless such equity offerings are registered under the U.S. Securities Act of 1933 (the Securities Act) or exempted from registration under the Securities Act. Holders of these shares in these jurisdictions may therefore suffer dilution should they not be permitted to, or otherwise choose not to, participate in future equity offerings with subscription rights.

Sales of a large amount of Sasol's ordinary shares and ADSs could adversely affect the prevailing market price of the securities

Historically, trading volumes and the liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Sasol's ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. The sales of ordinary shares or ADSs, if substantial, or the perception that these sales may occur and be substantial, could exert downward pressure on the prevailing market prices for Sasol ordinary shares or ADSs, causing their market prices to decline.

ITEM 4. INFORMATION ON THE COMPANY

4.A History and development of the company

Sasol Limited, the ultimate holding company of our group, is a public company. It was incorporated under the laws of South Africa in 1979 and has been listed on the JSE since October 1979. Our registered office and corporate headquarters are at Sasol Place, 50 Katherine Street, Sandton, 2196, South Africa, and our telephone number is +27 10 344 5000. Our agent for service of process in the US is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding Sasol that we file electronically with the SEC. To find the required information please visit www.sec.gov. For further information please visit www.sasol.com. This website is not incorporated by reference in this annual report.

For a description of the company's principal capital expenditures and divestitures refer to "Item 5.B—Liquidity and capital resources".

4.B Business overview

Sasol is a global chemicals and energy company. We harness our knowledge and expertise to integrate sophisticated technologies and processes into world-scale operating facilities. We safely and sustainably source, produce and market a range of high-quality products in 27 countries, creating value for stakeholders. Our purpose "Innovating for a better world" compels us to deliver on triple bottom line outcomes of People, Planet and Profit, responsibly and always with the intent to be a force for good.

For details regarding the following sections, refer as indicated.

- for information regarding our Business Overview, refer "Integrated Report—Preserving and maximising value creation – our integrated value chains" as contained in Exhibit 99.4;
- for information regarding our Strategy, refer "Integrated Report—Delivering our Future Sasol strategy and Delivering our strategy over horizons" as contained in Exhibit 99.5;
- for a description of the company's operations and principal activities refer "Integrated Report—Preserving and maximising value creation – our integrated value chains" as contained in Exhibit 99.4; "Integrated Report—Operational performance summary" as contained in Exhibit 99.6; and Item 18—"Financial Statements—Segment information"; and
- for a description of our principal markets, refer to Item 18—"Financial Statements—Geographic segment information", which provides information regarding the geographic location of the principal markets in which we generate our turnover, as well as of our asset base.