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SASOL LIMITED

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Annual General Meeting
20th November 2020
Financial Year End: 30th June 2020

Proxies voted
The Ditikeni Trust
Labour Research Services
SCAT (Social Change Assistance Trust)

The Integrated Annual Report (Report) places great emphasis on *Stabilising the business and resetting Future Sasol*, however looking back on prior year reports, we note that the Board reported that all was on track prior to the 2019 Report. We now face massive write-downs, losses and debts and concerns regarding the going-concern status of the company. No mention is made of clawing back the executive bonuses and we are told that there was no wrong doing on their part and, in the case of the non-executive directors we are presented with a resolution to effectively increase their fees. In fact, nobody seems to be responsible for the problems the company faces.

The level of increases of non-executive directors' fees over the past decade are excessive. The proposed out-of-town allowance which will be payable to non-executive directors is a significant increase in their fees and the allowance for 1 trip will exceed the annual wage of a worker. This when the employee salaries have been frozen and the company is part of a call to halt government salary and wage increases.

As noted under point 4 below we have concerns regarding the performance of the audit committee and as such oppose the reappointment of the chairman of this committee, it seems remarkably tone-deaf that the chairman of this committee is standing for re-election when 30% of shareholders voted against him at the last AGM.

A text dense Report with reasonable use of info-graphics. At first glance the Report appears to be laid in Landscape format which is more suitable to read on a computer screen, however what we are presented with is 2 Portrait pages alongside each other. Most users will not have access to very large screens and the size used requires pages to be reduced to less than 50% on a laptop screen. The font is unreadable at that size. Other reports are presented in Portrait format. There are no hyperlinks or links to other information on the company website, references to documents on the website are only to the opening page of the site and not to the applicable documents. A poor show by a company of Sasol's size.

	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of Reports			
	The Annual Financial Statements (AFSs), Directors Report, Auditors Report and Audit Committee Report are tabled.	The reports are tabled but not presented for approval by the shareholders. We favour the tabling of reports for adoption by the shareholders as this allows them to engage properly with such reports. The Audit Committee Report states that the Committee has executed its mandate, this was of course the case prior to the discovery that controls over the costs of the Lake Charles Chemical Plant were not as they should be. The Auditors say they are satisfied the AFSs fairly present the results and position of the company, however they do note that there is material concern that the company and group may not be a going concern unless they can raise capital. The loss for the year of R 92b is clearly not sustainable.		
	Ordinary Resolutions			
1	To re-elect, each by way of a separate vote, the following directors	Before assessing individual directors, we consider the following points which will inform our decision on individual appointments. **Independence.** A big board with 15 members of which 3 are executives. All directors other than the executives are classified as independent, we question the independence of 2 who have served for 9 or more years. Despite that, there do not appear to be any concerns regarding the independence of the board. **Continuity.** The company has a new Chairman, a new CEO, a new Executive Director although both the later have prior service with the company. The CFO has been in his position for 4 years. The Chairman was due to retire and the joint CEOs left, reportedly under pressure from investors. The company has embarked on a new strategy. Average tenure of the board is low at less than 5 years but generally a fair range of service by directors ensuring future continuity. **Skills.** A better mix of experience and skills than most companies.		

	Resolution	Rationale	Vote	Outcome of AGM
		Diversity. The board is reasonable diverse with 33% non-South African, 40% female and 70% of South African directors are black. Senior Management appears to be predominately white men. A good range of ages with non-executives ranging from 48 to 73 and an average of just over 60. One of South Africa's largest companies, Sasol has not stinted on ensuring it has a good mix of tenure, skills, gender, race and nationality.		
1.1	Mr C Beggs	Mr Beggs, 72, is the longest serving director with 11 years' service. He is suitably skilled and experienced and his attendance record for the year under review was impeccable. We do have a concern regarding his independence after 11 years' service but given the overall composition of the board this is not a problem. He is a director of 1 other listed company.	FOR	FOR 75.9%
1.2	Ms N N A Matyumza	Ms Matyumza, 57, has been a director for 6 years and is suitably skilled and experienced to serve on this committee. Her attendance record is acceptable. We note that Ms Matyumza and Ms Kenneally both serve on the Sasol board and audit committee and on the Standard Bank board and audit committee. In addition, Ms Matyumza and Mr Mkhize below both serve on the board of Hulamin. We do not like this but do not oppose her reappointment on those grounds.	FOR	FOR 87.8%
1.3	Mr Z M Mkhize	Mr Mkhize, 59, with 9 years' service is one of the few long-serving directors of Sasol. His attendance record in the year was acceptable and he is suitably skilled and experienced. He is a director of 1 other listed company, and as noted above we do not like the fact that directors serve together on a number of companies, but do not oppose his reappointment on those grounds.	FOR	FOR 81.7%

	Resolution	Rationale	Vote	Outcome of AGM
1.4	Ms M E Nkeli	Ms Nkeli, 56, has been a director for 3 years and is suitably skilled and experienced. Her attendance record in the year was good. She is a director of 1 other listed company – Impala Platinum. Ms Nkeli holds a degree in environmental science and, on her appointment, we had hopes that she would play a pivotal role in changing Sasol's environmental footprint. There is little evidence of this. Nevertheless, we do not consider this sufficient reason to oppose her reappointment. What we do find unacceptable is the level of increases in non-executive directors' fees over a number of years and the introduction this year of out-of-town allowances which exceed the annual wage paid to a worker (see special resolution 1 below). Ms Nkeli is the chairman of the Remuneration Committee which has proposed these allowances and we therefore oppose her reappointment to the board.	AGAINST	FOR 81.8%
1.5	Mr S Westwell	Mr Westwell, 62, has been a director for 8 years and is the Lead Independent Director (LID). His attendance record is acceptable and he is well qualified to serve on this board. He is a director of 2 other companies. We are surprised that Mr Westwell has been appointed LID with almost 9 years' service, a directors' independence is questioned after 9 years. We also have a concern that he serves on more board committees than we would like to see a LID serve on. We do not consider these concerns sufficient to oppose his reappointment.	FOR	FOR 75.7%
2	To elect K C Harper who was appointed by the Board after the previous Annual General Meeting	Ms Harper, 57, is a new appointee to the board. We do consider it appropriate that new directors be appointed on a regular basis to ensure there is continuity in the future. Ms Harper is suitably skilled and experienced to serve on the board.	FOR	FOR 99.5%
3	To appoint PricewaterhouseCoopers Inc. to act as independent auditor of the Company	PricewaterhouseCoopers have been auditors since 2014 and as such there is no obvious concern regarding their independence. They are one of the large international firms and are suitably skilled and experienced to carry out their mandate.	FOR	FOR 92.3%

	Resolution	Rationale	Vote	Outcome of AGM
4	To elect each by way of a separate vote, the members of the Audit Committee	We do have concerns regarding the performance of this committee. This committee with the same chair and largely the same membership, previously reported on their monitoring of the controls of the LCCP. We are now told that controls were not as they should be, but at the time this was not raised. Secondly, this committee continues to invite the Chairman of the board, who may not be a member of the committee, to attend all meetings. They also continue to invite the CEO to all meetings. The Chairman and CEO should only attend as and when required. Thirdly, Sasol refused to put the appointment of the auditors to the shareholders for election until forced to do so by the JSE. The chairman of this committee (Mr Beggs) was previously the CEO of the PWC the auditors.		
4.1	Mr C Beggs	Mr Beggs has been evaluated as a director under 1.1 above and we noted a small concern regarding his independence, this is not an issue for his appointment to the board but is more of an issue for his appointment to this committee. However, the key issue is we are not satisfied with his performance as chair of this committee. The reasons our concerns regarding performance are outlined under 4 above. We also consider it proper that the board reconsider the appointment of Mr Beggs given that 30% of shareholders voted against his appointment to this committee at the 2019 AGM.	AGAINST	FOR 83.5%
4.2	Ms K C Harper	Ms Harper, is a new director appointed under point 2 above, and is suitably skilled and experienced to serve on this committee, and we know of no reason to oppose her appointment.	FOR	FOR 99.6%
4.3	Ms G M B Kennealy	As noted under 1.2 above, Ms Kennealy and Ms Matyumza serve on this committee and on the Standard Bank audit committee. We had lengthy correspondence with both those committees (Sasol on not allowing shareholders to vote on the appointment of the auditors and Standard Bank on not allowing shareholders to vote on the appointment of the audit committee), in both instances the companies concerned did not engage constructively.	AGAINST	FOR 97.3%

	Resolution	Rationale	Vote	Outcome of AGM
		We do not favour directors serving together on the boards of different companies together as this can be too cosy and comfortable, this is of particular concern when it comes to the audit committee. We oppose Ms Kennealy's and Ms Matyumza'a reappointment.		
4.4	Ms N N A Matyumza	As per 4.3 above, we oppose her reappointment to this committee.	AGAINST	FOR 97.2%
4.5	Mr S Westwell	Mr Westwell has been supported by us for reappointment to the board under point 1.5 above. We do note under that point that his service is coming up to the 9-year point at which a director's independence needs to be evaluated. We consider a mix of longer serving and newer directors appropriate for this committee. He is suitably skilled and experienced to serve on this committee and we support his reappointment despite the concerns we have with the performance of this committee (see 4 above).	FOR	FOR 97.5%
5	To endorse, on a non-binding advisory basis, the Company's remuneration policy	The Remuneration Committee (Remco) consists of 5 independent directors. We are told that the CEO and senior HR executives attend meetings by invitation. It is not clear if this is a standing invitation but it appears to be. **We have no issues with the composition and independence of this committee but have a concern that the CEO and other executives appear to attend meetings by standing invitation but this could not be confirmed.** The 2019 Remuneration Implementation Report did not receive sufficient support, as such the company is required to consult with shareholders. However, as with far too many companies, Sasol is stretching the meaning of consult. The Report states *we embarked on a virtual roadshow to understand dissenting investors' concerns*. Such roadshows are focussed on institutional/larger investors and smaller investors are not invited. When we requested that we be invited, an invitation was sent but it is general presentation and not a remuneration consultation. **It is unacceptable that all shareholders are not invited to participate in the remuneration consultations and that proper consultations on remuneration do not take place as required.**	AGAINST	AGAINST 28.0%

	Resolution	Rationale	Vote	Outcome of AGM
		The Report does provide a table of shareholder concerns and the Remco response to such concerns. **A clear and easy to follow table, we are pleased to that *Sasol will publish a climate change roadmap within the first half of 2021.*** The external consultants are named but the scope of their work is not defined. We are told that benchmarking is done but not whether this is done by the external consultants. The peer group companies used in the benchmarking are not named. **The benchmarking of executive pay should be done independently and the comparator companies should be named.** Remuneration consists of Total Guaranteed Package (TGP) which includes benefits such as retirement contributions and medical aid. **This is standard practice and we have no issues with this.** Short Term Incentives (STIs) is pegged to TGP and varies dependent on achievement of targets. For the CEO/CFO the STI as a percentage of Annual TGP is: Threshold 0%/0%, Target 115%/90% and Maximum 259%/203%. Long Term Incentives (LTIs) is pegged to TGP and as above based on achievement for the CEO/CFO the LTIs as a percentage of Annual TGP is: Threshold 0%/0%, Target 200%/150% and Maximum 400%/300%. The Report states that a *substantial portion of the reward mix is from incentives that only vest or are paid out subject to the achievement of rigorous targets*. **The Report correctly identifies that a high percentage of the rewards are risk based with the highest possible reward being <u>659%</u> of total guaranteed pay for the CEO if all targets are meet at the maximum level. What this does not consider is the total guaranteed pay level is in itself very high thus pushing up the risk based awards.** STIs are *Derived from benchmarking positions of similar complexity in the comparator group*.		

	Resolution	Rationale	Vote	Outcome of AGM
		This provides no meaningful information as to the targets set other than that they are based on an unnamed comparator group of companies. The metrics used in determining the STIs and LTIs are not stated in the Remuneration Policy Report but this is clearly cross-referenced to the Remuneration Implementation Report which clearly states metrics. The metrics used vary from year to year, for the year under review the STI metrics were 60% financial (cost control, headline earnings growth & production volume growth), Project Deliver 15% (schedule and costs), Safety & Environment 25% (safety, energy efficiency, preferential procurement and BEE). **There is no real environmental measure included in the STI metrics – only energy efficiency. There is no measure of customer of staff satisfaction.** LTI performance metrics for the year were: increase in production per employee 30%; ROIC (Return on Invested Capital) 30%; TSR (Total Shareholder Return) on world energy sector index 20%; TSR on world chemical sector index 20%. **LTI targets are all financial based targets though we do support the fact that they are measured against an index rather than a crude increase/decrease.** **The Remuneration Report deals extensively with all issues and is a solid report. However, we oppose the policy on a number of issues, primarily: despite the fine statements there is insufficient weight given to ESG matters; there is no mention of customer or staff satisfaction; we are not provided with a list of comparator companies, but Sasol appears to compare itself in terms of rewards as comparable to much more successful global companies; and we do not believe the process of consultation with shareholders meets minimum requirements.**		

	Resolution	Rationale	Vote	Outcome of AGM
6	To endorse, on a non-binding advisory basis, the implementation report of the Company's remuneration policy	The Report does not clearly state if there have been increases in Total Guaranteed Package (TGP) of executives. The introduction to the Remco Report does state that no increases have been granted to staff. Given that the new CEO/President and the Executive Director were appointed during the financial year, comparative prior year salary figures are not provided for them. The CFO's TGP increased 3.8% year on year but this could be as a result of an increase before the Covid crises. **We favour proper disclosure on increases to TGP of all executives as well as salary range increases for all staff. This is the minimum disclosure we would expect particularly given the comment by the Remco Chair that *there is an increased focus on pay gap reporting as many consider this to be a measure that promotes a fairer and more equal society.*** STI target achievement was 28% with only cost control over achieving. ESG metric performance was poor. However, the cost control targets were very soft with the stretch target being 2019 costs plus 5%. Furthermore, the shut-down and salary cuts as a result of Covid must have had a significant impact on costs. Certainly, the year on year earnings declined (38%) and volumes declined (5%). However, the Report states *no short-term incentives for 2020, despite the fact that some of the targets had been met in respect of the targets set for 2020*. **A reasonable decision given the overall financial performance. This does highlight a shortcoming in the scheme in that a bonus would have been payable based on cost savings which were perhaps as a result of the lockdown which saw a massive drop in earnings.** **Incentives need to motivate management and as a general rule we do not favour the board or Remco overruling the payment of incentives as this could lead to a demoralised management team.** LTI metrics and achievement with a 25% weighting each were: Increase in tonnes per head count – award 26%; ROIC (Return On Invested Capital) – award 0%; TSR (Total Shareholder Return) against	AGAINST	AGAINST 56.3%

	Resolution	Rationale	Vote	Outcome of AGM
		energy index – below threshold; TSR against chemical index – below threshold. **LTIs have been awarded on basis of production level per head count. We generally favour a multiplier system which would have ensured that no LTI's were earned given the very poor results of the company.** The Report states that the former joint CEO's and Presidents *agreed with the Board to terminate their employment*. Given the break-down of controls and cost over-runs at the LCCP, and the performance of the company, it is not surprising that media reports state that fund managers requested the board to make senior management changes. The Report states that neither of the joint CEO's were guilty of any wrongdoing and as such there were no clawbacks and both were paid out in full their notice period and in the case of Mr Cornell an additional notice period to enable his children to finish the school year. Mr Cornell's final package amounted to R 69m and Mr Nqwababa's amounted to R 27m. **Given the poor performance of the company, many shareholders will be forgiven for considering these packages to be rather generous.** **Information provided on pay increases of executives is inadequate and we do not like the fact that the STI's had to be withheld at the discretion of the Remco. We do not favour the large packages paid to the former joint CEO's.**		
	Special Resolutions			
1	To approve the remuneration payable to non-executive directors of the Company for their services as directors from the date of the Online Annual General Meeting until this resolution is replaced	The Remuneration Report states *There is no doubt that in the new year all of us will need to reset our expectations and look at reward-related matters in a different way*. We applaud this, unfortunately these fine words are not matched with action when it comes to the directors' fees. In 2018 the group moved all its directors to US $ fees despite the fact that the majority of directors are based in South Africa and the	AGAINST	FOR 76.5%

	Resolution	Rationale	Vote	Outcome of AGM
		company results are reported in ZA Rands. The effect of this over the 10 years 2010 to 2020 has been increases of: – Chairman gross increase of 106% or 7.5% pa compounded. – SA Directors gross increase of 680% or 22.8% pa compounded. – Foreign directors gross increase of 30% or 2.7% pa compounded. These increases are considerably in excess of the 67% gross inflation in SA and the 19% gross inflation in the USA over the same 10-year period. The US$ fee increase of foreign directors has not been quite so outrageous although, as noted, it has outperformed inflation comfortably. However, the Report states *where the total prior year fees inclusive of VAT (on a like-for like basis), are higher that* (sic) *the new structure, the previous fee will be retained*. In other words, the foreign directors are paid more than the fees per the table of fees presented as part of the resolution – the fees as presented are not what is being paid, the foot note in small print does point this out. Outrageous at least. We were unable to ascertain the increase in average wages over that same period. However, the Report does say *no salary increases for employees* will be granted. Further, the company results have certainly not been stellar over that period. In addition to the fees, non-executive directors are paid an allowance based on the flying time to their destination. At the exchange rate at the financial year-end the fees vary between R 86 800 (US$ 5 000) and R 260 400 (US$ 15 000). This fee we are told is a *travel fee which is to compensate for the inconvenience, as well as all costs associated with the travel to South Africa excluding the flight and accommodation costs which are covered by Sasol*. This travel allowance exceeds the company's minimum annual wage of R 221 146. The Remco report states: *Globally, there is an increased focus on pay gap reporting as many consider this to be a measure that promotes a fairer and more equal society*. This rings hollow when a non-executive director is paid more as a travel allowance than a worker is paid for a full years work.		

	Resolution	Rationale	Vote	Outcome of AGM
		We are told that comparative purposes *for the setting of Non-Executive Director (NED) fees, a peer group of companies with a similar geographic footprint, operating model and market capitalisation is selected*. We are not provided with further details nor are we told which other companies comprise the peer group of companies. Sasol is a member of Business Leadership SA which organisation has called on government to halt public sector wage increases. We believe the payment of consulting fees to non-executive directors should be avoided. Two directors are paid consulting fees. Finally, directors are paid a fee regardless of attendance which we do not favour. **We oppose the non-executive directors' fees on the basis that the increases are excessive and not commensurate with the results of the company. Further, the travel allowance is totally unacceptable, and as a new benefit amounts to a substantial increase in fees of up to 40% in directors' fees (assuming 4 board meetings, fee of $ 15 000 per meeting and a directors fee per the resolution of $ 150 000). Staff will see no salary increases**.		
2	To approve financial assistance to be granted by the Company in terms of sections 44 and 45 of the Companies Act	The resolution states under Reasons for and effect of the resolution: *Special resolution number 2 is proposed in order to comply with the requirements of sections 44 and 45 of the Act*. We do not consider this an adequate and proper reason for this resolution. A proper reason and the effect of this resolution should be presented to enable shareholders to reach a decision on the appropriateness or otherwise of this resolution.	AGAINST	FOR 96.7%

	Resolution	Rationale	Vote	Outcome of AGM

RESULTS OF THE ANNUAL GENERAL MEETING

The meeting was not very well attended with approximately 66% of shares voted in person or by proxy, shareholders who attended however tabled a lot of questions.

The remuneration advisory votes were not approved and the company is obliged to consult with shareholders. The results of this consultation will be attached after the consultation. The remuneration implementation report came in for severe censor with 56% of shareholders opposed to this, this high level of opposition is most likely a result of the generous settlements paid to the former joint CEOs on their departure.

In the words of a media report, Sasol avoids making corporate history, as the special resolution approving non-executive directors fees was narrowly approved after some lobbying and a late agreement to reduce board fees and the chairman's fee by 20%.

Shareholders were not enthusiastic about the reappointment of directors with approximately 20% of shareholders voting against the reappointed directors. Surprisingly, shareholders were more enthusiastic about reappointing those same directors to the audit committee with the chairman of that committee increasing his support from last year.