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SASOL LIMITED

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Annual General Meeting
19th November 2021
Financial Year End: 30th June 2021

Proxies voted
Labour Research Services
Social Change Assistance Trust
The Ditikeni Trust

The style, tone and content of the 2021 Integrated Annual Report (Report) makes a break from the past few years. The Report is upbeat and not only does it address the financial prospects of the company, but it addresses the major ESG concerns. South Africa is the 12th biggest emitter of Green House Gases (GHGs) and Sasol is the second largest emitter in the country; its Secunda plant is the single biggest source of emissions in the world. The Report states *Our future ambition is to be at Net Zero emissions by 2050 and we are committed to accelerating our transition to a low-carbon world in support of the objectives of the Paris Agreement,* clear targets for emissions reductions in the short, medium and long-term to achieve net zero are provided. These are ambitious targets and the company does not yet have a plan on how it will achieve the longer term targets – that shortcoming is exacerbated by the fact that these targets may not be enough to meet societal expectations and future legislation may require faster transition. The company approach to air and water quality remains a concern.

We do have a concern that *Future Sasol* remains highly committed to liquid fuel (petroleum) with clear reliance on the Fischer-Tropsch technology which is the technology used in creating liquid fuel from coal or gas. It is encouraging to read Sasol is *exploring the possible repurposing of assets to produce green hydrogen*, and whilst we recognise the legitimate need for confidentiality of some trade processes and plans, increased disclosure about this repurposing and transition would build confidence in the company's commitment to changing its environmental footprint.

Any such transition raises the issue of job losses, and indeed the Report states that 1 355 employees were *unplaced*; we prefer the more common term – retrenched, and a further 766 had taken voluntary packages. We support a Just Transition and encouragingly the Report states *it is essential that we transition in a just manner*; we are pleased to read of the launch an employee entrepreneur development programme, which will assist unplaced (retrenched) South African-based employees, including those who have recently left Sasol, to pursue potential entrepreneurship opportunities.

	Resolution	Rationale	Vote	Outcome of AGM

The company does say one of its priorities for 2022 is to *Earn [the] trust of stakeholders*. Given that statement and the change of focus of *Future Sasol*, we do not understand the continued refusal to table shareholder proposed resolutions around climate change. The company has instead presented its own non-binding resolution on climate change.

We are told that a *customer-facing operating model* was introduced, it is refreshing to hear customers are a priority.

There was an improvement in work safety but nevertheless there was 2 work related fatalities, one after year-end. The number of new occupational diseases declined.

Fees payable to non-executive directors require the approval of 75% or more of shareholders and at the 2020 AGM only 76.5% of shareholders approved those fees. This approval was only achieved when the company announced that it would cut fees for the year and that new directors fees would be tabled for the 2021 AGM. What is not clear is whether the directors' fees were in fact cut in terms of this announcement. We are told under the effects of Covid that the directors made a voluntary fee sacrifice of 20% which would be extended to November 2021 – what is not clear, is this in addition to the cut announced in the SENS (Stock Exchange News Service) statement of 18th November 2020 which stated *the board has agreed to commit to a sacrifice of 20% on the board fees proposed for approval at the 2020 AGM*. It appears that some directors foreign fees were not cut.

We are pleased that new board fees are proposed and that these allow for a significant reduction of board and chairman fees but not committee fees, some of which increase. The grossly excessive out-of-town allowances are no longer payable. We note with concern that the company is again sticking to the minimum requirement and will only present these fees for approval every 2 years, and proposes an increase in 2022 in line with South African CPIX despite the fact that fees are based in US$. Fees remain high in comparison to other large South African companies.

The Audit Committee performance and composition has been a concern over a number of years. We are pleased that the Chair of this committee has retired but are concerned that the new Chair will continue the practice of minimum compliance and that the new appointee to the committee also may be seen to have ties to the auditors (as did the retiring Chair).

The Report is laid in Landscape format which is better suited to reading on a computer screen but the size is such that it cannot possibly be read on a laptop screen, the use of a 6-point font is unacceptable. A Flipbook version may be viewed on line but this would require a massive computer screen to be used as it displays 2 landscape pages alongside each other – we could not read even 1 page on an extra wide laptop screen. There are no hyperlinks. A poor show for a technologically savvy company such as Sasol.

	Resolution	Rationale	Vote	Outcome of AGM
	To receive the audited Annual Financial Statements (AFSs) of the Company, for the year ended 30 June 2021, together with the reports of the directors, the Audit Committee and the external auditors of the Company	The external auditors have certified that in their opinion the AFSs fairly present the results and financial position of the company. The audit committee report covers all required areas as does the directors report. We would prefer the AFSs to be put to the shareholders for adoption but as this is not a legal requirement Sasol has not done so.		
	To receive the report of the Safety, Social and Ethics Committee for the year ended 30 June 2021	The resolution refers us to the very detailed Sustainability Report. This is very detailed but we would like to see more information on prior years and an assessment of progress the company is making.		
	Non-binding Advisory Resolutions			
1	To endorse, on a non-binding advisory basis, the Company's remuneration policy	Neither of the non-binding remuneration resolutions were approved at the 2020 AGM, the implementation report receiving the support of only 43.2% of shareholders (75% support is required). To its credit the company requested dissenting shareholders to contact the company and included contact details in the SENS announcing the results of the AGM. A proper consultation was duly held and the Report includes issues raised at that consultation and action taken. This is as it should be. The Remuneration Committee (Remco) is made up of 5 independent directors and we are told the CEO and HR Director attend by invitation – we do not know if this is a standing invitation which we would not favour. The remuneration consultants are named and we are told broadly of their role and responsibilities. Base salaries are benchmarked to the median per salary surveys – The reduced Non-Executive Director fees are not benchmarked to the median but to the 75th percdentile. We do not know if this is externally done for executives or not. The minimum wage is set to provide a living wage for a family as determined by outside agencies, we commend this.	FOR	FOR 86.9%

	Resolution	Rationale	Vote	Outcome of AGM
		With regard to STIs (Short-Term Incentives) the objectives are to Strengthen the financial position, deliver on the LCCP (Lake Charles Chemical Project, advance sustainability, transition to Future Sasol, and pursue zero harm. To achieve these objectives the following measures were set: • Reduction in cash fixed costs – 19% • Achievement of sales volume targets – 12.5% • Reduction in non-sustenance capital expenditure – 15% • Effective disposal of unprofitable or non-core assets – 15% • Improved net working capital – 10% • Reduced environmental footprint – 10% • Achievement of key milestones towards realising Future Sasol through the implementation of the revised operating model and the implementation of sustainable free cash flow targets – 8.5% • Health and Safety of our employees and our communities – 10% The Policy report stops short after listing the objectives and measures and refers the reader to the Implementation report. It was not clear how these measures were translated into the metrics and the weighting given to each. We attempted to put each metric against a measure and arrived at the weighting above. These are fair and reasonable. The LTI objectives are: decarbonisation of our operations; Sustainable returns to our shareholders; and Total Shareholders' Return (TSR). These translate into the following measures (weighting extracted from the implementation report): • Carbon emission reduction – 25% • Return on Capital Invested – 45% • TSR to be in the 60^{th} percentile of comparator group – 30%. We are pleased that Carbon emissions are given a high weighting and that shareholders have something to look forward to after the erosion of shareholder value seen over the last few years.		

	Resolution	Rationale	Vote	Outcome of AGM
		Malus and clawback provisions do apply. The remuneration policy has been greatly improved and enhanced with new objectives and metrics. The layout and linkage between the information in the policy report and that which is only provided in the implementation report is not good, but once we found our way through that we found the measures and weighting to be satisfactory. The individual performance factor is not fully explained. We did not find sufficient information regarding the awarding of LTI shares although the disclosure around vesting was adequate. Despite the short-comings we recognise the significant improvement in the policy and trust that fuller explanations will be forthcoming as the policy is implemented. We cautiously endorse the new policy.		
2	To endorse, on a non-binding advisory basis, the implementation report of the Company's remuneration policy	It is difficult assessing amounts paid to the 3 executive directors as we are told the CEO forfeited 30% of his salary which was paid to the Solidarity fund and the CFO and other executive director forfeited 20% of their salary for 3 months and pension contributions were suspended. The period during which these salary sacrifices took place is spread unevenly over both the 2020 and 2021 financial years. This makes comparisons over those years and indeed prior years impossible. Base Pay increases are not explained and could not be calculated. The STI scorecard and achievements is provided in sufficient detail and arguments for were reasonable. The final outcome was 116.5% of base pay against a maximum of 150%. We did not understand or find sufficient explanation around the individual scorecards and given that we did not know what the actual base pay was (as explained above) this further confused us. The LTI scorecard for the vesting of shares awarded in prior years is also reported on in detail, not surprisingly not many milestones are	AGAINST	FOR 86.1%

	Resolution	Rationale	Vote	Outcome of AGM
		achieved. The only one that was achieved is the production per head count. The shareholder experience during the last year has been more positive but over the past few years it has been most unsatisfactory. We found insufficient information on the awarding of new LTI shares. The Report does not make it clear whether unvested shares earn dividends or if they have voting rights. The gaps in information did not allow for a proper understanding of the rewards and as such we cannot support this resolution.		
3	To endorse, on a non-binding advisory basis, the Company's 2021 Climate Change Report which sets out Sasol's climate change ambition, strategy and its actions	Sasol has committed to reducing carbon emissions by 30% by 2030 and achieving net zero by 2050. This is in accordance with the time-frames and policies generally accepted, however, it is increasingly clear that these time frames and reductions in emissions are unlikely to be sufficient. There is a real danger to the company that society and/or legislation may require a faster transition and it is at this stage not clear how the company can achieve the reduction to net zero – it appears to be relying on as yet undeveloped technologies. This resolution makes no mention of other forms of harmful emissions other than carbon and we are mindful of the unacceptable air-quality and the effect of this on the communities in the Highveld Priority Area. Sasol has previously repeatedly stated that its strategy to deal with this is to apply for extensions to the time allowable for it to meet its obligations for as long as those extensions will be granted. We do commend the company on the strides it has taken, however the plan is not clear enough, is high risk, and we do not believe it goes far enough in scope or ambition. The company has committed to engaging with dissenting shareholders should 25% or more of shareholders oppose this resolution. We strongly believe the company does need to engage with all stakeholders around climate change and air and water quality. We therefore oppose this resolution.	AGAINST	FOR 96.6%

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
4	To vote on the re-election, each by way of a separate vote, of the following directors who are required to retire in terms of the Company's MOI and who are eligible and have agreed to stand for re-election	In considering the appointment of individual directors it is appropriate to first consider the overall composition of the board. The key factors which we consider are: Independence, Continuity, Skills and Diversity. There are 15 board members of which 3 are executive directors – a large board with a relatively large number of executive directors. The only concern we have with that is that the company does need to be nimble and responsive and this is generally easier to achieve with a smaller board. We are not convinced that the company requires 3 executive directors as these do not represent the 2 distinct businesses which the Report speaks of. Independence of the board is not a concern with 20% of the board being executives and only 4 directors (27%) will have served for more than 9 years. However, 3 of the 4 long serving directors retire at the AGM. After those retirements and the appointment of the new director under resolution 5 below, this will leave a smaller board and the executive directors as a percentage of the board will increase to 23% which is higher than we would like to see it. We do have a concern that the newly appointed Lead Independent Director has served on the board for 9 years. The policy of requiring directors to stand for re-election every year after 3 years and retiring after 12 years is good for independence. However, it does mean that extra care must be taken to ensure a steady appointment of new directors to ensure there are always directors with sufficient length of tenure to ensure continuity. The board does include a wide range of skills and experiences and this is as it should be. Diversity in terms of race, gender and nationality is acceptable at board level but less satisfactory at senior management level.		

	Resolution	Rationale	Vote	Outcome of AGM
		Directors' profiles in the Report are inadequate but more detailed profiles can be found in the Notice of AGM.		
4.1	Mr MJ Cuambe	Mr Cuambe, 59, has been a director for 5 years. He is a Mozambiquan engineer. His attendance record at board meetings was satisfactory. He is a not currently a director of any other major companies.	FOR	FOR 99.5%
4.2	Ms MBN Dube	Ms Dube, 49 has been a director for 3 years. She holds and MSc and her attendance record at board meetings was impeccable, we are not given details of committee meeting attendance. She is a director of 3 other companies which does raise some concern around her level of commitments.	FOR	FOR 99.3%
4.3	Dr M Flöel	Dr Flöel, 61, has been a director for 3 years. A German national, she holds a Phd in chemistry and her attendance record for board meetings was impeccable. She is a director of one other listed company.	FOR	FOR 99.5%
5	To vote on the election of Mr S Subramoney who was appointed by the Board in terms of the Company's MOI with effect from 1 March 2021	Mr Subramoney, 63, is a newly appointed director. He is suitably skilled and experienced and is a CA. He is a director of 1 other listed company.	FOR	FOR 99.5%
6	To vote on the appointment of PricewaterhouseCoopers Inc ("PwC"), nominated by the Company's Audit Committee, as independent auditor of the Company	PwC have been auditors for 8 years and as one of the big 4 international firms they are able to perform the audit. The PWC responsible auditor has not yet served 5 years as responsible auditor for Sasol.	FOR	FOR 99.6%
7	To vote on the election, each by way of a separate vote, of the members of the Audit Committee	The performance of the Sasol audit committee over the past few years has been of concern: • The committee refused to put the appointment of the auditor to the shareholders despite our requests for them to do so.They only did this when the JSE ruled that it was a requirement of listed companies so to do. • The committee stated in the past that controls of the LCCP were satisfactory and it appears that this was far from the case.		

	Resolution	Rationale	Vote	Outcome of AGM
		• The former CEO of the auditors PWC was the chair of this committee when PWC were appointed auditors • We are now asked to appoint the former Deputy CEO of PWC to this committee. We would like to see this committee refreshed and renewed.		
7.1	Ms KC Harper	Ms Harper, 58, has served on the Sasol board for 1 year. She is suitably skilled and experienced and her independence is not questioned. We support her appointment to this committee.	FOR	FOR 99.2%
7.2	Ms GMB Kennealy	Ms Kennealy is the new chair of this committee, and she has served on the committee for a number of years. She is also the chair of the Standard Bank audit committee – Standard Bank is one of the few banks which has chosen not to allow shareholders to vote on the appointment of the audit committee. We have corresponded over a long-time with that company around this matter and do not favour the approach that a company should do the minimum legal requirement. We note that the policy of doing the minimum required by law appears to be shared by Standard Bank and Sasol. Finally, we note that Ms Kennealy and Ms Matyumza below both serve on the boards and audit committees of Standard Bank and Sasol – we do not favour directors serving on the same subcommittees of different companies together. We oppose the appointment of Ms Kennealy as the chair of this audit committee, and would like to see this committee refreshed and renewed.	AGAINST	FOR 99.5%
7.3	Ms NNA Matyumza	As noted above, Ms Matyumza serves on this audit committee and the Standard Bank audit committee together with Ms Kennealy.	AGAINST	FOR 98.0%
7.4	Mr S Subramoney	Mr Subramoney is a new appointee to the board (see 5 above) and is suitably skilled and experienced. We expressed concern in the performance and perceived independence of this committee in the introduction to the appointment of the members above.	AGAINST	FOR 97.8%

	Resolution	Rationale	Vote	Outcome of AGM
		Mr Subramoney is listed on LinkedIn as the former Deputy CEO and Head of Strategy at PWC – the auditors of Sasol. We firmly believe this committee needs to be refreshed and renewed and to bring in another former PWC senior executive sends out the wrong message.		
7.5	Mr S Westwell	Mr Westwell, 63, has served on the board for 9 years and is the Lead Independent Director. It is not a requirement that Sasol appoint a Lead Independent Director given that the Chairman is independent. Nevertheless, we would prefer not to see a director with 9 or more years' service in the position of Lead Independent Director. However, we do favour a mix of short and longer tenure directors serving on the audit committee and do not consider his appointment as Lead Independent Director sufficient reason to oppose his appointment to this committee.	FOR	FOR 96.0%
	Special Resolutions			
8	Approval of non-executive directors' remuneration	We note that the fees as reported in the remuneration report are the fees which were previously approved without the 20% cut announced in a company SENS immediately prior to the 2020 AGM. We are told that directors took a 20% voluntary cut in light of Covid. It is far from clear what fees they were actually paid. This is most confusing and certainly not as a special resolution should be. It would seem that despite the shareholders not receiving dividends the board continues to be paid very high fees. We do not favour setting fees in US$ when most directors are resident in Southern Africa. We strongly oppose the statement in the resolution that fees will be adjusted after a year according to the CPIX (Consumer Price Index), this is rather open ended. Further, the index relates to South Africa and South African Rand the fees are set in US$. US inflation is consistently much lower than South African inflation. We recognise the reduction in both local fees and those fees payable to directors' resident in Europe or North America.	AGAINST	FOR 86.5%

	Resolution	Rationale	Vote	Outcome of AGM
		Fees remain above average and well into the 75th percentile of fees paid by large companies per the IODSA 2021 survey of Non-Executive Directors Fees. This is in contrast to the remuneration of employees which we are told is *benchmarked on average*. It is pleasing that the outrageous travel allowances are no longer presented as part of this resolution. We do not favour the payment of a flat fee without some measure of performance such as an attendance fee. In conclusion we recognise the great improvement in these fees but they remain high, we do not like the fact that there is no attendance component and we do not agree with an increase next year in line with the CPIX which increase will not be put to shareholders at that time. In the footnotes to the fees we are told *"where the total prior year fees … are higher than the new structure, the previous fee will be retained to ensure that the NED is not financially worse off"*. Thus, we are asked to approve a fee and told that this fee has been reduced but in fact that reduction will not apply to certain directors. Outrageous. We strongly oppose this resolution.		

OUTCOME OF THE AGM

The meeting was not particularly well attended by South African standards with 74% of shares voted by person or by proxy.

All resolutions were passed but opposition to the remuneration resolutions was fairly high at 14% - this applied to Executive and Non-executive Director remuneration.