



SASOL GROUP

TAX PRINCIPLES AND APPROACH TO TAX

June 2022



Delivering with Purpose
FUTURE SASOL



TAX PRINCIPLES AND APPROACH TO TAX

Introduction

Sasol is a global chemicals and energy company. Sasol harnesses its knowledge and expertise to integrate sophisticated technologies and processes into world-scale operating facilities. Sasol safely and sustainably sources, produces and markets a range of high-quality products in 27 countries, creating value for its stakeholders. Sasol’s purpose, “Innovating for a better world,” compels it to strive to deliver on triple bottom line outcomes of People, Planet and Profit, responsibly and always with the intent to be a force for good.

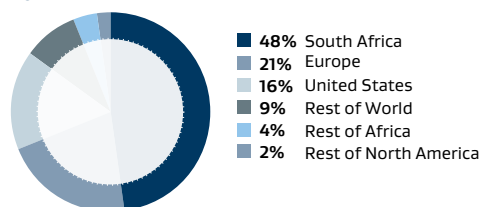
Sasol is a public company listed on the Johannesburg Stock Exchange in South Africa and the New York Stock Exchange in the United States. Sasol strives to deliver sustainable and superior value to all its stakeholders.

The risk of non-compliance with applicable laws and regulatory requirements, including tax risks, is one of the top risks of the Sasol Group. Sasol’s Code of Conduct¹ provides the basis on how Sasol conducts its business, and it requires that all employees comply with its principles, the policies which underpin the Code, and any applicable laws and regulations, including tax matters.

We generate almost half of our turnover in South Africa, followed by Europe and then North America, from our asset base that is largely distributed across these countries. The external operating context impacts our profitability and business continuity, risk management and the decisions we make on our strategy. It also informs our thinking on material matters.

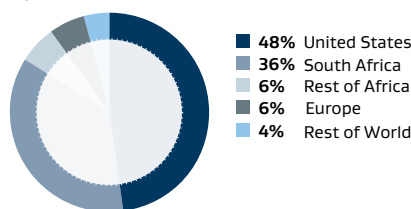
WHERE WE OPERATE

Turnover
2022



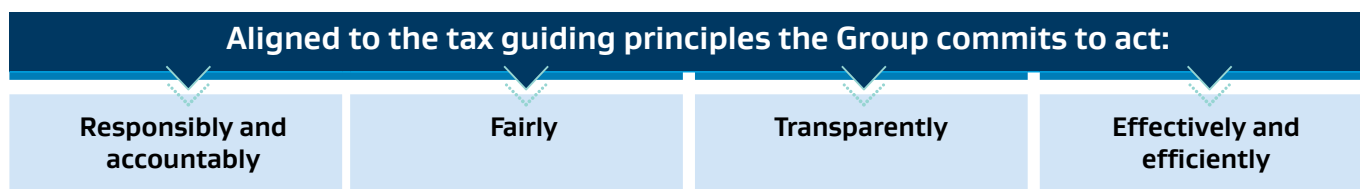
WHERE WE INVEST

Non-current assets
2022



Tax Guiding Principles

The Global Tax Strategy and Management Policy is aligned to the Group strategy with the following key tax principles applicable to all tax types that Sasol is subject to across all jurisdictions:



- **Responsibility and accountability** – Sasol commits to acting responsibly in relation to its tax affairs, and to fulfilling its compliance and disclosure obligations in accordance with all relevant laws. Sasol acknowledges that its economic contribution, including taxes, is significant, and strives to ensure that Sasol’s tax obligations are strictly managed within the ambit of the applicable and prevailing legislation in a proactive, forward looking, responsible and accountable manner so that opportunities and costs are prepared for in a responsible and timely manner.
- **Fairness** – Sasol seeks to manage its tax affairs in a fair and efficient manner, supporting the business as fully as possible by providing tax input where required on the day to day operations of Sasol, ensuring that tax planning is built on sound commercial principles and Sasol considers tax in all significant business decisions/transactions.
- **Transparency** – Sasol commits to building open, transparent and constructive relationships with Tax Authorities, Government bodies and related third parties, and to undertake all such dealings in a professional, courteous and timely manner, Sasol will pro-actively manage the its relationship with the Tax Authorities in jurisdictions that the company operates in, with the aim of minimising the risk of challenge, dispute or damage to the Sasol’s credibility. Sasol takes reasonable effort to proactively provide tax relevant facts and circumstances to the Tax Authorities as appropriate.
- **Effectiveness and efficiency** – Sasol commits to use the resources of the tax function as effectively and efficiently as possible whilst investing in tax knowledge to ensure that the tax function throughout the Group has the necessary skills and knowledge to achieve its objectives. Sasol seeks to use technology, data repositories and other tools in a cost-effective manner to increase efficiencies within the tax function.

¹ <https://www.sasol.com/sustainability/ethics/sasol-governance-ethics>

Sasol's Approach to Tax Management

Governance

The increasing scrutiny on the tax affairs of multi-national companies requires that Boards maintain a firm grasp on and provide sound governance oversight regarding the way in which tax is managed within the organisation. The tax governance framework establishes a structure for managing key stakeholders' concerns and overall tax risk (which entails identification, measurement, management and control of all tax risks within the Group), and delegates authority for the management of tax as follows:

- The Sasol Audit Committee approves the overall Global Tax Strategy and is ultimately accountable for the Group's compliance with such strategy. The responsibilities and accountabilities in managing tax processes are defined in the Global Tax Strategy and Management Policy (Tax Strategy and Policy) as described below.
- On an operational level, accountability for ensuring compliance with the Tax Strategy and Policy is delegated to the Vice President: Global Tax and Governance who is responsible for managing the tax affairs of the Sasol Group.
- In line with our Tax Strategy and Policy, this accountability is overseen by the Group CFO and Audit Committee. The company regularly reports to the Audit Committee on potential tax risks and adherence to the tax strategy.
- The Group applies the principles of King IV™ and the Tax Strategy and Policy supports and aligns to the fundamental concept that: *"The governing body should be responsible for a tax policy that is compliant with the applicable laws, but that is also congruent with corporate citizenship, and takes account of reputational repercussions."*
- The Group Tax function has a zero tolerance for bribery and the facilitation of tax evasion. The Group complies with all anti-bribery legislation and legislation relating to corporate criminal offences in the jurisdictions in which we operate. All Group Tax members will complete the Anti-bribery and Corruption training annually.
- Approved by the Audit Committee, the Tax Strategy and Policy seeks to combine appropriately skilled resources, internal processes and internal and external controls to manage tax in line with the Policy.

Tax Risk Management

Tax risk is like any other risk faced by the Group in that it should be identified, controlled and reported through the existing Sasol Enterprise Risk Management Framework (SERMF)

- Our Tax Strategy and Policy is a global framework that sets out how tax risks arising from the business activities that we undertake, should be managed across the Group.
- We use our Tax Strategy and Policy to ensure that risk assessments are conducted before entering into any tax planning on significant transactions.
- Compliance with our Tax Strategy and Policy is monitored by our Group Tax team and by periodic reviews by our internal audit team the performance thereof is reported to the Audit Committee.
- The objectives of the tax risk management framework include, but are not limited to:
 - Developing a culture of tax awareness within the Group resulting in tax risks being identified at an early stage, and the implementation of adequate controls to manage these risks;
 - Identifying and managing tax risks throughout the Group and reducing them to a tolerable level as determined by the Group Audit Committee;
 - Aligned to the SERMF, the tax risk management framework is continuously monitored for responsibility and accountability, fairness, transparency and effectiveness and efficiency, thus strengthening the tax risk management framework to reduce the risk of tax audits that may arise;
 - Decreasing the likelihood of amended assessments and the potential exposure to penalties and interest, in the event of a tax audit/review, by maintaining an appropriate tax risk management framework;
 - Maintaining the Group's accepted tax profile as per the tax risk tolerance guidelines and paying the fair share of tax while also undertaking commercial opportunities; and
 - Ensuring that the tax risks are managed effectively and efficiently in relation to significant transactions, while pursuing the Group's business strategy.

Process Management: Compliance, reporting and monitoring

As expressed in the tax principles, the Group commits to complying with all tax regulations and disclosure requirements in all jurisdictions in which it operates. Group Tax is responsible for the identification, measurement, management and control of all tax obligations within the Group. To achieve this objective, Group Tax has in place, as appropriate, policies and procedures to ensure that tax risks are effectively and efficiently identified, analysed, measured, classified and managed and controlled on an ongoing basis.

- All material positions taken must be supportable in terms of documentation and legal interpretation which is defensible;
- Technical positions affecting more than one jurisdiction should be reconciled and agreed by all relevant jurisdictions in advance of any Tax Authority filing whether before or after a transaction and, where applicable, must be in accordance with the Group's transfer pricing policies;
- Changes in relevant tax laws and practices are closely monitored with regular training undertaken to assess any consequences for the Group, with the minimum aim of mitigating any adverse impact;
- Appropriate administrative safeguards with regard to back-up procedures, access to electronic filing platforms for taxing jurisdictions and electronic signatures are established and executed;
- The retention of tax data and documentation, in line with the legislative requirements, is essential to support tax returns, tax positions and for tax audit trail purposes. The Group is required to retain all records that record and explain transactions entered into by the Group that are relevant for the purposes of prevailing tax legislation.
- With the increase in volumes of data being generated and the real time requirement for reporting to internal and external stakeholders, in order to operate effectively and efficiently in all end-to-end tax processes, Group Tax seeks to remain agile and responsive in the management of data, evaluating technology enabling efficiencies and ensuring involvement in the configuration and setup of financial systems.
- As part of tax risk management, business units engage with Group Tax, where appropriate to obtain strategic advice with regards to changes in tax law, transactions and business initiatives. In providing advice, Group Tax will consider the commercial rationale of the transaction.
- As part of transparent relationships with Tax Authorities, and where there is uncertainty regarding the application of legislation, the Group seeks to obtain certainty on tax treatment from the relevant Tax Authority.
- The Group applies on-going monitoring principles and processes to ensure the Group pays no more tax than is due under a reasonable interpretation of the tax law.

Resource Management

Group Tax is structured fit for purpose and appropriately resourced to enable an efficient and effective function globally. The global Tax team members are qualified and competent to effectively and efficiently support the Group as a business partner and drive business value.

Group Tax individual members' performance agreements and personal development plans are in place to support the achievement of the appropriate behaviours. The performance of all tax personnel within the tax function is measured against the planned annual goals and agreed Key Performance Indicators (KPIs).

Sasol seeks to create a high-performance culture which is measured by progress with actions agreed on and living the Group values by demonstrating risk management behaviours as set out in personal development plans.

Relationship with Tax Authorities

Sasol is committed to fostering transparent, constructive and co-operative relationships based on open and honest disclosure, building mutual trust between the company and the Tax Authorities, wherever possible. We engage in full, open and early dialogue with tax authorities on a regular basis to discuss relevant tax matters and to achieve certainty (where possible) over tax positions.

The Group is committed to the early and speedy resolution of any tax disputes. Consistent with our wider corporate values, these will be handled in a constructive, professional and respectful manner. However, where differences of opinion persist, we are prepared to proceed to litigation where we believe that a position under challenge by a tax authority is technically defensible on a cost-effective basis and without affecting our reputation adversely. We will never knowingly facilitate attempts by our clients, counterparties or employees to deceive or otherwise mislead tax authorities.

We participate, directly or via the appropriate industry forums, in the development of new tax legislation, including tax provisions arising from Base Erosion and Profit Shifting (BEPS) initiatives. The group supports the fundamental principles underlying multilateral moves towards greater transparency.

Tax Optimisation and Commercial Substance

In line with our broader fiduciary duties to our shareholders, Sasol has a legal obligation to protect and promote shareholder value. To meet shareholder's expectations, Sasol strives to manage tax costs while complying fully with all relevant tax laws and upholding its reputation with governmental authorities and the public. Decisions on business and operating structures are driven by commercial considerations and any tax optimization is aligned with the commercial substance of our business.

We adhere to relevant tax law and we seek to minimize the risk of uncertainty or disputes. We engage in efficient tax planning that supports our business and reflects commercial and economic activity. We do not engage in artificial tax arrangements.

We establish entities in jurisdictions suitable to hold our investments taking into account our business activities, the prevailing regulatory environment, and commercial substance. We seek to conduct transactions between Sasol group companies on an arm's length basis and in accordance with the Organisation for Economic Co-operation and Development (OECD) principles.

Tax incentives and exemptions are sometimes implemented by governments and fiscal authorities in order to support investment, employment and economic development. Where these exist, we seek to apply them in the manner intended.

Further information is available in these Suite of publications:

- 2022 Integrated Report
- 2022 Annual Financial Statements
- 2022 Sustainability Report
- 2022 Climate Change Report

Note:

In this document, references to "Sasol", the "Sasol Group", the "Group", "we", "us", and "our" are to refer to either Sasol Limited and its subsidiaries and/or those who work for them generally, or where it is not necessary to refer to a particular entity, entities or persons. The use of those generic terms herein is for convenience only, and is in no way indicative of how the Sasol Group or any entity within it is structured, managed or controlled.

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