

**SASOL PRESIDENT AND CHIEF EXECUTIVE OFFICER
FLEETWOOD GROBLER**

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**CHARTERED GOVERNANCE INSTITUTE OF SOUTH AFRICA |
PREMIER CORPORATE GOVERNANCE CONFERENCE |
BUSINESS ETHICS AS ENABLER TO BUILD A
BETTER SOUTH AFRICA**

11 OCTOBER 2023

Introduction <COVER SLIDE 1>

Good morning, ladies and gentlemen,

It is a privilege to be with you today, as the inaugural speaker of this vital conference. Our gathering marks a pivotal moment in South Africa's journey; one where we confront the challenge, of slipping ethical standards in both the public and private sectors.

Every day, our nation is marred by fresh scandals, revealing a distressing trend of unethical behaviour. Individuals in positions of power flagrantly violate the rights of others, perpetuating corrupt practices with alarming audacity.

However, amidst this disheartening reality, I firmly believe in the transformative power of business ethics. It is the cornerstone upon which we can rebuild a stronger South Africa. The onus lies heavily on the private sector, to champion unwavering ethical standards within their organisations, becoming the guiding light, our nation desperately needs.

<CLICK TO THEMES SLIDE 2>

The role of business in society

Why does this matter so much? Because business ethics can be the cornerstone of a better South Africa. The very essence of successful business lies in sustainability, social responsibility, and an unyielding commitment to ethics.

Dr. Anton Rupert's profound words remind us that a company in some sense, is a person. By taking a humanist perspective, he would ask "how human is a business in its behaviour"? 'How big is its heart and how does it serve its community'?

Businesses are no longer mere profit-making entities. Today, their success hinges on its sustainability, social responsibility, and its cultivation of an ethical culture.

Concepts such as Corporate Social Responsibility and the more recent rise in ESG, signify societal expectations – businesses must do more for society than what is merely lawful. As living members of communities and society, business must be a force for good.

Leaders of organisations have transcended their functional management roles. They are societal influencers and play an important role in shaping culture

and behaviour in connecting with the hearts and minds of communities.

This is echoed by Adam Smith in his famous book “The Wealth of Nations” where he described the “invisible hand” phenomenon. Here, he argues that as organisations achieve their own goals, invariably they influence the overall welfare of the economy and society, even if their intent does not intentionally consider society’s needs.

In short, organisations can inadvertently support the strengthening of society, while focusing on their own growth and profit agenda. But with focused intent on driving ethical behaviour, this impact can be greater for society and owners of the business.

Every year, Ethisphere ranks the World’s Most Ethical Companies, through a robust methodology that seeks to advance the standards of ethical business practices. Their Ethics Index tracks the performance of publicly traded companies, included in their ranking universe. They compared the share price performance of the companies in the Ethics Index, to a comparable index of large-cap companies.

Ethisphere calculated that the share price of companies in the Ethics Index for 2023, outperformed the

comparable large-cap index by 13,6 percent over five years. This is concrete evidence that businesses that are ethical, are successful in the in the long run.

Ethics and corporate governance in South Africa

As we convene here at the 13th Premier Corporate Governance Conference, we recognise the pivotal role ethics play. Our corporate governance, guided by the esteemed King IV Code, underscores the intrinsic link between good governance and ethics.

It is imperative for organisations in all forms, to internalise the core characteristics outlined in King IV, which include:

- Integrity;
- Competence;
- Responsibility;
- Accountability;
- Fairness, and
- Trust.

These characteristics should be weaved into the fabric of all organisations, contribute to nurturing a healthy culture and a healthy society.

These fundamental tenets, strengthen ethics and espouse our internal convictions and moral compass.

We must consciously reject opportunities that clash with our values, even if they are legal. The long-term benefits of ethical conduct are vast, from earning trust to becoming employers of choice.

The increased prevalence of management research and academic literature on personal and business ethics, highlights the growing awareness of ethical complexities encountered by individuals and organisations. One of the concepts suggested by a group of academics, is the analogy of “Bad apples in bad barrels”.

Essentially, this means that it only takes a few bad apples in a barrel, to contaminate the entire barrel. This implies that, in large organisations, it takes only a small number of individuals to normalise unethical behaviour. Conversely, their research suggested that ‘good apples’ become more ethical in an environment of ethical behaviour.

Two other researchers took the apples and barrels concept further, by considering how this applies to a wider societal context. They introduced the concept of a warehouse, in which the barrels of apples are stored. The idea of this concept illustrates the interaction between business, represented by the barrels of apples, and society, which is represented by the warehouse. In short, this research argues that there is a relationship

between business and society, which, like any relationship, can be either constructive or corrosive.

The Institute of Business Ethics in the United Kingdom and the Ethics Institute of South Africa conducted a survey in 2021 of private sector employees across 13 countries, including the USA, UK, Germany, France, Australia, and South Africa. This study has provided valuable insights into the state of ethics in our organisations. While there are areas where South Africa shines, there are also alarming trends we cannot ignore.

Firstly, let's acknowledge the positive aspects. South Africa was rated highly in formal aspects of ethics management. South African companies have strong governance mechanisms in place to advance ethics, such as having Codes of Conduct or Ethics, whistle-blowing channels, and providing ethics training for employees.

However, there's a concerning trend that we must address – the tolerance of unethical behaviour in our workplaces. Shockingly, 48 percent of South African employees surveyed believe that "minor breaches of rules are inevitable in a modern organisation." This finding suggests that, we may be becoming too complacent when it comes to unethical behaviour. One way to explain this phenomenon is through the analogy of the frog in boiling water.

Over the years, we have witnessed large-scale corruption and unethical behaviour involving the state, state-owned entities and private sector. This has created an environment where unethical behaviour and practices have been normalised. This is a dangerous situation and must be addressed as a matter of urgency if South Africa is to flourish.

Organisations must set values that promote ethical behaviour and inspire employees to live these values. Employees and stakeholders must be encouraged to call-out unethical behaviour. They should be protected from victimisation and retaliation, encouraged to be brave and have confidence that as whistle-blowers, they will make a difference.

The tone for ethics is set at the top. Ethics must be governed at Board level and form part of organisational strategy so that it is formally managed, assessed and measured.

By driving awareness of ethics among our employees, customers, suppliers, and other stakeholders, we foster understanding of the impact of ethical decision making, thinking and behaviour.

There are numerous companies who are North Stars that shine as examples of ethics and good governance.

In the retail sector, Woolworths and Pick 'n Pay stand out. Woolworths has been recognised for its commitment to ethical sourcing of its products. It also takes human rights considerations seriously, along with fair trade, supply chain transparency, sustainable agriculture and farming, as well as animal welfare and environmental responsibility.

Nedbank and Standard Bank are also in the room. Both have received recognition for their efforts as champions of responsible banking practices. This ensures their customers have access to financial products and services, that are suitable for their needs and financial capabilities. This includes comprehensive risk assessments and appropriate credit terms.

Anglo American challenges existing models by demonstrating the importance of a thriving relationship with communities and society, through their Zimele enterprise development programme. SABMiller also looks at redefining productivity, through local and inclusive sourcing, whether this be in South Sudan, Brazil or elsewhere.

An example beyond our borders, is Siemens and Scania. They have partnered to create an initiative called 'eHighway'. This innovative solution seeks to address the societal impacts of road freight traffic and avoid externalising societal costs.

At Sasol, we work to create a positive and measurable impact on our communities and society. Our approach is centred on our 'Promise to Society', which is to be a catalyst for positive change and creating shared value.

Sasol's purpose is: to innovate for a better world - and is our reason for being. Our values, connect us and serve as a common bond, that we are duty-bound to live up to each day. These are five liveable and actionable behaviours. Our people must Be Safe, Be Caring, Be Inclusive, Be Accountable and Be Resilient.

<CLICK TO SASOL SOCIAL IMPACT OVERVIEW SLIDE 3>

As one of South Africa's largest companies, I am proud of the contribution we make to society and believe it is emblematic of the positive impact organisations can have. I would like to highlight key aspects of what this contribution looks like and its impact.

In the past 2023 financial year Sasol contributed approximately two percent of Net Profit After Tax, which is slightly above the global norm of one percent.

With 1,4 billion rand in skills development in the past year, we are one of the largest investors in education and skills development in South Africa. Globally, we also invested over 850 million rand in socioeconomic and skills development:

We invest in multiple education initiatives, to support the development of technical and vocational skills, to address the shortage of critical skills needed in workplaces. Here, we reached more than 15 000 college learners and teachers.

Sponsorship of tertiary education through bursaries, technical education in schools, and teacher training underpins our initiatives to improve socio-economic conditions in our society. We also encourage employee volunteerism that make a positive impact on society.

On the environmental front, Sasol has committed to reducing our absolute scope 1 and 2 greenhouse gas emissions by 30% by 2030, from a 2017 baseline. This commitment will also see us improve our environmental footprint in other areas, such as air quality, through a

proposed integrated approach and enhancing energy efficiency.

We have procured over 600 megawatts in renewable energy, with another 600 megawatts expected by 2030

Similarly, our biodiversity disclosures were ranked seventh out of 294 JSE-listed companies and state-owned enterprises in the latest Biodiversity Disclosure Report released in June 2023.

Our commitment to ESG improvement saw us increase our Dow Jones Sustainability Index score from 54 to 62 and remain on track for further improvements in the years to come.

In economic terms, we contributed over 56 billion rand in taxes and royalties across all jurisdictions over the past five years. We remain one of the largest corporate taxpayers in South Africa with about R12 billion in direct taxes contributed to the fiscus in the last year.

Sasol's extensive capital expenditure is an opportunity for us to leverage our position for wider direct and indirect economic impact in South Africa. We have invested close to 100 billion rand in sustenance capital

in our South African assets over the last six years, with over 175 billion rand planned to be spent up to 2030.

Our commitment to transformation in South Africa is demonstrated through procurement from majority black-owned businesses of 42 billion rand, with 29 billion rand dedicated to black women-owned businesses.

These are some of the highlights of what Sasol has achieved in our quest in being a force for good. If we consider all the organisations represented here today, the collective impact on society by organisations with strong ethics and governance, is profound.

<CLICK TO THEMES SLIDE 4>

The role of business in building a better SA

I mentioned earlier the role of leaders transcending their businesses and organisations. As leaders, we are in a position to positively influence society. We all understand that South Africa is facing a confluence of profound challenges that require solutions far greater than any one organisation or leader can provide.

Together with more than 115 CEOs, I am deeply honoured to have signed a pledge underpinning our

collective belief in South Africa, and to assist in realising our country's potential.

The pledge states: "As South African business leaders, we firmly believe in the immense potential of our country. We are committed to building it and have come together to address the current challenges with the aim of achieving sustainable, inclusive economic growth. Through strategic partnerships and focused interventions, we have the power to make a significant and positive impact on our nation, creating hope for all South Africans. We are resolutely committed to being a force for good."

In being here today, I was asked to reflect on my involvement in the South African Government and Organised Business Partnership Initiative and what has been achieved.

This initiative was formed a few months ago bringing together the South African Government and organised business to work together to remove obstacles to inclusive economic growth and job creation. Organised business is represented by numerous CEOs under the oversight of Business for South Africa (B4SA), the implementation platform for Business Unity South Africa.

The three main areas of this initiative are: Energy, Transport and Logistics, and Crime and Corruption. The work is directed through the National Energy Crisis Committee (or NECOM for short), the National Logistics Crisis Committee, and the Joint Initiative to Fight Crime and Corruption. These structures are overseen by the Joint Strategic Operations Committee.

I participate in the Energy focus area where our goal is to end load shedding and improve energy security. We will achieve this by closing the current energy capacity gap through strategic cooperation and implementation of key projects to restore energy security.

Allow to me to share with you some of the progress made:

- Two weeks ago, we held the third in-person meeting with the President and 11 ministers to discuss the latest progress and key challenges. The Energy Council of South Africa also hosted the first business-to-business open forum. Over 70 business representatives attended the session to engage on steps being taken and progress made.
- Eskom gave a detailed overview of the power station turnaround plans, giving insights on the operational challenges and progress on the ground. While there remains much hard work ahead, there is increasing confidence that Eskom has implemented interventions that are stabilising the system.

- There are over 130 business volunteers participating in the business effort to support NECOM. They are engaging intensively with Eskom and government to develop detailed problem solving, system design and even mobilising capacity to support implementation.

Significant effort has gone into strengthening governance and there is open access by participating members, to ensure the role of business is transparent.

The importance of this partnership between government and business cannot be overestimated. It is testament to the dedication and will to do what is right for South Africa. We are driven to improve the lives of our citizens through sustainable and inclusive growth.

In conclusion

To conclude, being an ethical organisation is part and parcel of ensuring good corporate governance and long term sustainability. Driving an ethical culture starts at Board level and must be actively embedded by top leadership.

Being an ethical organisation isn't just a choice; it's our responsibility. By embedding ethics into our daily operations, we create a ripple effect that touches every corner of South Africa.

<CLICK TO THANK YOU SLIDE 5>

Together, let us be the catalyst for a new, reinvigorated era in South Africa – an era defined by ethics, integrity, and boundless possibilities.

I thank you