



TSOGO SUN GAMING

INTEGRATED ANNUAL REPORT
2020

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FORWARD LOOKING STATEMENTS

Certain statements in this document may constitute 'forward looking statements'. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Gaming Limited (previously Tsogo Sun Holdings Limited) and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements.

The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the group's auditors.



ABOUT THIS REPORT

REPORTING APPROACH

We are pleased to present our integrated annual report to our stakeholders. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy and our ability to create and sustain value into the future.

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS'), the South African Companies Act 2008, the JSE Listings Requirements, King IV and the international <IR> framework as applicable.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report has been provided through a combination of external and internal sources which will become more formalised in line with future guidance from the IIRC.

SCOPE AND BOUNDARIES

The contents of this document relate to the continuing operations of Tsogo Sun Gaming Limited for the 2020 financial year. The matters included address material issues for all our subsidiaries and associates and covers the year ended 31 March 2020 except where material post-balance sheet events have occurred post-year end. The process we utilised in determining and applying materiality is included on page 13 of the report. The scope and boundaries of environmental disclosures are defined on page 28.

FINANCIAL STATEMENTS

The full set of consolidated annual financial statements, including the report from our audit and risk committee and directors' report, are available online or can be requested directly from our Company Secretary at companysecretary@tsogosun.com.

BOARD APPROVAL

The board is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. The directors confirm that the company is in compliance with the Companies Act specifically relating to its incorporation and operating in conformity with its Memorandum of Incorporation. The directors confirm that they have collectively reviewed the output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report addresses the material issues, is a fair presentation of the integrated performance of the group and offers a balanced view of the group's strategy and how it relates to its ability to create value in the short, medium and long term. The board believes this report has been prepared in accordance with the international <IR> framework and approves the report for release. We welcome any feedback at companysecretary@tsogosun.com.



John Copelyn
Chairman



Chris du Toit
Chief Executive Officer

30 September 2020



SUNCOAST

BUSINESS OVERVIEW

GROUP OVERVIEW

OUR VISION

Our vision is to provide quality gaming, hospitality and leisure experiences at every one of our destinations.

WHO WE ARE

Tsogo Sun Gaming is Southern Africa's premier gaming and entertainment group.

As at 31 March 2020, Tsogo Sun Gaming owned and operated 13 premier casino and entertainment destinations in six provinces of South Africa, 23 Galaxy Bingo sites (21 bingo, one casino and one ISO) in six provinces of South Africa, VSLOTS limited payout machine (LPM) across all provinces; hotels, theatres, cinemas, a theme park, restaurants and bars and conference and banqueting facilities.

OUR GROUP STRUCTURE



OUR OWNERS

Our key shareholder at 31 March 2020 was Hosken Consolidated Investments Limited, a JSE listed investment holding company which directly and indirectly owned 49.5% of the shares, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 59% broad-based empowered ownership at group level.

STRATEGIC PRIORITIES AND GROWTH DRIVERS

STRATEGIC PRIORITIES

SUSTAINABILITY

DELIVER TO OUR BENEFICIARIES

- Current shareholding, corporate social investment and enterprise development programmes are effective

REGULATORY COMPLIANCE

- Day-to-day compliance excellence
- High awareness of potential regulatory risks

FINANCIAL STRENGTH AND DURABILITY

- Rebuild strong cash flow, reduce gearing and improve liquidity
- Own our assets

HUMAN RESOURCES

- Adequate resources and skills
- Engaged workforce

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

- Adequate maintenance capex
- Proactive marketing of products

GROWTH

- Extract efficiencies
- Continued cost focus
- New projects

FUTURE GROWTH DRIVERS

1

UPSIDE POTENTIAL FROM ECONOMIC RECOVERY

- Growth in gaming win as economy recovers
- Focus on costs to improve margins

2

EXPANSIONS/REFURBISHMENTS SHOULD DRIVE ADDITIONAL GROWTH

- Refurbishment, expansion and relocation of sites
- Optimisation of gaming equipment
- Additional licensed positions available

3

GAMING AND BETTING OPPORTUNITIES

- Online betting and gaming
- Technological advancements
- Acquisitions

BUSINESS MODEL

We create value through the operation of quality assets in leading locations in key markets and by investing in and building our portfolio across a range of consumer segments.

INPUTS

FINANCIAL CAPITAL

- Equity funding
- Debt funding
- Internally generated cash flows

SOCIAL AND RELATIONSHIP CAPITAL

- Licence to trade
- Community
- Customers
- Suppliers
- Partners

MANUFACTURED CAPITAL

- Relevant physical gaming, hotel and entertainment product
- Enabling technology
- Infrastructure

INTELLECTUAL CAPITAL

- Tsogo Sun Gaming brand
- Proprietary knowledge
- Systems and procedures

HUMAN CAPITAL

- Ethical values
- Engaged workforce
- Specialised knowledge and skill

NATURAL CAPITAL

- Physical locations
- Energy consumption
- Water consumption
- Biodiversity

ACTIVITIES AND PROCESSES

Divisions

Casinos 06

CORE BUSINESS

Owns, leases and operates gaming and entertainment complexes across South Africa

Bingo 08

CORE BUSINESS

Owns, leases and operates EBT sites across South Africa

Limited payout machines 08

CORE BUSINESS

Manages LPM sites across South Africa

STAKEHOLDERS 16

Regulators

Investors

Customers

Individuals

Partners

*Tenants
Landlords
Operators
Suppliers*

Community

Corporate social investment

OUTPUTS

Gaming and entertainment

- Slots
- Tables
- Electronic bingo terminals ('EBTs')
- Limited payout machines ('LPMs')
- Hotels
- Restaurants
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Theme park
- Entertainment

Environmental and social impacts

- Social impact
- Energy consumption
- Water consumption
- Waste

OUTCOMES LINKED TO STRATEGIC PRIORITIES

26 Deliver to our beneficiaries

- Stakeholder engagement
- Flow of economic benefits to:
 - Community
 - Socially beneficial organisations
- Returns to investors
- Taxation contribution to economy
- Environmental impact
- Transformation

30 Financial strength and durability

- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
- Long-term funding maturities

31 Product relevance to customer experience

- Customer satisfaction
- Customer value
- Customer loyalty
- Product distribution

33 Regulatory compliance

- Licence to trade

34 Human resources

- Job creation
- Employee engagement
- Employee development
- Employee wellness
- Employment equity

36 Growth

- Profit
- Improved margins
- Cash flow
- Capacity increases
- Developments and acquisitions

BUSINESS MODEL continued

TSOGO SUN CASINO GAMING

FOOTPRINT

as at 31 March 2020

	Ownership %				Group revenue contribution %	Group Ebitdar contribution %
		Tables	Slots	Hotel rooms		
Gauteng	100	166	4 120	889	40	45
KwaZulu-Natal	100	103	2 598	341	20	24
Mpumulanga	100	37	861	399	7	7
Western Cape	100	26	1 050	138	5	6
Eastern Cape	65	16	506	108	3	2
Free State	100	9	250	–	1	1
Other casino operations	100	–	–	–	2	(4)
Total 2020		357	9 385	1 875	78	81
Total 2019		357	9 465	1 752	79	83

Ebitdar is stated pre-internal management fees

Other gaming operations consist of the Sandton Convention Centre, head office and corporate costs and dividends from the GrandWest and Worcester casinos

KEY FEATURES

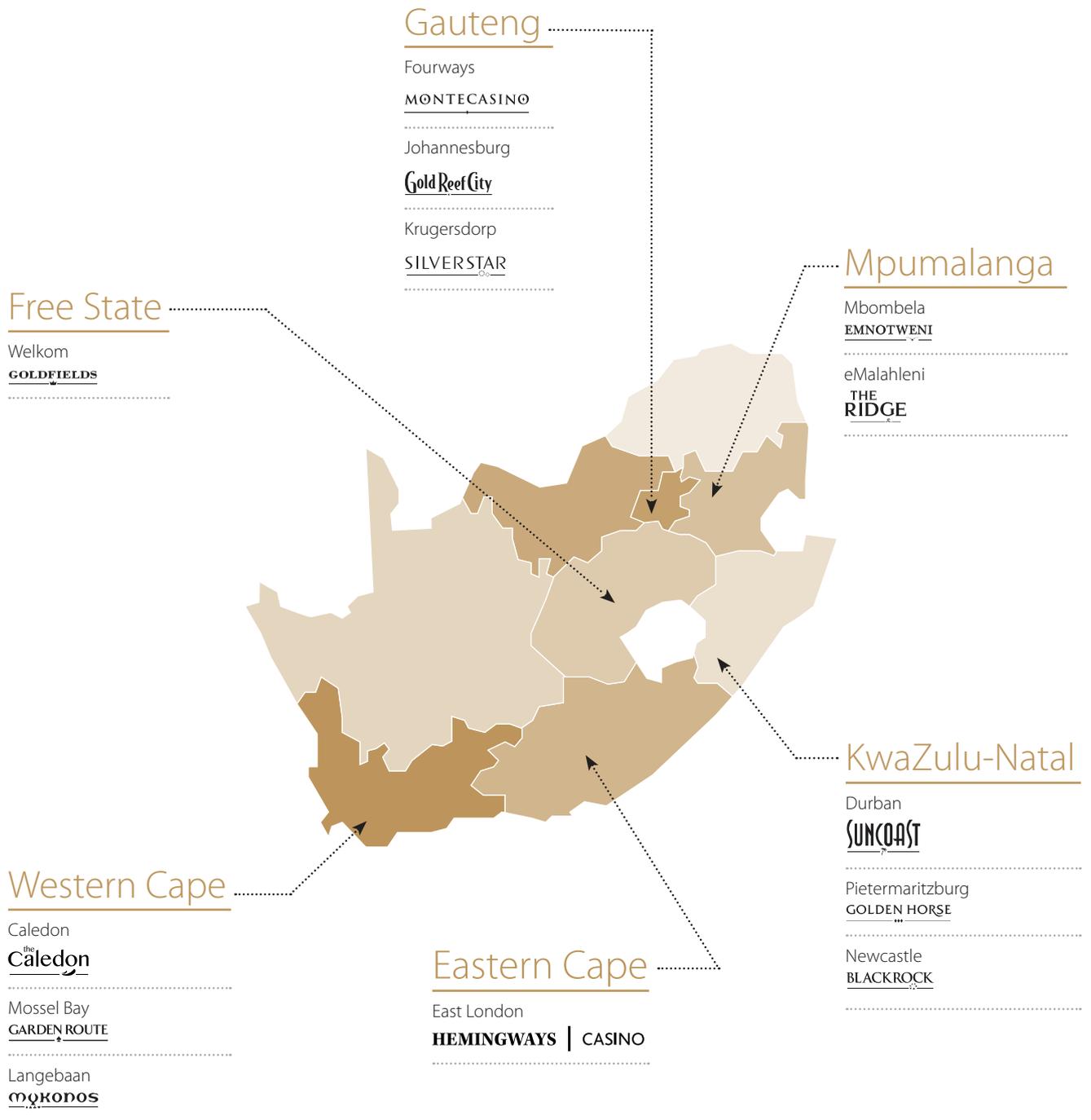
The casino division wholly owns most of its operations. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. The group also has a 20% equity interest in the GrandWest and Worcester casinos which are operated by Sun International.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex. With the vast majority of customers being locally based regular customers, an important component of our operating model is to ensure the properties remain fresh, attractive and interesting to visitors on an ongoing basis.

Management of mutually beneficial relationships with quality restaurant, retail and entertainment tenants is key to retaining footfall at our properties against other leisure offerings.

The customer rewards programme in the casino division rewards customers with status, benefits and recognition. The rewards programme is important as a significant proportion of gaming revenue is contributed by active reward club members.

Compliance with gaming regulations is critical to the retention of the casino licences and is discussed in the Regulatory compliance section.



BUSINESS MODEL continued

GALAXY BINGO AND VSLOTS

FOOTPRINT

as at 31 March 2020

	Galaxy				Galaxy gaming win contribution %	Vukani		Vukani gaming win contribution %
	EBT sites	Casino site	ISO site			sites	machines	
Gauteng	4	–	–		32	153	762	10
Eastern Cape	5	–	–		24	86	824	12
Western Cape	–	–	–		–	197	904	26
KwaZulu-Natal	5 ⁽¹⁾	–	–		14	236	1 065	19
Limpopo	3	–	–		11	141	856	13
Mpumalanga	2	–	1		8	121	616	9
North West	2	–	–		8	81	654	5
Free State	–	–	–		–	91	386	4
Northern Cape	–	1	–		3	36	160	2
Total 2020	21	1	1		100	1 142	6 227	100
Total 2019	20	1	1			1 144	6 058	
Machines (EBTs, slots and LPMs)	3 982	162	40		4 184			

	Group revenue contribution %	Group Ebitdar contribution %
Total 2020	22	19
Total 2019	21	17

⁽¹⁾ Operating as an EBT site and includes an ISO (40 LPM) site

KEY FEATURES

Galaxy Bingo

Galaxy offers bingo through EBTs and operates the Oasis Casino located in Kuruman, Northern Cape. As at 31 March 2020, Galaxy operated and managed 23 sites including 16 bingo sites with EBTs, five sites with EBTs and LPMs, one ISO with 40 LPMs and one casino. Machines under management include 3 749 EBTs (2019: 3 507), 233 LPMs (2019: 200) and 162 casino gaming positions (2019: 162). During April 2019, a site with EBTs and LPMs opened in Pinetown.

There are an additional two licences in KwaZulu-Natal that are not yet operational. Numerous court cases that may impact the bingo licences in KwaZulu-Natal, Eastern Cape and North West remain pending.

Empowerment shareholding is at a site level which provides access to the licences and the group holds interests of between 29% and 100% in each site and runs the operations of all sites.

The bingo sites and the associated food and beverage outlets operate mainly in leased premises at shopping centres.

The majority of the EBTs are leased.

VSlots

VSlots offers LPM gaming services and manages 6 227 (2019: 6 058) LPMs at 1 142 sites (2019: 1 144) throughout all the provinces of the country. The sites are located in pubs, bars, clubs, hotels, taverns and bookmakers and the group provides the sites with access to LPMs with a full support structure. The sites are monitored by a national central

electronic monitoring system to maintain a well-regulated gaming industry for site owners and their customers.

Growth is achieved through the roll out of additional sites and the optimisation of existing sites in terms of location and product mix. There are significant barriers to entry, including the stringent requirements and time delays in obtaining the necessary licences and a limited number of licences are available for each province.

NORTH WEST**Galaxy**

Brits
Moruleng

VSlots

654 LPMs

GAUTENG**Galaxy**

East Rand Mall
Greenstone
River Square
The Marco Polo

VSlots

762 LPMs

LIMPOPO**Galaxy**

Bochum
Musina
Tzaneen

VSlots

856 LPMs

FREE STATE**VSlots**

386 LPMs

MPUMALANGA**Galaxy**

Hazyview
Tonga
Nelspruit⁽¹⁾

VSlots

616 LPMs

NORTHERN CAPE**Galaxy**

Grand Oasis Casino

VSlots

160 LPMs

KWAZULU-NATAL**Galaxy**

Amanzimtoti⁽²⁾
Gateway⁽²⁾
Pavilion⁽²⁾
Pinecrest⁽²⁾
South Coast Mall⁽²⁾

VSlots

1 065 LPMs

WESTERN CAPE**VSlots**

904 LPMs

EASTERN CAPE**Galaxy**

Butterworth
Gonubie
King William's Town
Port Elizabeth
Uitenhage

VSlots

824 LPMs

⁽¹⁾ Operating as an ISO (40 LPM site)

⁽²⁾ Operating as a bingo and LPM site

THE ENVIRONMENT WITHIN WHICH WE OPERATE

REGULATORY

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation, rulings, practices and policies. Gaming legislation remains the group's primary compliance focus, although this regulatory framework is well entrenched and remains relatively stable.

The National Gambling Amendment Bill was revived by the National Council of Provinces during October 2019. The risks in the bill include the costs of implementing a potentially costly National Central Monitoring System which is unnecessary as all casino and bingo operations already have monitoring systems.

There is no clarity as to government's future policy with regards to prohibiting smoking in public places. The total ban on smoking in public places had a significant short-term impact on gaming win in other countries where it has been implemented. In South Africa the impact may be more severe due to the prevalence of illegal gambling.

The group has appealed the High Court judgment that dismissed the application to review and set aside the Western Cape Gambling Board's imposition of a level 4 B-BBEE contributor status as a condition of licence. The group continues to pursue the opportunity of the potential relocation of an outlying casino to within the Metropole.

The maximum number of bingo licences is currently not regulated by the National Gambling Act which may result in the uncontrolled proliferation of licences by the provincial gambling boards which would not be good for the bingo industry. Numerous legal challenges to the award of bingo licences in KwaZulu-Natal, the Eastern Cape and the North West continue and the outcome remains uncertain.

The gaming industry in South Africa is highly regulated, both at national and provincial level, and thus has high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa, and each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act currently limits the number of casino licences that may be granted to 41 for South Africa as a whole.

The approval of an additional casino licence in the North West province potentially increases the risk of additional licences in other provinces and the approval by the Gauteng Gambling Board of Sun International's relocation of its Morula licence to Menlyn in Pretoria potentially increases the likelihood of the relocation of other casino licences.

With the exception of the group's Eastern Cape-based licences, casino licences are issued for an indefinite period, subject to payment to the relevant provincial board of the applicable annual licence fees and continued suitability and compliance with licensing conditions. The National Gambling Act does not currently limit the number of gaming and betting licences except for casinos and LPMs.

ECONOMIC ENVIRONMENT

The underlying operations of the group remain highly geared towards the South African consumer. The Covid-19 pandemic continues to impact negatively on the world economy and particularly on emerging markets currency and equity markets. Consumer discretionary spend is under considerable pressure which is anticipated to worsen as unemployment rises.

Business confidence is at record low levels due to the economic impact of the Covid-19 pandemic and associated regulations, the energy supply concerns, political uncertainty, low levels of economic growth, high levels of household debt and above inflationary increases in municipal rates, electricity and water, in addition to the costs of mitigating the supply constraints.

INDUSTRY

Gaming

The formalisation of the industry has provided substantial benefits to the country through the collection of taxes and levies, the development of gaming and entertainment complexes, hotels and tourism infrastructure including the creation of employment, CSI initiatives and transformation.

The South African formal gaming market is made up of casinos, sports betting, LPMs, bingo and the national lottery.

Casinos operate in different markets, each with its own catchment area.

LPMs are principally located in bars, restaurants, hotels, taverns and bookmakers. LPMs growth will be driven by the rollout of additional sites and by the optimisation of individual site locations and machine mix within sites. Bingo growth will be driven by expansion and optimisation.

Growth in online sports betting is currently strong.

Illegal land-based gambling sites are impacting casino, bingo and LPM revenues and impact government through reduced taxes and society through lost employment opportunities, reduced CSI initiatives and impaired consumer protection. Closing down illegal operators remains a significant challenge and more effort is required from the gambling board, dti, SARS, law enforcement agencies and banking institutions in stopping illegal gambling transactions and raiding and closing down illegal land-based sites.

TECHNOLOGY

Technology continues to support the requirements of the business and plays an integral role in achieving key business objectives, with significant emphasis being placed on core systems, infrastructure, analytics, business intelligence, digital platforms, information security and automation.

As the technology landscape continues to change, the focus will be to provide technology that is flexible, scalable and secure. Technology investments are continuously assessed against latest trends and developments which are strategically aligned to the requirements of the business.

The Covid-19 pandemic necessitates new ways of doing business, by making use of the innovative technologies and platforms available.

The technology trends most relevant to our industry include:

- online digital platforms;
- mobile applications;
- contactless customer solutions and technologies;
- implementation of Robotic Process Automation ('RPA'), in an effort to improve productivity and contain costs;
- cost-effective and robust IT Infrastructure and data centre models;
- implementation of Artificial Intelligence ('AI'), to gain further insights through data analysis and optimise opportunities;
- increase in Cloud adoption; and
- greater demand for online communication and collaboration tools.

CONSUMER PREFERENCES

In order for gaming businesses to deliver quality experiences, facilities and services must be relevant to what customers want and are prepared to pay for. Consumer preferences range from the technology preferences noted previously to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings and types of entertainment. Public recognition of brands and their associated reputation are important in attracting and retaining customers.

SOCIETAL ISSUES

The weak economic environment, along with political factors and energy supply concerns, continue to fuel uncertainty which discourages investment and impacts the high unemployment level and low growth rate in South Africa.

The gaming businesses provide benefits in the highly regulated industry through significant tax contributions, infrastructure development, creation of employment, wealth distribution to black economic empowered businesses and PDI shareholders and social investment. These benefits are, however, not provided by illegal land-based or illegal online gambling sites and more effective policing and prosecution is required to achieve the benefits. In addition, the illegal sites are not regulated and the issues of problem gambling and the proliferation of gambling is not controlled.

ENVIRONMENTAL ISSUES

The gaming businesses pose limited risks to the environment due to the service nature of the industry. The group operates predominantly in urban areas, which further reduces the biodiversity impact. The main environmental impacts of the group are the consumption of energy and water, the production of waste and travel of guests to our properties. The greater challenges to the gaming industry currently are the rising utility costs and uncertainty of the current supply of energy and the future supply of water.

BUSINESS MODEL continued

OUR CAPITALS

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business.

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems, supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately value.

We have identified our most important capitals below and our strategy in action section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.

Capitals	Utilisation of the capitals	Reference
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund growth.	CFO's review Financial strength and durability
Social and relationship	Quality relationships with our key stakeholders is vital to the long-term sustainability of Tsogo Sun Gaming. Popular misconceptions about the gaming industry within which Tsogo Sun Gaming operates can significantly impact the group's reputation and value generation ability. Building trust and credibility with our key stakeholders is key to retaining our social and regulatory licence to operate.	Key relationships Deliver to our beneficiaries Regulatory compliance
Manufactured	Our focus remains one of delivering great experiences to the customers we serve at every touchpoint throughout all our casinos, VSlots and Galaxy Bingo sites. To achieve this, we strive to bring relevant product offerings to our various customer segments. Changes are made to slots, tables and other gaming products on an ongoing basis in response to customer demand, feedback and usage. Our sites are strategically and conveniently situated, primarily in urban locations for customer convenience. Significant spend is continuously invested into developing and maintaining our product and offerings to keep them relevant and fresh.	Casino gaming, bingo and LPM footprints Product relevance to customer experience Growth
Intellectual	Our Tsogo Sun Gaming brands underpin the quality experiences of our customers. We are consistently striving to innovate our product offerings, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	Product relevance to customer experience
Human	People are at the core of delivering the Tsogo Sun Gaming experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.	Human resources
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	Deliver to our beneficiaries

MATERIALITY, MATERIAL RISKS AND OPPORTUNITIES

DETERMINATION OF MATERIALITY

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments. The interests of the providers of financial capital are, however, largely aligned with other key stakeholders in that they also are focused on the creation of value in the long term.

In determining which matters are material for disclosure in our integrated annual report we have considered whether the matter substantively affects, or has the potential to substantively affect, our strategy, our business model or the forms of capital we utilise and ultimately our ability to create value over time.

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities included below informed the identification and prioritisation of the material matters for inclusion in the integrated annual report.

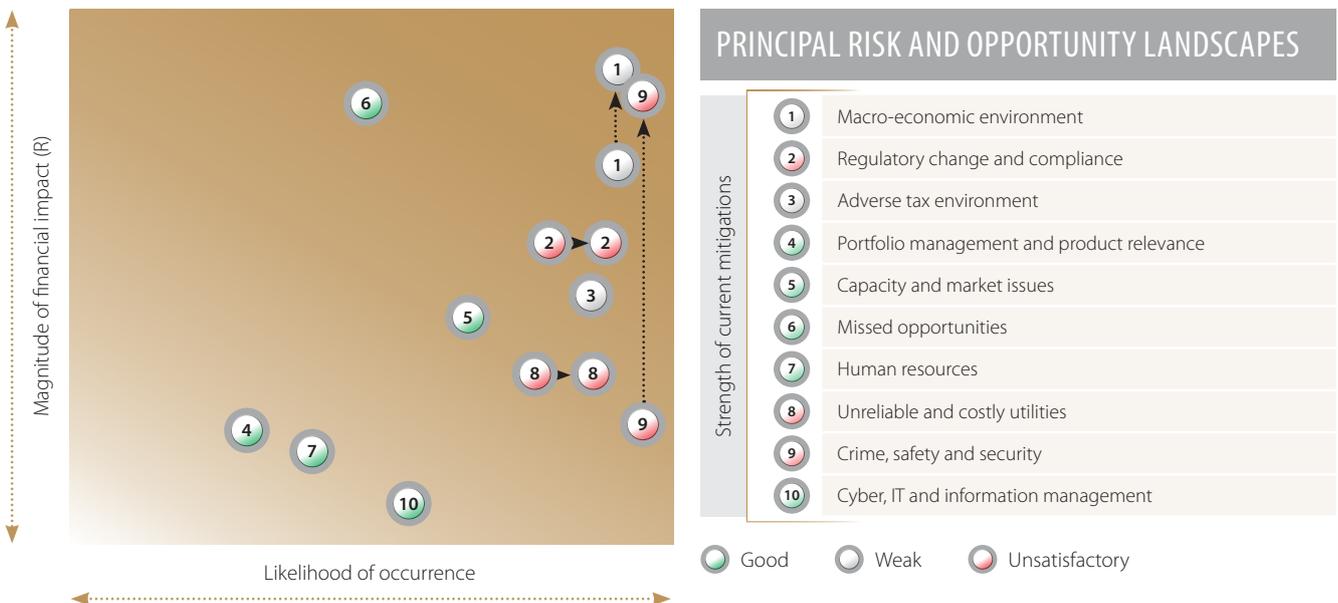


MATERIAL RISKS AND OPPORTUNITIES

The risk management process followed in identifying the group's top risks and opportunities is included on page 47. The matrix reflecting the assessment of movement in the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities over the year is noted below. The specific risks and opportunities within each risk landscape (in order of assessed residual risk), their potential impact and the group's risk responses are noted on pages 14 and 15.

TSOGO SUN GAMING GROUP RISK AND OPPORTUNITY LANDSCAPE MOVEMENT

from March 2019 to March 2020



MATERIALITY, MATERIAL RISKS AND OPPORTUNITIES continued

Principal risk landscapes	Specific risks we face	Potential impact
Macro-economic environment	<ul style="list-style-type: none"> • Growth negatively affected by macro-economic factors • Declining customer discretionary spend • International geopolitics impact the economy • Increased funding costs due to ratings downgrade and Covid-19 • Casinos relying on single-industry communities • Concentration of operations in South Africa 	<ul style="list-style-type: none"> • Lower revenue growth and profitability • Increased funding costs
Regulatory change and compliance	<ul style="list-style-type: none"> • Additional gaming licences or relocation of existing gaming licences • National Central Monitoring System • Aggressive regulatory authorities and penalties • Legislative changes including smoking and liquor laws • Changes in casino licensing conditions • Bingo legislative issues and legal challenges • Changing B-BBEE requirements • Increased complexity of compliance, eg POPIA, CPA and FICA • Loss of licences • Illegal gambling 	<ul style="list-style-type: none"> • Lower revenue, higher costs and reduced profitability • Uncertain operating environment resulting in frozen investment spend
Adverse tax environment	<ul style="list-style-type: none"> • Potential increased national and provincial gaming taxes • Increased rates and property taxes • Aggressive tax authorities • Increase in personal taxes • Possible additional VAT increases 	<ul style="list-style-type: none"> • Reduced profitability • Uncertain operating environment resulting in frozen investment spend • Increased cost of compliance
Portfolio management and product relevance	<ul style="list-style-type: none"> • Customers choose other leisure options • Technology and social trends • Product relevance in target markets • Lack of maintenance leading to obsolete product 	<ul style="list-style-type: none"> • Reduced income and profitability • Reduced footfall and customers and thus gaming win • Disruption to operations and reduced profitability
Capacity and market issues	<ul style="list-style-type: none"> • Proliferation of illegal gambling • Fixed-cost nature of the business • Roll out of other gaming licences on an uncontrolled basis • Interactive gaming and sports betting 	<ul style="list-style-type: none"> • Lower revenue growth and profitability • Reduction of tax collections
Missed opportunities	<ul style="list-style-type: none"> • New gaming opportunities • Developing revenue drivers and increasing footfall • Optimising inhouse resources, outsourced contracts and further cost savings • Operating procedure simplification and centralisation/decentralisation • Optimising, marketing, loyalty programme and inactive customers 	<ul style="list-style-type: none"> • Lower revenue growth and profitability • Missed revenue and cost reduction opportunities
Human resources	<ul style="list-style-type: none"> • Employment equity challenges at senior levels • Changes in labour legislation • Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to strikes and unrest • Lifestyle diseases and pandemic • Limited pool of qualified, trained and talented staff 	<ul style="list-style-type: none"> • Failure to meet B-BBEE targets • Reduced customer satisfaction, disruption to operations and reduced profitability • Work stoppages, reduced profitability and reputational impacts
Unreliable and costly utilities	<ul style="list-style-type: none"> • Unreliable electrical supply including diesel usage, equipment damage and reduced footfall • Municipal infrastructure degradation • Unreliable water supplies • Rise in electricity and water costs 	<ul style="list-style-type: none"> • Disruption to operations and reduced profitability • Machinery breakdown
Crime, safety and security	<ul style="list-style-type: none"> • Pandemic outbreak • Casino and hotel robberies/follow-home robberies • Major violent incidents • Fraud by employees/from external sources 	<ul style="list-style-type: none"> • Lower revenues, increased cost and lower profitability • Reputational risk
Cyber, IT and information management	<ul style="list-style-type: none"> • Hacking and hacktivism • POPI compliance • Social media risks including abuse by staff leading to reputational issues • Loss of information 	<ul style="list-style-type: none"> • Reputational risk • Fines and penalties • Reduced income and profitability

 Extreme
  High
  Moderate
  Low

Risk responses

- Revise strategic priorities
- Review organisational structures
- Further focus on cost reduction
- Renewed and focused marketing and promotions
- Reward programmes

- Engage authorities, including gambling boards
- Submit comments to law makers through formal comment structures
- Robust compliance procedures
- Engage lawmakers through employer and industry bodies
- Litigate where required
- Comprehensive B-BBEE programme

- Communicate with government
- Inform legislators regarding gaming impact
- Lodge of appeals on assessments and property valuations
- Robust compliance procedures

- Overview of markets
- Interaction with local authorities
- Investment in facilities and maintenance capex to ensure relevance
- Market research to timeously spot trends
- Partnerships with other leisure suppliers
- Social media interaction

- Review organisational structures
- Further focus on cost containment
- Interaction with gambling boards and city officials
- Monitoring returns on new businesses
- Engage with shareholders
- Pressure on gaming boards and government to curtail illegal gambling

- Proper and robust evaluation of all new opportunities
- Non-financial due diligence of opportunities
- Monitoring returns on new businesses
- Review organisational structures
- Further focus on cost reduction

- Retention of staff through appropriate remuneration structures
- Engage with and empower staff
- Fast track and develop talented staff
- Performance-driven culture
- Focused employment-equity strategy
- Labour rate parity

- Demand-side management programmes to reduce consumption
- Water handling/storage capacity for emergency supply
- Self-reliance on generators for emergency electricity supply

- Implementation of extensive hygiene and safety protocols
- Physical security and surveillance procedures and crime intelligence
- Coordination with the South African Police Service
- Internal control frameworks and internal audit procedures

- IT security
- Payment card industry standard compliance
- Review of online transaction opportunities and website rewrite
- Increased IT auditing and assurance

Associated strategic priorities

- Financial strength and durability
- Growth

- Deliver to our beneficiaries
- Regulatory compliance

- Deliver to our beneficiaries
- Regulatory compliance
- Growth

- Product relevance to customer experience
- Growth

- Growth
- Deliver to our beneficiaries

- Growth

- Human resources
- Deliver to our beneficiaries

- Product relevance to customer experience
- Growth

- Regulatory compliance
- Growth

- Regulatory compliance
- Growth

KEY RELATIONSHIPS

We create value through our relationships with our stakeholders. Building trust, mutual respect and credibility with our stakeholders is vital to our long-term sustainability.

We have taken our stakeholders' views into account in formulating our strategic priorities and report content.

The most significant stakeholder issue during the 2020 financial year, which continued into the 2021 financial year, was the Covid-19 pandemic and the consequent regulations implemented by government. The extended lockdown and subsequent announcement of opening the economy in line

Stakeholder group	Why it is important for us to engage
Macro-economic environment	Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns
Government and regulatory bodies	Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues
Customers	We need to understand our customers' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue
Communities	Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability
Employees and unions	Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy
Suppliers, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent customer experiences

with certain alert levels resulted in the group not being able to open its business for an extended period of time which impacted lenders through increased risk and the deferral of interest payments, shareholders through the cessation of the payment of dividends, gaming boards as no gaming levies were paid, government through reduced VAT, income tax and PAYE, customers by being denied access to our sites, our communities through reduced CSI and enterprise development spend, our employees and unions through reduced incomes and lost employment, our suppliers through reduced procurement, our tenants as they were unable to trade and our landlords where rentals were reduced.

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

How we engage with our stakeholders	Our stakeholders' key interests	Associated strategic priorities
<ul style="list-style-type: none"> • JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual general meetings • Dedicated analyst and investor presentations • One-on-one meetings • Tsogo Sun Gaming website 	<ul style="list-style-type: none"> • Sustainable growth and returns on investment • Dividends • Risks and opportunities of expansion • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing • Security of tenure over properties • Independence of the board 	<ul style="list-style-type: none"> • Financial strength and durability • Growth
<ul style="list-style-type: none"> • Establish constructive relationships • Comment on developments in legislation • Participate in forums • Written responses in consultation processes • Presentations and feedback sessions • Regulatory surveillance, reporting and interaction • Membership of industry bodies, eg CASA 	<ul style="list-style-type: none"> • Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption 	<ul style="list-style-type: none"> • Regulatory compliance • Deliver to our beneficiaries
<ul style="list-style-type: none"> • Satisfaction surveys • Rewards programme • Website and Facebook engagement • One-on-one interaction 	<ul style="list-style-type: none"> • Quality product • Consistent quality experience • Simpler and quicker to deal with us • Value offerings • Long-term security of supply • Recognition for loyalty 	<ul style="list-style-type: none"> • Product relevance to customer experience • Deliver to our beneficiaries • Growth
<ul style="list-style-type: none"> • Events and sponsorships • Media channels • Corporate social investment initiatives • National Responsible Gambling Programme 	<ul style="list-style-type: none"> • Investment in disadvantaged communities • Employment opportunities • Sponsorships • Responsible gaming 	<ul style="list-style-type: none"> • Deliver to our beneficiaries • Growth
<ul style="list-style-type: none"> • Communication and posters • Induction programmes • Ongoing training and education • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings 	<ul style="list-style-type: none"> • Job security • Engagement • Performance management • Health and safety performance • Career planning and skills development • Preferred employer 	<ul style="list-style-type: none"> • Human resources • Growth
<ul style="list-style-type: none"> • One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums and showcases 	<ul style="list-style-type: none"> • Timely payment and favourable terms • Fair treatment • B-BBEE compliance 	<ul style="list-style-type: none"> • Deliver to our beneficiaries • Growth

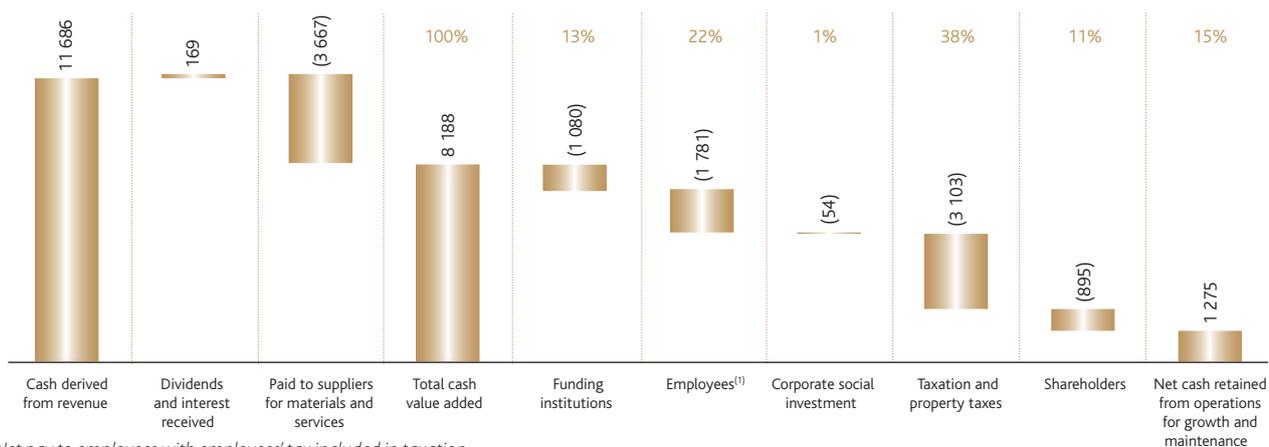
KEY RELATIONSHIPS continued

In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

- returns for our shareholders and funding institutions;
- substantial income tax, dividend taxes, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- corporate social investment within the communities we serve;
- employment within the communities we serve;
- sustainable business for our national and local business partners and suppliers which creates wealth and additional employment; and
- continuous investment to maintain our portfolio of properties.

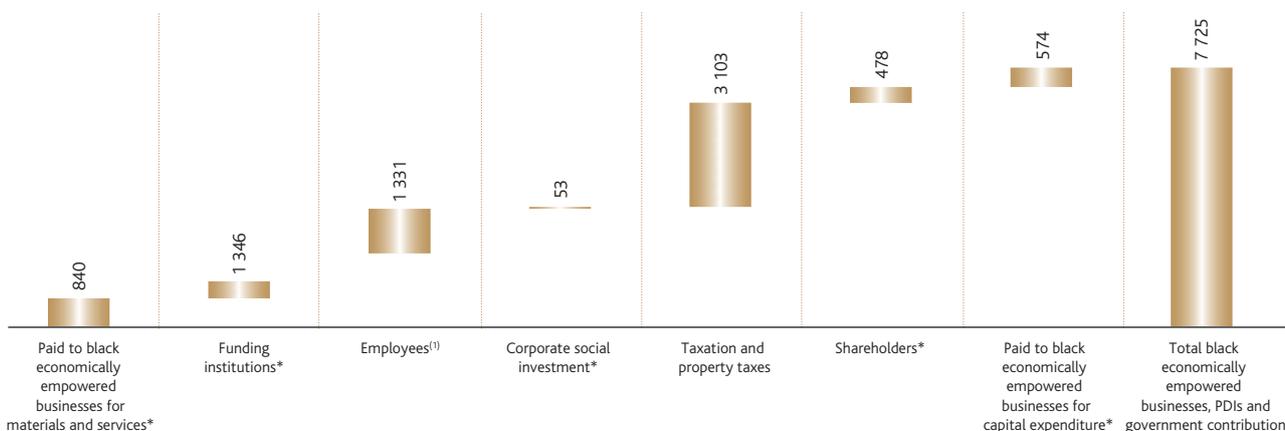
A substantial portion of the value added wealth generated by the group is spent with/distributed to black economically empowered businesses, PDIs and government. The value added by the group and the contribution to black economically empowered businesses, PDIs and government is as follows:

VALUE ADDED FOR THE YEAR ENDED 31 MARCH 2020 (Rm)



⁽¹⁾ Net pay to employees with employees' tax included in taxation

VALUE ADDED TO BLACK ECONOMICALLY EMPOWERED BUSINESSES, PDIs AND GOVERNMENT FOR THE YEAR ENDED 2020 (Rm)



* As per the Department of Trade and Industry tourism sector code

⁽¹⁾ Net pay to employees with employees' tax included in taxation



PERFORMANCE AND OUTLOOK

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW



Reporting this year is more difficult than ever. Our maiden results as a focused gaming and entertainment group, Tsogo Sun Gaming, with exciting prospects for the future, ended up being adversely affected by the biggest pandemic disaster in a century. We realise it may be some time before 'normal' returns, however we have to weather the storm and ensure that we emerge stronger after the crisis.

John Copelyn
Chairman

Chris du Toit
Chief Executive Officer

RESULTS

The gaming business is managed in three separate divisions, Casinos (under Tsogo Sun Gaming), Bingo (Galaxy Bingo) and LPMs (VSlots). The negative impact of the Covid-19 pandemic and government's regulatory restrictions affected all divisions, but particularly casinos, with higher fixed cost.

We are pleased that regardless, the group achieved a solid set of results, with total income of R11.7 billion ending 1% above the prior year, Ebitda 3% above the prior year and Ebitdar down 1%. Operating expenses increased by only 2% partly due to cost-saving initiatives and a reduction in variable cost as a result of the reduction in revenue for the last part of March.

The reduction in continuing operations adjusted headline earnings to R1.4 billion (14% down) and similar reduction of adjusted HEPS to 134.5 cents, were expected with the additional interest on debt taken on in 2019 and the depreciation cost of the Suncoast development.

CURRENT STATUS

Debt levels of Tsogo Sun Gaming peaked at R12.1 billion in July 2020. The business turned cash positive since August, which should reduce the NIBD including guarantees to approximately R11.9 billion for the interim reporting period.

We are positive that (provided there are no further setbacks) we have turned the corner and should be able to accelerate the reduction of debt until year end.

Our LPM division particularly is recovering quickly since the reopening of restaurants and bars, while the Bingo and Casino divisions will benefit significantly from the relaxation of the curfew.

STRATEGIC PRIORITIES

The strategic priorities listed below to reposition the business will continue in the new financial year, with specific focus to deliver a business that can recover quickly, reduce debt levels and grow again post-Covid-19.

Operating cost

The focus on cost reduction yielded positive results during the year and some of the savings will continue to filter through to the 2021 financial year.

With the severe impact of Covid-19, especially post-year end, the next phase of cost reduction is inevitable, thereby ensuring the business recovers from the increase in debt, without having traded for over three months and restrictive or negatively impacted trading for some time to come.

Staff cost in particular has escalated over the past five years, while casino growth was muted and even negative in some instances. A large amount of unnecessary expenditure has already been eliminated during the year under review. Many additional areas of savings have been identified, some pure cost reduction and other new initiatives for future benefits.

We believe these initiatives will result in long-term benefits to the group and accelerate the recovery to a sustainable and profitable business.

Efficiency

We are pleased that efficiency projects during the year created more focus, especially at head office level. Redundant positions were terminated, hierarchies flattened and accountability improved with separate identifiable and measurable areas of responsibility.

The next phase of efficiency improvements will be completed during the 2021 financial year when duplication of roles within regions will be evaluated and new processes of managing these are implemented.

Capex

Changes to the capex processes aim to achieve a gaming orientated approach, to reduce the general cost of projects and to optimise revenue benefit commensurate to spend.

With the Covid-19 crisis, some potential revenue generating capex projects will be negatively impacted due to the lack of funds. This is unfortunate, but at least an improved cash allocation culture will remain for the future.

Debt

Budgets completed in March 2020 indicated that a significant reduction in debt was achievable in 2021. It is frustrating that the spiralling increase in debt post-year end as a result of Covid-19 will require time to recover. The lenders have agreed to the waiving of financial covenants initially for the September 2020 measurement period and deferring interest payments to provide the group with additional liquidity. It is expected that waivers for March 2021 and September 2021 would still be required.

We remain committed to rebuild a strong cash-generative business with reduced debt levels, providing more flexibility and less risk in future. The optimum level of debt needs to be determined which should be significantly lower than the current position.

Opportunities

Some opportunities pursued during the year will inevitably be delayed and the product/equipment improvement project unfortunately coincided with the Covid-19 lockdown.

Entry into the separate betting segment of the market is an exciting new prospect for the group. This will provide access to some online products. Online gambling for casino licensees remains a growth area for the future, provided this is responsibly regulated by government to protect employment and investment of existing casino complexes.

Challenges

The most significant challenge to the gaming industry remains illegal gambling. There are effectively illegal gambling establishments in almost every town of substance or city.

The National Gambling Board should be focusing on combatting illegal gambling. Unfortunately instead, they continue to pursue the introduction of central monitoring systems for licensees already equipped with state-of-the-art systems regulated by provincial regulatory authorities. This could result in substantial additional cost to licensees.

Potential changes to smoking legislation also remains a significant threat to land-based operations. Any provincial tax increase could also be a setback.

PROSPECTS

The 2021 financial year will become known as a year of survival and recovery. The first half included a quarter without revenue and a second quarter of aligning the cost base to a lower revenue level on a sustainable basis. The second half, provided there are no further set-backs such as another lockdown, should focus on debt reduction through excess cash generation. Attention will remain on the strategic priorities identified, some only bearing fruit in 2022. The business is currently still operating under capacity restrictions.

GOVERNANCE

Our reporting on our application of the King IV principles, is integrated into our report. The board has a collective commitment to leading ethically, acting in good faith and in the best interests of the business. The board's responsibility for the governance of ethics includes oversight of the social and ethics committee.

APPRECIATION

We wish to thank the board for their contribution during the year and extend appreciation to all our employees during these difficult times. Never could we have foreseen how our lives would change in such a short period of time.

To our customers, thank you for remaining loyal to us. We will continue to provide market-leading entertainment.

SPECIAL APPRECIATION – MSI GANI ('MAC')

Mac's health took a severe turn for the worse, obliging him to relinquish his position on the board. He has been a truly great asset to the company, and it will be exceptionally difficult to replace him. We wish Mac only the best and hope he will recover his health over time.



John Copelyn
Chairman

30 September 2020



Chris du Toit
Chief Executive Officer

30 September 2020

CHIEF FINANCIAL OFFICER'S REVIEW



Annelize Hoyer
Chief Financial Officer

We measure our creation of shareholder value through the increase in adjusted headline earnings per share and the generation of free cash, our efficiency through Ebitdar margin and our financial risk through our net debt:Ebitda ratio and unutilised net facilities.

The group was on track to show growth on the prior year until the spread of the Covid-19 pandemic and government's subsequent regulatory restrictions negatively impacted the business. The lenders have agreed to the waiving of financial covenants for the September 2020 measurement period and deferring interest payments for three quarters to provide the group with additional liquidity.

HIGHLIGHTS

Income R11.7 billion	↑	1%
Ebitdar R4.0 billion	↓	1%
Ebitdar margin 34.2%	↓	0.5pp
Ebitda	↑	3%
Adjusted HEPS 134.5 cents	↓	14%

OVERVIEW

The group unbundled its entire holding in Tsogo Sun Hotels Limited ('THL') to its shareholders on 14 June 2019 by way of a distribution *in specie*. The effective disposal date when the board approved the distribution was on 23 May 2019, and, in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the group has accounted for the hotels division as held for distribution to

owners. The commentary that follows thus relates to the gaming business remaining in the group.

This report should be read in conjunction with the consolidated financial statements available separately on our website which sets out the financial position, results and cash flows for the group for the financial year ended 31 March 2020.

The adoption of IFRS 16 *Leases* with effect from 1 April 2019 resulted in an increase in Ebitdar of R14 million, a decrease in property rentals of R108 million, an increase in depreciation by R60 million and an increase in interest expense by R44 million.

Commentary on growth during the year is included in the Segmental Operational performance on page 36 to 38.

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the Financial strength and durability section.

INCOME STATEMENT FOR THE YEARS ENDED

	31 March 2020 Rm	31 March 2019 Rm	Change %
Continuing operations			
Income	11 686	11 619	1
Gaming win Revenue	9 846	9 821	–
Rooms	490	490	–
Food and beverage	647	648	–
Other revenue	445	433	3
Other income	258	227	14
Ebitdar	3 993	4 031	(1)
Casinos	3 368	3 494	(4)
Bingo	287	238	21
LPMs	456	441	3
Other gaming operations	(118)	(142)	17
Ebitdar margin (%)	34.2	34.7	(0.5pp)
Long-term incentives	37	(3)	*
Property rentals	(25)	(132)	81
Ebitda	4 005	3 896	3
Amortisation and depreciation	(881)	(738)	(19)
Exceptional items	(2 097)	(29)	*
Net finance costs	(1 242)	(811)	(53)
Associates	10	7	*
Income tax	(82)	(644)	*
(Loss)/profit for the year	(287)	1 681	*
Non-controlling interests	(46)	(41)	*
Attributable (loss)/earnings	(333)	1 640	*
Adjustments	1 753	22	*
Adjusted headline earnings	1 420	1 662	(14)
Weighted number of shares in issue (million)	1 056	1 058	–
Adjusted HEPS (cents)	134.5	157.1	(14)

* Variance not meaningful

REVIEW OF OPERATIONS

The spread of the Covid-19 pandemic and government's subsequent regulatory restrictions negatively impacted the business. Trading until Sunday, 15 March 2020 was solid and the group was on track to show growth on the prior year. The negative impact became directly evident following the President's speech and deteriorated significantly with sites operating with limited capacity due to increasing regulatory restrictions. As a result of the lockdown measures announced on 23 March 2020 all sites were closed to the public by Wednesday, 25 March 2020 to allow for the properties to be secured.

Total income for the year of R11.7 billion ended only 1% above the prior year mainly as a result of the impact of the regulatory restrictions implemented in response to the Covid-19 pandemic during March 2020 which reduced the annual income growth by approximately 3%.

Operating expenses, including gaming levies, VAT and employee costs, but excluding exceptional items and long-term incentives, increased by only 2% on the prior period mainly due to the focus on reducing casino and head office overheads and the reduced trading during March 2020.

Ebitdar at R4.0 billion was 1% down on the prior year as a result of the negative impact in the last two weeks of March due to Covid-19.

Long-term incentives

The long-term incentive release for the year on the cash-settled incentive scheme of R37 million values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group.

Amortisation and depreciation

Amortisation and depreciation of R881 million is 19% up on the prior year due mainly to the capital spend at Suncoast Casino during the prior year and the effect of the adoption of IFRS 16.

Exceptional items and adjustments

Exceptional losses of R2.1 billion for the year relate mainly to impairments of intangibles of R1.9 billion which is a result of the adjusting post-balance sheet event of the extended lockdown of the business and the risk-based strategy implemented by government.

Exceptional losses for the prior year of R29 million relate mainly to plant and equipment impairments of R21 million and fair value losses on the revaluation of investment properties of R8 million.

Net finance costs

Net finance costs of R1.2 billion are 53% above the prior year due to the increase in debt resulting from the transfer during the prior year of a portion of debt from the hotel division to the gaming division, the Suncoast development, a transfer from the cash flow hedge reserve on refinancing the group's debt of R136 million and the effect of the adoption of IFRS 16.

Adjusted headline earnings

Adjusted headline earnings for the year at R1.4 billion ended 14% below the prior year, mainly as a result of the additional interest and depreciation cost, with a similar reduction in adjusted HEPS to 134.5 cents per share.

CHIEF FINANCIAL OFFICER'S REVIEW continued

CASH FLOW FOR THE YEARS ENDED

	31 March 2020 Rm	31 March 2019 Rm	Change %
Ebitda per income statement	4 005	3 896	
Working capital and other non-cash adjustments	(459)	(127)	
Cash generated from operations	3 546	3 769	(6)
Net finance costs paid	(1 025)	(814)	(26)
Income tax paid	(465)	(559)	17
Dividends received	114	98	
Maintenance capital expenditure	(879)	(558)	(58)
Free cash flow	1 291	1 936	(33)
Dividends paid to ordinary shareholders	(872)	(2 137)	
Dividends paid to NCI	(23)	(19)	
Investment activities	(314)	(958)	
Share buy-back	(100)	(65)	
Other	(99)	13	
Recapitalisation of hotels	–	(2 225)	
Increase in net interest-bearing debt	(117)	(3 455)	
Opening net interest-bearing debt	(10 983)	(7 412)	
Interest moves	(127)	(116)	
Closing net interest-bearing debt	(11 227)	(10 983)	(2)

Cash generated from operations for the year decreased by 6% on the prior year to R3.5 billion mainly as a result of increased working capital due to the reduction in payables during the lockdown. Net finance costs increased by 26% due to the increase in net debt mainly as a result of the transfer during the prior year of a portion of debt from the hotel division to the gaming division and the Suncoast development. Dividends paid to shareholders decreased due to the increased interim dividend paid in the prior year. Cash flows utilised for maintenance capital expenditure and investment activities of R1.2 billion is described in the growth section.

DIVIDENDS

The board of directors resolved to not declare a final cash dividend in respect of the year ended 31 March 2020.

SUBSEQUENT EVENTS

Following the declaration of a national state of disaster on 15 March 2020, the Covid-19 pandemic gave rise to economic consequences and thus the related events after 31 March 2020 have been treated as adjusting events and the assets and liabilities have been adjusted to take into effect any accounting implications associated with, or caused by, events related to Covid-19.

Subsequent to year end, the impact of Covid-19 continues to be experienced globally. The group's operations continue to be affected by the response to the ongoing outbreak which was declared a pandemic by the World Health Organisation in March 2020. South Africa, like many countries around the world, implemented restrictive governmental measures to control the spread of the virus, which included a national lockdown commencing on 27 March 2020, which was expected to last for a period of three weeks.

The nationwide lockdown was later extended to end April 2020. Certain sectors of the economy returned in a phased manner from 1 May 2020, however, the Tsogo Sun Gaming group was required to remain closed and only recommenced trading on 29 June 2020.

The group completed the impairment testing of its goodwill, intangible assets and financial assets through OCI based on the assumption of a six-week lockdown period based on management's best estimate at reporting date. The lockdown extension beyond six weeks was considered to be a non-adjusting event.

After year end, the group concluded the acquisition of an interest in Betcoza, which will provide access to online betting.

GOING CONCERN

The directors considered the going-concern status of the group taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the Covid-19 pandemic. After taking the above factors, including the discussions with the lenders, into account, the group considers the going-concern method to be appropriate for the presentation of the financial statements.

The cash flow and liquidity projections for the group were prepared on the assumption that the group would be able to commence trading under restrictions in July 2020 and with limited restrictions in October 2020. The main area of uncertainty is what restrictions will remain in place and for how long and the length of time it will take for trading to ramp up again. The lenders have agreed to deferring interest payments for three quarters to provide the group with additional liquidity, if required.

APPRECIATION

I would like to extend my gratitude to the Tsogo Sun Gaming finance team for your commitment and support in delivering quality financial information throughout the year and in particular the finalisation of our year-end results in an unprecedented and challenging time during lockdown. Your dedication and commitment is admirable.



Annelize Hoyer
Chief Financial Officer

30 September 2020



SUSTAINABILITY STRATEGY IN ACTION

SUSTAINABILITY STRATEGY IN ACTION

DELIVER TO OUR BENEFICIARIES

The key pillars of our sustainability include meeting the reasonable requirements of our beneficiaries, financial strength and durability, maintaining product relevance to customer experience, regulatory compliance and adequately skilled human resources. In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical and/or poorly managed.

DELIVER TO OUR BENEFICIARIES

The nature of the shareholders of the group is important in a highly visible and regulated industry such as gaming. Popular misconceptions about the industry make it a target for attacks through excessive taxation and regulation. The strongest protection for the business is to ensure that economic benefits flow to communities, charitable or socially beneficial organisations. This is achieved through meaningful citizenship programmes and also through direct and indirect equity ownership and employment.

KEY PERFORMANCE INDICATORS

Black ownership was 59% with value added contribution to black economic empowered businesses, PDIs and government of R7.7 billion.

The group is proud to have once again achieved a level 1 B-BBEE status.

2020 PERFORMANCE

Shareholders

As mentioned in the group overview, the nature of the HCI shareholding is of particular importance as it provides the bulk of the 59% broad-based black empowered ownership at group level. The balance of the shareholding is diverse with adequate liquidity.

Community

Tsogo Sun Gaming continues to be committed to uplifting and developing communities in need, spending a portion of our profits annually on social investment in the areas of community initiatives and entrepreneurial development and on conservation of the natural environment.

Community development

During the year, the group's social investment in community development amounted to R53 million (R48 million: 2019), all of which is verified spend on B-BBEE socio-economic development. This is the equivalent of 19.1% of net profit after tax and represents 18.1% more than the tourism sector code target.

Tsogo Sun Gaming supports local communities and charitable organisations in education, health and welfare through financial donations and in-kind contributions (such as venues, food and equipment). Over the past year, the group supported hundreds of schools, homes for the aged, orphanages, shelters, hospices and health facilities.

As one of our predominant areas of focus, the group's educational support of local communities reached 22 124 learners during the year. Existing programmes were adapted following an assessment of the outcomes and career guidance for high school learners was introduced with support being delivered through an online learning platform together with the provision of job shadowing opportunities and job-readiness training.

Bursaries and learnerships were provided through various initiatives throughout the group. Support of the Olwazini Discovery and Computer Centre, the Apartheid Museum, the Moves for Life Chess programme and Amandla EduFootball Safe-Hubs continued.

Ongoing tracking of all contributions is conducted to evaluate the benefit received by beneficiaries and the sustainability of the organisations supported, and to identify where emphasis needs to be adjusted for improved positive social impact.

Enterprise and supplier development

Tsogo Sun Gaming's spend on enterprise and supplier development for the year was R56 million, of which R14 million was spent on enterprise development beneficiaries and R42 million on supplier development beneficiaries, representing 20% of net profit after tax, which is 16.5% above the tourism sector code target.

Through the Tsogo Sun Entrepreneurs programme, Tsogo Sun Gaming develops emerging enterprises with the potential to form part of our procurement pipeline. The programme provides mentorship, coaching and business benefits to 162 enterprises in various industries across South Africa.

Tsogo Sun volunteers

Tsogo Sun Gaming's employee volunteer programme enables people employed by the group to actively provide support to those living in less fortunate circumstances. During the year, thousands of employees across the country participated in fund-raising campaigns such as Mandela Day, Reach for a Dream, Slipper Day, Casual Day, PinkDrive and the CANSA Shavathon.

Transformation

Tsogo Sun Gaming considers itself to be a pioneer in transformation and a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 1 B-BBEE contributor status, measured against the dti's revised codes of good practice – tourism sector scorecard, and complies with the related guidelines. The group's casinos are, in addition, individually measured against the same scorecard while the Bingo and LPM gaming businesses with a turnover of more than R50 million are measured using the generic scorecard, as prescribed by legislation.

The formal verification audits are performed annually by an accredited economic empowerment rating agency, with the consolidated group results for the year ended 31 March being as follows:

	Target score on revised codes – tourism	2020	2019
Ownership	27	27.0	27.0
Management and control	19	13.4	12.5
Skills development	20	21.7	20.2
Enterprise and supplier development	40	36.1	38.7
Socio-economic development	5	8.0	8.0
Overall	111	106.2	106.4
Rating level		1	1

The group is proud to be a level 1 B-BBEE contributor with 135% procurement recognition status for 2020 and we have worked hard to implement our empowerment strategy to achieve this result. The group received 106.2 out of a total available 111 points on the tourism sector scorecard. Tsogo Sun Gaming's black ownership is verified at 59% and black women ownership is 33%.

Responsible gambling

Tsogo Sun Gaming acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour in communities where we operate. We engage these concerns by

educating our employees and customers about responsible gambling and seek to avoid the misuse of gambling. Tsogo Sun Gaming contributes to, and actively promotes, the National Responsible Gambling Programme.

To ensure an environment of responsible gambling, close attention is paid to the exclusion of:

- underaged persons from gambling areas in accordance with legislation;
- problem gamblers from gambling areas – by executing Tsogo Sun Gaming's self-exclusion policies;
- money lenders from gambling areas; and
- criminal elements and persons prone to bad behaviour.

The group monitors and manages the number of complaints and code violations.

Industry bodies

Tsogo Sun Gaming actively participates in business and industry bodies such as CASA, the NBI, and Proudly South African through the provision of time, effort and intellectual contributions from management. It also forms relationships with national and regional tourism associations.

Tenants

The delivery of quality office, gaming, hospitality, dining and entertainment experiences is important to retaining footfall at our properties and satisfying our customers' diverse requirements. The delivery of these experiences is through a combination of owned and outsourced businesses to provide a range of differentiated products and services.

With a total of 299 tenants across Tsogo Sun Gaming's various properties, tenancing is one of the group's core focus areas to ensure that our customers have access to the best office, retail, restaurant and entertainment-related offerings.

As a consequence of the Covid-19 national lockdown, revised terms are being arranged with certain of the group's tenants in response to regulations. These will be assessed and adjusted as the situation develops.

Suppliers

Tsogo Sun Gaming encourages diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses. The group intentionally supports black-owned businesses in South Africa by means of a focused procurement strategy.

SUSTAINABILITY STRATEGY IN ACTION continued

DELIVER TO OUR BENEFICIARIES continued

Verified total procurement spend on black economic empowered businesses amounted to R4 billion during the year. The group's B-BBEE score for preferential procurement, which is measured within the enterprise and supplier development element, is 19.1 out of 25.

Due to the Covid-19 national lockdown and the deactivation of the group's operations at the end of March 2020, partners and suppliers with contracts and those who provide services were consulted and with the exception of certain essential services, arrangements were temporarily suspended until trading resumed.

Third-party owners

The group leases properties for various operations.

Negotiations are continuing with landlords where they did not accept the group's partial rental offers following the impact of the national lockdown, however, settlement was reached with the majority of the group's landlords.

Environment

While our main business activities pose limited risk to the environment due to the service nature of the industry, the group is subject to the general impacts of climate change. The group recognises that using natural resources sustainably is important to its long-term sustainability, and environmental management practices are integrated as part of

our operations. The group reports to the Carbon Disclosure Project and Water Disclosure Project as a subsidiary of HCL.

To ensure the objectives of our environmental programme are met, a property-specific environmental management system is in place at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement. The system is managed holistically as part of the in-house Organisational Resilience Management Standard audit process and is verified by the German quality body, DQS-UL Group.

Scope and boundaries of emissions measurement

The scope and boundaries of measurement are consistent with the prior year. Scope 1 and scope 2 emissions are reported for all owned businesses located at properties, owned or leased by the group, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, have not been measured as they are not significant and there are no other emissions that are considered material. Comparatives have been restated to ensure consistent reporting with an increase in the prior year consumption by 5% mainly due to the inclusion of the Sandton Convention Centre which was previously included in the Tsogo Sun Hotels reporting.

Emissions measurement

	2020	2019 Restated	2019 Reported	% change on 2019 restated
Total emissions (tCO ₂ e)	4 365	4 302	4 258	1
Scope 1	4 365	4 302	4 258	1
Petrol and diesel (owned company vehicles)	1 820	1 898	1 898	(4)
Diesel consumed (owned businesses)	1 333	1 154	1 120	15
LPG and natural gas usage (owned businesses)	1 212	1 250	1 240	(3)
Scope 2	143 877	145 846	138 940	(1)
Energy consumed (owned businesses)	143 877	145 846	138 940	(1)
Scope 3	23 695	22 991	21 981	3
Energy consumed (tenants)	21 304	20 486	19 304	4
Laundry services (outsourced)	1 791	1 791	1 791	–
Business travel	600	714	886	(16)
Total emissions (tCO₂e)	171 937	173 139	165 179	(1)

Scope 1 and 2 emissions

In total, 97% of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus for the group in reducing emissions. LPG and natural gas are primarily used for cooking, petrol and diesel in vehicles is mainly used by Vukani and diesel is utilised for back-up electrical generation and increased due to supply interruptions during the year.

Scope 3 emissions

Almost 90% of scope 3 emissions arising from tenants at group properties also arise from the consumption of electricity. The 4% increase in scope 3 emissions from tenants at group properties is mainly due to additional tenants at Suncoast Casino for the full year.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have company-specific water risks. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (90% of consumption). One property primarily utilises ground water due to continuous supply problems from the local municipality and the Gold Reef City Theme Park utilises cleaned mine water for the water rides. Water consumption at the group's owned properties increased during the year by 3% to 1.2 million kilolitres mainly due to the expansion of Suncoast Casino and significant water leaks at the Gold Reef City Theme park, which have been repaired.

Waste management

Our efforts to divert waste from landfill is in progress at most of our properties through focusing on staff training and partnering with waste contractors that are committed to zero waste to landfill practices.

Biodiversity

The majority of our properties are in urban areas and are thus not in close proximity to sensitive environments.

LOOKING AHEAD**Community development**

In the year ahead, once normal trading has resumed, Tsogo Sun Gaming intends to continue supporting local communities in education, health and welfare through financial donations and in-kind contributions and to measure the impact thereof by tracking donations and monitoring their benefits.

Enterprise and supplier development

The group's enterprise and supplier development programme, Tsogo Sun Entrepreneurs, will continue to actively address the need for business development support for emerging South African enterprises. With a proven track-record over many successful years, the programme is well positioned to continue to serve the needs of the SMMEs that it supports once normal trading resumes in the year ahead.

Transformation

The group has met its target of achieving level 1 B-BBEE contributor status for the fourth consecutive year.



SUSTAINABILITY STRATEGY IN ACTION continued

FINANCIAL STRENGTH AND DURABILITY

It is important to ensure that the capital structure of the group is appropriate so that the business survives through economic cycles. Debt levels are managed utilising the net debt:Ebitda ratio and the group ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity in the event of a deterioration in economic conditions.

The group is highly cash generative. Demand for the gaming-related services the group offers is sensitive to decreases in discretionary consumer spending but, because of its relatively high disposable income levels, the group's core customer base has largely maintained its spending on gaming activities through the adverse macro-economic conditions of recent years.

KEY PERFORMANCE INDICATORS

	2020	2019
Net debt (Rbn)	11.2	11.0
Guarantees (Rbn)	0.2	0.2
Net debt:Ebitda (times)	2.96	2.87
Unutilised net facilities (including available cash on hand) (Rbn)	1.9	2.4
Net debt hedged through fixed interest rate swaps (%)	80	50

2020 PERFORMANCE

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2020 totalled R11.2 billion, which is R0.2 billion above the 31 March 2019 balance of R11.0 billion. Unutilised net facilities including cash on hand at 31 March 2020 was R1.9 billion. The group was on track to reduce the debt:Ebitda ratio to 2.75 times from the prior year 2.87 before the restrictive trading announcement and the lockdown was imposed, but ended the year on 2.96 times as a result of the negative impact at the end of March 2020.

For more detail on the group's borrowings and cash position refer to notes 30 and 33 on pages 56 and 59 of the annual financial statements.

The group refinanced its debt in January 2020 through a combination of new term loans from banking institutions and a Domestic Medium-term Note Programme. The R13.0 billion in facilities range from committed overnight facilities to tenors of up to seven years with the majority of the maturities in the three to five-year period.

Interest rate management

The group has hedged a significant proportion of debt facilities to maturity to lock in the perceived historically low-interest rate environment pre-Covid-19. Net debt was hedged to approximately 80% at the end of 2020 as a result of the expected ratings downgrade, resulting in the lost opportunity of reduced interest cost with the recent reductions in the repo rate due to Covid-19. R1.5 billion of these hedges, however, matured on 30 June 2020, reducing the hedged position to 63% which should realise some interest cost improvement for the group. The weighted average effective interest rate for the year was 9.1%.

Funding covenants

The closure of all of the group's sites due to government's regulatory restrictions implemented in response to the spread of the Covid-19 pandemic resulted in the group not trading at all from 25 March 2020 to 29 June 2020. The resultant forecasts indicate that the funding covenants will be breached for the September 2020, March 2021 and September 2021 measurement periods which, unless waived by the lenders, would require immediate repayment of the interest-bearing borrowings (excluding bank overdrafts) amounting to R11.7 billion as at 31 March 2020. The amount outstanding at the date of the breach in funding covenants would require immediate repayment at that date.

The lenders have agreed to the waiving of financial covenants initially for the September 2020 measurement period and deferring interest payments for three quarters to provide the group with additional liquidity. The liquidity is expected to be adequate even if the group was not able to commence trade until January 2021.

LOOKING AHEAD

In the event that the group's liquidity is inadequate, a capital structure and liquidity plan would be required to be agreed with the lenders, failing which the amount outstanding would require immediate repayment. The group's gearing is currently too high and will need to be carefully managed to bring the net debt:Ebitda down. A condition to the waiving of financial covenants the lenders will require that no distributions to shareholders be made until the group is back within its funding covenants.

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

Tsogo Sun Gaming sells experiences including gaming, dining, hospitality and entertainment. To provide the variety and quality of experiences demanded by the group's various customers the group needs to constantly monitor and invest in:

- physical products that cater to the customer – including refurbishments to the entertainment complexes and sites, gaming equipment and tenant allowances to enhance customer experience;
- technology that works for the customer and makes the product work – including gaming management systems to ensure optimal gaming floor utilisation and guest facing and back-of-house systems;
- accessibility that allows the customer to utilise the group's products with minimal barriers to entry – including physical facilities like sufficient parking and accessibility for mobility impaired guests to easy access to information on the group's products; and
- branding which is critical to the way in which the group is viewed by its current and prospective customers.

KEY PERFORMANCE INDICATORS

	2020	2019
Guest satisfaction – casino gaming (%)	77	77

2020 PERFORMANCE

Product relevance

In order for the group to deliver the gaming, hospitality, dining and entertainment experiences that our customers desire, it is important that our physical product and service delivery are relevant to our customers, are consistent in standard and delivery, provide the variety of experiences that will encourage repeat visits and make it easy for our customers to do business with the group. Consumer expectations range from technology preferences to the look and feel of the physical product, the location of buildings, concepts for restaurants and bar offerings and types of entertainment.

The group seeks to respond to changing trends, refreshing gaming, entertainment and hospitality offerings to reflect contemporary tastes and embracing new technologies that will improve customer experience.

Information technology

Information technology continues to be a key component in the business. The business continues to leverage off new and innovative technologies to enhance the customer experience and support the business objectives. Core system enhancements and customer-facing technologies remain a priority.

The Covid-19 pandemic saw an increase in cyberattacks across the globe. While significant progress was made in information security and cyber resilience, this landscape continues to be improved and enhanced. Our security initiatives are focused on increasing staff awareness, ensuring integrity of our systems and collaborating with key security service providers. The objective is to continue building on the existing security frameworks by engaging with security industry experts.

A hybrid approach for hosting systems, either on premises or in the cloud, remains our preferred strategy and progress in this area continues.

Tsogo Sun Gaming brand portfolio management

The brand essence of 'creating great experiences' has become synonymous with brand delivery across the Tsogo Sun Gaming family of brands.

The incorporation of social and digital platforms into all marketing campaigns results in a greater return on investment and the messages across channels are becoming more integrated, resulting in seamless, targeted communication to the customer.

Customer satisfaction

The dynamic environment in which the group operates has resulted in a shift in the way in which brand reputation is managed. The group has welcomed the increase in customer interaction on digital platforms and has formalised a way of monitoring and managing online conversations.

Post-visit surveys remain an important channel to understand our customers. The management of the survey data continues and it has allowed the business to gain deeper insights into understanding customer preferences and behaviour and the business continues to use the feedback in ensuring optimal operational delivery.

The overall satisfaction score for casino gaming was 77% (2019: 77%). The overall satisfaction score for online third-party review sites for casino gaming was 87% (2019: 85%).

SUSTAINABILITY STRATEGY IN ACTION continued

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE continued

Customer rewards programmes

The casino rewards programme is designed to encourage relationships of mutual value with customers by giving benefits and rewards to cardholders. It provides the group with detailed information about behaviour and trends across its customer base that enables the group to improve its offering in response to changing consumer behaviour and to meet the demands of top-tier active reward club members more effectively.

Customer safety

Tsogo Sun Gaming recognises that the health, safety and wellbeing of customers and employees are of paramount importance. Life safety equipment, fire protection and procedures are maintained at high levels of quality and compliance at all our facilities.

Each property undergoes rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards and incidents and events are reported and resolved.

All group casino and restaurant properties, including outsourced restaurants, undergo an independent audit regularly, which covers food safety practices and compliance to the group standard, as well as legislated elements. Temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control are included. Audits are strictly unannounced and include surface swabs, hand swabs and food samples, which are selected at random during the audits and assessed for micro-biological quality.

LOOKING AHEAD

Customer rewards programmes

Data profiling will remain a priority to improve our understanding of customer behaviour and purchasing patterns in order for us to remain relevant and entrench loyalty. Significance will continue to be placed on the protection of data and incorporation of local and international legislation and standards.

Customer safety

The group implemented far-reaching measures to provide a safe environment for our customers at our establishments – both prior to the Covid-19 nationwide lockdown and when restricted trading conditions resumed in June 2020. Pre-lockdown measures included that all properties bolstered hygiene measures, alcohol sales at casino complexes and bingo operations were suspended, large-scale promotions were delayed, and social distancing at all sites, with limitations to the numbers of customers, were enforced. Post opening, in line with restricted trading regulations, strict health and safety measures were introduced, including monitoring all customers and employees through records and temperature screening, providing personal protective equipment to all employees, enforcing social distancing, providing SABS-approved hand sanitisers and maintenance of intensified hygiene and cleanliness regimens.

All employees have been trained in basic protective measures required as a first defence against Covid-19 in line with WHO recommendations.

Information technology

As information technologies continues to evolve the following key initiatives will take priority during 2021:

- continue to strengthen the information security and cybersecurity posture;
- leveraging of cloud-based technologies where appropriate;
- ensuring high levels of service delivery through supporting technology;
- improving the customer experience;
- upgrading core systems to leverage new customer facing features and functionality; and
- implementation of machine learning and robotic process automation to assist in achieving improved productivity and identifying cost containment opportunities.

REGULATORY COMPLIANCE

Gaming licences are invaluable assets to the group. Casino licences are issued for an indefinite period (with the exception of the Eastern Cape-based licences) and are maintained through a strict compliance culture including compliance with all laws and regulations to which the group is subject.

This strict culture of compliance is applied to all aspects of the group's business including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations, corruption, insider trading and competition law. Despite the significant cost involved, the group treats compliance as a necessary investment and not an unavoidable cost, and recognises that compliance yields benefits such as an enhanced financial and operational internal control environment.

KEY PERFORMANCE INDICATORS

	2020	2019
Significant gaming regulation breaches	Nil	Nil
Fines imposed for other regulatory breaches	Nil	Nil
Fines imposed for breaches of law	Nil	Nil

2020 PERFORMANCE

Regulatory compliance

The South African trading environment is highly regulated and compliance with the regulations is critical to our licence to trade. The broader trading environment is complex and is governed by legislation and policies relating to competition, customer protection, privacy, environmental, health and safety, money laundering, B-BBEE, labour issues and now includes new regulations under the Disaster Management Act in response to the Covid-19 pandemic. The board and the audit and risk committee is updated with all material changes to legislation and regulations.

The gaming operations are regulated by the provincial gambling boards and, from an oversight perspective, by the National Gambling Board. Gaming regulation compliance, which is of particular importance in retaining gaming licences, is achieved through the implementation of internal control procedures and compliance policies, an anonymous tip-off system, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and by creating a compliance culture through training. Compliance with the terms of a licence is monitored by the relevant provincial gambling board on an ongoing basis.

During the year, the group participated in the public consultation process in respect of proposed legislative and policy amendments which may have a regulatory compliance impact on the group's gaming operations. The most significant contributions were made in respect of the pending proposed amendments to the National Gambling Act, the drafting of national norms and standards, the implementation of national registers for excluded persons and gaming equipment, various provincial gambling acts (which included comprehensive representations regarding the proposed relocation of casinos to the Cape Metropole and the increase of gaming taxes and licensing fees), regulations, provincial gambling board rules, the roll out of additional bingo sites, liquor legislation and FICA, which has caused more onerous regulatory obligations on gaming.

CSI contributions by gaming licensees and B-BBEE performance are monitored.

The group complies with all applicable legislation and, where possible, builds constructive relationships with the regulatory bodies. There were no significant breaches of any legislation and no significant fines imposed during the year.

SUSTAINABILITY STRATEGY IN ACTION continued

HUMAN RESOURCES

Tsogo Sun Gaming does not sell a system or manufacture a physical product for resale. Every aspect of the business, from the gamer's experience at the roulette wheel to the dining experience in the restaurants, to the check in and check out at the front desk, requires an interaction with people of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services.

In order to attract and retain the appropriate talent pool, the group needs to ensure that all aspects of the employee's experience, including but not limited to, remuneration and incentivisation, is properly structured.

Employment equity

The principles of empowerment and diversity are entrenched in the group. The table below reflects our employment equity. It excludes the approximately 2 875 contract staff employed by third-party service providers.

	Employees	ACI %	Female %	Disabled %
Top management	35	48.6	37.1	2.9
Middle management	1 308	73.2	44.0	1.1
Junior management	2 074	93.4	48.4	0.8
Other employees	5 530	97.7	59.4	1.2
Total 2020	8 947	92.9	54.5	1.1

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified management and control results, presently black representation at senior management level is 49%, at middle management level it is 73% and at junior management level it is 93%. The representation of black employees throughout the group remained at 93%.

The overall percentage of female employees is 55% of the workforce in 2020 (2019: 53%).

The main challenges in employment equity remain in the areas of top management, senior management and black disabled employees.

Employee development

The value of both in-kind and financial training spend for the year is R107 million, which is 6.3% of payroll. The group spent R99 million on training and development initiatives provided to black people during the year, which is 5.8% of payroll. The B-BBEE tourism sector scorecard targets measure training spend against the national black economically

KEY PERFORMANCE INDICATORS

	2020	2019
Management and control (revised codes) score	13.4/19	12.5/19
Verified training spend as a % of payroll	5.3	5.1

2020 PERFORMANCE

Job creation and employee stability

The group contributes approximately 8 947 direct jobs and 11 822 combined direct and indirect jobs (including 2 875 contract staff employed by third-party service providers). Labour turnover for permanent full time employees during the year was 5.4%.

active population targets. For this reason, the group's verified spend on B-BBEE training and development amounted to R90 million, which is the equivalent of 5.3% of payroll. The group's B-BBEE score for skills development is 21.67 out of 20 within the scorecard framework. In the year the group employed 688 people on learnerships and provided 384 unemployed people with learnership opportunities. Of the unemployed people on learnerships, the group employed 129 people after they had completed their training.

Employee engagement

During the year, the introduction of the new HRIS/Payroll system saw the company engage with employees through various channels with the key message being that 'Tsogo Sun Gaming is turning over a new leaf'. Covid-19 became the subject of employee engagement at the end of the financial year as a result of the disease's devastating impact on lives and the economies of countries across the globe; and as a consequence, the way we do business.

Employee wellness

Employee wellness is encouraged through the provision of employee clinics at certain properties, an employee assistance helpline and wellness days. Meal options are also provided to our employees in canteens at our casinos. Through the company's clinics, health and safety committees and Medicare24, the group shares knowledge about Covid-19 and its effects on the business.

Health and safety

The gaming industry is a safe environment relative to many other industries. Tsogo Sun Gaming properties undergo rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

No employee fatalities as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost-time injury frequency rate of 0.98. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

In response to the Covid-19 pandemic, the group implemented procedures to protect employees, including the provision of education and sanitising material and personal protective equipment ('PPE'), as well as compulsory screening of employees reporting for work.

The Tsogo Sun Group Medical Scheme responded to the Covid-19 pandemic, ensuring members received the appropriate level of cover and communication.

Unions

Tsogo Sun Gaming recognises the right to freedom of association of employees.

LOOKING AHEAD

Job creation and employee stability

On 24 March 2020 the company made an internal announcement to all management and staff concerning the severe impact that the Covid-19 pandemic and national state of disaster was expected to have. Staff were placed on leave in April and UIF Temporary Employer/Employee Relief Scheme ('TERS') claims supplemented income. During May to August the business made use of UIF. Staff who continued to work were paid by the group.

Due to the ongoing restrictions imposed by government, and the resultant impact on the economy and discretionary spend into the future, employee costs will have to be reduced in order to preserve the sustainability of the business.

Employee development

While employee development remains a focus area, the Covid-19 pandemic has placed significant constraints on the business. Some programmes are being re-designed to take place via online learning. Another focus area will be legislative-aligned training interventions to ensure compliance across various departments. There will also be a greater focus on internal training interventions with the available resources, aimed at taking employees back to basics in their various roles in the organisation. Training in the short term is focused on staff returning to work in line with the Covid-19 protocols put in place.

Employee engagement

The business will continue to engage staff on issues that continue to affect the operation of the business, such as reduced working time, lay-off arrangements and redundancies. Further employee engagement will be dictated by government's ongoing response to Covid-19. A Covid-19 steerco has been established in order to regulate and monitor compliance with the protocols to be observed by employees, contractors, tenants and customers alike.



GROWTH STRATEGY IN ACTION

GROWTH STRATEGY IN ACTION

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Accordingly, the only true measure of growth for our business over time is the growth in cash flow generated through the optimal operation of the group's capitals and building the asset base of the group.

GROWTH

The major driver of long-term growth will arise from maximising the revenue generated from the group's asset base, in addition to reviewing operational overheads to ensure they are either in support of the objective of sustainability or growth. In the current environment the focus has to be on restoring the revenue at least to the 2020 levels at a lower cost, which should then deliver growth after the recovery of the pandemic.

KEY PERFORMANCE INDICATORS

	2020	2019
Income increase (%)	1	18
Ebitdar (reduction)/increase (%)	(1)	11
Capital expenditure (Rm)	1 193	1 516
Adjusted HEPS reduction (%)	(14)	(3)

2020 PERFORMANCE

Segmental operating performance

	Income ⁽¹⁾			Ebitdar ⁽²⁾		
	2020 Rm	Restated ⁽³⁾ 2019 Rm	Change %	2020 Rm	Restated ⁽³⁾ 2019 Rm	Change %
Casinos	8 878	8 999	(1.3)	3 368	3 494	(3.6)
Gauteng	4 732	4 882	(3.1)	1 786	1 935	(7.7)
KwaZulu-Natal	2 327	2 313	0.6	962	948	1.5
Mpumalanga	777	759	2.4	274	264	3.8
Western Cape	619	604	2.5	242	229	5.7
Eastern Cape	294	304	(3.3)	73	83	(12.0)
Free State	129	137	(5.8)	31	35	(11.4)
Bingo	933	855	9.1	287	238	20.6
LPMs	1 658	1 559	6.4	456	441	3.4
Other gaming operations	217	206	5.3	(118)	(142)	16.9
Group operations	11 686	11 619	0.6	3 993	4 031	(0.9)

⁽¹⁾ All revenue and income is derived from external customers. No one customer contributes more than 10% to the group's total revenue and income

⁽²⁾ All casino units are reported pre-internal gaming management fees. The adoption of IFRS 16 had no significant impact on Ebitdar

⁽³⁾ Restated for the change in reported segments due to the restructure and reporting of the group to a regional basis, together with the change in adjusted earnings – refer to note 6 of the consolidated financial statements

GROWTH STRATEGY IN ACTION continued

GROWTH continued

Tsogo Sun Casinos

Total income for the casino business decreased 1% on the prior year to R8.9 billion. Net casino gaming win reduced by 2% on the prior year as a result of the regulatory restrictions and lockdown in March 2020. The results of casinos were impacted the most in the group with the restrictive trading and lockdown, as a result of the significant fixed cost of the casino complexes.

Since July 2019, the operating structure at head office was streamlined, cost saving initiatives implemented and marketing processes restructured. The business is currently continuing with the processes to further improve the cost base for long-term benefit.

Galaxy Bingo

Galaxy Bingo remains a market leader in its sector, growing total income for the year by 9% to R933 million despite the negative impact of the lockdown, and Ebitdar by 21% to R287 million.

As at 31 March 2020, the Bingo business operated and managed 21 bingo sites. The Bingo division continued to invest nationally in new sites, expansions and improvements.

VSlots LPMs

Total income for the year for VSlots was R1.7 billion, an increase of 6% on the prior period. The income was also negatively impacted by the lockdown.

Due to the closure of the hospitality industry across South Africa, the business increased its provision for bad debts at year end in respect of loans to site owners which negatively impacted Ebitdar. The LPM industry is showing recovery since the lockdown of bars and restaurants was lifted.

Investment activity expenditure

	31 March 2020 Rm	31 March 2019 Rm
Suncoast expansion	20	758
Vukani intellectual property, machine and equipment acquisitions	95	86
Galaxy site developments and machine acquisitions	91	76
Monte Circle and Monte Place	17	29
hi Monte hotel	73	–
Other	3	11
Expansion capex	299	956
Maintenance and redevelopment capex	879	558
Acquisition of NCI	15	2
Total investment activity expenditure	1 193	1 516

The group invested R299 million during the year on expansion capex, mainly in Galaxy and Vukani either on new capacity or replacing leased machines and to complete the hi Monte hotel.

A total of R879 million was spent on maintenance and redevelopment capex, including gaming equipment replacements and committed hotel projects of R200 million, of which R100 million related to the Suncoast hotel redevelopment.

LOOKING AHEAD

The hospitality and tourism industries were impacted the most as a result of the Covid-19 pandemic. Following three months of closure the group commenced trading again in its various divisions (Casinos, Bingo and LPMs) from 29 June 2020, albeit under restrictions.

The business has developed a robust strategy of enhanced hygiene and social distancing which has enabled it to operate successfully with its loyal customer base under the restrictive trading conditions. The lockdown of the industry had an adverse impact on our employees, shareholders, lenders, suppliers, tenants, landlords and the fiscus.

The focus during the lockdown was primarily to eliminate variable operating costs as quickly as possible, reduce fixed costs and cancel non-essential and uncommitted capital expenditure in order to reduce the cash burn during the period the business was prevented from trading.

The ongoing cost-saving initiatives will continue and further cost savings will be considered during the year to protect the margins in the current lower revenue environment. Capital expenditure for the next year will be reduced to only critical items to preserve cash. Focus for the foreseeable future will be the reduction of debt.

The group concluded an agreement on 7 August 2020 acquiring an interest in Betcoza, a business licensed to operate an online betting platform for an amount of R49 million. This acquisition is in line with the group's strategy to enter the online betting industry with focus on mobile betting. With smartphones having become more accessible to the general public, this separate segment of the market will be a positive addition to the various gaming and entertainment offerings of the group.



INTEGRATED GOVERNANCE

INTEGRATED GOVERNANCE

REPORTING APPROACH

King IV has been applied to the group from the 2018 financial year and this integrated governance section contains the majority of the disclosure requirements contained within King IV with references to other relevant sections of the report.

An assessment of King IV has been completed and the group substantially applies the 16 principles.

EFFECTIVE AND ETHICAL LEADERSHIP ETHICS

The group has an ethics policy and a code of conduct which guides its business practices. The ethics policy seeks to reinforce the company's many policies, principles and practices through providing clarity on expectations and underlying matters of principle.

The key aspects of the ethics policy are how business is conducted, the group's societal contribution and handling of people, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability. The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information.

The board has ultimate responsibility for the ethical culture of the business. The social and ethics committee has oversight over the group's ethical matters and the roles and responsibilities are set out in the terms of reference of the committee. All senior employees are required to sign an annual declaration confirming no conflicts of interest and compliance with laws and regulations. Similarly board members are required to disclose conflicts of interest.

The group has an independent whistle-blower line and reported matters are investigated by appropriate employees and the results reported to the audit and risk committee. Unethical behaviour is not tolerated within the group or its business partners.

RESPONSIBLE CORPORATE CITIZENSHIP

The social and ethics committee has oversight over the group's social matters and the roles and responsibilities are set out in the terms of reference of the committee.

The key areas of focus are social and economic development of the industry, partners, corporate citizenship within the community, the natural environment and relationships with customers and employees.

Refer to the Deliver to our beneficiaries, the Product relevance to customer experience, the Regulatory compliance and the Human Resources sections for information as to how the group manages its social outcomes.

VALUE CREATION AND REPORTING

Our approach and philosophy of integrated reporting and assurance over the report is documented in the About this report section.

Our report is purposefully structured around the strategy of the group in order to illustrate how we create value. Our material risks and opportunities on page 13 and key relationships on page 16 inform the strategy which is documented in our strategy in action on page 4. Our business model on page 5 provides the context and link between the capitals we utilise and the outcomes linked to our strategic priorities.

All information presented in the report is utilised within the business and there are processes in place to ensure its accuracy. Elements of the report are assured internally and other information is provided by external sources and formal assurance has not been sought on the contents of the report.

BOARD COMPOSITION, STRUCTURE AND REPORT BACK

GOVERNANCE STRUCTURE

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. The board reviews the strategic priorities of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting.

The board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference approved by the board and adopted by the committee. All committee chairs report orally on the proceedings of their committees at the board meetings. The board retains accountability and is satisfied that it has fulfilled its responsibilities in accordance with the board charter during the year.

During the year there were three board meetings, and one was postponed to May 2020 due to the Covid-19 pandemic. Individual directors' attendance at the board and board committee meetings and at the AGM is set out in the table below:

	Board	Audit and risk committee	Remuneration committee	Social and ethics committee	AGM
Executive directors					
Chris du Toit	4/4	4/4	3/3	2/2	✓
Jacques Booysen	1/1				
Rob Huddy	4/4	4/4		2/2	✓
Non-executive directors					
Chairman					
John Copelyn	4/4	4/4	3/3	1/2	
Lead independent					
Busi Mabuza	3/4	2/3	2/3	2/2	
Independent					
Mohamed Gani	3/4	3/3	3/3	2/2	✓
Marcel Golding	4/4				
Elias Mphande	4/4				
Jabu Ngcobo	1/1	1/1	1/1	1/1	
Rachel Watson	3/3	2/2	1/2	1/1	
Non-independent					
Yunis Shaik	4/4		2/3	1/2	✓

BOARD COMPOSITION

The composition of the board and of the audit and risk, remuneration and the social and ethics committees is determined by the shareholders. The board appointed John Copelyn as the Chairman and as a compensating control, a lead independent director is appointed. The lead independent director is Busi Mabuza who serves on all of the committees of the board, and is therefore well placed to influence the governance of the company and meet her obligations. The independent directors who have served for more than nine years are Marcel Golding and Elias Mphande who have served for 16 years and 15 years respectively. The average length of service of independent directors is eight years. The board considers a director independent where the director considers themselves independent and they had no other executive role within the group for a period of three years. One-third of the non-executive directors retire by rotation each year in line with the Memorandum of Incorporation.

The remuneration committee reviews and assesses board composition on behalf of the board and recommends the appointment of new directors. All board appointments are made on merit, in the context of skills, experience, independence and knowledge, which the board as a

whole requires to be effective. Factors that are taken into consideration are differences in qualifications, skills, industry experience and background. The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. The board has approved a diversity policy incorporating race and gender. No specific targets have been set in relation to the board diversity policy. 67% of the board members are black, and female members equate to 45% (33% at 31 March 2020).

The roles of the Chairman and the CEO are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The CEO is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The CEO's employment contract includes a three-month notice period unless varied by agreement and there are no specific contractual conditions related to termination. The CEO has no other external professional commitments. Succession planning is not formalised but executive director appointments have historically been internal.

INTEGRATED GOVERNANCE continued

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

BOARD PROFILE

Executive directors

Non-executive directors



CG du Toit (50)
CA(SA), FCMA

**Executive director –
Chief Executive Officer**

Date appointed:
1 June 2019

A Hoyer (45)
CA(SA), HDip (Tax)

**Executive director –
Chief Financial Officer**

Date appointed:
1 August 2020⁽¹⁾

JA Copelyn (70)
BA (Hons), BProc

Non-executive Chairman

Date appointed:
24 February 2011⁽²⁾

Y Shaik (62)
BA (Law), BProc

Non-executive director

Date appointed:
15 June 2011

Chris du Toit completed his articles at PwC in 1996. After three years of working in the financial services industry in the UK, he joined the HCI group in 2001. He served as the Financial Director of Mettle Limited from 2003, whereafter he moved to the gaming and entertainment sector in 2009 when appointed as CEO of Galaxy Bingo. His operational experience over the past decade includes the bingo, LPM, casino and F&B industries. Chris was appointed to the board on 1 June 2019, and as Chief Executive Officer of the Tsogo Sun Gaming group from 1 July 2019.

Annelize Hoyer is a qualified Chartered Accountant who completed her articles with PwC in 2001. She originally joined the group in 2002 as Group Financial Accountant of the Hotels division, which position she held until 2005. She re-joined the group in 2011 as Financial Manager of the Casinos division. Annelize was appointed to the board and assumed the role of CFO on 1 August 2020.

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously the General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships in companies within the HCI group.

Yunis Shaik is an admitted attorney of the High Court of South Africa. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a senior commissioner to the KwaZulu-Natal CCMA. He is an executive director of HCI.

RACE DIVERSITY (%)



■ Black – 67%
■ White – 33%

BOARD TENURE (%)



■ 1 – 3 years – 29%
■ 4 – 6 years – 14%
■ 7 – 9 years – 43%
■ 10+ years – 14%

GENDER DIVERSITY (%)



■ Male – 55%
■ Female – 45%

Independent non-executive directors



MJA Golding (60)
BA (Hons)

Independent non-executive director

Date appointed:
24 February 2011⁽³⁾

BA Mabuza (56)
BA (MBA)

Lead independent non-executive director

Date appointed:
1 June 2014

F Mall (43)
CA(SA)

Independent non-executive director

Date appointed:
18 September 2020⁽⁴⁾

VE Mphande (62)
Elec Eng (Dip)

Independent non-executive director

Date appointed:
24 February 2011⁽⁵⁾

RD Watson (61)

Independent non-executive director

Date appointed:
1 June 2019⁽⁶⁾

Marcel Golding runs a family investment office. Prior to this he was Chairman of HCL and Chief Executive Officer of e.tv. He was a member of parliament and Deputy General Secretary of the National Union of Mineworkers.

Busi Mabuza has held various positions in the financial services and energy sectors and is currently a non-executive director of the dual listed NinetyOne, the non-executive chairperson of the Industrial Development Corporation and the head of the South African BRICS Business Council.

Farzanah Mall is a qualified Chartered Accountant who completed her articles with Deloitte in 2001. She joined Coles Myer Ltd (Australia) in 2002 where she focused on Corporate Governance, Business and Risk Analysis. In 2006 she joined PwC as a Manager in PwC's Business Consulting division. She served as Partner at KPMG from 2011 to 2019 and is currently CEO of Komorebi Holdings, Director of Usizo Advisory Solutions and a non-executive director of Comair Limited. She has over 20 years' experience in auditing, governance, financial and risk management.

Elias Mphande has served as national secretary of the Southern African Clothing and Textile Workers Union, as CEO of Vukani Gaming Corporation and Chairperson of Golden Arrow Bus Services. He was appointed as a non-executive director of HCL in 2010 and as the independent non-executive chairman in 2014. He is a non-executive director of eMedia Holdings.

Rachel Watson served as manager at a regional broadcaster. Prior to this appointment she was employed for 33 years within the clothing industry, serving as a trade union representative and national media officer. She is a non-executive director of HPL&R, HCL, Hospitality Property Fund and eMedia Holdings.

⁽¹⁾ A Hoyer replaced RB Huddy on the board following his resignation effective 31 July 2020

⁽²⁾ JA Copelyn was appointed to the board of the holding company of the group on 13 August 2003, prior to the reverse listing of the group into Gold Reef

⁽³⁾ MJA Golding was appointed to the board of the holding company of the group on 30 April 2004, prior to the reverse listing of the group into Gold Reef

⁽⁴⁾ F Mall replaced MSI Gani on the board following his resignation effective 18 September 2020

⁽⁵⁾ VE Mphande was appointed to the board of the holding company of the group on 3 February 2005, prior to the reverse listing of the group into Gold Reef. He was appointed to the social and ethics committee and the remuneration committee effective 18 September 2020

⁽⁶⁾ RD Watson replaced JG Ngcobo on the board following his resignation on 31 May 2019. She was appointed as chair of the social and ethics committee effective 18 September 2020

Non-executive committee key

- A** Audit and risk committee – Chair: F Mall
- S** Social and ethics committee – Chair: RD Watson
- R** Remuneration committee – Chair: Y Shaik

INTEGRATED GOVERNANCE continued

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

SUB-COMMITTEE STRUCTURE AND REPORT BACK

The board remains accountable for all matters where it has delegated responsibility to its sub-committees. The board and the respective board committees are satisfied that the board committees have fulfilled their responsibilities in accordance with their respective terms of reference during the year.

Audit and risk committee

MEMBERS

Chair

Farzanah Mall

Independent

non-executive director

Busi Mabuza

Lead independent

non-executive director

Rachel Watson

Independent

non-executive director

KEY OBJECTIVE

The provision of effective governance over the appropriateness of the group's financial and integrated reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the group's systems of internal control, business risks and related compliance activities.

The committee met three times during the year. Ms RD Watson replaced Mr JG Ngcobo as a member of the committee following his resignation from the board on 31 May 2019 and Ms F Mall replaced Mr MSI Gani as a member and chair of the committee following his resignation from the board effective 18 September 2020. The Chief Executive Officer, the Chief Financial Officer and non-executive directors representing the majority shareholder attend the meetings as permanent invitees, along with external audit representatives and the outsourced internal audit representatives. Other directors and members of management attend as required.

The work of the audit and risk committee during the year focused on:

- review of the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- review of IT risks in relation to core operational systems, system projects, information management and security initiatives and governance and regulatory compliance;
- review of material legal, legislation and regulatory developments;
- review of prospective accounting standard changes, particularly with regard to standards that became effective during the year or will become effective in the coming year;
- considered all significant transactional and accounting matters that occurred during the year;
- considered the JSE Proactive Monitoring of Financial Statements report;
- considered and approved the FICA Group Risk Management and Compliance Programme;
- evaluation of the financial reporting procedures;
- review of and recommendation to the board for approval of the half year and full year results announcements, the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness as well as the fees and terms of engagement of the external auditors, including the suitability of the firm and designated partner;
- evaluation of the effectiveness of the outsourced internal audit function; and
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls.

Refer to the report of the audit and risk committee in the consolidated financial statements for the year ended 31 March 2020.

Remuneration committee

MEMBERS

Chair
Yunis Shaik
*Non-executive
director*

John Copelyn
*Non-executive
director*

Busi Mabuza
*Lead independent
non-executive director*

Elias Mphande
*Independent
non-executive director*

Rachel Watson
*Independent
non-executive director*

KEY OBJECTIVE

The committee is empowered by the board to assess and approve the broad remuneration strategy for the group, the operation of the company's short-term and long-term incentives for executives and senior management across the group, and sets short-term and long-term remuneration for the executive directors.

The committee met two times during the year and a third meeting was postponed to May 2020 due to the Covid-19 pandemic. Ms RD Watson replaced Mr JG Ngcobo as a member of the committee following his resignation from the board on 31 May 2019 and Mr VE Mphande replaced Mr MSI Gani as a member of the committee following his resignation from the board effective 18 September 2020. The Chief Executive Officer and the group's Human Resources Director attend the meetings as permanent invitees.

The scope of the remuneration committee's work during the year included the following matters:

- monitoring executive appointments, terminations and retirements;
- determining the general policy on remuneration to ensure fair, competitive and responsible reward;
- determining the remuneration mandate for the group;
- determining the specific remuneration packages for the executive directors and other senior executives and management;
- approving the changes to the rules, criteria, targets and allocations for performance-related pay schemes;
- evaluation of the performance of the Chief Executive Officer; and
- proposing non-executive director remuneration.

Further details of the group's remuneration policy, remuneration implementation report and the work of the remuneration committee can be found in the remuneration section.

Social and ethics committee

MEMBERS

Chair
Rachel Watson
*Independent
non-executive director*

Busi Mabuza
*Lead independent
non-executive director*

Elias Mphande
*Independent
non-executive director*

Yunis Shaik
*Non-executive
director*

KEY OBJECTIVE

The purpose of the committee is to regularly monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act in relation to matters pertaining to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment and the group's code of ethics and sustainable business practice.

The committee met twice during the year. Ms RD Watson replaced Mr JG Ngcobo as a member of the committee following his resignation from the board on 31 May 2019 and was appointed as the chair of the committee following the resignation of Mr MSI Gani from the board effective 18 September 2020. Mr VE Mphande was appointed as a member of the committee effective 18 September 2020. The Chief Executive Officer, the Chief Financial Officer, the group's Human Resources Director and directors from the majority shareholders attend the meetings as permanent invitees, along with other directors and members of management who attend as required.

The work of the social and ethics committee during the year focused on:

- progress in the alignment of the group's practices to the requirements of the revised B-BBEE codes;
- disputes with government or regulators;
- compliance with regulations;
- bribery and corruption;
- responsible tourism and responsible gaming;
- preferential procurement, socio-economic development and enterprise and supplier development;
- environmental management and certification;
- customer satisfaction, loyalty, health and safety and consumer protection; and
- job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement.

INTEGRATED GOVERNANCE continued

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

The matters considered during the year are included in the Deliver to our beneficiaries, the Product relevance to customer experience, the Regulatory compliance and the Human resources sections of the integrated annual report.

While the main focus areas during the year were on the group's achievement of a level 1 B-BBEE contributor status, contributions made to the greater community in respect of donations and the development of emerging enterprises, training and development of the group's workforce and its diversity, at the end of the year the primary focus became the Covid-19 national lockdown and its impact on the group and stakeholders. The committee has satisfied its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose.

BOARD EFFECTIVENESS

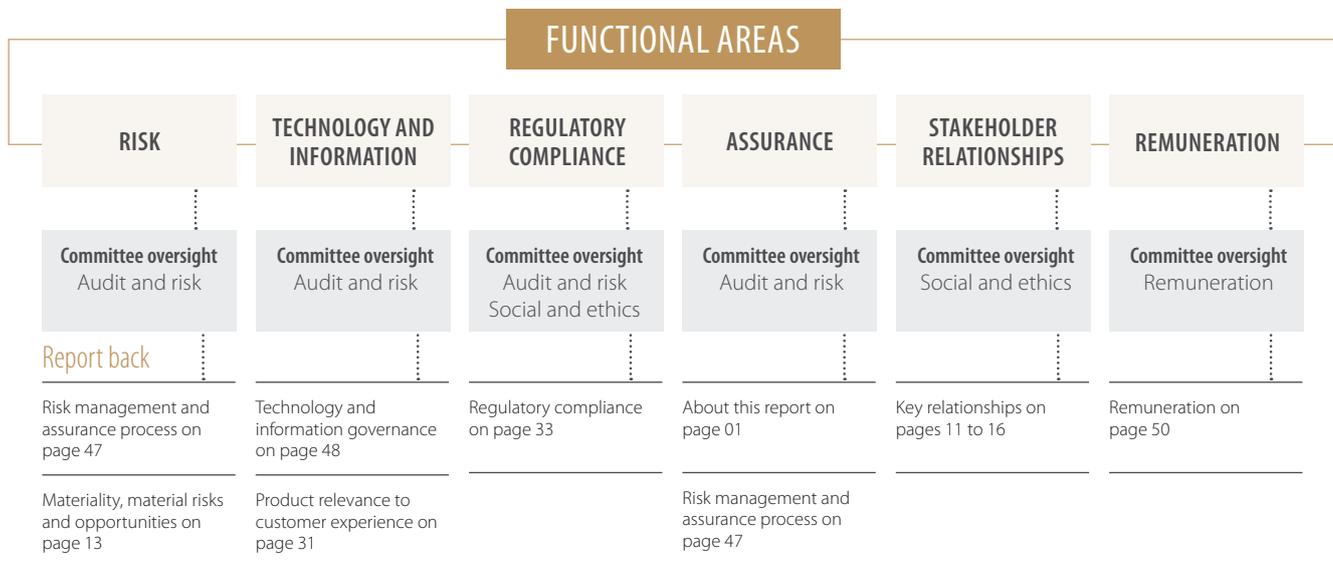
A formal self-evaluation of the performance of the board will be done during the second half of 2020 with the assistance of the IoDSA, using its online assessment system. The board is satisfied with the performance of the Chief Executive Officer.

The board is satisfied with the competence of the Chief Financial Officer as set out in the report of the audit and risk committee in the consolidated financial statements for the year ended 31 March 2020.

The Company Secretary ensures that board procedures and relevant regulations are fully adhered to. The Company Secretary is not a director of the company. The directors have unlimited access to the advice and services of the Company Secretary. The board is satisfied that the Company Secretary is competent and has the appropriate qualifications and experience required by the group. The Company Secretary also acts as secretary for the committees of the board.

GOVERNANCE FUNCTIONAL AREAS

Our philosophy of integrated governance is reflected in the extent to which the report back on our governance functional areas is integrated into the underlying elements of our integrated annual report. Oversight of these functional areas is maintained by the board and its sub-committees as follows:



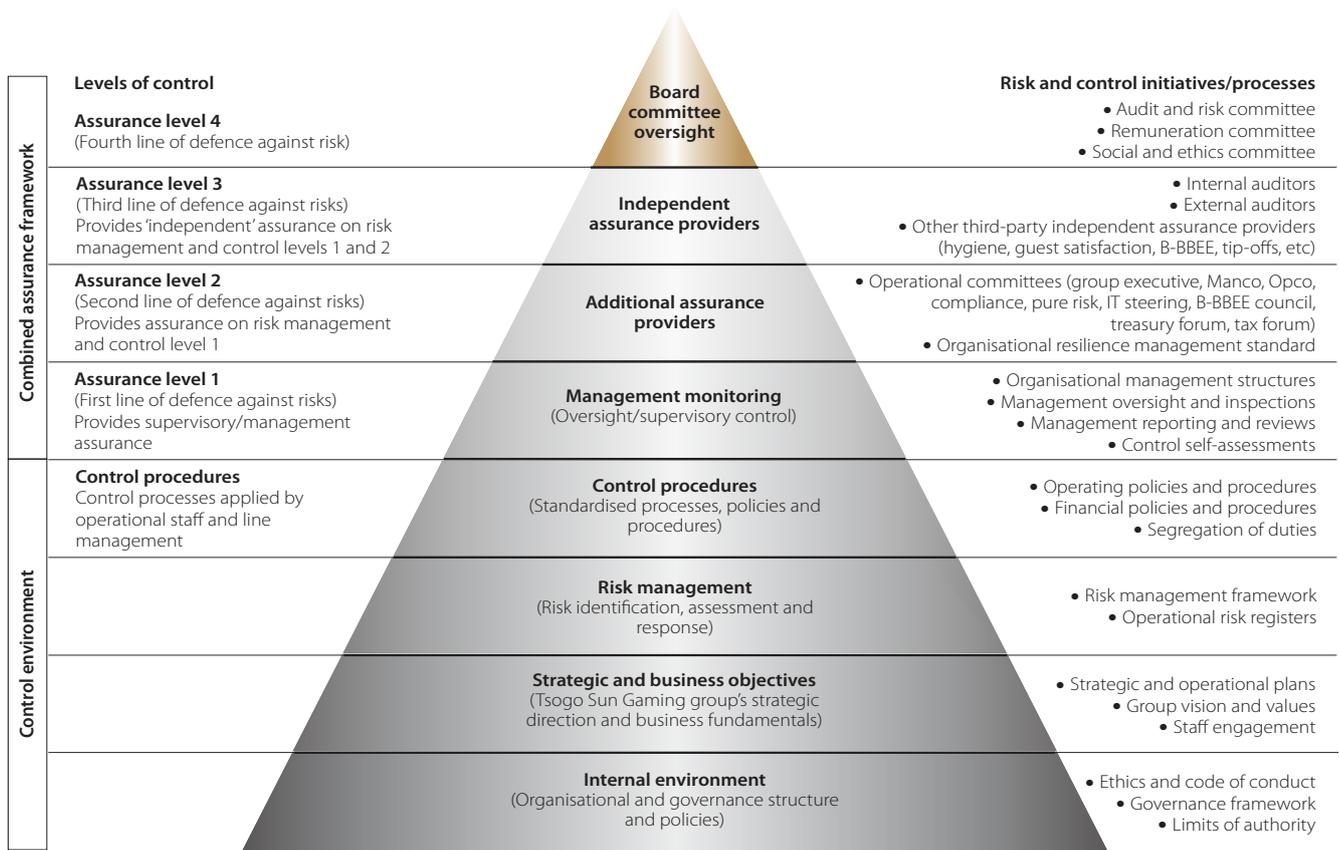
RISK MANAGEMENT AND ASSURANCE PROCESS

The Tsogo Sun Gaming board recognises that the management of business risk is crucial to our continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion.

The audit and risk committee is mandated by the board to establish, coordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective and the combined assurance framework is as follows:

TSOGO SUN GAMING COMBINED ASSURANCE FRAMEWORK



INTEGRATED GOVERNANCE continued

GOVERNANCE FUNCTIONAL AREAS continued

In addition to the risk management processes embedded within the group, the group identifies, quantifies and evaluates the group's risks annually. The severity of risks is measured in qualitative (e.g. zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity.

The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least twice a year. This methodology ensures that identified risks and opportunities are prioritised according to the potential impact on the group and cost-effective responses are designed and implemented to counter the effects of risks and take advantage of opportunities.

For key areas of focus refer to our Materiality, material risks and opportunities section. There were no unforeseen or unexpected risks outside the tolerance levels other than the Covid-19 pandemic.

An independent assurance of the effectiveness of the risk management is carried out on a periodic basis and was last completed during April 2020. There were no significant matters noted.

The objectives of assurance are to assess whether the internal control environment is effective, there is sufficient integrity in the information used for internal decision-making and to support the integrity of external reports.

The combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas. Although there is internal review of all external reporting, non-financial information contained in external reports is currently not independently assured. Based on the internal review process during the preparation and review of the integrated annual report the board is satisfied with the integrity of the information contained within the report.

The directors are responsible for the group's systems of internal control. The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance

with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The directors have satisfied themselves, based on the combined assurance framework, that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level.

Internal audit is outsourced and reports to the Chief Financial Officer and independently to the audit and risk committee. The outsourced function is provided by GRIPP Advisory, which is a subsidiary of HCI. GRIPP Advisory also provides internal audit services to the HCI group. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. GRIPP Advisory will be subject to its first independent quality review in 2023 as the business is currently in its third year of operation. They are also subject to professional ethics and independence standards. The audit and risk committee approves the approach and scope of the internal audit plan on an annual basis. The audit and risk committee is satisfied with the effectiveness of the internal audit function.

TECHNOLOGY AND INFORMATION GOVERNANCE

The IT governance charter continues to evolve and mature. Our governance and compliance standards remain high and risks are well managed.

Areas of focus during the year were:

- Ensuring compliance
- Formalising our information security and related policies
- Ensuring policies are being applied consistently across the business
- Managing IT and cybersecurity risks
- Information security staff awareness.

In the coming year the group will prioritise the following:

- Further improving our capability to deal with cybersecurity threats by leveraging off cybersecurity service providers where relevant
- Keeping technology platforms current and relevant
- Ensuring business continuity and managing risk
- Optimising technology investment
- Continue inculcating governance, compliance and information security into the organisation.

The Head of IT reported directly to the Chief Executive Officer and has responsibility for the ownership and execution of IT governance. We continue to evolve and mature our IT governance process.

Various reviews are conducted by specialised independent service providers. Our governance and compliance standards remain very high and risks are well controlled. The key IT risks are integrated into the enterprise-wide risk governance and management process. Incidents are very limited, are well controlled and managed, and to date had no material impact on operations. The board remains satisfied with the delivery and effectiveness of technology and information governance.

REGULATORY COMPLIANCE

The group operates in a highly regulated industry in gaming and the regulatory environment in South Africa is complex. The group invests in a strict culture of compliance. Refer to Regulatory compliance section.

STAKEHOLDER RELATIONSHIPS

Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities and employees are reported on, on a bi-annual basis. While the board has mandated the social and ethics committee to develop a formal stakeholder relationship management policy, it is satisfied that the current interactions with stakeholders are effective. Refer to the Key relationships section.



INTEGRATED GOVERNANCE continued

REMUNERATION POLICY AND IMPLEMENTATION REPORT

REMUNERATION POLICY APPROVAL

The group's remuneration policy and remuneration implementation report shall be tabled to the shareholders of the company at the AGM to cast non-binding advisory votes in respect thereof. In the event that the remuneration policy or remuneration implementation report or both are voted against by more than 25% of the votes cast, the company shall engage with the dissenting shareholders within a period of 30 days from the AGM and will appropriately consider legitimate and reasonable alternatives that may be proposed.

Feedback received at the previous year's engagement (which was hosted by the chairperson of the remuneration committee and attended by the CEO and one shareholder) relating to the remuneration policy when less than 75% of the votes were received, was mainly:

- to provide additional information in the remuneration policy report, which has been improved in this year's report;
- criticism of the historical executive share and loan scheme, but with no reasonable alternatives offered. The implementation of this scheme some six years ago is unfortunate and with none of the participants employed by the group any longer and the scheme being unwound, the company hopes to close this chapter and learn from the mistakes made; and
- that the long-term incentive scheme should not only be linked to the share price, but should have additional criteria added. In addition that it is preferred that executives should hold shares in the company.

It is unlikely in our view that the share price and the financial performance in the long term will not align, especially if debt levels are managed appropriately to position the business stronger in future.

Should executives hold physical shares, they can in any event not be prevented from selling the shares. With the Tsogo Sun Gaming scheme new allotments to participants over time already provide alignment with shareholders and keep them vested in the share price performance.

We are mindful that there are different views and that various alternative schemes could be feasible as incentives. However, the mere fact that various other possible schemes exist, which some shareholders prefer, does not mean that the current scheme is inappropriate.

All matters raised were comprehensively tabled and discussed at the following remuneration committee meeting and after deliberation the chairperson of the remuneration committee presented the information and its views to the board who agreed with the outcome as noted above.

The company has spent a lot of time over the past year improving and continues to improve its policies thereby ensuring affordable, yet fair remuneration structures after several years with declining margins of the casino industry. This has been further complicated with the severe negative impact of Covid-19.

We hope shareholders will recognise our effort in this regard. The company is striving to deliver a restructured business which will recover quickly from the adverse impact on its financial position as a result of the pandemic.

REMUNERATION BACKGROUND STATEMENT

The object of the group's remuneration policy is to ensure that the group remunerates fairly, responsibly and transparently, so as to attract and retain employees of the right calibre and skillset, motivating them to achieve appropriate performance levels aligned with the group's strategic objectives, by offering fixed and variable financial rewards and non-financial benefits, including performance recognition, development and career opportunities.

Total rewards are set at levels that are competitive within the gaming, hospitality and entertainment sector. The fixed and variable financial reward element of the remuneration structure of employees differ depending on employee grades.

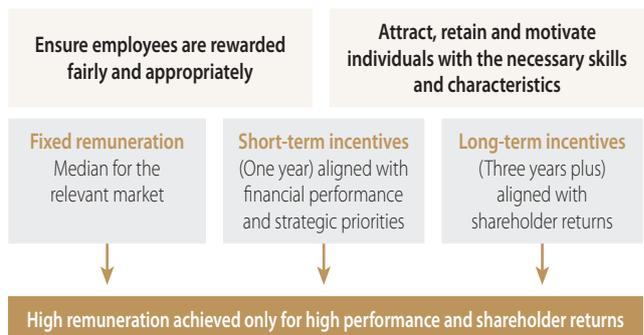
The remuneration committee consisting of five non-executive directors, three of whom are independent, also considers other significant matters relating to employment. The CEO and Director of HR provide comprehensive reports to the committee at each meeting. The committee, after consideration submits their recommendations to the board who ultimately remains responsible for approving remuneration policies and decisions. The committee met two times during the year and a third meeting for the year was postponed to May 2020 due to the Covid-19 pandemic.

Independent remuneration consultants were only used to the extent of providing industry remuneration benchmark statistics of various relevant roles.

The remuneration committee is satisfied that the remuneration policy has achieved its objectives in the past year and recognises the additional challenges posed by the current Covid-19 crisis.

The key areas of focus, decisions made and changes to policies are included in the framework and specific areas addressed below.

REMUNERATION POLICY FRAMEWORK



The remuneration of the different divisions is run autonomously due to the different demands of the respective sectors.

The high level framework for each division is developed by the Director of HR with input from divisions and the CEO and is presented to and considered by the remuneration committee.

The remuneration policies, as a minimum, comply with the Basic Conditions of Employment Act and any other relevant laws and regulations.

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration and those aspects of the package linked to short-term performance and to long-term shareholder value creation.

The combination of these components ensures remuneration commensurate to performance and shareholder returns. Executives and senior management have a larger portion of their potential total remuneration subject to the achievement of performance-based targets. Short-term incentives are predominantly linked to annual financial performance, but balanced with other strategic priorities where appropriate.

The company has thus far successfully implemented the approach to preserve as many employment opportunities as possible in the current restrictive environment.

FIXED REMUNERATION: SALARIES AND BENEFITS

Group

The group employs more than 10 000 employees directly. The total employee cost (excluding long-term incentives and long-service awards (LSAs)) for the financial year reduced from R2.31 billion to R2.27 billion regardless of salary increases of approximately 5% granted during the year. This is the result of the improved efficiency in staff levels especially at the corporate office and casinos.

In addition, provisions totalling R99 million were released for LSAs (R62 million reduction) and long-term incentives (R37 million).

The remuneration committee pre-Covid-19, recommended increases of an average of approximately 5% (with some units and departments lower or higher than others based on the specific circumstances) for the 2021 financial year.

However, the group had to react quickly to the lockdown of the entire business and therefore the remuneration committee proposed, and the board approved, that increases effective from 1 April 2020 be placed on hold until there is greater financial certainty for the business. It is expected that increases will be on hold for at least this financial year.

Given that the group will most likely take 18 months to recover to be operating within its debt covenants again, there is significant pressure on the group to reduce staff and other costs in this difficult economic climate.

Casinos and corporate

Employees of the corporate office and casino division are employed in varying broad-bands from A to F.

Salaries of broad-bands A to D are based on a cost-to-company ('CTC') basis, with all contributions and benefits, except group life and disability, forming part of the CTC remuneration.

Salaries of permanent broad-band E to F employees are based on a basic plus benefit basis, whereby the employer and employee contributes towards certain benefits such as retirement funding, with the employer's contributions being in excess of the basic amount.

Employees are either employed on a permanent or a flexi basis, with flexi staff working varying hours depending on demand. With the impact of Covid-19 more employment can be preserved with staff working on a flexi basis.

Approximately 2 000 OSS (operational support staff) previously employed by Tsogo Sun Hotels Limited (THL) group, were transferred to the respective casino units in November 2019.

The salaries and benefits are determined for each unit and department within the framework approved by the remuneration committee and the board with the Director of HR responsible for implementation and reporting to the CEO.

Salary levels of similar job categories vary depending on location, the size of the unit and the individual's skills, qualifications and experience. The Director of HR and operations management also review comparative roles within the group to evaluate appropriate compensation.

The casino business in particular, as well as the corporate office, is in the process of evaluating and implementing cost reduction measures thereby enabling the business to recover and to improve margins subsequent to the Covid-19 crisis which have been under pressure for a number of years.

Other policies and benefits

General employment policies have been amended by each unit and the corporate office to a level which is reasonable, fair, affordable and compliant with all laws and regulations. LSAs are still in the process of being terminated for all levels of employees, with a further provision of approximately R65 million to be released on implementation.

SHORT-TERM INCENTIVES

Bonuses and short-term incentives ('STI')

Casino bonus payments for broad-bands E and F for the 2020 financial year were paid in December 2019 before the impact of Covid-19 affected South Africa. These bonuses equate to about a third of the total variable short-term payments of the group. The units and corporate office are in the process of implementing performance criteria for employees in this category, which were not applied historically.

INTEGRATED GOVERNANCE continued

REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

STI applicable to broad-band A to D is discretionary, operated within a framework assessed and recommended by the remuneration committee and approved by the board.

However due to the severely constrained cash flow and high debt levels as a result of the impact of Covid-19 regulations, the 2020 STI payments have been placed on hold until there is more financial certainty for the group.

During the year, the following improvements were made:

- the potential STI cost per broad-band was capped at more reasonable levels;
- the low to high brackets were narrowed for simplification;
- the top bracket is now achievable with exceptional performance;
- the calculation methodology has been simplified and less prone to error; and
- units were differentiated on size for cost to be commensurate with earnings.

These changes will particularly assist smaller units where margins have been under pressure with inappropriate cost bases. Total potential cost is also better controlled and the scheme much simpler to administer.

The revised STI tables contain low, middle (expected/normal performance guidance) and high percentages of total package. The tables may be amended on an annual basis with the remuneration committee and the board's approval.

The "high" percentages (caps) are as follows:

CEO	75% (was previously 130%)
Executives/senior management	33 – 60% (depending on position/unit)
Various levels of management	25 – 33% (depending on broad-band/unit)

The remuneration committee has the discretion in exceptional circumstances to recommend no STI (for example with the current Covid-19 crisis) or a 10% excess amount (only in the event of exceptional measurable outperformance with significant gain or benefit to the unit/group).

Short-term incentives reflect a balance between annual financial performance and other specific strategic priorities or personal performance. Financial performance is based on targeted Ebitda, headline earnings/adjusted headline earnings (or profit after tax on unit level) and cash generation. The target may be adjusted for material structural changes during the year to ensure the target remains fair or challenging where appropriate. The financial and relative growth performance or results achieved compared to the benchmarks are assessed for each unit/department and then applied to the relevant table. Management with personal or other non-financial outperformance is adjusted upwards and below expected or poor performance, adjusted downwards.

Benchmarks take into account the location, economic environment and optimisation of the respective unit potential.

The Director of HR and CEO present a summary of STI cost within the framework to the remuneration committee for their assessment and recommendation to the board. The Chairman of the board assesses the CEO's performance in line with pre-determined criteria approved by the remuneration committee and the board.

The STI policy aims to achieve a reasonable overall STI level for the group, while incentivising management to "go the extra mile".

LONG-TERM INCENTIVES (LTI)

The Tsogo Sun Gaming group share appreciation bonus plan is effectively a phantom share scheme which aligns participants with long-term shareholders.

Appreciation units (notional shares) are allotted to participants at a 10% discount to the 7 day VWAP and vest after three years and must be exercised before the sixth anniversary when they lapse. The encashment value is calculated at the 7 day VWAP when the option is exercised minus the strike price at allotment, plus dividends from the date of allotment to the exercise of the option.

No equity is issued and therefore there is no shareholder dilution relating to the scheme.

The total number of "options" in issue and "value in scheme" are limited and monitored by the remuneration committee and approved by the board.

The remuneration committee is of the view that the share price linked scheme is simplistic with regards to performance measurement and provide the appropriate long-term incentive for executives to deliver results, which will drive share price performance. Key to such achievement will be a reduced debt structure and therefore a stronger financial position with less risk in the long term.

The scheme has become administratively cumbersome over the years with too many participants and allotments. The focus of the scheme should be to incentivise executives and management who are directly involved with driving the performance of the business.

Unfortunately efforts since the unbundling of THL to improve the focus of the scheme has been largely undone by the devastating impact of the Covid-19 pandemic and resultant regulations. Options were reduced from 39 million to 28 million, including 18 million options issued in December 2019 linked only to the TSG share price. R37 million of provisions relating to the LTI scheme were accordingly released in the 2020 financial year, since these TSG options and other historical options which are also linked to the THL share price are effectively significantly out of the money.

The LTI scheme is critical for retention of key performance drivers of the business, especially during the current period of no, or low, increases and STI.

Accordingly the business proposed to the remuneration committee and the board to make use of the opportunity to cancel most of the options in the scheme and to allocate up to 20 million new appreciation

units/notional shares at a 10% discount to the 7 day VWAP as at 18 December 2020 to selected core senior managers who are responsible for delivering revenue, Ebitda and adjusted headline earnings per share (or profit after tax as appropriate) for the next three years. This will provide the benefit to the group of locking in these managers for a further long-term period and retain its core team at a reasonable total cost (taking into account salaries, STI and LTI). It will also further reduce the administration burden of the scheme.

The proposed allotment date is to ensure that there is adequate time for the market to assess the market conditions (with relaxation of restrictions), the group's interim results (which is expected to be announced in the second half of November) and the price of the shares to settle at an appropriate level based on the market's assessment of the business.

The offer made will be on a voluntary basis to selected executives and senior management, ie a manager may decline and retain their existing options/rights.

This should provide the business with the long-term benefit of a motivated group of core managers driving performance.

Gold Reef and executive LTI scheme

The Gold Reef and executive LTI schemes were both equity and loan schemes. Both these schemes have been discontinued with no further issues.

The Gold Reef scheme only has approximately 16 participants left with approximately 400 000 shares in TSG and THL with loan claims due to the company. Most of these are out of the money. The participants' positions close out at the earliest of termination of employment or when they elect to.

The Executive LTI scheme has no participants left in employment of TSG.

FV Dlamini transferred to the hotels division with the unbundling and THL has accordingly taken over the position from TSG.

GD Tyrell and RB Huddy left employment in February and July 2020 respectively. They have until 28 February 2025 and 31 July 2025 respectively to dispose of their 776 699 and 1 048 543 shares in the company and to repay the loans equal to the proceeds of the shares sold. The balance on the loans, if any, will be written off. The company may extend the respective dates by a further three years. The shares may be sold at an earlier date at the option of either party if the share prices of TSG and THL reach certain thresholds. The shares were pledged to the company as security in November 2019 until the loans are repaid. The dividends have also been ceded to the company.

As reported in the prior year, J Booyen has until September 2022 to dispose of his shares and repay the loan.

This scheme is therefore effectively being wound up.

BINGO AND LPM DIVISIONS

Average salary increases are set annually for each specific unit (Galaxy Bingo) and the group employees of Vukani and Galaxy Bingo with inflation and market-related remuneration as the benchmark. Comprehensive performance management systems are in place.

As a result of Covid-19 and until there is more certainty, increases for the 2021 financial year have been placed on hold.

Salaries are all on a CTC basis.

Benefits include *inter alia* retirement funds, medical aid and funeral cover.

Bonuses/STIs are allocated per job category and amounts are limited to a maximum based on monthly salary multiples. Executives and regional general managers are aligned with management caps that apply to the TSG STI scheme.

In December 2019 bonus payments were made to most staff before the impact of Covid-19 affected the business. Since then, bonus/STI payments, normally paid in May and December 2020 have been placed on hold until there is more financial certainty.

Only a few selected key senior management and executives with group performance responsibilities are part of the TSG LTI scheme.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees are proposed by the remuneration committee, considered by the board, and approved by the shareholders at the AGM.

The proposal for this period is that there is no increase and that for the four quarters commencing 1 July 2020 only 60% of the fee be paid, as a result of the impact of Covid-19.

TERMINATION

In the case of terminations the base salary, retirement and other benefits and leave pay will be paid up to and including the last day of employment. All vested long-term incentives will be deemed to have been exercised on the last day of employment and all unvested long-term incentives will be forfeited. The exception being in the event of death or disability the unvested portion is deemed to vest on date of termination.

INTEGRATED GOVERNANCE continued

REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

2020 KEY ELEMENTS OF REMUNERATION	Fixed pay		
	Base salaries	Non-executive directors' fees	Retirement benefits
Purpose and link to strategy	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their responsibilities and time commitment	Provides the basis for retirement savings
Application dependent on employee type and level	All employees	Non-executive directors	All employees entitled to benefits are required to belong to an approved pension/provident fund
Operation and performance measures	<p>Base salaries</p> <p>Base salaries are subject to annual review using inflation as benchmark. Market-related salaries, individual performances and changes in responsibilities are also taken into consideration when determining increases to base salaries</p>	<p>Non-executive directors' fees</p> <p>The fees for the non-executive directors are recommended by the remuneration committee to the board for its approval, taking into account fees payable to non-executive directors of comparable companies. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees and are approved by special resolution of the shareholders. The increases are benchmarked to inflation. Non-executive directors do not receive any short-term or long-term incentives or other benefits</p>	<p>Retirement fund membership</p> <p>Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund, the Tsogo Sun Group Pension Fund and three provident funds, the Alexander Forbes Retirement Fund (Provident Section), the Tsogo Sun Group Provident Fund and the Vukani Super Fund (Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged</p>

	Short-term incentives	Long-term incentives
Other benefits	Annual bonus plan	Executive facility and share appreciation plan
Provides benefits appropriate to the market and the role	Rewards the achievement of annual financial performance balanced with other specific priorities	Long-term incentives are utilised to reward long-term sustainable group performance improvement, retain senior management expertise and align executive pay and long-term value creation with shareholders
All employees entitled to benefits are eligible for membership of an approved medical scheme and other benefits	All executives, senior management and selected middle management receive STI Other staff receive December bonuses	Executives and selected managers
<p>Healthcare The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 5 133 principal members (11 307 beneficiaries)</p> <p>Risk and insured benefits Arising through membership of the group's pension and provident funds, death, disability and funeral benefits are made available to divisions entitled thereto</p> <p>Long-service awards Full-time employees of the organisation receive long-service awards calculated based on the tenure of the employee linked to their guaranteed package. Long-service awards for all head office employees and for all unit-based broadband level A to D employees were terminated effective 1 April 2020, and further discontinuation of long-service awards is in progress.</p>	<p>Annual cash incentive STI is capped per broad-band level and in terms of pre-approved tables in accordance with the size of the unit. Measurement for STI includes unit or group financial and personal performance. Staff bonuses are determined in December.</p>	<p>Share appreciation plan Tsogo Sun Gaming has in operation a phantom share scheme with cash settlement designed to align the interests of participants with those of the company's shareholders. The essential elements of the scheme are that the plan is essentially a 'phantom' version of a share scheme where each appreciation unit is in effect linked to an underlying share in Tsogo Sun Gaming Limited Annual allocations of appreciation units at 10% below (policy amended during the year) market price (7 day VWAP) are made to executives and selected managers (for specific positions and linked to cost to company). They vest and are available to be settled on the third anniversaries of their allocation, but must be exercised by the sixth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun Gaming's share price over the allocation price plus dividends post-grant date, which value will be settled in cash. The allocations at market price result in a base performance hurdle as there is only value if the share price appreciates</p>

INTEGRATED GOVERNANCE continued

REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

REMUNERATION IMPLEMENTATION REPORT

Non-executive director remuneration

Non-executive directors are paid a fixed annual fee for their services as directors and for services provided as members of board committees. These fixed annual fees per director vary depending on their role/s within the committees, and reflect the market dynamics and demands being made on each individual. Payment of these fees is made quarterly, in arrears. The fees are set at levels that will attract and retain the calibre of directors necessary to contribute to a highly effective board. Non-executive directors do not qualify for participation in any bonus or incentive schemes.

The board and the remuneration committee review the remuneration of non-executive directors annually, and the proposed fees and/or any increases thereto for the ensuing year are then presented to the shareholders for approval at each AGM of the company.

In light of the Covid-19 pandemic, the directors agreed to receive only 60% of their fees as approved by shareholders at the AGM held on 17 October 2019, for the quarter from 1 July 2020 to 30 September 2020. In addition, the proposed fees for the ensuing year have been set at an aggregate amount which is equal to 60% of the amount of the fees that were payable per quarter as approved by shareholders at the AGM held on 17 October 2019, in respect of the period from 1 October 2020 to 30 June 2021, and 100% of the amount of the fees that were payable per quarter as approved by shareholders at the AGM held on 17 October 2019, in respect of the period from 1 July 2021 to the date of the next AGM, where approval will be sought for any increases that may be proposed thereto for the then ensuing year.

The proposed fees, excluding VAT where applicable, for the ensuing year from the date of the AGM until the next AGM are as set out below:

	Proposed discounted fees ⁽¹⁾ 2020/2021 R'000	New full fees 2020/2021 R'000	Previously approved fees 2019/2020 R'000
Chairman of the board ⁽²⁾	809	1 155	1 155
Lead independent non-executive and member of all board committees ⁽²⁾	480	685	685
Chairperson of the audit and risk and social and ethics committees ⁽³⁾	N/A	N/A	320
Chairperson of the audit and risk committee ⁽³⁾	119	170	N/A
Chairperson of social and ethics committee ⁽³⁾	70	100	N/A
Chairperson of the remuneration committee ⁽³⁾	105	150	150
Member of a committee	21	30	30
Non-executive director	235	335	335

⁽¹⁾ Three quarters at 60% and one quarter at 100%

⁽²⁾ Including fee as non-executive director

⁽³⁾ Including fee as member of the respective committee

Fees and services paid by subsidiaries for the year ended 31 March	2020 Directors' fees R'000	2019 Directors' fees R'000
JA Copelyn	1 106	1 044
BA Mabuza	655	617
MSI Gani ⁽³⁾	655	617
MJA Golding	320	300
VE Mphande	320	300
JG Ngcobo ⁽¹⁾	200	381
RD Watson ⁽²⁾	206	–
Y Shaik	493	462
	3 955	3 721

⁽¹⁾ Resigned as a non-executive director 31 May 2019

⁽²⁾ Appointed as a non-executive director 1 June 2019

⁽³⁾ Resigned as a non-executive director 18 September 2020

Executive directors and executive managements' remuneration

The disclosure is based on the IoDSA guidance issued in November 2017 on remuneration disclosure in accordance with King IV and presents the remuneration for executive management consisting of the executive directors and heads of divisions.

Executive directors

	2020				2019		
	J Booysen ⁽¹⁾ R'000	C du Toit ⁽²⁾ R'000	R Huddy R'000	Total R'000	J Booysen R'000	R Huddy R'000	Total R'000
Salary	1 858	4 571	4 067	10 496	6 997	3 825	10 822
Pension fund contributions	92	314	351	757	352	346	698
Other benefits	122	114	187	423	484	175	659
Current year STI accrued	–	–	–	–	4 397	2 199	6 596
Fair value of cash based LTI	–	–	–	–	–	–	–
Loss of office ⁽⁴⁾	8 064	–	–	8 064	–	–	–
Total single figure of remuneration	10 136	4 999	4 605	19 740	12 230	6 545	18 775
Current year STI accrued not yet settled	–	–	–	–	(4 397)	(2 199)	(6 596)
Prior year STI accrual settled	5 118	–	2 199	7 317	2 562	1 315	3 877
Settlement of cash-based LTI	–	–	–	–	1 138	1 138	2 276
Total cash equivalent value of remuneration	15 254	4 999	6 804	27 057	11 533	6 799	18 332
Fair value of cash-based LTI	–	–	–	–	–	–	–
Financial statement remuneration ⁽³⁾	15 254	4 999	6 804	27 057	11 533	6 799	18 332

⁽¹⁾ Retired 30 June 2019

⁽²⁾ Appointed as an executive director 1 June 2019 and as CEO 1 July 2019

⁽³⁾ As per 2020 consolidated financial statements page 70

⁽⁴⁾ Ad hoc loss of office approved by the board

Other key management and prescribed officers

	2020								
	C du Toit ⁽¹⁾ R'000	G Joseph ⁽²⁾ R'000	G Lunga ⁽³⁾ R'000	B Mogiba ⁽⁴⁾ R'000	R Nadasen ⁽⁵⁾ R'000	G Tyrrell ⁽⁶⁾ R'000	C Wannell ⁽⁷⁾ R'000	M von Aulock ⁽⁸⁾ R'000	Total R'000
Salary	723	2 992	2 422	2 141	649	1 954	98	1 840	12 819
Pension fund contributions	49	387	349	278	84	321	12	–	1 480
Other benefits	26	171	171	56	45	277	8	148	902
Current year STI accrued	–	–	–	–	–	–	–	–	–
Fair value of cash based LTI	–	–	–	–	–	–	–	–	–
Leave pay ⁽²⁾	–	228	–	–	–	–	–	–	228
Total single figure of remuneration	798	3 778	2 942	2 475	778	2 552	118	1 988	15 429
Current year STI accrued not yet settled	–	–	–	–	–	–	–	–	–
Prior year STI accrual settled	2 270	1 255	859	–	986	–	–	2 678	8 048
Settlement of cash based LTI	–	–	–	–	216	–	–	–	216
Total cash equivalent value of remuneration	3 068	5 033	3 801	2 475	1 980	2 552	118	4 666	23 693
Fair value of cash based LTI	–	–	–	–	–	–	–	–	–
Financial Statement remuneration ⁽⁹⁾	3 068	5 033	3 801	2 475	1 980	2 552	118	4 666	23 693

⁽¹⁾ Appointed as an executive director 1 June 2019

⁽²⁾ Employment ended 18 March 2020

⁽³⁾ Financial Director – Casino Gaming – Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁴⁾ Chief Executive Officer – Vukani – Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁵⁾ No longer a Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁶⁾ Company Secretary and Legal Officer – Prescribed Officer from the unbundling of THL on 23 June 2019. Resigned effective 28 February 2020

⁽⁷⁾ Appointed as Legal Manager and representative of the Company Secretary from 1 March 2020

⁽⁸⁾ No longer a Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁹⁾ As per 2020 consolidated financial statements page 71

INTEGRATED GOVERNANCE continued

REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

Other key management and prescribed officers continued

	2019						
	C du Toit ⁽¹⁾ R'000	G Joseph R'000	R Nadasen R'000	MN von Aulock ⁽²⁾ R'000	RF Weilers ⁽³⁾ R'000	Total R'000	
Salary	2 411	3 048	2 450	5 191	2 045	15 145	
Pension fund contributions	–	369	322	262	–	953	
Other benefits	–	159	161	173	92	585	
Current year STI accrued	2 270	1 255	986	2 678	868	8 057	
Fair value of cash based LTI	–	622	622	–	–	1 244	
Total single figure of remuneration	4 681	5 453	4 541	8 304	3 005	25 984	
Current year STI accrued not yet settled	(2 270)	(1 255)	(986)	(2 678)	–	(7 189)	
Prior year STI accrual settled	–	1 055	1 063	–	1 626	3 744	
Settlement of cash based LTI	–	–	–	–	288	288	
Total cash equivalent value of remuneration	2 411	5 253	4 618	5 626	4 919	22 827	
Fair value of cash based LTI	–	(622)	(622)	–	–	(1 244)	
Financial Statement remuneration ⁽⁴⁾	2 411	4 631	3 996	5 626	4 919	21 583	

⁽¹⁾ Appointed as Chief Operating Officer – Alternative Gaming 1 June 2018

⁽²⁾ Appointed as Chief Executive Officer – Hotels 1 June 2018

⁽³⁾ Retired on 30 September 2018

⁽⁴⁾ As per 2020 consolidated financial statements page 71

Short-term incentive

Due to the financial impact of the Covid-19 pandemic no short-term incentives were paid for the 2020 financial year end and were placed on hold. The December 2019 bonuses for other staff of approximately R73 million was paid before the impact of Covid-19.

The following table reflects the percentage achievement against the short-term incentive targets for the executive directors and the group executive committee (excluding the executive directors):

	Financial and relative performance		Relative growth		Non-financial strategic priorities		Total 2019 achievement	2019 annual total package	Short-term incentive accrued
	Score %	weighting %	Score %	weighting %	Score %	weighting %	%	%	R'000
<i>Executive directors</i>									
J Booysen	32	85	–	–	85	15	40	59	4 397
RB Huddy	32	80	–	–	90	20	43	52	2 199
<i>Group executive committee</i>	25	70	66	9	87	21	44	41	

The total STI and December bonuses paid in 2019 equated to approximately R195 million.

Long-term incentive liability – cash settled

The following table summarises details of the units awarded to all scheme participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding		Strike price R	Appreciation units vested and still outstanding		Expiry date	Liability 2020 Rm	Liability 2019 Rm
	2020	2019		2020	2019			
1 April 2014	1 875 968	5 375 899	25.72	1 875 968	5 375 899	31 March 2020	–	20
1 April 2015	725 332	5 859 181	26.54	725 332	5 859 181	31 March 2021	–	11
1 April 2016	996 940	7 405 847	22.82	996 940	7 405 847	31 March 2022	–	35
1 April 2017	848 233	7 366 228	28.00	–	–	31 March 2023	–	–
1 April 2018	1 048 584	8 222 560	24.08	–	–	31 March 2024	–	4
1 October 2018	3 788 314	3 788 314	20.88	–	–	30 September 2024	–	2
Other	349 678	902 044	20.73	16 041	338 297	Various	–	5
13 December 2019	18 646 026 ⁽²⁾	–	10.82 ⁽¹⁾	–	–	12 December 2025	–	–
Total	28 279 075	38 920 073		3 614 281	18 979 224		–	77
Share price utilised to value the liability at 31 March							– ⁽³⁾	R23.50

⁽¹⁾ Relates to Tsogo Sun Gaming Limited only. All other appreciation units were issued pre the THL unbundling and therefore includes both businesses and both the share prices of TSG and THL are taken into consideration when valuing those liabilities

⁽²⁾ Post unbundling of THL, the scheme was simplified by cancelling some options, with fewer participants and allotments remaining

⁽³⁾ As a result of the share price collapse due to Covid-19, the liability of all the appreciation units were reduced to Nil

Long-term incentive liability – cash settled continued

	Grant date	Appreciation units granted and still outstanding		Strike price R	Appreciation units vested and still outstanding		2020 settlement R'000	Expiry date	Liability 2020 ⁽¹²⁾ R'000	Liability 2019 R'000
		2020	2019		2020	2019				
Executive directors										
C du Toit ⁽¹⁾	2019/12/13	3 826 248	–	10.82 ⁽¹¹⁾	–	–	–	2025/12/11	–	–
J Booysen ⁽²⁾	2014/04/01	–	291 602	25.72	–	–	–	2020/04/01	–	1 059
RB Huddy ⁽³⁾	2014/04/01	184 681	184 681	25.72	–	–	–	2020/04/01	–	670
Total		4 010 929	476 283		–	–	–		–	1 729
Other key management and prescribed officers										
C du Toit ⁽⁴⁾	2018/10/01	–	550 766	20.88	–	–	–	2024/10/01	–	2 170
G Joseph ⁽⁵⁾	2014/04/01	–	97 201	25.72	–	97 201	–	2020/04/01	–	353
	2015/04/01	–	94 198	26.54	–	94 198	–	2021/04/01	–	181
	2016/04/01	–	131 464	22.82	–	131 464	–	2022/04/01	–	622
	2017/04/01	–	125 000	28.00	–	–	–	2023/04/01	–	–
	2017/10/01	–	120 949	20.67	–	–	–	2023/10/01	–	625
	2018/04/01	–	186 877	24.08	–	–	–	2024/04/01	–	269
G Lunga ⁽⁶⁾	2014/04/01	97 201	97 201	25.72	97 201	97 201	–	2020/04/01	–	353
	2019/12/13	646 950	–	10.82 ⁽¹¹⁾	–	–	–	2025/12/11	–	–
B Mogiba ⁽⁷⁾	2019/12/13	924 214	–	10.82 ⁽¹¹⁾	–	–	–	2025/12/11	–	–
R Nadasen ⁽⁸⁾	2013/04/13	–	81 433	24.56	–	81 433	–	2019/04/01	–	507
	2014/04/01	–	97 201	25.72	–	97 201	–	2020/04/01	–	353
	2015/04/01	–	94 198	26.54	–	94 198	–	2021/04/01	–	181
	2016/04/01	–	131 464	22.82	–	131 464	–	2022/04/01	–	622
	2017/04/01	–	125 000	28.00	–	–	–	2023/04/01	–	–
	2017/10/01	–	48 380	20.67	–	–	–	2023/10/01	–	250
	2018/04/01	–	166 113	24.08	–	–	–	2024/04/01	–	239
C Wannell ⁽⁹⁾	2019/12/13	277 264	–	10.82 ⁽¹¹⁾	–	–	–	2025/12/11	–	–
MN von Aulock ⁽¹⁰⁾	2018/10/01	–	2 155 172	20.88	–	–	–	2024/10/01	–	8 491
Total		1 945 629	4 302 617		97 201	824 360	–		–	15 217

⁽¹⁾ Appointed as an Executive Director on 1 June 2019 and as CEO 1 July 2019

⁽²⁾ Retired on 30 June 2019

⁽³⁾ Resigned with effect from 31 July 2020

⁽⁴⁾ Appointed as Chief Operating Officer – Alternative – Gaming 1 June 2018 and as an Executive Director on 1 June 2019

⁽⁵⁾ Employment ended 18 March 2020

⁽⁶⁾ Financial Director – Casino Gaming – Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁷⁾ Chief Executive Officer – Vukani – Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁸⁾ No longer a Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁹⁾ Appointed as Legal Manager and representative of the Company Secretary from 1 March 2020

⁽¹⁰⁾ Appointed Chief Executive Officer – Hotels 1 June 2018 – no longer a Prescribed Officer from the unbundling of THL on 23 June 2019

⁽¹¹⁾ Relates to Tsogo Sun Gaming Limited only. All other appreciation units were issued pre the THL unbundling

⁽¹²⁾ As a result of the share price collapse due to Covid-19, the liability of all the appreciation units were reduced to Rnil

GOVERNANCE SUMMARY

The application of King IV, by principle is summarised below:

KING IV PRINCIPLE	PRACTICE
<p>Principle 1 The governing body should lead ethically and effectively</p>	<p>The Chairman is responsible for providing overall leadership of the board, ensuring that the board performs effectively and that the behaviour of board members is in accordance with the code of conduct and ethics policies of the group.</p> <p>The board has a collective commitment to leading ethically, acting in good faith and in the best interests of the business. The board's responsibility for the governance of ethics includes oversight of the social and ethics committee.</p> <p>The board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.</p>
<p>Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The board has ultimate responsibility for the ethical culture of the business. The social and ethics committee has oversight over the group's ethical matters and the roles and responsibilities are set out in the terms of reference of the committee.</p> <p>The group has an ethics policy and a code of conduct which guides its business practices. The ethics policy seeks to reinforce the company's many policies, principles and practices through providing clarity on expectations and underlying matters of principle. The key aspects of the ethics policy are how business is conducted, the group's societal contribution and handling of people, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability. The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information.</p> <p>The group has an independent whistle-blower line and reported matters are investigated by appropriate employees and the results reported to the audit and risk committee. Unethical behaviour is not tolerated within the group or its business partners.</p>
<p>Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The social and ethics committee is constituted as a committee of the board. The social and ethics committee has oversight over the group's social matters and the roles and responsibilities are set out in the terms of reference of the committee. The key areas of focus are social and economic development of the industry, partners, corporate citizenship within the community, the natural environment and relationships with customers and employees.</p> <p>With assistance from the social and ethics committee, the board monitors the overall contributions made to the community, the return on social contributions made, promotes enterprise development by investing in the economy and monitors the environment, health and safety, including the impact of the company's activities.</p> <p>A report of the social and ethics committee is included in the integrated annual report.</p>

KING IV PRINCIPLE

PRACTICE

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. The board reviews the strategic priorities of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting.

Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, its short, medium and long-term prospects

The audit and risk committee reviews and evaluates the annual financial statements, the integrated annual report and any other announcement regarding the group's results or other financial information made public for reasonability and accuracy, prior to submission and approval by the board.

The combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas. Although there is internal review of all external reporting, non-financial information contained in external reports is currently not independently assured.

The board and the audit and risk committee collectively reviews the integrated annual report thereby ensuring it addresses material matters to its stakeholders in the short, medium and long term. Based on the internal review process during the preparation and review of the integrated annual report the board is satisfied with the integrity of the information contained within the report.

The board ensures that financial and other information is prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the South African Companies Act 2008 and the JSE Listings Requirements as applicable.

The preparation of the financial statements are supervised by the Chief Financial Officer, audited by the external auditors and reviewed by the audit and risk committee. The board, as recommended by the audit and risk committee, will place the annual financial statements for approval at the annual general meeting.

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation

The board maintains full and effective control over the company and is the custodian of corporate governance in the organisation. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting.

The board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

GOVERNANCE SUMMARY continued

KING IV PRINCIPLE

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

PRACTICE

The board appointed John Copelyn as the Chairman and as a compensating control, a lead independent director is appointed. The lead independent director is Busi Mabuza who serves on all of the committees of the board, and is therefore well placed to influence the governance of the company and meet her obligations.

The board considers a director independent where the director considers themselves independent and they had no other executive role within the group for a period of three years. One-third of the non-executive directors retire by rotation each year in line with the Memorandum of Incorporation.

The remuneration committee reviews and assesses board composition on behalf of the board. All board appointments are made on merit, in the context of skills, experience, independence and knowledge, which the board as a whole requires to be effective. Factors that are taken into consideration are differences in qualifications, skills, industry experience and background.

The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. The board has approved a diversity policy incorporating race and gender. No specific targets have been set in relation to the board diversity policy. 67% of the board members are black, and female members equate to 45% (33% at 31 March 2020).

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The composition of the board, independence, experience, race and gender can be found in the integrated annual report. Summarised curricula vitae can be found on the company's website on <https://www.tsogosun.com/gaming>

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference approved by the board and adopted by the committee. All committee chairs report orally on the proceedings of their committees at the board meetings.

The board retains accountability and is satisfied that it has fulfilled its responsibilities in accordance with the board charter during the year.

Refer to the integrated annual report for further information regarding the board committees.

Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness

A collective assessment of the board is set out in the board charter to evaluate the board's contribution as a whole and specifically to include a review of areas in which the functioning of the board could be improved.

A formal self-evaluation of the performance of the board and of its committees will be done during the second half of 2020.

The board remains accountable for all matters where it has delegated responsibility to its sub-committees. The board and the respective board committees are satisfied that the board committees have fulfilled their responsibilities in accordance with their respective terms of reference during the year.

KING IV PRINCIPLE

PRACTICE

Principle 10

The governing body should ensure that the appointment of, and the delegation to, management contributes to the role clarity and the effective exercise of authority and responsibilities

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The Chairman of the board assesses the Chief Executive Officer's performance in line with pre-determined criteria approved by the remuneration committee and the board.

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

The Tsogo Sun Gaming board recognises that the management of business risk is crucial to continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion.

The audit and risk committee is mandated by the board to establish, coordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective.

Refer to the integrated annual report for the group's risk management and assurance processes.

Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

The audit and risk committee oversees the governance and compliance of information technology.

All IT strategies are aligned and coordinated between the relevant stakeholders and business operations with the core focus being:

- Align IT with the business strategy and requirements;
- Approve policy standards and guidelines; and
- IT risk management.

Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. The board is responsible for ensuring compliance with all relevant laws, regulations and codes of business practice. The board and the audit and risk committee is updated with all material changes to legislation and regulations.

The audit and risk committee monitors the legal and regulatory compliance by reviewing the effectiveness of the systems for monitoring of compliance with laws and regulations and the results of any investigation in this regard.

The group has an ethics policy and a code of conduct which guides its business practices. The ethics policy seeks to reinforce the company's many policies, principles and practices through providing clarity on expectations and underlying matters of principle. The key aspects of the ethics policy are how business is conducted, the group's societal contribution and handling of people, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability. The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information. All senior employees are required to sign an annual declaration confirming no conflicts of interest and compliance with laws and regulations.

GOVERNANCE SUMMARY continued

KING IV PRINCIPLE

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparent so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

PRACTICE

The remuneration committee consisting of five non-executive directors, three of whom are independent, also considers other significant matters relating to employment. The Chief Executive Officer and Director of HR provide comprehensive reports to the committee at each meeting. The committee, after consideration submits their recommendations to the board who ultimately remains responsible for approving remuneration policies and decisions.

The remuneration committee is empowered by the board to assess and approve the broad remuneration strategy for the group, the operation of the company's short-term and long-term incentives for executives and senior management across the group, and sets short-term and long-term remuneration for the executive directors.

The object of the group's remuneration policy is to ensure that the group remunerates fairly, responsibly and transparently, so as to attract and retain employees of the right calibre and skillset, motivating them to achieve appropriate performance levels aligned with the group's strategic objectives, by offering fixed and variable financial rewards and non-financial benefits, including performance recognition, development and career opportunities.

The group's remuneration policy and remuneration implementation report is tabled to the shareholders of the company at the AGM to cast non-binding advisory votes in respect thereof. In the event that the remuneration policy or remuneration implementation report or both are voted against by more than 25% of the votes cast, the company shall engage with the dissenting shareholders within a period of 30 days from the AGM and will appropriately consider legitimate and reasonable alternatives that may be proposed.

Refer to the integrated annual report for the group's remuneration policy and remuneration implementation report.

Principle 15

The governing body should ensure that assurance services and functions enables an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation

The board is responsible for the group's systems of internal control. The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The board is satisfied, based on the combined assurance framework, that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level.

Internal audit is outsourced and reports to the Chief Financial Officer and independently to the audit and risk committee. The outsourced function is provided by GRIPP Advisory, which is a subsidiary of HCI. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. GRIPP Advisory will be subject to its first independent quality review in 2023 as the business is currently in its third year of operation. They are also subject to professional ethics and independence standards. The audit and risk committee approves the approach and scope of the internal audit plan on an annual basis. The audit and risk committee is satisfied with the effectiveness of the internal audit function.

Principle 16

In its execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interest and expectations of material stakeholders with the best interests of the organisation over time

Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities, employees and unions are reported on, on a bi-annual basis. While the board has mandated the social and ethics committee to develop a formal stakeholder relationship management policy, it is satisfied that the current interactions with stakeholders are effective.

Refer to the integrated annual report for an overview of the key stakeholder groups, their interests and concerns and how the group engages with them.

GLOSSARY

Adjusted HEPS	Adjusted headline earnings per share	IoDSA	Institute of Directors in Southern Africa
AGM	Annual General Meeting	<IR>	Integrated reporting
B-BBEE	Broad-based black economic empowerment	ISO	Independent Site Operator
the board	The board of directors of Tsogo Sun Gaming Limited	IT	Information technology
CASA	Casino Association of South Africa	JSE	JSE Limited
CEO	Chief Executive Officer	King IV	The King Code of Governance Principles for South Africa 2016
Companies Act	The Companies Act, No 71 of 2008, as amended or replaced from time to time	LSA	Long-service awards
CPA	Consumer Protection Act	LPM	Limited payout machine
CSI	Corporate social investment	LTV	Loan to value
DCM	Debt capital market	NBI	National Business Initiative
dti	Department of Trade and Industry	NCI	Non-controlling interests
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items	NIBD	Net interest-bearing debt
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items	NPAT	Net profit after tax
EBT	Electronic bingo terminal	PDIs	Previously disadvantaged individuals
EME	Emerging micro-enterprise	POPI	Protection of Personal Information
FIC	Financial Intelligence Centre	PP	Percentage points
FICA	Financial Intelligence Centre Act	SACTWU	South African Clothing and Textile Workers Union
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure	SARS	South African Revenue Service
Galaxy	Galaxy Gaming and Entertainment Proprietary Limited	SENS	Securities Exchange News Service of the JSE
Gambling board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Liquor Authority Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board	STI	Short-term incentives
GRIPP	GRIPP Advisory Proprietary Limited	SunWest and Worcester	SunWest International Proprietary Limited and Worcester Casino Proprietary Limited
HCI	Hosken Consolidated Investments Limited	SSHJ	Southern Sun Hotel Interests Proprietary Limited
HEPS	Headline earnings per share	the group	Tsogo Sun Gaming Limited and its subsidiaries and associates
IAS	International Accounting Standards	THL	Tsogo Sun Hotels Limited
IIRC	International Integrated Reporting Council	Tsogo Sun Gaming or the company	Tsogo Sun Gaming Limited
IFRS	International Financial Reporting Standards	TSG	Tsogo Sun Gaming Limited
		VAT	Value Added Tax
		VWAP	Volume weighted average price
		Vukani	Vukani Gaming Corporation Proprietary Limited



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