TSOGO SUN GAMING

INTEGRATED ANNUAL REPORT 2022

Our objective is to provide quality gaming, entertainment and hospitality experiences at all of our destinations

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About this report

Determining our material matters

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, preserve or erode value over the short, medium and long term.

Reporting boundary and scope

This report provides a holistic yet succinct overview of Tsogo Sun Gaming's strategy and business model, material risks and associated opportunities, operational performance and governance practices for the financial year ended 31 March 2022. The information included in this report relates to our activities at group level, and those of our operating subsidiaries. Both financial and non-financial data from subsidiaries are fully consolidated.

We assessed issues significantly impacting value creation and examined areas beyond financial reporting. This is to identify and address all risks and opportunities to our business, and the effects of our activities. In making these assessments, we considered short, medium and long-term implications.

Reporting frameworks

Our reporting process was guided by the principles and requirements in the International Financial Reporting Standards ("IFRS"); the International <IR> Framework, the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")[1]; the JSE Limited Listings Requirements, the JSE Limited Debt Listings Requirements and the Companies Act of South Africa, 71 of 2008, as amended ("Companies Act"). We also provide extracts from the consolidated annual financial statements in this report.

The full set of consolidated annual financial statements is available on our website – www.tsogosun.com/investors and also for inspection at the company's registered office at Palazzo Towers East, Montecasino Boulevard, Fourways, 2055. Tsogo Sun Gaming's social and ethics committee fulfilled its mandate as prescribed by the regulations to the Companies Act, and there are no instances of non-compliance to disclose.

Integrated thinking

Combined assurance

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources. At this stage, external assurance is obtained as follows:

Assured element	Assurance provided	Assurance provider
Consolidated financial statements	External audit	PricewaterhouseCoopers Inc. ("PwC")
Broad-Based Black Economic Empowerment ("B-BBEE") level 1 group rating	Verification	Empowerdex Proprietary Limited
Internal audit	Internal controls	GRiPP Advisory Proprietary Limited

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 and its subsidiaries and associates 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.

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved*

Board responsibility statement

The board of Tsogo Sun Gaming acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has contributed to the identification of matters that are material to Tsogo Sun Gaming and these matters have been used to select information to be addressed in the report. Management has prepared and verified the information in the report, ensuring an accurate, balanced, and comprehensive overview of the organisation. The board as well as the audit and risk committee have reviewed the integrated annual report and are of the opinion that it is presented in accordance with the International Integrated Reporting Council's ("IIRC") Integrated Reporting ("<IR>") Framework, addresses all material matters and offers a balanced view of the performance of the group and the impact on its stakeholders. The board confirms the group's compliance within the Companies Act and the company's memorandum of incorporation for the reporting period. We welcome any feedback at CompanySecretary@tsogosun.com.

The board approves this report for release.

JA Copelyn
Chairperson

CG du Toit
Chief Executive Officer

29 July 2022

Our business

Our owners

Our key shareholder as at 31 March 2022 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 Hosken Consolidated Investments ("HCI") shareholding provides the bulk of the Broad-based Black Economic Empowerment ("B-BBEE") ownership at group level.

Who we are

Tsogo Sun Gaming is southern Africa's premier gaming, entertainment and hospitality group. Tsogo Sun Gaming owns and operates 13 premier casino and entertainment destinations in South Africa, Galaxy Bingo sites, VSlots limited payout machines ("LPMs"), bookmaker licences, hotels, Theme Park, theatres, cinemas, restaurants, bars and conference facilities.

Our group structure

Casino locations

Fourways
MONTECASINO

Johannesburg
Gold Reef City

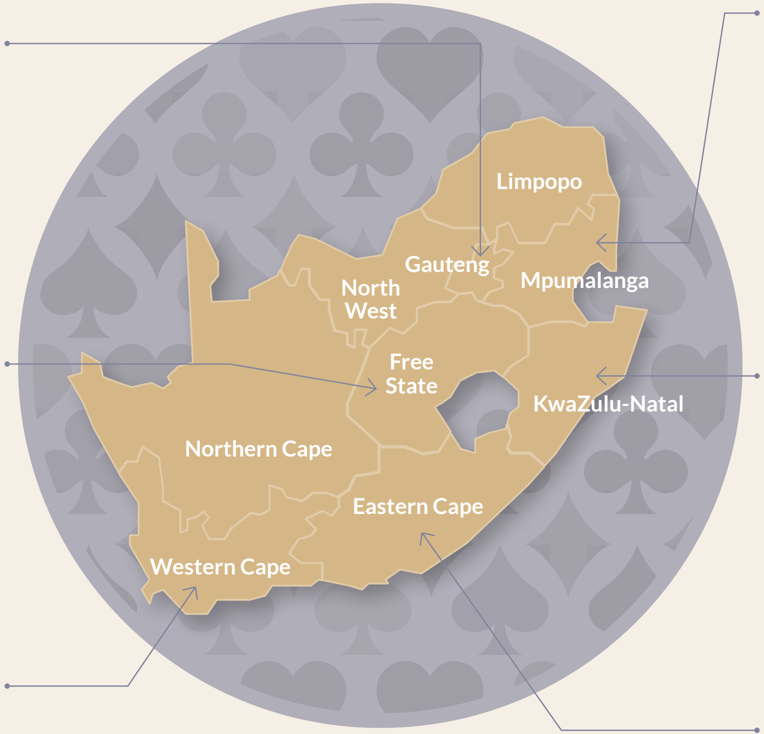
Krugersdorp
SILVERSTAR

Welkom
GOLDFIELDS

Caledon
the Caledon

Mossel Bay
GARDEN ROUTE

Langebaan
MYKONOS



Mbombela
EMNOTWENI

Emalahleni
THE RIDGE

Durban
SUNCOAST

Newcastle
BLACKROCK

Pietermaritzburg
GOLDEN HORSE

East London
HEMINGWAYS | CASINO

Background

Casinos

The casino division operates/owns 13 casinos, hotels, a Theme Park, cinemas, restaurants and bars and other entertainment facilities. 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.

The gaming, entertainment and hospitality 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, entertainment and hospitality complex.

Mutually beneficial relationships with quality restaurant, retail and entertainment tenants provide additional offerings at our properties.

The customer loyalty programme rewards customers with status, benefits and recognition.

Galaxy Bingo and VSlots

Galaxy Bingo

Galaxy Bingo offers bingo through electronic bingo terminals ("EBTs"). As at 31 March 2022, Galaxy operated and managed 26 sites including 17 bingo sites with EBTs, seven sites with EBTs and LPMs, one ISO with 40 LPMs and one casino. The Marco Polo opened at its new site in Nelson Mandela Square in November 2021.

COVID-19 regulations negatively impacted the number of gaming positions operated during the year. Numerous legal challenges relating to bingo licences in KwaZulu-Natal and the Eastern Cape have not been finalised with the outcome remaining uncertain, which outcome could impact the group's licences in these provinces. Empowerment shareholding is at group and site level and the effective shareholdings vary between 29% and 100% in each site. The bingo sites and the associated food and beverage outlets operate mainly from leased premises at shopping centres. The majority of the EBTs are leased.

VSlots

VSlots offers LPM gaming services and manages 6 485 (2021: 6 183) LPMs in all provinces of the country. The LPMs are mainly located in bars, restaurants, hotels and bookmaker sites. The group provides the sites with access to LPMs with a full support structure. The operations continue to perform well, despite the various restrictions imposed during the year to minimise COVID-19 infections. The sites operate under a strictly regulated environment. Growth is achieved through the rollout 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.

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 and outlook section provides more insight into our performance as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the short, medium and 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	• Chairperson and executive management review • Financial strength and durability
Social and relationship	Quality relationships with our key stakeholders are 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 fundamental to retaining our social and regulatory licence to operate	• Our 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 electronic gaming machines, 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	• Where we operate • 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

Our 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
- Casinos, bingo and LPM sites and ancillary facilities
- Internally generated cash flows

Social and relationship capital
- Licence to trade
- Community
- Customers
- Suppliers
- Partners

Manufactured capital
- Relevant physical gaming, entertainment and hospitality product
- Enabling technology
- Infrastructure

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

Human capital
- Ethical values
- Engaged workforce
- Specialised knowledge and skills

Natural capital
- Physical locations
- Efficiency
- Water consumption
- Biodiversity

Activities and processes

Divisions

Casino

Core business
- Owns, leases and operates gaming and entertainment complexes across South Africa

Bingo

Core business
- Owns, leases and operates EBTs across South Africa

Limited payout machines

Core business
- Manages LPMs across South Africa

Stakeholders

- Investors and funding institutions
- Government and regulatory bodies
- Customers
- Communities
- Employees
- Suppliers, tenants and business partners

Outputs

Gaming, entertainment and hospitality
- 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

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

Financial strength and durability
- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
- Long-term funding maturities

Product relevance to customer experience
- Customer satisfaction
- Customer value
- Customer loyalty
- Product distribution

Regulatory compliance
- Licence to trade

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

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

Our operating environment

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

The gaming industry in South Africa is highly regulated, both at a 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. In addition, each province has its own gaming legislation, as well as its own provincial licensing authority which regulates gambling within each province.

With the exception of the group's Eastern Cape-based casino licence (Hemingways Casino), casino licences are issued for an indefinite period, subject to payment to the relevant provincial board of the applicable annual licence fees, and subject further to continued suitability and compliance with licensing conditions.

Numerous legal challenges relating to bingo licences in KwaZulu-Natal and the Eastern Cape have not been finalised with the outcome remaining uncertain, which could impact the group's licences in these provinces.

Economic environment
The COVID-19 pandemic and various regulatory restrictions due to the declaration of the National State of Disaster continued to cause significant disruptions to the South African economy. Rising interest rates, high unemployment levels, KwaZulu-Natal floods and Eskom's unabating load shedding, were additional factors that exacerbated the negative impact of COVID-19.

Industry
The formalisation of the industry before the turn of the century has continued to contribute substantially 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 gaming market is made up of casinos, LPMs, bingo and an increasing online segment.

Casinos operate in large complexes with various forms of entertainment.

Bingo operates mostly in shopping malls where premises are leased from landlords. Bingo growth is driven by expansion and optimisation.

LPMs are principally located in bars, restaurants, hotels and bookmaker sites. LPMs growth is driven by the rollout of additional sites and by the optimisation of individual site locations and the machine mix within sites.

The online gaming space is expected to grow exponentially following the Western Cape Gambling and Racing Board's process of implementing betting on online slot products by betting operators.

Illegal land-based gambling sites are impacting the whole of the industry's revenue, which impacts 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. Decisive action does not appear to be taken by the gambling regulators, dtic, SARS, law enforcement agencies, landlords and banking institutions in stopping illegal gambling transactions and closing down illegal land-based sites.

Technology
Our technology advancements are constantly evaluated and, where appropriate, incorporated into the business to meet our business objectives and improve customer experience.

In many cases, these technological advancements are dependent on the global supply chain, which was disrupted by the COVID-19 pandemic. This, however, presented a unique opportunity to enhance existing strategies.

Technology trends that continue to be relevant to our industry include:
- Online digital platforms and mobile applications;
- Contactless customer solutions and technologies;
- Robotic Process Automation ("RPA") and Artificial Intelligence ("AI");
- Cost-effective and robust IT infrastructure and data centre models;
- Collaboration tools; and
- Cloud adoption.

Technology decision-making continues to revolve around people and processes within the ecosystem, with the core focus on providing business with flexible, scalable and secure technology.

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 as noted above to the look and feel of the physical product, the location of sites, concepts of restaurants and bar offerings and types of entertainment.

Societal issues
The weak economic environment was further exacerbated by the COVID-19 pandemic. Energy supply concerns with ongoing load shedding continues to fuel uncertainty, thus discouraging local and international investment.

The gaming businesses provide benefits in the highly regulated industry through significant tax contributions, infrastructure development, creation of employment, wealth distribution to B-BBEE businesses and empowerment 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. In addition, the illegal sites are not regulated, and the issues of problem gambling, unfair gambling practices 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. In the current year, the group installed solar energy at Silverstar and Garden Route casinos. The rollout of solar panels in more of the casinos is planned for in the near future in an effort to reduce our carbon footprint.

Our 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. With over two years of various restrictions and closures altering the business as a result of the COVID-19 pandemic, the strong relationships with our key stakeholders came to the fore, and assisted greatly in the group gradually moving away from survival mode to building an improved, sustainable business for the future.

Why it is important for us to engage	How we engage with our stakeholders	Our stakeholders' key interests	Associated strategic priorities
Investors and funding institutions Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns	• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual general meetings • Investor presentations • Tsogo Sun Gaming website	• Sustainable business and return on investment • Dividends • Risks and opportunities • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing • Security of tenure over properties • Independence of the board	Financial strength and durability Growth
Government and regulatory bodies Government provides us with our licence to trade and the regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues	• 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, e.g. CASA	• Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	Regulatory compliance Deliver to our beneficiaries
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	• Rewards programme • Website and social media engagement • One-on-one interaction • Above-the-line marketing	• Quality product • Consistent quality experience • Ease of engagement/interaction • Value offerings • Long-term security of supply • Recognition for loyalty	Product relevance to customer experience Deliver to our beneficiaries Growth
Communities Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability	• Corporate social investment initiatives • National Responsible Gambling Programme	• Investment in disadvantaged communities • Corporate social investment • Employment opportunities • Responsible gambling	Deliver to our beneficiaries Growth
Employees 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	• Internal communications and posters • Induction programmes • Ongoing training and education • Performance management programmes • Anti-fraud, ethics and corruption hotline	• Job security • Engagement • Performance management • Health and safety performance • Career planning and skills development • Preferred employer	Human resources Growth
Suppliers, tenants and business partners Our suppliers, tenants and business partners enable us to deliver consistent customer experiences	• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline	• Supplier forums and showcases • Timely payment and favourable terms • Fair treatment • B-BBEE compliance	Deliver to our beneficiaries Growth

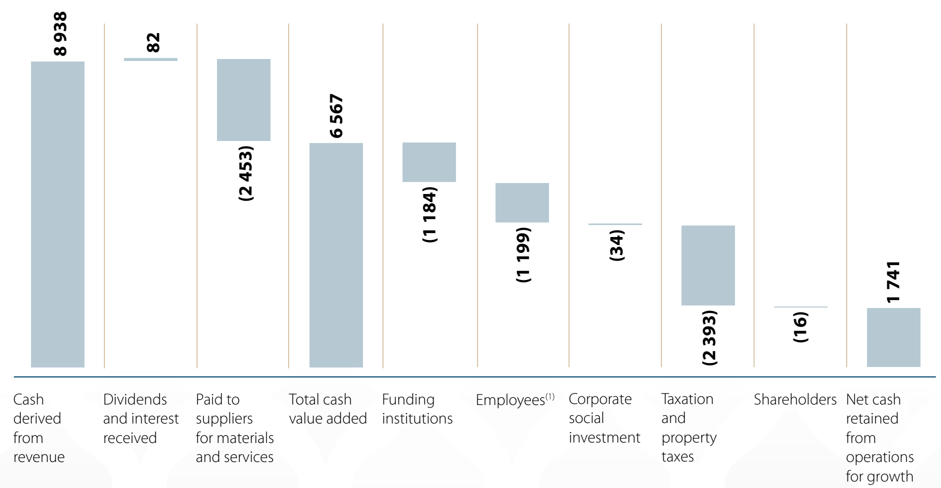
Our key relationships *continued*

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

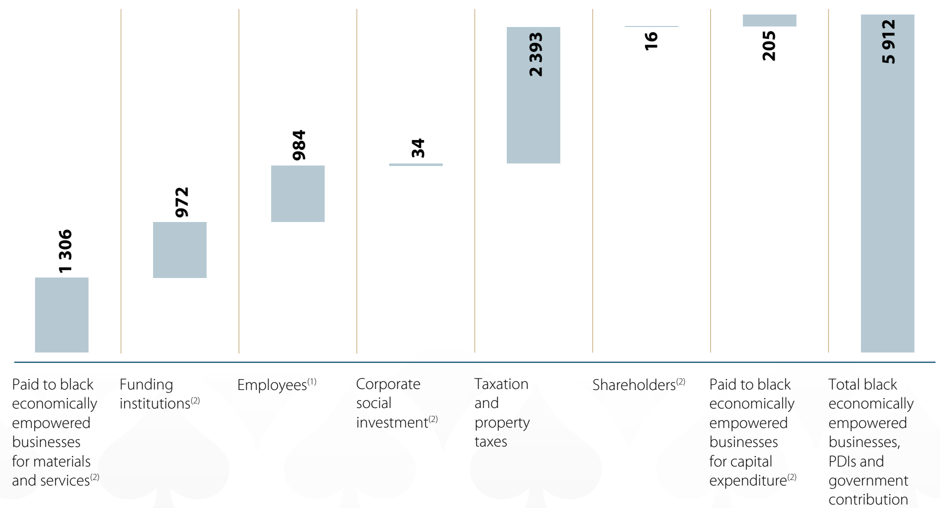
- Returns for our shareholders and funding institutions;
- Substantial income tax, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- Corporate social investment within the communities we serve;
- Employment within the communities we serve;
- Sustainable 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 B-BBEE businesses, previously disadvantaged individuals ("PDIs") and government. The value-added has been negatively impacted by the adverse consequences of COVID-19. The value added by the group is as follows:

Value added for the year ended 31 March 2022 (Rm)



Value added to black economically empowered businesses, PDIs and government for the year ended 31 March 2022 (Rm)



[1] Net pay to employees with employees' tax included in taxation
[2] As per the Department of Trade, Industry and Competition tourism sector code

Our material risks and opportunities

Risk management process

Leading from the risk identification process, management evaluates the potential financial impact of each risk, the probability of it occurring, and the degree to which business is able to mitigate the risk through its internal control processes and other interventions

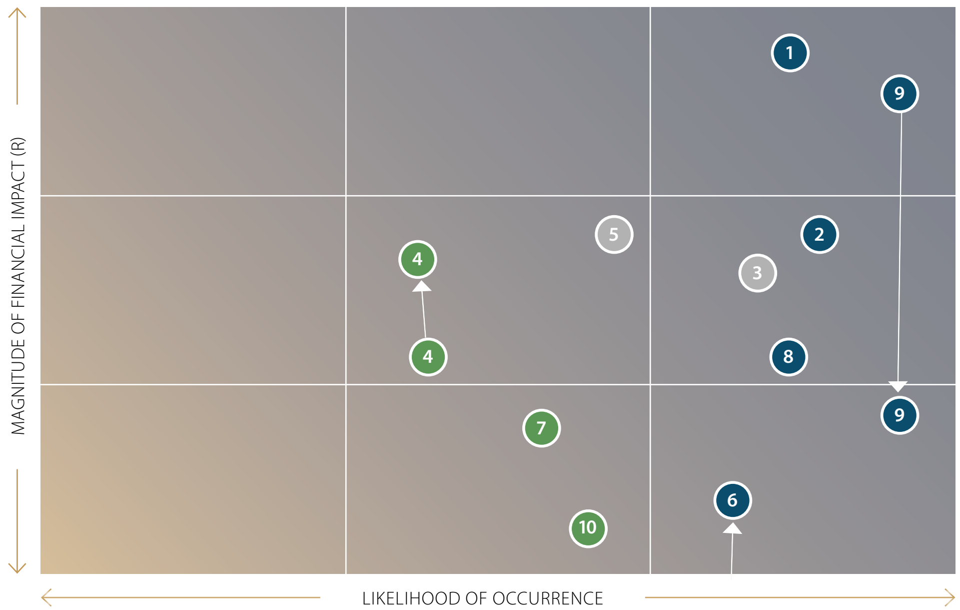
Through this evaluation, management determines the materiality of each risk and its potential impact on the delivery of our strategy, the overall business model, and the forms of capital utilised to create or preserve value over the short, medium and long term. The embedded Organisational Resilience Management Systems adds to the robust nature of this process.

A number of the risks are inherent in the nature of the business and the environment we operate in, and thus remain risks for the business from year to year.

Management's focus is thus not necessarily to eliminate these risks but rather to mitigate their impact on the business and the overall strategy. The risk matrix presented below lists the top 10 risks and associated opportunities for the group in a graphic form, using magnitude of risk and likelihood of occurrence as the elements for rating the risks. In the risk identification process, climate change has been recognised as an increasingly more pertinent issue for the group and has thus been included in the top 10 risks identified for the group.

Tsogo Sun Gaming group risk and opportunity landscape movement

from March 2021 to March 2022



Principal risk and opportunity landscapes

1. Macro-economic environment
2. Regulatory change and compliance
3. Adverse tax environment
4. Portfolio management and product relevance
5. Capacity and market issues
6. Climate change
7. Human resources
8. Unreliable and costly utilities
9. Crime, safety and security
10. Cyber, IT and information management

Strength of risk response key

Good Weak Unsatisfactory

Our material risks and opportunities *continued*

1. MACRO-ECONOMIC ENVIRONMENT

Specific risks we face
- Low economic growth due to the lag effect of the COVID-19 national lockdown and regulations imposed
- Declining customer discretionary spend
- Increased funding costs caused by interest rate hikes to contain inflation
- Concentration of operations in South Africa

Potential impact
- Low revenue growth and profitability
- Disruption to operations
- Increased funding costs

Risk responses
- Revise strategic priorities
- Review and optimise organisational structures
- Further focus on cost reduction
- Stringent evaluation of capital projects and preservation of liquidity
- Renewed and focused marketing initiatives and promotions
- Reward programmes

Associated opportunity
- Digital marketing initiatives

Associated strategic priorities
- Financial strength and durability
- Growth

2. REGULATORY CHANGE AND COMPLIANCE

Specific risks we face
- Proposed legislation on banning smoking in enclosed/indoor public areas
- National Central Monitoring System
- Additional gaming licences
- Aggressive regulatory authorities and penalties
- Changes in casino licensing conditions
- Bingo legislative issues and legal challenges
- Changing B-BBEE requirements
- Increased complexity of compliance
- Loss of licences
- Illegal gambling

Potential impact
- Lower revenue, higher costs and reduced profitability
- Uncertain operating environment resulting in frozen investment spend
- Increased cost of compliance

Risk responses
- 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
- Industry lobby groups

Associated opportunity
- Acquire distressed licences

Associated strategic priorities
- Deliver to our beneficiaries
- Regulatory compliance

Risk impact

Extreme | High | Moderate | Low

Our material risks and opportunities *continued*

3. ADVERSE TAX ENVIRONMENT

Specific risks we face
- Potential increased national and provincial gaming taxes
- Increased rates and property taxes
- Aggressive tax authorities

Potential impact
- Reduced profitability
- Uncertain operating environment resulting in frozen investment spend
- Increased cost of compliance

Risk responses
- Communicate with government through industry bodies
- Lodge appeals on assessments and property valuations where applicable
- Robust compliance procedures

Associated strategic priorities
- Deliver to our beneficiaries
- Regulatory compliance
- Growth

4. PORTFOLIO MANAGEMENT AND PRODUCT RELEVANCE

Specific risks we face
- Proposed legislation on banning smoking in enclosed/indoor public areas
- Unlawful online gaming product offering
- Lagging behind technology and social media trends
- Product relevance in target markets
- Ageing infrastructure
- Post-COVID-19 consumer preference changes

Potential impact
- Reduced income and profitability
- Reduced footfall and customers and thus gaming win
- Disruption to operations and reduced profitability

Risk responses
- Overview of markets
- Interaction with local authorities and regulators
- Investment in facilities and maintenance capex to ensure relevance
- Market research to timeously identify trends
- Social media interaction
- Tsogo Sun Gaming mobile app development and launch
- Online products

Associated opportunities
- Access new markets
- Additional cost efficiency through the use of technology

Associated strategic priorities
- Product relevance to customer experience
- Growth

Risk impact

Extreme High Moderate Low

Our material risks and opportunities *continued*

5. CAPACITY AND MARKET ISSUES

Specific risks we face
- COVID-19 lagged effect on consumer discretionary spend
- Proliferation of illegal gambling
- Unlawful interactive gaming
- Fixed-cost nature of the business
- Rollout of other/online gaming licences in an uncontrolled manner

Potential impact
- Lower revenue growth and profitability

Risk responses
- Review organisational structures
- Further focus on cost containment
- Interaction with gambling boards, law enforcement officials and city officials
- Monitoring returns on new businesses
- Engagement with gambling boards and government to curtail illegal gambling
- Reconfiguration of gaming floors

Associated opportunities
- Access new markets
- Additional cost efficiency through the use of technology

Associated strategic priorities
- Product relevance to customer experience
- Growth

6. CLIMATE CHANGE

Specific risks we face
- Adverse and severe weather conditions
- Storm and lightning damage, flooding
- Services disruption, electrical and water supply
- Customer access disruption due to road infrastructure damage

Potential impact
- Business interruption, loss of revenue and profitability
- Damage to property, plant and equipment
- Increased cost of running standby power generators, and provision of temporary water supply

Risk responses
- Installation of off-grid power supply alternatives
- Increased standby water supply and ground water usage
- Increased surge protection for sensitive electronic equipment
- Increased focus on storm water flow management

Associated opportunities
- Reduced cost base due to off-grid power generation installations
- Increased resilience to national grid power outages, load shedding and water supply disruptions
- Reduction in carbon emissions

Associated strategic priorities
- Deliver to our beneficiaries
- Growth

Risk impact

Extreme | High | Moderate | Low

Our material risks and opportunities *continued*

7. HUMAN RESOURCES

Specific risks we face
- Changes implemented in response to COVID-19
- Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to strikes and unrest
- Lifestyle diseases and impact of COVID-19
- Limited pool of qualified, trained and talented staff

Potential impact
- Failure to meet employment equity targets
- Reduced customer satisfaction, disruption to operations and reduced profitability
- Work stoppages, reduced profitability and reputational impacts

Risk responses
- Retention of staff through appropriate remuneration structures
- Develop talented staff
- Performance-driven culture
- Focused employment-equity strategy
- Employee wellness initiatives

Associated opportunities
- Development of appropriate skills base
- Career path development for identified staff

Associated strategic priorities
Human resources

Deliver to our beneficiaries

8. UNRELIABLE AND COSTLY UTILITIES

Specific risks we face
- Unreliable electrical supply resulting in increased diesel usage, equipment damage and reduced footfall
- Municipal infrastructure degradation
- Unreliable water supplies
- Rise in electricity and water costs

Potential impact
- Disruption to operations and reduced profitability
- Machinery breakdown increasing maintenance costs

Risk responses
- Demand-side management programmes to reduce consumption
- Water handling/storage capacity for emergency supply
- Self-reliance on generators for emergency electricity supply
- Installation of solar systems to manage costs over the long-term

Associated opportunities
- Alternative power and water supply options
- Long-term cost benefits
- Reduction of the group's carbon footprint

Associated strategic priorities
Product relevance to customer experience

Growth

Risk impact

Extreme · High · Moderate · Low

Our business
Our strategy and outlook
Our governance
Administration

Our material risks and opportunities *continued*

9. CRIME, SAFETY AND SECURITY

Specific risks we face
- Global pandemics and threats of new variants of COVID-19
- Casino and hotel robberies/follow-home robberies
- Major violent incidents, including looting
- Fraud by employees/from external sources
- General lawlessness

Potential impact
- Lower revenues, increased cost and lower profitability
- Reputational risk

Risk responses
- Maintain hygiene and safety protocols
- Compliance with national health regulations
- Physical security and surveillance procedures and crime intelligence
- Coordination with the law enforcement agencies
- Internal control frameworks and internal audit procedures
- Implement new technology to reduce cash transactions

Associated opportunities
- Improved management of cash-handling costs
- Improved deployment of cash resources

Associated strategic priorities
- Regulatory compliance
- Growth

10. CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face
- Cyber crime
- Hacking and hacktivism
- POPIA compliance
- Social media risks, including abuse by staff leading to reputational issues
- Loss of information

Potential impact
- Reputational risk
- Fines and penalties
- Reduced income and profitability

Risk responses
- IT Cybersecurity Framework
- Payment card industry standard compliance
- Social media policies implemented
- Increased IT auditing and assurance
- Increased cyber security awareness

Associated opportunities
- Improved IT efficiency

Associated strategic priorities
- Regulatory compliance
- Growth

Risk impact
Extreme High Moderate Low

Chairperson and executive management review

John Copelyn
Chairperson

Chris du Toit
Chief Executive Officer

Gregory Lunga
Chief Financial Officer

The 2022 financial year performance was much improved compared to the 2021 financial year, largely due to the relaxation of the various restrictions that were facing the gaming and entertainment industry. The group did exceptionally well to reduce the net debt by R1.9 billion and to consequently be back within its original debt covenants for the first time in almost two years

Review of operations

	Year ended 31 March 2022 Rm	Year ended 31 March 2021 Rm	Change on prior year %	Year ended 31 March 2020 Rm	Change on 31 March 2020 %
Income	**8 938**	5 686	57	11 686	(23)
Operating costs	**(5 810)**	(3 945)	(47)	(7 681)	24
EBITDA	**3 128**	1 741	80	4 005	(22)
EBITDA margin	**35%**	31%	4pp	34%	1pp
Adjusted EBITDA (including leases)	**3 045**	1 660	83	3 883	(22)
Net finance cost (excluding leases)	**(735)**	(911)	19	(1 062)	31
Headline earnings/(loss)	**1 153**	(32)	–	1 284	(10)
Adjusted EBITDA to HE conversion rate	**38%**	(2%)	40pp	33%	5pp
Dividend per share (cents)	**–**	–	–	26	(100)
Capex and investments	**(267)**	(161)	(66)	(1 178)	77
NIBD and guarantees	**(9 040)**	(10 931)	17	(11 442)	21

Back within original debt covenants

R1.9 billion reduction in net debt

Financial

The total income generated for the 2022 financial year was R8.9 billion (up 57% compared to the prior year), EBITDA was R3.1 billion (up 80%) and adjusted EBITDA (after IFRS 16 adjustments) was R3.0 billion (up 83%, but still some 22% below pre-COVID-19 levels).

Net finance costs (excluding leases) for the year amounted to R735 million, a significant decrease from R911 million, for the prior year. R3.5 billion interest rate swaps remain in place.

Headline earnings achieved for the year was R1.15 billion compared to a R32 million headline loss in the prior year. This equates to an adjusted EBITDA to headline earnings conversion ratio of 38% (-2% for the 2021 and 33% for the 2020 financial years).

Included in headline earnings is the release of a net deferred tax liability of R44 million as a result of the change in the corporate taxation rate from 1 April 2022. Also included, is the negative impact of a complete closure of the business from 28 June 2021 to 25 July 2021 as a result of the COVID-19 pandemic, partially offset by R111 million of business interruption insurance proceeds. A remarkable EBITDA margin of 35% was achieved for the 2022 financial year.

Debt and covenants

Despite over two years of various restrictions and closures affecting the business as a result of the COVID-19 pandemic, the group was within its original net leverage covenants for the 12 months ended 31 March 2022. The net debt to adjusted EBITDA ratio for the year, as measured for covenant purposes, amounted to 2.89 times, the required covenant being less than 3.0 times.

The additional conditions that were imposed as a result of the covenant resets fell away from 1 April 2022, including the requirement of reporting to the group's lenders on a monthly basis, the requirement of submitting a business plan if a material part of the business were to be locked down for 30 days cumulatively, the limitations around permitted acquisitions and the imposition of a further quarterly margin ratchet.

The declaration of dividends has been placed back within the control of the board of directors, subject to the group assessing the projected financial position for the subsequent two measuring periods as per the group's original common terms agreement.

With the focus for the year under review being on cash generation and a return to being within covenants, the group managed to reduce its net interest-bearing debt and guarantees significantly by R1.9 billion from R10.9 billion at 31 March 2021 to R9.0 billion at 31 March 2022.

The group's medium-term target is to reduce its net debt levels to lower than a 2.0 times multiple of adjusted EBITDA, thereby reducing risk and funding costs further.

At the date of this report, the directors are not aware of any circumstances whereby the group should not be able to achieve the original covenant requirements for September 2022.

The R2.9 billion three-year debt tranche, which is due for repayment in November 2022, was reduced to R2.2 billion on 28 February 2022 due to a voluntary prepayment of R0.7 billion, and a further voluntary prepayment of R0.5 billion was made on 31 May 2022, which further reduced the November 2022 tranche to R1.7 billion. The group has liquidity of approximately R2.5 billion in available facilities.

Casinos

Management continued to focus on operational efficiencies during the reporting period, with some initiatives still ongoing. It is inevitable that certain costs will increase in the new financial year, *inter alia*, salary costs, the resumption of pension contributions following the expiry of the pension fund holiday in April 2022, insurance premiums, utility costs and various other. The visibility of where the operating cost base will settle should hopefully be clearer by the 2023 financial year end.

The casino division has adapted well in coping with the restrictive environment, but the uncertainty of restrictions on the industry has not been completely eliminated as yet.

The lifting of the curfew and the relaxation of social distancing measures presents the casinos with an opportunity to drive performance in line with demand, which has not reached pre-COVID-19 levels as yet.

Other income streams, comprising mainly food and beverage, rooms, Theme Park, tenanting, dividends and cinemas, showed some good signs of recovery during the second half of the year, but overall these income streams have been affected more severely than net gaming win.

The casino division, being the largest division in the Tsogo Sun Gaming stable, has proven its resilience over the past two years despite lockdowns, trading and other restrictions, riots, flooding, load shedding and a fragile economy. It is however clear that without the cost savings achieved since July 2019, the casinos would have experienced a much harder landing.

During the 2023 financial year, the Gold Reef City precinct eventing space will be improved to play a more significant role in the Gauteng hospitality market. This should positively contribute to the results in the following financial year. Subject to certain conditions precedent, the group will also be incorporating 15 of its 17 hotels into its own management and operational structure, and the remaining two hotels will be disposed of. Managing our own assets should improve efficiency.

Bingo

With the lifting of the curfew and less strenuous social distancing requirements, the bingo division is finally clawing back some of the losses suffered over the past two years. The trading of the division is continuing to improve, but is still below pre-COVID-19 levels.

Chairperson and executive management review *continued*

Limited payout machines ("LPMs")

The LPM division achieved record EBITDA of more than R500 million for the financial year despite the restrictive regulations, including curfews and alcohol bans affecting restaurants and bars. This strong performance has continued subsequent to the year end.

We are positive about the potential upside; however, the lead times for the purchase and delivery of machines and parts and the ongoing regulatory red tape regarding the rollout of LPMs may constrain the growth which could be achieved in the short term.

Digital, online and technology

Developments within the digital, online and technology space are progressing well. We envisage having more visibility in the market in this regard later in the 2023 financial year, and particularly in the 2024 financial year.

It is clear that betting on online casino games is proliferating, and the Western Cape Gambling and Racing Board is in the process of implementing betting on online slot products by betting operators. Exponential growth of the online betting market on casino type games should be expected for the foreseeable future.

Capital expenditure, investments and sale of assets

Capital expenditure ("capex") and investments cash outflow for the 2022 financial year amounted to R267 million.

An approximate amount of R550 million has been budgeted for capex projects for the 2023 financial year of which R120 million has been contracted for. The budgeted capex comprises mostly gaming equipment, general maintenance capex and trial solar projects. Refurbishments at the various casino precincts remain limited to small-scale improvements.

Furthermore, R240 million has been set aside for the 2023 financial year for concluded acquisitions which are subject to fulfilment of certain conditions precedent which were not met as at the date of this report. In addition, a net amount of R257 million has been allocated towards the incorporation of the 15 hotels of the group into its own management and operational structure, and the potential disposal of the remaining two hotels, subject to the fulfilment of certain conditions precedent.

Assets realised during the financial year amounted to R30 million. Additional non-core assets, comprising mainly surplus land, are held for sale and will be disposed at acceptable prices.

Regulatory

There were no significant changes to the regulatory risks facing the industry.

The health department has recently promulgated regulations in terms of the National Health Act relating to the surveillance and control of notifiable medical conditions (such as COVID-19), which could impact operations in future.

Dividend

The board of directors has decided to postpone its decision of the possible declaration of a final dividend in respect of the year ended 31 March 2022, until the board meeting to be held in August 2022.

Prospects

The 2023 financial year may still be impacted by government's response to the pandemic. In the aftermath of the pandemic, the July 2021 riots and the recent flooding in KwaZulu-Natal, the return to a new normal will reveal how discretionary spend has been impacted.

Ancillary offerings at the casino precincts have improved steadily since October 2021 with improved contributions being made towards revenue generated, but as with net gaming win, falling short of pre-COVID-19 levels.

The group is well positioned to deliver strong headline earnings with the improved cost base at casino precincts and the corporate office, regardless of whether revenue growth is achieved, provided that severe restrictions are not once again imposed.

The LPM division's strong performance should be bolstered by the rollout of additional machines which is gathering momentum for the first time in two years.

The effort to further reduce debt to the targeted less than 2.0 times net debt to adjusted EBITDA ratio, will continue.

With potential acquisitions, a new online platform, the proposed in-house management of the group's hotels, an improved hospitality offering at the Gold Reef City precinct, trial solar projects and various other initiatives, 2023 is set to be a busy, but exciting, year. The group's focus is transitioning away from survival mode to building an improved, sustainable business for the future.

Chairperson and executive management review *continued*

Going concern

Despite over two years of various restrictions and closures affecting the business, the group was within its original net leverage covenants for the 12 months ended 31 March 2022. The group experienced a strong recovery in the second half of the year under review, following the lockdown imposed from 28 June 2021 to 25 July 2021. The net debt to adjusted EBITDA ratio for the year, as measured for covenant purposes, amounted to 2.89 times, the required covenant being less than 3.0 times. At the date of this report, the directors are not aware of any circumstances whereby the group should not be able to achieve the original covenant requirements for September 2022.

The cash flow and liquidity projections for the group were prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses. Based on the forecast performed, the directors are of the opinion that the group has sufficient access to liquidity and facilities to fund operations for the ensuing 12 months. Although current liabilities exceed current assets at 31 March 2022, the group's forecast reflects that it will generate sufficient cash flows during the period to meet all trading liability obligations.

The group reduced its net interest-bearing debt and guarantees significantly from the R10.9 billion at 31 March 2021 to R9.0 billion at 31 March 2022 under difficult, restrictive trading conditions. The group's focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs.

Also, subsequent to the reporting date as from 23 June 2022, the National State of Disaster, together with all remaining COVID-19 restrictions, were lifted. This further puts the group in a stronger position as there are no longer limitations on people in a gathering and no social distancing measures that need to be adhered to.

After taking the above factors into account, the directors consider the going concern method to be appropriate for the presentation of the consolidated financial statements.

Events after the reporting period

The directors are not aware of any other matter or circumstance arising since the end of the financial year and up to the date of this report, not otherwise dealt with within the consolidated financial statements and the integrated annual report that would affect the operations or results of the group significantly, other than as mentioned below.

Subject to certain conditions precedent, Tsogo Sun Gaming and its subsidiaries concluded a separation agreement with regards to the termination of the management of 15 of its hotels by THL for a cost of R399 million, and the disposal of its remaining two hotels to the Hospitality Property Fund (a subsidiary of THL) for a total consideration of R142 million (carrying value R57 million). In terms of the separation agreement, the respective management and licence agreements may be cancelled on a month's notice and these hotels will accordingly be incorporated into the group's own management and operational structure. These transactions are considered small related party transactions with the company's ultimate controlling shareholder being HCI, and HCI also being a major shareholder of THL. The agreements, which were concluded in May 2022, are considered non-adjusting events in terms of IAS 10 *Events after the Reporting Period.*

Russia/Ukraine conflict

The ongoing Russia/Ukraine conflict causes volatility in commodity prices (in particular, the cost of fuel) and impacts the global supply chain. Although the group does not have direct exposure to either country, these negative influences on global economies may impact disposable income in South Africa.

Governance

Our application of the King IV principles is set out in the King IV compliance document included in this 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 by the social and ethics committee.

Appreciation

We thank all affected stakeholders who supported us over the extremely tough past two years and we particularly express our appreciation to our lenders who assisted in placing Tsogo Sun Gaming in a much stronger position today.

John Copelyn
Chairperson

Chris du Toit
Chief Executive Officer

Gregory Lunga
Chief Financial Officer

29 July 2022

Our strategy for value creation

Strategic priorities

Sustainability

Deliver to our beneficiaries
- Current shareholding, corporate social investment and enterprise development programmes are effective

Financial strength and durability
- Rebuild strong cash flow, reduce gearing and improve liquidity
- Own our assets, where appropriate

Product relevance to customer experience
- Adequate maintenance capex
- Technologically advanced products

Regulatory compliance
- Day-to-day compliance culture
- Awareness of potential regulatory risks

Human resources
- Appropriate resources and skills
- Client service orientated

Growth

- Extract efficiencies
- Continued cost focus
- New projects

Future growth drivers

01 Upside potential as the economy gradually recovers from COVID-19 impact
- Growth in gaming win as economy recovers
- Contain costs to improve margins

02 Site and product improvement should drive additional growth
- Expansion, refurbishment and relocation of sites
- Optimisation of gaming equipment
- Additional gaming positions offered for play due to relaxation of National State of Disaster restrictions

03 Technology and gaming opportunities
- Online betting and gaming
- Technological advancements
- Acquisitions

Our sustainability strategy in action

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 must 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 or poorly managed

Deliver to our beneficiaries

The nature and composition of the group's shareholding remains important in the highly visible and regulated industry that the group operates in. The group's continued efforts in its various citizenship programmes ensure that benefits not only flow to shareholders (direct and indirect), but also to the communities the group operates in, charitable organisations, other socially beneficial groups and through the direct and indirect employment opportunities created.

Key performance indicators

The value added contribution to black economic empowerment businesses, PDIs and government is R5.9 billion (2021: R4.6 billion).

The group has returned to a level 1 B-BBEE status (2021: level 2 B-BBEE status).

2022 performance

COVID-19

The group continued to trade under various restrictions throughout the financial year, even though these were being gradually eased over time. In particular the requirement to enforce social distancing impacted both volumes of guests allowed onto gaming floors, as well as the number of gaming positions that could be offered for play.

A full lockdown was in place from 28 June 2021 to 25 July 2021, but business was open for the remainder of the reporting period at varying adjusted lockdown levels.

All COVID-19 regulations were lifted on 4 May 2022. The group complies with the amended regulations relating to the surveillance and the control of notifiable medical conditions as issued by the Department of Health in terms of the National Health Act of 2003.

Shareholders

The HCI shareholding provides the bulk of the B-BBEE ownership at group level. The balance of the shareholding is diverse with adequate liquidity.

Community

The group has continued with its various community upliftment programmes during the reporting period and although efforts have been constrained due to COVID-19, the group has still managed to make positive and impactful contributions to the communities within which it operates and in particular, enterprise development and donations.

Community development

Community development spend totalled R34 million for the year (2021: R24 million), all of which is verified spend on the B-BBEE socio-economic scorecard and represents 5/5 points achieved in this regard.

Although social investments were constrained due to the COVID-19 regulations, the group continued throughout the period to deliver on all of its licence condition mandates in this regard and remains in line with the group's social investment strategy.

Looking ahead

The group remains committed to various projects within the communities in which we operate.

Enterprise and supplier development

The value of investment in enterprise and supplier development by the group in the year totalled R35 million (2021: R27 million), which represents 10.6 points on the B-BBEE sector codes scorecard. This investment was allocated as R11 million to enterprise development beneficiaries and R24 million to supplier development beneficiaries.

Through the Entrepreneurs programme, the group supports small businesses with the potential to form part of the group's supply chain into the future. The programme provides a wide range of benefits to enterprises across South Africa.

Looking ahead

The group will continue with its commitment towards its enterprise and supplier development programmes.

Tsogo Sun Gaming volunteers

The well-established Tsogo Sun Gaming volunteers programme has continued to provide employees with an opportunity to make a difference in their communities and support those in less fortunate circumstances. A broad spectrum of initiatives were supported in the year, including charity fundraising campaigns, CANSA Shavathon, and World Blood Donor Day, among others.

Our sustainability strategy in action *continued*

Transformation

Since inception, transformation has been a key imperative in the group's strategy, ethos and values, seeking to empower PDIs, businesses and communities within South Africa. The group has achieved a level 1 B-BBEE contributor status in its recent verification audit, based on the dtic revised Codes of Good Practice – tourism sector scorecard. The group also complies with all related guidelines of the codes.

Verification audits are performed annually by an accredited economic empowerment verification agency. The consolidated results for the year ended 31 March 2022 are:

	Tourism sector scorecard target	**2022**	2021
Ownership	27	**27.0**	27.0
Management and control	19	**16.3**	14.0
Skills development	20	**19.7**	14.1
Enterprise and supplier development	40	**33.8**	35.0
Socio-economic development	5	**8.0**	8.0
Overall	111	**104.8**	98.1
Rating Level		**1**	2

Looking ahead

The group intends to continue to prioritise transformation. This will be achieved through continued focus on all areas of the empowerment framework.

Responsible gambling

Tsogo Sun Gaming acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour. The company engages these concerns by educating its employees and customers about responsible gambling and seeks to avoid the misuse of gambling. Tsogo Sun Gaming contributes to, and actively promotes, the National Responsible Gambling Programme.

Further to its support of the NRGP, the group also pays particular attention to ensuring the exclusion of:

- Underaged persons from gaming floors;
- Problem gamblers from gaming areas – by executing the Tsogo Sun Gaming's self-exclusion policy;
- Money lenders from gaming floors;
- Excluded persons.

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

Industry bodies

Tsogo Sun Gaming participates in business and industry bodies such as CASA.

Tenants

In delivering on its brand promise, the group strives to consistently offer quality hospitality, entertainment, and dining experiences, to further enhance the overall experience of its customers on each visit to a Tsogo Sun Gaming property. This is delivered through a combination of owned and outsourced businesses.

The group also offers well-appointed office space in convenient locations to the market.

The group seeks to appoint quality tenants at all of its properties to ensure that the dining and retail experiences complement the quality gaming experiences it offers. The group currently has 297 tenants operating within its businesses across the group.

Suppliers

The procurement strategy is specifically designed to support the group's transformation strategic objectives and the group's overall focus of supporting local business wherever possible, in particular previously disadvantaged businesses. The gradual lifting of COVID-19 restrictions and the concomitant improvement in trading has enabled the group to better support the supply chain.

The verified spend on black economic empowered businesses amounted to R2.5 billion (2021: R2.3 billion) during the year. The group's score for preferential procurement, which is a subset of the enterprise and supplier development element, was 21/25 (2021: 18/25).

Third-party owners

The group leases properties for a number of its business operations and in a number of cases, rental concessions were negotiated and agreed with various landlords. Accounting treatment of these concessions remained consistent with the prior period and all concessions were on a forgiveness of rentals basis. There were no deferments of rentals agreed to in this process.

Environment

Recent events in South Africa have highlighted the impact of climate change on the environment and business in general. The group has recognised this impact and has thus included climate change as a key risk element on the risk landscape. The sustainable use of natural resources and the control of emissions is integral to the group's long-term sustainability objectives.

Environmental management practices are utilised in all casinos and hotels in the group with the focus being on energy consumption, water usage, waste management, and responsible procurement. The group reports to the Carbon Disclosure Project and Water Disclosure Project as a subsidiary of HCI.

Scope and boundaries of emissions measurement

The scope and boundaries of measurement remain consistent with prior years. Scope 1 and scope 2 emissions are reported on 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. The group does not report on fugitive emissions as the group does not have significant exposure to these in the operations of the business.

Our sustainability strategy in action *continued*

Emissions measurement

Total emissions (tCO_2e)	2022	2021	% change on 2021
Scope 1	**3 424**	2 427	41
Petrol and diesel (owned company vehicles)	**1 251**	1 108	13
Diesel consumed (owned businesses)	**1 348**	947	42
LPG and natural gas usage (owned businesses)	**825**	372	122
Scope 2	**111 473**	102 812	8
Electricity consumed (owned businesses)	**111 473**	102 812	8
Scope 3	**16 238**	12 536	30
Electricity consumed (tenants)	**15 121**	11 954	26
Laundry services (outsourced)	**1 056**	572	85
Business travel	**61**	10	500
Total emissions (tCO_2e)	**131 135**	117 775	11

Scope 1 and 2 emissions

98% of scope 1 and scope 2 emissions (2021: 98%), arise through the consumption of electricity. As a consequence of this, demand-side management of electricity consumption remains core to emissions management and reduction. The group is focused on reducing electricity consumption and to this end, launched its solar power generation projects. The group has set aside further funding to expand the project to other properties in the group.

The overall increase in electricity in the reporting period is directly related to the lockdown of approximately three months in the prior year compared to lockdown of approximately one month in the current year, as a result of the National State of Disaster regulations.

The increased consumption of petrol, diesel, LPG and natural gas is similarly linked to the increased operating capacity of the group related to the gradual relaxation and eventual lifting of COVID-19 regulations. Petrol and diesel consumption remains primarily for the purpose of vehicles required in the Vukani business and for back-up electrical generation. Scope 1 and 2 emissions are 22% below the 2020 pre-COVID-19 levels.

Scope 3 emissions

The opening of tenant facilities for longer periods in the current year are as a result of a shorter lockdown period and shorter curfews, and their consequent use of electricity, remains the major portion, and reason for the increase in scope 3 emissions.

Water

The supply of municipal water at many of the group's properties, remains erratic, with ground water and cleaned mine water being used as alternative sources where available, feasible and fit for purpose. The group continues to implement water consumption saving initiatives throughout all businesses to protect this resource.

Waste management

The recycling efforts of the group in the reporting period resulted in glass, paper, metal and plastic being diverted from landfill sites to recycling facilities. This represents a significant portion of the total waste generated by the group's business activities. As the group identifies additional recycling operators in the outlying casino properties, volumes of waste sent to landfill sites will reduce further.

Biodiversity

The group's properties are predominantly located in urban areas and thus do not represent a threat to sensitive biodiversity environments.

Looking ahead

The group is fully committed to minimising its total carbon emissions and will thus continue to invest in its solar power generation projects. Further to this, the group will continue to investigate and implement new energy saving and water consumption initiatives subject to their viability. Waste management will remain a key element of the environmental efforts in the group with the ultimate objective of minimising the volume of waste to landfill produced through the group's business activities.

Financial strength and durability

It is important to ensure that the capital structure of the group is appropriate so that the business survives through difficult economic cycles and also has the ability to take opportunities when presented with them. Debt levels are managed utilising the Net Debt:Adjusted EBITDA ratio and the group ensures availability of sufficient credit facilities with both short-term and long-term maturities, providing for additional liquidity in the event of a deterioration in economic conditions.

The regulatory restrictions promulgated because of the COVID-19 pandemic, restricted the group's ability to trade at pre-COVID-19 levels. However, the group showed strong resilience and ability to bounce back and was able to perform at a very reasonable level to significantly reduce debt over the past year.

Key performance indicators

	2022	2021
Net debt (Rbn)	**8.9**	10.8
Guarantees (Rbn)	**0.1**	0.1
Net Debt:Adjusted EBITDA (times)	**2.89**	6.38
Short-term funding drawn down (ONL, RCF) (Rbn)	**–**	0.9
Net debt hedged through fixed interest rate swaps (%)	**39**	70

2022 performance

Net interest-bearing debt

Interest-bearing debt and guarantees net of cash at 31 March 2022 totalled R9.0 billion, which is R1.9 billion below the 31 March 2021 balance of R10.9 billion. Short-term funding drawn down was nil at 31 March 2022 compared to the R0.9 billion in the prior year.

All the group's businesses were closed between 28 June 2021 and 25 July 2021 due to government lockdown being imposed on the gaming industry during the third wave of COVID-19. Thereafter, all the businesses continued trading under various restrictions for the remainder of the year, with the curfew adversely affecting the businesses which are very reliant on late evening trade. The group managed to get back within the original financial covenants notwithstanding these restrictive trading conditions, with the Net Debt:Adjusted EBITDA ratio ending at 2.89 times compared to the prior year of 6.38.

The group has approximately R2.5 billion in unutilised facilities, mostly in the form of overnight loans and revolving credit facilities. The Revolving Credit Facility of R1.5 billion has been refinanced and now has a maturity date of 2025. The bank can give 13 months to cancel and three months notice to reprice.

For more detail on the group's borrowings and cash position refer to the consolidated financial statements.

Interest rate management

The group has hedged a proportion of debt facilities through interest rate swaps. 39% of the group's net debt was hedged at the end of 2022, down from 70% in the prior year. The decrease is a result of R4 billion of interest rate swaps that matured on 30 June 2021, resulting in significant savings on finance costs. With the interest rate hiking cycle having started, the group will continually assess further hedging opportunities taking into account liquidity and pricing. The weighted average effective interest rate for the year was 7.37% (2021: 7.97%).

Looking ahead

The group's medium-term target is to reduce its net debt levels to lower than a 2.0 times multiple of adjusted EBITDA, thereby reducing risk and funding costs further. This should be achieved in the medium term provided that no further COVID-19 related trading restrictions are imposed going forward.

Product relevance to customer experience

Tsogo Sun Gaming offers a comprehensive entertainment experience to its customers and potential customers within its catchment areas. In order to constantly achieve this objective, the group must ensure it keeps abreast of latest trends and opportunities. The key areas of focus in this regard are:

- Nature and synergy of products offered;
- Technology and its advancements in the entertainment space;
- Accessibility and safety are two key features that customers insist on in exchange for their loyalty and return visits; and
- The image, messaging and our brand is essential to ensuring our product is well placed within the markets we participate in.

2022 performance

Product relevance

The group continues to focus on maintaining a high quality and relevant product that is offered to the customer. Time and resources are thus invested in researching new product opportunities, refreshing existing products, replacing products that have lost their appeal and exploiting technologically driven opportunities in the entertainment environment. These efforts are geared to respond to the ever changing consumer needs and preferences and to ultimately further enhance the overall customer experience.

The focus on product relevance is applied to all facets of the group's offering, from the gaming experience, the dining concept, to the family-directed entertainment offerings. All areas of the business model remain a key focus to us ensuring our leading position in the market.

Information technology

As a result of leveraging emerging technologies and data analytics, the business continues to enhance customer experience and support business objectives. Business intelligence systems and customer relationship management systems are increasingly important in encouraging customer loyalty.

It is the integration of the relevant features of our systems that makes us unique in terms of technology and allows us to optimise our operations as well as improve on our customer engagement strategies.

Cybersecurity, system availability, and customer-facing technologies are a high priority for the group. Significant progress has been made in each of these areas.

Looking ahead

Information technology continues to play a pivotal role in providing business operations with secure, reliable, and cost-effective solutions.

As the landscape of information technology continues to evolve, the following key initiatives will be prioritised:

- Ensuring system availability and stability;
- Continue to invest in the information and data security landscape;
- Provide a secure and resilient infrastructure;
- Promote a security culture within the business;
- Expand on cloud infrastructure;
- Update core systems to leverage off new features and functionality;
- Enabling a modern workforce;
- Improving collaboration and knowledge sharing;
- Optimise investments made in technologies;
- Improve efficiency and increase consistency;
- Ability to respond quicker to change;
- Enhance customer engagement technologies; and
- Disposing of electronic waste responsibly.

Cyber resilience and information security are areas of focus where the business continues to make significant progress as it leverages new and innovative technologies that improve the customer's experience.

Through our security initiatives, we will continue to increase awareness among our staff, ensure the integrity of our systems, and collaborate with qualified security service providers.

Service, security, value and agility will remain the overarching goals of all information technology initiatives.

Tsogo Sun Gaming brand portfolio management

The Tsogo Sun Gaming corporate brand-building efforts over the past financial year have been largely focused on social media, the website and supporting the property brand positioning. The relaunched Tsogo Sun Gaming Facebook page has settled down well and the volume of followers has grown in line with our expectations. The growth is attributed to the strong, strategically planned and engaging content which incorporates all 13 casino properties. Casino advertising has made use of the "Another Tsogo Sun Gaming Experience" brand endorsement to ensure that the link back to the corporate brand is maintained. The brand essence of "entertain, it's what we do" has continued from the prior year's launch and will continue to develop as we move further into the digital space.

Looking ahead

In the coming year, the brand will be further developed, including digital marketing initiatives.

Our sustainability strategy in action *continued*

Customer satisfaction

The group continues to embrace its interaction with its customers on digital and social media platforms. The group actively monitors and manages the various feedback channels, engaging in the conversations to ultimately enhance the overall customer experience.

In the ever growing entertainment landscape, customer retention is a key measure of business performance. During the year under review, the group has maintained the loyalty of the majority of its pre-COVID-19 lockdown active database and has further added in numerous new database customers to the group.

Looking ahead

The development of the customer-facing mobile app is nearing completion and will be launched in the coming year. This will significantly enhance our customer engagement on all levels.

Customer rewards programmes

The creation of relationships of mutual benefit remains the ultimate objective of our customer rewards programme. Through the detailed understanding of customer behaviour and purchasing patterns, the group is able to adapt the overall product offering to better suit these behaviours. Data analysis assists in identifying trends and in adopting new product offerings, incorporating a customisation of offerings to the various tiers within the programme.

Looking ahead

Data protection and compliance with the POPIA legislation is a key element of the rewards programme and as such significant emphasis is placed on this through the internal control processes and systems design. The rewards structures will be re-engineered in the coming year to further incorporate the group's hotel portfolio and food and beverage businesses.

Customer safety

The safety of our customers and employees remains a strategic imperative for the group. Through the "without compromise" implementation of all relevant legislation applicable to safety, the group provides a safe environment for customers to enjoy their entertainment experience and for employees to work in.

Life safety equipment, fire protection systems and procedures are maintained at high levels of quality and compliance at all of the group's facilities. These aspects of safety are audited regularly through the group's Organisational Resilience Management System audit process to ensure compliance.

Throughout the reporting period, the group has maintained a vigilant approach to the COVID-19 regulatory framework and has ensured a rigorous and uncompromised implementation and observation of the National State of Disaster regulations.

The group continues to incorporate independent food safety practice audits into its overall customer safety programme. These audits are conducted on an "unannounced" basis at all group owned food and beverage outlets. The audits cover food safety practices and compliance to both the group's internal standards as well as legislated elements. Refrigeration temperature controls, personal hygiene, good food preparation practices, product traceability and storage, cleaning programmes and pest control are further elements included in these audits. Micro-biological quality is also assessed in each audit.

Looking ahead

The National State of Disaster has been lifted and business is now guided by the revised Health Regulations published on 4 May 2022. These regulations have been implemented across all business units with the same uncompromised approach as before. The group has, in addition to this, maintained its provision of hand sanitising facilities, continues to encourage social distancing where appropriate, and has maintained separation screen facilities at transacting points to provide additional peace of mind to customers and staff.

Our sustainability strategy in action *continued*

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, FICA, POPIA, liquor licences, fire and life safety regulations, corruption, insider trading and competition law (amongst others). 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

The South African trading environment is becoming increasingly complex and is governed by legislation, regulations and policies relating, *inter alia*, to competition, customer protection, privacy, environmental matters, health and safety, money laundering, B-BBEE and labour issues. The board's audit and risk committee is updated with all material changes to legislation and regulations at least twice a year, and the board is updated quarterly.

2022 performance

Casino, bingo and LPM licensees operating in South Africa are subject to extensive regulation at both national and provincial level. The standards of regulation within the South African gaming industry are in line with global best practice. Gaming regulation compliance, which is of particular importance in retaining licences, is achieved through the strict implementation of internal control procedures and compliance policies, engagement 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 the licences is monitored by the relevant provincial gambling boards and the FIC. The group also complies with the POPIA.

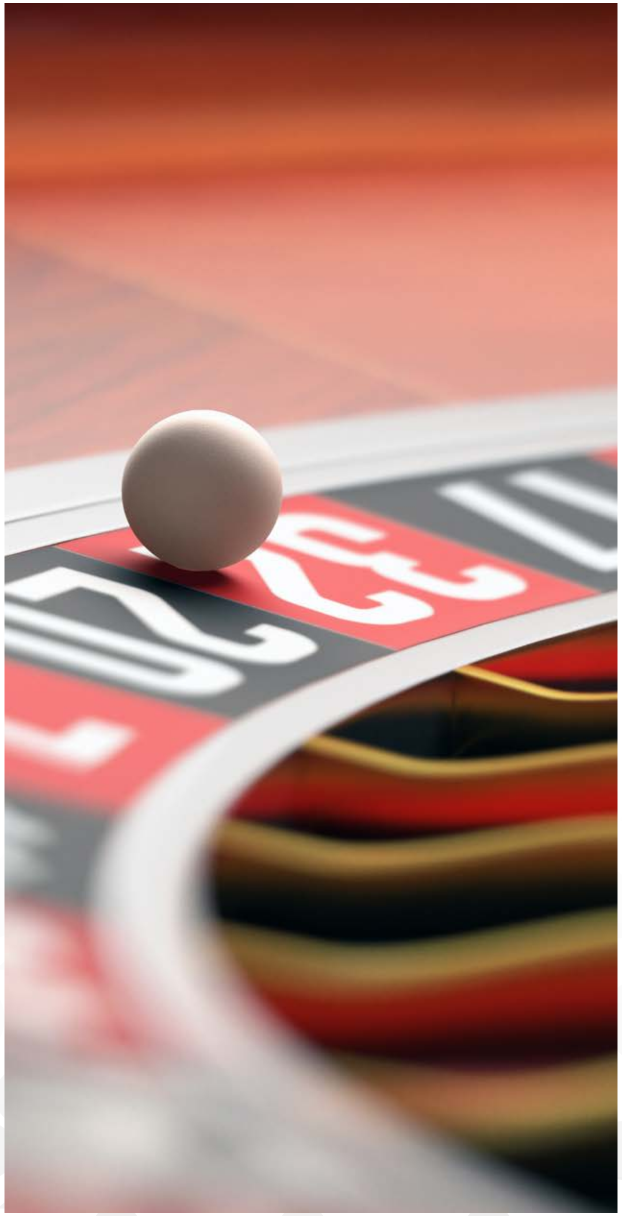
Through CASA, the group:

- Commented on the Department of Health proposed regulations in terms of the National Health Act relating to the surveillance and control of notifiable medical conditions (such as COVID-19);
- Applied for, and received approval from SARS relating to the binding group ruling to permit casinos to account for VAT by applying a tax fraction to the net betting transactions on tables games; and
- Made oral representations to the Department of Health in relation to the Control of Tobacco Products and Electronic Delivery Bill, which were followed up with a written submission thereof to the Department of Health.

In addition to the above, CASA submitted a Section 41B ruling application to SARS that documents substantiating input and output VAT should be "reports generated by the central monitoring system", due to the fact that no VAT invoices are issued or received for betting transactions. SARS issued a ruling letter in March 2022 accepting CASA's application.

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

The group complies with all applicable legislation and, where possible, builds constructive relationships with the regulatory bodies. There were no breaches of any legislation and no fines imposed during the year (2021: Nil).



Human resources

The Tsogo Sun business activity is effectively about people being served by people. Every guest activity that takes place within the business will involve some level of interaction with a member of our team. It thus remains paramount to the continued sustainability of the business, that the group attracts and retains a pool of qualified, trained and talented employees to deliver entertainment experiences to our customers and to ultimately deliver on the brand promise.

In order to attract and retain talented employees, the group ensures that all aspects of the employee's experience are properly structured. Throughout the reporting period, the group has focused on achieving this through the restructuring of various aspects of employee benefits and remuneration.

Key performance indicators

	2022	2021
Management and control (revised codes) score	**16.3/19**	14.0/19
Verified training spend as a % of payroll	**3.8%**	3.6%

Employment equity

The principles of transformation, empowerment and diversity remain entrenched in the group. The table below reflects the group's employment equity achievements as at the end of the reporting period.

Current year 2022	Employees	ACI %	Female %	Disabled %
Top management	39	48.7	33.3	5.1
Senior management	229	76.0	46.3	3.9
Middle management	917	78.8	45.9	1.7
Junior management	1 714	95.6	50.1	1.6
Other employees	4 114	99.0	63.1	1.4
Total 2022	**7 013**	**94.5**	**57.0**	**1.6**
Total 2021	**7 693**	**94.3**	**55.7**	**1.5**

Our sustainability strategy in action *continued*

Employee development

The Tsogo Sun Gaming Training Academy continues to provide for the group's training and development needs for the group's employees. The Academy is accredited by CATHSSETA and provides a full range of training, from functional skilling to portable skills. Some programmes are Quality Council Trades and Occupations accredited.

The value of skills development spend ("SDS") was verified at R51 million, equivalent to 4.1% of the leviable amount (2021: R38 million, equivalent to 3.9% of leviable amount). R49 million, equivalent to 3.9% of the leviable amount was allocated to SDS on black people (2021: R37 million equivalent to 3.7% of leviable amount). R48 million equivalent to 3.8% of the leviable amount was allocated to B-BBEE SDS measured on the National Black Economically Active Population ("NBEAP") (2020: R36 million equivalent to 3.6% of the leviable amount). The skills development B-BBEE score was 19.67/20 for the reporting period.

Although the SDS efforts of the group have been impacted by the COVID-19 regulations and their impact on the business, the group had 465 employees on learnerships and provided 146 unemployed people with learnership opportunities, which resulted in 91 jobs created.

2022 performance

Job creation and employee stability

Labour turnover has remained high in the reporting period as a consequence of the impact of the pandemic, the restrictions imposed on the industry and the final elements of the group's restructuring being finalised in the reporting period. The group provides 7 013 (2021: 7 693) direct jobs and 2 971 (2021: 1 931) indirect jobs to the employment market. The increase in indirect jobs over the prior reporting period is as a consequence of facilities being open for longer trading periods in the current year due to the removal of many of the COVID-19 regulations which impacted trading in the prior year, in particular, the relaxation of curfew time frames.

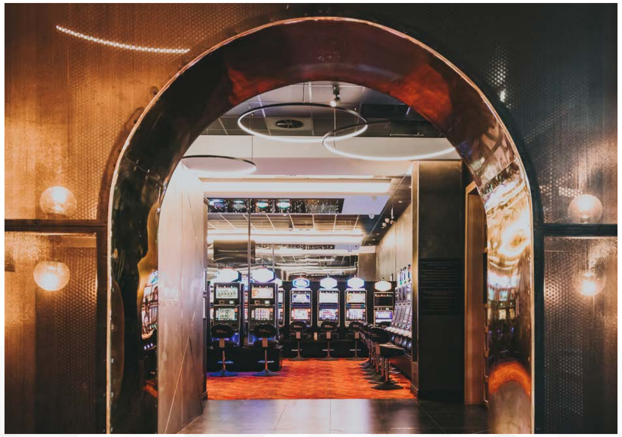
Over and above the utilisation of the UIF TERS claims to supplement employee income, a contribution holiday for the pension/provident funds remained in place for the reporting period.

Looking ahead

With the lifting of the National State of Disaster and the removal of many of the regulations which restricted trading, business volumes are increasing but still not at pre-COVID-19 levels. This has resulted in a normalisation of employee earnings. The pension/provident contribution holiday expired in April 2022 and thus contributions resumed from May 2022.

Employee wellness

The group continues to support employee wellness through the provision of employee clinic facilities at certain properties. The group remains very active in the national initiative to fight the COVID-19 virus. Throughout the reporting period, the group has maintained its efforts to provide ongoing education to employees regarding COVID-19 and has run numerous campaigns to encourage vaccinations.



Employee health and safety

The group has actively encouraged employees to get vaccinated. Vaccination clinics have been provided at various sites to facilitate easy access for employees to get vaccinated, particularly in the less urbanised properties.

The group continues to focus on ensuring a safe environment for employees to work in and the oversight of this is provided for through regular inspections by the group's risk management team as part of the well-established organisational resilience management system audit process.

No workplace employee fatalities as a consequence of health and safety incidence occurred in the reporting period at any of the group's business units. The group's Lost Time Injury Frequency Rate ("LTIFR") increased to 0.81 from the previous year's 0.4. This is directly a consequence of the increased operating hours in the reporting period as opposed to the previous year. The current rate is in line with pre-COVID-19 levels and remains below the benchmark level of 1.0.

The Tsogo Sun Group Medical Scheme has 3 632 employee members and 222 pensioner members and has a healthy 60% solvency ratio as at the end of the reporting period.

Employee engagement

COVID-19 and its impact on our employees has remained the significant topic of engagement over the reporting period. The group's COVID-19 steerco remained in place and continued to guide operations and provide information to the business on the regulatory compliance requirements. This information in turn was applied to the training and refresher training that was done with employees not only to ensure compliance but also to protect the employees themselves and our customers.

Various other engagements were held with employees on the restructuring of employee benefits, some of which are ongoing.

Our 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. The group will continue its focus of delivering as much positive cash as possible to reduce debt through efficiency of operational cost structures and optimisation of revenue.

Key performance indicators

	2022	2021
Income increase/(decrease) %	**57**	(51)
EBITDA increase/(decrease) %	**80**	(57)
Capital and investments Rm	**267**	213
Headline earnings/(loss)	**1 153**	(32)

Divisional performance

The casino and bingo divisions continued to be impacted by the various restrictions to combat the spread of COVID-19 and in particular, by the total lockdown of the businesses from 28 June 2021 to 25 July 2021. These two divisions were still not trading at pre-COVID-19 levels by the end of the 2022 financial year.

Through various cost saving initiatives, the casino division managed to improve EBITDA margins compared to pre-COVID-19 levels.

Most impressive was the LPM division, which despite the COVID-19 trading restrictions, managed to generate income above pre-COVID-19 levels. This was achieved through the rollout of more productive sites, as well as the continued focus on machine optimisation.

Capital and investments

Due to the strain on cash flows and high debt levels, capex expenditure has been constrained in the last two years. Capital expenditure was limited to only essential maintenance capex and slots and electronic gaming machine replacements.

Segmental analysis

for the year ended 31 March

	Income[1]			EBITDA[2]		
	2022 Rm	2021 Rm	Change %	**2022 Rm**	2021 Rm	Change %
Casinos	**6 388**	4 074	57	**2 622**	1 487	76
Gauteng	**3 291**	2 124	55	**1 317**	750	76
KwaZulu-Natal	**1 806**	1 103	64	**796**	430	85
Mpumalanga	**507**	340	49	**192**	127	51
Western Cape	**494**	316	56	**230**	129	78
Eastern Cape	**204**	130	57	**61**	35	74
Free State	**86**	61	41	**26**	16	63
Bingo	**711**	476	49	**168**	103	63
LPMs	**1 687**	1 086	55	**510**	297	72
Other group operations	**152**	50	204	**(172)**	(146)	(18)
Group	**8 938**	5 686	57	**3 128**	1 741	80

[1] *All revenue and income from gaming and hotel operations 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*

Looking ahead

As we return to normalised trading, the disciplined approach to cost control will stand the group in good stead going forward. Bringing all the group's hotels under in-house management should result in efficiencies over the long term. The acquisition of a small industry player is still subject to fulfilment of certain conditions precedent.

Our effective and ethical leadership

Ethics

The group's ethics policy, conflict of interests policy and a code of conduct guide its business practices. The ethics policy seeks to reinforce the company's policies, principles and practices through providing clarity on expectations and underlying matters of principle.

The key aspects of the ethics policy are compliance with laws and regulations, conflict of interests, outside employment and directorships, relationships with customers, suppliers and vendors, gifts, hospitality and favours, and individual accountability. The code of conduct provides guidance on disciplinary rules and regulations which all employees are required to abide by.

The board of directors provides leadership and strategic guidance, aimed continually at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of ethical controls, supporting the establishment of an ethical culture. 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. Board members are individually and collectively accountable for their ethical and effective leadership and are required to conduct themselves in accordance with the group's ethics policy, conflict of interests policy and their legal duties as company directors under the Companies Act. All board members and senior employees are required to sign annual declarations relating to any conflict of interests that may exist, as well as their compliance with laws and regulations.

The group has an independent whistle-blower line and all 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 in the strategic and outlook 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 and key relationships inform the strategy which is documented in our strategy for value creation. Our business model 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.

Our 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 and discussion.

The board charter codifies the board's composition, appointment, authority, 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.

Five board meetings, three audit and risk committee meetings, three HR and remuneration committee meetings and two social and ethics committee meetings were held for the year. Individual directors' attendance at the board and committee meetings and at the annual general meeting ("AGM") is set out in the table below:

	Board	Audit and risk committee	HR and remuneration committee	Social and ethics committee	AGM
Executive directors					
CG du Toit	5/5	3/3[3]	3/3[3]	2/2[3]	✓
G Lunga[1]	3/3	2/2[3]		1/1[3]	✓
A Hoyer[2]	2/2	1/1[3]		1/1[3]	
Non-executive directors					
JA Copelyn (Chairperson)	4/5	2/3[3]	2/3	2/2[3]	✓
Y Shaik	5/5	3/3[3]	2/3	2/2	✓
Independent non-executive directors					
BA Mabuza (lead independent)	5/5	3/3	3/3	2/2	
MJA Golding	4/5				
F Mall	5/5	3/3			
VE Mphande	5/5		3/3	2/2	
RD Watson	5/5	3/3	3/3	2/2	

(1) *Appointed as a director and CFO on 1 October 2021*
(2) *Resigned as a director and CFO effective 30 September 2021*
(3) *Attends by invitation*

Board composition

The board is required to comprise an appropriate balance of knowledge, skills, experience, diversity and independence in order for it to discharge its governance role and responsibilities objectively and effectively.

JA Copelyn, a non-executive director of the company, is the Chairperson of the company, and to strengthen the independence of the board, BA Mabuza serves as lead independent director. Mabuza serves on all the board committees and is therefore well placed to influence the governance of the company and to meet her obligations as lead independent director.

The roles of the Chairperson and the CEO of the company are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairperson 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 has been approved by the board, through the delegation of authority.

The board currently comprises two executive directors, being the Chief Executive Officer, CG du Toit, and the Chief Financial Officer, being G Lunga, ensuring that the board has more than one point of contact with management. The remainder of the board is comprised of non-executive directors, the majority of whom are independent. The board considers the independence of directors holistically in line with the provisions of the Companies Act and the Listings Requirements of the JSE and the practices set out in King IV. One-third of the non-executive directors retire by rotation each year in line with the memorandum of incorporation of the company. The average tenure on the board of the company of the independent non-executive directors is 9.8 years. The non-executive directors who have served for more than nine years are MJA Golding and VE Mphande, who are considered to be independent.

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. Executive director appointments have historically been predominantly internal promotions as part of succession planning.

The HR and remuneration committee reviews and assesses board composition on behalf of the board. In terms of the board nomination policy, the HR and remuneration committee is responsible for assessing and selecting appropriate candidates to be nominated for election as 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 taken into account include diversity, qualifications, skills, experience and capacity of candidates.

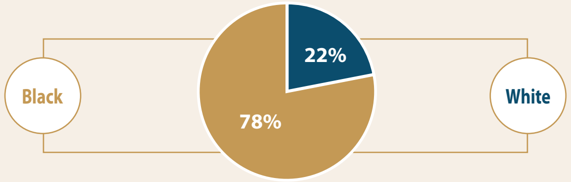
The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. The board has approved a diversity policy incorporating race and gender. No voluntary targets have been set in relation to the board diversity policy, but currently 78% of the board members are black and 33% are female.

The HR and remuneration committee makes its recommendations to the board, and the board as a whole is responsible for approving the nomination of recommended candidate/s for election as directors of the company. The composition of the board is ultimately determined by shareholders since the appointment of all directors remains subject to the approval of shareholders.

Our board composition, structure and report back *continued*

Board profile

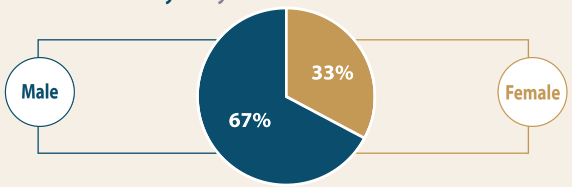
Race diversity: July 2022



Board tenure: July 2022

1 – 3 years	22%
4 – 6 years	22%
7 – 9 years	11%
10+ years	45%

Gender diversity: July 2022



Non-executive committee key

- A **Audit and risk committee**
  Chairperson: F Mall
- R **HR and remuneration committee**
  Chairperson: Y Shaik
- S **Social and ethics committee**
  Chairperson: RD Watson

Executive directors

CG du Toit (52) – **Executive director – Chief Executive Officer**
CA(SA), FCMA
Date appointed: 1 June 2019

Key skills and experience
Chris is a qualified Chartered Accountant and Fellow Chartered Management Accountant who completed his articles with PwC in 1996. Following three years of working in the financial services industry in the UK, he joined Mettle Limited (financial services) in 2001 and served as Financial Director from 2003. In 2009 he joined the JSE-listed Hosken Consolidated Investments group and was appointed as CEO of its gaming and entertainment division. Chris was promoted to COO of the Tsogo Sun Alternative Gaming division in 2017 and was appointed to the Tsogo Sun Gaming board on 1 June 2019 and as the Chief Executive Officer from 1 July 2019.

G Lunga (50) – **Executive director – Chief Financial Officer**
CA(SA), EDP
Date appointed: 1 October 2021[1]

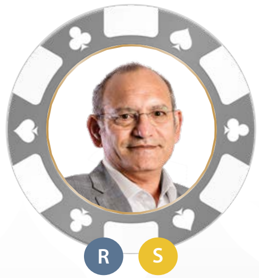
Key skills and experience
Gregory is a qualified Chartered Accountant who completed his articles with KPMG in 1996 and commenced as the Group Reporting Manager for the then South African Breweries Limited in 1997. He joined the group in 2001 as Financial Manager of the group's gaming division and was appointed as the Financial Director of the group's gaming division in 2011. Gregory serves on the boards of most of the casino division subsidiary companies and was appointed to the Tsogo Sun Gaming board and as Chief Financial Officer from 1 October 2021.

Non-executive directors

JA Copelyn (72) – **Non-executive Chairperson**
BA (Hons), BProc
Date appointed: 24 February 2011[2]

Major external positions, directorships or associations
Executive director and Chief Executive Officer of HCI, the major shareholder of the company, non-executive director and Chairperson of Deneb Investments Limited, eMedia Holdings Limited and Tsogo Sun Hotels Limited.

Key skills and experience
Johnny has served as the Chief Executive Officer of HCI since 1997. Prior to this he qualified as an attorney, served as a member of parliament and as the General Secretary of the Southern African Clothing and Textile Workers' Union. In addition to the abovementioned directorships and positions, Johnny holds various other directorships on boards within the HCI group.



Y Shaik (64) – **Non-executive director**
BA (Law), BProc
Date appointed: 15 June 2011

Major external positions, directorships or associations
Executive director of HCI, the major shareholder of the company, non-executive director of Deneb Investments Limited and eMedia Holdings Limited and the Chairperson of Frontier Transport Holdings Limited.

Key skills and experience
Yunis is an admitted attorney of the High Court of South Africa. He has served as an Acting Judge in the Labour Court and as a senior commissioner to the Commission for Conciliation, Mediation and Arbitration, KwaZulu-Natal. Yunis is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union. In addition to the abovementioned directorships and positions, he holds various other directorships on boards within the HCI group.

Notes to CVs
[1] G Lunga replaced A Hoyer on the board on 1 October 2021 following her resignation
[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

Our board composition, structure and report back *continued*

Independent non-executive directors

BA Mabuza (58) – **Lead independent non-executive director**
BA, MBA
Date appointed: 1 June 2014

Major external positions, directorships or associations
Independent non-executive director of the dual listed NinetyOne Group, non-executive Chairperson of the Industrial Development Corporation and head of the South African BRICS Business Council.

Key skills and experience
Busi holds the designation of CD(SA) and has held several positions at listed and private South African investment firms, including appointments as Chairperson of the board of Airports Company South Africa Limited and the Central Energy Fund Proprietary Limited. She was also previously a partner at Ethos Private Equity Proprietary Limited. Busi currently holds the abovementioned directorships and positions, serving on a number of board committees within these organisations.

MJA Golding (62) – **Independent non-executive director**
BA (Hons)
Date appointed: 24 February 2011[(1)]

Major external positions, directorships or associations
Non-executive Chairperson of Rex Trueform Group Limited, non-executive Chairperson of Texton Property Fund Limited, executive director of African and Overseas Enterprises Limited, non-executive director of Vunani Limited and Vunani Capital Partners Limited and Chairperson of Geomer Investments Proprietary Limited.

Key skills and experience
Marcel served as executive Chairperson of HCI and Chief Executive Officer of e-tv until 2014. Prior to this, he was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. Marcel currently runs a private family investment portfolio.

F Mall (45) – **Independent non-executive director**
CA(SA)
Date appointed: 18 September 2020

Major external positions, directorships or associations
Chief Executive Officer of Komorebi Holdings (Pty) Ltd, director of Usizo Advisory Solutions and non-executive director of Crookes Brothers Limited.

Key skills and experience
Farzanah is a qualified Chartered Accountant with over 20 years of local and international experience in strategy development, market and brand positioning, leadership development, auditing, financial and management accounting, strategic eventing, brand profiling, business turnaround, governance, risk management, communications, internal auditing, and publishing of thought leadership. She has worked for three of the big four auditing firms and has held numerous senior leadership roles including being a director at KPMG in the advisory practice, and she has served on the KPMG South Africa board. Her experience also includes lecturing postgraduate managerial accounting and finance, working for Coles Myer Limited in Melbourne, Australia, and serving as the national president of the Businesswomen's Association of South Africa from 2014 to 2017.

VE Mphande (64) – **Independent non-executive director**
Date appointed: 24 February 2011[(2)]

Major external positions, directorships or associations
Independent non-executive director and Chairperson of HCI, Independent non-executive director and Chairperson of HCI Coal Proprietary Limited, and Independent non-executive director of eMedia Holdings Limited.

Key skills and experience
Elias has served as national organising secretary of the Southern African Clothing and Textile Workers' Union, former Chief Executive Officer of Vukani Gaming Corporation and former Chairperson of Golden Arrow Bus Services.

RD Watson (63) – **Independent non-executive director**
Date appointed: 1 June 2019

Major external positions, directorships or associations
Independent non-executive director of HCI, eMedia Holdings Limited and Frontier Holdings Limited.

Key skills and experience
Rachel 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. Rachel now holds the abovementioned directorships and positions, serving on a number of board committees within these organisations.

Notes to CVs
(1) 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
(2) 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

Our board composition, structure and report back *continued*

Committee structure and report back

The board governs through clearly mandated statutory and board committees. The statutory committees have the power to make decisions regarding their statutory duties and are fully accountable for their performance in regard to those statutory duties. In addition to their statutory duties, the board has delegated certain of its responsibilities to the committees. The board retains full accountability for all matters in respect of which it has delegated responsibility to a committee.

Each committee has specific written terms of reference approved by the board and adopted by such committee. The board has appointed a non-executive director to chair each committee. The committees meet at regular intervals, and committee Chairpersons report orally to the board on the proceedings of these meetings, any decisions taken thereat and any recommendations to be made to the board for their consideration.

The board is satisfied that:

- Each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its mandate and responsibilities efficiently; and
- Each of the committees has fulfilled its responsibilities in accordance with its mandate and terms of reference during the year.

Set out on the next few pages are the reports relating to the committees.

Audit and risk committee

A

Members

F Mall *(Chairperson)*
Independent non-executive director

BA Mabuza
Lead independent non-executive director

RD Watson
Independent non-executive director

Key objectives

The key objectives of the audit and risk committee are to provide independent oversight of the group's assurance functions and services, and of the group's management of its financial and other risks that affect the integrity of the reports issued by the group. The committee assists the board with discharging its responsibilities relating to the integrity of the group's annual financial statements and integrated annual report, including the adequacy of the disclosures made therein; as well as those relating to the effectiveness of its systems of governance, risk management and internal control; the monitoring of the effectiveness, independence and objectivity of its internal and external auditors, and combined assurance. These responsibilities include the safeguarding of assets and ensuring compliance with the statutory duties of the committee, and with all applicable legal requirements as contained in all relevant legislation, the JSE Listings Requirements and King IV.

The audit and risk committee is constituted as a statutory committee of the company in respect of its statutory duties, and as a committee of the board in respect of all other duties delegated to it by the board. It is a combined committee that fulfils the functions of both an audit committee and a risk committee. The committee is chaired by F Mall, an independent non-executive director of the company, and the other members of the committee are also independent non-executive directors.

The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the Director of Corporate Services and the Chairperson of the company attend the meetings as permanent invitees, together with external audit representatives and the outsourced internal audit representatives. Other directors and members of management attend as required.

The scope of the audit and risk committee's work during the year included the following matters:

- Reviewed prospective accounting standard changes, particularly regarding 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 combined findings of the JSE Proactive Monitoring of Financial Statements report;
- Considered and reviewed the effectiveness of the group's internal controls over its interim and annual financial reporting;
- Evaluated the group's financial reporting procedures, overseeing the management of financial and other risks that affect the integrity of external reports issued by the group;
- Reviewed the controls in place to be able to make the CEO and CFO statement in terms of JSE LR 3.84;
- Reviewed and approved for recommendation to the board, the half year and full year results and announcements, the annual financial statements and integrated annual report;
- Review the group's internal control policies and procedures in place for the identification, assessment and reporting of risks, as well as the group's process of risk management;
- Reviewed the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluated the appropriateness of management's responses to risk;
- Reviewed operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- Reviewed IT risks in relation to core operational systems, system projects, information management and security initiatives and governance and regulatory compliance;
- Reviewed insurance, treasury and taxation matters;
- Reviewed material legal, legislation and regulatory developments affecting the group's businesses;
- Reviewed and monitored the independence and objectivity of the external auditors and considered whether the audit firm and the individual auditor responsible for performing the functions of auditor, are accredited as such on the JSE list of auditors and their advisers;
- Reviewed the scope of the external audit, the effectiveness of the audit process, risk areas of operations covered in the scope, planned levels of materiality, resourcing and the terms of the external auditor's engagement letter;
- Assessment and approval of the limited non-audit services provided by the external auditors and the service fees charged for the provision thereof;
- Reviewed the scope of the internal audit being performed, and evaluated the effectiveness, as well as the fees and terms of engagement, of the outsourced internal audit function;
- Reviewed developments in corporate governance and better practices and considered their impact and implication on the group's processes and structures; and
- Reviewed the integrated annual report and is of the opinion that it is presented in accordance with the International Integrated Reporting Council's ("IIRC") Integrated Reporting ("<IR>") Framework, addresses all material matters and offers a balanced view of the performance of the group and the impact on its stakeholders.

The committee was kept updated on, and continued monitoring, the group's going concern assumptions and the continued achievement of its debt covenants as revised from time to time during the period.

The committee is satisfied that it has fulfilled its responsibilities for the year in compliance with its mandate as prescribed in the Companies Act and in compliance with its terms of reference.

Refer to the report of the audit and risk committee in the annual consolidated financial statements for the year ended 31 March 2022.

Our board composition, structure and report back *continued*

HR and remuneration committee

R

Members

Y Shaik *(Chairperson)*
Non-executive director

JA Copelyn
Non-executive director

BA Mabuza
Lead independent non-executive director

VE Mphande
Independent non-executive director

RD Watson
Independent non-executive director

Key objectives

The key objectives of the HR and remuneration committee are to assist the board with overseeing remuneration governance and the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance, with particular focus on ensuring that the group remunerates executive members and employees fairly and responsibly and that the disclosure of directors' and other applicable remuneration is accurate, complete and transparent; and to assess and approve for recommendation to the board, the group's broad remuneration strategy and policy, and the execution and implementation thereof. In addition to the aforesaid, the committee provides strategic oversight in relation to human resources and other employment-related matters.

The HR and remuneration committee is constituted as a committee of the board in respect of the duties delegated to it by the board. The committee is chaired by Y Shaik, a non-executive director of the company. The majority of the members of the committee are independent non-executive directors.

The committee met three times during the year. The Chief Executive Officer and the group's Director of Human Resources attend committee meetings as permanent invitees. Other directors and members of management attend as required.

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

- Strategic oversight in relation to the group's restructure in response to the COVID-19 pandemic;
- Strategic oversight in relation to changes to the terms and conditions of employment and policies;
- Strategic oversight in relation to changes to group life and disability benefits;
- The monitoring of matters relating to the pension/provident fund contribution holiday;
- The monitoring of UIF/TERS payments;
- The monitoring of executive appointments, terminations and retirements;
- The monitoring of material litigation and disputes;
- Assessing and approving the group's broad remuneration strategy and policy and the execution and implementation thereof;
- Assessing and approving the remuneration mandate for the group, including salary increases, short-term incentives and bonuses and long-term incentives, having regard to the COVID-19 pandemic;
- Assessing and proposing non-executive director fees;
- Overseeing the preparation of the group's remuneration implementation report included in this integrated annual report, ensuring its accuracy and that it provides sufficient levels of disclosure; and
- Performed the annual review of the nomination policy.

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

The committee is satisfied that it has fulfilled its responsibilities for the year in compliance with its mandate and terms of reference.

Our board composition, structure and report back *continued*

Social and ethics committee

S

Members

RD Watson *(Chairperson)*
Independent non-executive director

BA Mabuza
Lead independent non-executive director

VE Mphande
Independent non-executive director

Y Shaik
Non-executive director

Key objectives

The key objectives of the social and ethics committee is to provide oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships, 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, the environment, occupational health and public safety, consumer relationships, labour and employment matters and the group's code of ethics and sustainable business practice.

The social and ethics committee is constituted as a statutory committee of the company in respect of its statutory duties, and as a committee of the board in respect of all other duties delegated to it by the board. The committee is chaired by RD Watson, an independent non-executive director of the company. The majority of the members of the committee are independent non-executive directors.

The committee met twice during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Human Resources and the Chairperson of the company attend committee meetings as permanent invitees. Other directors and members of management attend as required.

The scope of the social and ethics committee's work during the year included the following matters:

- Monitoring of the COVID-19 pandemic and varying regulations promulgated under the Disaster Management Act, including the July lockdown of our business, and the impact of this on the group and its stakeholders;
- Monitoring progress in the alignment of the group's practices to the requirements of the B-BBEE codes;
- Monitoring disputes with government or regulators;
- Monitoring compliance with laws and regulations;
- Monitoring the implementation of prevention of bribery and corruption measures;
- Monitoring the application of responsible gaming;
- Monitoring preferential procurement, socio-economic development and enterprise and supplier development;
- Monitoring environmental management and certification;
- Monitoring customer satisfaction, loyalty, health and safety and consumer protection; and
- Monitoring employee health and safety, employee development, management of diversity and employment equity.

Matters considered by the committee during the year are included in our sustainability strategy in action section of the integrated annual report.

The committee is satisfied it has fulfilled its responsibilities for the year in compliance with its mandate as prescribed by the Regulations to the Companies Act and its terms of reference and that there are no instances of non-compliance to disclose.

Board effectiveness

A formal self-evaluation of the performance of the board and board committees has been conducted, using an independent online assessment system. The board is satisfied with the performance of the Chief Executive Officer and with the competence of the Chief Financial Officer as set out in the report of the audit and risk committee in the annual consolidated financial statements for the year ended 31 March 2022.

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

Our 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 committees as follows:

Functional areas

Risk	Technology and information	Regulatory compliance	Assurance	Stakeholder relationships	Remuneration
A	A	A S	A	S	R
Committee oversight	**Committee oversight**	**Committee oversight**	**Committee oversight**	**Committee oversight**	**Committee oversight**
Audit and risk	Audit and risk	Audit and risk Social and ethics	Audit and risk	Social and ethics	HR and remuneration
Report back	*Report back*	*Report back*	*Report back*	*Report back*	*Report back*
Risk management and assurance process	Technology and information governance	Regulatory compliance	About this report	Key relationships	Remuneration policy and implementation
Materiality, material risks and opportunities	Product relevance to customer experience		Risk management and assurance process		

Our 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 the combined assurance framework is as follows:

	LEVELS OF CONTROL		RISK AND CONTROL INITIATIVES/PROCESSES
Combined assurance framework	**Assurance level 4** (Fourth line of defence against risks)	**Board committee oversight**	• Audit and risk committee • HR and remuneration committee • Social and ethics committee
	Assurance level 3 (Third line of defence against risks) Provides "independent" assurance on risk management and control levels 1 and 2	**Independent assurance providers**	• Internal auditors • External auditors • Other third-party independent assurance providers (hygiene, B-BBEE, tip-offs, etc)
	Assurance level 2 (Second line of defence against risks) Provides assurance on risk management and control level 1	**Additional assurance providers**	• Operational committees • Organisational resilience management standard
	Assurance level 1 (First line of defence against risks) Provides supervisory/management assurance	**Management monitoring** (Oversight/supervisory control)	• Organisational management structures • Management oversight and inspections • Management reporting and reviews • Control self-assessments • Financial reporting processes
Control environment	**Control procedures** Control processes applied by operational staff and line management	**Control procedures** (Standardised processes, policies and procedures)	• Operating policies and procedures • Financial policies and procedures • Segregation of duties
		Risk management (Risk identification, assessment and response)	• Risk management framework • Operational risk registers
		Strategic and business objectives (Tsogo Sun Gaming group's strategic direction and business fundamentals)	• Strategic and operational plans • Group vision and values • Staff engagement
		Internal environment (Organisational and governance structure and policies)	• Ethics and code of conduct • Governance framework • Limits of authority • Management's philosophy and operating style

Our risk management and assurance process *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.

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 Director of Corporate Services 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 fourth 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

Governance and compliance standards for all information technology products and services remain high and risks are well managed.

Key achievements during the year included:

- Keeping technology platforms current, relevant and secure;
- Inculcated governance, compliance and information security into the organisation;
- Improved the cybersecurity landscape and maturity;
- Ensured business continuity and managing risk; and
- Optimised technology investments.

Through collaboration with our business stakeholders and partners, the objective is to continue to develop and enhance the IT governance processes. Risk assessments, analysis, management and mitigation continues to be the cornerstone of security initiatives.

The key IT risks are integrated into the 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 within 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 the 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. The board is satisfied that the current interactions with stakeholders are effective. Refer to the key relationships section.

Our remuneration policy and implementation report

Remuneration policy

The information in this report covers the period from 1 April 2021 to 31 March 2022 ("the reporting period"). The group's remuneration reporting framework is informed by the Companies Act, 71 of 2008, as amended ("Companies Act"), the JSE Limited Listings Requirements ("Listings Requirements") and the King Code on Corporate Governance™ for South Africa, 2016 ("King IV").

As required by principle 14 of King IV, the group's remuneration policy and remuneration implementation report will be tabled for separate non-binding advisory votes by shareholders at the AGM.

In the event that either the remuneration policy or the remuneration implementation report, or both, are voted against by 25% (twenty-five percent) or more of the voting rights exercised in respect thereof at the annual general meeting ("AGM"), the company will engage with the dissenting shareholders within a period of 30 days from the AGM to ascertain the reason for the dissenting votes and will appropriately consider legitimate and reasonable objections and concerns raised/alternatives that may be proposed. Details of the manner and timing of this process (if applicable) will be released on SENS with the AGM voting results announcement.

At the AGM of the company held on 1 December 2021, 92.5% of the voting rights exercised on the advisory vote relating to the group's remuneration policy were cast in favour of the remuneration policy and 97.1% of the voting rights exercised on the advisory vote relating to the group's remuneration implementation report were cast in favour of the remuneration implementation report.

In its ongoing endeavours to deliver a restructured business that will be sustainable and recover from the recent adverse impact of COVID-19 on its financial position, the group has continued to modify and improve its remuneration policy framework during the reporting period, having regard to the position of land-based casinos in the current economy, the lasting impact of the COVID-19 pandemic, as well as the other risks to which the industry remains subject, thereby ensuring that affordable, yet fair remuneration structures are implemented.

Remuneration background statement

The objective of the group's remuneration policy framework is to ensure that the group remunerates fairly, responsibly and transparently, so as to attract and retain employees of the right calibre and skillset and 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 development and career opportunities.

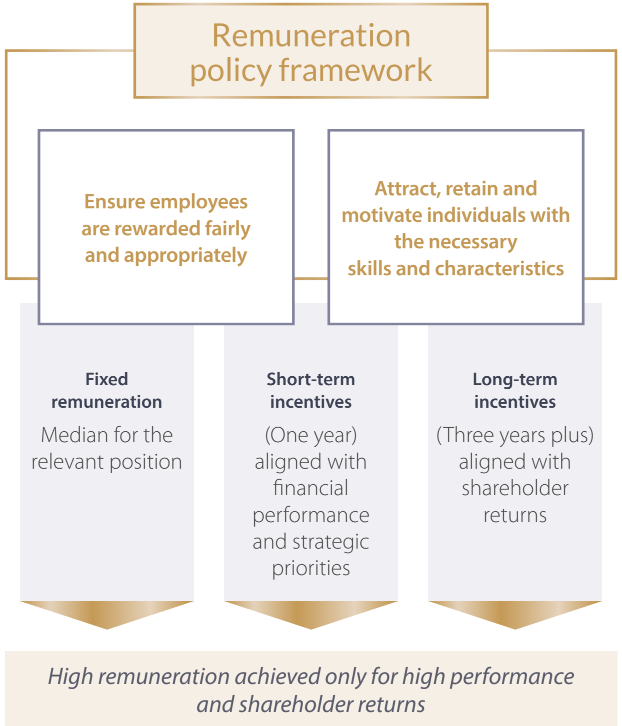
Total rewards are set at levels that are reasonable within the gaming, food and beverage, entertainment and broader hospitality sector. The fixed and variable financial reward elements of the remuneration structure of the group's employees differ depending on the division in which they are employed and on their relative broadband level/ employee grade within that division.

The HR and remuneration committee, consisting of five non-executive directors, three of whom are independent, considers all matters pertaining to remuneration of the group's employees together with other significant matters relating to employment and employer/ employee relations. The CEO and the Director of Human Resources provide comprehensive reports to the committee at each meeting. The committee, after due consideration of these reports, makes the necessary decisions and submits these as recommendations to the board which ultimately remains responsible for approving remuneration policy and employment-related decisions. The committee met three times during the reporting period.

Independent remuneration consultants are only used for the purpose of providing remuneration benchmark statistics when required.

Refer to the HR and remuneration committee report back contained in our board composition, structure and report back section of this integrated annual report for the key objectives and the key decisions taken by the HR and remuneration committee during the reporting period.

The HR and remuneration committee is satisfied that the remuneration policy has considered and recognised the additional challenges posed by the COVID-19 pandemic and the expected aftermath thereof, and that it has achieved its objectives for the past year.



The remuneration of each of the group's divisions (i.e. casino and corporate, bingo and LPMs) is run independently of each other due to the different demands of the respective sectors.

The high-level remuneration policy framework for each division is, however, centrally managed and maintained by the Director of Human Resources, having regard to the input of the respective divisions and the group CEO. This remuneration policy framework is presented to, and considered by, the HR and remuneration committee.

Each division's remuneration policy framework, as a minimum, complies with the Basic Conditions of Employment Act and any other relevant laws and regulations.

Our remuneration policy and implementation report *continued*

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. Top management have a larger portion of their potential total remuneration subject to the achievement of performance-based targets than the lower broadbands. Short-term incentives are predominantly linked to annual financial performance, and are balanced with other strategic priorities, where appropriate.

The group has implemented the approach to preserve as many employment opportunities as possible in the current challenging environment and remains mindful of future regulatory threats to the business.

Fixed remuneration: salaries and benefits

Group

The group provides employment to approximately 10 000 people including outsourced functions. The total direct employee cost for the financial year increased to R1.5 billion (2021: R1.0 billion), but remains significantly less than the R2.2 billion cost in 2020, mainly as a result of continued different levels of restrictive trading and the restructuring of the business during the reporting period.

As a result of the continued significant negative impact of the restrictive regulations imposed on trading in the gaming, food and beverage, entertainment and broader hospitality sector during the reporting period due to the pandemic, the July 2021 shutdown and the destruction of businesses in KwaZulu-Natal and Gauteng following the July 2021 unrest, no general salary increases were granted during the reporting period. Adjustments were however made to a limited number of employees' remuneration in the ordinary course of business in keeping with regulatory requirements or where specific positions were determined to require adjustment in order to ensure retention of staff and fair remuneration. In particular, the information technology and digital marketing positions had become increasingly active, mainly a consequence of businesses focusing on online offerings following the change of consumer behaviour during the pandemic, and this has placed pressure on the required remuneration levels for these employees.

Casino division and corporate office

The casino division and corporate office provide employment to 5 340 employees. Employees of the casino division and corporate office are categorised into varying grades denoted as broadbands A to F.

Salaries of broadbands A to D are based on a total package basis, with all contributions and benefits, except group life and disability, forming part of the total package remuneration.

Salaries of permanent broadband E to F employees are based on a basic salary plus benefit basis, whereby the employer and employee both contribute towards certain benefits such as retirement funding and medical aid, with the employer's contributions being in addition to the basic salary amount.

The operational support staff ("OSS") are also employed on a basic plus benefit basis.

Employees are either employed on a permanent or a flexi basis, with flexi staff working variable hours depending on demand. More employment was preserved during the pandemic with staff working on a flexi basis.

The salaries and benefits for each casino unit and department are determined within the remuneration policy framework for the division approved by the HR and remuneration committee and the board, with the Director of Human Resources being responsible for the implementation and reporting thereon to the CEO.

Salary levels of similar job categories may vary depending on the size of the casino unit and the individual's skills, qualifications and experience. The Director of Human Resources and operations management compare and review the remuneration packages payable in respect of similar roles across the divisions and units within the group to evaluate the appropriate compensation for each employee.

The casino division in particular is still in the process of implementing improved structure and efficiency measures required to enable the business to recover subsequent to the COVID-19 pandemic. These structural and efficiency changes are continuously and separately assessed for each casino unit.

In the aftermath of the pandemic, the flooding in KwaZulu-Natal and other influences resulting in revenue still being lower than pre-pandemic levels, and with the continued pressure on costs, no general salary increases are expected for the 2023 financial year. This excludes increases granted as a result of a change of role, promotions, adjustments to ensure fair remuneration or retention, requirements by law and otherwise in the normal operation of the business.

It should be noted that salary reviews occur at different dates during the year, and relevant consultations are therefore a continuous process which may result in different outcomes. In April 2022 the relevant units, departments and corporate office due for salary reviews received *ex gratia* payments equivalent to half a month's salary in lieu of increases. This ensured that the cost base of the affected units remain protected in these uncertain times, yet rewarded management and staff for their contribution to the relevant units.

The pension fund contribution holiday for the employer and employee implemented in May 2020 lapsed on 30 April 2022 and contributions resumed from 1 May 2022, albeit at a lower contribution level of 8% for the year commencing 1 May 2022, and thereafter, at a contribution level of 10% for the year commencing 1 May 2023. This is deemed a reasonable level of contribution in the current circumstances. The employer and employee co-contribute where employees are on a basic plus benefits package. Management remunerated on a total package basis pay their pension contributions from their cost-to-company earnings with no requirement for a co-contribution from the employer.

The funeral, life and disability benefit cover for the various categories of employees was reviewed and reset in the reporting period, which reset will be applicable until 31 March 2023. This cover is provided solely at the company's cost, and was accordingly set at a level which comprises a fair and reasonable cost to the employer while simultaneously providing an appropriate benefit to employees.

Our remuneration policy and implementation report *continued*

Changes to employment policies relating to leave at more reasonable levels for the employer (efficiency and cost) and the discontinuation of long-service awards have been predominantly implemented (more than 90%), but are still in the process of consultation for a small number of employees.

Galaxy Bingo and VSlots divisions

The Galaxy Bingo and VSlots divisions provide permanent employment to 1 410 and 210 employees, respectively.

Average salary increases for these divisions are set annually for each specific Galaxy Bingo unit and the head office employees of Galaxy Bingo and VSlots with inflation and market-related remuneration as the benchmark. Comprehensive performance management systems are in place.

All salaries are based on a total package basis, with all contributions and benefits forming part of the total package remuneration.

As with the casino division, no general salary increases were granted to employees of the Galaxy Bingo and VSlots divisions during the reporting period, save in respect of increases granted as a result of a change of roles, promotions, requirements by law and otherwise in the normal operation of the business.

With results still below those achieved pre-COVID-19 and the continued uncertainty, no general salary increases have been granted to employees for the 2023 financial year in respect of the Galaxy Bingo units which are subject to an April review cycle, save for limited increases granted for promotions, job changes in the ordinary course of business or as required by law and otherwise in the normal operation of the business. The employees of these units were, however, paid a once off *ex gratia* amount equal to half a month's salary in April 2022 in lieu of an increase, thereby maintaining the existing cost base. The same approach was adopted for those Galaxy Bingo units which are subject to the July 2022 review cycle.

As the revenues in the VSlots division have normalised to pre-COVID-19 levels, the employees of this division were granted salary increases in April 2022, determined with reference to position, performance and market conditions. The average increase for this division amounted to 5% per annum.

For the Galaxy Bingo division the staff contribute a lower portion to the retirement fund, which will be increased on an annual basis until it matches the employer's contribution. This will be done in a sensible manner, taking into account the market conditions affecting the division and its employees.

The other benefits applicable depend on the category of employee, unit or department and include, *inter alia*, retirement funds and medical aid contributions, and funeral cover.

Bonus and short-term incentives ("STIs")

Casino division and corporate office

December bonuses for broadband levels E, F and OSS, casino division and corporate employees are discretionary and if awarded, are based on financial and personal performance, with exceptional and poor performers being adjusted upwards or downwards, as appropriate. The caps applied vary from a maximum of two weeks to one month's basic salary cost, depending on the broadband level. Historically performance criteria were not taken into account in regard to December bonus awards, and were guaranteed. In December 2021, bonuses equivalent to between one and two weeks basic salary cost were paid to this category of employees given the group's performance for the period up to November 2021.

The award and payment of STIs to broadband levels A to D in the casino division and corporate employees is discretionary and is operated within a framework that has been assessed and recommended by the CEO and the Director of Human Resources to the HR and remuneration committee, and ultimately approved by the board.

The framework dictates that a decision to make any STI award be determined with reference to the following evaluation criteria:

- Financial performance of the group (where applicable);
- Financial performance of the respective divisions (casino, VSlots, Galaxy Bingo);
- Financial performance of the unit e.g. a specific casino;
- Performance of a specific department e.g. compliance; and
- Personal performance (specific achievements and/or general) (only the outliers).

In addition, the following measures apply to the award of STIs:

- Tables for the determination of STI awards are set for each broadband, which tables may be amended on an annual basis with the approval of the HR and remuneration committee and the board;
- The potential STI cost per broadband is capped;
- There are "low", "middle" and "high" potential STI brackets;
- Even though there is a "low" STI bracket, a zero STI benefit (or between R0 and low) may be applied in the event of poor individual, unit or divisional performance or any external circumstances (such as a pandemic or restrictive regulations) which may have a significant negative impact on the results of the unit, division or group;
- The maximum allocation is an additional 10% of annual cost to company over and above the "high" STI bracket, which is only awarded in instances of exceptional personal achievement which may result in significant financial gain to the unit/division/group; and
- Units are partially differentiated on size for cost to be commensurate with earnings.

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

CEO	75%
Top management	33% to 55% (depending on position/unit)
Various levels of management	13% to 33% (depending on broadband/unit)

The STI policy framework aims to achieve a reasonable overall STI cost for the group, while incentivising management to "go the extra mile" and deliver the best performance practically possible. The CEO is also responsible to ensure that short-term focus by management to generate profits does not detract from long-term strategies. The total potential cost is controlled/capped and the scheme is simpler to administer than it was historically.

Short-term incentives are predominantly focused on financial performance, but also include specific strategic priorities and personal performance. Financial performance is based on targeted EBITDA, headline earnings (or profit after tax at 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 performance or results achieved compared to the benchmarks are assessed for each unit/department and then applied to the relevant STI table.

Benchmarks take into account the location, economic environment and optimisation of the respective unit or group potential. Even though budgets are used as part of performance measurement, different targets may be set from time to time, as appropriate. Simply using budgets from year to year may lead to manipulation, have an unfair result among units and may not drive specific relevant performance.

The financial and relative growth performance or results achieved compared to the benchmarks are assessed for each unit/department. The total STI to EBITDA and profit after tax/headline earnings are assessed and controlled to ensure the total cost of STIs to the business is rational.

At the end of each financial year, the above evaluation criteria and additional measures are assessed and considered by the CEO and the Director of Human Resources, whereafter their recommendations for the payment (or otherwise) of STIs, together with a summary of the proposed STI cost calculated within the STI framework, are presented to the HR and remuneration committee for their assessment and if approved, for recommendation to the board. The Chairperson of the board assesses the CEO's performance in line with pre-determined criteria considered and recommended by the HR and remuneration committee and approved by the board.

As previously reported no STI was accrued or paid to any employees in respect of the 2020 financial year as a result of the impact of the pandemic on the group's results, cash resources and inability to trade unrestricted.

With the financial results for the 2021 financial year being below budget due to the impact of the COVID-19 pandemic, the decision on whether to pay STIs in respect of the 2021 financial year was deferred to November 2021, where the impact of the third wave of the pandemic and the additional set-back to the country as a result of destruction of businesses in KwaZulu-Natal and Gauteng was assessed, and it was resolved to award STIs to this category of employees, equivalent to three weeks salary for broadband level D, and only one month's salary for the CEO and broadband levels B and C. The total STI awarded and paid in respect of the 2021 financial year amounted to approximately R30 million.

In regard to STIs for the 2022 financial year, on the recommendation of the HR and remuneration committee, the board resolved to award STIs to the CEO and to the broadband levels B, C and D, the amounts of which STIs were determined with reference to the STI policy framework. The total 2022 financial year STIs awarded and paid increased to R57 million after the HR and remuneration committee and board took into account that the group's original financial covenants had been met for the 2022 financial year and the underlying performances. Refer to the implementation report for additional information.

With the business back within original covenants and severe restrictions on the trade of the business lifted, the 2023 and 2024 financial years finally present management with an opportunity to drive business performance, which, subject to achievement, should be rewarded with higher levels of STI. For some divisions and units it is still difficult to set exact financial targets for the year, without reviewing these during the period, due to the uncertainty that still exists relating to the post-pandemic recovery and external influences on results of land-based businesses.

The historical (pre-2020) outperformance stretch of 15% is no longer part of the STI determination, since such a high deviation would in all likelihood only occur as a result of poor budgeting or target setting, an unusual event such as the lifting of restrictions when the targets were set taking the applicable restrictions into account, a consequence of a significant macro-economic shift, natural recovery after an event such as the pandemic, etc. On the other hand the upper end of such a stretch is not achievable and therefore does not drive performance to achieve the maximum as management "accepts" that it cannot be achieved. As an example, a 15% stretch on pre-pandemic EBITDA would be approximately R600 million for the group.

Galaxy Bingo and VSlots divisions

December bonuses/STIs for the Galaxy Bingo and VSlots divisions are discretionary, and if awarded, are based on financial and personal performance, allocated per job category and amounts are limited to a maximum based on monthly total package multiples. Senior head office management and regional general managers are aligned with management of the casino division and corporate office, and are subject to similar criteria and caps of the STI scheme applicable to the casino division and corporate office.

The performance of the employer and its financial position as a result of the pandemic and restrictions imposed, as well as individual employee performance were considered in the determination of bonuses payable in December 2021. As with the casino division and corporate office, the decision on whether to pay STIs for the 2021 financial year was deferred to November 2021, and it was resolved to award STIs to qualifying management, subject to a maximum cap of one month's total package.

In regard to STIs for the 2022 financial year, on the recommendation of the HR and remuneration committee, the board resolved to award STIs to selected senior management.

Since the VSlots division's potential performance and targets for the 2023 financial year can be determined more accurately than the other divisions, the financial targets include a percentage award based on a specific threshold and thereafter the award can increase by 1% for each R1 million of EBITDA achieved up to the maximum cap. This ensures continuous focus by the senior management of the division to drive every R1 million of performance, especially for outperformance above the initial targets set. The upper end equates to approximately 5% above target and 8% above budget which is deemed to be appropriate (challenging, yet achievable) based on the circumstances applicable to this division.

Long-term incentives ("LTIs")

Tsogo Sun Gaming Share Appreciation Bonus Plan

The Tsogo Sun Gaming Group Share Appreciation Bonus Plan is a discretionary phantom share scheme which aligns participants with long-term shareholders and is operated in terms of the approved rules of the scheme.

Appreciation units (notional shares) are allotted to participants at a strike price per notional share which is calculated at a 10% discount to the seven-day VWAP of a Tsogo Sun Gaming Limited ("TSG") share for the seven-day period prior to the date of allotment, and vest in full after three years. All notional shares allotted before 1 March 2022 are required to be cashed out by the participant before the sixth anniversary of the date of their allotment (i.e. within a period of three years of vesting), failing which they will lapse.

During the reporting period, the scheme rules were amended to the effect that all notional shares allotted from 1 March 2022 are required to be encashed before the fourth anniversary of the date of their allotment (i.e. within one year of vesting), failing which they will lapse. The rationale for this change is to align selected participants even closer to the interests of shareholders, i.e. the value appreciation is required to be realised within one year of vesting, rather than having another long-term benefit of another three years after the vesting period to accrue upside while new allotments continue to be made. This should provide a fairer outcome to the company in the long term. From a selected senior management participant perspective, it is the responsibility of the CEO, the HR and remuneration committee and the board to ensure that appropriate levels of incentive is allotted to selected participants to ensure long-term retention of essential key management driving the long-term performance of the respective divisions, units and the group.

The encashment value per notional share is calculated as an amount equal to the seven-day VWAP of a TSG share for the seven-day period prior to the date of encashment, minus the strike price per notional share, plus the amount of dividends paid or declared in respect of a TSG share between the date of allotment and encashment. This value is multiplied by the number of notional shares being encashed and the encashment value is settled in cash.

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

LTI allocations are proposed by the CEO, considered by the HR and remuneration committee for recommendation to the board and ultimately approved by the board. LTI allocations remain discretionary. The total number of notional shares in issue is limited and the total "value in scheme" is continually monitored and limited by the HR and remuneration committee. For this reason, participants who were allotted notional shares in December 2020 had to surrender all historical notional shares for no consideration.

The HR and remuneration committee is of the view that the share-price-linked scheme is simplistic with regards to performance measurement and provides the appropriate long-term incentive, which will also drive share price performance.

In the prior year, the company indicated that key to such achievement would be a reduced debt structure and therefore a stronger financial position with less risk and better capability to react relating to opportunities in the long term. The group has done well in the past year to achieve this objective and is still committed to this strategy to enhance long-term value appreciation.

The focus of the scheme is to incentivise selected senior management who are directly involved with driving the performance of the business. The LTI scheme is critical for the retention of key performance drivers of the business and especially relevant currently with no or low increases for the 2020, 2021 and 2022 financial years and no STIs for the 2020 financial year and an STI capped to one month's total package for the 2021 financial year.

Accordingly on the recommendation of the HR and remuneration committee, the board resolved to allot up to 15 million new appreciation units/notional shares at a strike price equal to a 10% discount to the seven-day VWAP for the period 7 March 2022 to 15 March 2022, 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. The limited allotment of such notional shares was implemented within the framework approved by the HR and remuneration committee and approved by the board, and such allotment was limited to selected participants where it was deemed necessary and critical to ensure retention of the allotees for an additional period, by ensuring an appropriate level of LTI applicable to each individual's relevant role. The group has accordingly managed to weather the storm of what has been referred to as the "great resignation" in the market in the aftermath of the pandemic, and has ensured that senior management has been appropriately incentivised to maintain this position. With a shortage of skills and experience in South Africa in the information technology sector, the group included a broader network of employees to participate in the scheme and expects to have to lock in certain key positions in the online space as this part of the business evolves.

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"Top-up" and the consequent issue of notional shares occurs annually within the discretion of the HR and remuneration committee and the board when previous allotted options vest or lapse. Top-ups may also be applied when salary increases are effected. With the issue of notional shares/options in December 2020, all participants who were offered such options and accepted same had to also agree to surrender all historical options at no cost to the company. As a result of this cancellation and the fact that general salary increases were not granted for the 2022 financial year, no standard "top-up" options were approved by the HR and remuneration committee and the board.

There are effectively only two tranches of notional shares currently active, being those allotted in December 2020 and in March 2022, which should provide stability in senior management until approximately 2025. The administrative burden of the LTI scheme has also simplified with fewer tranches of options in issue. The last few historical notional shares which were not surrendered, and which resulted in no new allotments being made to the relevant participants, will lapse within the next few years.

Only a few selected key senior management of the Galaxy Bingo and VSlots divisions with group performance responsibilities participate in the LTI scheme.

Gold Reef share scheme and executive facility LTI scheme

The Gold Reef share scheme and the executive facility LTI scheme were both equity and loan schemes. Both these schemes have been historically discontinued with no further allotments.

The Gold Reef share scheme has only nine participants remaining (2021: 13), holding in aggregate approximately 190 000 shares in TSG and Tsogo Sun Hotels Limited ("THL"), and having loan claims due to the Gold Reef share trust. Steps have been taken during the reporting period to finally unwind this scheme. The remaining participants are currently "out of the money" and have been granted an extension of time within which to settle their loans as the share prices recover to a break-even level. The remaining participants are required to close out their positions within three months of being "in-the-money" with the result that there is no significant upside for such remaining participants. This is purely an administrative process being implemented to responsibly and permanently close down the scheme, which should finally unwind within the next few years.

The executive facility LTI scheme has no participants left in the employ of the group. Save as set out hereunder, there has been no change to the status of the executive facility LTI scheme reported in the 2021 remuneration report, and this scheme will be wound up in the coming years. As a result of the impact of the pandemic on the share price, Booysen, who took early retirement in 2019, has been granted an extension of three years within which to close out his position. As part of this concession, he is required to pay any dividends received to the company in order to reduce his loan liability and will no longer be entitled to any upside with the sale of his shares to settle his loans, i.e. any profit achieved will be attributed to the company and not the participant in his personal capacity.

Non-executive directors' fees

Non-executive directors' fees are reviewed and assessed by the HR and remuneration committee, proposed to the board for their consideration, and if approved by the board, are recommended to, the shareholders of the company for their approval at each AGM of the company.

Due to the ongoing impact of the COVID-19 pandemic, no increase to the amount of non-executive directors' fees payable by the company has been proposed since the 2019 AGM. In addition to this, a discount has been applied to the fees payable to non-executive directors from April 2020. The proposal put to shareholders at the 2021 AGM in respect of non-executive directors' fees payable for the period from the 2021 AGM until 30 September 2022, which proposal again included the application of this discount, did not include an automatic correction to such reduction in directors' fees in circumstances where the group succeeded in meeting its financial covenants. This automatic correction is required to be approved by the shareholders at the 2022 AGM.

The group has managed to turn the business around and has met all requirements necessary to be back within its original financial covenants at 31 March 2022, thereby allowing the group to trade normally from 1 April 2022 for the first time since the pandemic hit. The business is once again under full control of the directors and is not subject to any of the additional requirements that were imposed by lenders while out of covenant. Therefore, it is proposed that an amount equal to the discount on the fees payable for the period 1 April 2022 to 30 September 2022 be paid to the non-executive directors as and by way of a once-off *ex gratia* amount. This is consistent with the treatment of employees, who are now back to earning their full pay for the 2023 financial year.

In addition, for the new period from 1 October 2022 until the next AGM of the company, it is proposed that non-executive directors' fees be set at the last quarterly fees approved and paid pre-pandemic, with no increase, subject however to the payment of a once-off *ex gratia* amount equal to 4.16%, in lieu of an increase. This ensures that the base cost of the group remains fixed until there is more certainty of future earnings levels and is consistent with the treatment of management of the group.

Refer to the non-executive directors' fees section contained in the remuneration implementation report for full details and a breakdown of the proposed non-executive directors' fees for approval at the AGM.

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 surrendered. The exception being in the event of death or disability, the unvested portion is deemed to vest on date of termination.

2022 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	**Base salaries** Base salaries are subject to annual review using inflation as the benchmark and taking other market conditions into account. Market-related salaries, individual performances and changes in responsibilities are also taken into consideration when determining increases to base salaries	**Non-executive directors' fees** The fees for the non-executive directors are recommended by the HR and remuneration committee to the board for its approval, considering 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 and taking other market conditions into account. Non-executive directors do not receive any short-term or long-term incentives or other benefits	**Retirement fund membership** 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

Our remuneration policy and implementation report *continued*

2022 key elements of remuneration	Fixed pay **Other benefits**	Bonus and short-term incentives **Annual bonus plan**	Long-term incentives **Share appreciation bonus plan**
Purpose and link to strategy	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
Application dependent on employee type and level	Depending on the various broadbands, employees are eligible for membership of a company-approved medical scheme and other benefits	Executives, senior management and selected middle management receive STIs, if awarded Other staff receive December bonuses, if awarded	Selected senior management Focusing on performance drivers of the business
Operation and performance measures	**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 **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 and staff entitled thereto **Long-service awards** Discontinuation of long-service awards has been implemented for more than 90% of employees and is still in progress for the remainder	**Annual cash incentive** STIs are capped per broadband level and in terms of pre-approved tables in accordance with the size and nature of the unit Measurement for STIs includes unit or group financial and personal performance, where relevant Staff bonuses, if applicable, are determined in December and are capped STIs and bonuses are discretionary	**Share appreciation bonus plan** The essential elements of the plan are a "phantom" version of a share scheme where each appreciation unit/notional share is in effect linked to an underlying share in TSG, designed to align the interests of participants with those of the company's shareholders Annual allocations of appreciation units at 10% below market price (seven-day VWAP) are made to selected senior managers (linked to specific positions and cost to company). These vest and are available to be settled on the third anniversary of the date of allocation but must be exercised by the fourth anniversary of the date of allocation (sixth anniversary of the date of allocation for all allotments made prior to March 2022), or they will lapse. On settlement, the value accruing to participants will be the full appreciation of TSG's share price over the allocation price plus dividends from the date of allotment to the date of exercise of the option, 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

Remuneration implementation report

Non-executive directors' 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.

Annual general meeting

Due to the ongoing impact of the COVID-19 pandemic, no increase to non-executive directors' fees has been proposed since the fees approved by shareholders at the 2019 AGM. In addition, the directors agreed to a discount on the fees payable to them from April 2020 to September 2022. Since the group is again within its original net leverage covenants for the 12 months ended 31 March 2022, the following has been proposed in regard to non-executive directors' fees:

- An amount equal to the discount on the fees payable for the period 1 April 2022 to 30 September 2022 be paid to the non-executive directors by way of a once-off *ex gratia* amount, to top-up the actual fees paid such that the fee to be paid for the 2023 financial year will equate to the full previously approved fee. This is consistent with the treatment of all employees, who are now all on full pay;
- No increase to the full fees approved at the 2020 AGM and the 2021 AGM, subject however to the payment of an *ex gratia* amount in lieu of an increase, thereby maintaining the existing cost base.

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

Role	Proposed fees 2022/2023[1] R'000	Full fees 2021/2022[2] R'000	Discounted fees 2021/2022[3] R'000	Proposed *ex gratia* top up 2021/2022[4] R'000	Proposed *ex gratia* in lieu of increase 2022/2023[5] R'000
Chairperson of the board[6]	1 155	1 155	693	231	48
Lead independent non-executive and member of all committees[6]	685	685	411	137	29
Non-executive director	335	335	201	67	14
Chairperson of the audit and risk committee[7]	170	170	102	34	7
Chairperson of social and ethics committee[7]	100	100	60	20	4
Chairperson of the HR and remuneration committee[7]	150	150	90	30	6
Member of a committee	30	30	18	6	1

(1) *Unchanged since 2019/2020*
(2) *Full fee approved at 2021 AGM*
(3) *Discounted fee approved at 2021 AGM*
(4) *Proposed to be paid in October 2022 to adjust the discount applied*
(5) *Proposed to be paid in October 2022*
(6) *Including fee as a non-executive director*
(7) *Including fee as member of the respective committee*

The proposed fee for 2023, excluding *ex gratia* payments, equates to R4.1 million.

Directors' fees for the year ended 31 March	2022 R'000	2021 R'000
JA Copelyn	693	809
MSI Gani[1]	–	259
MJA Golding	201	235
BA Mabuza	411	480
F Mall[2]	303	162
VE Mphande	237	253
Y Shaik	309	360
RD Watson	297	318
	2 451	2 876

(1) *Resigned as non-executive director 18 September 2020*
(2) *Appointed as non-executive director 18 September 2020*

Our remuneration policy and implementation report *continued*

Executive directors' and prescribed officers' remuneration

Remuneration

The remuneration 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 made up of the executive directors and prescribed officers.

Executive directors

	2022				2021			
	C du Toit R'000	**G Lunga[1] R'000**	**A Hoyer[2] R'000**	**Total R'000**	C du Toit R'000	A Hoyer[2] R'000	R Huddy[3] R'000	Total R'000
Salary	**6 437**	**1 442**	**1 615**	**9 494**	6 430	1 314	2 004	9 748
Pension fund contributions	**–**	**–**	**–**	**–**	27	–	29	56
Other benefits	**136**	**77**	**56**	**269**	116	61	34	211
Current year STI accrued	**5 525**	**1 000**	**–**	**–**	–	–	–	–
Total single figure of remuneration	**12 098**	**2 519**	**1 671**	**16 288**	6 573	1 375	2 067	10 015
Current year STI accrued not yet settled	**(5 525)**	**(1 000)**	**–**	**(6 525)**	–	–	–	–
Prior year STI settled	**542**	**250**	**–**	**792**	–	–	–	–
Financial statement remuneration[4]	**7 115**	**1 769**	**1 671**	**10 555**	6 573	1 375	2 067	10 015

[1] *Appointed as CFO and as an executive director 1 October 2021, previously Financial Director – Casino Gaming*
[2] *Appointed as CFO and as an executive director on 1 August 2020, resigned effective 30 September 2021*
[3] *Resigned as CFO and as an executive director effective 31 July 2020*
[4] *As per 2022 consolidated financial statements*

Prescribed officers

	2022 G Lunga[(1)] R'000	2022 B Mogiba[(2)] R'000	2022 S van Vuuren[(3)] R'000	2022 C Wannell[(4)] R'000	2022 Total R'000	2021 G Lunga R'000	2021 B Mogiba R'000	2021 C Wannell R'000	2021 Total R'000
Salary	**1 390**	**2 578**	**1 372**	**1 689**	**7 029**	2 760	3 046	1 664	7 470
Pension fund contributions	**–**	**375**	**–**	**–**	**375**	28	3	18	49
Other benefits	**77**	**26**	**–**	**90**	**193**	122	161	68	351
Current year STI accrued	**–**	**1 300**	**450**	**500**	**2 250**	–	–	–	–
Total single figure of remuneration	**1 467**	**4 279**	**1 822**	**2 279**	**9 847**	2 910	3 210	1 750	7 870
Current year STI accrued not yet settled	**–**	**(1 300)**	**(450)**	**(500)**	**(2 250)**	–	–	–	–
Prior year STI settled	**–**	**248**	**117**	**150**	**515**	–	–	–	–
Financial statement remuneration[(5)]	**1 467**	**3 227**	**1 489**	**1 929**	**8 112**	2 910	3 210	1 750	7 870

[(1)] *Appointed as an executive director and CFO on 1 October 2021, previously Financial Director – Casino Gaming*
[(2)] *CEO – Vukani*
[(3)] *Appointed as the Director of Human Resources on 1 April 2021*
[(4)] *Legal Manager and representative of the Company Secretary*
[(5)] *As per 2022 consolidated financial statements*

Short-term incentive

The 2021 STI which was placed on hold until November 2021, was capped at a maximum of one month's total package. The total amount paid equated to R28 million.

The STI accrued for the year ended 31 March 2022 and paid in May 2022 amounted to R56 million. The HR and remuneration committee, in their recommendation to the board, took into account that the group met its original financial covenants for the first time since March 2020. Even though the group financial results were still lower than pre-pandemic levels, taking into account the lockdown of July 2021 and the severe restrictions in place during the first half of the financial year, the restructured group delivered the best results possible in the circumstances.

As a result of the varying restrictions during the 2022 financial year and the uncertainty at the time of budgeting and the interim reporting period, it was difficult to assess certain management on fixed targets for the year and it was found most effective to rather evaluate the results achieved against the challenges faced by the respective units. The Chairperson of the board assessed the CEO against the pre-determined framework, and in particular the return of the group to being within original covenants, the improvement of efficiencies across the group and the financial results achieved.

Long-term incentive liability – cash settled

The following table summarises details of the units awarded to all scheme participants:

	Total appreciation units granted		Appreciation units granted and not vested			Appreciation units vested and still outstanding				
Grant date	**2022**	2021	**2022**	2021	Strike price R	**2022**	2021	Expiry date	**Provision 2022 Rm**	Provision 2021 Rm
1 April 2015[1]	**–**	169 558	**–**	–	26.54	**–**	169 558	31 March 2021	**–**	–
1 April 2016[1]	**153 376**	241 019	**–**	–	22.82	**153 376**	241 019	31 March 2022	**–**	–
1 April 2017[1]	**125 004**	214 292	**–**	–	28.00	**125 004**	214 292	31 March 2023	**–**	–
1 October 2017[1]	**–**	24 190	**–**	–	20.67	**–**	24 190	30 September 2023	**–**	–
1 April 2018[1]	**124 584**	228 404	**–**	–	24.08	**124 584**	228 404	31 March 2024	**–**	–
13 December 2019[2]	**970 425**	970 425	**970 425**	970 425	10.82	**–**	–	12 December 2025	**1**	–
18 December 2020[2]	**18 200 000**	18 900 000	**18 200 000**	18 900 000	5.20	**–**	–	17 December 2026	**85**	25
16 March 2022[2]	**14 450 000**	–	**14 450 000**	–	9.61	**–**	–	15 March 2026[3]	**2**	–
Liability at 31 March	**34 023 389**	20 747 888	**33 620 425**	19 870 425		**402 964**	877 463		**88**	25
Average share price utilised to value the liability at 31 March									**R12.04**	R6.50

[1] As a result of the share price collapse due to COVID-19, the liability of the respective appreciation units were reduced to Rnil
[2] Relates to TSG 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
[3] The scheme rules were amended during the year under review. Appreciation units allocated from the 2022 financial year expire four years after grant date. All other terms and conditions remain unchanged

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Long-term incentive liability – cash settled *(continued)*

The following table summarises details of the units awarded to executive directors and prescribed officers:

	Grant date	Appreciation units granted and not vested 2022	Appreciation units granted and not vested 2021	Strike price R	Appreciation units vested and still outstanding 2022	Appreciation units vested and still outstanding 2021	Expiry date	Provision 2022 R'000	Provision 2021 R'000
Executive directors									
C du Toit	18 December 2020	**4 500 000**	4 500 000	5.20	**–**	–	18 December 2026	**18 673**	5 850
	16 March 2021	**1 550 000**	–	9.61	**–**	–	16 March 2025	**1 541**	–
G Lunga[(1)]	18 December 2020	**1 000 000**	–	5.20	**–**	–	18 December 2026	**4 150**	–
	16 March 2021	**300 000**	–	9.61	**–**	–	16 March 2025	**298**	–
A Hoyer[(2)]	18 December 2020	**–**	1 000 000	5.20	**–**	–	18 December 2026	**–**	1 300
		7 350 000	5 500 000		**–**	–		**24 662**	7 150
Other prescribed officers									
G Lunga[(1)]	18 December 2020	**–**	600 000	5.20	**–**	–	18 December 2026	**–**	780
B Mogiba[(3)]	18 December 2020	**1 000 000**	1 000 000	5.20	**–**	–	18 December 2026	**4 150**	1 300
	16 March 2021	**750 000**	–	9.61	**–**	–	16 March 2025	**746**	–
S Van Vuuren[(4)]	18 December 2020	**300 000**	–	5.20	**–**	–	18 December 2026	**1 245**	–
	16 March 2021	**300 000**	–	9.61	**–**	–	16 March 2025	**298**	–
C Wannell[(5)]	18 December 2020	**300 000**	300 000	5.20	**–**	–	18 December 2026	**1 245**	390
	16 March 2021	**300 000**	–	9.61	**–**	–	16 March 2025	**298**	–
		2 950 000	1 900 000		**–**	–		**7 982**	2 470

(1) *Financial Director – Casino Gaming. Appointed as CFO and as an executive director 1 October 2021*
(2) *Resigned as CFO and as an executive director 20 September 2021*
(3) *CEO – Vukani*
(4) *Appointed as Director of Human Resources from 1 April 2021*
(5) *Legal Manager and representative of the Company Secretary*

Our reporting approach

King IV has been applied to the group from the 2018 financial year and this governance section, read together with the King IV compliance document issued with this report, contains the disclosure requirements contained within King IV.

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

Our governance summary

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

	King IV principle
	Principle 1: The governing body should lead ethically and effectively
Practice	• 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, set policies and procedures, and monitor operational performance, the scope and effectiveness of internal controls, risk management processes, sustainability and communications. • The board has a collective commitment to leading ethically, acting in good faith and in the best interests of the business in accordance with the directors' code of conduct. • Directors have a responsibility to acquaint themselves with their fiduciary duties and responsibilities, as well as with the issues pertaining to the group's operations and the environment in which its businesses operate so that they are able to fulfil their duties as a director. • The group's conflict of interests policy explains the nature of conflicts of interests, differentiating between those conflicts which must be avoided and those which must be disclosed and managed, and setting out the disclosure requirements to be followed in order to ensure compliance with statutory and best practice requirements. All directors and members of executive management are required to make an annual general declaration of all financial, economic and/or other interests which he/she may have, and these are updated as applicable during the year. All conflicts are managed in accordance with the provisions of the conflict of interests policy. • The social and ethics committee is a statutory committee of the board, having oversight over the group's ethical matters. The roles and responsibilities of the committee are set out in its terms of reference. • The board evaluates the performance and effectiveness of the board committees on an annual basis, to determine areas in which the functioning of the committees requires improvement.

	King IV principle
	Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture
Practice	• The board executes responsibility for the governance of ethics by providing direction for how ethics should be approached and addressed by the group through implementation of the group's code of conduct and the group's ethics policy. • The board has approved the group's code of conduct and ethics policy which articulate and give effect to the group's direction on organisational ethics and include references to the group's view on interactions with internal and external stakeholders and broader society, and addresses key ethical risks of the group. • All directors and employees of the group are required to adhere to the group's code of conduct and the group's ethics policy. Each director of the board is provided with a "Directors Toolbox" which contains, *inter alia* the directors code of conduct, the group's code of conduct and the group's ethics policy. The group's code of conduct and the group's ethics policy are made available to all employees via the HR department. • The board delegates to management the responsibility of implementing and executing the group's code of conduct and the group's ethics policy, and the social and ethics committee has an increased responsibility for the monitoring of the management of ethics within the organisation. The monitoring of adherence to the organisation's ethical standards by employees is monitored by management through periodic requests for written confirmation of compliance. • The board has approved the group's conflict of interests policy which sets out and explains the nature of conflicts of interests, differentiating between those conflicts which must be avoided and those which must be disclosed and managed, and setting out the disclosure requirements to be followed in order to ensure compliance with statutory and best practice requirements. All directors and members of executive management are required to make an annual general declaration of all financial, economic and/or other interests which he/she may have, and these are updated during the year. All conflicts are managed in accordance with the provisions of the conflict of interests policy. • The board, through the social and ethics committee, exercises ongoing oversight of the management of ethics in the processes for the recruitment, evaluation of performance and reward of employees, as well as the sourcing of suppliers. • The board has overseen the establishment of, and continues to oversee, the disciplinary policies which govern sanctions and remedies for in the event that the organisation's ethical standards are breached. • 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.

King IV principle

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

Practice

- The board has approved the group's governance framework, policies and strategies thereby providing the framework for creating an honest and ethical culture, and through the social and ethics committee, the board oversees the implementation thereof thereby ensuring the group's responsible corporate citizenship.
- The social and ethics committee's terms of reference sets the direction for how responsible corporate citizenship should be approached and addressed, and ensures that the group's responsible corporate citizenship efforts have regard to all relevant legislation, other legal requirements, prevailing codes of best practice and its own policies.
- The social and ethics committee oversees that the organisation's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen, and monitors how the organisation's activities impact its status as a responsible corporate citizen. Management reports the impact of these activities and outputs against measures and targets as agreed to the social and ethics committee.
- The group is compliant with employment equity requirements, remunerates its staff fairly and has a good health and safety record.
- The company discloses relevant information relating to its responsible corporate citizenship, including key focus areas, planned future focus, measures of monitoring and how outcomes are addressed in its integrated annual report.

King IV principle

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

Practice

- The board is ultimately accountable and responsible to stakeholders for the group's financial condition, and the performance and affairs of the group. In order to achieve its responsibility for the sustainable success and overall control of the group, the board has approved the group's governance framework, policies and its strategies. The board ensures that its strategy is aligned with the core purpose of the group, the value drivers of its business and the legitimate interests and expectations of its stakeholders.
- The board regularly reviews the group's strategic priorities, business model, performance and sustainability, and determines investment and other policies, delegating to management the detailed planning and implementation of these strategic priorities, objectives and policies in accordance with appropriate risk parameters. The board monitors the group's performance, compliance with policies, and achievement against objectives by holding management accountable for its activities through quarterly reporting.
- 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.
- The audit and risk committee provides financial oversight, where matters such as going concern, solvency and liquidity are reported on a regular basis.

King IV principle

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

Practice

- The audit and risk committee has approved the group's reporting framework. The group's combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas.
- 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.
- Management materiality is determined by using final materiality calculated by external audit. Qualitative materiality is considered during the preparation of internal and external reports of financial and non-financial information taking the respective reporting item into consideration.
- The board and the audit and risk committee collectively review the integrated annual report, thereby ensuring it addresses and reports 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 and the Listings Requirements of the JSE 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. Upon recommendation by the audit and risk committee, the board presents the group's approved annual financial statements to shareholders at each annual general meeting of the company.
- The board annually signs off on a JSE compliance certificate verifying that to the best of its knowledge, the company has complied with the Listings Requirements of the JSE.

King IV principle

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation

Practice

- 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.

Our 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 comprises an appropriate mix of executive, non-executive and independent non-executive directors. The board appointed John Copelyn as the Chairperson, 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 Lead Independent Director provides a sounding board for the Chairperson and leads the board in the absence of the Chairperson.
- The board considers the independence of directors holistically in line with the provisions of the Companies Act and the Listings Requirements of the JSE and the practices set out in King IV. One-third of the non-executive directors retire by rotation each year in line with the Memorandum of Incorporation, and may stand for re-election. CVs are provided to shareholders to assist in their consideration of the re-election of directors who have retired by rotation.
- The non-executive directors who have served for more than nine years are MJA Golding and VE Mphande, who are considered to be independent.
- The board has adopted a board nomination policy setting out a formal and transparent process of nomination and election of directors.
- The HR and 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 the diversity, qualifications, skills, industry experience and background of its members.
- The roles of the Chairperson and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairperson 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 has been approved by the board, through the delegation of authority.
- 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 voluntary targets have been set in relation to the board diversity policy, but 78% of the board members are black, and female members comprise 33%.
- The company announces any changes to the composition of the board and/or board committee/s on the Stock Exchange News Service as required by the Listings Requirements of the JSE.
- The company reports on the composition of the board, including its independence and the skills, experience, race and gender of its members in the integrated annual report.

King IV principle

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

Practice

- The roles of the Chairperson and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairperson 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 committees. Each committee has specific written terms of reference approved by the board and adopted by the committee. All committee Chairpersons report orally on the proceedings of their committees at the board meetings. The board committees' terms of reference deal with the composition of the committee, procedure of the meetings, including frequency, attendance, quorum, proceedings, agenda, minutes and conflict of interests and the minuting thereof. The board committees have access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities. The members of each board committee collectively have sufficient qualifications, skills and experience to fulfil their duties. Refer to the integrated annual report for further information regarding the board committees.
- Where the management, administration and other functions of the group are delegated the Chief Executive Officer ("CEO") and through the CEO to his management team, directors remain responsible for the actions of those to whom these functions are delegated. The mandates in terms of which these functions are delegated clearly set out the delegated responsibilities and the rights of recourse by the board or the company against those to whom these responsibilities are delegated. There is a process of regular reporting to the board by those to whom the responsibilities have been delegated. Where functions have been delegated, the board ensures that there are appropriate benchmarks for performance and that the risk profile matches that of the stakeholders of the group, where appropriate.
- The board retains accountability and is satisfied that it has fulfilled its responsibilities in accordance with the board charter during the year.

King IV principle

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

Practice

- The process for 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 is completed annually and the results reported to the respective Chairpersons of the committees. The board and committees are satisfied that the evaluation process in place supports improvement in the board and committees' performance and effectiveness.
- The board remains accountable for all matters where it has delegated responsibility to committees. The board and the respective committees are satisfied that the committees have fulfilled their responsibilities in accordance with their respective terms of reference during the year.

Our governance summary *continued*

King IV principle

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

Practice

- The board may from time to time appoint one or more of its members to be Chief Executive Officer ("CEO") or joint CEO of the company. The board has appointed C du Toit as CEO of the company. The roles of the Chairperson and the CEO are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairperson 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, through his management team, has the responsibility for proposing strategy and is accountable for the implementation and execution of approved budgets, policies and strategic plans. To avoid a possible conflict of interest, the CEO may not be a member of the HR and remuneration or audit committees. He does however, attend both of these committee's meetings by invitation to provide reports.
- Where the management, administration and other functions of the group are delegated to the CEO and through the CEO to his management team, the board remains responsible for the actions of those to whom these functions are delegated. There is a process of regular reporting to the board by those to whom the responsibilities have been delegated. Where functions have been delegated, the board ensures that there are appropriate benchmarks for performance and that the risk profile matches that of the stakeholders of the group, where appropriate.
- The Chairperson assesses the CEO's performance in line with pre-determined criteria approved by the HR and remuneration committee and the board on an annual basis.
- The board is responsible for the selection and appointment of the representative of the Company Secretary. In addition, the board recognises the pivotal role to be played by the representative of the Company Secretary in the provision of timely information, as well as achievement of good corporate governance and empower her accordingly. The representative of the Company Secretary provides the board as a whole and individual directors with detailed guidance regarding their responsibilities. The representative of the Company Secretary is not a director of the company but attends all board meetings. The board has assessed and confirmed that it is satisfied that the representative of the Company Secretary is competent and has the appropriate qualifications and experience required by the group.

King IV principle

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

Practice

- The 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 risk management process entails the planning, arranging and controlling of activities and resources to minimise the negative impacts of all risks to levels that can be tolerated by shareholders and other stakeholders whom the board has identified as relevant to the business of the company, as well as to optimise the opportunities, or positive impacts, of all risks.
- The board is responsible for determining the policies and processes necessary to ensure the integrity, scope and effectiveness of internal controls and risk management and therefore treats risk as integral to these processes. Specifically, the board ensures that a formal risk assessment is undertaken annually to identify and evaluate key risk areas. The board also ensures that it continually reviews and forms its own opinion on the effectiveness of the risk management process.
- The audit and risk committee is mandated by the board to establish, coordinate and drive the risk management 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.

King IV principle

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

Practice

- The board ensures that an IT charter and policies are established and implemented, ensuring that the company is consistently striving to innovate its product offerings, technology, accessibility and brands to remain relevant to its customers. The company's intellectual capital is largely driven by its people, processes and systems, market intelligence and specialist business partners.
- The audit and risk committee oversees the governance and compliance of information technology by delegating the responsibility to implement and execute effective technology and information management to IT management. The head of IT reports directly to the CEO and has responsibility for the ownership and execution of IT governance.
- 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.

Our governance summary *continued*

King IV principle

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

Practice

- The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance and is responsible for ensuring compliance with all relevant laws, regulations and codes of business practice. The board and the audit and risk committee are regularly updated with all material changes to legislation and regulations. Management is responsible for establishing the systems designed to ensure compliance with such requirements as policies, plans, procedures and applicable laws 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 social and ethics committee assists the board with the oversight of social and ethical matters relating to the company, which include effective compliance management.
- 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. All senior employees are required to sign an annual declaration confirming no conflicts of interest and compliance with laws and regulations.

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 HR and remuneration committee consisting of five non-executive directors, three of whom are independent, is responsible for overseeing the groups remuneration policy and practices, as well as considering other significant matters relating to employment. The CEO and the Director of Human Resources 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 HR and 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 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 are 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 engages with the dissenting shareholders within a period of 30 days from the AGM in order to establish and to 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.

Our governance summary *continued*

King IV principle
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

Practice

- 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 CFO 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 fourth 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.
- Assurance is obtained on the group's financial results from the groups external auditors, PricewaterhouseCoopers Inc.
- Assurance is obtained on the group's B-BBEE rating from an independent rating agency.

King IV principle
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

Practice

- 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. The board is satisfied that the current interactions with stakeholders are effective.
- Management develops strategies and/or policies for the management of relationships with its stakeholders. Quality relationships with the company's key stakeholders is vital to the long-term sustainability of the business. Building trust and credibility with key stakeholders is key to retaining the company's social and regulatory licence to operate.
- 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

<IR>	Integrated reporting
ACI	African, Coloured and Indian
Adjusted HEPS	Adjusted headline earnings per share
AGM	annual general meeting
B-BBEE	Broad-based black economic empowerment
CASA	Casino Association of South Africa
CATHSSETA	Culture, Art, Tourism, Hospitality and Sport Sector Education and Training Authority
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	The Companies Act of South Africa, 71 of 2008, as amended or replaced from time to time
COVID-19	Ongoing global pandemic of coronavirus disease 2019, which is caused by severe acute respiratory syndrome coronavirus 2 (SARSCoV-2)
CPA	Consumer Protection Act
CSI	Corporate social investment
dtic	Department of Trade, Industry and Competition
EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items
EBT	Electronic bingo terminal
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
Galaxy	Galaxy Gaming and Entertainment Proprietary Limited
Gambling Board	Collectively, all the provincial gaming regulators
Gold Reef	Gold Reef Resorts Limited (now "Tsogo Sun Gaming Limited")
GRiPP	GRiPP Advisory Proprietary Limited
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IoDSA	Institute of Directors in Southern Africa
ISO	Independent Site Operator
IT	Information technology
JSE	JSE Limited
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
LPM	Limited payout machine
LSA	Long-service awards
LTI	Long-term incentives
NBEAP	National Black Economically Active Population
NCI	Non-controlling interests
NIBD	Net interest-bearing debt
NPAT	Net profit after tax
ONL	Overnight loans
PDIs	Previously disadvantaged individuals
POPIA	Protection of Personal Information Act 4 of 2013
pp	Percentage points
PTD benefit	Permanent and Total Disability benefit
RCF	Revolving Credit Facility
SACTWU	South African Clothing and Textile Workers Union
SARS	South African Revenue Service
SDS	Skills Development Spend
SENS	Securities Exchange News Service of the JSE
SLA benefit	Group Life assurance benefit
Stats SA	Statistics South Africa
STI	Short-term incentives
SunWest and Worcester	SunWest International Proprietary Limited and Worcester Casino Proprietary Limited
TERS	Temporary Employee/Employer Relief Scheme
the board	The board of directors of Tsogo Sun Gaming Limited
the group	Tsogo Sun Gaming Limited and its subsidiaries and associates
THL	Tsogo Sun Hotels Limited
TSG/Tsogo Sun Gaming/ company	Tsogo Sun Gaming Limited
TSGA	Tsogo Sun Gaming Academy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
Vukani	Vukani Gaming Corporation Proprietary Limited
VWAP	Volume weighted average price

Corporate information

Registered office

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Transfer secretaries

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Debt sponsor

Nedbank Corporate and Investment Banking
A division of Nedbank Limited
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Auditors

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4 Lisbon Lane
Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

Directors

JA Copelyn (Chairperson)*
CG du Toit (Chief Executive Officer)
G Lunga (Chief Financial Officer)
MJA Golding**
BA Mabuza (Lead Independent)**
F Mall**
VE Mphande**
Y Shaik* RD Watson**

* *Non-executive Director*
** *Independent Non-executive Director*

Company Secretary

Tsogo Sun Casino Management Company
Proprietary Limited
(Registration no. 1996/007718/07)
companysecretary@tsogosun.com
Attention: C Wannell

tsogosungaming.com