TSOGO SUN

Integrated Annual Report **2023**

CONTENTS

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

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 deliberately succinct overview of Tsogo Sun Limited's ("Tsogo Sun") strategy and business model, material risks and associated opportunities, operational performance and Environmental, Social and Governance practices for the financial year ended 31 March 2023. 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 is 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™")*; JSE Sustainability Disclosure Guidance, the JSE Listings Requirements, the JSE Debt Listings Requirements and the Companies Act of South Africa, 71 of 2008, as amended ("Companies Act"). We also provide extracts from the consolidated financial statements in this report.

The full set of consolidated 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'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.

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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
Information Technology Security Penetration Testing	Vulnerability assessment and penetration testing	Take Note Information Technologies Proprietary Limited
Information Technology Security Maturity Assessment	IT Security Environment	Performanta South Africa 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 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.

BOARD RESPONSIBILITY STATEMENT

The board of Tsogo Sun 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 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 with 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

31 July 2023

OUR BUSINESS

OUR OWNERS

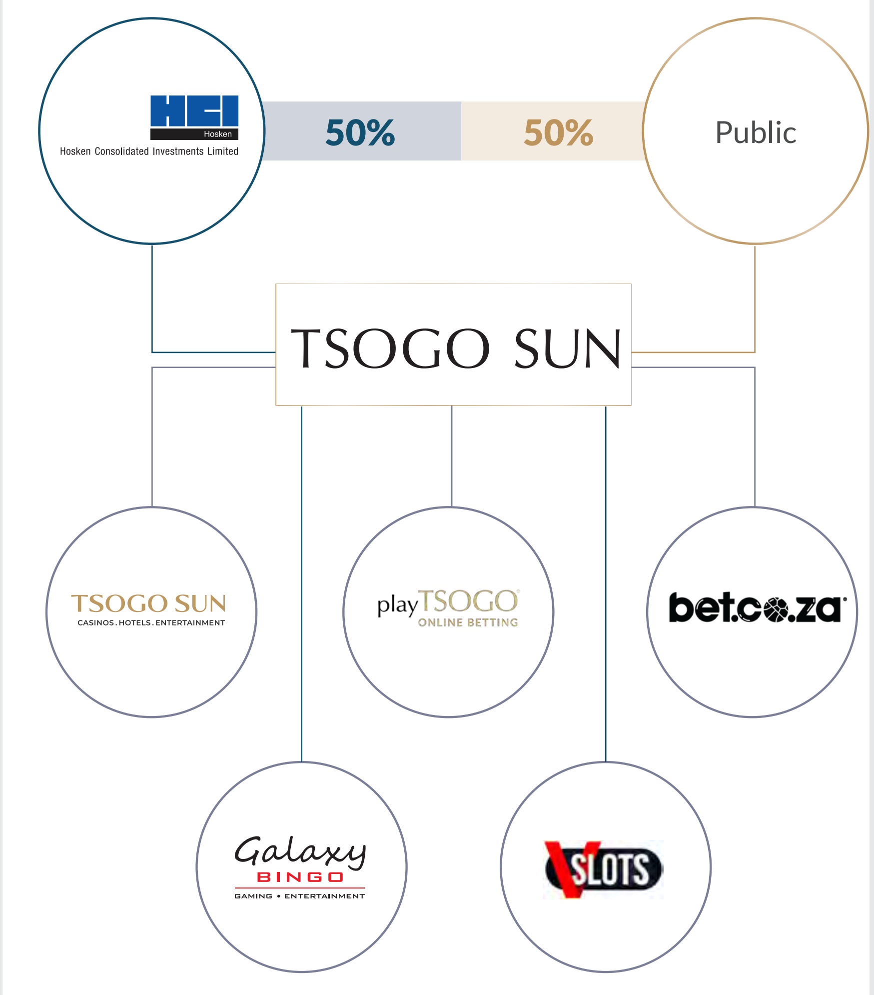
Our key shareholder as at 31 March 2023 was Hosken Consolidated Investments Limited ("HCI"), a JSE listed investment holding company, which directly and indirectly owns 49.5% of the company's shares, excluding treasury shares.

The HCI shareholding provides the bulk of the B-BBEE ownership at group level.

WHO WE ARE

Tsogo Sun is southern Africa's premier gaming, entertainment and hospitality group. Tsogo Sun owns and operates 14 premier casino and entertainment destinations in South Africa, hotels, Galaxy Bingo sites, VSlots limited pay-out machines ("LPMs"), playTSOGO, Bet.co.za, bookmaker licences, Theme Park, theatres, cinemas, restaurants, bars and conference facilities.

OUR GROUP STRUCTURE



BACKGROUND

CASINOS, HOTELS AND ENTERTAINMENT

The Casino division operates 14 casinos, hotels, a Theme Park, restaurants and other entertainment facilities. Significant focus is placed on the nature and quality of the facilities and experiences offered at each precinct.

The customer loyalty programme rewards customers with benefits and recognition.

OTHER GAMING

Galaxy Bingo

Galaxy Bingo offers gaming sites in six provinces, predominantly located at shopping centres at leased premises.

Loadshedding negatively impacted the operations at all the sites during the year. The effective shareholdings vary between 29% and 100% in the various sites. The majority of the machines are leased.

VSlots

VSlots offers LPMs in all provinces of the country, predominantly located in bars, restaurants, hotels and bookmaker sites. The operations performed well, despite the various challenges brought upon by loadshedding. Growth is achieved through the rollout of additional sites and the optimisation of existing sites in terms of location and product mix.

Online betting

Tsogo Sun operates two online betting platforms, playTSOGO and bet.co.za. The websites are accessible via desktop or mobile, offering customers a unique online betting experience anywhere within South Africa.

Tsogo Sun is separately listed on the JSE Securities Exchange and more information on Tsogo Sun can be found at www.tsogosun.com.

CASINO LOCATIONS

Gauteng

Fourways
MONTECASINO

Johannesburg
Gold Reef City

Krugersdorp
SILVERSTAR

Vanderbijlpark
Emerald Resort & Casino

Free State

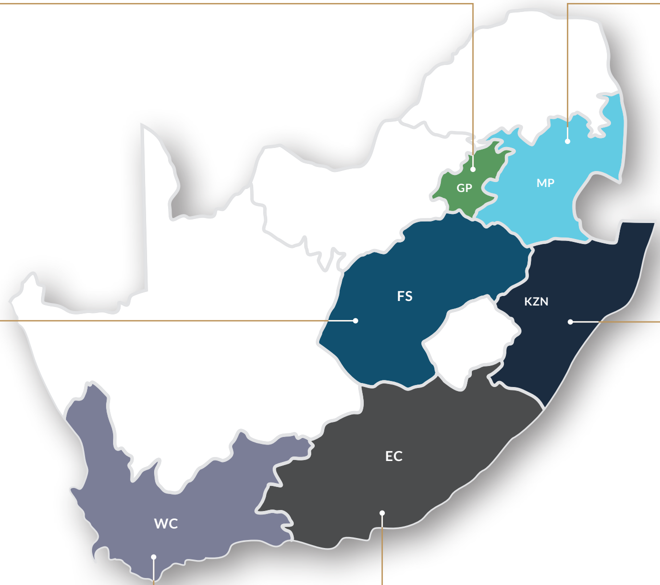
Welkom
GOLDFIELDS

Western Cape

Caledon
the Caledon

Mossel Bay
GARDEN ROUTE

Langebaan
MYKONOS



Mpumalanga

Mbombela
EMNOTWENI

Emalahleni
THE RIDGE

KwaZulu-Natal

Durban
SUNCOAST

Newcastle
BLACKROCK

Pietermaritzburg
GOLDEN HORSE

Eastern Cape

East London
HEMINGWAYS | CASINO

HOTEL LOCATIONS

Gauteng

Fourways
- Palazzo Hotel
- Pivot Hotel Montecasino
- Hotel Perte Montecasino
- Piazza Hotel Montecasino

Johannesburg
- Gold Reef City Hotel
- Gold Reef City Theme Park Hotel

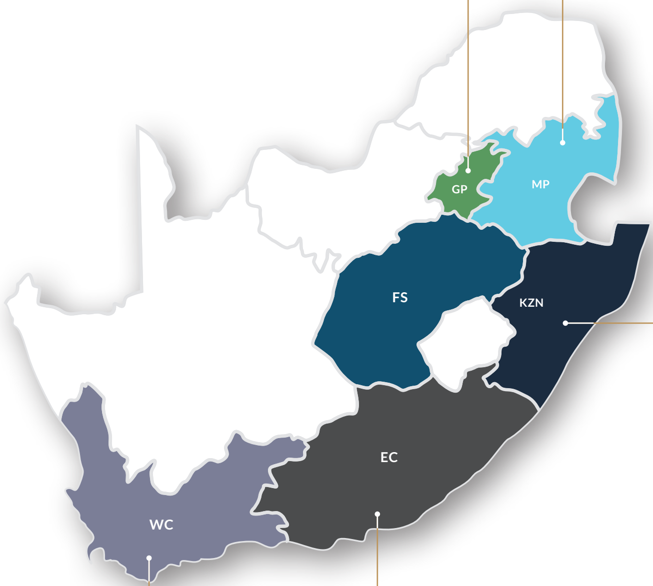
Krugersdorp
- Silverstar Hotel

Vanderbijlpark
- Emerald Hotel
- Emerald Bush Lodges
- Emerald River Resort Chalets

Western Cape

Caledon
- The Caledon Hotel & Spa

Mossel Bay
- Garden Route Hotel



Mpumalanga

Emalahleni
- The Ridge Hotel
- The RidgePoint Hotel

KwaZulu-Natal

Durban
- Suncoast Hotel
- Suncoast Towers

Pietermaritzburg
- Golden Horse Hotel

Newcastle
- Blackrock Hotel

Eastern Cape

East London
- Hemingways Hotel

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. Popular misconceptions about the gaming industry within which Tsogo Sun 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, hotels, bingo, LPM sites and online betting platforms. To achieve this, we strive to bring relevant product offerings to our various customer segments. Changes are made to electronic gaming machines, tables, online offering and other gaming products on an ongoing basis in response to customer demand, feedback and usage. Our casino sites are strategically and conveniently situated, primarily in urban locations for customer convenience. Significant spend is continuously invested into developing and maintaining our product and offerings to keep them relevant and fresh	» Casino locations » Product relevance to customer experience » Growth
Intellectual	Our 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 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 » Social
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 and waste management and responsible procurement	» Deliver to our beneficiaries » Environmental

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, hotels, bingo, LPM sites, online betting platforms and ancillary facilities
- Internally generated cash flows

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

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

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

Human capital
- Ethical values
- Workforce
- Specialised knowledge and skills

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

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

LPMs
Core business
- Manages LPMs across South Africa

Online betting
Core business
- Operators of online betting platforms

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

Outputs

Gaming, entertainment and hospitality
- Slots
- Tables
- EBTs
- LPMs
- Hotels
- Online betting
- Restaurants
- Theme Park
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Entertainment

Environmental and social impacts
- Social impact
- Energy consumption
- Water consumption
- Waste management

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 become 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 gambling legislation, as well as its own provincial licensing authority which regulates gambling within each province.

The group's casino, bingo and route operator 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.

The group's casino and bingo licences in the Eastern Cape are issued for a limited period, as well as the group's route operator licences in the Eastern Cape and Northern Cape.

ECONOMIC ENVIRONMENT

In the aftermath of the COVID-19 pandemic and its lingering effects, the group was further negatively impacted by rolling blackouts in the year under review. Further to this, the high unemployment rate, high fuel prices and rising interest rates had a negative impact on the disposable income of our customer base.

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 group launched its new Online Betting division, playTSOGO in December 2022 and it is expected to grow exponentially over the next few years.

Illegal land-based gambling sites continue to impact 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 halting illegal gambling transactions and closing down illegal land-based sites.

TECHNOLOGY

Business continues to focus on flexible, scalable, and secure technology when making technology decisions, where people and processes continue to be at the centre of these decisions.

Our technology strategy enables us to streamline processes, reduce costs and create efficiencies throughout the business.

In our industry, we see the following technological developments and trends:

» Online digital platforms;
» Technology that enhances customer experience;
» Contactless solutions and technologies;
» Data-driven decisions to reach a wider audience;
» Digital transformation where applicable;
» Enabling a modern workforce and customer base;
» Collaboration and knowledge sharing;
» Cost-effective and intelligent IT Infrastructure; and
» Implementation of Robotic Process Automation ("RPA"), and Machine Learning ("ML") in an effort to improve productivity and contain costs.

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, presentation and ease of use of online sites, concepts of restaurants and bar offerings and types of entertainment, including theatres, a Theme Park and cinemas.

SOCIETAL ISSUES

The weak economic environment in which we operate has a direct negative impact on society.

Further to this, high levels of criminality, corruption and general lawlessness contribute to the general low sentiment as experienced currently in the country.

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

Gaming businesses pose limited risk 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.

The group has installed solar panels at several of its properties. Following the assessment of the performance at the properties where solar has already been installed, these projects will be further expanded and also rolled-out to other properties, thus further reducing the group's 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 reports content. Although there are lingering effects of the COVID-19 impact, the group is of the view that the worst is over. The group would certainly not have survived the COVID-19 induced closures and onerous and restrictive regulations that were imposed, were it not for strong and mutually beneficial relationships with our stakeholders.

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 meetings » Tsogo Sun 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 » Environmental, Social and Governance practices	Financial strength and durability Growth Environmental, Social and Governance
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	» Customer loyalty 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 ("NRGP")	» 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 » Anti-fraud, ethics and corruption hotline	» Job security » Engagement » Performance management » Health and safety performance » Skills development	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	» Timely payment and favourable terms » Fair treatment » B-BBEE compliance	Deliver to our beneficiaries Growth

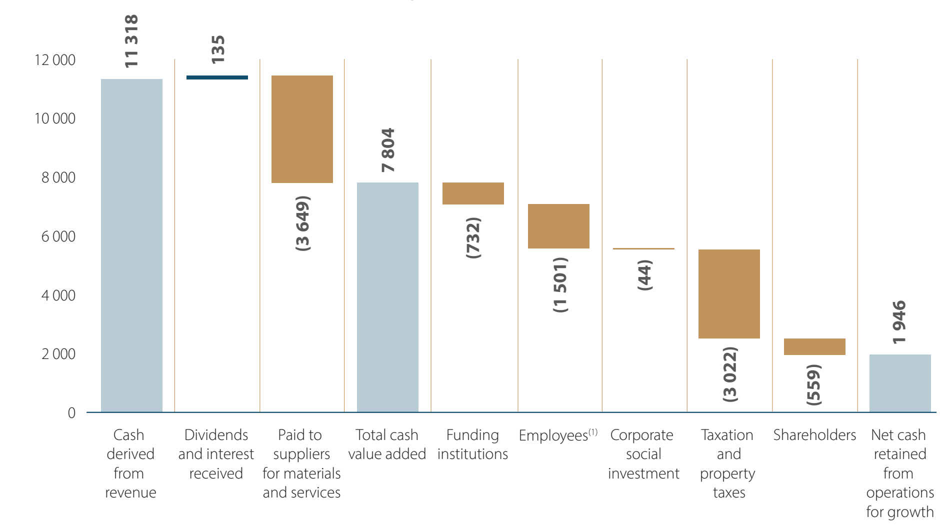
OUR KEY RELATIONSHIPS *continued*

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 governments;
- 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.

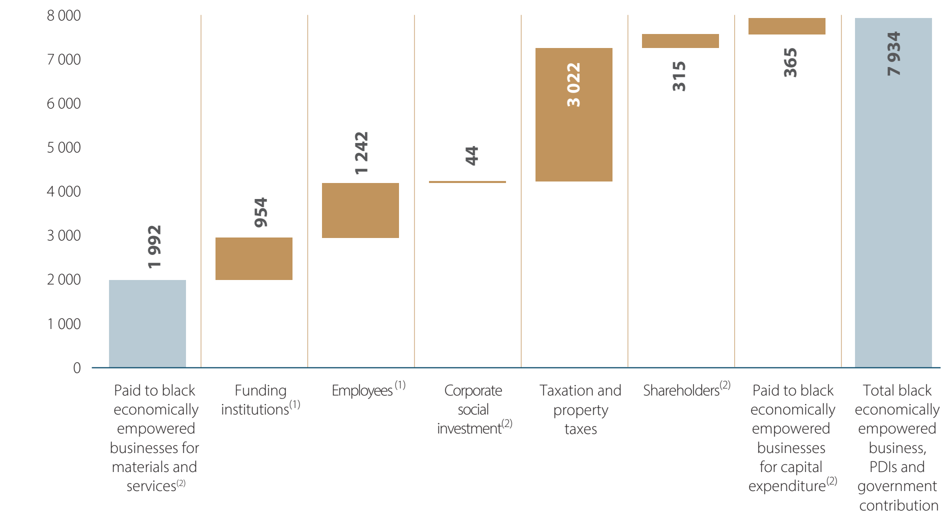
A substantial portion of the value-added wealth generated by the group is spent with/distributed to B-BBEE businesses, previously disadvantaged individuals ("PDIs") and government. The value added is much improved from the previous period, which was impacted by the COVID-19 pandemic. The value added by the group is as follows:

Value added for the year ended 31 March 2023 (Rm)

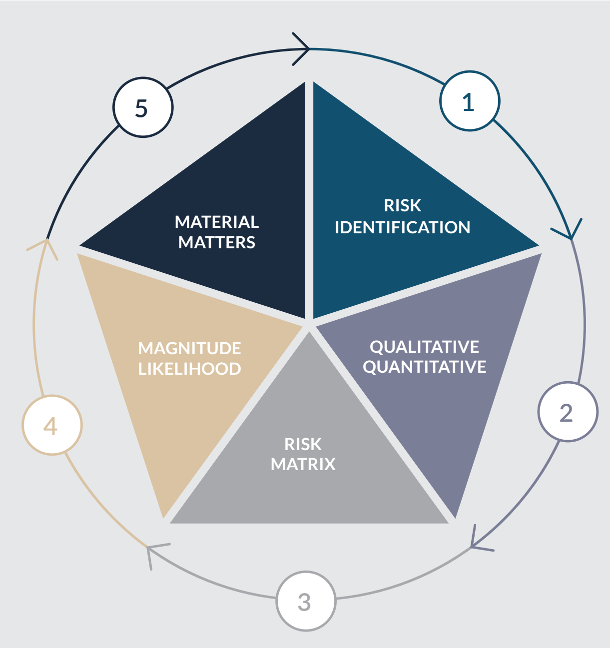


[1] *Net pay to Employees with employees' tax included in taxation*
[2] *As per the Department of Trade, Industry and Competition tourism and sector code*

Value added to black economically empowered businesses, PDIs and government for the year ended 31 March 2023 (Rm)



OUR MATERIAL RISKS AND OPPORTUNITIES



RISK MANAGEMENT PROCESS

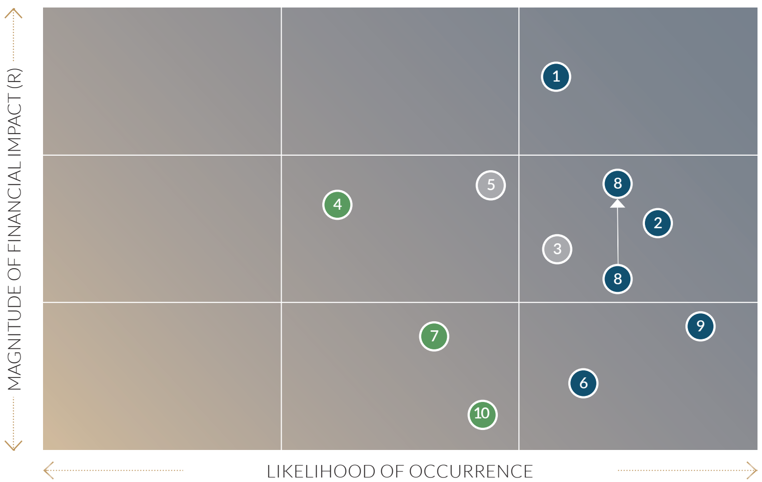
Leading from the risk identification process, management evaluates the potential financial impact of each risk, the probability of it occurring, and the degree to which the business is able to mitigate the risk through its internal control processes and other interventions

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 Standard ("ORMS") 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, unreliable and costly utilities and diesel expenses have seen a significant increase in magnitude due to the incessant implementation of loadshedding, whilst electricity rates have increased by more than 15%.

TSOGO SUN GROUP RISK AND OPPORTUNITY LANDSCAPE MOVEMENT from March 2022 to March 2023



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 and diesel expense
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
- Conflict in the northern hemisphere impacting on food and fuel prices
- Declining customer discretionary spend
- Increased funding costs caused by interest rate hikes to contain inflation
- Concentration of operations in South Africa
- Protracted implementation of loadshedding affecting economic output

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

Risk responses
- Continue monitoring 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
- Customer loyalty 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
- Financial Action Task Force ("FATF") greylisting

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

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
- Product relevance to customer experience
- 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
- Proposed adverse changes to the tax treatment of freeplay
- 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 opportunity
- Utilise tax incentives where appropriate

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 public infrastructure
- Post-COVID-19 consumer preference changes
- Mature casino structures requiring gradually increasing maintenance expenditure

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 mobile app development and launch
- Online betting 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
- Proliferation of illegal gambling
- Unlawful interactive gaming
- Fixed-cost nature of the business
- Rollout of other/online betting licences in an uncontrolled manner

Potential impact
- Lower revenue growth and profitability

Risk responses
- Continued 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, loadshedding 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

- Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to strikes and unrest
- Lifestyle diseases
- 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 AND DIESEL EXPENSE

Specific risks we face

- Unreliable electrical supply resulting in increased diesel usage, increased maintenance costs of generators, equipment damage and reduced footfall
- Municipal infrastructure degradation
- Unreliable water quality and supply
- Rise in electricity and water costs
- Generator and related equipment supply chain constraints due to high demand and increased maintenance costs

Potential impact

- Disruption to operations and reduced profitability
- Generator and other machinery breakdown increasing maintenance costs
- Reduced footfall due to less travel caused by power outages

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 and reduce pressure on generators

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 MATERIAL RISKS AND OPPORTUNITIES *continued*

9. CRIME, SAFETY AND SECURITY

Specific risks we face
- Robberies at our properties/follow-home robberies
- Major violent incidents, including the threat of looting
- Fraud by employees/from external sources
- General lawlessness
- Total power grid collapse leading to social unrest

Potential impact
- Lower revenues, increased cost and lower profitability
- Reputational risk
- Disruption of business
- Total shutdown of business for an extended period
- Loss of assets

Risk responses
- Maintain safety protocols
- Compliance with national health regulations
- Physical security and surveillance procedures and crime intelligence
- Coordination with 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
- Increased attempts at 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 opportunity
- 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

REVIEW OF OPERATIONS

Continuing operations	Year ended 31 March 2023 Rm	Year ended 31 March 2022 Rm	Change on prior year %	Year ended 31 March 2020 Rm	Change on 31 March 2020 %
Income	**11 318**	8 938	27	11 686	(3)
Operating costs	**(7 352)**	(5 810)	(27)	(7 681)	4
EBITDA	**3 966**	3 128	27	4 005	(1)
EBITDA margin	**35.0%**	35.0%	–	34.3%	0.7
Adjusted EBITDA (including leases)	**3 889**	3 045	28	3 883	–
Net finance cost	**(655)**	(735)	11	(1 062)	38
Headline earnings	**1 592**	1 153	38	1 284	24
Adjusted headline earnings ("AHE")	**1 824**	1 153	58	1 420	28
Adjusted EBITDA to AHE conversion rate	**47%**	38%	9	37%	10
Dividend per share – interim (cents)	**30**	–	–	26	15
Dividend per share – final (cents)	**57**	19	200	–	–
Capex cash flow	**(569)**	(267)	(113)	(1 178)	52
NIBD and guarantees	**(8 047)**	(9 040)	11	(11 442)	30

Debt and covenants

It is pleasing to note that the net debt to adjusted EBITDA ratio for the 31 March 2023 year end, as measured for covenant purposes, amounted to a 2.0 times multiple. This represents a reduction from the 2.9 multiple at the 31 March 2022 year end. The required ratio in terms of the group's debt covenants is less than a 3.0 times multiple.

Despite the completion of various transactions during the year under review with a net cash outflow totalling approximately R644 million, and with ordinary dividend payments of R514 million, the group still managed to reduce its net interest-bearing debt and guarantees by approximately R1.0 billion, from R9.0 billion at 31 March 2022 to R8.0 billion at 31 March 2023.

Following the group's achievement of its medium-term debt leverage target, this target has been reset with the group now aiming to reduce its net debt to adjusted EBITDA ratio to lower than a 1.8 times multiple in the medium term, thereby further decreasing risk and funding costs.

CHAIRPERSON AND EXECUTIVE MANAGEMENT REVIEW *continued*

The four-year debt tranche of R2.95 billion due for repayment on 30 November 2023 was settled in February 2023 by refinancing R2.62 billion thereof by the issue of new notes and settling the balance from cash generated.

The R2.62 billion refinanced debt is repayable as follows:
» R1.62 billion in February 2026; and
» R1.00 billion in February 2027.

Two medium-term notes totalling R1.55 billion, which were due for repayment on 30 November 2024, were redeemed and refinanced on 31 May 2023. The maturity dates of the new notes is as follows:
» R1.00 billion in May 2027; and
» R0.55 billion in May 2028.

The balance of the loan and note due for repayment on 30 November 2024 have accordingly reduced to R1.65 billion. The group effectively has no short-term debt.

The RCF, with an amount of R1.15 billion draw down as at 31 March 2023, is a rolling facility which can be called up by the lender on 13 months' notice. Interest on all debt is paid quarterly.

Financial

Total income generated for the year was R11.3 billion, EBITDA was R4.0 billion and adjusted EBITDA (after IFRS 16 adjustments) was R3.9 billion. The cost of diesel and the adverse effect on income due to high levels of loadshedding, especially in January and February 2023, negatively impacted the group's expected year end position and margins. An EBITDA margin of 35% was achieved for the year (in line with the 35% of the 2022 financial year).

Net finance costs (excluding IFRS 16 lease interest and the hedge ineffectiveness) for the year amounted to R655 million, a significant decrease from the R735 million for the prior year. Interest rate swaps, with a notional amount of R3.5 billion, remain in place until 31 May 2024.

Headline earnings achieved for the year amounted to R1.6 billion compared to R1.2 billion reported for the prior year. If, however, the cost of the cancellation of the hotel management contracts, amounting to R289 million (after tax and non-controlling interests), and R57 million (after tax) in respect of a credit for hedge ineffectiveness were excluded from the headline earnings calculation, then the adjusted headline earnings achieved would be R1.8 billion.

On comparing the results for the year to those of the prior year, the following is evident:
» With the cessation of the pension fund contribution holidays and longer hours of operation due to the lifting of the COVID-19 regulations, remuneration costs have increased;
» The cost of diesel and other consequential losses due to high levels of loadshedding eroded margins in the second half of the year;
» Stages 5 and 6 of loadshedding impacted revenue, with customers being increasingly more reluctant to travel at night;
» Significant positive net cash was generated by operations, with cash managed effectively;
» A good reduction in finance costs was achieved, despite repurchase (repo) rate increases; and
» Regardless of all the negative impacts experienced, the group is in a strong financial position.

Casinos

Notwithstanding the shortfall of income in casinos that is evident post the pandemic, a strong EBITDA was still achieved. As a result of unprecedented levels of loadshedding, high fuel and food prices and increased interest rates, revenue is expected to remain under pressure in the short term. What is of concern, is whether generators can sustain the workload as the pressure of loadshedding mounts. Preventative maintenance has been stepped up and the casinos have ordered generators with a combined cost of approximately R30 million. This is in order to prevent a complete shutdown in the event of equipment failure.

The casino precincts have continued their implementation of green energy solutions, with Montecasino scheduled to complete its 4.3MW roof top solar installation by August 2023, which is going to be one of the largest of its kind in South Africa. Expansion of the existing solar plants at Silverstar Casino and Garden Route Casino is already underway, scheduled for completion by September 2023. A new installation generating approximately 1.5MW is planned for Gold Reef City Casino and should be completed by November 2023.

The upgrade project at Emerald Resort and Casino is starting to show positive signs of improved performance and the group is optimistic about the potential of this resort for the future.

Overall, margins and cash generation at Tsogo Sun's casino precincts remain strong, notwithstanding the negative impact of the economic environment.

Hotels

Management of all hotels is now in-house and Tsogo Sun plans to improve and expand its hotel offering. The Silverstar Hotel has been expanded from 43 to 55 rooms from April 2023, and a complete refurbishment of the two hotels at Gold Reef City Casino and Theme Park has been completed which now include new world class conference facilities. In addition, Tsogo Sun has taken up an approximate 10% shareholding in City Lodge Hotels Limited ("CLH").

CHAIRPERSON AND EXECUTIVE MANAGEMENT REVIEW *continued*

Entertainment

The innovative changes and improvements implemented at Gold Reef City Theme Park have resulted in the profits earned for the year exceeding all previously recorded profits earned by the park. New event facilities catering for corporate or private functions are now in operation and further improvements to food and beverage and other facilities at the Theme Park are scheduled to be completed by August 2023.

Food and beverage income continued to recover this year and the improvement of trading of restaurant tenants has resulted in the recovery and stabilisation of tenanting income.

Bingo

Galaxy Bingo's trading was also negatively impacted by the severe loadshedding that has been implemented, especially where shopping centre nodes endure darkness for extended hours during the evenings. With lower income, coupled with salary and rental cost increases, as well as the cost of diesel and generator maintenance, it was inevitable that margins would take strain during the year.

LPMs

As with the Casino and Bingo divisions, the LPM division was also negatively impacted by the higher stages of loadshedding implemented, particularly in January and February 2023. Various projects are in progress in an attempt to further reduce the impact of loadshedding at more than a thousand sites across South Africa where VSlots operates.

It is remarkable that VSlots managed to achieve record EBITDA of R564 million for the year, together with unrivalled margins.

Digital, Online and Technology

Developments within the digital, online and technology space are progressing well, and the group envisages having more visibility in the market in this regard in the 2024 financial year.

playTSOGO, the Tsogo Sun online betting platform, was launched in December 2022 with a unique and quality product offering. The expansion of betting libraries is underway, creating an exciting adventure in the Tsogo Sun Online Betting division.

The new Tsogo Sun App with extensive functionalities for improved customer experience, and a completely new Tsogo Sun customer loyalty programme offering superior benefits, is set to launch by October 2023. Tsogo Sun customer loyalty programme will enable playTSOGO, casino, hotel and entertainment customers to make use of a wide range of options to redeem their points earned, and to receive significant discounts for various product offerings. With the Tsogo Sun App, booking hotel rooms will also be more convenient than ever before.

Expansion of the playTSOGO and Bet.co.za businesses will be a key focus of the 2024 financial year, with significant resources being applied to the growth of the Online Betting division. Gross gaming revenue from online betting is still at an infant stage of just more than R100 million for the year.

Capital expenditure, acquisitions and transactions

Capex cash outflow for the year amounted to R569 million (including capital creditors from the prior year). A slightly higher level of capital investment is expected for the coming year and an additional energy budget of approximately R150 million for the 2024 financial year is inevitable. Improvement capex for the Emerald Resort and Casino is seen as a separate dedicated project planned for the next three financial years.

Net acquisition costs amounted to approximately R644 million in cash outflows, predominantly in respect of the Emerald Resort and Casino acquisition, hotels and some minor investments in the Bingo and LPM divisions.

Regulatory

The Department of Health has continued in its endeavours to proceed with the proposed widespread changes to the tobacco legislation, regardless of any adverse consequences. The proposed banning of the already restricted dedicated smoking areas will, if implemented, impact the casino industry negatively.

The timing of these proposed changes by the department, after the severe adverse impact of the COVID-19 pandemic, the high fuel and food prices, increasing interest rates and the negative impact of loadshedding is unfortunate.

Furthermore, the indifference to the negative impact of a complete smoking ban on the casino industry is misplaced, since the smoking ban will not reduce gambling, but will merely shift the play from casinos to either illegal or online operators. This will result in significant loss of employment, drastically reduced capital investment, lower taxes collected and less local procurement being undertaken by casino complexes from predominantly B-BBEE compliant suppliers, including cleaning services, landscaping, food and beverage, security and other services and supplies.

It is obvious that restricted and controlled dedicated smoking areas should be made an exception.

Dividend

The board of directors resolved to declare a final gross cash dividend of 57.0 (fifty-seven) cents per share in respect of the year ended 31 March 2023 from distributable reserves.

Prospects

After the setback of higher levels of loadshedding which impacted income and the cost base particularly during January and February 2023, the group is expediting its investment in solar projects and additional generator capacity.

With the cost base being well controlled, EBITDA being approximately at pre-COVID-19 levels, lower debt levels and firmly managed capital cash allocation, the group is well placed to deliver strong headline earnings, provided that the operating or regulatory environment does not further deteriorate.

The group is positive about the potential of the Emerald Resort and Casino over the next few years under an experienced management team. Adequate capital allocation and the application of sound commercial principles in the running of a resort and casino business, bodes well for the future.

CHAIRPERSON AND EXECUTIVE MANAGEMENT REVIEW *continued*

The online betting platforms, playTSOGO and Bet.co.za, provide exciting prospects for growth. Other added technological advancements in the pipeline such as the improved Tsogo Sun App and Tsogo Sun customer loyalty programme, will contribute to a new exciting era with different styled interaction and experiences.

With Gold Reef City's new conference and event facilities and refurbished hotels completed, a Theme Park which is bustling, and corporate events anticipated to return, this ancillary offering has become a unit of substance in its own right, contributing positively to the results of the group.

VSlots still has significant capacity for expansion and Galaxy Bingo has the potential to rebound strongly in due course.

The effort to further reduce debt levels to the new medium-term target to a ratio of below 1.8 times net debt to adjusted EBITDA, will continue.

Cash allocation for the 2024 financial year will, *inter alia*, include:

» An appropriate return for shareholders following three difficult years with no or low dividends;
» Attractive opportunities in the hospitality industry to be pursued;
» Investment in online betting businesses and improved technology;
» Specific allocations for energy projects;
» The improvement of the Emerald Resort and Casino;
» Maintenance and enhancement projects at all precincts; and
» Reduction of debt with excess cash.

The fundamentals of building a sustainable and strong business for the future are in place with exciting prospects for Tsogo Sun, but unfortunately not without risk in the current economic and regulatory environment, coupled with a crippling energy crisis.

The board extends its appreciation to management and employees for their efforts in assisting in the recovery of the business and delivery of these results.

JA Copelyn
Chairperson

CG du Toit
Chief Executive Officer

G Lunga
Chief Financial Officer

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
- Acquisitions

Future growth drivers

01 Grow revenue to above pre-COVID-19 levels
- Growth in gaming win in Casino and Bingo divisions
- Grow playTSOGO and Bet.co.za revenue
- Contain costs to improve margins

02 Continuous site and product improvement should drive additional growth
- Expansion, refurbishment and relocation of sites
- Optimisation of gaming equipment

03 Technology and gaming opportunities
- Online betting
- 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.

2023 PERFORMANCE

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 the group still being in the recovery stages post the COVID-19 pandemic, 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.

Industry bodies

Tsogo Sun 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 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 304 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 improvement in trading has enabled the group to better support the supply chain.

The verified spend on black economic empowered businesses amounted to R3.7 billion (2022: R2.5 billion) during the year. The group's score for preferential procurement, which is a subset of the enterprise and supplier development element, was 23/25 (2022: 21/25).

Third-party owners

The group leases properties for a number of its operations, specifically in the bingo division. The relationships are mutually beneficial with financial returns for Tsogo Sun and enhanced returns for the owners through rental payments.

Looking ahead

The group will continue to engage with and nurture the strategic relationship with all the beneficiaries for mutual benefit.

OUR SUSTAINABILITY STRATEGY IN ACTION *continued*

Financial strength and durability

It is important to ensure that the capital structure of the group is appropriate so that the business survives through 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 in the prior year, 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.

2023 PERFORMANCE

	2023	2022
Net debt (Rbn)	**7.9**	8.9
Guarantees (Rbn)	**0.1**	0.1
Net Debt:Adjusted EBITDA (times)	**2.0**	2.9
Net debt hedged through fixed interest rate swaps (%)	**45**	39

Net interest-bearing debt

The group managed to reduce its net interest- bearing debt and guarantees net of cash by R1.0 billion, from R9.0 billion at 31 March 2022 to R8.0 billion at 31 March 2023, notwithstanding various transactions completed during the financial period.

The four-year debt tranche of R2.95 billion due for repayment on 30 November 2023 was settled in February 2023 by refinancing R2.62 billion and settling the balance from cash generated. The newly issued unlisted senior secured notes issued as part of the refinancing achieved an extension of tenure and more favourable pricing.

Further detail on the movement in the group's cash and net debt position has been outlined in the consolidated financial statements.

The group closed comfortably with a Net Debt: Adjusted EBITDA ratio ending at 2.0 times compared to the prior year of 2.9 times and remains well within its covenant requirements.

Following the group's achievement of its medium-term debt leverage target, this target has been reset with the group now aiming to reduce its net debt to adjusted EBITDA ratio to a lower than 1.8 times multiple in the medium term, thereby further decreasing risk and funding costs. This in turn will unlock net cash flow for future capital expenditure and investments driving value creation.

The group has approximately R1.4 billion in unutilised facilities, compared to R1.5 billion in the prior year, mostly in the form of overnight loans and revolving credit facilities.

Interest rate management

The group has hedged a proportion of debt facilities through interest rate swaps. 45% of the group's net debt was hedged at the end of 2023, up from 39% in the prior year. The increase is driven by the reduction in the underlying debt.

With the interest rate hiking cycle continuing, and with the potential to remain at elevated levels in the future, as economic conditions remain tough, the group will continually assess further hedging opportunities taking into account liquidity and pricing.

The weighted average effective interest rate for the year was 7.04% (2022: 7.37%).

Looking ahead

The group's revised medium-term target is to reduce net debt levels to lower than a 1.8 times multiple of adjusted EBITDA. This should be possible in the medium-term as the group expects the strong cash generation achieved in 2023 to continue into the future.

OUR SUSTAINABILITY STRATEGY IN ACTION *continued*

Product relevance to customer experience

Tsogo Sun 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 the 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; and
» Accessibility and safety in exchange for customer loyalty and return visit.

The image, messaging and our brand are essential to ensuring our product is well placed within the markets we participate in.

2023 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

The organisation continues to evaluate emerging technology solutions and find innovative ways to ensure that our customers continue to receive the quality of experience and service they have come to expect.

As a result of the integration of various features of our systems, we are unique in terms of technology, allowing us to optimise our operations, as well as improve our customer experience.

Service, security, value, and agility will remain the overarching goals of all Information Technology initiatives.

Looking ahead

In delivering secure, reliable, and cost-effective business solutions, information technology plays a key role.

With the ever-evolving landscape of Information Technology, the following key initiatives will remain top priorities:

» Ensuring system availability and stability;
» Continue to invest in the information and data security landscape;
» Provide a secure and resilient infrastructure;
» Continue to promote security culture within the business;
» Continually update core systems to take advantage of new features and functionality;
» Optimise investments made in technologies;
» Improve efficiency and increase consistency;
» Ability to respond quicker to change;
» Enhance customer engagement technologies;
» Integration and optimisation of Hotels technologies and services; and
» Disposing of electronic waste responsibly.

Continuing to enhance Information Technology Security awareness among our staff, maintaining the integrity of our systems, and collaborating with qualified security providers are vital to the success of our security initiatives.

Tsogo Sun brand management

The year under review was characterised by the ongoing focus on positioning and building the Tsogo Sun brand as a premier entertainment and hospitality destination through active social media management, website activity, revenue growth through digital channels and support for brand building at property level.

A number of important milestones were achieved over the past twelve months, including web presence, investment in online offerings and general marketing efforts underpinned by the development of digital marketing tools.

Looking ahead

The group will continue to establish greater awareness and brand knowledge for Tsogo Sun.

Customer satisfaction

Interacting with customers on social and digital platforms remained an important aspect of the marketing drive. The group continues to monitor and manage the feedback channels to engage and enhance client experience actively.

Looking ahead

Customer satisfaction will stay central to the philosophy that determines the marketing activity of the group. The growth in registration numbers for the customer loyalty programme and number of users of the mobile application, will be maintained as measures of positive customer engagement.

Customer loyalty programme

Work persisted to enhance the current loyalty programme and mobile Tsogo Sun APP to provide users with access to an integrated earnings and redemptions system, facilitated by a unique user experience. Harnessing technology to improve the programme and offer customers a superior and customised experience at every touch point, has been the driving principle in this regard.

Looking ahead

The transformed programme set to launch in the next financial year, will boast exciting features and leverage innovation in design.

OUR SUSTAINABILITY STRATEGY IN ACTION *continued*

Customer safety

The health and safety of our employees and customers remain a priority of the group and we are continuously working hard to provide a safe environment through the "without compromise" implementation of the relevant legislation and best practice principles applicable to health and safety. 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 ORMS audit process to ensure compliance.

All Tsogo Sun properties undergo an independent food safety audit which covers food safety practices and compliance to group standard, as well as legislated elements. These audits are conducted on an "unannounced" basis at all group owned food and beverage outlets. Refrigeration temperature controls, personal hygiene, good food preparation practices, product traceability and storage, cleaning programmes and pest control are some of the elements included in these audits. Micro-biological quality is also assessed in each audit.

Looking ahead

The safety inspections included as part of the ORMS audit are scheduled to be performed at more frequent intervals and deviations from the agreed standards and incidents and events will be reported and resolved accordingly.

OUR SUSTAINABILITY STRATEGY IN ACTION *continued*

Regulatory compliance

Gaming licences are invaluable assets to the group 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, CPA, 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.

2023 PERFORMANCE

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 three times a year, and the board is updated quarterly.

Casino, bingo, LPM and bookmaker 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, compliance audits by internal and external auditors and by creating a compliance culture through training. Compliance with the terms of the licences is monitored by the relevant provincial gambling boards.

Through CASA, the group:

- Commented on and made oral representations to the KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Gaming and Betting Amendment Bill;
- Commented on draft Rules relating to responsible measures published by the Western Cape Gambling and Racing Board;
- Is preparing a comprehensive submission to Parliament in relation to the Control of Tobacco Products and Electronic Delivery Bill which was tabled in Parliament during December 2022; and
- Commented on a draft Gauteng Gambling Bill, which proposes to replace the existing Gauteng Gambling Act, 1996.

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 (2022: Nil).

Looking ahead

The group operates in a strongly regulated environment and is licensed to conduct business in all the provinces of South Africa. There is an excellent track record of regulatory compliance and this will remain the case going forward.

OUR SUSTAINABILITY STRATEGY IN ACTION *continued*

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.

2023 PERFORMANCE

	2023	2022
Management and control (revised codes) score	**16.5/19**	16.3/19
Verified training spend as a % of payroll	**2.7%**	3.8%

Job creation and employee stability

Labour turnover has remained high in the reporting period as a consequence of the lingering impact of the pandemic. The group provides 8 303 (2022: 7 013) direct jobs to the employment market.

Employee wellness

The group continues to support employee wellness through the provision of employee clinic facilities at certain properties.

Employee engagement

Engaging with employees through open communication remains a focus area within the business to nurture healthy working environments.

Looking ahead

Due to the constant focus on service delivery, there is a learning and development drive to improve on the skills and knowledge of our workforce.

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

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.

2023 PERFORMANCE

	2023	2022
Income increase %	**27**	57
EBITDA increase %	**27**	80
Capex cash flow Rm	**569**	267
Headline earnings	**1 592**	1 153

Capital and investments

The group spent R569 million in capital expenditure in the 2023 financial year, which was substantially up on the R267 million spent in the previous year. The expenditure was mostly on gaming equipment replacements and renewable energy sources.

The group also acquired an effective 55% stake in Emerald Resort and Casino, which has been consolidated into the group numbers with effect from 12 September 2022.

Further to the above, the group had acquired 5% of CLH by 31 March, a hotel company listed on the JSE. Subsequent to year end, the group acquired a further approximate 5% of CLH, bringing the total holding to approximately 10% as at the date of this report.

Segmental analysis

	Income[1]			**EBITDA[2]**		
	2023 Rm	2022 Rm	Change %	**2023 Rm**	2022 Rm	Change %
Casinos	**8 365**	6 388	31	**3 435**	2 622	31
Gauteng	**4 693**	3 291	43	**1 940**	1 317	47
KwaZulu-Natal	**2 179**	1 806	21	**949**	796	19
Western Cape	**588**	494	19	**256**	230	11
Mpumalanga	**564**	507	11	**196**	192	2
Other casinos	**341**	290	18	**94**	87	8
Bingo	**835**	711	17	**181**	168	8
LPMs	**1 921**	1 687	14	**564**	510	11
Other group operations	**197**	152	30	**(214)**	(172)	(24)
Group	**11 318**	8 938	27	**3 966**	3 128	27

[1] All income from 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 management fees

Looking ahead

The integration of hotels into the group's management structure following the termination of the hotels management agreements has progressed exceedingly well, with the group experiencing immediate cost savings and efficiencies. The group's major focus in the coming year is the growth of the online betting business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Recent events in South Africa have highlighted the impact of climate change on the environment and business in general

Environmental

GREENHOUSE GAS EMISSIONS

The group has recognised the impact of greenhouse gas emissions on the planet 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 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.

Emissions measurement

Total emissions (tCO_2e)	2023	2022	% change on 2022
Scope 1	**11 958**	3 424	249
Petrol and diesel (owned company vehicles)	**1 403**	1 251	12
Diesel consumed (owned businesses)	**9 532**	1 348	607
LPG and natural gas usage (owned businesses)	**1 023**	825	24
Scope 2	**114 447**	111 473	3
Electricity consumed (owned businesses)	**114 447**	111 473	3
Scope 3	**20 729**	16 238	28
Electricity consumed (tenants)	**18 944**	15 121	25
Laundry services (outsourced)	**1 618**	1 056	53
Business travel	**167**	61	174
Total emissions (tCO_2e)	**147 134**	131 135	12

Scope 1 and 2 emissions

In total, 91% of scope 1 and scope 2 emissions arise through the consumption of electricity (2022: 97%). The reduction on weighting compared to the prior year is mainly as a result of increased diesel usage for back-up electrical generation, as well as the increasing use of solar panels to mitigate the impact of loadshedding. 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, the group is further expanding its solar power generation project to other properties within the group.

LPG and natural gas are mainly used for cooking; petrol and diesel in vehicles is primarily used by the LPM division; and diesel is utilised for back-up electrical generation. The increased consumption in petrol, LPG and natural gas is linked to the improved trading volumes as a result of the lifting of COVID-19 regulations.

The overall increase in emissions is due to the increase in business levels, as well as the very high use of diesel to power generators during loadshedding.

Scope 3 emissions

The majority of scope 3 emissions arise from tenants at group properties and the increase in the consumption of electricity is also linked to the improved trading volumes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

WATER USAGE

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. Water consumption for the group increased by 29% during the year as a result of the improved trading volumes and operating hours.

BIODIVERSITY AND LAND USE

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

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. The group is continuing to focus on opportunities to reduce the volumes of waste sent to landfill sites.

As part of the e-waste programme, the group ensures that all decommissioned IT equipment is collected, dismantled and disposed of in an environmentally safe manner. The current service provider complies with local, provincial and national waste management legislation of South Africa, and adheres to the code of conduct governing members of the Electronic Waste Association of South Africa and Institute of Waste Management Southern Africa.

Looking ahead

Looking ahead, there is more to be done and the group will 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.

Social

SKILLS FOR THE FUTURE

The Tsogo Sun Academy continues to provide the 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.

The value of skills development spend ("SDS") was verified at R45 million, equivalent to 2.9% of the leviable amount (2022: R51 million, equivalent to 4.1% of leviable amount). R43 million, equivalent to 2.8% of the leviable amount was allocated to SDS on black people (2022: R49 million equivalent to 3.9% of leviable amount). R42 million equivalent to 2.7% of the leviable amount was allocated to B-BBEE SDS measured on the National Black Economically Active Population ("NBEAP") (2022: R48 million equivalent to 3.8% of the leviable amount). The skills development B-BBEE score was 19.64/20 for the reporting period.

The group continues to create value through SDS. The group had 344 employees on learnerships and provided 501 unemployed people with learnership opportunities, which resulted in 318 jobs created.

EMPLOYEE HEALTH AND SAFETY

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 ORMS 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 0.94 from the previous year's 0.81. 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 1.00.

The Tsogo Sun Group Medical Scheme has 3 700 employee members and 218 pensioner members and has a healthy 53.31% solvency ratio as at the end of the reporting period.

EMPLOYMENT CREATION

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:

	Employees	ACI %	Female %	Disabled %
Top management	**17**	**65%**	**41%**	**0%**
Senior management	**200**	**80%**	**48%**	**4%**
Middle management	**1 177**	**78%**	**47%**	**2%**
Junior management	**2 080**	**96%**	**51%**	**1%**
Semi-Skilled	**4 591**	**99%**	**62%**	**1%**
Unskilled	**238**	**98%**	**64%**	**1%**
Total 2023	**8 303**	**94%**	**57%**	**2%**
Total 2022	7 013	95%	57%	2%

The increase in the number of employees is due to the acquisition of Emerald Resort and Casino, the transfer of Southern Sun employees to Tsogo Sun post the termination of the hotels management agreements, new employees in playTSOGO, as well as re-staffing of operations due to increased business levels post the COVID-19 pandemic.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

COMMUNITY DEVELOPMENT

Community development spend totalled R44 million for the year (2022: R34 million), all of which is verified spend on the B-BBEE socio-economic scorecard and represents 5/5 points achieved in this regard.

Post the COVID-19 induced restrictions, the group has seen an increase in social investments. 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 it operates.

ENTERPRISE AND SUPPLIER DEVELOPMENT

The value of investment in enterprise and supplier development by the group in the year totalled R41 million (2022: R35 million), which represents 10.2 points on the B-BBEE sector codes scorecard. This investment was allocated as R5 million to enterprise development beneficiaries and R36 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.

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 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 2023 are:

	Tourism sector scorecard target	2023	2022
Ownership	27	**27.0**	27.0
Management and control	19	**16.5**	16.3
Skills development	20	**19.6**	19.7
Enterprise and supplier development	40	**33.2**	33.8
Socio-economic development	5	**8.0**	8.0
Overall	111	**104.3**	104.8
Rating Level		**1**	1

The value added contribution to black economic empowerment businesses, PDI and government was R7.9 billion (2022: R5.9 billion).

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

TSOGO SUN VOLUNTEERS

The well-established Tsogo Sun 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, KwaZulu-Natal flood relief, CANSA Shavathon and World Blood Donor Day, among others.

RESPONSIBLE GAMBLING

Tsogo Sun 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 contributes to, and actively promotes, the NRGP.

Further to its support of the NRGP, the group also pays particular attention to ensuring the exclusion of:
- Under aged persons from gaming floors;
- Problem gamblers from gaming areas – by executing the Tsogo Sun's self-exclusion policy;
- Money lenders from gaming floors; and
- Excluded persons.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

Governance

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 EFFECTIVE AND ETHICAL LEADERSHIP

Ethics

The group's ethics policy sets out the group's approach to organisational ethics and how the group fosters and directs an ethical culture, both within the group and in its relationships with internal stakeholders, external stakeholders and the broader society. The group's ethical standards and values include integrity, competence, responsibility, accountability, fairness and transparency. The group adopts a strict zero-tolerance approach towards unethical conduct and will seek to hold those involved in such conduct accountable in accordance with applicable group codes and/or policies.

Whilst the board has ultimate responsibility for the ethical culture of the group, the group's social and ethics committee exercises oversight in this area, ensuring that the ethics of the organisation are managed in a way that supports the establishment of an ethical culture and that structures, systems and processes are in place to promote the organisation's ethics standards amongst all stakeholders.

Board members are individually and collectively accountable for their ethical and effective leadership, and are required to conduct themselves in compliance with the group's ethics policy, the board's code of conduct and conflict of interests policy, and their legal duties as company directors in terms of the Companies Act.

The group requires that all directors and senior employees provide annual declarations confirming their compliance with laws and regulations, and detailing any outside interests they may have that could give rise to a conflict of interest, including other directorships held, shareholdings and members interests held, and any other interests they may have in contracts, transactions or dealings with the group, or in any immovable properties leased to or from the group, and these declarations are required to be updated as and when such interests change. In addition, at each board meeting, the directors are requested to declare any new outside interest/s they may have acquired since the last meeting, and the directors are required to comply with the provisions of section 75(5) of the Companies Act in circumstances where they may have a personal financial interest in any matter to be discussed/considered at the meeting.

The group expects ethical conduct by its employees and to this end, has adopted an employee code of conduct and conflict of interests policy to supplement the group's ethics policy. Employees are required to declare any personal business activities they may operate outside of their employment and any outside interests they may have that could give rise to a conflict of interest with the group's businesses.

The group has further adopted a whistle-blowing policy to encourage the disclosure of any unethical conduct by directors and/or employees, and to this end has an independently operated whistle-blower line. All matters/incidents reported to the whistle-blower line are thoroughly investigated by appropriate employees, and the existence of the reported matters/incidents together with findings of the investigation and action taken in respect thereof (if applicable) are reported to the social and ethics committee from an ethics perspective, and to the audit and risk committee from a risk perspective.

Responsible corporate citizenship

The social and ethics committee has oversight over the group's responsible corporate citizenship, and monitors the group's activities in this sphere, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

The key areas of focus for the group's responsible corporate citizenship and interactions with its stakeholders include the promotion of wider social and economic inclusion and development, implementation of the 10 Principles set out in the United Global Compact Principles, the promotion of the goals and purposes of the OECD recommendations regarding corruption, contribution to the development of the communities within which the group operates, efforts in reducing in the group's impact on the environment, the promotion of positive and responsible interactions with its customers and the promotion of the health, safety and well-being of employees.

Refer to our key relationships, our strategy for value creation and our sustainability strategy in action sections for information on how the group monitors and manages its responsible corporate citizenship.

Value creation and reporting

Our approach and philosophy of integrated reporting and the combined assurance elements are 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 in the short, medium and long-term. Our material risks and opportunities and key relationships inform the strategy which is documented in our strategy for value creation section. Our business model provides the context and link between the capitals we utilise and the outcomes linked to our strategic priorities.

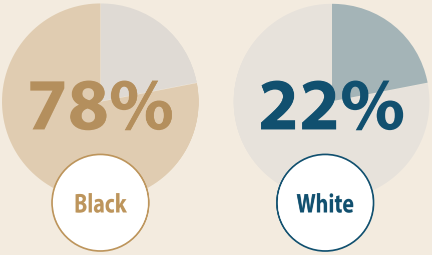
All information presented in the report is utilised within the business and there are processes in place to ensure its accuracy. Elements of the report are assured internally and other information is provided by external sources and formal external assurance has not been sought on the contents of the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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

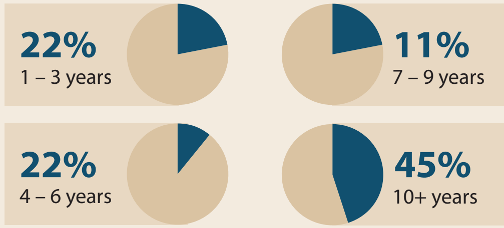
OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK

Board profile

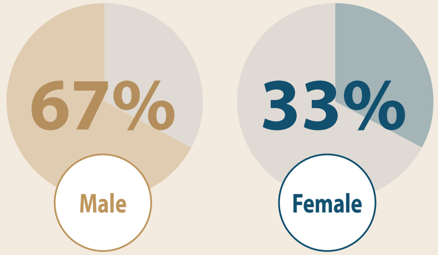
Race diversity: July 2023



Board tenure: July 2023



Gender diversity: July 2023



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

CG du Toit (53) – 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 as Chief Executive Officer of one of its gaming and entertainment divisions. Chris acted as Chief Operating Officer of Tsogo Sun Alternative Gaming from 2017 and was promoted to Chief Executive Officer of the Tsogo Sun group from 1 July 2019. He was appointed to the Tsogo Sun board of directors on 1 June 2019.

G Lunga (51) – Executive director – Chief Financial Officer

CA(SA), EDP

Date appointed: 1 October 2021

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 Casino division and was appointed as the Financial Director of the group's Casino division in 2011. Gregory serves on the boards of most of the Casino division subsidiary companies and was appointed to the Tsogo Sun board and as Chief Financial Officer of the Tsogo Sun group from 1 October 2021.

JA Copelyn (73) – Non-executive Chairperson

BA (Hons), BProc

Date appointed: 24 February 2011[1]

Major external positions, directorships or associations

Chief Executive Officer of Hosken Consolidated Investments Limited, non-executive Chairperson of Deneb Investments Limited, eMedia Holdings Limited and Southern Sun Limited.

Key skills and experience

Johnny has served as the Chief Executive Officer of Hosken Consolidated Investments Limited 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.

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, independent non-executive director of Adcock Ingram Holdings Limited, 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.

Notes to CVs

[1] 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

MJA Golding (63) – Independent non-executive director

BA (Hons)

Date appointed: 24 February 2011[1]

Major external positions, directorships or associations

Non-executive Chairperson of Texton Property Fund Limited, executive director of Rex Trueform Group Limited and 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 Hosken Consolidated Investments Limited 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 (46) – 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, brand profiling, business turnaround and optimisation, governance, risk management, communications, internal auditing, market research and expansion strategies. 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 Hosken Consolidated Investments Limited, 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.

Y Shaik (64) – Non-executive director

BA (Law), BProc

Date appointed: 15 June 2011

Major external positions, directorships or associations

Executive director of Hosken Consolidated Investments Limited, non-executive director of Deneb Investments Limited and eMedia Holdings Limited and 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.

RD Watson (63) – Independent non-executive director

Date appointed: 1 June 2019

Major external positions, directorships or associations

Independent non-executive director of Hosken Consolidated Investments Limited, 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

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.

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. BA 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 CG du Toit (Chief Executive Officer) and G Lunga (Chief Financial Officer), 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, JSE Listings Requirements 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 of the independent non-executive directors on the board of the company is 10.8 years. The non-executive directors who have served for more than nine years are MJA Golding, VE Mphande and BA Mabuza, who are all 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 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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

OUR

Four board meetings, four audit and risk committee meetings, three HR and remuneration committee meetings and two social and ethics committee meetings were held for the year. The attendance of individual directors 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	4/4	4/4[(1)]	3/3[(1)]	2/2[(1)]	✓
G Lunga	4/4	4/4 [(1)]		2/2[(1)]	✓
Non-executive directors					
JA Copelyn (Chairperson)	4/4		3/3		
Y Shaik	4/4	3/4[(1)]	3/3	2/2	✓
Independent non-executive directors					
BA Mabuza (lead independent)	4/4	4/4	2/3	0/2	
MJA Golding	4/4				
F Mall	4/4	4/4			
VE Mphande	4/4		3/3	2/2	✓
RD Watson	4/4	4/4	3/3	2/2	

[(1)] *Attends by invitation*

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 consolidated financial statements for the year ended 31 March 2023.

A representative of the Company Secretary has been appointed to provide company secretarial services to the company and the group on behalf of the Company Secretary and to ensure that all board procedures are fully adhered to. This duly appointed representative is not a director of the company, and the board is satisfied that she is competent and has the appropriate qualifications and experience required by the group. The directors have unlimited access to the advice and services of this duly appointed representative.

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 following pages are the reports relating to the committees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

A Audit and risk committee

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 assist the board with discharging its responsibilities relating to the integrity of the company's financial statements, the effectiveness of the systems of governance, risk management and internal control, monitoring the effectiveness, independence and objectivity of the internal and external auditors, and combined assurance. These responsibilities include the safeguarding of assets and ensuring compliance with the statutory duties of the committee, all applicable legal requirements as contained in the relevant legislation, JSE Listings Requirements and King IV™.

The audit and risk committee is constituted as a statutory committee of the company and its subsidiaries 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 audit and risk committee met four times during the year. The Chief Executive Officer, the Chief Financial Officer and the Group Risk Manager 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.

A duly appointed representative of the Company Secretary serves as the secretary of the audit and risk committee.

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

- Reviewing prospective accounting standard changes, particularly regarding standards that became effective during the year or will become effective in the coming year;
- Considering all significant transactional and accounting matters that occurred during the year;
- Considering the combined findings of the JSE Proactive Monitoring of Financial Statements report;
- Considering and reviewing the effectiveness of the group's internal controls over its interim and annual financial reporting;
- Evaluating 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;
- Reviewing the controls in place to be able to make the CEO and FD statement in terms of JSE LR 3.84;
- Reviewing and approving for recommendation to the board, the half year and full year results and announcements, the annual financial statements and integrated annual report;
- Reviewing 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;
- Reviewing the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluating the appropriateness of management's responses to risk;
- Reviewing operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- Reviewing IT risks in relation to core operational systems, system projects, information management and security initiatives and governance and regulatory compliance;
- Reviewing insurance, treasury and taxation matters;
- Monitoring material legal, legislative and regulatory developments affecting the group's businesses;
- Reviewing and monitoring the independence and objectivity of the external auditors and considering 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;
- Reviewing 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;
- Monitoring and assessing the limited non-audit services provided by the external auditors and the service fees charged for the provision thereof;
- Reviewing the scope of the internal audit being performed, and evaluating the effectiveness, as well as the fees and terms of engagement, of the outsourced internal audit function;
- Reviewing developments in corporate governance and better practices and considered their impact and implication on the group's processes and structures;
- Reviewing the integrated annual report and confirming 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; and
- Considering and evaluating the proposals submitted, and presentations made, by applicants in response to the RFP issued for the appointment of external auditors for the 2024 financial year end as part of the Mandatory Audit Firm Rotation process, and recommending to the board the appointment of Deloitte & Touche, with Cathryn Emslie being the proposed audit partner.

The audit and risk 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 consolidated financial statements for the year ended 31 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

S Social and ethics committee

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 to perform the prescribed statutory duties of such committee, and is appointed by all the subsidiaries of the company that are required to have a social and ethics committee in terms of the Companies Act, read with the Companies Act Regulations, to act as the social and ethics committee of such subsidiaries, and to perform the prescribed statutory duties of such committee on behalf of such subsidiaries.

The social and ethics committee is mandated by the board to act on behalf of the company and all its subsidiaries in matters relating to governance best practices and group wide ethical standards.

The social and ethics 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.

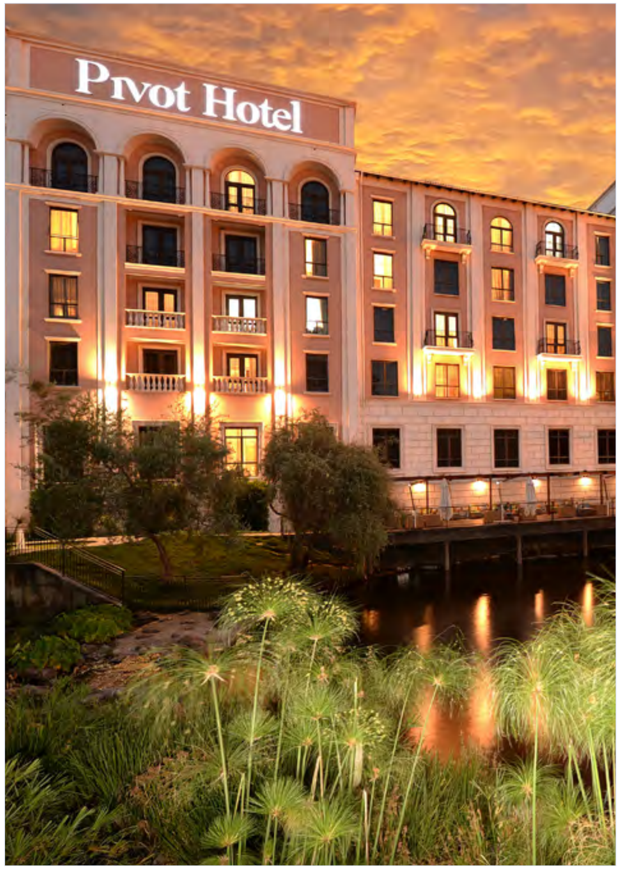
The committee met twice during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Human Resources and the Chairperson of the company attend committee meetings as permanent invitees. Other directors and members of management attend as required.

A duly appointed representative of the Company Secretary serves as the secretary of the social and ethics committee.

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

- Reviewing and updating the group's ethics policy;
- Reviewing and updating the committee's terms of reference;
- Monitoring the group's standing in terms of the goals and purposes of the 10 Principles set out in the United Global Compact Principles;
- Monitoring the group's standing in terms of the goals and purposes of the OECD recommendations regarding corruption;
- Monitoring legislative developments;
- Monitoring the implementation of prevention of bribery and corruption measures;
- Monitoring the group's compliance with Responsible Gambling legislation, regulations and policies;
- Monitoring progress in the alignment of the group's practices to the requirements of the B-BBEE codes;
- Monitoring the group's annual CSI contributions and sponsorships;
- Monitoring preferential procurement, socio-economic development and enterprise and supplier development;
- Monitoring the group's environmental law compliance;
- Monitoring environmental management and certification;
- Monitoring the group's environmental impact;
- Monitoring compliance with consumer protection laws;
- Monitoring customer satisfaction, loyalty, health and safety and consumer protection; and
- Monitoring employee health, safety and well-being, industrial relations, employee skills development, management of diversity and employment equity.

The committee is satisfied that 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR BOARD COMPOSITION, STRUCTURE AND REPORT BACK *continued*

R HR and remuneration committee

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 HR and remuneration 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.

A duly appointed representative of the Company Secretary serves as the secretary of the HR and Remuneration committee.

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

- Strategic oversight in relation to changes to the terms and conditions of employment and policies;
- Strategic oversight in relation to group life and disability benefits;
- Strategic oversight in relation to the group's retirement funds;
- Monitoring executive appointments, terminations and retirements;
- Monitoring material litigation and disputes;
- Monitoring union membership and activity;
- Strategic oversight in relation to 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;
- Assessing and proposing non-executive director fees; and
- Overseeing the preparation of the group's remuneration policy and remuneration implementation report included in this integrated annual report, ensuring its accuracy and that it provides sufficient levels of disclosure.

Further details of the work of the HR and remuneration committee can be found in our remuneration policy and implementation report 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY

Remuneration policy

The information in this report covers the period from 1 April 2022 to 31 March 2023 ("the reporting period"). The group's remuneration reporting framework is informed by the Companies Act, 71 of 2008, as amended ("Companies Act"), the JSE 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 company's 2023 annual general meeting ("2023 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 2023 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 2023 AGM voting results announcement.

At the annual general meeting of the company held on 21 September 2022, 94% 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 94% 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 sustainable business and recover from the recent adverse impact of COVID-19 and high levels of loadshedding on its financial position, the group has continued to manage its remuneration policy framework in line with what has been set up during recent years, having regard to the position of land-based casinos, hotels, bingos and LPM sites in the current economy, 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 to motivate 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.

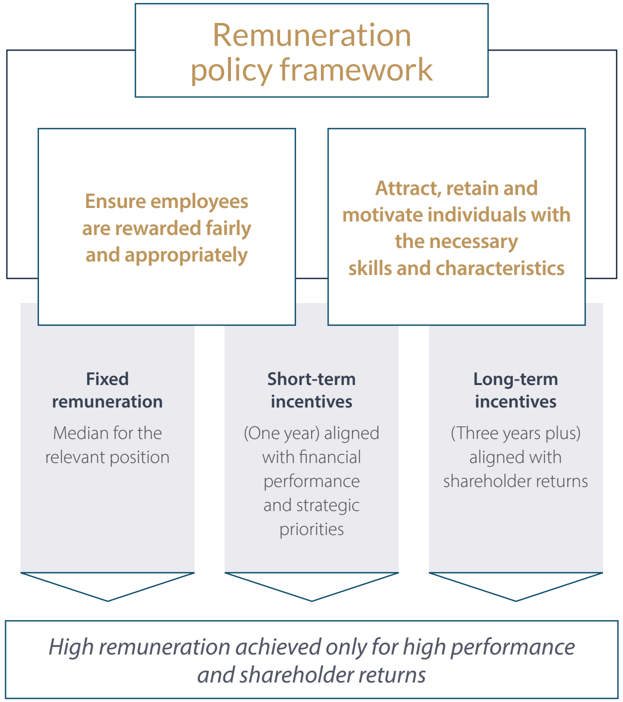
Total rewards are set at levels that are reasonable within the gaming, hotel, food and beverage, entertainment and broader hospitality sector. The fixed and variable financial reward elements of the remuneration structure of the group's employees differ depending on the division in which they are employed 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 the remuneration policy and other human resources 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 aftermath of COVID-19 and the current energy crisis, and that it has achieved its objectives for the past year.



The remuneration of each of the group's divisions and departments (i.e. casino and corporate, hotel, food and beverage, bingo and LPMs) is run independently of the others 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

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

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

The combination of these components ensures remuneration commensurate to performance and shareholder returns. 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 R1.8 billion (2022: R1.5 billion), but remains significantly less than the R2.2 billion cost in 2020.

Casino division (including hotels taken on) and Corporate office

The Casino division and Corporate office employment increased from 5 340 to approximately 6 500 employees. Employees of the Casino division and Corporate Office are categorised into varying grades denoted as broadbands A to F. A negligible number of staff in this division are designated as broadband G employees, whose packages are similar to those of the Bingo division.

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. With effect from the new financial year commencing April 2023, the Corporate office has changed the remuneration for these broadbands to a total package basis for simplification of payroll management, but the Casino division has remained unchanged.

The operational support staff ("OSS") are also employed on a basic plus benefit basis, but in general with less benefits than those of broadband E and F employees.

Employees are either employed on a permanent or a flexi basis, with flexi staff working variable hours depending on demand. More employment is preserved with the flexi work structure, especially when the business is faced with negative regulatory impacts on its business.

The salaries and benefits for each casino unit and company are determined on entity level within the remuneration policy framework for the relevant division or department 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 of units or entities 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.

Structural and efficiency changes are continuously and separately assessed for each casino unit or entity in the group.

As explained in the previous year's report, for the 2023 financial year, employees mainly received *ex gratia* payments of up 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 staff and management for their contribution to the relevant units and entities. This excludes increases granted as a result of a change of role, promotions, adjustments to ensure fair remuneration, alignment or retention, requirements by law and otherwise in the normal operation of the business.

For the 2024 financial year, increases will be assessed by evaluating each role and unit separately and the average salary increase is expected to be approximately 7%. To get to the average of 7%, increases vary predominantly between 4% and 10% and in a few isolated incidents where specific positions have become significantly under-priced and to ensure retention and fair remuneration, more significant adjustments to market related levels were made for such roles. 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.

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% until 1 May 2023, and thereafter, at a contribution level of 10%. 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. Employees remunerated on a total package basis pay their retirement fund contributions from their total package 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 previous reporting period, which will remain the same for the 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

financial year. 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. The funeral cover benefits will need to be reset at the end of the 2024 financial year, since the employer assisted employees for the 2024 financial year, by not increasing contributions required as a result of the tough economic circumstances.

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 implemented for all historical "gaming" company employees, but are still in the process of consultation for some hotel staff.

Bingo and LPM divisions

The Bingo and LPM divisions provide permanent employment to more than 1 400 and 200 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, business growth, market-related remuneration and the economic trading environment as considerations. Performance management systems are in place.

All salaries are based on a total package and retirement benefits are on a co-contribution basis.

The average salary increases of VSlots during the reporting period was approximately 5% and the increases for the new financial year effective from 1 April 2023 is approximately 6%. These increases were supported by the normalised earning levels of the division. No *ex gratia* payments were accordingly required for this division.

General salary increases were not granted to employees of the Bingo division 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. For the 2023 financial year, employees of the Bingo division mainly received *ex gratia* payments of up to half a month's salary in lieu of increases.

For the new financial year the average salary increase of the Bingo division is expected to be between approximately 7% and 9%. It should be taken into account that there are various different increase dates throughout the year, which may result in different outcomes at different units. Even though this division's performance is under pressure, the other factors taken into account in determining increases, as stipulated, impacts the higher than usual increases granted.

For the Bingo division the employees contribute a lower portion to the retirement fund, which is being increased on an annual basis until it matches the employer's contribution.

The other benefits applicable depend on the category of employee, unit, division or department and include, *inter alia*, retirement funds, 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 of the Casino division and Corporate office 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. In December 2022, bonuses equivalent to between one and a half weeks and four weeks basic salary cost were paid to this category of employees given the improved performance of the various entities for the period up to November 2022.

The award and payment of STIs to broadband levels A to D in the Casino division and Corporate office 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 an 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 division, LPM division, Bingo division, etc);
- Financial performance of the unit e.g. a specific casino;
- Performance of a specific department e.g. compliance (only applicable in specific performance evaluation circumstances); 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 performance, 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 may be awarded in instances of exceptional personal achievement which may result in 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) for the reporting period were as follows (and have been left unchanged for the new reporting period commencing 1 April 2023):

CEO	75%
Top management	25% to 55% (depending on position/unit)
Various levels of management	13% to 33% (depending on broadband/unit)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

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 simple to administer.

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, division or group 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 year ending March 2023 is an example of a budget in isolation not being an appropriate measurement tool for STI, with these budgets being prepared in February 2022 whilst COVID-19 restrictions still existed, but with the restrictions being lifted from May 2022 resulting in actual results being substantially higher than budgeted numbers. This is accordingly taken into account with financial performance measurement.

The financial and relative growth performance or results achieved compared to the benchmarks are assessed for each relevant 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 and discussed with respective unit general managers where appropriate or required, 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 key performance criteria (EBITDA, headline earnings achieved, the debt to EBITDA multiple), as well as assessing the achievements for the financial year, it is considered and recommended by the HR and remuneration committee and approved by the board. The CEO's STI awarded for 2023 was the same amount awarded for 2022, regardless of the improved financial performance and the successful completion of the Emerald Resort and Casino acquisition, as a result of the caps applied. With a higher, more commensurate total package for the 2024 financial year, a higher STI amount could potentially be awarded, but the same percentage caps would apply.

The total 2023 financial year STIs awarded and paid increased to R77 million (prior year R56 million) after the HR and remuneration committee and board took into account the improvement in financial performance of each unit, division, the group and the improvement in the financial covenant ratios. Refer to the implementation report for additional information.

The potential impact on financial performance of the various levels of loadshedding makes it difficult to set exact targets for all units. Flexibility in this regard will continue to be applied when actual results are evaluated and STI amounts controlled within the applicable trading environment.

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 (as already explained occurred for the 2023 financial year), a consequence of a significant macro-economic shift, natural recovery after an event such as the pandemic, etc. On the other hand, without any such incidents, the upper end of a 15% stretch is not reasonably 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 2023 financial year EBITDA would be approximately R600 million and for headline earnings R240 million for the group.

Bingo and LPM divisions

December bonuses 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 and any such STI is awarded after the financial year end and paid in May.

December 2022 bonuses varied from one week's salary up to one month's salary depending on role and performance. The 2023 financial year STI paid in May 2023, ended in the upper end of the table for most regional management and the executives STI was calculated in terms of the pre-determined formula and amounted to approximately a 60% award with the LPM division's top performance.

The 2024 financial year targets for STI for executives 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 senior management of the division to drive every million rand of performance, especially for outperformance above the initial targets set. The upper end equates to approximately 5% above target which is deemed to be appropriate (challenging, yet achievable) based on the circumstances applicable to this division. However, the impact of loadshedding may need to be considered throughout the year with regards to ensuring appropriate targets drive performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

LONG-TERM INCENTIVES ("LTIs")

Tsogo Sun Group Share Appreciation Bonus Plan

The Tsogo Sun 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 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 prior 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 was 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 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 and shareholders in the long term. From a selected senior management participant perspective, it is the responsibility of the CEO, the Director of Human Resources, the HR and remuneration committee and the board to ensure that appropriate levels of incentive are 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 Tsogo Sun 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 Tsogo Sun 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 and Director of Human Resources, 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.

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 after the low increases for the 2021, 2022 and 2023 financial years and no STIs for the 2020 financial year and an STI capped to a maximum of one month's total package for the 2021 financial year. Even though additional hurdles (other than share price performance) do not form part of the LTI scheme, the reasonable salary levels, coupled with stringent caps on STI payments should be considered as well, i.e. the total remuneration levels should not be further constrained for the key managers driving the performance of the business. The total outcome should over time reward performance achieved by the core team, even if STI caps payouts in the short term. The negative impact on the share price of external forces outside the control of the organisation, such as regulatory change or extreme levels of loadshedding, could however have an unfair long term negative impact on the achievement of the key senior management which will be monitored.

Accordingly on the recommendation of the HR and remuneration committee, the board resolved to allot up to 12,1 million new appreciation units/notional shares at a strike price equal to a 10% discount to the seven-day VWAP for the period up to 28 February 2023 and issued 1 March 2023, to selected core senior managers who are responsible for delivering revenue, EBITDA and adjusted headline earnings per share (or profit after tax as appropriate) for the next three years. This was the only allotment of notional shares during the 2023 financial year. 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.

"Top-up", as per the above allotment of 1 March 2023, 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 and salary increases and change of roles may additionally be considered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

There are effectively only three tranches of notional shares currently active (apart from a couple of non-material exceptions), being those allotted in December 2020, March 2022 and March 2023, which should provide stability in senior management until approximately 2026. The administrative burden of the LTI scheme has also been simplified, with fewer tranches of options in issue.

Only a few selected key senior management of the Bingo division and LPM division 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 six participants remaining (2022: nine), holding approximately 100 000 shares in Tsogo Sun and Southern Sun, and having loan claims due to the Gold Reef share trust. Steps were taken during the previous reporting period to finally unwind this scheme. The few 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 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. There has been no change to the status of the executive facility LTI scheme reported in the 2022 remuneration report, and this scheme will be wound up in the coming years.

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.

No increase to the amount of non-executive directors' fees payable by the company has been proposed since the 2019 AGM of the company.

The group has managed to turn the business around and met all requirements necessary to be back within its original financial covenants at 31 March 2022, and to historical EBITDA levels with growth in headline earnings for the year ending 31 March 2023.

For the new one year period from 1 October 2023 and until the next AGM of the company, it is accordingly and fairly proposed that non-executive directors' fees be set to a total amount of R4.5 million for a one year period, compared to R4.1 million of the period ending 30 September 2023 (excluding the once-off *ex gratia* amounts paid as included in the previous report).

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 2023 AGM of the company.

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 that in the event of death or permanent disability, the unvested portion is also deemed to vest on the date of termination.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

	Fixed pay		
2023 key elements of remuneration	**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 retirement fund
Operation and performance measures	**Base salaries** Base salaries are subject to annual review taking into account inflation, business and personal performance, changes in responsibilities, market-related salaries and other market conditions	**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 business growth and performance, 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 and employees who are remunerated on a total package basis, is non-contributory (i.e. no additional contribution by the relevant employer) and is included in their total cost of employment For staff who are remunerated on a basic salary plus benefits basis, retirement funding consists of employer and employee contributions dependent on fund membership The group offers a pension and provident funds

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION POLICY *continued*

2023 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 a fixed level of earnings appropriate to the requirements of the role 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 expertise and align senior management 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	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 all Casino division and Corporate Office employees and consultations are in progress for such discontinuation for affected hotel staff	**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 include unit or group financial and personal performance, where relevant. STI is paid in May of each year 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 Tsogo Sun, 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 allotments made prior to March 2022), or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun'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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR 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

No increases to non-executive directors' fees have been proposed since the 2019 AGM, except for the *ex gratia* payments included in the previous report.

The proposed fees for a year from 1 October 2023, equates to R4.5 million (2023: R4.1 million excluding *ex gratia*).

Directors' fees for the year ended 31 March	2023 R'000	2022 R'000
JA Copelyn	**1 203**	693
MJA Golding	**349**	201
BA Mabuza	**714**	411
F Mall	**526**	303
VE Mphande	**411**	237
Y Shaik	**536**	309
RD Watson	**516**	297
	4 255	2 451

The proposed fees, excluding VAT where applicable, for the ensuing period from 1 October 2023 and until the next AGM are as set out below:

Role	Proposed fees 2023/2024 R'000	Fees 2022/2023 R'000[1]	Discounted fees 2021/2022 R'000[2]	*Ex gratia* top up 2021/2022 R'000[3]	*Ex gratia* in lieu of increase 2022/2023 R'000[4]
Chairperson of the board[5]	**1 280**	**1 155**	**693**	**231**	**48**
Lead independent non-executive and member of all committees[5]	**760**	**685**	**411**	**137**	**29**
Non-executive director	**372**	**335**	**201**	**67**	**14**
Chairperson of the audit and risk committee[6]	**190**	**170**	**102**	**34**	**7**
Chairperson of social and ethics committee[6]	**100**	**100**	**60**	**20**	**4**
Chairperson of the HR and remuneration committee[6]	**166**	**150**	**90**	**30**	**6**
Member of the HR and remuneration committee and member of the Social and ethics committee	**34**	**30**	**18**	**6**	**1**
Member of audit and risk committee	**48**	**30**	**18**	**6**	**1**

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION 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

	2023			2022			
	C du Toit R'000	**G Lunga R'000**	**Total R'000**	C du Toit R'000	G Lunga[1] R'000	A Hoyer[2] R'000	Total R'000
Salary	**6 322**	**2 682**	**9 004**	6 437	1 442	1 615	9 494
Pension fund contributions	**379**	**321**	**700**	–	–	–	–
Other benefits	**139**	**156**	**295**	136	77	56	269
Current year STI accrued	**5 525**	**1 200**	**6 725**	5 525	1 000	–	6 525
Total single figure of remuneration	**12 365**	**4 359**	**16 724**	12 098	2 519	1 671	16 288
Current year STI accrued not yet settled	**(5 525)**	**(1 200)**	**(6 725)**	(5 525)	(1 000)	–	(6 525)
Prior year STI settled	**5 525**	**1 000**	**6 525**	542	250	–	792
Financial statement remuneration[6]	**12 365**	**4 159**	**16 524**	7 115	1 769	1 671	10 555

Other key management and prescribed officers

	2023				2022				
	B Mogiba[3] R'000	**S van Vuuren[4] R'000**	**C Wannell[5] R'000**	**Total R'000**	G Lunga R'000	B Mogiba R'000	S van Vuuren R'000	C Wannell R'000	Total R'000
Salary	**2 826**	**1 530**	**1 626**	**5 981**	1 390	2 578	1 372	1 689	7 029
Pension fund contributions	**363**	**30**	**173**	**566**	–	375	–	–	375
Other benefits	**263**	**–**	**95**	**171**	77	26	–	90	193
Current year STI accrued	**1 950**	**600**	**600**	**3 150**	–	1 300	450	500	2 250
Total single figure of remuneration	**5 402**	**2 160**	**2 494**	**10 056**	1 467	4 279	1 822	2 279	9 847
Current year STI accrued not yet settled	**(1 950)**	**(600)**	**(600)**	**(3 150)**	–	(1 300)	(450)	(500)	(2 250)
Prior year STI accrual settled	**1 300**	**450**	**500**	**2 250**	–	248	117	150	515
Financial Statement remuneration[6]	**4 752**	**2 010**	**2 394**	**9 156**	1 467	3 227	1 489	1 929	8 112

(1) Appointed as CFO and as executive director to the board of directors 1 October 2021, previously Financial Director - Casino division
(2) Resigned as Director and CFO effective 30 September 2021
(3) CEO – LPM division
(4) Appointed as Director of Human Resources and prescribed officer 1 April 2021
(5) Group Legal Manager and representative of the Company Secretary
(6) As per 2023 consolidated financial statements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION IMPLEMENTATION REPORT *continued*

Short-term incentive

The STI accrued for the year ended 31 March 2023 and paid in May 2023 amounted to R77 million (2022: R56 million). The HR and remuneration committee, in their recommendation to the board, *inter alia* took into account that EBITDA is approximately back to pre-pandemic levels, headline earnings growth and debt to EBITDA improvement to a 2.0 times multiple. The total STI in terms of the tables and with the applicable caps, is lower than pre-pandemic level, and amounts to approximately 2% of EBITDA and 5% of headline earnings.

With the uncertainty of pandemic restrictions when the budgets were concluded (with budgets therefore clearly being too low), it was once again found most effective to rather evaluate the actual results achieved against the various challenges faced by the respective units.

The Chairperson of the board assesses the CEO's performance in line with key performance criteria and framework (EBITDA, headline earnings achieved, the debt to EBITDA multiple), as well as assessing the achievements for the financial year (e.g. the successful conclusion of the Emerald Resort and Casino acquisition). As a result of no increases to the CEO from June 2019 to March 2023 and the STI being a factor of total package, the total maximum STI remained capped at the same amount for the 2023 financial year, as the 2022 financial year, i.e. no increase in STI was possible regardless of the improved performance and achievements.

Long-term incentive liability – cash settled

The following table summarises details of the Tsogo Sun Share Appreciation Bonus Plan units awarded to participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

	Appreciation units granted		Appreciation units granted and not vested			Appreciation units vested and still outstanding				
Grant date	**2023**	2022	**2023**	2022	Strike price R	**2023**	2022	Expiry date	**Liability 2023 Rm**	Liability 2022 Rm
1 April 2016[1]	**–**	153 376	**–**	–	22.82	**–**	153 376	31 March 2022	**–**	–
1 April 2017[1]	**125 004**	125 004	**–**	–	28.00	**125 004**	125 004	31 March 2023	**–**	–
1 April 2018[1]	**124 584**	124 584	**–**	–	24.08	**124 584**	124 584	31 March 2024	**–**	–
12 December 2019	**970 425**	970 425	**–**	970 425	10.82	**970 425**	–	11 December 2025	**5**	1
18 December 2020	**17 200 000**	18 200 000	**17 200 000**	18 200 000	5.20	**–**	–	17 December 2026	**134**	85
16 March 2022	**14 550 000**	14 450 000	**14 550 000**	14 450 000	9.61	**–**	–	15 March 2026[2]	**38**	2
1 March 2023	**11 900 000**	–	**11 900 000**	–	10.67	**–**	–	28 February 2027[2]	**2**	–
At 31 March	**44 870 013**	34 023 389	**43 650 000**	33 620 425		**1 220 013**	402 964		**179**	88
Share price utilised to value the liability at 31 March									**R 12.11**	R 12.04

(1) *As a result of the share price collapse due to COVID-19, the liability of the respective appreciation units were reduced to Rnil (Prior Rnil)*
(2) *The scheme rules were amended in the prior year. Appreciation units allocated from the 2022 financial year expire four years after grant date. All other terms and conditions remain unchanged*

All appreciation units prior to December 2021 were issued pre the Southern Sun unbundling and therefore include both businesses and both the share prices of Tsogo Sun and Southern Sun are taken into consideration when valuing those liabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR REMUNERATION IMPLEMENTATION REPORT *continued*

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

	Grant date	Appreciation units granted and not vested			Appreciation units vested and still outstanding				
		2023	2022	Strike Price	**2023**	2022	Expiry date	**Provision 2023 R'000**	Provision 2022 R'000
Executive directors									
C du Toit	18 December 2020	**4 500 000**	4 500 000	5.20	**–**	–	17 December 2026	**35 172**	18 673
	16 March 2022	**1 550 000**	1 550 000	9.61	**–**	–	15 March 2026	**3 999**	1 541
	1 March 2023	**1 500 000**	–	10.67	**–**	–	28 February 2027	**310**	–
G Lunga	18 December 2020	**1 000 000**	1 000 000	5.20	**–**	–	17 December 2026	**7 816**	4 150
	16 March 2022	**300 000**	300 000	9.61	**–**	–	15 March 2026	**774**	298
	1 March 2023	**300 000**	–	10.67	**–**	–	28 February 2027	**62**	–
		9 150 000	7 350 000		**–**	–		**48 133**	24 662
Other prescribed officers									
B Mogiba	18 December 2020	**1 000 000**	1 000 000	5.20	**–**	–	17 December 2026	**7 816**	4 150
	16 March 2022	**750 000**	750 000	9.61	**–**	–	15 March 2026	**1 935**	746
	1 March 2023	**200 000**	–	10.67	**–**	–	28 February 2027	**41**	–
S van Vuuren	18 December 2020	**300 000**	300 000	5.20	**–**	–	17 December 2026	**2 345**	1 245
	16 March 2022	**300 000**	300 000	9.61	**–**	–	15 March 2026	**774**	298
	1 March 2023	**250 000**	–	10.67	**–**	–	28 February 2027	**52**	–
C Wannell	18 December 2020	**300 000**	300 000	5.20	**–**	–	17 December 2026	**2 345**	1 245
	16 March 2022	**300 000**	300 000	9.61	**–**	–	15 March 2026	**774**	298
	1 March 2023	**200 000**	–	10.67	**–**	–	28 February 2027	**41**	–
		3 600 000	2 950 000		**–**	–		**16 123**	7 982

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 Audit and risk	**Committee oversight** Audit and risk	**Committee oversight** Audit and risk Social and ethics	**Committee oversight** Audit and risk	**Committee oversight** Social and ethics	**Committee oversight** 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		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR RISK MANAGEMENT AND ASSURANCE PROCESS

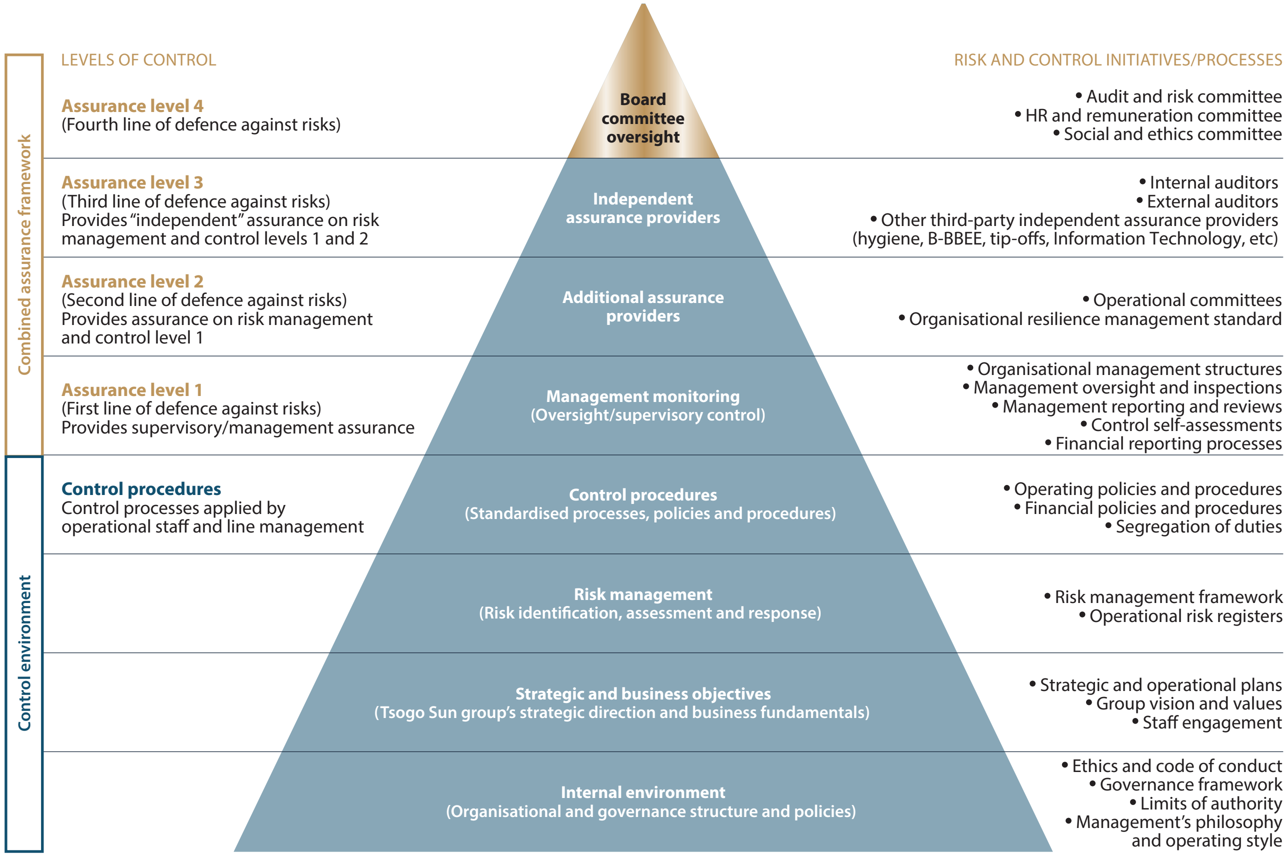
Combined assurance

The Tsogo Sun 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:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 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 Chief Financial Officer and independently to the audit and risk committee. The outsourced function is provided by GRiPP Advisory, which is a subsidiary of HCI. GRiPP Advisory also provides internal audit services to the HCI group. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. GRiPP Advisory was subjected to its first independent quality review during the reporting period and achieved a "General Conformance" for its Quality Assurance and Improvement programme carrying out its Internal Audit Charter and meeting the expectations of stakeholders. 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

Risk management and governance standards remain high for all Information Technology products and services.

Exceptional control and management of incidents have kept incidents to a minimum, and operations have not been adversely affected by any negative episodes to date. Keeping risk assessment, management and mitigation at the centre of our security and governance programme remains a priority.

Over the course of the year, a number of key objectives were achieved, including:

- Increasing the maturity of the cybersecurity landscape;
- Maintaining business continuity;
- Managing risks effectively;
- Governance, compliance and information security have been incorporated into the organisation; and
- Maximised the return on technology investments.

In the coming year the group will prioritise the following:

- Further improving the Information and Data Security;
- Keeping technology platforms current and relevant;
- Ensuring business continuity and managing risk; and
- Ensuring that governance, compliance and information security are ingrained into the organisation.

The group strives to further develop and improve the IT governance procedures in collaboration with business stakeholders and partners. Technology and information governance continue to meet the board's expectations.

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.

Through CASA, the group:

- Commented on and made oral representations to the KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Gaming and Betting Tax Amendment Bill;
- Commented on draft Rules relating to proposed responsible gambling measures published by the Western Cape Gambling and Racing Board;
- Is preparing a comprehensive submission to Parliament in relation to the Control of Tobacco Products and Electronic Delivery Bill which was tabled in Parliament during December 2022; and
- Commented on a draft Gauteng Gambling Bill, which proposes to replace the existing Gauteng Gambling Act, 1996.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 has 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 require 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 the disciplinary policies which govern sanctions and remedies 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR GOVERNANCE SUMMARY *continued*

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 items 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 IFRS, the 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 JSE Listings Requirements.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 JSE Listings Requirements 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, VE Mphande and BA Mabuza, 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 CEO 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 JSE Listings Requirements.
- 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 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 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 committees, 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

OUR GOVERNANCE SUMMARY *continued*

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

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 group's 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *continued*

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 group's 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 EBITDA	EBITDA before exceptional items, and adjusted for IFRS 16 lease depreciation and finance costs
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
CLH	City Lodge Holdings Limited
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
ESG	Environmental, social and governance
EBT	Electronic bingo terminal
FATF	Financial Action Task Force
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 Limited)
GRiPP Advisory	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
ISO	Independent Site Operator
IT	Information technology
JSE	JSE Limited
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016
LPM	Limited pay-out machine
LSA	Long-service awards
LTI	Long-term incentives
NBEAP	National Black Economically Active Population
NIBD	Net interest-bearing debt
NPAT	Net profit after tax
ONL	Overnight loans
ORMS	Organisational Resilience Management Standards
PDIs	Previously disadvantaged individuals
POPIA	Protection of Personal Information Act 4 of 2013
PTD benefit	Permanent and Total Disability benefit
RCF	Revolving Credit Facility
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
TERS	Temporary Employee/Employer Relief Scheme
the board	The board of directors of Tsogo Sun Limited
the group	Tsogo Sun Limited and its subsidiaries and associates
Tsogo Sun/ company	Tsogo Sun Limited (formerly Tsogo Sun Gaming Limited)
TSA	Tsogo Sun Academy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
Vukani	Vukani Gaming Corporation Proprietary Limited
VWAP	Volume weighted average price

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G Lunga (Chief Financial Officer)
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** Non-executive Director*
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