

TSOGO SUN GAMING



INTEGRATED ANNUAL REPORT 2021

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About this report

REPORTING APPROACH

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

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the South African Companies Act 2008, the JSE Listings Requirements, King IV Report on Governance for South Africa 2016 (King IV™) and the international <IR> framework as applicable.

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

SCOPE AND BOUNDARIES

The contents of this document relate to the operations of Tsogo Sun Gaming Limited for the 2021 financial year. The matters included address material issues for all our subsidiaries and associates and covers the year ended 31 March 2021 except where material post-balance sheet events have occurred post-year end. The process we utilised in determining and applying materiality is included and the scope and boundaries of environmental disclosures are defined in the report.

FINANCIAL STATEMENTS

The full set of consolidated annual financial statements, including the report from our audit and risk committee and directors' report, are available on www.tsogosungaming.com/investors.

FORWARD LOOKING STATEMENTS

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

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

BOARD APPROVAL

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



John Copelyn
Chairman

3 September 2021



Chris du Toit
Chief Executive Officer

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BUSINESS OVERVIEW

Group overview

Strategic priorities and growth drivers

Business model

Materiality, material risks and opportunities

Key relationships

Group overview

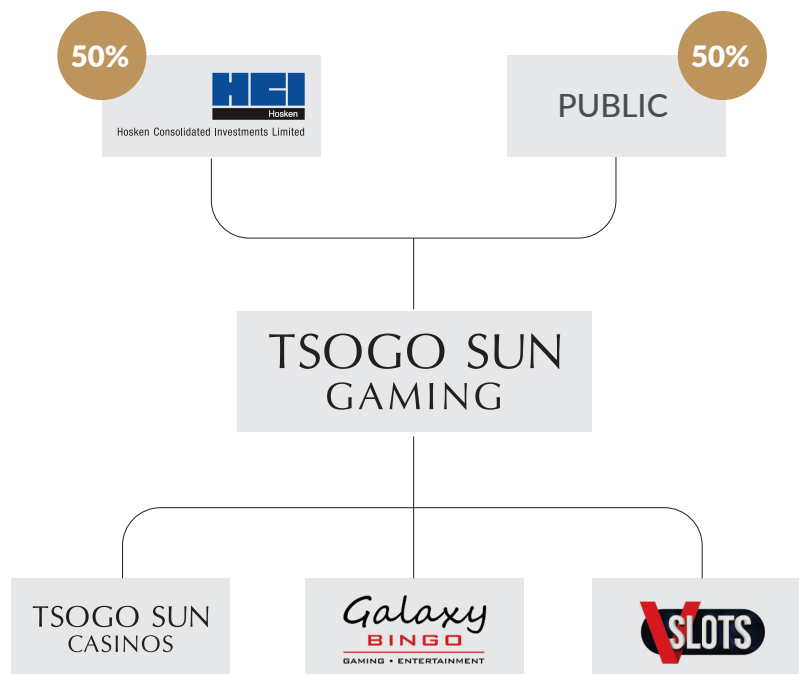
OUR VISION

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

WHO WE ARE

Tsogo Sun Gaming is Southern Africa's premier gaming and entertainment group. As at 31 March 2021, Tsogo Sun Gaming owned and operated 13 premier casino and entertainment destinations in six provinces of South Africa, 25 Galaxy Bingo sites (23 bingo, one casino and one ISO) in seven provinces of South Africa, VSlots limited payout machines (LPMs) across all provinces, 17 hotels, a theme park, theatres, cinemas, restaurants, bars, conference and banqueting facilities.

OUR GROUP STRUCTURE



OUR OWNERS

Our key shareholder as at 31 March 2021 was Hosken Consolidated Investments Limited, a JSE listed investment holding company, which directly and indirectly owned 49.5% of the shares, excluding treasury shares.

The HCI shareholding provides the bulk of the broad-based black economic empowerment ("B-BBEE") ownership at group level.

Strategic priorities and growth drivers

STRATEGIC PRIORITIES

SUSTAINABILITY



Deliver to our beneficiaries

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



Regulatory compliance

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



Financial strength and durability

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



Human resources

- Appropriate resources and skills
- Client service orientated



Product relevance to customer experience

- Adequate maintenance capex
- Technologically advanced products

GROWTH



- Extract efficiencies
- Continued cost focus
- New projects

FUTURE GROWTH DRIVERS

1

UPSIDE POTENTIAL FROM ECONOMIC RECOVERY

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

2

SITE AND PRODUCT IMPROVEMENT SHOULD DRIVE ADDITIONAL GROWTH

- Expansion, refurbishment and relocation of sites
- Optimisation of gaming equipment
- Additional licensed positions available

3

TECHNOLOGY AND GAMING OPPORTUNITIES

- Online betting and gaming
- Technological advancements
- Acquisitions

Business model

INPUTS



FINANCIAL CAPITAL

- Equity funding
- Debt funding
- Internally generated cash flows



SOCIAL AND RELATIONSHIP CAPITAL

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



MANUFACTURED CAPITAL

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



INTELLECTUAL CAPITAL

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



HUMAN CAPITAL

- Ethical values
- Engaged workforce
- Specialised knowledge and skill



NATURAL CAPITAL

- Physical locations
- Energy consumption
- Water consumption
- Biodiversity

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.

ACTIVITIES AND PROCESSES

DIVISIONS

Casinos



Core business

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

Bingo



Core business

- Owns, leases and operates EBTs across South Africa

Limited payout machines



Core business

- Manages LPMs across South Africa

STAKEHOLDERS



Investors and funding institutions



Government and regulatory bodies



Customers



Communities



Employees



Suppliers, tenants and business partners

OUTPUTS

GAMING AND ENTERTAINMENT

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

ENVIRONMENTAL AND SOCIAL IMPACTS

- Social impact
- Energy consumption
- Water consumption
- Waste

OUTCOMES

linked to strategic priorities

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

TSOGO SUN GAMING – CASINOS

FOOTPRINT

	Ownership %	as at 31 March 2021			Group revenue contribution %	Group Ebitda ⁽¹⁾ contribution %
		Tables	Slots	Hotel rooms		
Gauteng	100	166	4 120	898	37	43
KwaZulu-Natal	100	103	2 598	341	19	25
Mpumulanga	100	37	861	399	6	7
Western Cape	100	26	1 050	138	6	7
Eastern Cape	65	16	506	108	2	2
Free State	100	9	250	–	1	1
Other operations ⁽²⁾	100	–	–	–	1	(8)
Total 2021		357	9 385	1 884	72	77
Total 2020		357	9 385	1 875	78	82

⁽¹⁾ Ebitda is stated pre-internal management fees

⁽²⁾ Other operations consist mainly of head office costs

KEY FEATURES

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

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex.

Our ability to trade was impacted throughout the year by the regulatory responses to the Covid-19 pandemic, which included complete lockdowns, various curfews and social distancing measures resulting in limited gaming positions being operational during the year.

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

The customer rewards programme in the casino division rewards customers with status, benefits and recognition.

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

EASTERN CAPE

East London
HEMINGWAYS | CASINO

FREE STATE

Welkom
GOLDFIELDS



GAUTENG

Fourways
MONTECASINO

Johannesburg
Gold Reef City

Krugersdorp
SILVERSTAR

KWAZULU-NATAL

Durban
SUNCOAST

Pietermaritzburg
GOLDEN HORSE

Newcastle
BLACKROCK

MPUMALANGA

Mbombela
EMNOTWENI

eMalahleni
THE RIDGE

WESTERN CAPE

Caledon
the Caledon

Mossel Bay
GARDEN ROUTE

Langebaan
mOKONOS

Business model *continued*

GALAXY BINGO AND VSLOTS

FOOTPRINT

as at 31 March 2021

	Galaxy Bingo sites	Galaxy Casino site	Galaxy ISO site	Galaxy gaming win contribution %	Vukani sites	Vukani machines	Vukani gaming win contribution %
Gauteng	4	–	–	34	144	734	10
Eastern Cape	5	–	–	21	85	792	10
Western Cape	–	–	–	–	203	949	25
KwaZulu-Natal	7 ⁽¹⁾	–	–	14	219	1 019	18
Limpopo	3	–	–	10	138	849	14
Mpumalanga	2	–	1	9	123	632	10
North West	2	–	–	8	70	638	6
Free State	–	–	–	–	95	404	5
Northern Cape	–	1	–	4	37	166	2
Total 2021	23	1	1	100	1 114	6 183	100
Total 2020	21	1	1		1 142	6 227	
Machines (EBTs, slots and LPMs)	4 105	162	40	4 307			

	Group revenue contribution %	Group Ebitda contribution %
Total 2021	27	23
Total 2020	22	19

⁽¹⁾ Operating as bingo and LPM sites

KEY FEATURES

Galaxy Bingo

Galaxy Bingo offers bingo through Electronic Bingo Terminals (EBTs) and operates the Oasis Casino located in Kuruman, Northern Cape. As at 31 March 2021, Galaxy operated and managed 25 sites including 16 bingo sites with EBTs, seven sites with EBTs and LPMs, one ISO with 40 LPMs and one casino. Machines under management include 3 879 EBTs (2020: 3 749), 266 LPMs (2020: 233) and 162 casino gaming positions (2020: 162). During August and December 2020, sites opened with EBTs and LPMs in Pietermaritzburg and Empangeni respectively.

Covid-19 regulations negatively impacted the number of gaming positions operated during the year.

There is an additional licence in Mpumalanga that is not yet operational. Numerous legal challenges relating to bingo licences in KwaZulu-Natal, the Eastern Cape and the North West continue with the outcome remaining uncertain which could impact the group's licenses in these provinces.

Empowerment shareholding is at group and site level and the effective interests vary between 29% and 100% in each site which is operated by Galaxy Bingo.

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

The majority of the EBTs are leased.

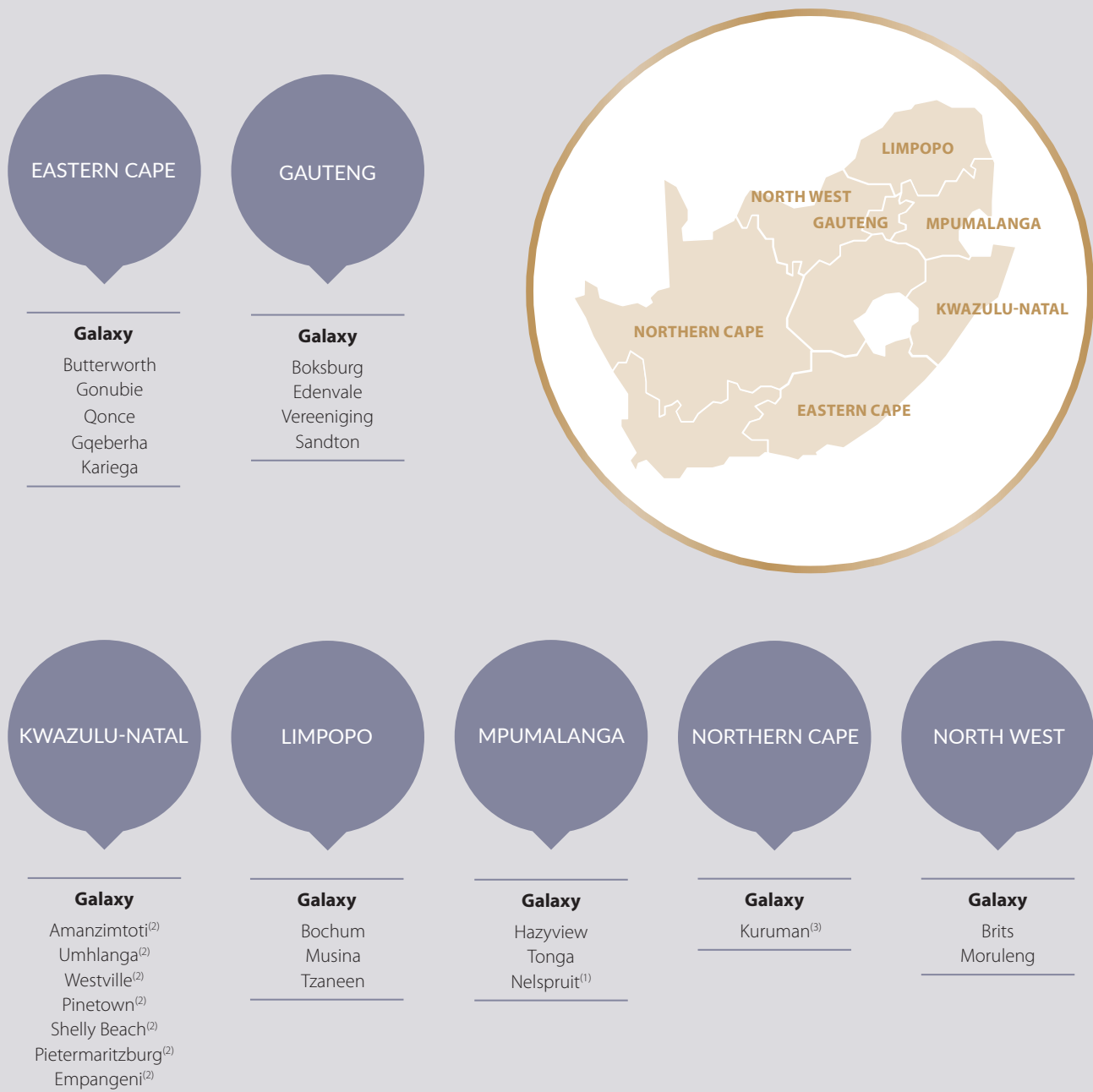
VSlots

VSlots offers LPM gaming services and manages 6 183 (2020: 6 227) LPMs at 1 114 sites (2020: 1 142) throughout all the provinces of the country. The LPMs are mainly located in bars, restaurants, hotels and bookmaker sites and the group provides the sites with access to LPMs with a full support structure.

The imposition of the ban on alcohol sales during the Covid-19 pandemic directly adversely impacts the trading of these sites.

The sites are strictly regulated for site owners and their customers. Growth is achieved through the rollout of additional sites and the optimisation of existing sites in terms of location and product mix. There are significant barriers to entry, including the stringent requirements and time delays in obtaining the necessary licences.

VSlots operates in all nine provinces.



⁽¹⁾ Operating only as an ISO (40 LPM site)

⁽²⁾ Operating as a bingo and LPM site

⁽³⁾ Operating as Oasis Casino

THE ENVIRONMENT WITHIN WHICH WE OPERATE

REGULATORY

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

The gaming industry in South Africa is highly regulated, both at a national and provincial level, and thus has high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa. In addition, each province has its own gaming legislation, as well as its own provincial licensing authority which regulates gambling within that province.

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

Numerous legal challenges relating to bingo licences in KwaZulu-Natal, the Eastern Cape and the North West continue with the outcome remaining uncertain which could impact the group's licenses in these provinces.

ECONOMIC ENVIRONMENT

The Covid-19 pandemic and subsequent lockdown regulations continue to cause significant disruptions to the South African economy. Consumer confidence remains fragile off the back of a discouraging economic outlook, job losses, above inflationary increases in municipal rates, utilities and slow vaccination drive.

INDUSTRY

Gaming

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

The South African gaming market is made up of casinos, LPMs and bingo.

Casinos operate in large complexes with different forms of entertainment.

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

Bingo growth will be driven by expansion and optimisation.

Illegal land-based gambling sites are impacting the whole of the industry's revenue and 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 and more effort is required from the gambling boards, dti, SARS, law enforcement agencies, landlords and banking institutions in stopping illegal gambling transactions and raiding and closing down illegal land-based sites.

TECHNOLOGY

As the technology and digital landscape transform, investment in these areas are continuously assessed and aligned to the requirements of the business and our customers.

The Covid-19 pandemic has seen a heightened adoption of technology and innovation by both the business and our customers. Emphasis continues to be placed on providing technology that is flexible, scalable and secure with the aim of aligning these decisions with the people, process and technology ecosystem.

The technology trends that continue to be most relevant to our industry include:

- Online digital platforms;
- Mobile applications;
- Contactless customer solutions and technologies;
- Implementation of Robotic Process Automation (RPA);
- Cost-effective and robust IT Infrastructure and Data Centre models;
- Implementation of Artificial Intelligence (AI);
- Online communication and collaboration tools;
- Increase in Cloud adoption; and
- Internet of Things (IoT).

CONSUMER PREFERENCES

In order for gaming businesses to deliver quality experiences, facilities and services must be relevant to what customers want and are prepared to pay for. Consumer preferences range from the technology preferences noted previously to the look and feel of the physical product, the location of sites, concepts of restaurants and bar offerings and types of entertainment.

SOCIETAL ISSUES

The weak economic environment further impacted by the Covid-19 pandemic and energy supply concerns with ongoing load shedding, continues to fuel uncertainty, discouraging investment and worsening the high unemployment level and subduing growth. 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 PDI shareholders and social investment. These benefits are, however, not provided by illegal land based or illegal online gambling sites and more effective policing and prosecution is required to achieve the benefits. In addition, the illegal sites are not regulated, and the issues of problem gambling, unfair gambling practices and the proliferation of gambling is not controlled.

ENVIRONMENTAL ISSUES







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

OUR CAPITALS

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

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

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

CAPITALS	UTILISATION OF THE CAPITALS	REFERENCE
FINANCIAL	 <p>Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund growth.</p>	<ul style="list-style-type: none"> Executive overview Financial strength and durability
SOCIAL AND RELATIONSHIP	 <p>Quality relationships with our key stakeholders is vital to the long-term sustainability of Tsogo Sun Gaming. Popular misconceptions about the gaming industry within which Tsogo Sun Gaming operates can significantly impact the group's reputation and value generation ability. Building trust and credibility with our key stakeholders is fundamental to retaining our social and regulatory licence to operate.</p>	<ul style="list-style-type: none"> Key relationships Deliver to our beneficiaries Regulatory compliance
MANUFACTURED	 <p>Our focus remains one of delivering great experiences to the customers we serve at every touchpoint throughout all our casinos, VSLOTS and Galaxy sites. To achieve this, we strive to bring relevant product offerings to our various customer segments. Changes are made to slots, tables and other gaming products on an ongoing basis in response to customer demand, feedback and usage. Our sites are strategically and conveniently situated, primarily in urban locations for customer convenience. Significant spend is continuously invested into developing and maintaining our product and offerings to keep them relevant and fresh.</p>	<ul style="list-style-type: none"> Casino gaming, bingo and VSLOTS footprints Product relevance to customer experience Growth
INTELLECTUAL	 <p>Our Tsogo Sun Gaming brands underpin the quality experiences of our customers. We are consistently striving to innovate our product offerings, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.</p>	<ul style="list-style-type: none"> Product relevance to customer experience
HUMAN	 <p>People are at the core of delivering the Tsogo Sun Gaming experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.</p>	<ul style="list-style-type: none"> Human resources
NATURAL	 <p>Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.</p>	<ul style="list-style-type: none"> Deliver to our beneficiaries

Materiality, material risks and opportunities

1 RISK IDENTIFICATION

DETERMINATION OF MATERIALITY

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments.

2 QUALITATIVE QUANTITATIVE

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.

3 RISK MATRIX

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

4 MAGNITUDE LIKELIHOOD

MATERIAL RISKS AND OPPORTUNITIES

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

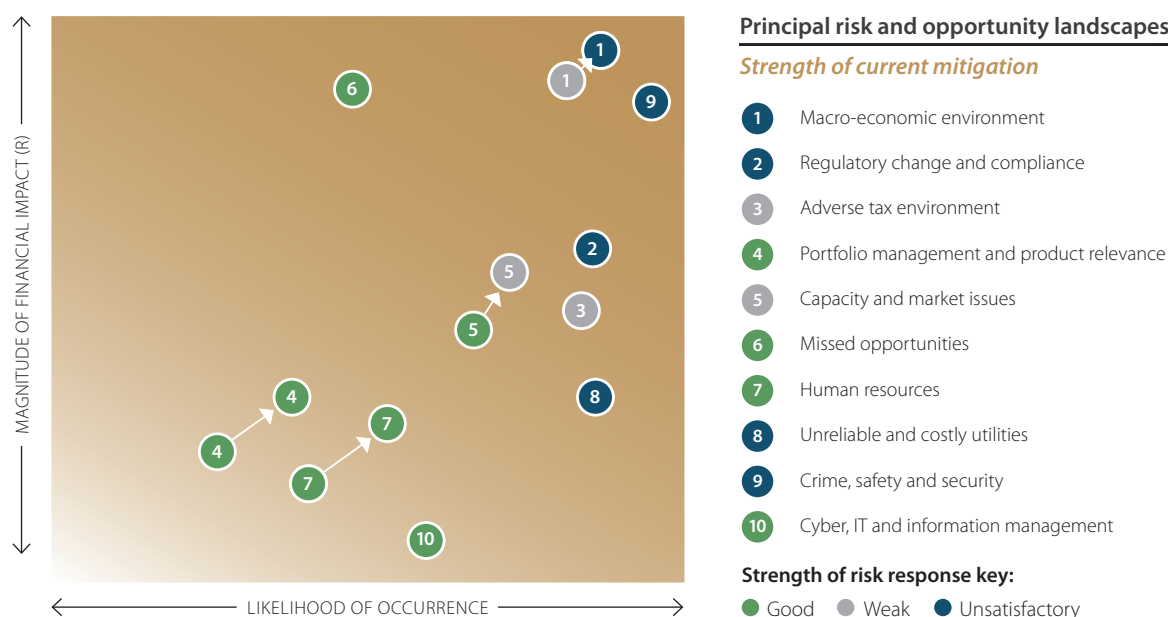
5 MATERIAL MATTERS

The Covid-19 pandemic related regulations impact directly and indirectly across the group's principal risk and opportunity landscapes and have been addressed within each of these respective areas.



Materiality, material risks and opportunities *continued*

TSOGO SUN GAMING GROUP RISK AND OPPORTUNITY LANDSCAPE MOVEMENT from March 2020 to March 2021



1 MACRO-ECONOMIC ENVIRONMENT

Specific risks we face

- Low to negative economic growth due to impact of Covid-19 national lockdown and regulations imposed
- Covid-19 pandemic continuing for an extended period
- Growth negatively affected by macro-economic factors
- Declining customer discretionary spend
- Increased funding costs due to further ratings downgrade
- Concentration of operations in South Africa

Potential impact

- Low/no revenue growth and profitability
- Disruption to operations
- Increased funding costs
- Increased debt and adverse impact on financial covenants

Risk responses

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

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 or relocation of existing 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, e.g. POPIA, CPA and FICA
- Loss of licences
- Illegal gambling



Potential impact

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

Risk responses

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

Associated strategic priorities

-  Deliver to our beneficiaries
-  Regulatory compliance

3

ADVERSE TAX ENVIRONMENT

Specific risks we face

- Potential increased national and provincial gaming taxes
- Increased rates and property taxes
- Aggressive tax authorities
- Possible additional VAT increases




Potential impact

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

Risk responses

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

Associated strategic priorities

-  Deliver to our beneficiaries
-  Regulatory compliance
-  Growth

4

PORTFOLIO MANAGEMENT AND PRODUCT RELEVANCE

Specific risks we face

- Proposed legislation on banning smoking in enclosed/indoor public areas
- Unlawful online gaming product offering
- Technology and social trends
- Product relevance in target markets
- Ageing infrastructure



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
- Investment in facilities and maintenance capex to ensure relevance
- Market research to timeously identify trends
- Social media interaction
- Tsogo Sun Gaming App development
- Launched new website www.tsogosungaming.com
- Online products

Associated strategic priorities

-  Product relevance to customer experience
-  Growth

Materiality, material risks and opportunities *continued*

5

CAPACITY AND MARKET ISSUES

Specific risks we face

- Covid-19 social distancing measures
- Proliferation of illegal gambling
- Fixed-cost nature of the business
- Roll out of other gaming licences on an uncontrolled basis
- Unlawful interactive gaming

Potential impact

- Lower revenue growth and profitability
- Reduction of tax collections

Risk responses

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

Associated strategic priorities



Growth



Deliver to our beneficiaries

6

MISSED OPPORTUNITIES

Specific risks we face

- New gaming opportunities
- Developing revenue drivers and increasing footfall
- Optimising inhouse resources, outsourced contracts and further cost savings
- Optimising, marketing, reward programme and inactive customers

Potential impact

- Lower revenue growth and profitability
- Missed revenue and cost reduction opportunities

Risk responses

- Proper and robust evaluation of opportunities
- Prioritisation of capital expenditure allocation
- Monitoring returns on new businesses
- Review organisational structures
- Further focus on cost reduction

Associated strategic priorities



Growth

7

HUMAN RESOURCES

Specific risks we face

- Changes implemented in response to Covid-19 regulatory changes
- Ongoing changes implemented by management to restructure the organisation
- Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to strikes and unrest
- Lifestyle diseases and pandemic
- Limited pool of qualified, trained and talented staff

Potential impact

- Failure to meet B-BBEE 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

Associated strategic priorities



Human resources



Deliver to our beneficiaries

8

UNRELIABLE AND COSTLY UTILITIES

Specific risks we face

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

Potential impact

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

Risk responses

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

Associated strategic priorities



Product relevance to customer experience



Growth

9

CRIME, SAFETY AND SECURITY

Specific risks we face

- Global pandemic and threats of new variants of Covid-19
- Casino and hotel robberies/follow-home robberies
- Major violent incidents
- Fraud by employees/from external sources

Potential impact

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

Risk responses

- Implementation of extensive hygiene and safety protocols
- Compliance to the Disaster Management Act (DMA) regulations
- Physical security and surveillance procedures and crime intelligence
- Coordination with the South African Police Service
- Internal control frameworks and internal audit procedures

Associated strategic priorities



Regulatory compliance



Growth

10

CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face

- Remote working practices increasing cyber risk
- 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

Associated strategic priorities



Regulatory compliance



Growth

Key relationships

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

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

The most significant stakeholder issue continues to be the Covid-19 pandemic and the consequent regulations implemented by government. The lockdown and subsequent opening of the economy within various alert levels resulted in the group not being able to open its business for an extended period of time which impacted lenders through increased risk and the deferral of interest payments, shareholders through the cessation of the payment of dividends, gambling boards as no gaming levies were paid, government through reduced VAT, income tax and PAYE, customers by being denied access to our sites, our communities through reduced CSI and enterprise development spend, our employees through reduced incomes and lost employment, our suppliers through reduced procurement, our tenants as they were unable to trade and our landlords where rentals were reduced.

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

WHY IT IS IMPORTANT FOR US TO ENGAGE

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



Government and regulatory bodies

Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues



Customers

We need to understand our customers' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue



Communities

Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability



Employees

Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy



Suppliers, tenants and business partners

Our suppliers, tenants and business partners enable us to deliver consistent customer experiences





HOW WE ENGAGE WITH OUR STAKEHOLDERS

OUR STAKEHOLDERS' KEY INTERESTS

ASSOCIATED STRATEGIC PRIORITIES



- JSE news services
- Media releases and published results
- Integrated annual reports and financial statements
- Annual general meetings
- Dedicated analyst and investor presentations
- One-on-one meetings
- Tsogo Sun Gaming website

- Sustainable growth and returns on investment
- Dividends
- Risks and opportunities
- Transparent executive remuneration
- Corporate governance and ethics
- Liquidity and gearing
- Security of tenure over properties
- Independence of the board

-  Financial strength and durability
-  Growth

- Establish constructive relationships
- Comment on developments in legislation
- Participate in forums
- Written responses in consultation processes
- Presentations and feedback sessions
- Regulatory surveillance, reporting and interaction
- Membership of industry bodies, eg CASA

- 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



- Rewards programme
- Website and Facebook engagement
- One-on-one interaction
- Above-the-line marketing

- Quality product
- Consistent quality experience
- Seamless interaction
- Value offerings
- Long-term security of supply
- Recognition for loyalty

-  Product relevance to customer experience
-  Deliver to our beneficiaries
-  Growth

- Corporate social investment initiatives
- National Responsible Gambling Programme

- Investment in disadvantaged communities
- Corporate social investment
- Employment opportunities
- Responsible gaming

-  Deliver to our beneficiaries
-  Growth



- Communication
- Induction programmes
- Ongoing training and education
- Performance management programmes
- Anti-fraud, ethics and corruption hotline

- Job security
- Engagement
- Performance management
- Health and safety performance
- Career planning and skills development
- Preferred employer

-  Human resources
-  Growth

- One-on-one meetings
- Tender and procurement processes
- Anti-fraud, ethics and corruption hotline
- Supplier forums and showcases

- Timely payment and favourable terms
- Fair treatment
- B-BBEE compliance

-  Deliver to our beneficiaries
-  Growth

Key relationships *continued*

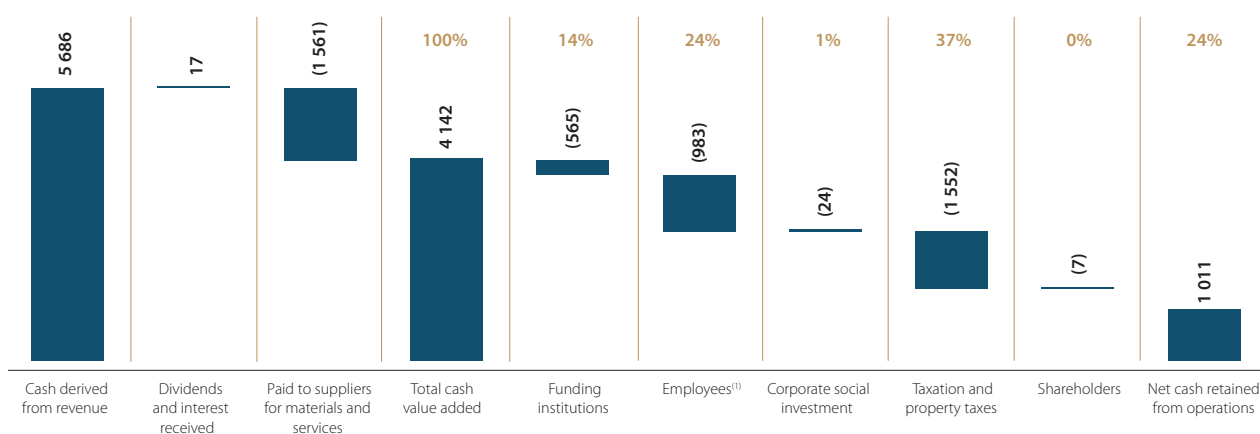
In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

- Returns for our shareholders and funding institutions;
- Substantial income tax, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- Corporate social investment within the communities we serve;
- Employment within the communities we serve;

- Sustainable business for our national and local business partners and suppliers which creates wealth and additional employment; and
- Continuous investment to maintain our portfolio of properties.

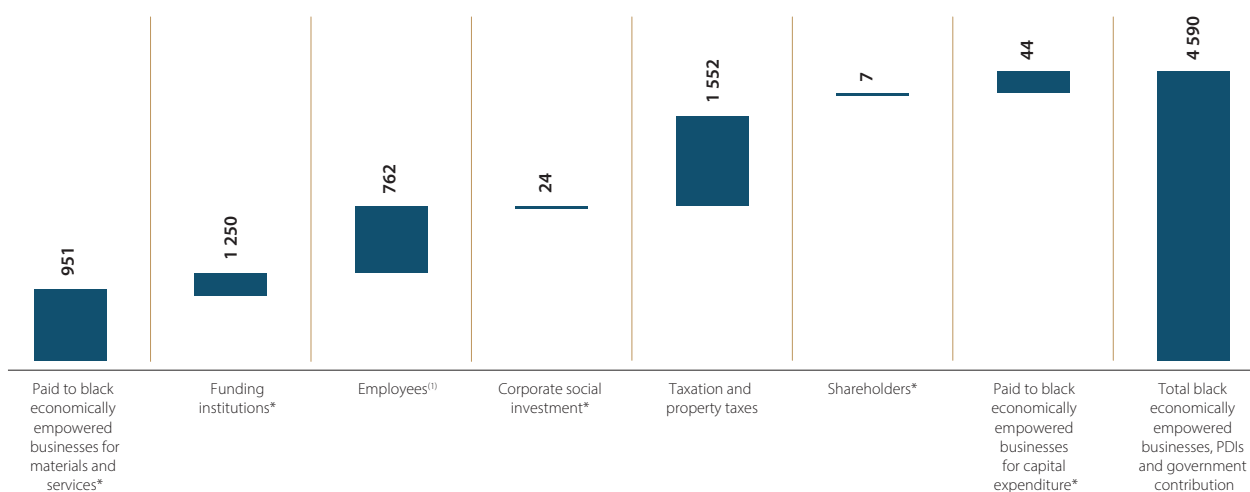
A substantial portion of the value added wealth generated by the group is spent with/distributed to B-BBEE businesses, PDIs and government. The value added by the group and the contribution to black economically empowered businesses, PDIs and government is as follows:

VALUE ADDED FOR THE YEAR ENDED 31 MARCH 2021 (Rm)



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

VALUE ADDED TO BLACK ECONOMICALLY EMPOWERED BUSINESSES, PDIs AND GOVERNMENT FOR THE YEAR ENDED 2021 (Rm)



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

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



PERFORMANCE AND OUTLOOK

Chairman and Executive management review

Strategy in action

Deliver to our beneficiaries

Financial strength and durability

Product relevance to customer experience

Regulatory compliance

Human resources

Growth strategy in action

Chairman and Executive management review



John Copelyn
Chairman



Chris du Toit
Chief Executive Officer



Annelize Hoyer
Chief Financial Officer

The 2021 financial year was a constant challenge of having to navigate the varying restrictive regulations imposed on our industry as a result of Covid-19.

Maximising cash generation and reducing debt remains priority.

We are cautiously optimistic about the recovery path of Tsogo Sun Gaming.

REVIEW OF OPERATIONS

The ongoing regulatory restrictions promulgated as a result of the Covid-19 pandemic, including the imposition of varying curfews, alcohol bans and capacity limitations, restricted the group's ability to trade and had a substantial negative impact on the group's results for the year under review.

All the group's businesses were closed for the first quarter of the 2021 financial year and thereafter re-opened in a staggered manner.

The second wave and consequent stricter regulatory restrictions imposed during December 2020 and January 2021 hampered the recovery of the group's businesses.

None of the gaming divisions were fully operational by year end and were all subsequently completely closed from 28 June until 25 July 2021 under level 4 restrictions.

↓ 51%
R5.7 billion
Income

↓ 49%
(R3.9 billion)
Operating
costs

↓ 57%
R1.7 billion
Ebitda

↓ 103%
(3.1 cents)
HEPS

Income statement for the year ended

	31 March 2021 Rm	31 March 2020 Rm	Change %
Income	5 686	11 686	(51)
Gaming win	5 253	9 846	(47)
Revenue			
Food and beverage	141	647	(78)
Rooms	125	490	(74)
Other revenue	73	445	(84)
Other income	94	258	(64)
Ebitda	1 741	4 005	(57)
Casinos	1 487	3 374	(56)
Bingo	103	273	(62)
LPMs	297	455	(35)
Other operations	(146)	(97)	(51)
Ebitda margin (%)	30.6	34.3	(3.7pp)
Amortisation and depreciation	(844)	(881)	4
Exceptional items	80	(2 097)	
Net finance costs	(944)	(1 242)	24
Associates	(8)	10	
Income tax	3	(82)	
Profit/(loss) for the year	28	(287)	
Non-controlling interests	(7)	(44)	
Attributable earnings/(loss)	21	(331)	
Adjustments	(53)	1 615	
Headline (loss)/earnings	(32)	1 284	(102)

Income for the year reduced by R6.0 billion compared to that of the prior year, Ebitda reduced by R2.3 billion and headline earnings of R1.3 billion for the prior year were wiped out resulting in a headline loss.

On the positive side, the business recovered well in the second half of the year from a headline loss of R0.5 billion in the first half to a R0.5 billion headline profit for the second half with a full year headline loss of (R32 million), notwithstanding the occurrence of the second wave.

Operating expenses

Operating expenses were tightly controlled during the year, and the ongoing cost saving initiatives should provide sustainable benefits. Visibility of where the operating cost base will finish when back to a normalised trading environment, is still difficult to determine accurately.

Casinos

The casino division experienced a very difficult 2021 financial year.

The division focused on improving the structure and efficiency of its business while reducing its operating expenses, which focus was critical in enabling the division to generate the positive cash required to assist the group to reduce its significant debt burden. The results achieved ensured the continued support of the group's lenders which assisted in the survival and recovery of the group's business.

With the cost savings achieved and natural attrition, the group has to date managed to contain retrenchments to a minimum, despite continued trading restrictions. It is, however, not sustainable for the business (or its staff) to continue trading these limited hours in the long term without significantly reducing its staff complement.

Gold Reef City Theme Park was also restructured during the year and now boasts an additional 13 rides. The pricing structure has been changed to one price for all tickets, tickets are available online and the theme park will only be open on selected days of the week.

Theatres, cinemas and restaurants (and consequently tenancing income) remain challenging with alcohol bans, curfews and social distancing requirements. The casino hotels made an Ebitda loss for the year.

Technological development will continue during the next financial year to position the casino division for the long term.

Bingo

The bingo division faced the same restrictive environment as that of the casino division, but purely due to the smaller scale and lower overheads of bingo versus casinos, the bingo division was better placed to cope with the restrictive environment.

LPMs

The LPM division continued to be the top performer of the group for the year.

While alcohol bans and bar closures continued to negatively impact the LPM business, the management team steered the LPM division to a very successful 2021 financial year, realising a market leading Ebitda of R297 million. Despite being far below the prior year levels, this is a remarkable performance given the complete shutdown of the business for the first quarter of this financial year, and the severe restrictions imposed during the second wave of the pandemic.

Finance costs

Net finance costs excluding lease finance costs for the year amounted to R0.9 billion (R1.06 billion for the prior year excluding a reclassification from the cash flow hedge reserve on refinancing the group's debt of R136 million).

The R7.5 billion of interest swaps still in place negatively impacted this cost. R4.0 billion of these hedges matured on 30 June 2021, which will realise an interest cost improvement for the group in the 2022 financial year. A portion of this saving will be offset by the margin ratchets imposed by the group's lenders who are continuing to support the businesses for the 2022 financial year.

Chairman and Executive management review *continued*

Income, Ebitda and headline earnings

Income for the year was R5.7 billion, Ebitda R1.74 billion and Ebitda adjusted for IFRS 16 Leases R1.66 billion (R0.08 billion lease costs are now included in depreciation and finance costs in terms of IFRS 16).

The headline loss for the year amounted to (R32 million), which is a great improvement from the (R543 million) headline loss reported for the interim period ended 30 September 2020. The 2020 financial year headline earnings amounted to R1.3 billion.

Dividends

The board of directors resolved to not declare a final cash dividend in respect of the year ended 31 March 2021.

Cash flow for the year ended

	31 March 2021 Rm	31 March 2020 Rm
Ebitda per income statement	1 741	4 005
Working capital and other non-cash adjustments	(65)	(459)
Cash generated from operations	1 676	3 546
Net finance costs paid	(548)	(1 025)
Income tax paid	(110)	(465)
Dividends received	–	114
Maintenance capital expenditure	(161)	(879)
Investment activities	(52)	(314)
Dividends paid to ordinary shareholders	–	(872)
Dividends paid to NCI	(7)	(23)
Other	7	(199)
Decrease/(increase) in net interest-bearing debt	805	(117)
Opening net interest-bearing debt	(11 227)	(10 983)
Interest moves	(369)	(127)
Closing net interest-bearing debt	(10 791)	(11 227)

Capital expenditure, investments and sale of assets

Capital expenditure and investments of approximately R0.2 billion for the year included projects involving the group's hotels which had already been committed to in prior years, and unavoidable maintenance capex.

The focus for capex spend in future will be "value adding", prioritising the needs of the gaming and entertainment aspects of the group's business, and the amount of capex to be spent on projects being contained as much as possible. With the cash flow constraints and the requirement to steer the group's financial performance to return it to be within its original financial debt covenants, no major projects are planned for the 2022 financial year.

Investments and/or acquisitions in the industry, and the possible sale of non-core assets will continually be evaluated and considered where appropriate or feasible.

Debt and covenants

The group reached agreement with its lenders to waive the expected March 2021 financial covenant breaches.

In addition, the group's net leverage covenant was reset to a maximum Net Debt : Ebitda multiple of 4.3 times for September 2021 and 3.8 times for December 2021. Furthermore, the interest covenant was reset so that Ebitda covers interest by not less than 2.9 times by September 2021 and 3.0 times by December 2021.

The main conditions for the continued support by the group's lenders until 31 March 2022 are:

- a fixed margin ratchet of 58bps from 31 May 2021 until 30 August 2021;
- a tiered margin ratchet of between 27bps and 66bps (with the determination thereof being based on net leverage) from 31 August 2021 until 31 March 2022;
- interest of approximately R400 million which was rolled up to support liquidity settled by 31 August 2021;
- a reasonable minimum financial results performance requirement for the quarter ending 30 June 2021 which has been met;
- no material part of the business shall be closed down for 30 days cumulatively; and
- no dividends to be declared until the group's financial performance returns to being within its original financial covenants.

The group has done well to reduce net interest bearing debt and guarantees from the unsustainable R11.8 billion reported for the interim period, to R10.9 billion at 31 March 2021 (R11.4 billion at 31 March 2020).

The group's focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs.

GOING CONCERN

The directors have considered the going concern status of the group, taking into account the group's current financial position and the directors' best estimate of the group's cash flow forecasts in terms of their current knowledge and expectations of the ongoing developments relating to the Covid-19 pandemic.

Regulatory restrictions promulgated, including varying curfews, alcohol bans and capacity limitations have been considered in the forecast. The cash flow and liquidity projections took into account the third wave and the resultant complete lockdown of the business from 28 June 2021 arising as a result of the pandemic and the positive recovery of the business following the second wave and the government's vaccination programme. Management has focused on cost reductions and operational efficiencies during the past financial year. These cost efficiencies have significantly reduced the group's cost base, ensuring the future profitability and sustainability of the group. Based on the forecast performed, the group has sufficient access to facilities and liquidity to fund operations for the following 12 months.

Management continues to engage with the lenders on an ongoing basis regarding current and forecast financial performance as well as the financial position of the group. As a result of the lockdown imposed from 28 June 2021, the group may not be within its original covenants by 31 March 2022 and may accordingly have to come to an arrangement with its lenders. There has been no indication received by the lenders that they may withdraw their continued support of the group.

The recent civil unrest is also not expected to have a material impact on the going concern of the group.

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

SUBSEQUENT EVENTS

Covid-19 pandemic

The impact of Covid-19 continues globally exacerbated with the emergence of new variants. South Africa, like many countries around the world, put significant governmental measures in place to control the spread of the virus, which continued to include varying curfews, alcohol bans and capacity limitations. With the emergence of the third wave the measures included a move to the adjusted alert level 4 from 28 June 2021, resulting in, amongst others, the temporary closure of all the casinos, bars and restaurants (except for sales for off-site consumption), theatres, cinemas, conferencing and entertainment facilities until 11 July 2021, which was further extended (except for restaurants) until 25 July 2021.

The group completed the impairment testing of its goodwill, intangible assets and financial assets through OCI based on cash flows that were modelled on assumptions that incorporated the impact of the emergence of a third wave based on management's best estimate at the reporting date. The adjusted level 4 lockdown and subsequent move to an adjusted level 3 lockdown announced subsequent to year end did not result in a material adjustment to the numbers at year end because muted trading conditions were already forecasted for July and August 2021.

Civil unrest in South Africa

The violence, looting and general lawlessness experienced in South Africa is a matter of extreme concern and the group condemns it in the strongest possible terms. The safety of our staff and the safeguarding of our property is our priority. No property of the group has been affected with the exception of a number of bingo sites and LPM operator sites which have been damaged and looted. The damage caused has not been fully quantified yet and a high-level assessment indicates losses of approximately R50 million. Insurance claims will be submitted to SASRIA for damage suffered.

Business interruption ("BI") insurance claim

The group reached agreement with its insurers regarding its BI claim relating to Covid-19 and settlement of the claim of R111 million was received between June and August 2021.

REGULATORY

We are disappointed that the 2018 bill relating to the Control of Tobacco Products and Electronic Delivery Systems is still being actively pursued during the most difficult time that the casino industry has ever faced. If not amended, this bill will result in the banning of smoking in the existing separate dedicated smoking areas of casinos (already limited to 25% of the floor space). This will further enable illegal gambling to thrive, resulting in significant tax and job losses.

PROSPECTS

With the continued support of the group's lenders as agreed until 31 March 2022, the group has effectively been afforded more time to reduce its debt to more acceptable levels so that it can hopefully once again stand on its own feet as soon as possible after the 2022 financial year.

Until the group's financial performance has returned to being within its original financial debt covenants (net leverage below 3 times Net Debt : Ebitda), the group will continue with its narrow focus of delivering as much positive cash as possible to reduce debt.

It is a positive development that the group's results achieved for the month of March 2021 were the best monthly results seen since the business was permitted to re-open in the second quarter of the 2021 financial year. In addition, net interest bearing debt and guarantees reduced further after year end to approximately R10.6 billion at 31 July 2021. The extent of debt reduction was negatively affected by the complete lockdown of the various gaming divisions for almost a month, which has set back our recovery.

Although trading since reopening on 26 July 2021 is continuously impacted by the regulations, *inter alia* requiring a 21:00 closing time for the gaming operations, the gaming win achieved for August 2021 is encouraging.

GOVERNANCE

Our application of the King IV principles is set out in the King IV compliance document included in this report. The board has a collective commitment to leading ethically, acting in good faith and in the best interests of the business. The board's responsibility for the governance of ethics includes oversight of the social and ethics committee.

APPRECIATION

We wish to extend our appreciation to the board, management and to all our employees during these challenging times. Thank you to all our stakeholders, in particular the lenders, for your unwavering support and understanding.

SPECIAL APPRECIATION

During this very difficult time, we want to acknowledge all our Tsogo Sun Gaming employees and their families who have been affected by Covid-19. Our sincerest condolences go out to those who have lost loved ones. To those who are currently battling with the disease, we wish you a speedy recovery.



John Copelyn
Chairman



Chris du Toit
Chief Executive Officer



Annelize Hoyer
Chief Financial Officer

3 September 2021

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

KEY PERFORMANCE INDICATORS

Black ownership was 62% (2020: 59%) with value added contribution to black economic empowered businesses, PDLs and government of R4.6 billion (2020: R7.7 billion).

The group has achieved a level 2 B-BBEE status (2020: level 1 B-BBEE status).

2021 PERFORMANCE

Covid-19

The primary issue of significance affecting our sustainability strategy is the Covid-19 pandemic and Disaster Management Act (DMA) National Lockdown to contain the spread of the disease in South Africa. The ongoing regulations promulgated for this reason, including *inter alia* lockdowns, curfews, alcohol bans and capacity limitations restricted the group's ability to trade and had a substantial negative impact on the group's results for the year. All the group's operations were closed for the first quarter of the 2021 financial year and re-opened in a staggered manner. The business was again closed from 28 June 2021 to 25 July 2021 under adjusted level 4 regulations.

A Covid-19 steerco was established in April 2020 to regulate and monitor compliance with the protocols to be observed by employees, contractors, tenants and customers, and to guide engagement with these stakeholders about the impact of the pandemic.

Shareholders

As mentioned in the group overview, 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

Tsogo Sun Gaming continues to be committed to uplifting and developing communities in need, spending a portion of our profits annually on community initiatives and entrepreneurial development.

Community development

During the year, the group's social investment in community development amounted to R24 million (2020: R53 million), all of which is verified spend on B-BBEE socio-economic development and represents 16.55pp more than the tourism sector code target.

While most social investment was suspended at the beginning of the Covid-19 lockdown, the group's operating companies continue to uphold their mandates to provide support to their local communities in line with strategy and in accordance with licence conditions and bid commitments where applicable.

LOOKING AHEAD

Ongoing tracking of all contributions is conducted to evaluate the benefit to supported organisations and to identify where emphasis needs to be adjusted for improved positive social impact in the future.

Enterprise and supplier development

The value of Tsogo Sun Gaming's investment in enterprise and supplier development for the year was R27 million (2020: R56 million), which represents 18.01pp more than the tourism sector code target. R21 million was allocated to enterprise development beneficiaries and R6 million to supplier development beneficiaries.

Through the Tsogo Sun Entrepreneurs programme, the group supports small businesses with the potential to form part of our procurement pipeline. The programme provides a range of business benefits to 153 (2020: 162) enterprises in various industries across South Africa.

LOOKING AHEAD

New enrolments were suspended at the beginning of the Covid-19 lockdown, however assistance continues to be provided to existing beneficiaries, and the programme is well-positioned to continue to actively support small businesses in the future.

Tsogo Sun volunteers

Tsogo Sun Gaming's employee volunteer programme enables people employed by the group to actively provide support to those living in less fortunate circumstances. During the year, employees participated in fund-raising campaigns such as Mandela Day, Casual Day, World Blood Donor Day and various community-based Covid-19 relief outreach initiatives.

Transformation

Tsogo Sun Gaming considers itself to be a pioneer in transformation and a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 2 B-BBEE contributor status, measured against the dti revised codes of good practice – tourism sector scorecard, and complies with the related guidelines. The group's casinos are, in addition, individually measured against the same scorecard while the bingo and LPM gaming businesses with a turnover of more than R50 million are measured using the generic scorecard, as prescribed by legislation.

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

	Tourism sector scorecard target	2021	2020
Ownership	27	27.0	27.0
Management and control	19	14.0	13.4
Skills development	20	13.9	21.7
Enterprise and supplier development	40	35.0	36.1
Socio-economic development	5	8.0	8.0
Overall	111	97.5	106.2
Rating level		2	1

The group's B-BBEE contributor status lowered to level 2 with 125% procurement recognition (down from level 1 in the prior year). This is due to the impact of the Covid-19 lockdown and the extremely difficult operating conditions experienced in the year under review. Despite this, our total score only reduced by 8.7 points to 97.5 points. Tsogo Sun Gaming's black ownership is verified at 61.62% and black women ownership is 33.50%.

LOOKING AHEAD

The group intends to continue to prioritise transformation and maintain its performance in the year ahead. This will be achieved through continued focus on all areas of the empowerment framework.

Responsible gambling

Tsogo Sun Gaming acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour in communities where we operate. We engage these concerns by educating our employees and customers about responsible gambling and seek to avoid the misuse of gambling. Tsogo Sun Gaming contributes to, and actively promotes, the National Responsible Gambling Programme.

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

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

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

Industry bodies

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

Tenants

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

With a total of 294 tenants across Tsogo Sun Gaming's various properties, tenancing is one of the group's core focus areas to ensure that our customers have access to the best entertainment-related offerings. Revised terms have been arranged with certain of the group's tenants in response to Covid-19 National Lockdown regulations. These terms continue to be assessed and adjusted in line with the lockdown level fluctuations.

Sustainability strategy in action *continued*

Suppliers

Tsogo Sun Gaming encourages diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses. The group intentionally supports black-owned businesses in South Africa by means of a focused procurement strategy. However, to contain costs, suppliers with contracts and those who provide services were consulted at the beginning of Covid-19 lockdown and operating expenses have been tightly controlled during the year.

Verified total procurement spend on black economic empowered businesses amounted to R2.3 billion (2020: R4 billion) during the year. The group's B-BBEE score for preferential procurement, which is measured within the enterprise and supplier development element, is 18.0 out of 25 (2020: 19.1 out of 25).

Third-party owners

The group leases properties for various operations, and negotiations with landlords were embarked upon at the beginning of the Covid-19 lockdown. The group applied the practical expedient in the amended IFRS 16 standard to all of its leases where it is a lessee and lease concessions were granted to the group retrospectively with effect from 1 April 2020, which reduced lease liabilities for the reporting period. All of the lease concessions granted to the group were by way of forgiveness of rentals. There were no deferments of lease rentals.

Environment

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

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

Scope and boundaries of emissions measurement

The scope and boundaries of measurement are consistent with the prior year. Scope 1 and scope 2 emissions are reported for all owned businesses located at properties, owned or leased by the group, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, have not been measured as they are not significant and there are no other emissions that are considered material.

Emissions measurement

	2021	2020	% change on 2020
Total emissions (tCO ₂ e)			
Scope 1	2 427	4 365	(44)
Petrol and diesel (owned company vehicles)	1 108	1 820	(39)
Diesel consumed (owned businesses)	947	1 333	(29)
LPG and natural gas usage (owned businesses)	372	1 212	(69)
Scope 2	102 812	143 877	(29)
Energy consumed (owned businesses)	102 812	143 877	(29)
Scope 3	12 536	23 695	(47)
Energy consumed (tenants)	11 954	21 304	(44)
Laundry services (outsourced)	572	1 791	(68)
Business travel	10	600	(98)
Total emissions (tCO₂e)	117 775	171 937	(32)

Scope 1 and 2 emissions

In total, 98% of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus for the group in reducing emissions. LPG and natural gas are primarily used for cooking, petrol and diesel in vehicles is mainly used by Vukani and diesel is utilised for back-up electrical generation. Consumption was significantly lower when compared to prior year largely due to the lockdown of properties during the first quarter of the year, and subsequent lower trading volumes due to the continuation of regulatory restrictions imposed with not all businesses being fully operational as yet.

Scope 3 emissions

The majority of scope 3 emissions arising from tenants at group properties also arise from the consumption of electricity and saw a significant reduction due to the lockdown.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have company-specific water risks. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (94% of consumption). One property primarily utilises ground water due to continuous supply problems from the local municipality and the Gold Reef City Theme Park utilises cleaned mine water for the water rides. Water consumption at the group's owned properties decreased by 51% to 0.6 million kilolitres during the year as a result of the lockdown.

Waste management

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

Biodiversity

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



Sustainability strategy in action *continued*

FINANCIAL STRENGTH AND DURABILITY

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

The ongoing regulatory restrictions promulgated because of the Covid-19 pandemic, including the imposition of varying curfews, alcohol bans and capacity limitations, restricted the group's ability to trade and had a substantial negative impact on the group's results for the year under review and its ability to generate cash on the same levels as pre-Covid-19.

KEY PERFORMANCE INDICATORS

	2021	2020
Net debt (Rbn)	10.8	11.2
Guarantees (Rbn)	0.1	0.2
Net Debt : Ebitda (times)	6.38	2.96
Short-term funding drawn down (ONL, RCF) (Rbn)	0.9	1.4
Net debt hedged through fixed interest rate swaps (%)	70	80

2021 PERFORMANCE

Net interest-bearing debt

Interest-bearing debt and guarantees net of cash at 31 March 2021 totalled R10.9 billion, which is R0.5 billion below the 31 March 2020 balance of R11.4 billion. Short-term funding drawn down was R0.9 billion at 31 March 2021 (including rolled up interest due and payable by August 2021) compared to the R1.4 billion in prior year.

All the group's businesses were closed for the first quarter of the 2021 financial year and thereafter re-opened in a staggered manner. None of our businesses are fully operational yet, with the curfew adversely affecting the businesses reliant on late evening trade. The second wave and consequent stricter regulatory restrictions imposed during December 2020 and January 2021 hampered the recovery (which commenced in September 2020) of the group's businesses. These restrictive trading conditions had a negative impact on the Net Debt : Ebitda ratio resulting in 6.38 times compared to the prior year of 2.96.

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

The group refinanced its revolving credit facility and its overnight facilities during the period as part of the negotiations with lenders for a further two years and one year respectively. This will ensure sufficient short to medium term facilities are available with the additional lockdown period imposed.

Interest rate management

The group has hedged a significant proportion of debt facilities even though no new hedges were entered into during the past year. The group's net debt was hedged to 70% at the end of 2021, down from 80% in the prior year. The decrease is a result of R1.5 billion of hedges that matured on 30 June 2020. A further R4 billion of hedges will mature on 30 June 2021 leading to significant savings on finance costs going forward. With the interest rate cutting cycle likely having reached the bottom, the group will continually assess further hedges taking into account liquidity and the uncertain times due to the pandemic. The weighted average effective interest rate for the year was 7.97%.

Funding covenants

The lenders agreed to the waiving of financial covenants initially for the September 2020 measurement period and deferring interest payments for three quarters to provide the group with additional liquidity. Furthermore the lenders waived the March 2021 financial debt covenants and reset the financial covenants to a maximum Net Debt : Ebitda multiple of 4.3 times for September 2021 and 3.8 times for December 2021. The reset of the financial covenants is required due to the restrictive measures still being imposed on the gaming sector.

Furthermore, the interest covenant was reset such that Ebitda covers interest by not less than 2.9 times by September 2021 and by not less than 3.0 times by December 2021.

The group has reduced debt despite these restrictive trading conditions and is in a better position from a liquidity perspective than the prior year.

LOOKING AHEAD

The group plans to continue reducing debt in the coming period as its gearing is currently too high and will need to be carefully managed to bring the Net Debt : Ebitda down, especially in these uncertain trading conditions. Without further restrictions being imposed by government, the group will be able to significantly accelerate the reduction in debt. As a condition to the waiving of financial covenants, the lenders require that no distributions to shareholders be made until the group returns to within its funding covenants.

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

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

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

2021 PERFORMANCE

Product relevance

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

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

Information technology

The business continuously leverages off new and innovative technologies to enhance the customer experience and support the business objectives. Cybersecurity, system stability, digital development and customer facing technologies remain a priority.

Information security and cyber resilience are core focuses with significant progress accomplished in these environments. Our security initiatives continue to concentrate on increasing staff awareness, ensuring integrity of our systems and collaborating with qualified security service providers. The objective is to further enhance our security framework by engaging with key security providers on various cybersecurity initiatives and assessments. A hybrid approach for hosting systems, either on premises or in the Cloud, remains our preferred strategy.

Information technology is a critical element of the business as nearly every operational function is driven through digital and technology initiatives. As a result, the information technology strategy continues to focus on innovation, collaboration, growth, security, continuous improvement and stability.

LOOKING AHEAD

As the information technology landscape continues to accelerate, the following key initiatives will take priority:

- reinforcement of the information and data security landscape;
- further strengthen the cybersecurity framework;
- ensure system stability;
- improve efficiency and increase consistency;
- ability to respond quicker to change;
- update and upgrade core systems to leverage new features and functionality;
- optimise investments made in technologies;
- implementation of systems and processes to improve productivity and identification of cost containment opportunities;
- enhancement of customer engagement technologies; and
- responsible disposal of e-waste.

Tsogo Sun Gaming brand portfolio management

The Tsogo Sun Gaming brand identity was refreshed in April 2020 and the brand essence of *Entertain. It's what we do* was introduced as the core brand purpose across the Tsogo Sun Gaming family of brands. All thirteen casino brands were refreshed to reflect symbols synonymous with the world of gaming and to embody the group's brand values (influential, fun, unapologetically real, authentic, appealing and edgy). In line with this, the tsogosungaming.com website was launched during the year together with the refreshment of the group's casino websites. The Galaxy Bingo and VSlots brands maintained their own well-established identities.

Customer satisfaction

The dynamic environment in which the group operates has resulted in a shift in the way brand reputation is managed. The group welcomes the increase in customer interaction on digital platforms and proactively monitors and manages online conversations.

LOOKING AHEAD

The development of a customer-facing mobile app is underway and customer satisfaction statistics will be integrated through the app in the future.

Sustainability strategy in action *continued*

Customer rewards programmes

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

LOOKING AHEAD

Data analytics will remain a priority to improve our understanding of customer behaviour and purchasing patterns for us to remain relevant and entrench loyalty. Significance will continue to be placed on the protection of data and incorporation of local and international legislation and standards, including compliance with the POPIA, discussed in more detail under the Regulatory compliance section.

Customer safety

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

The group implemented far-reaching measures to provide a safe environment for our customers at our establishments – both prior to the Covid-19 Nationwide Lockdown and when restricted trading conditions resumed in June 2020.

Post reopening, in line with restricted trading regulations, strict health and safety measures were introduced and continue to be maintained, including monitoring all customers and employees through records and temperature screening, providing personal protective equipment to all employees, enforcing social distancing, providing SABS-approved hand sanitisers and maintenance of intensified hygiene and cleanliness regimens.

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

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

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

LOOKING AHEAD

Strict Covid-19 health and safety protocols will continue to be enforced to provide a safe environment for customers, including the wearing of masks and social distancing; medical screening questionnaires; temperature screening (over 37.5°C undergo evaluation); and hand sanitising at all entrances and exits. The group will continue to enforce hand-sanitising, limited seating and safe distancing. PPE will continue to be provided to all employees, and they will continue to be trained in basic protective measures in line with WHO and NDH guidelines.

REGULATORY COMPLIANCE

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

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

KEY PERFORMANCE INDICATORS

	2021	2020
Significant gaming regulation breaches	Nil	Nil
Fines imposed for other regulatory breaches	Nil	Nil
Fines imposed for breaches of law	Nil	Nil

2021 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, labour issues, and now also the ever-changing regulations promulgated under the Disaster Management Act in response to the Covid-19 pandemic. The board's audit and risk committee is updated with all material changes to legislation and regulations at least twice a year, and the board is updated quarterly.

Casino and other gaming operations (such as bingo and LPMs) licensees operating in South Africa are subject to extensive regulation at both a national and a 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 casino and other gaming related licences, is achieved through the strict implementation of internal control procedures and compliance policies, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and by creating a compliance culture through training. Compliance with the terms of the casino and other gaming related licences is monitored by the relevant provincial gambling board on an ongoing basis.

During the year, the group participated in the public consultation process in respect of proposed legislative and policy amendments which may have a regulatory compliance impact on the group's gaming operations. These *inter alia* included the proposed Control of Tobacco Products and Electronic Delivery Systems Bill, various provincial gambling acts and regulations.

With the coming into effect of the Protection of Personal Information Act (POPIA) on 1 July 2021, the group has embarked on a process to ensure compliance with the requirements of the POPIA. The process includes the appointment of Information Officers, an impact assessment to ensure that adequate measures and standards exist in order to comply with the conditions for the lawful processing of personal information, and the development and implementation of a compliance framework. In addition, relevant employees of the group have been subjected to internal training and awareness sessions.

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 significant breaches of any legislation and no significant fines imposed during the year.

Sustainability strategy in action *continued*

HUMAN RESOURCES

Every aspect of the business, from the gamer's experience at the roulette wheel to the dining experience at our restaurants, requires an interaction with employees of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management.

In order to attract and retain the appropriate talent pool, the group ensures that all aspects of the employee's experience, including but not limited to, remuneration and incentivisation, is properly structured. It is however a challenge during the pandemic-related restrictions, which continue to negatively impact the business and which ultimately affects its employees.

KEY PERFORMANCE INDICATORS

	2021	2020
Management and control (revised codes) score	14.0/19	13.4/19
Verified training spend as a % of payroll	3.6%	5.3%

Employment equity

The principles of empowerment and diversity are entrenched in the group. The table below reflects our employment equity. It excludes the approximately 1 931 (2020: 2 875) contract staff employed by third-party service providers.

	Employees	ACI %	Female %	Disabled %
Top management	103	50.5	43.7	3.9
Senior management	264	70.5	35.6	3.0
Middle management	848	80.0	48.0	1.4
Junior management	1 911	95.2	48.9	0.8
Other employees	4 567	98.9	61.3	1.7
Total 2021	7 693	94.3	55.7	1.5
Total 2020	8 947	92.9	54.5	1.1

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, the overall percentage of female employees is 56% of the workforce (2020: 55%) and the representation of black employees throughout the group is 94% (2020: 93%).

Employee development

Training and development is delivered to employees by the Tsogo Sun Gaming Academy (TSGA) which is accredited by CATHSSETA to provide skills development programmes. The scope of the training provided varies from functional skilling of employees to portable skills with Quality Council Trades and Occupations (QCTO) accreditation.

2021 PERFORMANCE

Job creation and employee stability

The group contributes approximately 7 693 (2020: 8 947) direct jobs and 1 931 (2020: 2 875) indirect jobs including contract staff employed by third-party service providers. Labour turnover for permanent full-time employees during the year was high as a result of the pandemic and the restrictions imposed on the industry.

UIF TERS claims supplemented employee earnings throughout the year as a result of the reduced hours of operation of the business. Employee benefit-related Covid-19 relief was provided to employees through means of a medical scheme contribution holiday (three months from June to August 2020) and a retirement/provident funds contribution suspension from May 2020. Due to the ongoing restrictions on trade, the resultant impact on the economy and discretionary spend into the future, employee costs continue to be reduced to preserve the sustainability of the business.

The value of Skills Development Spend (SDS) was verified at R38 million, equivalent to 3.9% of the leviable amount (2020: R107 million, equivalent to 6.3% of leviable amount). R37 million, equivalent to 3.7% of the leviable amount was allocated to SDS on black people (2020: R99 million, equivalent to 5.8% of the leviable amount). R36 million equivalent to 3.6% of the leviable amount was allocated to B-BBEE SDS measured on the National Black Economically Active Population (NBEAP) (2020: R90 million, equivalent to 5.3% of the leviable amount). The skills development B-BBEE score was 14.06/20.

While employee development remains important, the Covid-19 pandemic has placed significant constraints on business resources and skills development activity. In the year under review, the group had 288 employees on learnerships and provided 17 unemployed people with learnership opportunities.

LOOKING AHEAD

The skills development focus will continue to be on the provision of best practice interventions delivered by the TSGA via an online learning platform for remote training in the Covid-19 era and to support employees with suitable training to ensure their safety in the workplace.

Employee wellness

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

Employee health and safety

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

No employee fatalities as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost-time injury frequency rate of 0.40. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Tsogo Sun Gaming seeks to find ways to help our employees to manage their health and this past year, the focus has been on providing information and support in response to the Covid-19 pandemic, including the provision of education and sanitising material and PPE, as well as compulsory screening of employees reporting for work.

The Tsogo Sun Group Medical Scheme comprised 4 414 employees and 217 pensioners at the end of the financial year. The scheme continues to regularly communicate with members and their beneficiaries to ensure that they receive helpful information together with the appropriate level of cover for their health needs.

Employee engagement

Covid-19 and its impact has been the predominant subject of employee engagement during the year due to its devastating impact on lives and livelihoods; and therefore, the way we do business. The group's Covid-19 Steerco regulates and monitors compliance with Covid-19 protocols to be observed by employees and other stakeholders. Refresher training and updated posters/snapshot videos are used to keep Covid-19 top of mind in the business operations.

Growth strategy in action

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

GROWTH

The major driver of long-term growth will arise from maximising the revenue generated from the group's asset base, in addition to reviewing operational overheads to ensure they are either in support of the objective of sustainability or growth. The group will continue its narrow focus of delivering as much positive cash as possible to reduce debt through efficiency of operational cost structures and optimisation of revenue during the current and continued regulatory restrictions.

KEY PERFORMANCE INDICATORS

	2021	2020
Income (decrease)/increase (%)	(51)	1
Ebitda (decrease)/increase (%)	(57)	3
Capital expenditure (Rm) ⁽¹⁾	172	1 080
Adjusted HEPS reduction (%)	(102)	(14)

⁽¹⁾ Excluding capital creditors

Casinos

Total income for the casino business decreased 54% on the prior year to R4.1 billion. The results of casinos were impacted the most in the group with the restrictive trading and lockdown. Casinos continues to focus on improving the structure and efficiency of its business while reducing its operating expenses.

Bingo

The bingo division faced the same restrictive environment as that of the casino division, but purely due to the smaller scale and lower overheads of bingo versus casinos, the bingo division was better placed to cope with the restrictive environment. Total income reduced by 49% to R476 million.

LPMs

While alcohol bans and bar closures continued to negatively impact the LPM business, the LPM division managed to achieve Ebitda of R297 million. Despite being below the prior year levels, this is a remarkable performance given the complete shutdown of the business for the first quarter of the financial year, and the severe restrictions imposed during the second wave of the pandemic.



2021 PERFORMANCE

Segmental operating performance

	Income ⁽¹⁾			Ebitda ⁽²⁾		
	2021 Rm	2020 Rm	Change %	2021 Rm	Restated ⁽³⁾ 2020 Rm	Change %
Casinos	4 074	8 878	(54.1)	1 487	3 374	(55.9)
Gauteng	2 124	4 732	(55.1)	750	1 790	(58.1)
KwaZulu-Natal	1 103	2 327	(52.6)	430	959	(55.2)
Mpumalanga	340	777	(56.2)	127	274	(53.6)
Western Cape	316	619	(48.9)	129	245	(47.3)
Eastern Cape	130	294	(55.8)	35	74	(52.7)
Free State	61	129	(52.7)	16	32	(50.0)
Bingo	476	933	(49.0)	103	273	(62.3)
LPMs	1 086	1 658	(34.5)	297	455	(34.7)
Other gaming operations	50	217	(77.0)	(146)	(97)	(50.5)
Group operations	5 686	11 686	(51.3)	1 741	4 005	(56.5)

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

⁽²⁾ All casino units are reported pre-internal gaming management fees

⁽³⁾ The group reports its segments to the CODM using Ebitda and no longer Ebitdar and hence the comparatives have been restated – refer to note 6 of the consolidated financial statements

Investment activity expenditure

The group invested in Galaxy and Vukani on new capacity or replacing leased machines and R49 million for the Bet.co.za acquisition.

A total of R78 million was spent on general maintenance at the various properties, including projects involving the group's hotels which had already been committed to in prior years, and unavoidable maintenance capex.

LOOKING AHEAD

The ongoing regulatory restrictions as a result of the Covid-19 pandemic, imposition of curfews, alcohol bans and capacity limitations, will restrict the group's ability to trade. Ongoing cost savings initiatives should provide sustainable benefits when normal trading returns.



INTEGRATED GOVERNANCE

Reporting approach

Effective and ethical leadership

Board composition, structure and report back

Governance functional areas

Remuneration policy and implementation report

Governance summary

Reporting approach

King IV has been applied to the group from the 2018 financial year and this Integrated 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.

Effective and ethical leadership

Ethics

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

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

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

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

Responsible corporate citizenship

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

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

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

Value creation and reporting

This report includes our approach and philosophy of integrated reporting and assurance throughout the report.

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

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

Effective and ethical leadership *continued*

BOARD COMPOSITION, STRUCTURE AND REPORT BACK

GOVERNANCE STRUCTURE

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

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

Four board meetings, three audit and risk committee meetings, two social and ethics committee meetings and three HR and remuneration committee meetings were held for the 2021 financial year. Individual directors' attendance at the board and board committee meetings and at the AGM is set out in the table below:

	Board	Audit and risk committee	HR and remuneration committee	Social and ethics committee	AGM
Executive directors					
CG du Toit	4/4	3/3 ⁽⁷⁾	3/3 ⁽⁷⁾	2/2 ⁽⁷⁾	✓
A Hoyer ⁽¹⁾	3/3	3/3 ⁽⁷⁾		1/1 ⁽⁷⁾	✓
RB Huddy ⁽²⁾	1/1	1/1 ⁽⁷⁾		1/1 ⁽⁷⁾	
Non-executive directors					
JA Copelyn (Chairman)	4/4	2/3 ⁽⁷⁾	3/3	2/2 ⁽⁷⁾	✓
Y Shaik	4/4	3/3 ⁽⁷⁾	3/3	2/2	✓
Independent non-executive directors					
BA Mabuza (lead independent)	4/4	3/3	3/3	2/2	
MSI Gani ⁽³⁾	0/2	0/1	1/1	0/1	
MJA Golding	4/4				
F Mall ⁽⁴⁾	2/2	2/2			
VE Mphande ⁽⁵⁾	4/4		2/2	1/1	
RD Watson ⁽⁶⁾	4/4	3/3	2/3	2/2	

⁽¹⁾ Appointed as a director and CFO on 1 August 2020 to replace RB Huddy, resigned effective 30 September 2021

⁽²⁾ Resigned as a director and CFO on 31 July 2020

⁽³⁾ Resigned as a director on 18 September 2020

⁽⁴⁾ Appointed as a director on 18 September 2020 and as a member and chairperson of the audit and risk committee to replace MSI Gani

⁽⁵⁾ Appointed as member of the social and ethics committee and the HR and remuneration committee on 18 September 2020 to replace MSI Gani

⁽⁶⁾ Appointed as chairperson of the social and ethics committee on 18 September 2020 to replace MSI Gani

⁽⁷⁾ Attends by invitation

BOARD COMPOSITION

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

Mr JA Copelyn, a non-executive director of the company, is the chairman of the company, and to strengthen the independence of the board, Ms BA Mabuza was appointed as lead independent director. Ms 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 chairman and the CEO of the company are separate, with responsibilities divided between them to ensure a balance of power and authority. The chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The CEO is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The board currently comprises two executive directors, being the CEO, Mr CG du Toit, and the CFO, being Ms A Hoyer, 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 which are independent. The board considers a director to be independent where the director considers him/herself to be independent and he/she has not held any other executive role within the group for a period of three years. One-third of the non-executive directors retire by rotation each year in line with the Memorandum of Incorporation of the company. The average length of service of the independent non-executive directors is 8.5 years. The independent non-executive directors who have served for more than nine years are Mr MJA Golding and Mr VE Mphande.

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.

In terms of the company's recently adopted board nomination policy, the HR and remuneration committee is responsible for assessing and selecting appropriate candidates to be nominated for election as directors of the company. This assessment and selection of candidates is made in line with the board nomination policy, having regard to all legislative, regulatory and corporate governance requirements and recommendations applicable at the relevant time, as well as to the group's board diversity policy. Factors that are taken into consideration in the selection of candidates include qualifications, experience, skills, reputation and character. Currently 67% of the board members are black, and 44% of the board members are female.

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

Effective and ethical leadership *continued*

EXECUTIVE DIRECTORS



CG du Toit (51)
CA(SA), FCMA
Executive director – Chief Executive Officer
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. He joined the HCI group in 2001 following three years of working in the financial services industry in the UK and served as the Financial Director of Mettle Limited (financial services) from 2003 until 2009. He was appointed as CEO of Galaxy Bingo in 2009 and promoted to COO Tsogo Sun alternative gaming division in 2017. His operational experience in the hospitality industry over the past decade includes casinos, bingo, LPMs, F&B and entertainment. Chris was appointed as Chief Executive Officer from 1 July 2019.



A Hoyer (46)
CA(SA), HDip (Tax)
Executive director – Chief Financial Officer
Date appointed: 1 August 2020⁽¹⁾

Key skills and experience:

Annelize is a qualified chartered accountant who completed her articles with PwC in 2001. She originally joined the group in 2002 as the Group Financial Accountant of the hotels division, which position she held until 2005. Annelize re-joined the group in 2011 as the Financial Manager of the casinos division. Annelize was appointed to the Tsogo Sun Gaming board and as Chief Financial Officer on 1 August 2020, and resigned effective 30 September 2021.



G Lunga (49)
CA(SA), EDP
Executive director – Chief Financial Officer
Date appointed: 1 October 2021⁽²⁾

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 South African Breweries Limited in 1997. He joined the group in 2001 as Financial Manager of the group's gaming division and was appointed as the Financial Director of the group's gaming division in 2011. Gregory serves on the boards of most of the group's subsidiary companies, and has been appointed to the Tsogo Sun Gaming board and as Chief Financial Officer with effect from 1 October 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS



MJA Golding (60)
BA (Hons)
Independent non-executive director
Date appointed: 24 February 2011⁽⁴⁾

Major external positions, directorships or associations:

Non-executive chairman of Rex Trueform Group Limited, non-executive chairman of Texton Property Fund Limited, non-executive director of Vunani Limited, executive director of African and Overseas Enterprises Limited, chairman of Geomer Investments (Pty) Ltd.

Key skills and experience:

Marcel co-founded HCI and served as executive chairman of HCI and Chief Executive Officer of e-tv until 2014. Prior to this he was a member of Parliament and Deputy General Secretary of the National Union of Mineworkers. In addition to holding the abovementioned directorships and positions, Marcel now runs a private family investment portfolio.



BA Mabuza (57)
BA, MBA
Lead independent non-executive director
Date appointed: 1 June 2014

Major external positions, directorships or associations:

Independent non-executive director of the dual listed NinetyOne Group, non-executive chairperson of the Industrial Development Corporation and head of the South African BRICS Business Council.

Key skills and experience:

Busi holds the designation of CD(SA) and has held several positions at listed and private South African investment firms, including appointments as Chair 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 now holds the abovementioned directorships and positions, serving on a number of board committees within these organisations.



F Mall (44)
CA(SA)
Independent non-executive director
Date appointed: 18 September 2020⁽⁵⁾

Major external positions, directorships or associations:

Chief Executive Officer of Komorebi Holdings and director of Usizo Advisory Solutions.

Key skills and experience:

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

NON-EXECUTIVE DIRECTORS



R

JA Copelyn (71)
BA (Hons), BProc
Non-executive chairman
Date appointed: 24 February 2011⁽³⁾

Major external positions, directorships or associations:

Executive director and Chief Executive Officer of HCI, the major shareholder of the company; non-executive director and chairperson of Deneb Investments Limited, eMedia Holdings Limited and Tsogo Sun Hotels Limited.

Key skills and experience:

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



S

R

Y Shaik (63)
BA (Law), BProc
Non-executive director
Date appointed: 15 June 2011

Major external positions, directorships or associations:

Executive director of HCI, the major shareholder of the company, non-executive director of Deneb Investments Limited and eMedia Holdings Limited, and the chairperson of Hosken Passenger Logistics and Rail Limited.

Key skills and experience:

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



S

R

VE Mphande (63)
Elec Eng (Dip)
Independent non-executive director
Date appointed: 24 February 2011⁽⁶⁾

Major external positions, directorships or associations:

Independent non-executive director and chairman of HCI 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, Chief Executive Officer of AUTA, Chief Executive Officer of Vukani Gaming Corporation and chairperson of Golden Arrow Bus Services.



A

S

R

RD Watson (62)
Independent non-executive director
Date appointed: 1 June 2019⁽⁷⁾

Major external positions, directorships or associations:

Independent non-executive director of HCI and independent non-executive director of eMedia Holdings Limited.

Key skills and experience:

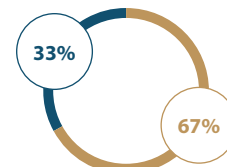
Rachel served as manager at a regional broadcaster. Prior to this appointment she was employed for 33 years within the clothing industry, serving as a trade union representative and national media officer. Rachel now holds the abovementioned directorships and positions, serving on a number of board committees within these organisations.

BOARD PROFILE

Race diversity %

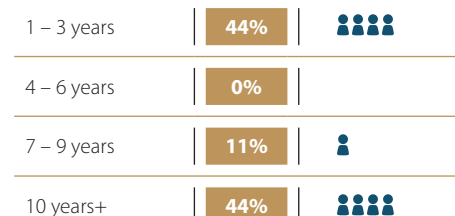
August 2021

Black
White



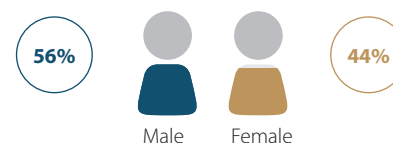
Board tenure %

August 2021



Gender diversity %

August 2021



NON-EXECUTIVE COMMITTEE KEY

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

Notes

- ⁽¹⁾ A Hoyer replaced RB Huddy on the board on 1 August 2020 following his resignation and resigned effective 30 September 2021
- ⁽²⁾ G Lunga replaces A Hoyer on the board effective 1 October 2021 following her resignation
- ⁽³⁾ 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
- ⁽⁴⁾ 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
- ⁽⁵⁾ F Mall replaced MSI Gani on the board on 18 September 2020 following his resignation and was appointed as the chair of the audit and risk committee effective 18 September 2020
- ⁽⁶⁾ VE Mphande was appointed to the board of the holding company of the group on 3 February 2005, prior to the reverse listing of the group into Gold Reef. He was appointed to the social and ethics committee and the HR and remuneration committee effective 18 September 2020
- ⁽⁷⁾ RD Watson was appointed as chair of the social and ethics committee effective 18 September 2020

Effective and ethical leadership *continued*

SUB-COMMITTEE STRUCTURE AND REPORT BACK

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

The board and the respective board committees are satisfied that the board committees have fulfilled their responsibilities in accordance with their respective terms of reference during the year.

Audit and risk committee

Members

Chair

F Mall

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 in discharging its responsibilities relating to the integrity of the group's financial and integrated reporting, including the adequacy of related disclosures, effectiveness of its systems of governance, risk management and internal control, monitoring the effectiveness, independence and objectivity of the internal and external auditors and combined assurance. The responsibilities of the audit and risk committee include the safeguarding of assets and ensuring compliance with the statutory duties of the committee and all applicable legislation, JSE Listings Requirements and King IV.

The committee met three times during the year. Ms F Mall replaced Mr MSI Gani as a member and chair of the committee following his resignation from the board effective 18 September 2020. The Chief Executive Officer, the Chief Financial Officer and the Chairman of the company attend the meetings as permanent invitees, along with external audit representatives and the outsourced internal audit representatives. Other directors and members of management attend as required.

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

- review of the controls in place to be able to make the CEO and CFO statement in terms of JSE LR 3.84;
- review of the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- review of IT risks in relation to core operational systems, system projects, information management and security initiatives and governance and regulatory compliance;
- review of material legal, legislation and regulatory developments;
- review of prospective accounting standard changes, particularly regarding standards that became effective during the year or will become effective in the coming year;

- considered all significant transactional and accounting matters that occurred during the year;
- considered the combined findings of the JSE Proactive Monitoring of Financial Statements report;
- evaluation of the financial reporting procedures;
- review of, and recommendation to the board for approval, the half year and full year results and announcements, the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness as well as the fees and terms of engagement of the external auditors, including the suitability of the firm and designated partner;
- evaluation of the effectiveness of the outsourced internal audit function; and
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls.

The committee was also updated with regard to the waving of the debt covenants by the lenders and is updated on how the group is ensuring that the revised covenants are being monitored.

Refer to the report of the audit and risk committee in the consolidated financial statements for the year ended 31 March 2021.

HR and remuneration committee

Members

Chair

Y Shaik

Non-executive director

VE Mphande

Independent

non-executive director

JA Copelyn

Non-executive director

RD Watson

Independent non-executive

director

BA Mabuza

Lead independent

non-executive director

Key objectives

The key objectives of the HR and remuneration committee are to assist the board with overseeing remuneration governance, 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 and transparent as required by applicable laws and governance guidelines, 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 committee met three times during the year. Mr VE Mphande replaced Mr MSI Gani as a member of the committee following his resignation from the board effective 18 September 2020. The Chief Executive Officer and the group's Human Resources Director attend committee meetings as permanent invitees along with other directors and members of management who attend as required.

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

- strategic oversight in relation to the group's restructure in response to the Covid-19 pandemic;
- strategic oversight in relation to changes to the terms and conditions of employment and policies;
- strategic oversight in relation to changes to Group Life and Disability Benefits;
- the monitoring of UIF/TERS payments;
- the monitoring of executive appointments, terminations and retirements;
- assessing and approving the group's broad remuneration strategy and policy, and the execution and implementation thereof;
- assessing and approving the remuneration mandate for the group, including salary increases, short-term incentives and bonus and long-term incentives, having regard to the Covid-19 pandemic;
- determining the specific remuneration packages for the executive directors and other senior executives and management;
- evaluation of the performance of the Chief Executive Officer; and
- assessing and proposing non-executive director fees.

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

Social and ethics committee

Members

Chair

RD Watson

Independent

non-executive director

VE Mphande

Independent

non-executive director

Y Shaik

Non-executive director

BA Mabuza

Lead independent

non-executive director

Key objectives

The key objectives of the social and ethics committee is to regularly monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act in relation to matters pertaining to social and economic development, good corporate citizenship, 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 committee met twice during the year. Ms RD Watson was appointed as the chair of the committee and Mr VE Mphande as a member of the committee effective 18 September 2020 following the resignation of Mr MSI Gani from the board effective 18 September 2020. The Chief Executive Officer, the Chief Financial Officer, the group's Human Resources Director and the Chairman of the company attend the meetings as permanent invitees, along with other directors and members of management who attend as required.

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

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

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

The committee has satisfied its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose.

Effective and ethical leadership *continued*

BOARD EFFECTIVENESS

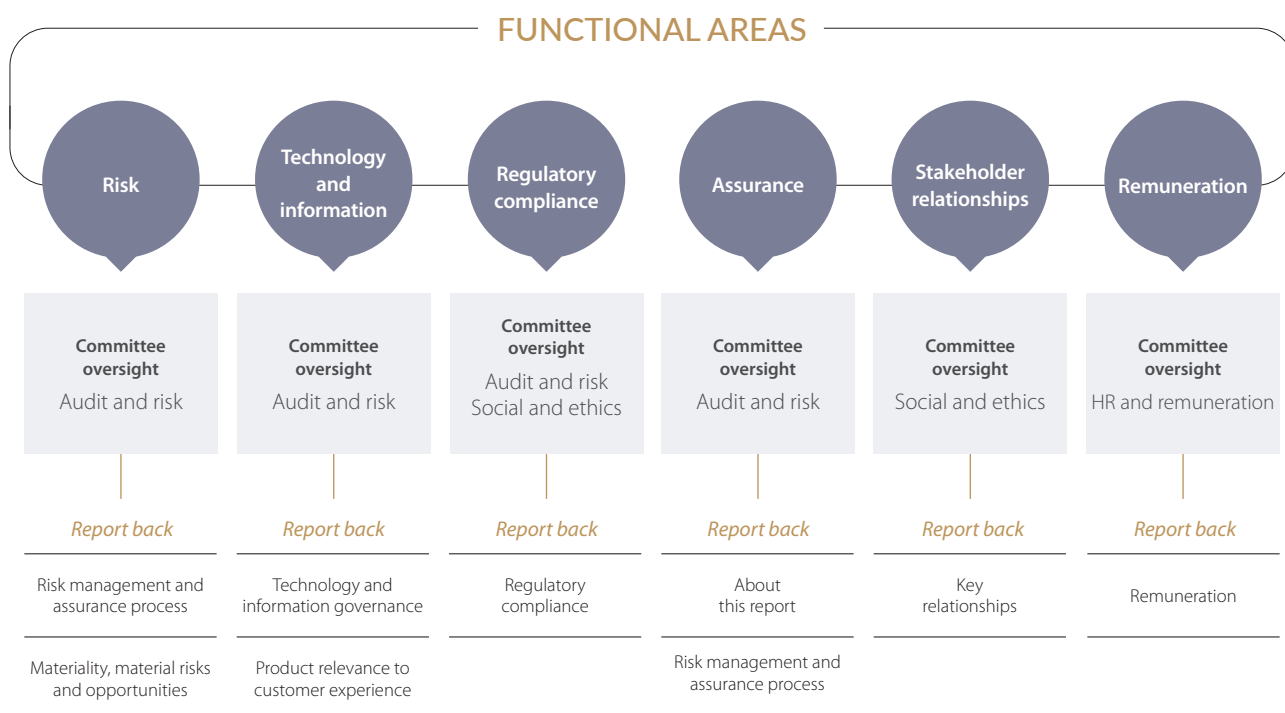
A formal self-evaluation of the performance of the board and board committees was conducted during March 2021, using an independent online assessment system. The board is satisfied with the performance of the Chief Executive Officer and with the competence of the Chief Financial Officer as set out in the report of the audit and risk committee in the consolidated financial statements for the year ended 31 March 2021.

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

GOVERNANCE FUNCTIONAL AREAS

Our philosophy of integrated governance is reflected in the extent to which the report back on our governance functional areas is integrated into the underlying elements of our integrated annual report.

Oversight of these functional areas is maintained by the board and its sub-committees as follows:



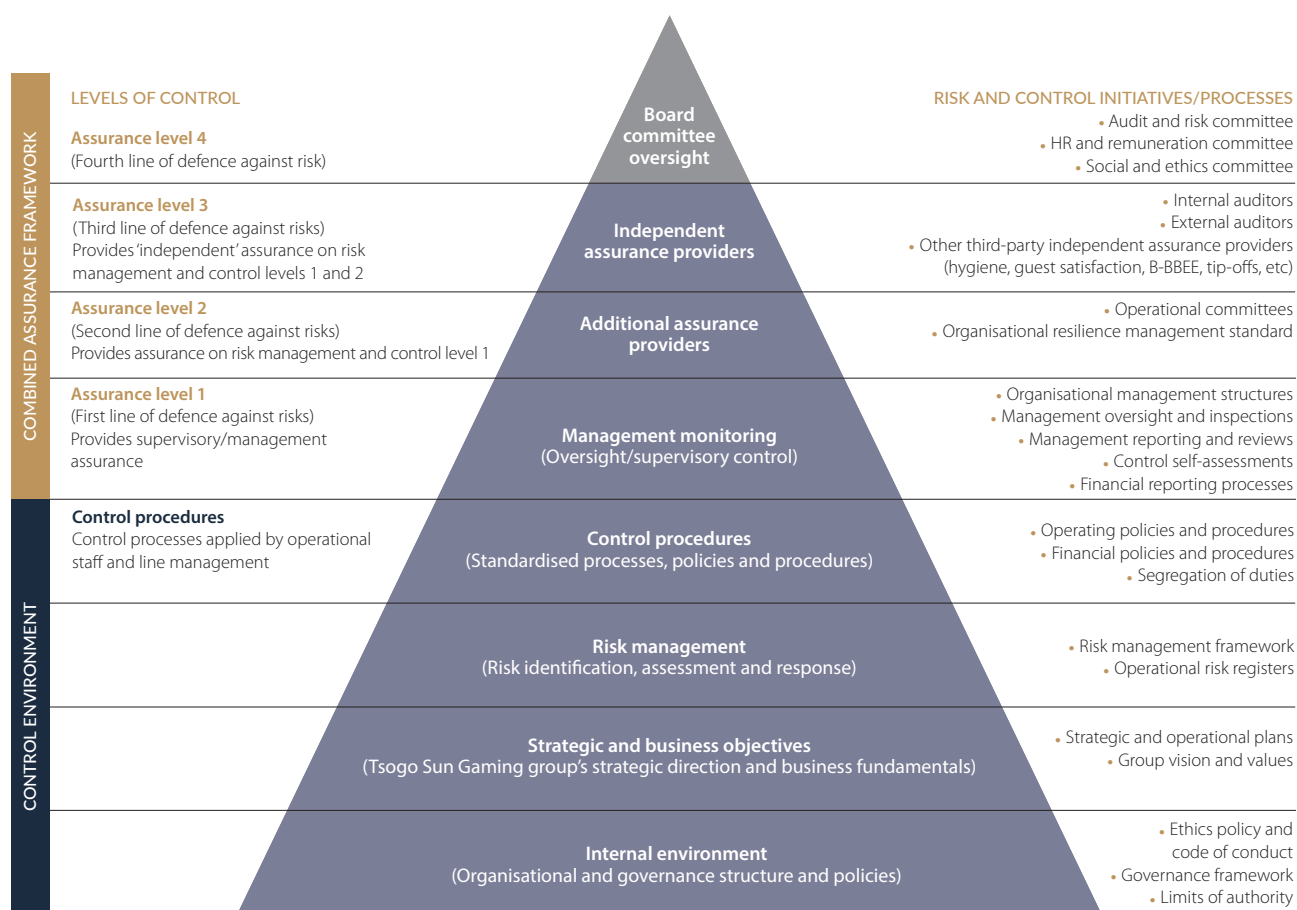
RISK MANAGEMENT AND ASSURANCE PROCESS

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

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

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

TSOGO SUN GAMING COMBINED ASSURANCE FRAMEWORK



Integrated governance *continued*

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 (eg zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity.

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

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

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

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

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

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

plan on an annual basis. The audit and risk committee is satisfied with the effectiveness of the internal audit function.

TECHNOLOGY AND INFORMATION GOVERNANCE

Our Information Technology governance and compliance standards remain high and risks are well managed. We continue to evolve and mature our IT governance process.

Areas of focus during the year were:

- ensuring compliance;
- implementing our information security and related policies;
- ensuring policies are being applied consistently across the business;
- managing IT and cybersecurity risks; and
- information security staff awareness.

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;
- optimising of all technology investments; and
- continue inculcating governance, compliance and information security into the organisation.

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

REGULATORY COMPLIANCE

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

STAKEHOLDER RELATIONSHIPS

Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities and employees are reported on, on a bi-annual basis. The board is satisfied that the current interactions with stakeholders are effective. Refer to the Key relationships section.

APPOINTMENT OF DEBT OFFICER

In terms of the Debt Listings Requirements of the JSE, Egbert Loubser, the Group Treasurer, was appointed as the company's Debt Officer with effect from 1 November 2020.

The board has considered, and is satisfied with, the competence, qualifications and experience of the Debt Officer.

Remuneration policy and implementation report

REMUNERATION POLICY

In terms of principle 14 of King IV, the group's remuneration policy and remuneration implementation report shall be tabled to the shareholders of the company at the company's AGM for consideration and endorsement on a non-binding advisory basis.

In the event that 25% (twenty-five percent) or more of the voting rights exercised on the advisory votes are cast against the remuneration policy, the remuneration implementation report or both, the company shall engage with the dissenting shareholders within a period of 30 days from the AGM and will appropriately consider legitimate and reasonable alternatives that may be proposed. Details of the manner and timing of this process (if applicable) will be released with the AGM voting results announcement.

At the annual general meeting of the company held on 3 December 2020, 80% of the voting rights exercised on the advisory vote relating to the group's remuneration policy were in favour of the remuneration policy and 81% of the voting rights exercised on the advisory vote relating to the group's remuneration implementation report were in favour of the remuneration implementation report.

The group continues to modify and improve its remuneration policies having regard to the declining margins of the casino industry in recent years, as well as to the position of casinos in the current economy as further complicated with the severe negative impact of Covid-19-related restrictions on trade, thereby ensuring that affordable, yet fair remuneration structures are implemented. We hope that shareholders will again recognise our effort in this regard.

The company is striving to deliver a restructured business which will be sustainable and recover from the recent adverse impact on its financial position.

REMUNERATION BACKGROUND STATEMENT

The objective 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 development and career opportunities.

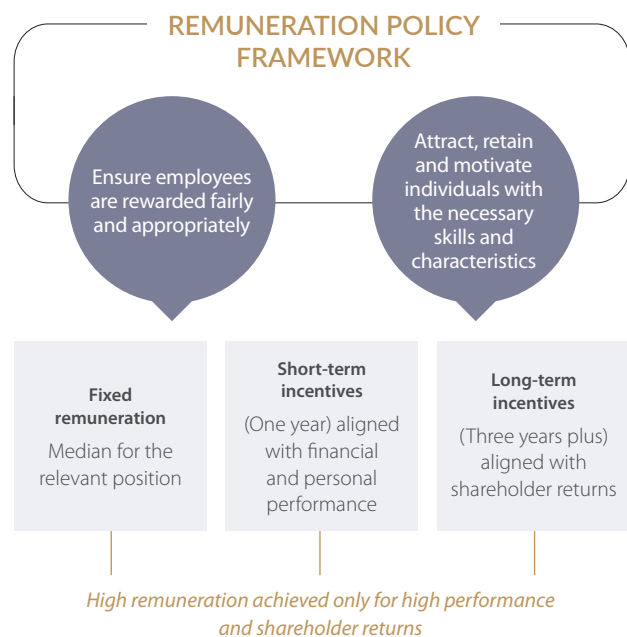
Total rewards are set at levels that are competitive within the gaming, hospitality and entertainment sector. The fixed and variable financial reward elements of the remuneration structure of employees differ depending on their employee grades.

The HR and remuneration committee, consisting of five non-executive directors, three of whom are independent, also consider other significant matters relating to employment. The CEO and Group HR Director provide comprehensive reports to the committee at each meeting. The committee, after consideration of these reports, submits its recommendations to the board who ultimately remains responsible for approving remuneration policies and decisions. The committee met three times during the year.

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

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

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



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

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

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

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

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

Remuneration policy and implementation report *continued*

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

FIXED REMUNERATION: SALARIES AND BENEFITS

Group

The group provides employment to approximately 10 000 people. The total direct employee cost for the financial year reduced from R2.2 billion to R1.0 billion mainly as a result of restrictive trading.

As a result of the significant negative impact on trading with the restrictions imposed on the gaming, entertainment and hospitality sector, no general salary increases were granted during the 2021 financial year. With the further impact of the third wave of the pandemic and the destruction of businesses in KwaZulu-Natal and Gauteng, no general salary increases can either be afforded for the 2022 financial year. This excludes increases granted as a result of a change of roles, promotions, requirements by law and otherwise in the normal operation of the business.

The pension fund contribution holiday for the employer and employee implemented in May 2020 is still in place and is expected to continue until at least October 2021. Thereafter a further holiday or reasonable level of contribution by the employer and employee will be determined.

The life and disability benefit cover for the various categories of employees is being reviewed in the 2022 financial year. Since this cover is provided solely at the company's cost, it should be set at a level which comprises a fair and reasonable cost to the employer while simultaneously providing an appropriate benefit to employees.

Casinos and corporate

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

Structural and efficiency changes required at casinos and the corporate office, including redundancies, has resulted in various retrenchments during the year. Appropriate assessments are made for each legal entity separately.

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

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

The OSS (operational support staff) who were transferred to the respective casino units in November 2019 are also employed on a basic plus benefit basis.

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

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

The casino business in particular is still in the process of evaluating and implementing improved structure and efficiency measures that are required to enable the business to recover and improve its margins subsequent to the Covid-19 pandemic, which margins have been under pressure for a number of years.

Other policies and benefits

Employment policies relating to leave and long-service awards are still in the process of being changed for all levels of employees.

SHORT-TERM INCENTIVES

Bonuses and short-term incentives ("STI")

December bonuses for broad-band E and F casino employees will be discretionary from December 2021 and will be based on performance. Historically performance criteria was not taken into account for December bonus payments. The financial position as a result of the pandemic and restrictions imposed cannot be ignored in the determination of bonuses. Accordingly no bonuses to this category of staff were paid in December 2020.

STI applicable to broad-band A to D casino and corporate employees is discretionary, operated within a framework assessed and recommended by the CEO and Group HR Director to the HR and remuneration committee and ultimately approved by the board.

As a result of the 2020 financial results being below budget due to the impact of the Covid-19 pandemic during March 2020 and severely constrained cash flow and high debt levels, no STI was paid to broad-band A to D casino employees for the 2020 financial year. Similarly due to the severe negative financial impact on the business in the 2021 financial year, no STI has been paid yet for the 2021 financial year. The business will assess the impact of the third wave of the pandemic and the additional set-back to the country as a result of destruction of businesses in KwaZulu-Natal and Gauteng, before a final determination regarding the payment of any STI is made. This decision has been postponed until November or December 2021. With the current position, the STI for the 2021 financial year is expected to be between zero and a maximum of one month's salary for this category of staff.

The following additional measures apply to STI:

- the potential STI cost per broad-band is capped;
- the lowest STI level is zero;
- there are low, middle and high-potential brackets;
- the maximum allocation is 10% above the maximum bracket only in exceptional circumstances; and
- units are partially differentiated on size for cost to be commensurate with earnings.

The total potential cost is controlled and the scheme is now simpler to administer than it was historically.

The tables may be amended on an annual basis with the HR and remuneration committee and the board's approval.

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

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

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

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

Benchmarks take into account the location, economic environment and optimisation of the respective unit potential. The budget is predominantly used as a performance measurement tool, but different targets may be set from time to time as appropriate.

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

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

We are grateful to our management who are committed to the business during its recovery in order to ensure a sustainable future, however, with the financial performance of casinos not likely to exceed pre-pandemic levels until the 2023 or subsequent financial years, it is expected that the STI for the 2022 financial year will continue to remain limited.

LONG-TERM INCENTIVES ("LTI")

The Tsogo Sun Gaming group share appreciation bonus plan is effectively a phantom share scheme which aligns participants with long-term shareholders and is operated in terms of the approved plan.

Appreciation units (notional shares) are allotted to participants at a 10% discount to the seven-day VWAP, vest after three years and must be exercised before the sixth anniversary, failing which they lapse. The encashment value is calculated at the seven-day VWAP when the option is exercised minus the allocation price, plus dividends from the date of allotment to the date of exercise of the option, which 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, approved 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 and "value in scheme" are limited and monitored by the HR and remuneration committee.

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. Key to such achievement will be a reduced debt structure and therefore a stronger financial position with less risk in the long term.

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, especially during the current period of no, or low, increases and STI. The total allotment during the 2021 financial year was within the framework approved by the HR and remuneration committee and the board, and endorsed by shareholders in December 2020.

There will be no annual top-up or issue of notional shares (options) in the 2022 financial year, other than in the ordinary course of business (change of roles, promotions). With the consolidation of the financial director of Casinos and group CFO roles, the issue of notional shares to the current financial director of Casinos will be appropriately topped up with 400 000 options at the original issue date and terms, and the outgoing CFO's 1 000 000 notional shares will be surrendered at no cost as required.

Remuneration policy and implementation report *continued*

Gold Reef share scheme and executive facility LTI scheme

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

The Gold Reef share scheme only has 13 participants remaining, holding in aggregate approximately 400 000 shares in TSG and THL each, and having loan claims due to the company. Most of these participants are out of the money. The participants' positions close out at the earliest of termination of employment or when they elect to. The intention is to finally unwind this scheme for the remaining participants at a time when they will not suffer a loss. Most of these 13 participants will not make a profit out of this approximately 10-year-old scheme when it is finally closed down in the foreseeable future.

The executive LTI scheme has no participants left in the employ of the company. There has been no change to the status of this scheme as reported in the 2020 remuneration report, and this scheme will therefore effectively be wound up in coming years.

BINGO AND LPM DIVISIONS

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

As a result of the impact of the Covid-19 pandemic, and until there is more certainty, no annual increases were granted for the 2021 and 2022 financial years, other than increases granted as a result of a change of roles, promotions, requirements by law and otherwise in the normal operation of the business.

Salaries are all on a CTC basis. For the bingo division the staff contribute a lower portion to the retirement fund, which will be increased on an annual basis when normal capacity resumes until it matches the employers' contribution.

Benefits, depending on the category of staff include *inter alia* retirement funds, medical aid and funeral cover.

Bonuses/STIs are allocated per job category and amounts are limited to a maximum based on monthly salary multiples. Senior management and regional general managers are aligned with caps which applies to certain casinos in terms of the STI scheme.

No bonuses/STIs were paid for the 2021 financial year and limited amounts are expected for 2022 as a result of the negative impact of continued restrictive trading.

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

NON-EXECUTIVE DIRECTORS' FEES

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

The proposal for this period is that in light of the ongoing impact of the Covid-19 pandemic, for a second year, there will be no increase to non-executive directors' fees. As such, the full fees payable will remain unchanged as approved by the shareholders at the annual general meeting of the company held on 3 December 2020. The directors have, however, once again agreed to continue to receive only 60% of the approved fees payable up to the quarter ending September 2022.

TERMINATION

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

2022 KEY ELEMENTS OF REMUNERATION	FIXED PAY		
	BASE SALARIES	NON-EXECUTIVE DIRECTORS' FEES	RETIREMENT BENEFITS
Purpose and link to strategy	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their responsibilities and time commitment	Provides the basis for retirement savings
Application dependent on employee type and level	All employees	Non-executive directors	All employees entitled to benefits are required to belong to an approved pension/provident fund
Operation and performance measures	Base salaries Base salaries are subject to annual review using inflation as benchmark and taking other market conditions into account. Market-related salaries, individual performances and changes in responsibilities are also taken into consideration when determining increases to base salaries	Non-executive directors' fees The fees for the non-executive directors are recommended by the HR and remuneration committee to the board for its approval, taking into account fees payable to non-executive directors of comparable companies. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees and are approved by special resolution of the shareholders. The increases are benchmarked to inflation and taking other market conditions into account. Non-executive directors do not receive any short-term or long-term incentives or other benefits	Retirement fund membership Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund, the Tsogo Sun Group Pension Fund and three provident funds, the Alexander Forbes Retirement Fund (Provident Section), the Tsogo Sun Group Provident Fund and the Vukani Super Fund (provident fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged

Remuneration policy and implementation report *continued*

2022 KEY ELEMENTS OF REMUNERATION	FIXED PAY	SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES
	OTHER BENEFITS	ANNUAL BONUS PLAN	SHARE APPRECIATION PLAN
Purpose and link to strategy	Provides benefits appropriate to the market and the role	Rewards the achievement of annual financial performance balanced with other specific priorities	Long-term incentives are utilised to reward long-term sustainable group performance improvement, retain senior management expertise and align executive pay and long-term value creation with shareholders
Application dependent on employee type and level	Depending on the various broad bands, employees are eligible for membership of a company-approved medical scheme and other benefits	All executives, senior management and selected middle management receive STI if awarded Other staff receive December bonuses if awarded	Selected senior management. Focusing on performance drivers of the business
Operation and performance measures	<p>Healthcare The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover</p> <p>Risk and insured benefits Arising through membership of the group's pension and provident funds, death, disability and funeral benefits are made available to divisions and staff entitled thereto</p> <p>Long-service awards Discontinuation of long-service awards is still in progress</p>	<p>Annual cash incentive STI is capped per broad-band level and in terms of pre-approved tables in accordance with the size of the unit</p> <p>Measurement for STI includes unit or group financial and personal performance where relevant</p> <p>Staff bonuses are determined in December and are capped</p> <p>STI and bonuses are discretionary</p>	<p>Share appreciation plan The essential elements of the plan are a "phantom" version of a share scheme where each appreciation unit is in effect linked to an underlying share in Tsogo Sun Gaming Limited, designed to align the interests of participants with those of the company's shareholders</p> <p>Annual allocations of appreciation units at 10% below market price (seven-day VWAP) are made to selected managers (linked to specific positions and cost to company). These vest and are available to be settled on the third anniversaries of the allocations, but must be exercised by the sixth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun Gaming's share price over the allocation price plus dividends 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</p>

REMUNERATION IMPLEMENTATION REPORT

Non-executive director remuneration

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

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

In light of the ongoing impact of the Covid-19 pandemic, for a second year, there will be no increase to non-executive directors' fees. As such, the full fees payable will remain unchanged as approved by the shareholders at the annual general meeting of the company held on 3 December 2020. The directors have, however, once again agreed to continue to receive only 60% of the approved fees up to the quarter ending September 2022.

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

	Proposed discounted fees ⁽³⁾ 2021/2022 R'000	Proposed full fees 2021/2022 R'000	Previously approved full fees 2020/2021 R'000
Directors fees			
Chairman of the board ⁽¹⁾	693	1,155	1,155
Lead independent non-executive and member of all board committees ⁽¹⁾	411	685	685
Chairperson of the audit and risk committee ⁽²⁾	102	170	170
Chairperson of social and ethics committee ⁽²⁾	60	100	100
Chairperson of the HR and remuneration committee ⁽²⁾	90	150	150
Member of a committee	18	30	30
Non-executive director	201	335	335

⁽¹⁾ Including fee as non-executive director

⁽²⁾ Including fee as member of the respective committee

⁽³⁾ 60% of full fees

Fees and service paid by subsidiaries for the year ended 31 March

	2021 R'000	2020 R'000
Directors' fees for the year ended 31 March		
JA Copelyn	809	1 106
MSI Gani ⁽¹⁾	259	655
MJA Golding	235	320
BA Mabuza	480	655
F Mall ⁽²⁾	162	–
VE Mphande	253	320
JG Ngcobo ⁽³⁾	–	200
Y Shaik	360	493
R Watson ⁽⁴⁾	318	206
	2 876	3 955

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

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

⁽³⁾ Resigned as non-executive director 31 May 2019

⁽⁴⁾ Appointed as non-executive director 1 June 2019

Remuneration policy and implementation report *continued*

Executive directors' and executive managements' remuneration

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

Executive directors

	2021				2020			
	C du Toit R'000	A Hoyer ⁽¹⁾ R'000	R Huddy ⁽²⁾ R'000	Total R'000	C du Toit ⁽³⁾ R'000	J Booysen ⁽³⁾ R'000	R Huddy R'000	Total R'000
Salary	6 430	1 314	2 004	9 748	4 571	1 858	4 067	10 496
Pension fund contributions	27	–	29	56	314	92	351	757
Other benefits	116	61	34	211	114	122	187	423
Current year STI accrued	–	–	–	–	–	–	–	–
Fair value of cash based LTI	–	–	–	–	–	–	–	–
Loss of office payment	–	–	–	–	–	8 064	–	8 064
Total single figure of remuneration	6 573	1 375	2 067	10 015	4 999	10 136	4 605	19 740
Current year STI accrued not yet settled	–	–	–	–	–	–	–	–
Prior year STI accrual settled	–	–	–	–	–	5 118	2 199	7 317
Settlement of cash based LTI	–	–	–	–	–	–	–	–
Total cash equivalent value of remuneration	6 573	1 375	2 067	10 015	4 999	15 254	6 804	27 057
Fair value of cash based LTI	–	–	–	–	–	–	–	–
Financial statement remuneration ⁽⁴⁾	6 573	1 375	2 067	10 015	4 999	15 254	6 804	27 057

⁽¹⁾ Appointed CFO and as an executive director 1 August 2020, resigned effective 30 September 2021

⁽²⁾ Resigned as CFO and as an executive director 31 July 2020

⁽³⁾ J Booysen retired on 30 June 2019 and C du Toit appointed as executive director on 1 June 2019 and as CEO on 1 July 2019

⁽⁴⁾ As per 2021 consolidated financial statements

Other key management and prescribed officers

	2021			
	G Lunga R'000	B Mogiba R'000	C Wannell R'000	Total R'000
Salary	2 760	3 046	1 664	7 470
Pension fund contributions	28	3	18	49
Other benefits	122	161	68	351
Current year STI accrued	–	–	–	–
Fair value of cash based LTI	–	–	–	–
Leave pay	–	–	–	–
Total single figure of remuneration	2 910	3 210	1 750	7 870
Current year STI accrued not yet settled	–	–	–	–
Prior year STI accrual settled	–	–	–	–
Settlement of cash based LTI	–	–	–	–
Total cash equivalent value of remuneration	2 910	3 210	1 750	7 870
Fair value of cash based LTI	–	–	–	–
Financial statement remuneration ⁽⁸⁾	2 910	3 210	1 750	7 870

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

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

⁽²⁾ Employment ended 18 March 2020

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

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

⁽⁵⁾ Appointed as Legal Manager and representative of the Company Secretary from 1 March 2020

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

⁽⁷⁾ No longer a Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁸⁾ As per 2021 consolidated financial statements

Remuneration policy and implementation report *continued*

Short-term incentive

Due to the financial impact of the Covid-19 pandemic no short-term incentives were paid for the 2020 financial year end. 2021 STI has been placed on hold given the significant impact of the pandemic restrictions on the business and will not exceed R39 million, but may be determined to be zero depending on the financial position of the business by November 2021 and the projections until March 2022.

Long-term incentive liability – cash settled

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

Grant date	Appreciation units granted and still outstanding		Strike price R	Appreciation units vested and still outstanding		Expiry date	Liability 2021 Rm	Liability 2020 ⁽²⁾ Rm
	2021	2020		2021	2020			
1 April 2014	–	1 875 968	25.72	–	1 875 968	1 April 2020	–	–
1 April 2015	169 558	725 332	26.54	169 558	725 332	1 April 2021	–	–
1 April 2016	241 019	996 940	22.82	241 019	996 940	1 April 2022	–	–
1 April 2017	214 292	848 233	28.00	214 292	–	1 April 2023	–	–
1 April 2018	228 404	1 048 584	24.08	–	–	1 April 2024	–	–
10 December 2019 ⁽¹⁾	970 425	18 646 026	10.82	–	–	12 December 2025	–	–
18 December 2020 ⁽¹⁾	18 900 000	–	5.20	–	–	18 December 2026	24.6	–
Other	24 190	349 678	24.08	24 190	16 041	Various	–	–
At 31 March	20 747 888	24 490 761		649 059	3 614 281		24.6	–
Share price utilised to value the liability at 31 March							R 6.50	–

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

⁽²⁾ As a result of the share price collapse due to Covid-19, the liability of all the appreciation units were reduced to Rnil

	Grant date	Appreciation units granted and still outstanding		Strike price ⁽⁵⁾ R	Appreciation units vested and still outstanding		Expiry date	Provision 2021 R'000	Provision 2020 ⁽⁷⁾ R'000
		2021	2020		2021	2020			
Executive directors									
C du Toit ⁽¹⁾	10/12/2019	–	3 826 248	10.82	–	–	10/12/2025	–	–
	18/12/2020	4 500 000	–	5.20	–	–	18/12/2026	5 850	–
A Hoyer ⁽²⁾	18/12/2020	1 000 000	–	5.20	–	–	18/12/2026	1 300	–
RB Huddy ⁽³⁾	01/04/2014	–	184 681	25.72	–	–	01/04/2020	–	–
Total		5 500 000	4 010 929		–	–		7 150	–
Other key management and prescribed officers									
G Lunga ⁽⁴⁾	01/04/2014	97 201	97 201	25.72	97 201	97 201	01/04/2020	–	–
	10/12/2019	–	646 950	10.82	–	–	10/12/2025	–	–
	18/12/2020	600 000	–	5.20	–	–	18/12/2026	780	–
B Mogiba ⁽⁵⁾	10/12/2019	–	924 214	10.82	–	–	10/12/2025	–	–
	18/12/2020	1 000 000	–	5.20	–	–	18/12/2026	1 300	–
C Wannell ⁽⁶⁾	10/12/2019	–	277 264	10.82	–	–	10/12/2025	–	–
	18/12/2020	300 000	–	5.20	–	–	18/12/2026	390	–
Total		1 997 201	1 945 629		97 201	97 201		2 470	–

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

⁽²⁾ Appointed CFO and as an executive director 1 August 2020, resigned effective 30 September 2021

⁽³⁾ Resigned as CFO and as an executive director effective 31 July 2020

⁽⁴⁾ Financial Director – Casino Gaming – Prescribed Officer from the unbundling of THL on 23 June 2019, appointed CFO effective 1 October 2021

⁽⁵⁾ Chief Executive Officer – Vukani – Prescribed Officer from the unbundling of THL on 23 June 2019

⁽⁶⁾ Appointed as Legal Manager and representative of the Company Secretary from 1 March 2020

⁽⁷⁾ As a result of the share price collapse due to Covid-19, the liability of all the appreciation units were reduced to Rnil

Governance summary

The application of King IV by principle is summarised below:

KING IV PRINCIPLE

PRACTICE

Principle 1

The governing body should lead ethically and effectively

- 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 Conflicts 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 Conflicts of Interests Policy.
- The social and ethics committee is a statutory committee of the board, having oversight over the group's ethical matters. The roles and responsibilities of the committee are set out in its terms of reference.
- The board evaluates the performance and effectiveness of the board committees on an annual basis, to determine areas in which the functioning of the committees requires improvement.

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

- 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 Conflicts 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 Conflicts of Interests Policy.
- The board, through the social and ethics committee, exercises ongoing oversight of the management of ethics in the processes for the recruitment, evaluation of performance and reward of employees, as well as the sourcing of suppliers.
- The board has overseen the establishment of, and continues to oversee, the disciplinary policies which govern sanctions and remedies for in the event that the organisation's ethical standards are breached.
- The group has an independent whistle-blower line and reported matters are investigated by appropriate employees and the results reported to the audit and risk committee. Unethical behaviour is not tolerated within the group or its business partners.

Governance summary *continued*

KING IV PRINCIPLE

PRACTICE

Principle 3

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

- 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.

Principle 4

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

- The board 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 strategy. 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

PRACTICE

Principle 5

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

- The audit and risk committee has approved the group's reporting framework. The group's combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas.
- The audit and risk committee reviews and evaluates the annual financial statements, the integrated annual report and any other announcement regarding the group's results or other financial information made public for reasonability and accuracy, prior to submission and approval by the board.
- Management materiality is determined by using final materiality calculated by external audit. Qualitative materiality is considered during the preparation of internal and external reports of financial and non-financial information taking the respective reporting item into consideration.
- The board and the audit and risk committee collectively review the integrated annual report, thereby ensuring it addresses and reports material matters to its stakeholders in the short, medium and long term. Based on the internal review process during the preparation and review of the integrated annual report the board is satisfied with the integrity of the information contained within the report.
- The board ensures that financial and other information is prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), the South African Companies Act 2008 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 annual financial statements to shareholders at each annual general meeting of the company.
- The board annually signs off on a JSE compliance certificate verifying that to the best of its knowledge, the company has complied with the Listings Requirements of the JSE.

Principle 6

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

- The board maintains full and effective control over the company and is the custodian of corporate governance in the organisation. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting.
- The Board Charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

Governance summary *continued*

KING IV PRINCIPLE

PRACTICE

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

- The board comprises an appropriate mix of executive, non-executive and independent non-executive directors. The board appointed John Copelyn as the Chairman, and as a compensating control, a lead independent director is appointed. The Lead Independent Director is Busi Mabuza who serves on all of the committees of the board, and is therefore well placed to influence the governance of the company and meet her obligations. The Lead Independent Director provides a sounding board for the Chairman and leads the Board in the absence of the Chairman.
- The board considers the independence of directors holistically in line with the provisions of the Companies Act and the Listings Requirements of the JSE and the practices set out in King IV. One-third of the non-executive directors retire by rotation each year in line with the Memorandum of Incorporation, and may stand for re-election. CVs are provided to shareholders to assist in their consideration of the re-election of directors who have retired by rotation.
- The non-executive directors who have served for more than nine years are Mr MJA Golding and Mr VE Mphande, are considered to be independent.
- 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 Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.
- The board 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 67% of the board members are black, and female members comprise 44%.
- The board has adopted a Board Nomination Policy setting out a formal and transparent process of nomination and election of directors. All board appointments are made on merit, in the context of skills, experience, independence and knowledge, which the board as a whole requires to be effective. Factors that are taken into consideration in board appointments include diversity and differences in qualifications, skills, industry experience and background.
- The company announces any changes to the composition of the board and/or board committee/s on the Stock Exchange News Service as required by the Listings Requirements of the JSE.
- The company reports on the composition of the board, including its independence and the skills, experience, race and gender of its members in the integrated annual report.

KING IV PRINCIPLE

PRACTICE

Principle 8

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

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

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

- 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 was completed during March 2021 and the results were reported to the respective chairs of the board committees. The board and board 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 its sub-committees. The board and the respective board committees are satisfied that the board committees have fulfilled their responsibilities in accordance with their respective terms of reference during the year.

Governance summary *continued*

KING IV PRINCIPLE

PRACTICE

Principle 10

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

- The board may from time to time appoint one or more of its members to be Chief Executive Officer ("CEO") or joint CEO of the company. The board has appointed Mr C du Toit as CEO of the company. The roles of the Chairman and the CEO are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The CEO is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.
- The CEO, 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 ensure that there are appropriate benchmarks for performance and that the risk profile matches that of the stakeholders of the group, where appropriate.
- The Chairman 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 company secretary. In addition, the board recognises the pivotal role to be played by the Company Secretary in the provision of timely information, as well as achievement of good corporate governance and empower her accordingly. The Company Secretary provides the board as a whole and individual directors with detailed guidance regarding their responsibilities. The Company Secretary is not a director of the company but attends all board meetings. The board has assessed and confirmed that is satisfied that the Company Secretary is competent and has the appropriate qualifications and experience required by the group.

Principle 11

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

- 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 process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.
- The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective.
- Refer to the integrated annual report for the group's risk management and assurance processes.

KING IV PRINCIPLE

PRACTICE

Principle 12

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

- The board ensures that an IT charter and policies are established and implemented, ensuring that the company is consistently striving to innovate its product offerings, technology, accessibility and brands to remain relevant to its customers. The company's intellectual capital is largely driven by its people, processes and systems, market intelligence and specialist business partners.
- The audit and risk committee oversees the governance and compliance of information technology by delegating the responsibility to implement and execute effective technology and information management to IT management. The head of IT reports directly to the CEO and has responsibility for the ownership and execution of IT governance.
- All IT strategies are aligned and coordinated between the relevant stakeholders and business operations with the core focus being:
 - Align IT with the business strategy and requirements;
 - Approve policy standards and guidelines; and
 - IT risk management.

Principle 13

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

- The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance 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. The key aspects of the Ethics Policy are how business is conducted, the group's societal contribution and handling of people, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability. The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information. All senior employees are required to sign an annual declaration confirming no conflicts of interest and compliance with laws and regulations.

Governance summary *continued*

KING IV PRINCIPLE

PRACTICE

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

- The HR and remuneration committee consisting of five non-executive directors, three of whom are independent, is responsible for overseeing the groups remuneration policy and practices, as well as considering other significant matters relating to employment. The CEO and Group HR Director 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.

Principle 15

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

- The board is responsible for the group's systems of internal control. The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The Board is satisfied, based on the combined assurance framework, that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level.
- Internal audit is outsourced and reports to the CFO and independently to the audit and risk committee. The outsourced function is provided by GRIPP Advisory, which is a subsidiary of HCI. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. GRIPP Advisory will be subject to its first independent quality review in 2023 as the business is currently in its fourth year of operation. They are also subject to professional ethics and independence standards. The audit and risk committee approves the approach and scope of the internal audit plan on an annual basis. The audit and risk committee is satisfied with the effectiveness of the internal audit function.
- Assurance is obtained on the group's financial results from the groups external auditors, PricewaterhouseCoopers Inc.
- Assurance is obtained on the group's B-BBEE rating from an independent rating agency.

KING IV PRINCIPLE

PRACTICE

Principle 16

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

- Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities, employees and unions are reported on, on a bi-annual basis. 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

ACI	African, Coloured and Indian
Adjusted HEPS	Adjusted headline earnings per share
<IR>	Integrated reporting
AGM	Annual General Meeting
B-BBEE	Broad-based black economic empowerment
CASA	Casino Association of South Africa
CATHSSETA	Culture, Art, Tourism, Hospitality and Sport Sector Education and Training Authority
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	The Companies Act, No 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 (SARS-CoV-2)
CPA	Consumer Protection Act
CSI	Corporate social investment
DCM	Debt capital market
DMA	Disaster Management Act
dti	Department of Trade and Industry
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
EBT	Electronic bingo terminal
EME	Emerging micro-enterprise
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
Galaxy	Galaxy Gaming and Entertainment Proprietary Limited
Gambling board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Liquor Authority Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
Gold Reef	Gold Reef Resorts Limited (now "Tsogo Sun Gaming Limited")
GRIPP	GRIPP Advisory Proprietary Limited
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
IAS	International Accounting Standards

IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IoDSA	Institute of Directors in Southern Africa
ISO	Independent Site Operator
IT	Information technology
JSE	JSE Limited
King IV	The King Code of Governance Principles for South Africa 2016
LPM	Limited payout machine
LSA	Long-service awards
LTI	Long-term incentives
NBEAP	National Black Economically Active Population
NBI	National Business Initiative
NCI	Non-controlling interests
NIBD	Net interest-bearing debt
NPAT	Net profit after tax
PDIs	Previously disadvantaged individuals
POPIA	Protection of Personal Information Act 4 of 2013
pp	Percentage points
PPE	Personal Protective Equipment
QCTO	Quality Council Trades and Occupations
SACTWU	South African Clothing and Textile Workers Union
SARS	South African Revenue Service
SDS	Skills Development Spend
SENS	Securities Exchange News Service of the JSE
Stats SA	Statistics South Africa
STI	Short-term incentives
SunWest and Worcester	SunWest International Proprietary Limited and Worcester Casino Proprietary Limited
the board	The board of directors of Tsogo Sun Gaming Limited
the group	Tsogo Sun Gaming Limited and its subsidiaries and associates
THL	Tsogo Sun Hotels Limited
Tsogo Sun Gaming or the company	Tsogo Sun Gaming Limited
TSG	Tsogo Sun Gaming Limited
TSGA	Tsogo Sun Gaming Academy
VAT	Value Added Tax
Vukani	Vukani Gaming Corporation Proprietary Limited



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