CORPORATE GOVERNANCE OVERVIEW

Tsogo Sun Hotels is committed to high standards of corporate governance and has implemented a governance framework, which informs the manner in which business is conducted.

GROUP GOVERNANCE FRAMEWORK

Tsogo Sun Hotels’ unitary board maintains control of the company. The board leads ethically and effectively, and is responsible for performance, compliance and strategic direction.

Audit and risk committee
- Financial integrity, risk and compliance

Remuneration and nomination committee
- Board composition, diversity and succession, fair remuneration and performance measurement

Social and ethics committee
- Ethical conduct, anti-corruption, empowerment and transformation, and labour and employment

Chief executive officer
- Responsible for the implementation of board strategy and policy and management of the business

Executive committee
- Responsible for the day-to-day management of the group

Executive risk committee
- Responsible for the identification and management of risks and opportunities

* Tsogo Sun Hotels considers the independence of directors holistically, and on a substance-over-form basis, in line with the practices of King IV and based on the indicators set out in the Companies Act and the JSE Listings Requirements.

COMPLIANCE
The policies, practices and processes comprising the group’s governance framework are based on its application of King IV, the Companies Act and the JSE Listings Requirements. The board is responsible for the group’s corporate governance. Our King IV application register can be viewed on our website www.tsogosun.com/investors.
ORGANISATIONAL ETHICS AND RESPONSIBLE CITIZENSHIP

The board has ultimate responsibility for the ethical culture of Tsogo Sun Hotels, which flows through to management who is tasked to lead by example.

The company’s ethics policy and code of conduct direct business practices. The ethics policy includes key aspects such as the group’s societal contribution and how people should be treated, the need for employees to speak out about wrongdoings, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, and individual accountability.

The social and ethics committee plays an important role in the implementation of anti-corruption and anti-fraud initiatives, as set out on page 67.

Directors are required to disclose personal financial interests in terms of section 75 of the Companies Act. General disclosures of directors’ interests are made at least annually to the Company Secretary and are updated during the year. These disclosures are available to all board members for inspection.

Dealing in the company’s securities by directors, their associates and senior company officials is regulated and monitored in accordance with the JSE Listings Requirements and the company’s share dealing policy. Tsogo Sun Hotels maintains a closed period from the end of a financial period to the day of publication of its financial results and any time when the company’s shares are trading under cautionary.

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. Ethics training is included in the group’s induction programme.

The company does not tolerate any form of bribery or corruption. Whistleblowing and anti-corruption procedures are in place. Stakeholders are encouraged to report, if necessary, the actions and individuals who compromise or threaten the company’s values and reputation. These actions and individuals can be reported through anonymous and independently conducted ethics hotlines. Investigations are carried out and findings reported, and disciplinary, civil or criminal action is taken as and when appropriate. During the period under review, 19 whistleblowing incidents were reported to ethics hotlines. These included no serious incidents of governance failure and were dealt with appropriately by the human resources department.

The board believes that the group meets the definition of a ‘responsible corporate citizen’ as a result of the implementation of its corporate governance policies and the governance framework that oversees and monitors such implementation.

BOARD OF DIRECTORS

Composition

Tsogo Sun Hotels’ unitary board met on six occasions during the year under review.

The roles of the Chairman and the CEO are clearly defined to ensure a balance of power. The Chairman is responsible for providing overall leadership to the board and ensuring the board performs effectively. The CEO is responsible for the implementation of strategy, as approved by the board. The delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility. No one director has unfettered powers of decision making. While the Chairman is a non-independent non-executive director, the board has appointed a strong lead independent non-executive director to ensure that the necessary independence is upheld in the functioning of the board. The lead independent non-executive director leads in the absence of the Chairman and assists with the management of any actual or perceived conflicts of interest that may arise. The lead independent non-executive director leads the performance appraisal of the Chairman. A clear division of responsibilities at board level ensures a balance of power and authority.

The terms of employment of board members are included in the remuneration report on page 75.

Responsibilities

The board’s main functions, as set out in its approved charter, include:

- Exercising control of the group and providing leadership
- Adopting strategic plans, delegating and monitoring their implementation by management
- Considering risks and opportunities in line with the company’s agreed risk parameters and approving major issues, including the company’s investment policies, acquisitions, disposals and reporting as well as monitoring operational performance
- Monitoring the company’s performance
- Acting in the best interests of the company and being accountable to shareholders and other stakeholders

Tsogo Sun Hotels’ board charter is reviewed regularly.
Diversity

The directors’ varied backgrounds and experience, as set out in their CVs which can be found on Tsogo Sun Hotels’ website at www.tsogosun.com, provide an appropriate mix of knowledge and expertise that is necessary to manage the business effectively.

Although Tsogo Sun Hotels has adopted a board diversification policy, which includes gender, age, ethnicity and cultural diversity, no voluntary targets have been set. Board diversity is assessed and monitored annually. The board considers diversity a core measurement in the appointment of new members.

Accountability and compliance

The board is held accountable for its performance by Tsogo Sun Hotels’ stakeholders. The performance of the board and its committees are regularly evaluated. Management is held accountable for its activities through quarterly performance reporting and budget updates. The CEO and CFO are awarded annual short-term incentives (“STIs”), based on pre-agreed financial criteria and the personal performance of the director.

For further information, please refer to the remuneration policy on page 72 of the remuneration implementation report.

The board is confident that it has fulfilled its responsibilities in accordance with its charter and the company’s memorandum of incorporation (‘MOI’) for the reporting period, and that the group has established an effective framework and processes for compliance with laws, codes, rules and standards. No material contraventions were reported during the year under review.

Appointments and succession

Board appointments are conducted in a formal and transparent manner. Directors are assessed by the nomination committee and suitable candidates are recommended to the board for appointment. One-third of the non-executive directors retire annually at the annual general meeting (‘AGM’).

For the purpose of executive succession planning, Tsogo Sun Hotels seeks to appoint from within the company, and has access to a range of available resources, skills and expertise.

The following changes in board composition occurred during the reporting period:

- Petrus Jacobus Boshoff, Fidelis Vusi Dlamini and Ravi Nadasen resigned as non-executive directors on 10 May 2019
- John Anthony Copelyn and James Robert Nicolella were appointed as non-executive directors with effect from 10 May 2019
- Marcel von Aulock was appointed as executive director and CEO on 10 May 2019
- Lynette Moretlo Molefi, Mohamed Haroun Ahmed, Sipho Christopher Gina and Jabulani Geoffrey Ngcobo were appointed as independent non-executive directors on 10 May 2019
- Cornelia Carol September was appointed as an independent non-executive director on 15 August 2019

Board effectiveness

The Company Secretary of the group is Southern Sun Secretarial Services Proprietary Limited (represented by Mojalemang Jane Mahloele). The Company Secretary is responsible for the statutory administration of the group, ensures compliance and provides the board with guidance on all regulations and governance codes and policies.

The Company Secretary is not a director of the company and ensures that board and committee processes and procedures are implemented.

Directors have unrestricted access to the advice and services of the Company Secretary. The board is satisfied that an arm’s length relationship exists between the board of directors, the executive team, individual directors and the Company Secretary.

The board has determined that it is satisfied with the current competence, qualifications and experience of the Company Secretary.
COMMITTEES
The board has constituted the following committees to which it has delegated certain group responsibilities, as defined in their respective approved terms of reference, which are reviewed by the board annually. The board retains accountability for the execution of their responsibilities, even when these are delegated. All committee chairmen report back orally to the board on the proceedings of their committee meetings.

Over and above the regular responsibilities of the board and its committees, during the next financial year, as the full impact of COVID-19 takes effect, consideration will be given to the group’s governance framework and the adequacy of existing policies and processes.

BOARD AND COMMITTEE MEETING ATTENDANCE

<table>
<thead>
<tr>
<th>1 April 2019 to 31 March 2020</th>
<th>Board</th>
<th>Audit and risk committee</th>
<th>Social and ethics committee</th>
<th>Remuneration and nomination committee</th>
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<tbody>
<tr>
<td>Executive</td>
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<tr>
<td>MN von Aulock (‘CEO’)</td>
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<tr>
<td>L McDonald (‘CFO’)</td>
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<tr>
<td>Independent non-executive</td>
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<tr>
<td>MH Ahmed (lead independent)</td>
<td>6/6</td>
<td>2/2</td>
<td>1/1</td>
<td>1/1</td>
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<tr>
<td>SC Gina</td>
<td>6/6</td>
<td>2/2</td>
<td>1/1</td>
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<tr>
<td>LM Molefi</td>
<td>6/6</td>
<td>2/2</td>
<td>1/1</td>
<td>0/1</td>
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<tr>
<td>JG Ngcobo</td>
<td>6/6</td>
<td>2/2</td>
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<td>CC September</td>
<td>6/6</td>
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<tr>
<td>Non-executive</td>
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<tr>
<td>JA Copelyn</td>
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<td>1/1</td>
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<tr>
<td>JR Nicolella</td>
<td>6/6</td>
<td>0/1*</td>
<td>0/1^</td>
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</tr>
</tbody>
</table>

* Resigned 15 August 2019.
The audit and risk committee comprises four independent non-executive directors and is primarily responsible for:

- Providing independent oversight of the effectiveness of the company’s assurance functions and services
- Ensuring that appropriate financial reporting procedures are established and are operating
- Ensuring that the group’s financial performance is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, the integrated annual reporting process, internal control systems and procedures, and accounting policies
- Appointing and assessing the performance of the internal auditor for the necessary skills and resources to address the complexity and volume of risks faced by the company
- Making recommendations to shareholders regarding the appointment or reappointment of the independent external auditor following an evaluation and assessment of the external auditor and the designated audit partner, the suitability for such appointment and independence of the external auditor and audit partner
- Considering the effectiveness of the internal financial controls as well as the external and internal audit functions
- Approval of the internal and external audit plans and audit fees
- Approving non-audit services
- Approving accounting policies
- Reviewing insurance, treasury and taxation matters
- Carrying out its statutory duties as set out in section 90 of the Companies Act
- Satisfying itself of the expertise and experience of the CFO and the company’s finance function as set out on page 81 of the consolidated annual financial statements for the year ended 31 March 2020
- Ensuring that an effective risk management process is in place to identify and monitor the management of key risks and opportunities in relation to the group’s risk tolerance and risk appetite levels and evaluation of the appropriateness of management’s response to these risks
- Reviewing IT risks in relation to core operational systems, systems projects, information management and security initiatives, and governance and regulatory compliance
- Reviewing material legal, legislative and regulatory developments
- Reviewing prospective accounting standard changes

The board has concluded that the audit and risk committee members had the necessary financial literacy, skills and experience to execute their duties effectively during the period under review and make worthwhile contributions to the audit and risk committee’s deliberations. The board recommends the members of the reconstituted audit and risk committee for reappointment at the AGM to be held on 20 October 2020.

The audit and risk committee has considered and satisfied itself that the CFO, Laurelle McDonald, has the appropriate expertise and experience to fulfil her role.

The audit and risk committee has:

- Confirmed that Tsogo Sun Hotels has established appropriate and adequate financial reporting procedures
- Monitored compliance with the group’s risk management policy and confirmed that Tsogo Sun Hotels has complied with the policy in all material aspects

Non-audit services approved throughout the year include mainly tax advisory services.

The audit and risk committee met twice during the period under review. Ad hoc meetings are held as required to consider special business. The Chairman of the board, CEO, CFO, external auditor, internal auditor and senior management from the group’s risk and IT departments attend all meetings of the audit and risk committee by invitation in order to contribute pertinent insights and information.

The board is satisfied that the audit and risk committee has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

The audit and risk committee report can be found on page 81 of the consolidated annual financial statements for the year ended 31 March 2020.

Key focus areas addressed during the 2020 financial year:

- Overseeing the adoption of new IFRS accounting statements
- Reviewing impairment assessments of property, plant and equipment and valuations of investment properties considering the impact of COVID-19 and resulting market volatility

Key focus areas to be addressed during the 2021 financial year:

- Monitor the implementation of new IFRS and the impact of future standards
- Consider the implications of the JSE’s 2020 Report on the Proactive Monitoring of Financial Statements and implement recommendations where appropriate
- Continue to monitor the control environment in light of the group’s proposed flatter organisational structure, and the challenging operating environment with focus on the fraud and cyber-crime environments
- Monitor insurance renewal terms and claims emanating from COVID-19
SOCIAL AND ETHICS COMMITTEE

Members: Sipho Chris Gina (Chairman), Lynette Moretlo Molefi, Jabulani Geoffrey Ngcobo, Mohamed Haroun Ahmed and Cornelia Carol September

* Independent non-executive.

The CEO and CFO attend meetings of the committee by invitation. The social and ethics committee operates in line with approved terms of reference, and oversees and reports on the following:

• Progress in the alignment of the group’s practices to the requirements of the revised B-BBEE codes
• Disputes with government or regulators
• Regulatory compliance
• Anti-bribery and anti-corruption
• Responsible tourism
• Preferential procurement, socio-economic development and enterprise and supplier development
• Environmental management and certification
• Customer satisfaction, loyalty, health and safety and consumer protection
• Job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement

The social and ethics committee draws the attention of the board to matters within its mandate as required and reports to shareholders at the company’s AGM.

The social and ethics committee meets a minimum of twice a year. However, as a result of the timing of the group’s listing in June 2019, only one meeting took place in the 2020 financial year. Ad hoc meetings are held as required to consider special business.

The board is satisfied that the committee has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

KEY FOCUS AREA ADDRESSED DURING THE 2020 FINANCIAL YEAR

• Ensuring that stakeholder engagement is appropriate for the size and nature of the organisation

KEY FOCUS AREAS TO BE ADDRESSED DURING THE 2021 FINANCIAL YEAR

• Attend to all matters within its mandate as prescribed by the South African Companies Act and management’s activities in relation thereto
• Monitor customer and employee health and safety with a view to ongoing improvements in response to COVID-19
• Monitor employee engagement levels and respond appropriately
The remuneration and nomination committee considers and applies the company’s approved policy of gender, age, ethnicity and cultural diversity in the nomination and appointment of directors.

The committee meets at least twice a year. However, as a result of the timing of the group’s listing in June 2019, only one meeting took place in the 2020 financial year. Ad hoc meetings are held as required to consider special business. The CEO and CFO attend meetings of the remuneration and nomination committee, or part thereof, by invitation if required to contribute pertinent insights and information.

The board is satisfied that the committee has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

The remuneration policy and remuneration implementation report can be found on page 72.

### KEY FOCUS AREAS TO BE ADDRESSED DURING THE 2021 FINANCIAL YEAR

- To conduct an internal evaluation of the board and its committees
- To review the remuneration (including short and long-term incentives) of employees in the context of the furlough implemented in order to address the impact of COVID-19 and respond accordingly
RISK AND OPPORTUNITY

The company treats risk as integral to the way it makes decisions and executes its duties. The group’s risk governance encompasses the opportunities and associated risks in developing strategy and the potential positive and negative effects of such risks on the achievement of its organisational objectives. While the board exercises ongoing oversight of risk management, the group’s risk governance function is delegated to the audit and risk committee with the responsibility for implementing and executing effective risk management delegated to management.

The group’s risk management process identifies and analyses group risks, sets appropriate limits, and controls and monitors risks and adherence to limits. Risks and opportunities are reviewed by the internal risk committee at least annually, and are presented to the audit and risk committee for review. This allows for risks to be identified and opportunities to be prioritised according to their potential impact on the group. Responses are designed and implemented to counter the effects of risks and to take advantage of opportunities. Significant risks identified are communicated to the board together with recommended actions.

The risk management policy is in accordance with industry practice and specifically prohibits the company from entering into any derivative transactions that are not in the normal course of business.

Internal controls

The directors have overall responsibility for the group’s internal control and for reviewing its effectiveness. The controls identify and manage group risks rather than completely eliminating failure.

Internal controls therefore provide reasonable but not absolute assurance against material misstatement or loss. The implementation and operation of these systems is the responsibility of management, and processes are regularly communicated to employees to inform them of their responsibilities.

Systems include strategic planning, appropriate levels of authority, segregation of duties, appointing qualified staff, regular reporting and monitoring of performance and effective control over Tsogo Sun Hotels’ investments.

Internal audit

The group’s internal audit function is performed by a professional firm that reports directly to the CFO and the Chairman of the audit and risk committee. Internal audit forms part of the combined assurance framework. The internal auditor carries out control-based audits based on the annual internal audit plan, as required by the external auditor and as approved by the audit and risk committee. The focus of internal audit in the past financial year was on human resources, payroll, treasury and internal financial controls.

The audit and risk committee examines and discusses the appropriateness of internal controls with the internal auditor. The audit and risk committee is satisfied with the internal audit function, and that internal audit has the necessary skills and resources to address the complexity and volume of risks faced by the organisation. The audit and risk committee will continuously evaluate and review the group’s internal audit function, which is appropriate for the size and activities of the group at this stage.

IT GOVERNANCE

The board is accountable for IT governance. The IT governance charter was updated in February 2019 and was reported as part of the CFO’s audit pack. It takes into account the requirements of King IV, globally accepted standards and good practice, together with the performance and sustainability objectives of the group.

Furthermore, the charter includes controls around:
- Change, risk management and documented registers
- Information security policy, procedures and registers
- Compliance, including GDPR and POPIA, which is being expanded in the 2021 financial year

During the year, the central IT department’s focus areas within the group were:
- Implementing a NextGen payroll and human resources solution, eliminating the risk of the previous end-of-life solution
- Updating guest internet infrastructure and software to support the growing functionality required by our guests
- Sourcing improved information security services and solutions to enhance our security maturity to minimise the risk of cyber-attacks
- Re-engineering our IT service offering within the group to ensure resources are streamlined and more cost-effective
- Detailed review of IT costs and streamlined expenses to be more cost-effective for the group
- Continued upgrade of operating systems, databases and solutions to ensure their sustainability and longevity

The CEO is responsible for the ownership and execution of IT governance.

The key IT risks are integrated into the enterprise-wide risk governance and management process. Independent IT assurance reviews are conducted annually to ensure governance and policies are adhered to, laws are complied with, and data is secure and protected. No major incidents that required remedial action occurred during the year. The board is satisfied with the effectiveness of IT governance.
OUR LEADERSHIP

THE BOARD AS AT 31 MARCH 2020**

EXECUTIVE DIRECTORS

Marcel Nikolaus von Aulock (46)
Chief Executive Officer
CA(SA)
Appointed: 10 May 2019

Laurelle McDonald (38)
Chief Financial Officer
CA(SA)
Appointed: 30 September 2011

NON-EXECUTIVE DIRECTORS

John Anthony Copelyn (70)
Chairman and non-executive director
BA (Hons), BProc
Appointed: 10 May 2019

James Robert (Rob) Nicolella (51)
Non-executive director
CA(SA), PLD
Appointed: 10 May 2019

* Refer to page 64 of the governance report for detailed information on the changes in the board’s composition during the reporting period.

* Summarised CVs can be found on page 168 of the notice of AGM and on Tsogo Sun Hotels’ website at www.tsogosun.com/investors.
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mohamed Haroun Ahmed (56)  Lead independent non-executive director  BCom Accounting  
Appointed: 10 May 2019

Lynette Moretlo Molefi (51)  Independent non-executive director  BSc, MB ChB  
Appointed: 10 May 2019

Sipho Chris Gina (61)  Independent non-executive director  Dip (Labour Law)  
Appointed: 10 May 2019

Jabulani Geffrey Ngcobo (69)  Independent non-executive director  
Appointed: 10 May 2019

Cornelia Carol September (61)  Independent non-executive director  PGDip (Economics Policy) Masters in Technology Management  
Appointed: 15 August 2019

GENDER DIVERSITY (%)

2020

- Executive: 22%
- Independent non-executive: 22%
- Non-executive: 56%

RACIAL DIVERSITY (%)

2020

- Black: 33%
- White: 67%
REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT

REMUNERATION PHILOSOPHY
The key goals of Tsogo Sun Hotels’ remuneration philosophy are to remunerate fairly, responsibly and competitively in order to:
- Attract, reward and retain executive directors and staff of the requisite calibre, with the appropriate knowledge, attributes, skills and experience to allow them to add meaningful value to the company
- Align the behaviour and performance of executive directors with the company’s strategic goals in the overall interests of shareholders and other stakeholders
- Promote a culture that supports initiative and innovation, with appropriate short and long-term incentives that are fair and achievable

REMUNERATION POLICY
Tsogo Sun Hotels’ job evaluation and grading philosophy and contracts of employment have remained consistent with those in place prior to its unbundling from the Tsogo Sun Group.

The remuneration committee approves the fixed and variable mix of the remuneration structure, which differs based on employee level.

Basic salaries and a 13th cheque are guaranteed for employees other than executive directors and management, and the cost of benefits are shared between the employee and the employer on a 50:50 basis. Basic salaries for executive directors and management are guaranteed and are structured on a CTC basis.

Tsogo Sun Hotels seeks to remunerate responsibly, fairly and transparently and seeks to achieve a balance of short-term and long-term incentives as part of a complete remuneration package that will motivate short-term returns and long-term value creation for shareholders.

The combination of these components ensures that above average pay is only received for above average performance and above average sustainable shareholder returns.