Corporate governance overview

Tsogo Sun Hotels is committed to high standards of corporate governance and has implemented a governance framework, which informs how we conduct business.

Group governance framework

Tsogo Sun Hotels’ unitary board maintains control of the group. 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, social and environmental impact and labour and employment

- **CEO**
  - Responsible for implementing board strategy and policy and managing the business

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

- **Executive risk committee**
  - Responsible for identifying and managing 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.

Our King IV application register can be viewed on our website under the investors section.
Organisational ethics and responsible citizenship
The group’s ethical culture is instilled by the board, and flows through to management, who is tasked to lead by example.

The group’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 wrongdoing;
- conflicts of interest;
- the legitimate interests of the business;
- application of law, policies and procedures; and
- individual accountability.

Conflicts of interest
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.

Share dealing
Dealing in the group’s securities by directors, their associates and senior group officials is regulated and monitored in accordance with the JSE Listings Requirements and the group’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 group’s shares are trading under cautionary.

Code of conduct
The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and disseminating confidential information.

Anti-bribery and corruption
The group 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 group’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 year, four 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.

Governance framework
The board mindfully interpreted and applied King IV as appropriate for the organisation and the tourism sector in which it operates. The board adopted an appropriate governance framework for the group and oversees the implementation of the governance framework. The board believes this framework resulted in the group being a good corporate citizen and achieving an honest and ethical culture, good performance, effective control in the organisation and legitimacy with stakeholders.

Tsogo Sun Hotels’ application of King IV can be viewed on our website under investors.

Board of directors
Composition
Tsogo Sun Hotels’ unitary board met five times during the year.

Board membership and analyses of its composition can be found on page 72.

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 implementing 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 appointed a strong lead independent non-executive director to ensure the necessary independence is upheld in the functioning of the board. The lead independent director leads in the Chairman’s absence and assists with managing any actual or perceived conflicts of interest that may arise. The lead independent director leads the Chairman’s performance appraisal. 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 77.

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 and delegating and monitoring their implementation by management;
- considering risks and opportunities in line with the group’s agreed risk parameters and approving major issues, including the group’s investment policies, acquisitions, disposals and reporting as well as monitoring operational performance;

The social and ethics committee plays an important role in implementing anti-corruption and anti-fraud initiatives, as set out on page 69.
• monitoring the group’s performance; and
• acting in the group’s best interests and being accountable to shareholders and other stakeholders.

Tsogo Sun Hotels’ board charter is reviewed annually.

Diversity

The directors’ varied backgrounds and experience, as set out in their CVs available on our website, provide an appropriate mix of knowledge and expertise necessary to manage the business effectively.

Although Tsogo Sun Hotels adopted a board diversification policy, including 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 when appointing new members.

The board is satisfied that its current composition, the components of which are set out in the graphs on page 73, reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

Appointments and succession

Board appointments are conducted formally and transparently. The nomination committee assesses directors and recommends suitable candidates to the board for appointment. One-third of the non-executive directors retire annually at the annual general meeting (AGM).

For executive succession planning, Tsogo Sun Hotels seeks to appoint from within the group, and has access to a range of available resources, skills and expertise. There were no changes to the board’s composition during the year.

Accountability and compliance

Tsogo Sun Hotels’ stakeholders hold the board accountable for its performance. The performance of the board and its committees is 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) under normalised circumstances based on pre-agreed financial criteria and the director’s personal performance.

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

Board effectiveness

The group Company Secretary is Southern Sun Secretarial Services Proprietary Limited (represented by Laurinda Rosalind (Rosa) van Onselen). The Company Secretary is responsible for the group’s statutory administration, ensures compliance and provides the board with guidance on the Companies Act and all regulations and governance codes and policies.

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

Directors have unrestricted access to the Company Secretary’s advice and services. 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 determined that it is satisfied with the Company Secretary’s competence, qualifications and experience.

Committees

The board constituted the audit and risk, social and ethics, and remuneration and nomination committees to which it has delegated certain group responsibilities. These responsibilities are defined in the committees’ 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.

During the year, in addition to the regular responsibilities of the board and its committees, the board gave consideration to the governance framework in the context of the continued impact of Covid-19 on the business. As part of this process, existing policies were reviewed, and no material amendments were required. The board is satisfied that the governance structure continues to serve the group well during these times. Following its acquisition by Tsogo Sun Hotels, HPF adopted Tsogo Sun Hotels’ group governance framework.

For further information, please refer to the remuneration policy on page 74.
### Board and committee meeting attendance

1 April 2020 to 31 March 2021

<table>
<thead>
<tr>
<th></th>
<th>Board</th>
<th>Audit and risk committee</th>
<th>Social and ethics committee</th>
<th>Remuneration and nomination committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>MN von Aulock (CEO)</td>
<td>5/5</td>
<td>3/3*</td>
<td>2/2*</td>
<td>2/2*</td>
</tr>
<tr>
<td>L McDonald (CFO)</td>
<td>5/5</td>
<td>3/3*</td>
<td>2/2*</td>
<td>2/2*</td>
</tr>
<tr>
<td><strong>Independent non-executive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MH Ahmed (lead independent)</td>
<td>5/5</td>
<td>3/3</td>
<td>2/2</td>
<td>2/2</td>
</tr>
<tr>
<td>SC Gina</td>
<td>5/5</td>
<td>3/3</td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>LM Molefi</td>
<td>5/5</td>
<td>3/3</td>
<td>2/2</td>
<td>1/2</td>
</tr>
<tr>
<td>JG Ngcobo</td>
<td>4/5</td>
<td>3/3</td>
<td>2/2</td>
<td>2/2</td>
</tr>
<tr>
<td>CC September</td>
<td>5/5</td>
<td></td>
<td></td>
<td>2/2</td>
</tr>
<tr>
<td><strong>Non-executive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JA Copelyn</td>
<td>5/5</td>
<td></td>
<td>1/2*</td>
<td>2/2</td>
</tr>
<tr>
<td>JR Nicolella</td>
<td>5/5</td>
<td>3/3*</td>
<td></td>
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</tr>
</tbody>
</table>

* By invitation.
This report should be read in conjunction with the statutory report of the audit and risk committee on page 86 of the consolidated annual financial statements.

The audit and risk committee comprises four independent non-executive directors and is primarily responsible for:

- providing independent oversight of the effectiveness of the group’s assurance functions and services;
- ensuring appropriate financial reporting procedures are established for the group in accordance with paragraph 3.84(g)(ii) of the Listings Requirements of the JSE;
- ensuring 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 group;
- making recommendation to shareholders regarding the appointment or reappointment of the independent external auditor following the receipt of the necessary information as set out in paragraph 22.15(h) of the Listings Requirements of the JSE, 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;
- approving internal and external audit plans and audit fees;
- approving non-audit services;
- approving accounting policies;
- reviewing insurance, treasury and taxation matters;
- executing 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 group’s finance function as set out on page 86 of the consolidated annual financial statements for the year ended 31 March 2021;
- ensuring an effective risk management process is in place to identify and monitor the management of key risks and opportunities relating 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 relating 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; and
- taking appropriate action where necessary to respond to findings as highlighted in the JSE’s most recent report on proactive monitoring of financial statements and, where necessary, those of previous periods.

The board concluded that audit and risk committee members had the necessary financial literacy, skills and experience to execute their duties effectively during the year and make worthwhile contributions to its deliberations. The board recommends the members of the reconstituted audit and risk committee for reappointment at the AGM to be held on 18 October 2021.

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

The audit and risk committee:

- confirmed that Tsogo Sun Hotels has established appropriate and adequate financial reporting procedures; and
- monitored compliance with the group’s risk management policy and confirmed that Tsogo Sun Hotels complies with the policy in all material aspects.

Non-audit services approved throughout the year included mainly tax advisory services and independent reporting accountant fees for the HPF acquisition. The audit and risk committee met three times during the year. Ad hoc meetings are held as required to consider special business. The CEO, CFO, external auditor, internal auditor, Financial Director of HPF and senior management from the group’s risk and IT departments attend all audit and risk committee meetings by invitation to contribute pertinent insights and information.

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

The audit and risk committee report can be found on page 86 of the consolidated annual financial statements for the year ended 31 March 2021.
<table>
<thead>
<tr>
<th>Key focus areas addressed during the 2021 financial year</th>
<th>Key focus areas to be addressed during the 2022 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Monitored the implementation of new IFRS and the impact of future standards</td>
<td>• Continue monitoring the implementation of new IFRS and the impact of future standards</td>
</tr>
<tr>
<td>• Considered the implications of the JSE’s most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate</td>
<td>• Consider the implications of the JSE’s most recent report on the proactive monitoring of financial statements and implement recommendations where appropriate</td>
</tr>
<tr>
<td>• Continued monitoring the control environment considering the group’s flatter organisational structure, and the challenging operating environment with a focus on the fraud, cyber-crime and data protection environments</td>
<td>• Continue monitoring the control environment considering the group’s flatter organisational structure</td>
</tr>
<tr>
<td>• Considered the appropriateness of the group’s risk management policy and adjusting the group’s risk tolerance and risk appetite levels considering the impact of Covid-19 on the organisation</td>
<td>• Monitor the next phase of the implementation of processes for compliance with GDPR (EU) 2016/679 and POPIA</td>
</tr>
<tr>
<td>• Monitored the group’s going-concern status and achievement and/or waiver of covenant requirements</td>
<td>• Monitor the group’s going-concern status and achievement/waiver of covenant requirements</td>
</tr>
<tr>
<td>• Monitored the first phase of the implementation of policies and processes for compliance with General Data Protection Regulation (GDPR) (EU) 2016/679 and Protection of Personal Information Act 4 of 2013 (POPIA)</td>
<td>• Monitor the second phase of the implementation of processes for compliance with GDPR (EU) 2016/679 and POPIA</td>
</tr>
<tr>
<td>• Monitored insurance renewal terms and claims emanating from Covid-19</td>
<td>• Monitor the group’s going-concern status and achievement/waiver of covenant requirements</td>
</tr>
</tbody>
</table>

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 committee meetings 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
- Climate change and environmental management and certification
- Customer satisfaction, loyalty, health and safety and consumer protection

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

The social and ethics committee meets a minimum of twice a year. Ad hoc meetings are held as required to consider special business.

The board is satisfied that the committee fulfilled its responsibilities in accordance with its terms of reference for the year.
Remuneration and nomination committee
Members: Mohamed Haroun Ahmed (Chairman)*, John Anthony Copelyn*, Lynette Moretto Molefi* and Jabulani Geoffrey Ngcobo*

An independent non-executive director chairs the remuneration and nomination committee. The committee oversees the setting and implementation of the remuneration policy for the group. It ensures the policy and remuneration implementation report is tabled to shareholders every year at the group’s AGM for separate non-binding advisory votes.

The committee recommends the remuneration and incentivisation of the group’s directors to the board, evaluates executive directors’ performance and sets their annual key performance indicators.

The committee ensures the board has the appropriate composition and balance of skills for it to execute its duties effectively. It ensures directors’ appointment is transparent and made on merit through a formal process that includes identifying and evaluating potential candidates for appointment to the board. The committee considers and applies the group’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. 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 fulfilled its responsibilities in accordance with its terms of reference for the year.

The remuneration policy and remuneration implementation report can be found on page 74.

<table>
<thead>
<tr>
<th>Key focus areas addressed during the 2021 financial year</th>
<th>Key focus areas to be addressed during the 2022 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conducted an internal evaluation of the board and its committees</td>
<td>• Review the remuneration (including STIs and LTIs) of employees in the context of the furlough implemented to address the impact of Covid-19 and respond accordingly</td>
</tr>
<tr>
<td>• Reviewed the remuneration (including STIs and long-term incentives (LTIs)) of employees in the context of the furlough implemented to address the impact of Covid-19 and respond accordingly</td>
<td></td>
</tr>
</tbody>
</table>
**Risk and opportunity**

The group treats risk as integral to how 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 achieving 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. The internal risk committee reviews risks and opportunities at least annually. These 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 leverage opportunities. Significant risks identified are communicated to the board with recommended actions.

The risk management policy is in accordance with industry practice and specifically prohibits the group 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.

Therefore, internal controls provide reasonable but not absolute assurance against material misstatement or loss. Management is responsible for implementing and operating these systems. 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 employees, 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 audit and risk committee Chairman. Internal audit forms part of the combined assurance framework. The internal auditor executes control-based audits based on the annual internal audit plan, as required by management, taking into account the scope of the external audit plan 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 group’s current size and activities.

**IT governance**

The board is accountable for IT governance. The IT governance charter considers the requirements of King IV, globally accepted standards and good practice, with the group’s performance and sustainability objectives.

Furthermore, the charter includes controls around:

- change, risk management and documented registers;
- information security policy, procedures and registers; and
- compliance including GDPR and POPIA.

With the onset of Covid-19 and the focus on cost reductions, new investments into IT solutions were limited. The central IT department’s focus areas in the group were:

- ensuring the availability and stability of our current systems and solutions;
- completing the successful implementation of our cloud-based payroll solution, Payspace;
- engaged with law firm, Michalsons to educate our employees on GDPR and POPIA legislation and utilising their internet-based platform for the implementation of compliance solutions;
- the strengthening of firewalls with internal and external protection layers; and
- engaging a Tier 1, third-party solution provider, who manages the Cyber Security Operations Centre, with focus on management, detection and response services.

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 2021**

Executive directors

Marcel Nikolaus von Aulock (47)
BCom BAcc
CEO
Appointed:
10 May 2019

Laurelle McDonald (39)
CA(SA)
CFO
Appointed:
30 September 2011

Non-executive directors

John Anthony Copelyn (71)
BA (Hons), BProc
Chairman and non-executive director
Appointed:
10 May 2019

James Robert (Rob) Nicolella (52)
CA(SA), PLD
Non-executive director
Appointed:
10 May 2019

* No changes in board composition occurred during the year.

** Summarised CVs can be found on page 31 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 (52)
Independent non-executive director
BSc, MB ChB
Appointed: 10 May 2019

Sipho Chris Gina (62)
Independent non-executive director
Dip (Labour Law)
Appointed: 10 May 2019

Jabulani Geffrey Ngcobo (70)
Independent non-executive director
Appointed: 10 May 2019

Mohamed Haroun Ahmed (56)
Independent non-executive director
Appointed: 10 May 2019

Lynette Moretlo Molefi (52)
Independent non-executive director
Appointed: 10 May 2019

Sipho Chris Gina (62)
Independent non-executive director
Appointed: 10 May 2019

Jabulani Geffrey Ngcobo (70)
Independent non-executive director
Appointed: 10 May 2019

Cornelia Carol September (62)
Independent non-executive director
PGDip (Economics Policy)
Masters in Technology Management
Appointed: 15 August 2019

Board membership (%)*

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

Gender diversity (%)*

- Female: 33%
- Male: 67%

Racial diversity (%)*

- Black: 33%
- White: 67%

* No changes in board composition occurred during the year.
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; and
• promote a culture that supports initiative and innovation, with appropriate short and long-term incentives (LTIs) that are fair and achievable.

Remuneration policy
The remuneration committee approves the fixed and variable mix of the group’s remuneration structure, which differs based on employee level. The components of the group’s remuneration structure, applicable under normalised circumstances, are set in this remuneration report. However, due to the impact of Covid-19, these have been adjusted and approved by the board, on the recommendation of the remuneration and nomination committee, as part of the Covid-19 action plan to reduce costs and to preserve cash. The adjustments pertain mainly to the award and payment of short-term incentives (STIs) in 2020 and 2021 and the reduction in salaries due to the furlough implemented in March 2020, the details of which are set out in the remuneration implementation report.

Fair, responsible and transparent remuneration

All permanent employees, other than executive directors and management, receive guaranteed basic salaries (including an annual bonus of up to one month’s basic salary on completion of up to three years’ service) with the costs of medical, risk and retirement benefits shared between the employee and the employer on a 50:50 basis. Executive directors and management are remunerated based on a guaranteed total package basis, with the costs of benefits structured within their total cost to company.

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

The combination of these components ensures that above-average pay is only received for above-average performance and above-average sustainable shareholder returns.
Short-term incentives (STIs)

Executive directors and management participate in STIs, which are based on the achievement of financial targets (Ebitdar and adjusted earnings), relative revenue growth and personal key performance objectives in proportions ranging respectively from 60:25:15 at the most senior level to 35:25:40 at the lowest management participant level.

The STI target split allows for:
- the achievement of elements over which executive directors and management could exercise direct control and which ensures that the achievement of short-term financial performance is not at the expense of future opportunities. In this regard, personal key performance objectives are agreed annually upfront between the participant and his or her immediate manager; and
- executive directors and management are also incentivised to achieve improved returns for shareholders by reaching or exceeding approved targets for Ebitdar, adjusted earnings and relative revenue growth.

Relative revenue growth is determined by comparing actual revenue growth year on year (as measured by Revpar) in Tsogo Sun Hotels with appropriate comparator performance.

At an executive management level, financial achievement is weighted 50% Ebitdar and 50% adjusted earnings, against the targets approved by the remuneration and nomination committee, which are based on the relevant board-approved budget. The budget and accompanying targets are adjusted up or down for material structural changes during the year to ensure they remain fair. Adjustments relate mainly to acquisitions, disposals or corporate transactions that are not anticipated at the time of finalising the budget. Any adjustments to the targets are recommended by the remuneration and nomination committee and approved by the board.

The financial “threshold” target is set at 90% of the approved target with a score of 0% being awarded for achievement below the threshold, 50% being awarded for the achievement of on-target performance and with a “stretch” target set at 115% of the approved target resulting in a score capped at 100%, being awarded for the achievement of the stretch target. This means that in order for STI participants to meet the financial performance targets, the group’s actual performance must be within 90% of targeted Ebitdar and adjusted earnings and at 115% of targeted Ebitdar and adjusted earnings.

Pre-agreed personal key performance objectives vary depending on the employee’s role within the organisation and could include elements such as growth, customer satisfaction, regulatory compliance, leadership, internal controls and cost control. An evaluation of the STI participant’s achievement of his or her pre-agreed personal key performance objectives is completed at the end of the financial year. A “bell-curve” methodology is applied to the evaluation of personal performance, as provided for in the rules of the STI scheme.

The on-target STI entitlement varies per employee level from 75% of the annual total package for the CEO, 50% for the CFO, 40% for heads of function (HOFs), 33% for senior managers and 20% for management level employees. The maximum bonus entitlement varies per level from 130% of the total package for the CEO, 90% for the CFO, 75% for HOFs, 60% for senior managers and 35% for management-level employees. The chart below is an illustrative example of the STI achievement by management level for on-target performance assuming an annual total package of R1 million:
**Long-term incentives (LTIs)**

Selected key senior employees of the group participate in the Tsogo Sun Hotels’ Share Appreciation Rights Plan (SAR plan) with the goal to incentivise, motivate and retain these high-calibre employees and recognise their contributions to the group.

The purpose of the SAR plan is twofold, namely:

- For new awards:
  - To offer employees the opportunity to receive shares in Tsogo Sun Hotels (TGO shares) through the award of share appreciation rights (SARs), settled in TGO shares. The SAR plan is primarily used as an incentive to participants to deliver on our business strategy over the long term.
  - To offer such participants the opportunity to share in the group’s success, recognising the contributions made by these employees and providing alignment between the interests of participants and shareholders.

- For replacement awards:
  - Due to the unbundling, employees of Tsogo Sun Hotels were given the option to elect to exchange their rights held under the Tsogo Sun Group Long Term Incentive Plan (Tsogo Sun LTIP) for replacement awards under the SAR plan.
  - The exchange and replacement, effective 12 June 2019, was regulated under the rules of the Tsogo Sun LTIP and the specific details confirmed in a replacement award letter provided to each participant.
  - To ensure ease of administration and sound governance following the unbundling, the group assumes the obligation to settle the replacement awards and the rules of the SAR plan will therefore be used to facilitate this settlement. In addition, the ongoing administration of the replacement awards will be performed by the board, on the recommendation of the remuneration and nomination committee, in terms of the rules of the SAR plan.

**Key features of the SAR plan**

Share appreciation rights:

- are allocated annually (award date) to eligible employees as recommended by the remuneration and nomination committee and approved by the board;
- vest on the third anniversary of their award date and will lapse and accordingly not be capable of surrender for settlement in TGO shares, upon the sixth anniversary of their award date;
- confers the right upon the participating employee to receive TGO shares equal to the appreciation of the awarded SARs over the vesting period, being a period of three years from the award date and is subject to the participating employee’s continued employment during this period;
- appreciation is calculated as the difference between the seven-day volume weighted average price (seven-day VWAP) on the date on which the award was made to an eligible employee to participate in the scheme (the award price), multiplied by the number of SARs awarded; and
- exercise price will be adjusted to take into account dividends (being a distribution as defined in the Companies Act and any dividends declared and paid in cash or in specie and on the unbundling of an asset or share) between the award date and the vesting date.

The number of annual SARs awarded to participants will primarily be based on the participant’s annual salary, employee level, performance, retention and attraction considerations, as well as market benchmarks. Annual allocations will be benchmarked and set to a market-related level of remuneration, whilst considering the overall affordability thereof to the group.

LTIs serve to align the focus of management with that of shareholders in that participants receive the capital growth on their share between date of issue and date of vesting, as well as all dividends declared in between these periods. As a result, management is focused on increasing the share price and the dividends per share. No other specific performance measurements are attached to LTIs awarded.

On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun Hotels’ share price over the award price plus dividends declared and paid, post the award date (net of corporate tax), which value will be settled in TGO shares.

LTI allocations (prior year replacement awards and new awards, if applicable) are listed in the remuneration implementation report.

**Malus and clawback**

The group understands the need for increased alignment between executive management and shareholders, particularly in executive remuneration schemes operated by the group, and the growing emphasis on executive accountability. In response, the remuneration and nomination committee proposed a malus and clawback clause which was approved by the board for inclusion in both the STI scheme and the SAR plan. In terms of this clause, clawbacks may be implemented by the board for material misstatements of financial statements or errors in calculations that led to the overpayment of incentives to executives. Clawbacks may be implemented from all gains derived from any STI or LTI award in the form of a reduction in the value of these awards in future years, or (other than for executive directors) in the form of a repayment plan over a period of up to 12 months. Executive directors are required to repay the amount in full. In the event that an employee has left the services of the company, or there is limited possibility of recovering amounts from future incentive awards, the company may institute proceedings to recover such amounts.
Remuneration implementation report

Executive directors’ service contracts at 31 March 2021

Both the CEO and CFO are full-time salaried employees of Tsogo Sun Hotels. Their employment contracts are subject to three months’ notice, contain no restraint of trade clauses and have no specific contractual conditions related to termination.

Non-executive directors’ terms of appointment

Non-executive directors are not subject to any other fixed terms of employment other than the conditions contained in the company’s MOI and, as such, no service contracts have been entered into with the company. Tsogo Sun Hotels’ remuneration for non-executive directors comprises:

• a basic annual fee for membership of the board and the audit and risk committee; and
• a per meeting attendance fee for members of the social and ethics and remuneration and nomination committees.

Non-executive directors’ fees are approved in advance by shareholders by special resolution at the company’s AGM. No share options or other incentive awards geared to share price or corporate performance are made to non-executive directors.

Executive directors’ and prescribed officer’s emoluments

<table>
<thead>
<tr>
<th></th>
<th>MN von Aulock R’000</th>
<th>L McDonald R’000</th>
<th>R Nadasen R’000</th>
<th>Total R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>2 216</td>
<td>1 613</td>
<td>504</td>
<td>4 333</td>
</tr>
<tr>
<td>Benefits</td>
<td>146</td>
<td>118</td>
<td>287</td>
<td>551</td>
</tr>
<tr>
<td>Current year STI</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>accrued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of equity-settled SARs awarded (1)</td>
<td>819</td>
<td>819</td>
<td>-</td>
<td>1 638</td>
</tr>
<tr>
<td>IFRS 2 charge on vested equity-settled SARs transferred to share-based payment reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total single figure remuneration</td>
<td>3 181</td>
<td>2 550</td>
<td>791</td>
<td>6 522</td>
</tr>
<tr>
<td>Current year vesting of equity-settled SARs</td>
<td>4 270</td>
<td>682</td>
<td>-</td>
<td>4 952</td>
</tr>
<tr>
<td>Fair value of unvested equity-settled SARs (2)</td>
<td>(761)</td>
<td>(761)</td>
<td>-</td>
<td>(1 522)</td>
</tr>
<tr>
<td>Settlement of cash-based LTI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remuneration including vested SARs</td>
<td>6 690</td>
<td>2 471</td>
<td>791</td>
<td>9 952</td>
</tr>
<tr>
<td>Current year STI not settled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prior year STI settled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current year IFRS 2 charge on equity-settled SARs</td>
<td>4 (328)</td>
<td>(740)</td>
<td>-</td>
<td>(5 068)</td>
</tr>
<tr>
<td>Total cash equivalent value of remuneration</td>
<td>2 362</td>
<td>1 731</td>
<td>791</td>
<td>4 884</td>
</tr>
</tbody>
</table>

(1) Reflects the fair value of new SARs (unvested) awarded on 13 January 2021 as well as replacement SARs (vested and unvested) awarded on the conversion date in the prior year, being 12 June 2019. Refer to note 35 of the consolidated annual financial statements for detail on new and replacement awards granted in terms of the SAR plan.

(2) Ravi Nadasen resigned on 31 July 2020 and the table reflects his remuneration up to this date. Due to the reconfiguration of the business and the creation of a flatter organisational structure, this exact role was not replaced.
Reduction in payroll burden
The furlough implemented to reduce payroll costs in response to Covid-19 was accepted by all employees including the CEO, Mr von Aulock, whose rate of pay reduced to nil between 1 April 2020 to 30 September 2020 and increased to 40% of normal pay from 1 October 2020 to 31 January 2021 and to 75% of normal pay from 1 February 2021 to date, respectively. The CFO, heads of function and managers’ pay levels were initially set at 60% of normal pay in April 2020, reduced to 40% of normal pay from May 2020 to January 2021 and increased to 75% of normal pay from February 2021 to date. These salary rates will be continuously assessed against trading levels and cash generation and adjusted accordingly depending on affordability. While furlough has been in place, there have been no salary rate increases for employees in the 2020 or 2021 financial years.

Achievement of STIs in FY20

<table>
<thead>
<tr>
<th></th>
<th>Financial weighted score %</th>
<th>Relative growth weighted score %</th>
<th>Personal weighted score %</th>
<th>Total score %</th>
<th>Bonus accrued R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN von Aulock</td>
<td>–</td>
<td>4.7</td>
<td>10.0</td>
<td>14.7</td>
<td>1 712</td>
</tr>
<tr>
<td>L McDonald</td>
<td>–</td>
<td>4.7</td>
<td>13.3</td>
<td>18.0</td>
<td>504</td>
</tr>
</tbody>
</table>

STIs are paid in May each year; however, due to the impact of the Covid-19 pandemic and the company’s focus on cash preservation, STIs for the 2020 financial year were calculated and approved by the remuneration and nomination committee, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made.

Due to the protracted impact of the Covid-19 pandemic, no STIs were awarded for the 2021 financial year.

LTI allocations in FY21 (audited)

<table>
<thead>
<tr>
<th></th>
<th>Number of SARs awarded</th>
<th>Award price</th>
<th>Strike price(1)</th>
<th>Fair value of SARs on award date(1)</th>
<th>Vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN von Aulock</td>
<td>1 142 857</td>
<td>R1.49</td>
<td>R1.50</td>
<td>819</td>
<td>13 January 2024</td>
<td>13 January 2027</td>
</tr>
<tr>
<td>L McDonald</td>
<td>1 142 857</td>
<td>R1.49</td>
<td>R1.50</td>
<td>819</td>
<td>13 January 2024</td>
<td>13 January 2027</td>
</tr>
</tbody>
</table>

(1) Calculated using a Black Scholes model at award date. Please refer to note 35 of the consolidated annual financial statements for details on the valuation assumptions applied.

LTI awards are normally granted in May of every year at the seven-day VWAP to 31 March, however, the 1 April 2020 awards were deferred to provide shareholders and the market with sufficient time to consider the impact that Covid-19 had on the business for the interim reporting period to 30 September 2020 and announced on 19 November 2020. The intention being to ensure that the award price was based on shareholders and the market having considered all relevant financial information. Accordingly, the LTI awards were awarded on 13 January 2021, at the seven-day VWAP to 12 January 2021.
Conversion to the SAR plan and replacement awards granted

As a consequence of the listing of the group on 12 June 2019, employees of Tsogo Sun Hotels who participated in the Tsogo Sun LTIP were given the option to: (a) accelerate the vesting of all their notional shares (both vested and unvested) held under the Tsogo Sun LTIP and receive settlement in cash; or (b) to elect to convert their notional shares held under the Tsogo Sun LTIP to replacement awards administered in terms of the SAR plan.

The conversion calculation provided for participants to receive SARs that equate to the same fair value of the notional shares (both vested and unvested) previously held under the Tsogo Sun LTIP on the conversion date, being 12 June 2019. The conversion ensured that employees of the company are incentivised based on the company’s share price performance moving forward, and also served to align their interests more closely with those of shareholders.

Details of replacement awards granted to executive directors and prescribed officers are set out below (audited):

<table>
<thead>
<tr>
<th>Replacement award date</th>
<th>Replacement SARs awarded and still outstanding 2020</th>
<th>Replacement award price on conversion date</th>
<th>Strike price(1)</th>
<th>Replacement SARs vested and still outstanding 2020</th>
<th>Fair value of SARs on replacement award date(1) R’000</th>
<th>Vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN von Aulock</td>
<td>1 603 856</td>
<td></td>
<td>4.24</td>
<td>3.99</td>
<td>1 409</td>
<td>31 March 2022</td>
<td>31 March 2025</td>
</tr>
<tr>
<td>1 October 2018</td>
<td>10 893 353</td>
<td></td>
<td>4.13</td>
<td>4.03</td>
<td>9 180</td>
<td>30 September 2024</td>
<td>30 September 2024</td>
</tr>
<tr>
<td>L McDonald</td>
<td></td>
<td></td>
<td>4.01</td>
<td>4.01</td>
<td>716</td>
<td>31 March 2019</td>
<td>31 March 2022</td>
</tr>
<tr>
<td>1 April 2016</td>
<td></td>
<td></td>
<td>5.14</td>
<td>5.14</td>
<td>156</td>
<td>31 March 2020</td>
<td>31 March 2023</td>
</tr>
<tr>
<td>1 April 2017</td>
<td></td>
<td></td>
<td>5.14</td>
<td>5.14</td>
<td>156</td>
<td>31 March 2021</td>
<td>31 March 2024</td>
</tr>
<tr>
<td>1 April 2018</td>
<td></td>
<td></td>
<td>5.14</td>
<td>5.14</td>
<td>156</td>
<td>31 March 2022</td>
<td>31 March 2025</td>
</tr>
<tr>
<td>1 April 2019</td>
<td></td>
<td></td>
<td>5.14</td>
<td>5.14</td>
<td>156</td>
<td>31 March 2023</td>
<td>31 March 2024</td>
</tr>
</tbody>
</table>

(1) Calculated using a Black Scholes model at conversion date. Please refer to note 35 of the consolidated annual financial statements for details on the valuation assumptions applied.

(2) No top-up award was allocated to Mr von Aulock during the 2020 financial year as requested by Mr von Aulock.

LTIs are equity-settled and will therefore have a dilutionary impact to shareholders on settlement. Based on the seven-day VWAP as at 31 March 2021 of R2.17 and the average TGO share price for the 12 months to 31 March 2021 of R1.77, all vested SARs capable of being exercised are out-of-the-money and, accordingly, the scheme has no dilutionary impact on shareholders for the year ended 31 March 2021.

Refer to note 35 of the consolidated annual financial statements for further information.
Remuneration policy and remuneration implementation report continued

Non-executive directors’ fees

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>Directors’ fees paid by the company R’000</th>
<th>Directors’ fees paid by Hospitality R’000</th>
<th>Total R’000</th>
<th>Directors’ fees paid by the company R’000</th>
<th>Directors’ fees paid by Hospitality R’000</th>
<th>Total R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>JA Copelyn*</td>
<td>216</td>
<td>–</td>
<td>216</td>
<td>418</td>
<td>77</td>
<td>495</td>
</tr>
<tr>
<td>M Ahmed#</td>
<td>266</td>
<td>239</td>
<td>505</td>
<td>453</td>
<td>492</td>
<td>945</td>
</tr>
<tr>
<td>J Awbrey^</td>
<td>–</td>
<td>136</td>
<td>136</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SC Gina#</td>
<td>203</td>
<td>132</td>
<td>335</td>
<td>355</td>
<td>234</td>
<td>589</td>
</tr>
<tr>
<td>ML Molefi#</td>
<td>205</td>
<td>181</td>
<td>386</td>
<td>361</td>
<td>318</td>
<td>679</td>
</tr>
<tr>
<td>T Mosololi#</td>
<td>–</td>
<td>136</td>
<td>136</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>JG Ngcobo#</td>
<td>209</td>
<td>184</td>
<td>393</td>
<td>361</td>
<td>318</td>
<td>679</td>
</tr>
<tr>
<td>JR Nicolella#</td>
<td>140</td>
<td>129</td>
<td>269</td>
<td>275</td>
<td>226</td>
<td>501</td>
</tr>
<tr>
<td>CC September#</td>
<td>146</td>
<td>129</td>
<td>275</td>
<td>206</td>
<td>170</td>
<td>376</td>
</tr>
<tr>
<td>D Smith^</td>
<td>–</td>
<td>136</td>
<td>136</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 385</strong></td>
<td><strong>1 402</strong></td>
<td><strong>2 787</strong></td>
<td><strong>2 429</strong></td>
<td><strong>1 835</strong></td>
<td><strong>4 264</strong></td>
</tr>
</tbody>
</table>

Fees are exclusive of VAT.

* JA Copelyn resigned from the board of Hospitality effective 31 May 2019.

^ Following the company’s acquisition of 100% interest in Hospitality these independent directors resigned from the board of Hospitality effective 11 March 2021.

# As a wholly owned subsidiary of Tsogo Sun Hotels and Hospitality’s adoption of the group’s governance structure, all non-executive directors resigned from the board of Hospitality effective 31 March 2021.

Voting results at the 2020 AGM

At the AGM held on 20 October 2020, the non-binding advisory endorsement of the company’s remuneration policy received less than 75% support from shareholders with 70.3% of votes in favour. The company requested shareholders to engage with the chairmen of the board and remuneration and nomination committee at a meeting held via Microsoft Teams on 10 November 2020.

Following this engagement with shareholders, the remuneration and nomination committee has attempted to expand in the remuneration report on the vesting of SARs and why the group believes that management’s participation in the plan aligns their focus with that of shareholders. Although no STIs were awarded during the year, the setting of performance criteria and calculation of STIs have also been expanded on in the remuneration report.

In the event that the remuneration policy or remuneration implementation report, or both, are voted against by more than 25% of the votes cast at any AGM of the company, the remuneration and nomination committee will continue to engage with shareholders within 30 days of the AGM to ascertain the reasons for dissenting votes and appropriately address legitimate and reasonable objections raised by shareholders.

Non-executive directors’ fees for approval by shareholders

The non-executive directors’ fees for the 2021 financial year were approved by shareholders at the 2020 AGM and remained unchanged from those approved by shareholders at the AGM held on 17 October 2019.

At the AGM scheduled on 18 October 2021, the remuneration and nomination committee will not propose an increase in non-executive directors’ fees from those approved by shareholders at the AGM held on 17 October 2019.

Furthermore, non-executive directors’ fees were reduced by between 60% and 25% from April 2020 to date and may be adjusted upwards or downwards (subject to the maximum amount approved by shareholders), based on an assessment of what the company is likely to be able to afford during the time that the business is impacted by the Covid-19 pandemic.

The board has approved the recommendation made by the remuneration and nomination committee and shareholders are referred to page 34 of the notice of the AGM for the proposed non-executive directors’ fees for the 2022 financial year.