Reporting approach
We are pleased to present our second 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.

We remain cognisant of the evolving Covid-19 crisis and strive to report transparently to our stakeholders within the constraints of the situation, as highlighted on page 2.

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the South African Companies Act, 71 of 2008 (Companies Act), the JSE Limited (JSE) Listings Requirements, the King Report on Corporate Governance™ for South Africa, 2016 (King IV)\(^1\) and the International Integrated Reporting Council’s (IIRC) International <IR> Framework as applicable.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources, which will become more formalised in line with King IV and guidance from the IIRC. At this stage, external assurance is obtained as follows:

<table>
<thead>
<tr>
<th>Assured element</th>
<th>Assurance provided</th>
<th>Assurance provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated financial statements</td>
<td>External</td>
<td>PricewaterhouseCoopers Inc. (PwC)</td>
</tr>
<tr>
<td>Broad-Based Black Economic Empowerment (B-BBEE) level 3 group rating</td>
<td>Verification</td>
<td>Empowerdex Proprietary Limited</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Internal controls</td>
<td>GRIPP Advisory Proprietary Limited</td>
</tr>
</tbody>
</table>

Scope and boundaries
The contents of this report relates to Tsogo Sun Hotels Limited (Tsogo Sun Hotels or TGO) and its subsidiaries (the group) for the 2021 financial year and beyond. This report covers Tsogo Sun Hotels’ performance for the year ended 31 March 2021, compared to the prior year ended 31 March 2020. The matters included address material issues for the group (TGO and its subsidiaries), associates and joint ventures.

- The process we utilised in determining and applying materiality is included on page 37 of the report.
- The scope and boundaries of environmental disclosures are defined on page 48.

Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 88% of our income.

Reporting suite
Our integrated annual report has been prepared to provide our target audience with a holistic and transparent view of our business model and strategy. More detailed information is also contained in our supplementary reporting suite, accessible on www.tsogosun.com/investors.

Board approval
The board is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. 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 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 was prepared in accordance with the International <IR> Framework and approves the report for release. We welcome any feedback on the report, which may be addressed to companysecretaryTGO@tsogosun.com.

John Copelyn
Chairman
30 July 2021

Marcel von Aulock
Chief Executive Officer (CEO)

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The Covid-19 crisis and its impact on the travel and tourism industry

The results for the 2021 financial year, clearly reflect the devastating impact that Covid-19 and the accompanying lockdown regulations have had, and continue to have, on the hospitality industry in general and our group in particular. There had been encouraging signs of a slow recovery in trading, following the move to level 1 of the national lockdown on 21 September 2020. The lifting of the international travel ban, subject to strict health protocols, as announced by President Ramaphosa on 11 November 2020, was a positive step towards reviving the South African tourism sector. However, thereafter the announcement to move to level 3 of the national lockdown in respect of the country’s second wave of infections and the accompanied closure of beaches and the alcohol ban were particularly detrimental to the hospitality industry as they negatively affected the willingness of guests to travel.

This was exacerbated by the negative publicity around the South African variant of the Covid-19 virus, resulting in South Africa being added to the “red” list of many of the group’s key source markets including Germany, the United Kingdom, France and the United States of America.

This means that recovery in the international and corporate travel markets is likely to take longer than anticipated, particularly now that the third wave of infections are upon us. The delays in vaccine rollouts locally, as well as the recent civil unrest and looting, which has been experienced across the country since 8 July 2021 and which was intensified by opportunistic acts of criminality, will worsen the negative impact on recovery.

The success of the group’s Covid-19 response during the initial level 5 lockdown period meant that it was well placed to respond quickly to the subsequent waves of infection and the more stringent restrictions. Drawing on its ability to deactivate and reactivate hotels in a short space of time, the group was able to capitalise on any potential business while keeping costs to a minimum.

Throughout the year, in the midst of the challenging circumstances, the group has remained in close communication with our lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in these extraordinarily difficult times. The various measures put in place in response to the pandemic are discussed further in our leadership reports.

Our strategic objective of sustainability has never been more relevant. We appreciate the support of all our stakeholders as we continue to navigate this turbulent time in the travel and tourism industry.

Our 2021 integrated annual report, as a whole, reflects our performance for the 2021 financial year. The significant consideration given to Covid-19 in our approach, planning, stress testing, and the like, is incorporated throughout the report.

The safety of our employees and guests remains paramount.

We look forward to welcoming our guests back to our hotels with the warm South African hospitality we are known for.
Group overview

Who we are
With over 50 years of excellence providing a home away from home, Tsogo Sun Hotels has earned the trust of our guests, who find exceptional quality and service with flair at every one of our destinations. From functional to luxurious and exciting to relaxing, Tsogo Sun Hotels offers a brand and a service to suit every traveller’s needs.

Comprising 112 hotels in South Africa, Africa, the Seychelles and the Middle East, an extensive selection of restaurants and bars, and a diverse collection of conference and banqueting facilities, Tsogo Sun Hotels provides products of unparalleled variety and scale.

Our group structure

Our vision
Our vision is to create great hospitality and leisure experiences at every one of our distinctive destinations.

Our owners
Our key shareholder at 31 March 2021 was Hosken Consolidated Investments Limited (HCI), a JSE-listed investment holding company that directly and indirectly owned 40.6% of the total issued share capital of the company, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 52% effective black ownership at group level. Our empowerment ownership is an important part of our transformation agenda and a factor considered by government and other public bodies in awarding contracts. Furthermore, our empowerment ownership may influence relationships with customers or suppliers as it contributes to their Broad-Based Black Economic Empowerment (B-BBEE) status.

(1) Includes directors and associates that own 2.5% of the company’s total issued share capital.
The focus of the year ended 31 March 2021 has been navigating the Covid-19 crisis and taking all measures to ensure the group’s sustainability. We reported on many of the initiatives put in place in last year’s integrated annual report and we continue with these as the pandemic persists. As we prepare this report, South Africa is in the midst of the third and most aggressive wave of infections to date. We have traded under level 4 restrictions until recently, which have had a severe impact, once again, on the amount of travel being undertaken in the country and consequently on the number of rooms we are selling per day.

This difficult environment has been further impacted by the lawless anarchy experienced, particularly in KwaZulu-Natal, in mid-July. We were extremely fortunate to have been spared any physical infrastructure damage to our hotels during the violence. However, since KwaZulu-Natal and Durban have been stronger markets for us during the pandemic, the impact of the violence on the confidence of travellers is pronounced. The South African government needs to act quickly to ensure that this does not happen again and that perpetrators are actively prosecuted.

Despite this terrible environment, our people continue to do all they can to serve the customers who stay with us. Amid the violence in KwaZulu-Natal, our employees jumped to action, securing food supplies and looking after guests who could not check out and return home. Employees have made heroic efforts to get to work, staying in-house and not returning to their own families, in the absence of public transport and within an atmosphere of threat and danger.

We currently have multiple hotels operating as bio-bubbles in Johannesburg and Cape Town to host all the teams and support employees involved in the Castle Lager Lions Series tour to South Africa. This involves hotel management and employees living in-house for several weeks at a time and working long hours catering to a complicated tournament contingent with many changing requirements. These efforts have been above and beyond the call of duty and we thank them for this.

Payroll is the largest single cost item in our business and as we have taken emergency action and restructured in order to survive the pandemic, the impact has been most keenly felt by the organisation’s people, through reduced salaries and wages, short time and retrenchments. Despite this, it is humbling to see how the people of Tsogo Sun Hotels have remained dedicated, service-orientated and willing to do whatever it takes to look after our guests and our business.
Key to the group’s survival has been managing cash flow to reduce losses and ensuring we have adequate liquidity to fund our operations for as long as it takes for the pandemic to pass. Ultimately a business cannot survive forever on little to no revenue and a return to more normalised revenue levels is the only guaranteed way of ensuring we remain in business.

There have been encouraging signs in Europe and America that once the vaccination programmes reach a substantial portion of the population, it is possible to return to a more normal way of life. Recently, we have witnessed events in the United Kingdom such as the Wimbledon tennis, the Euro 2020 soccer and the Silverstone Formula 1 Grand Prix take place in front of large crowds. In the United States many hotel markets have began reporting Revpar numbers above the equivalent period in 2019, which shows that the pent-up demand for travel exists, particularly starting with local leisure travel.

We believe the situation will be similar in South Africa and we have experienced this increase in demand as each wave of infections and the associated restrictions have passed. Tsogo Sun Hotels is well-placed to capture local leisure, with great destination resorts such as Beverly Hills, Arabella Hotel, Golf & Spa and Mount Grace Hotel & Spa. Urban leisure business in Johannesburg and Durban have also shown resilience when restrictions were lifted with properties such as the Sandton Sun and Palazzo showing a good recovery in occupancies and food and beverage revenues, particularly in the summer of 2020/2021. With the South African vaccination programme gaining momentum, we are optimistic for the coming summer months. This will be greatly enhanced if South Africa can reopen for international travel and we see some recovery in domestic corporate travel.

While we anticipate a return to more normal travel patterns, we are mindful that this could take some time to be achieved and we continue to manage cash flow and liquidity closely. The sale of our share of the Maia luxury hotel in the Seychelles for US$28 million contributed to a meaningful reduction in our offshore US$-denominated debt. Working capital management and a stronger Rand/US Dollar exchange rate have further helped us fund operating losses and reduce debt in the year under review. The expected receipt of up to R177 million in business interruption claims from our insurers will greatly assist our liquidity in FY22 and help fund ongoing losses until trading recovers.

In the medium term, the successful acquisition of the remaining shares in Hospitality Property Fund (HPF), through the issue of Tsogo Sun Hotels shares and the subsequent delisting of HPF is an important transaction, that will allow us time to restore our balance sheet without the need to declare dividends to maintain HPF’s REIT status. This transaction will also allow us a clean holding structure to optimise our portfolio of hotels and refinance HPF’s R2.6 billion debt programme in due course.

The group is multi-banked with exposure to all four major banks in South Africa, and the financiers have been greatly supportive of all our efforts to date for which we are grateful. As at 31 March 2021, we had received waivers of our covenants on the various facilities to September 2021 and had over R400 million in cash and some R1.5 billion in unutilised facilities.

Our sincere gratitude goes to the people of Tsogo Sun Hotels for what they have endured and contributed to the group over this period. We also want to thank the myriad of suppliers and partners for the concessions, flexibility and continued service they have provided us, that has allowed us to continue servicing our customers.

John Copelyn
Non-Executive Chairman

Marcel von Aulock
Chief Executive Officer
TSOGO SUN
THROUGH THE YEARS

South African Breweries Limited (SAB Limited) and hotelier, Sol Kerzner, partnered to create Southern Sun Hotels (Southern Sun), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills Hotel in uMhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City. Southern Sun expanded through the acquisition and development of hotels in South Africa and neighbouring countries, throughout the 1970s and early 1980s.

Southern Sun expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a countrywide distribution of 49 hotels, in both the upmarket and mid-market segments.

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 23 hotels opened the next year.

Southern Sun acquired a 50% interest in a consortium with Liberty called The Cullinan which owned three hotels.

Southern Sun formed a joint venture with a consortium of B-BBEE investors to form Tsogo Sun, to pursue casino licence opportunities afforded through the enactment of the National Gambling Act which regulated gambling activities and promoted uniform standards in relation to gambling in South Africa. Early success saw the Tsogo Sun Group awarded casino licences in Mpumalanga (Emnotweni Casino in Mbombela and The Ridge Casino in Emalahleni) and most importantly the Montecasino licence in Fourways, Johannesburg. These were followed by the successful applications for Suncoast Casino in Durban and Hemingways Casino in East London.

The Tsogo Sun Group expanded its hotel operations into the rest of Africa.

Tsogo Sun acquired Century Casinos’ operations in Caledon and Newcastle and in 2011 it acquired the Gold Reef Resorts portfolio, which consisted of seven casinos in South Africa, via a reverse listing.

The Tsogo Sun Group entered into a landmark empowerment deal, through which the hotel and casino businesses were housed under one entity owned 51% by an empowerment consortium and 49% by SABMiller plc. Through a series of transactions and acquisitions, HCI acquired the various empowerment shareholders’ interests in Tsogo Sun and remains Tsogo Sun Hotels’ major shareholder.

The casino interests of Southern Sun, including the newly built Sun City operations, were separated from its hotel business into what later became Sun International. Southern Sun retained the South African hotel operations during a difficult time for the hotel industry in South Africa as international sanctions against the apartheid government resulted in a severe contraction in demand.
This period saw the acquisition of a controlling stake in Hospitality Property Fund Limited (Hospitality), through the injection of 10 hotel properties into Hospitality in an asset-for-share transaction. This stake was increased in 2017 through the addition of 29 hotel properties to Hospitality for a combination of shares and cash.

Tsogo Sun also acquired 26% of International Hotel Properties Limited (IHPL), a hotel-owning company in the United Kingdom.

Tsogo Sun acquired the remaining 53% of the joint venture owning and operating Formula1 hotels in South Africa from Accor SA and rebranded these hotels as SUN1 properties. This period also saw the group acquire an additional 10% interest in The Cullinan with that entity acquiring five hotels from Liberty that were previously managed by the Tsogo Sun Group, bringing the number of hotel properties in Cullinan to eight. In addition, Tsogo Sun acquired Southern Sun Hyde Park and The Grace in Rosebank (relaunched as 54 on Bath) hotels from Hyprop.

Offshore, Tsogo Sun acquired 75.5% of Ikoyi Hotels Limited which owns Southern Sun Ikoyi Hotel in Lagos, Nigeria, as well as a 25% interest in RBH Hotel Group Limited (RBH), a leading hotel management company in the United Kingdom.

In July 2014, SABMiller plc exited from its long-term 39.6% shareholding in Tsogo Sun through a fully marketed secondary placement.

The group celebrated its 50th anniversary and on 12 June 2019, the hotel business was unbundled by Tsogo Sun, culminating in the separate listing of Tsogo Sun Hotels on the main board of the JSE.

Covid-19, a black swan event never before experienced in the long history of the group, resulted in the deactivation of the vast majority of the group’s hotels in order to protect the health of our guests and employees.

The group successfully concluded the acquisition of 100% of Hospitality’s ordinary shares in exchange for the issue of 1.77 TGO shares for every 1 HPB per share held; and the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of R467 million. Hospitality subsequently delisted from the JSE as an equity issuer and ceased to trade as a Real Estate Investment Trust (REIT).
Strategy and performance review

While the group’s strategic objectives don’t change from year to year, the impact of the Covid-19 pandemic on the business has been pervasive and the 2021 performance metrics should be reviewed in that context.

For more information on the Covid-19 crisis, refer to page 2.

The five key pillars of our sustainability include:

- **Deliver to our beneficiaries**: Sharing value with our beneficiaries is a critical part of maintaining our social licence to operate.
  - Level 3 (2020: Level 1) B-BBEE contributor
  - Black ownership 52% (2020: 75%)
  - R1.3 billion (2020: R3.1 billion) value added to black economic empowered businesses and government
  - 153 (2020: 162) beneficiaries supported through the Tsogo Sun Entrepreneurs programme

- **Financial strength and durability**: An appropriate capital structure is important to ensure the business survives through the economic cycle.
  - Non-declaration of dividends
  - Minimising cash burn
  - Maintaining adequate facility headroom and compliance with revised debt covenants
  - Unutilised facilities and cash of R1.9 billion (2020: R1.7 billion)
  - 2.2 (2020: 2.9) years weighted average expiry of debt facilities
  - 52% (2020: 49%) of the group’s net debt is hedged

- **Product relevance to customer experience**: To remain relevant, a variety of quality experiences must be provided at appropriate price points.
  - 18 804 (2020: 18 834) hotel rooms across all market segments
  - 87% (2020: 88%) hotel guest satisfaction

- **Regulatory compliance**: As a multinational business, the group is subject to a wide range of legislation and compliance is critical to our reputation and sustained profitability.
  - No significant regulation breaches

- **Skilled human resources**: Qualified, trained, talented and empowered people are required to deliver the Tsogo Sun Hotels’ experience.
  - 5 844 (2020: 6 596) direct employees
  - 93% (2020: 92%) of employees are African, Coloured and Indian and 55% (2020: 56%) are women

A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.

**Organic growth**

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Rm)</td>
<td>1 163</td>
<td>4 475</td>
</tr>
<tr>
<td>Ebitdar (Rm)</td>
<td>(177)</td>
<td>1 352</td>
</tr>
<tr>
<td>Ebitdar margin (%)</td>
<td>(16)</td>
<td>30</td>
</tr>
<tr>
<td>Adjusted headline (loss)/earnings per share (cents)</td>
<td>(51.4)</td>
<td>26.2</td>
</tr>
<tr>
<td>Free cash flow (Rm)</td>
<td>(446)</td>
<td>484</td>
</tr>
<tr>
<td>Maintenance capital expenditure (Rm)</td>
<td>46</td>
<td>386</td>
</tr>
</tbody>
</table>

**Inorganic growth**

Building the tangible and intangible asset base of the group generates growth in cash flow and thus value.

- Five of Hospitality’s properties (previously externally managed) came under the management of Tsogo Sun Hotels during the year.
- 100% of Hospitality’s ordinary shares were acquired during the year at an exchange ratio of 1.77 TGO for every 1 HPB share.

A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.
Strategic priorities and growth drivers

**Economic recovery**
- Growth in revenue per available room (Revpar) as economy improves through higher occupancies and the resultant rate increase and yielding opportunities
- Focus on costs to protect margins

**Economic cycle**
- Hospitality industry’s economic cycle is generally closely tied to the macro-economic cycle
- Cyclical and seasonal nature of the business links into the macro-economic environment and key analytics on trends remain crucial to support investment decisions

**Location**
- Hotels in prime locations, where visibility and accessibility to major business hubs or points of leisure interest are important demand drivers

**Portfolio management**
- Hotel operations require specialist expertise and are highly management and labour intensive
- A constant focus on improvement and development for each hotel is necessary in order to maintain products that are relevant to their markets

**Investment in South African hotels**
- Property acquisitions
- Management contracts in South Africa

**Expansion in offshore hotels**
- Management contracts in Africa

**Capital capacity**
- To maintain an appropriate balance of our debt and equity, we need to balance our cash requirements for reinvestment with our shareholders’ expectations for dividends
- We need to ensure that we have sufficient flexibility to adapt to prevailing economic conditions to maintain and improve the portfolio

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

**Product relevance to customer experience**
- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands
- Management of booking channels

**Financial strength and durability**
- Judicious use of gearing and adequate facilities
- Own most of our assets due to our 100% ownership of Hospitality

**Regulatory compliance**
- Compliance is part of our corporate culture
- Compliance is viewed as a necessary investment and not an unavoidable cost

**Organic**
- Significant focus on getting more out of our existing businesses
- Continued cost focus
- Systems and values

**Inorganic**
- New projects

**Skilled human resources**
- Adequate resources and skills
- Engaged workforce

**Inorganic growth**
- New projects

**Organic growth**
- Significant focus on getting more out of our existing businesses
- Continued cost focus
- Systems and values
Business model
Our capitals – resources and relationships

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:

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Manufactured</th>
<th>Natural</th>
<th>Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilisation of the capitals</td>
<td>Significant focus is placed on the quality of the facilities and experiences offered at each of our hotels. To remain relevant, a variety of quality experiences must be provided at appropriate price points across all market segments. Our hotels have a wide geographic distribution that is key to the group’s competitive advantage. We have continuously invested in developing and maintaining our properties to keep them relevant and fresh.</td>
<td>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.</td>
<td>People are at the core of delivering the Tsogo Sun Hotels’ 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 people to drive our strategy.</td>
</tr>
</tbody>
</table>

Strategic objective
PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE  
GROWTH  
DELIVER TO OUR BENEFICIARIES  
SKILLED HUMAN RESOURCES

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

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Intellectual</th>
<th>Financial</th>
<th>Social and relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilisation of the capitals</td>
<td>Our brands underpin the quality experiences of our customers. We are consistently striving to innovate our physical product, 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.</td>
<td>Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.</td>
<td>Quality relationships with our key stakeholders are vital to the long-term sustainability of Tsogo Sun Hotels. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.</td>
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</table>

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE</th>
<th>REGULATORY COMPLIANCE</th>
<th>FINANCIAL STRENGTH AND DURABILITY</th>
<th>DELIVER TO OUR BENEFICIARIES</th>
<th>REGULATORY COMPLIANCE</th>
</tr>
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<tr>
<td>Page</td>
<td>53</td>
<td>20</td>
<td>34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The group owns, leases and manages hotels in South Africa as well as several sub-Saharan African countries, the Seychelles and Abu Dhabi.

Hospitality, which became a wholly owned subsidiary of Tsogo Sun Hotels during the reporting period, provides scale to the group. We hold a minority investment in RBH and IHPL, based in the United Kingdom. We also operate the hotels that were developed as part of the various casino complexes owned by Tsogo Sun Gaming under long-term management agreements.

As a wholly owned subsidiary of the group, **Hospitality owns a total of 54 hotels** in South Africa.

Outside of Hospitality, various group subsidiaries **own and manage a further 28 hotels**.

With 73% of our hotel real estate owned either through freehold or leasehold title, we prefer the “asset-heavy” hotel model as it provides strategic advantage of scale in South Africa. This model allows the group to retain control over its assets, thereby ensuring security of tenure and resilience through economic cycles. While this model is more capital intensive, it allows for greater returns on effort.
This collectively makes up the management (Manco) division’s activities, through which the group operates its hotel portfolio.

In South Africa, the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own or lease.

The group manages operations for offshore third parties as this is a low-risk option to enter new markets and operates hotels as a franchisee where necessary due to brand differentiation requirements. However, the group does not act as a franchisor of its brands. In addition, the offshore division seeks to access new hotel opportunities either through management contracts or new builds (on its own or via joint ventures), primarily within its existing operating markets.

The majority of Tsogo Sun Hotels’ occupancy depends on the business traveller, government and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the group.

The internally managed hotel operations are performed via six operational departments, five of which are regionally based and one is brand focused. The regional operations are Cape, KwaZulu-Natal, central northern, eastern northern and offshore (Africa, Seychelles and Middle East), while resorts (mostly timeshare) has a brand-based office as a result of its unique product offering.

The regional and brand management teams are supported by key centralised services which aim to ensure the hotels have access to the required expertise at the most efficient cost structure. These include:

ACCOUNTING
Central accounting services both for the organisation as a whole, which operates under SAP, and activities such as centralised payroll, debtors, creditors and cash book, tax, procurement and management information systems.

RESERVATIONS, CHANNEL MANAGEMENT, WEB AND MARKETING
Central reservations, channel management, web and marketing services are provided across the group, ensuring that the hotels have access to the necessary booking channels, global distribution systems and sales channels at competitive costs.

SALES AND REVENUE MANAGEMENT
A centralised sales team focuses on direct sales to existing key and potential new accounts. These involve account management and product training for larger customers including sports bodies, government, state-owned entities, conference organisers and corporate clients. The long-standing relationships we have developed with organisations such as the South African Rugby Union, stem from our ability to handle complex travel requirements countrywide, during normal season and extraordinary tournament periods. Our revenue management team supports the sales team, providing a more cohesive outlook towards topline generation, particularly contracted and negotiated revenue streams which make up a material portion of our business. Closing the deal will always be a fine balancing act between price and volume and this has never been more important than in the difficult environment we are presently experiencing.

MARKETING
Marketing includes core promotions such as the Sunbreaks campaign, seasonal special offers and promotion of the Rewards programme. Over 40% of the group’s rooms revenue is generated from Rewards members, who demonstrate their loyalty to our brands and recognise the value of SunRands offered to them through their membership.

INFORMATION TECHNOLOGY
IT service, which includes sourcing and maintaining appropriate operating systems such as reservations, property management, sales and catering and the human resource management system (including payroll). These services also include procurement and support of hardware including physical and virtual private branch exchanges (PABXs), personal computer requirements, networking of hotel systems and Wi-Fi infrastructure.

DEVELOPMENT
Development services including facilities management, project management of major repairs and renovation projects, and new property developments.

HUMAN RESOURCE SERVICES
Human resource services including policies and procedures, payroll management, labour and employment equity compliance, pension and medical-aid administration, industrial relations, the group’s B-BBEE monitoring, compliance and planning incorporating the flagship Tsogo Sun Entrepreneurs programme as well as training and human capital development.
Each hotel in the luxury portfolio is individually branded and operated according to its unique personality, inspired by its location, design and surroundings. These luxury hotels are typically graded as five-star hotels and are some of the most iconic properties in their regions. They include: Sandton Sun at Sandton City; Palazzo at Montecasino; Beverly Hills in uMhlanga; Suncoast Towers on Durban’s Golden Mile; and 54 on Bath in Rosebank.

During the year, we added the Arabella Hotel, Golf & Spa near Hermanus and the Mount Grace Hotel & Spa in Magaliesburg to the group’s luxury collection when Marriott vacated them and they reopened their doors within Tsogo Sun Hotels. Our Resort hotels are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, the Drakensberg and Mpumalanga, and include a significant timeshare offering.

During the year, we added the Hazyview Sun in Mpumalanga to the Resorts collection when Marriott vacated it and it was reopened by the group. Holiday Inn Sandton is the only remaining IHG brand hotel in the full service portfolio. The final gem in this collection is the beautiful Paradise Sun on Praslin Island in the Seychelles.

The Garden Court brand is a well-established and successful mid-market offering, spanning 20 hotels with 3,959 rooms. This brand includes large, well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City through to smaller properties such as Garden Court Newcastle and Garden Court Mossel Bay.

SunSquare hotels are our alternative and trendy offering to the mid-scale market. With properties at Montecasino, Suncoast, Cape Town City Bowl and Cape Town Gardens, these hotels are in ideal locations and include creative in-house concept restaurants such as Jeera, Vigour & Verve and Zepi.
Tsogo Sun Hotels’ key differentiator in South Africa is its wide distribution of quality hotel products. Delivering consistently exceptional guest experiences remains the focus at our hotels and differentiates them in a commoditised industry.

In each region, the group operates hotels across several well-recognised brands, servicing a variety of travellers seeking luxury, full service and economy offerings.

### ECONOMY PORTFOLIO

**StayEasy**
This brand comprises 10 hotels with 1 505 rooms and caters to the economy segment. Offering great value and comfortable rooms, these hotels are in key business locations such as Century City and the City Bowl in Cape Town, Eastgate, Pietermaritzburg and Pretoria. The group also has two StayEasy hotels in Lusaka, Zambia, and Maputo, Mozambique. The Maputo hotel is the latest StayEasy brand build.

- **Location**: Cape Town, Eastgate, Pietermaritzburg, Pretoria, Zambia, Mozambique
- **10 HOTELS**
- **1 505 ROOMS**

**hi Hotels**
hi Hotels is the newest brand introduced by the group. The first of its kind was hi Monte that opened in February 2020. The hotel consists of a modular design, with each room fully factory built. The building’s innovative structure makes it scalable, offering an attractive physical product with unique bedroom and public spaces at a capital cost that makes it highly feasible with great future potential.

- **Location**: Montecasino
- **Innovative modular design**

**SUN1**
The SUN1 brand comprises the portfolio of budget hotels acquired from Accor, which were originally built as Formula 1 hotels in South Africa. This portfolio consists of 22 hotels countrywide. SUN1 offers well-appointed rooms sleeping up to three guests at a great price. SUN1 Southgate, with 138 rooms, is the largest SUN1 hotel.

- **Location**: Countrywide
- **22 HOTELS**
- **1 741 ROOMS**

Tsogo Sun Hotels’ key differentiator in South Africa is its wide distribution of quality hotel products.
Geographical footprint

International markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Group Revenue Contribution(2)</th>
<th>Group EBITDAR Contribution(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom(1)</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Nigeria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

South Africa

<table>
<thead>
<tr>
<th>Location</th>
<th>Group Revenue Contribution(2)</th>
<th>Group EBITDAR Contribution(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Cape</td>
<td>88%</td>
<td>88%</td>
</tr>
<tr>
<td>Western Cape</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Cape</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kimberley</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cape Town</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caledon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hermanus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mossel Bay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stellenbosch</td>
<td></td>
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</tr>
<tr>
<td>East London</td>
<td></td>
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</tr>
<tr>
<td>Mthatha</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qqeberha</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bloemfontein</td>
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<td></td>
</tr>
</tbody>
</table>

(1) Tsogo Sun Hotels owns a minority interest in both IHPL and RBH and accordingly hotels owned and managed by these entities are excluded from the footprint.

(2) As per the group segmental analysis.
## Portfolio segmentation

<table>
<thead>
<tr>
<th>Owned/leased</th>
<th>Managed</th>
<th>Total</th>
<th>Group revenue contribution(2)</th>
<th>Group Ebitdar contribution(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hotels</td>
<td>Rooms</td>
<td>Hotels</td>
<td>Rooms</td>
</tr>
<tr>
<td><strong>Tsogo Sun operated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manco(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Coastal</td>
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<td>5 583</td>
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<td>659</td>
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<tr>
<td>Luxury</td>
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<td>234</td>
<td>1</td>
<td>165</td>
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<tr>
<td>Full service</td>
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<td>4 745</td>
<td>6</td>
<td>494</td>
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<tr>
<td>Economy</td>
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<td>604</td>
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<tr>
<td>Inland</td>
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<td>Luxury</td>
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<td>753</td>
<td>2</td>
<td>384</td>
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<tr>
<td>Full service</td>
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<td>669</td>
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<tr>
<td>Economy</td>
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<td>396</td>
<td>3</td>
<td>373</td>
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<tr>
<td>Other</td>
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<td>889</td>
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<tr>
<td>Full service</td>
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<td>138</td>
<td>7</td>
<td>889</td>
</tr>
<tr>
<td>Economy</td>
<td>22</td>
<td>1 741</td>
<td>–</td>
<td>–</td>
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<td>South Africa</td>
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<tr>
<td>Offshore</td>
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<td>961</td>
<td>4</td>
<td>746</td>
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<td>Total 2021</td>
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<td>13 046</td>
<td>30</td>
<td>3 720</td>
</tr>
<tr>
<td>Total 2020</td>
<td>71</td>
<td>12 478</td>
<td>28</td>
<td>3 720</td>
</tr>
<tr>
<td><strong>Third-party operated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality owned(3)</td>
<td>7</td>
<td>2 038</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total 2021</td>
<td>7</td>
<td>2 038</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total 2020</td>
<td>12</td>
<td>2 636</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

(1) Includes revenue generated by Manco and the elimination of internal management fees.
(2) As per the group segmental analysis.
(3) The CODM reviews rental income net of rates, taxes and other expenses for segmental reporting purposes.
**WHY INVEST IN TSOGO SUN HOTELS?**

**HIGH-QUALITY ASSETS IN KEY LOCATIONS**

We operate high-quality hotels in which we invest significant capital to continually maintain and improve.

The location of the majority of our hotel properties in urban areas throughout South Africa maximises public exposure and ensures access to critical supplies and services.

The wide geographic distribution of our hotel properties in South Africa is mainly in key urban centres and is a fundamental market differentiator.

**VAST MAJORITY OF ASSETS OWNED**

Our portfolio philosophy is based on a preference to own all components of the hotel businesses (land, buildings, operations, management and brand) wherever possible.

Although this approach can be more capital intensive, we believe it facilitates superior returns on effort, avoids the challenges of joint ownership and ensures control over strategic assets is retained.

Of the 112 hotels operated by the group, we own or lease 82 (representing 80% of our total rooms) and manage 30 for third parties.

- Quality assets
- Ownership
- Customer-centric
- Brand recognition
- Financial strength
- Community development
- Centralised management structure
We seek to deliver the high quality accommodation, conferencing, dining and eventing experiences that our guests desire. The Tsogo Sun Hotels Rewards programme with SunRands currency provides us with detailed information about trends across our customer base and the activities of individual clients. This enables us to improve our offering in response to changing consumer behaviour and to meet the demands of Rewards programme members more effectively.

In order to withstand the impacts of macroeconomic cycles, we aim to ensure that debt is used prudently, with regular monitoring of our leverage ratios and other covenant requirements including interest cover and loan to value (LTV) ratios.

The group also ensures availability of sufficient credit facilities with long-term maturities, providing additional sources of liquidity.

Within each region, the group operates hotels across a number of well-recognised brands, servicing a broad spectrum of travellers from luxury to economy.

By having a centralised marketing department and plan, marketing spend at individual units can be re-directed, and in some cases rationalised, to focus on marketing initiatives that are beneficial across our entire portfolio. In recent years this has enabled efficiencies in our marketing efforts, reducing cost and improving brand alignment.

We are committed to the upliftment and development of local communities. Key guiding principles in respect of the communities within which we operate commit us to actively engage in partnerships that bring measurable benefits to stakeholders, enable us to achieve our long-term business goals, and to support organisations which aim to strengthen and develop civil society.

During the year ended 31 March 2021, the group’s combined social investment in community development amounted to R5 million (2020: R11 million). This represents 14.13 percentage points (pp) more than the tourism sector code target.

We consider ourselves a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa.