Corporate governance overview

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

GROUP GOVERNANCE FRAMEWORK

Southern Sun’s unitary board maintains control of the group. The board leads ethically and effectively, and is responsible for the group’s performance, compliance and strategic direction.

<table>
<thead>
<tr>
<th>Audit and risk committee</th>
<th>Remuneration and nomination committee</th>
<th>Social and ethics committee</th>
<th>CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial integrity, risk and compliance</td>
<td>Board composition, diversity and succession, fair remuneration and performance measurement</td>
<td>Ethical conduct, anti-corruption, empowerment and transformation and labour and employment</td>
<td>Responsible for implementing board strategy and policy and managing the business</td>
</tr>
</tbody>
</table>

* Southern Sun 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.

The above three committees assist the board in fulfilling its duties.

Compliance

The policies, practices and processes comprising the group’s governance framework are based on its application of King IV, the Companies Act and the JSE Listings Requirements. The board is responsible for the group’s corporate governance.

Our King IV application register can be viewed on our website www.southernsun.com/investors/governance
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 wrongdoings;
• 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. Southern Sun 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, three whistleblowing incidents were reported to ethics hotlines (2021: four). 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.

Board of directors
Composition
Southern Sun’s unitary board met five times during the year.

The terms of employment of board members are included in the remuneration report on page 81.

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;
• monitoring the group’s performance; and
• acting in the group’s best interests and being accountable to shareholders and other stakeholders.

Southern Sun’s 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 Southern Sun 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 76, 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, Southern 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

Southern Sun’s 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.

Company Secretary effectiveness

The group’s 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. She attends all meetings of the board and committees.

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.

The board is satisfied that its governance structure continues to serve the group well. Following its acquisition by Southern Sun, HPF adopted the Southern Sun group governance framework.
### Board and committee meeting attendance

**1 April 2021 to 31 March 2022**

<table>
<thead>
<tr>
<th>Role</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>
<td></td>
</tr>
<tr>
<td>MN von Aulock (CEO)</td>
<td>5/5</td>
<td></td>
<td>2/2*</td>
<td></td>
</tr>
<tr>
<td>L McDonald (CFO)</td>
<td>5/5</td>
<td></td>
<td>2/2*</td>
<td></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></td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>SC Gina</td>
<td>5/5</td>
<td></td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>LM Molefi</td>
<td>5/5</td>
<td></td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>JG Ngcobo</td>
<td>5/5</td>
<td></td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>CC September</td>
<td>5/5</td>
<td></td>
<td></td>
<td></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></td>
<td>2/2</td>
</tr>
<tr>
<td>JR Nicolella</td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* By invitation.
This report should be read in conjunction with the statutory report of the audit and risk committee on page 90 of the consolidated annual financial statements.

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

- 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 the members of the audit and risk committee 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 audit and risk committee for reappointment at the AGM to be held on 20 September 2022.

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

Non-audit services approved throughout the year included mainly company secretarial services and legal fees pertaining to the refinancing of the US$2 million Mozambican Metical facilities of R27 million and the extension of the maturity date to 31 March 2025 as well as tax advisory services and rental certificates for the group. 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, 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 90 of the consolidated annual financial statements for the year ended 31 March 2022.
Key focus areas addressed during the 2022 financial year

- Monitored the implementation of new IFRS and the impact of future standards
- Considered the implications of the JSE’s most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate
- Monitored the control environment considering the group’s flatter organisational structure
- Considered the appropriateness of the group’s risk management policy and adjusted the group’s risk tolerance and risk appetite having considered the impact of Covid-19 on the organisation
- Monitored the next phase of the implementation of processes for compliance with GDPR (EU) 2016/679 and POPIA
- Monitored the group’s going-concern status and achievement/waiver of covenant requirements

Key focus areas to be addressed during the 2023 financial year

- Overseeing the group’s insurance restructure process
- Continue monitoring the implementation of new IFRS and the impact of future standards
- Consider the implications of the JSE’s most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate
- Consider the terms and structure of the debt refinancing of Southern Sun and Hospitality into a single funding structure
- Consider the appointment of an appropriate new external auditor for FY23 in accordance with the Independent Regulatory Board for Auditors’ rule of Mandatory Audit Firm Rotation, subject to the JSE Limited’s Listings Requirements and the Companies Act, 2008

SOCIAL AND ETHICS COMMITTEE

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

^ Independent non-executive.

The CEO, CFO and General Manager: Corporate Affairs 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, socioeconomic development and enterprise and supplier development
- Climate change and environmental management and certification
- Customer satisfaction, loyalty, health and safety and consumer protection
- Job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement

The social and ethics committee draws the board’s attention to matters within its mandate as required as well as its report to shareholders.

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.

Key focus areas addressed during the 2022 financial year

- Continued monitoring of customer and employee health and safety to address ongoing improvements in response to Covid-19
- Continued monitoring of employee engagement levels and responding appropriately
- Prepared to align, as appropriate, with the Task Force on Climate-related Financial Disclosures’ (TCFD) disclosure recommendations

Key focus areas to be addressed during the 2023 financial year

- Review and align the group’s reporting with the disclosure recommendations of the TCFD, where appropriate
- Monitor the improvement of the group’s B-BBEE contributor status
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 78.

**REMUNERATION AND NOMINATION COMMITTEE**

**Members:** Mohamed Haroun Ahmed (Chairman)*, John Anthony Copelyn*, Lynette Moretlo Molefi* and Jabulani Geffrey Ngcobo*


<table>
<thead>
<tr>
<th>Key focus areas addressed during the 2022 financial year</th>
<th>Key focus areas to be addressed during the 2023 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reviewed 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>
<td>• Review the remuneration (including STIs and LTIs) of employees in the context of the group’s recovery from the impact of Covid-19</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.

Southern Sun’s material risks and opportunities are set out on page 39.
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 Southern Sun’s 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 internal financial controls and business operational 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.

Refer to page 56 of this report for more information on our IT strategy and governance.

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 2022

EXECUTIVE DIRECTORS

Marcel Nikolaus von Aulock (48)
Chief Executive Officer
BCom BAcc
Appointed: 10 May 2019

Laurelle McDonald (40)
Chief Financial Officer
CA(SA)
Appointed: 30 September 2011

NON-EXECUTIVE DIRECTORS

John Anthony Copelyn (72)
Chairman and non-executive director
BA (Hons), BProc
Appointed: 10 May 2019

James Robert (Rob) Nicoella (53)
Non-executive director
CA(SA). PLD
Appointed: 10 May 2019

Board membership (%)*

Gender diversity (%)*

Racial diversity (%)*

* No changes in board composition occurred during the year. Graphs reflect membership status at 31 March 2022.
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mohamed Haroun Ahmed (57)
Lead independent non-executive director
BCom Accounting
Appointed: 10 May 2019

Lynette Moretlo Molefi (53)
Independent non-executive director
BSc, MB ChB
Appointed: 10 May 2019

Sipho Chris Gina (63)
Independent non-executive director
Dip (Labour Law)
Appointed: 30 September 2011

Jabulani Geoffrey Ngcobo (71)
Independent non-executive director
Appointed: 10 May 2019

Cornelia Carol September (63)
Independent non-executive director
PhD, Masters in Technology Management, PGDip (Economic Policy), Adv Dip (Economics)
Appointed: 15 August 2019

Summarised CVs can be found on Southern Sun’s website at www.southernsun.com/investors/governance.
Remuneration policy and remuneration implementation report

REMUNERATION PHILOSOPHY
The key goals of the remuneration philosophy of Southern Sun 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 and management 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 and nomination 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 deferral of payment of the FY20 short-term incentives (STIs) (no STIs were awarded in FY21 and FY22) and the reduction in salaries due to the furlough implemented between 1 April 2020 and 31 January 2022, the details of which are set out in respect of the reporting and prior comparative year, in the remuneration implementation report.

Fair, responsible and transparent remuneration

<table>
<thead>
<tr>
<th>FIXED REMUNERATION</th>
<th>GUARANTEED PAY</th>
<th>VARIABLE REMUNERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic cost to company (CTC)</td>
<td>Median level for market</td>
<td>Fixed</td>
</tr>
<tr>
<td>Annual</td>
<td>Based on financial targets (60% to 85%) and personal key performance objectives (15% to 40%)</td>
<td>Long-term incentives</td>
</tr>
<tr>
<td>Three-year minimum vesting and equity-settled</td>
<td>Aligned to shareholder returns</td>
<td></td>
</tr>
</tbody>
</table>

1 As a consequence of the disruption caused by the Covid-19 pandemic, with hotels forced to close for periods of time, the group and many other industry participants stopped submitting regular revenue and occupancy statistics to STR. STR provides data benchmarking, analytics and marketplace insights for the global hospitality industry and the group used the South African national and regional data to determine the relative revenue growth target in determining STI achievements. Relative revenue growth is determined by comparing actual revenue growth year on year (as measured by revenue per available room (Revpar)) in Southern Sun with appropriate comparator performance. Given the lack of reliable market data and the group’s distribution often resulting in very few third-party hotels being included in the comparator set, the remuneration and nomination committee recommended that the relative revenue growth targets be removed from the STI rules with effect from 1 April 2022. The financial targets, Ebitdar and adjusted earnings remain unchanged with the relative growth component’s weighting (previously 25%) being added to the financial component (FY22: weighting of 35% to 60% vs FY23: weighting of 60% to 85%) as provided for in the rules of the scheme. The board approved this recommendation at the board meeting held on 19 May 2022.
All permanent full-time 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 CTC.

Southern Sun 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 (EBITDA and adjusted earnings) and personal key performance objectives in proportions ranging respectively from 85:15 at the most senior level to 60:40 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 EBITDA and adjusted earnings.

At an executive management level, financial achievement is weighted at 50% EBITDA 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 EBITDA and adjusted earnings (which will allow for 50% of the financial achievement to be awarded) and at 115% of targeted EBITDA and adjusted earnings (which will allow for 100% of the financial achievement to be awarded).

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.
Remuneration policy and remuneration implementation report continued

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 and is capped at 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 both on-target and “stretch” performance:

### LONG-TERM INCENTIVES (LTIs)

Selected key senior employees of the group participate in the Southern Sun 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:
- to offer employees the opportunity to receive shares in Southern Sun (TGO shares) through the award of share appreciation rights (SARs), which are 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; and
- 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.

### 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;
- have a minimum vesting period of three years from 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;
- confer the right upon the participating employee to receive shares equal to the appreciation of the awarded SARs over the vesting period, being a minimum 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) of the TGO shares on the date on which notice is given to surrender the SARs (exercise price) and the 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, while 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 TGO’s share price over the award price plus dividends declared and paid, post the award date (net of tax), which value will be settled in TGO shares.

LTI allocations 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 2022
Both the CEO and CFO are full-time salaried employees of Southern Sun. 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 memorandum of incorporation (MOI) and, as such, no service contracts have been entered into with the company. Southern Sun’s 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 annual general meeting (AGM). No share options or other incentive awards geared to share price or corporate performance are made to non-executive directors.
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 31 January 2022, respectively. The CFO, HOFs 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 31 January 2022. These salary rates were continuously assessed against trading levels and cash generation and adjusted accordingly depending on affordability. The rate of pay for the CEO, CFO, HOFs and managers was increased to 100% of normal pay effective 1 February 2022. There have been no salary rate increases for employees in the 2020, 2021 or 2022 financial years. A salary rate increase of 5% was implemented for the 2023 financial year.

STIs

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 during the 2021 financial year, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made. An additional provision, of which R0.49 million relates to executive directors’ STIs, was raised in March 2022 to top up the amounts set aside for bonuses in the 2020 financial year. With the group consistently generating cash from October 2021 and a minimal negative impact from the fifth wave of Covid-19 infections, the group had sufficient cash resources available to settle the STI provision of R67 million during June 2022, in respect of eligible participants in employment.

Due to the protracted impact of the Covid-19 pandemic, no STIs were awarded for the 2021 and 2022 financial years. STIs will be reinstituted in the 2023 financial year.
**LTIs**
Details of unexpired awards granted to executive directors and prescribed officers prior to 1 April 2022 are set out below:

**Fair value of SARs – executive directors and prescribed officers**

<table>
<thead>
<tr>
<th>Name</th>
<th>Award date</th>
<th>SARs awarded and still outstanding 2022</th>
<th>Award price R</th>
<th>Strike price R</th>
<th>Fair value of SARs awarded R’000</th>
<th>SARs vested and still outstanding</th>
<th>Vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN von Aulock</td>
<td>1 October 2018</td>
<td>10 893 353</td>
<td>4.13</td>
<td>4.03</td>
<td>9 180</td>
<td>10 893 353</td>
<td>30 September 2021</td>
<td>30 September 2024</td>
</tr>
<tr>
<td></td>
<td>13 January 2021</td>
<td>1 142 857</td>
<td>1.49</td>
<td>1.50</td>
<td>819</td>
<td>1 142 857</td>
<td>13 January 2024</td>
<td>13 January 2027</td>
</tr>
<tr>
<td></td>
<td>14 January 2022*</td>
<td>3 302 633</td>
<td>3.03</td>
<td>3.05</td>
<td>3 975</td>
<td>3 302 633</td>
<td>30 September 2024</td>
<td>30 September 2027</td>
</tr>
<tr>
<td></td>
<td>14 January 2022*</td>
<td>3 302 632</td>
<td>3.03</td>
<td>3.05</td>
<td>4 128</td>
<td>3 302 632</td>
<td>30 September 2025</td>
<td>30 September 2027</td>
</tr>
<tr>
<td>L McDonald</td>
<td>1 April 2017</td>
<td>584 037</td>
<td>5.14</td>
<td>5.14</td>
<td>156</td>
<td>584 037</td>
<td>31 March 2020</td>
<td>31 March 2023</td>
</tr>
<tr>
<td></td>
<td>1 April 2018</td>
<td>324 907</td>
<td>4.62</td>
<td>4.57</td>
<td>231</td>
<td>324 907</td>
<td>31 March 2021</td>
<td>31 March 2024</td>
</tr>
<tr>
<td></td>
<td>1 April 2019</td>
<td>1 603 856</td>
<td>4.24</td>
<td>3.99</td>
<td>1 409</td>
<td>1 603 856</td>
<td>31 March 2022</td>
<td>31 March 2025</td>
</tr>
<tr>
<td></td>
<td>13 January 2021</td>
<td>1 142 857</td>
<td>1.49</td>
<td>1.50</td>
<td>819</td>
<td>1 142 857</td>
<td>13 January 2024</td>
<td>13 January 2027</td>
</tr>
<tr>
<td></td>
<td>14 January 2022*</td>
<td>1 651 316</td>
<td>3.03</td>
<td>3.05</td>
<td>1 957</td>
<td>1 651 316</td>
<td>30 September 2024</td>
<td>30 September 2027</td>
</tr>
<tr>
<td></td>
<td>14 January 2022*</td>
<td>1 651 316</td>
<td>3.03</td>
<td>3.05</td>
<td>2 064</td>
<td>1 651 316</td>
<td>30 September 2025</td>
<td>30 September 2027</td>
</tr>
<tr>
<td></td>
<td>14 January 2022*</td>
<td>1 651 316</td>
<td>3.03</td>
<td>3.05</td>
<td>2 133</td>
<td>1 651 316</td>
<td>30 September 2026</td>
<td>30 September 2027</td>
</tr>
</tbody>
</table>

* LTIs awarded on 14 January 2022 vest in three equal tranches on the third, fourth and fifth anniversary from 30 September 2021.

LTIs are equity settled and will therefore have a dilutionary impact on shareholders on settlement. Based on the closing share price on 31 March 2022 of R3.38 and the average TGO share price for the 12 months to 31 March 2022 of R3.02, 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 2022.

Refer to note 35 of the consolidated annual financial statements as set out in the 2022 integrated annual report for further information.
Remuneration policy and remuneration implementation report continued

VOTING RESULTS AT THE 2021 AGM
At the AGM held on 18 October 2021, the non-binding advisory endorsement of the company’s remuneration policy received 95.57% (2020: 70.3%) support from shareholders. The remuneration implementation report received support of 96.70% (2020: 86.95%) of shareholders. A total of 91.43% of all shareholders were represented at the AGM.

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 2022 financial year were approved by shareholders at the 2021 AGM and remained unchanged from those approved by shareholders at the AGM held on 20 October 2020.

At the AGM scheduled for 20 September 2022, the remuneration and nomination committee will propose a 5% increase in non-executive directors’ fees.

In line with the furlough implemented by the group and accepted by employees, non-executive directors’ fees were also reduced by between 60% and 25% from 1 April 2020 to 31 January 2022. Directors’ fees were adjusted back to normal rates with effect from 1 February 2022.

The board has approved the recommendation made by the remuneration and nomination committee and shareholders are referred to page 31 of the notice of AGM for the proposed non-executive directors’ fees for the 2023 financial year.

NON-EXECUTIVE DIRECTORS’ FEES

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>2022 Directors’ fees paid by the company R’000</th>
<th>Total R’000</th>
<th>2021 Directors’ fees paid by the company R’000</th>
<th>Total R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>JA Copelyn*</td>
<td>339</td>
<td>339</td>
<td>216</td>
<td>216</td>
</tr>
<tr>
<td>M Ahmed#</td>
<td>413</td>
<td>413</td>
<td>266</td>
<td>239</td>
</tr>
<tr>
<td>J Awbrey</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>136</td>
</tr>
<tr>
<td>SC Gina#</td>
<td>317</td>
<td>317</td>
<td>203</td>
<td>132</td>
</tr>
<tr>
<td>ML Molefi#</td>
<td>322</td>
<td>322</td>
<td>205</td>
<td>181</td>
</tr>
<tr>
<td>T Mosololi#</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>136</td>
</tr>
<tr>
<td>JG Ngcobo#</td>
<td>322</td>
<td>322</td>
<td>209</td>
<td>184</td>
</tr>
<tr>
<td>JR Nicolella#</td>
<td>223</td>
<td>223</td>
<td>140</td>
<td>129</td>
</tr>
<tr>
<td>CC September#</td>
<td>228</td>
<td>228</td>
<td>146</td>
<td>129</td>
</tr>
<tr>
<td>D Smith^</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>136</td>
</tr>
</tbody>
</table>

2 164         2 164         1 385         1 402         2 787

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 Southern Sun and following Hospitality’s adoption of the group’s governance structure, all non-executive directors resigned from the board of Hospitality effective 31 March 2021.