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# ABOUT THIS REPORT

We are pleased to present Sun International Limited's (Sun International) 2021 integrated annual report (IAR) to our stakeholders.

Sun International reports in a holistic, transparent and integrated manner to assist our stakeholders in making informed decisions about our business. We aim to provide our stakeholders with a focused and balanced report that demonstrates our integrated thinking and our ability to create and preserve value for the year under review. This report covers the financial period 1 January 2021 to 31 December 2021 and incorporates all Sun International's subsidiaries and operating units in the geographic locations where we operate – South Africa and Nigeria.

Our operating environment in the tourism and entertainment industry continues to be impacted by the Covid-19 pandemic, with lockdowns at various alert levels and several Covid-19 waves experienced during 2021. These Covid-19 impacts are discussed in various sections throughout this IAR. Our integrated thinking, regular stakeholder engagement, risk and opportunity identification, capital resource prioritisation and the ability to take decisive action proved to be imperative during these challenging times. Our strategic progress, driven through our business model, continues to position the group for growth opportunities and value creation over the short, medium and long term.

This report is structured around our leadership overviews, business overview, our strategic performance and outlook, and our financial performance. Our corporate governance information is detailed in the ESG report. The other suite of reports include the group's annual financial statements (AFS), statutory information and our environmental, social and governance (ESG) information.

Our IAR's content covers the reporting period's most material matters and where applicable, content includes the period up to the report's finalisation on 31 March 2022. Sun International's material matters are topics that could substantively influence the assessment of providers of capital and other stakeholders, regarding the group's ability to create sustainable value for its stakeholders over the short, medium and long term. The process of determining materiality, outlined in the materiality section of this report, involves reviewing and assessing our risks, opportunities, the external environment, capital resources and stakeholder concerns. This process is dynamic and evolves annually to ensure our material matters remain relevant and enable the group to achieve its strategic objectives, vision and purpose.

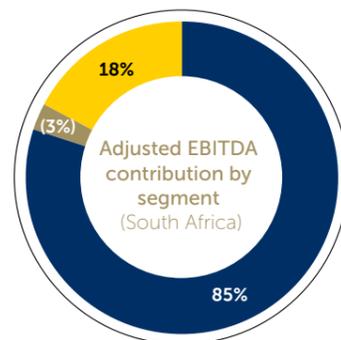
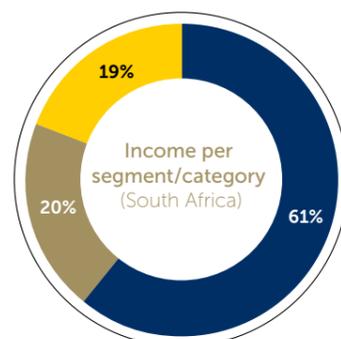
Our South African gaming operations are the group's single biggest revenue contributor and primary revenue generator.

Bet responsibly with SunBet. Gambling is for 18 years and older. Winners know when to stop. Call the South African National Responsible Gambling Foundation's tollfree helpline on 0800 006 008 or WhatsApp "help" to 076 675 0710. Licensed by the Western Cape Gambling and Racing Board.

## REPORTING SUITES, REPORTING FRAMEWORKS, PROCESS AND ASSURANCE

The group's suite of reports is guided by various frameworks as depicted below. Our IAR is primarily guided by the International Integrated Reporting Council's (IIRC) recommendations for integrated reporting (the <IR> framework). Our AFS follow the International Financial Reporting Standards (IFRS) and are externally assured by PricewaterhouseCoopers Inc. Certain sustainability information is externally assured by Integrated Reporting and Assurance Services (IRAS) Assurance. A detailed register of our King IV™ application of governance principles is available in the ESG report. The group also embraces the United Nations Sustainable Development Goals (SDGs), which encourage companies and individuals to take the necessary action to achieve the SDGs by 2030.

## SOUTH AFRICAN SEGMENTAL CONTRIBUTION TO GROUP INCOME



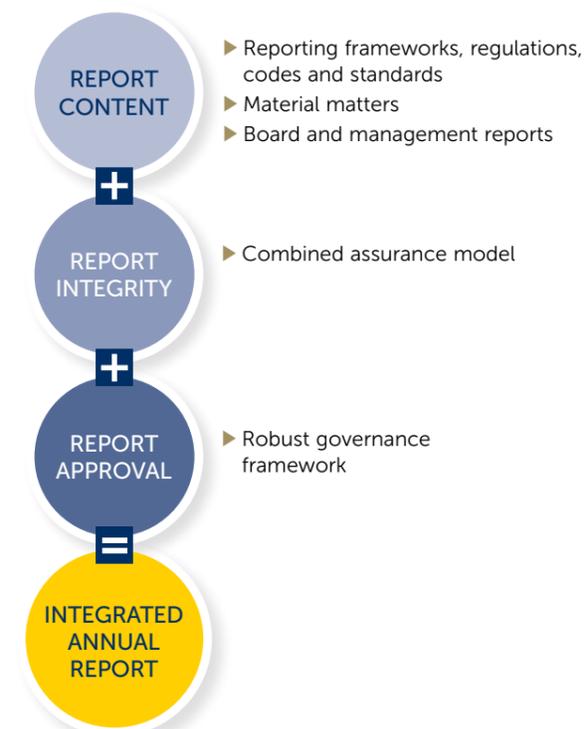
- Casino operations
- Resorts and hotels
- Alternate gaming

### Integrated reporting process

**Report content** is guided by the International <IR> Framework (January 2021) and several other reporting frameworks/codes, various management discussions, a review of board reports and minutes. All content is informed by the group's material matters, risks and opportunities as well as stakeholder feedback.

**Report integrity** is provided throughout the reporting process by various board, executive and management oversight. Our combined assurance model also supports the integrity of the information.

**Report approval** is based on the group's robust governance framework, with the audit, risk and social and ethics committees providing valuable oversight. The board, based on recommendations from the audit committee, approves the report. Certain information is reviewed by external assurance providers (PwC and IRAS).



### Suite of reports and reporting frameworks

<https://suninternational.onlinereport.co.za/2021/>

<p>2021 INTEGRATED ANNUAL REPORT</p>	<p><b>INTEGRATED ANNUAL REPORT</b></p> <ul style="list-style-type: none"> <li>✓ IIRC &lt;IR&gt; framework</li> <li>✓ Companies Act</li> <li>✓ King IV™</li> <li>✓ JSE LR</li> </ul>	<p>2021 ANNUAL STATUTORY REPORT</p>	<p><b>ANNUAL STATUTORY REPORT</b></p> <ul style="list-style-type: none"> <li>✓ Companies Act</li> <li>✓ King IV™</li> <li>✓ JSE LR</li> </ul>
<p>2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT</p>	<p><b>ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT</b></p> <ul style="list-style-type: none"> <li>✓ Companies Act</li> <li>✓ King IV™</li> <li>✓ JSE LR</li> <li>✓ SDGs</li> <li>✓ GRI</li> <li>✓ AA1000AS</li> </ul>	<p>GROUP AUDITED CONSOLIDATED FINANCIAL STATEMENTS</p>	<p><b>GROUP AUDITED CONSOLIDATED FINANCIAL STATEMENTS</b></p> <ul style="list-style-type: none"> <li>✓ IFRS</li> <li>✓ Companies Act</li> <li>✓ JSE LR</li> <li>✓ KING IV™</li> </ul>

### Combined assurance model

Sun International's combined assurance strategy and framework (page 17) ensures optimal, cost-efficient and focused assurance coverage group-wide. Our hybrid top-down and bottom-up approach, which aligns with the JSE Listings Requirements (JSE LR) and King IV™ outcomes, ensures adequate assurance on key business risks and processes. This model also enables an effective internal control environment and supports the integrity of information used by management and other stakeholders for internal and external decision-making.

About this report *continued*

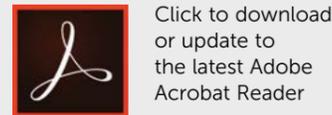
### REPORTING FOOTPRINT AND NAVIGATION

Sun International continues to minimise its environmental footprint by only producing an online integrated annual report. Our reporting design and report generator function enhances the overall user experience and enables the reader to select and print any section of the report or create their own PDF report. Our interactive icons, footnotes and links below further add to the user-experience and interface.

#### Navigation tools

-  Content  Indicates where additional information can be found in this report
-  Previous page  Indicates where additional information can be found on our website, [www.suninternational.com](http://www.suninternational.com)
-  Back
-  Next page  Indicates an email address

This report is an interactive PDF. It is best viewed in Adobe Acrobat for desktop, mobile or tablet.\*



\* Functionality may differ according to device and app version used.

#### Sun International's top six SDGs



#### Social media



### DIRECTORS' APPROVAL

The board acknowledges its responsibility to ensure the IAR's information integrity, completeness as well as the reports' preparation in accordance with the International <IR> Framework (January 2021). The audit, risk and social and ethics committees were involved in the review and guidance of this year's IAR. The board is kept abreast of the reporting progress through various board committees' feedback and the audit committee recommends the IAR to the board for approval.

The board is of the opinion that the group's rigorous integrated reporting process includes relevant executive oversight of the report's content, its accuracy, relevance and transparency and that the report is presented in compliance with the <IR> Framework (January 2021). The IAR was approved by the board on 31 March 2022.

**SAM SITHOLE**  
Chairman  
31 March 2022

**ANTHONY LEEMING**  
Chief executive  
31 March 2022

### STAKEHOLDER FEEDBACK

We welcome stakeholders' feedback on our reporting, particularly regarding our suite of reports. Feedback can be sent to [group.sustainability@suninternational.com](mailto:group.sustainability@suninternational.com)

### FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking statements other than the statements of historical fact, which cannot be construed as reported financial results. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by the group's external auditors. Such statements may include predictions of or indicate future earnings, objectives, savings, events, trends or plans based on current expectations, forecasts and assumptions. As with any forward-looking statement, prediction or forecast, there are inherently unexpected events which could cause uncertainty and unexpected change which have not, and could not, be accounted for. Whereas the company has made every effort to accurately and reasonably ensure the accuracy and completeness of the information contained within this report, any forward-looking statements speak only as at the date that they are made; the actual results may vary materially from those expressed or implied; and the company undertakes no obligation to publicly update or alter these or to release revisions after the date of publication of this report.

### Capitals

- FC** Financial
- PC** Productive
- HC** Human
- IC** Intellectual
- SC** Social and relationship
- NC** Natural

### Stakeholders

-  Communities
-  Employees
-  Gambling boards
-  Regulators and industry bodies
-  Customers and guests
-  Equity partners and debt funders
-  Partners and suppliers

### Strategic objectives

- SO1** Customer centricity
- SO2** Operational excellence and efficiencies
- SO3** People and culture
- SO4** Environmental, social and governance (ESG)
- SO5** Maximise shareholder value

### Risks

- R 1** Weak economic conditions
- R 2** Coronavirus (Covid-19)
- R 3** Political and civil unrest
- R 4** Smoking legislation
- R 5** Increase in gaming taxes and levies
- R 6** Hospitality and tourism industry recovery and its impact on hotels and resorts
- R 7** Increased demands from stakeholders (minority shareholders, communities and local suppliers)
- R 8** Erosion of market share due to other forms of gambling
- R 9** Loss of GrandWest casino licence exclusivity
- R 10** Cyber threats and information security

## CHAIRMAN'S MESSAGE



**SAM SITHOLE**  
Chairman

Before I proceed with my message, I would like to express a word of remembrance on the untimely passing of Dr Jabulane ('Jabu') Mabuza in 2021. Jabu was a passionate leader and visionary who contributed immensely to our group. He was larger than life and made everyone feel safe enough to share their views; a man of kindness who spoke the truth at any cost. We have truly lost a leader, mentor, friend and colleague. On behalf of the group: Jabu, we miss you. Your legacy lives on here and we convey our heartfelt condolences to your family.

I was honoured when my board colleagues asked me to step in as Sun International's chairman, and the seamless transition reflects how well this board works together. When Jabu became chairman, he introduced a monthly chairman's meeting group consisting of himself, the chief executive, two board directors and myself. These monthly meetings were an opportunity to work together closely on key strategic matters facing the group, which made my appointment as chairman less daunting.

While there are early indications that the world is managing the global pandemic, with rising vaccination rates and easing of travel restrictions, the Omicron variant triggered another dip in both travel bookings and industry optimism in December 2021. World tourism is still a fraction of pre-pandemic levels, with a full recovery expected by 2024,

## As a board we are excited about Sun International's prospects and positioning.

however the pace of recovery remains slow globally. Locally this is evidenced by the International Monetary Fund's (IMF) GDP growth forecast of 1.9% as the economy struggles to rebound. South Africa also faces various economic and social threats including increasing debt levels, high unemployment, an electricity crisis, poor infrastructure and increased poverty and inequality. The civil unrest of July 2021 was a low point in our democracy. However, following President Cyril Ramaphosa's State of the Nation Address in February 2022 and the outcomes of the State Capture Commission report, we are encouraged by the positive steps government is planning to address these economic and social issues. In support of the government's national strategic plan to eliminate gender-based violence (GBV) and femicide, Sun International launched its 365 days of activism campaign to create awareness around this social pandemic.

Given the decimation of the 2020 operating environment, the group produced an extremely strong set of results in 2021 and our focus for 2022 is to reach financial result levels that broadly match 2019. I encourage you to read the chief financial officer's review for further details on our financial results.

Providing a memorable experience to our guests and customers is our main purpose. Covid-19 has been challenging for our operations, with travel restrictions preventing our international guests from enjoying memorable experiences at our properties. Positively, we enjoyed seeing local tourists enjoy our properties, particularly Sun City and the Wild Coast Sun, once the more stringent lockdown protocols had ended. As part of the group's growth strategy, the board approved the Sun Vacation Club expansion in 2021, with the first phase commencing during 2022 and a completion date set for 2025. To further enhance our guest and customer experience the group focused on its omni-channel offering by implementing several important initiatives. These included launching the Sun International app for loyalty members to manage their loyalty journey from the palm of their hand, implementing a new online booking engine for seamless reservations and payments, collaborating with Global Hotels Alliance to better recognise and reward customers and guests, expanding SunBet's product offering and replacing our Bally gaming system with the industry leading Playtech Neon system.

Ironically, the Covid-19 pandemic meant we paused and reflected on opportunities to streamline the business. Highlights over the past two years include how management rose to the challenge in a very uncertain operating environment during the global Covid-19 pandemic, which could have threatened the group's survival. Management took immediate and decisive action during the various lockdown levels by preserving cash, taking salary sacrifices, managing debt, exiting Latam, finalising the R1.2 billion rights offer and enhancing operational efficiencies group-wide. All these decisions strengthened the group's balance sheet, which has resulted in the group being in a much stronger position as we move into a post-lockdown operating environment. Furthermore, management used the lockdown as an opportunity to zero-base group costs and in this process identified sustainable cost savings of over R650 million. This contributed to continuing adjusted EBITDA being up by 80% to R1 685 million – an impressive accomplishment.

Amid the pandemic and all these decisions and actions, management also focused on strategic decisions. An imperative strategic decision was Nigel Payne's appointment to the board effective 11 May 2021, as Nigel is at the forefront of the online and sports betting industry in the United Kingdom and the United States of America. Given that the group's alternate gaming strategy is earmarked for growth opportunities, Nigel's experience and skills are a tremendous advantage for the group to study the online and sports betting industry, understand what drives it, and where Sun International could participate. The strategic advice Nigel provides has already proven to be invaluable.

From a board perspective it is important that we have the right skills to navigate the evolving operating environment, from a gaming and hospitality viewpoint as well as the new normal business environment, which incorporates online and digitisation skills. With Peter Bacon stepping down from the board effective 31 March 2022, we will focus on closing this skills gap from a hospitality perspective. Ms Tumi Makgabo-Fiskerstrand will be retiring at the upcoming annual general meeting. I want to thank Peter and Tumi for their invaluable support and contribution during their tenure and I wish them well in their future endeavours. Other skills gaps identified include general IT and digital skills, including online sales and marketing. Going forward we will focus on identifying suitable candidates to fill these gaps.

As South Africans continue to emigrate, the group is mindful of the need to ensure that it can attract and retain top talent with the necessary skills to execute our group-wide strategy. Our employees have been remarkable ambassadors for the group as they remain committed to achieving our purpose of creating memorable experiences. This in a working environment where they have made many sacrifices, personally and financially. We made good succession and talent management progress, with a focus on female leadership and empowerment. Our gaming and hospitality learnership remain popular, with a focus on placing interns in suitable departments and offering permanent positions to graduates at our units where possible. We also streamlined our recruitment process for potential candidates.

The group continued to provide a safe work environment for employees, concessionaires and our guests by adhering to our Covid-19 protocols, in compliance with relevant legislation. Sadly ten employees lost their lives to Covid-19 during 2021. On behalf of the board, I extend condolences to all family and friends during this difficult time.

We remain committed to the group's integrated environmental, social and governance (ESG) journey and see sustainability as a strength for Sun International, which also builds trust in our brand. During 2021, we continued to support programmes that focus on empowering our youth through education, helping to alleviate food insecurity and creating economic value by supporting community-based organisations, as detailed in the socio-economic development section of our ESG report. We are proud of

being rated the 20th best company overall when it came to ESG reporting following the assessment of 266 companies by Integrated Reporting and Assurance Services (IRAS). Sun International was also rated the best ESG reporting company in the travel and leisure industry by IRAS.

Being in the gaming industry, it is important that we promote responsible gambling to avoid customer over-indebtedness. This will be a focus area as we make sure that our systems are constantly geared up to follow best practice and to ensure responsible gambling.

Looking forward, the board has a clear direction for the group. Firstly, we need to lock in the resizing of the business, to ensure that the cost reductions identified in 2020 and 2021 become a permanent part of the business in 2022. This will result in improved margins in a way that enhances our customer experience in gaming and hospitality products and service offerings. Secondly, we will focus on leveraging growth opportunities in our alternate gaming market (online and sports betting). We also need to simplify the group's equity story to clarify the value proposition of why people should invest in Sun International from a shareholder and customer perspective. We want our stakeholders to understand our business model and what we offer in terms of a simple and streamlined value proposition. Finally, we will ensure that the group attracts and retains the right skills to execute our strategy and maximise shareholder value.

In closing, I would like to thank all employees. You are our greatest assets as you continue to show passion and deliver memorable experiences for our guests, even in these challenging times. Management's stewardship remains exemplary, particularly that of Anthony Leeming and his leadership team. Their decisive action over the past two years has placed Sun International in a strong position, poised for growth. Thank you to our guests for returning to our properties and enjoying Sun International's hospitality and entertainment. To my fellow board members, thank you for your wisdom and unwavering support as I assumed the reins as chairman. I am confident in our abilities to steer the group into the future. A particular note of thanks goes to Graham Dempster, in his position as our lead independent director, for providing guidance as I transitioned to the chairman's position.

**We remain optimistic about the group's future and confident in our ability to continue creating lasting memories for our guests and customers.**

**SAM SITHOLE**  
Chairman

31 March 2022

BOARD OF DIRECTORS

Board member	Title	Qualifications	Appointed	Committee memberships	Experience
S (SAM) SITHOLE (49)	Non-executive chairman	BAcc (Hons), CA(SA), ACA, CA(Z)	2018	Chairman: ● Member: * +	<ul style="list-style-type: none"> <li>Finance and investment industries expertise</li> <li>Sound business and leadership experience</li> </ul>
GW (GRAHAM) DEMPSTER (66)	Lead independent non-executive	BCom, CTA, CA(SA), AMP (Harvard)	2017	Chairman: * Member: ◆ ●	<ul style="list-style-type: none"> <li>Banking and finance (local and international)</li> <li>Sound business experience</li> </ul>
AM (ANTHONY) LEEMING (52)	Chief executive	BCom, BAcc, CA(SA)	2013	Chairman: ○ □ Member: ◆ ■	<ul style="list-style-type: none"> <li>Gaming and hospitality</li> <li>Financial and corporate finance</li> <li>Governance and IT</li> </ul>
PDS (PETER) BACON (75)	Independent non-executive	FIH	2013	Chairman: ◆ Member: ▲	<ul style="list-style-type: none"> <li>Hospitality and gaming</li> <li>Sound business experience</li> </ul>
N (NORMAN) BASTHDAW (54)	Chief financial officer	BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)	2017	Member: ○ □ ◆	<ul style="list-style-type: none"> <li>External and internal audit</li> <li>Financial management expertise</li> <li>Corporate finance advisory and private equity</li> </ul>
E (ENRIQUE) CIBIE (68)	Independent non-executive	BA, CA (Pontificia Universidad Católica de Chile), MBA (Stanford)	2014	Member: ▲ + ◆	<ul style="list-style-type: none"> <li>International gaming</li> <li>Sound business experience</li> </ul>
CM (CAROLINE) HENRY (55)	Independent non-executive	BCom, BCompt (Hons), CA(SA)	2016	Chairperson: ▲ Member: ◆ ■ ●	<ul style="list-style-type: none"> <li>Finance, treasury, debt capital markets, and pension and provident funds</li> <li>Sound business experience</li> </ul>
SN (SINDISIWE) MABASO-KOYANA (52)	Independent non-executive	BCom (Hons), CA(SA)	2020	Chairperson: + Member: ▲ *	<ul style="list-style-type: none"> <li>Finance and investing expertise</li> <li>Sound business and leadership experience</li> <li>Auditing and risk management expertise</li> </ul>
BLM (BOITUMELO) MAKGABO-FISKERSTRAND (47)	Independent non-executive	BA (International Relations)	2010	Chairperson: ■ Member: ●	<ul style="list-style-type: none"> <li>Extensive experience in investment opportunities throughout the African continent</li> <li>Sound business and leadership experience</li> <li>Expertise in communications</li> </ul>
TR (TAPIWA) NGARA (40)	Non-executive	BBusSc, PGDA (UCT), CA(SA), MBA (London Business School)	2019	Member: ◆ *	<ul style="list-style-type: none"> <li>Finance and investing expertise</li> <li>Auditing expertise</li> <li>Sound business, investor relations and leadership experience</li> </ul>
NT (NIGEL) PAYNE <sup>1</sup> (62)	Independent non-executive	Economics and Accounting (Hons), Executive MBA	2021	Member: ◆ + *	<ul style="list-style-type: none"> <li>Global sport betting and alternate gaming expertise</li> <li>Sound business and leadership experience</li> <li>Group finance, business development and IT</li> </ul>
Z (ZIMKHITHA) ZATU (38)	Independent non-executive	BCom, HDipAcc, MSc Corporate Finance, CA(SA)	2018	Member: ▲ ■	<ul style="list-style-type: none"> <li>Expert in entrepreneurship and strategic insights</li> <li>Strong financial and operational expertise</li> <li>Consulting in commercial and business practices</li> <li>Sound governance, business and leadership experience</li> <li>Driving innovation in financial services</li> </ul>

COMMITTEE MEMBERSHIP KEY:

- Social and ethics committee
- Nomination committee
- ▲ Audit committee
- ◆ Risk committee
- + Remuneration committee
- \* Investment committee
- IT governance committee
- Executive committee

<sup>1</sup> British  
Note: Dr Jabu Mabuza was re-appointed as chairman of the Sun International board effective 1 January 2021 but sadly passed away from Covid-19 on 16 June 2021.

Total collective skills matrix

Strategy <b>12</b> (2020: 12)	Commercial <b>7</b> (2020: 5)	Gaming and hospitality <b>3</b> (2020: 2)	Risk <b>2</b> (2020: 2)	Policy <b>2</b> (2020: 1)
Finance <b>9</b> (2020: 8)	Executive management <b>3</b> (2020: 3)	Community/stakeholder engagement <b>2</b> (2020: 2)	International <b>2</b> (2020: 1)	

GROUP

EXECUTIVE MANAGEMENT

	Title	Qualifications	Experience
ANTHONY LEEMING (52)	Chief executive	BCom, BAcc, CA(SA)	<ul style="list-style-type: none"> <li>Gaming and hospitality</li> <li>Financial and corporate finance</li> <li>Governance and IT</li> </ul>
NORMAN BASTHDAW (54)	Chief financial officer	BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)	<ul style="list-style-type: none"> <li>External and internal audit</li> <li>Financial management expertise</li> <li>Corporate finance advisory and private equity</li> </ul>
GRAHAM WOOD (52)	Chief operations officer (Hospitality)	BCom, BCompt (Hons), CA(SA)	<ul style="list-style-type: none"> <li>Strategic leadership</li> <li>Commercial and operational expertise in the gaming, hospitality and tourism industry</li> </ul>
ANDREW JOHNSTON (56)	Director: Corporate services and group company secretary	BA, LLB, FCIS, PGDip (Environmental Law), Certificate in Advanced Corporate Law and Securities Law	<ul style="list-style-type: none"> <li>Legal, secretarial, compliance, sustainability and corporate and remuneration governance</li> <li>Corporate finance and investor relations</li> <li>Admitted attorney and certified ethics officer</li> </ul>
VERNA ROBSON (50)	Director: Group human resources	BProc, Certificate (Advanced Human Resources Management), MBA Core	<ul style="list-style-type: none"> <li>Management of labour risk</li> <li>Human resources</li> <li>Organisational restructure</li> </ul>
MIKE WILSON (51)	Director: Business support management	BCom, BCom (Hons), PGDA, CA(SA)	<ul style="list-style-type: none"> <li>Business finance</li> <li>Business process optimisation</li> <li>Project management</li> <li>Shared service centre</li> </ul>
MUXE MAMBANA (36)	Director: Internal audit	BAcc, CA(SA), CIA, MBA	<ul style="list-style-type: none"> <li>External and internal audit</li> <li>Financial management</li> <li>Forensics</li> <li>Corporate governance, risk and compliance</li> <li>Diverse industry experience</li> </ul>
KHATI MOKHOBO (56)	Director: Strategic projects	BCom, BAcc, ACMA, CA(SA)	<ul style="list-style-type: none"> <li>Financial management</li> <li>Forensic investigations</li> <li>New business development</li> <li>Commercial project execution</li> <li>Gaming and hospitality</li> <li>Stakeholder management</li> </ul>
MELVILLE VOGEL (61)	Small units regional manager	In-house hotel trainee three-year internship, Advanced Financial Management (Price Waterhouse), Executive Management Development Programme (Graduate School of Business, University of Cape Town), Strategic Hotel Management Programme (Gordons Institute of Business Science and Cornell University)	<ul style="list-style-type: none"> <li>Business finance</li> <li>Developing, opening and managing new casinos and hotels</li> <li>Organisational restructuring</li> <li>Gaming and hospitality</li> </ul>
PRAGASEN PATHER (46)	Chief information officer	BCom: Business Management	<ul style="list-style-type: none"> <li>IT strategy</li> <li>Information and security management</li> <li>Cyber security</li> <li>IT governance risk and compliance</li> <li>Business continuity management</li> <li>Project execution</li> </ul>

STANDING INVITEES

NITESH MATAI (47)	General manager: Sports betting	BSocSC	<ul style="list-style-type: none"> <li>Global e-commerce, e-sports and gaming</li> <li>International online casino operations and strategy</li> </ul>
FELIX MTHEMBU (50)	Chief operations officer: Sun Slots	NDP: Operations Management	<ul style="list-style-type: none"> <li>Manufacturing – textiles, food and petrochemicals</li> <li>Fuel retail and convenience store operations</li> <li>Organisational restructuring</li> </ul>



Please refer to the corporate website link for the detailed CVs of Sun International's general managers: <https://corporate.suninternational.com/about/general-management/>

# CHIEF EXECUTIVE'S REVIEW

## INTRODUCTION

Sun International achieved exceptional results during 2021, with strong growth in revenue and adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) and a significant reduction in group debt, despite the significant impact of Covid-19 related restrictions on operations.

Income from continuing operations increased by 29% from R6 054 million to R7 812 million. Sustainable cost savings of over R650 million contributed to continuing adjusted EBITDA being up by 80% to R1 685 million. Our total group headline earnings improved from a loss of R409 million to earnings of R265 million, equivalent to headline earnings of 106 cents per share from a loss of 234 cents per share, in the prior year.

## KEY STRATEGIC THEMES

Sun International's unique omni-channel offering across casinos, online gaming, sports betting, resorts and hotels provides an integrated premium gaming and leisure customer proposition, which supported the resilience and recovery of revenue for the group during 2021.

Casino operations and alternate gaming, which make up 80% of group revenue, showed a significant recovery as lockdown restrictions eased. The group was able to successfully defend or grow market share at most urban casinos, while income generated from Sun Slots rebounded to pre-Covid-19 levels. SunBet generated record income during the year and is rapidly scaling up its premium sports and online betting offering.

The R650 million in recurring cost savings embedded during 2020 resulted in margin resilience, even at reduced levels of operation. During 2021, casino operations delivered an adjusted EBITDA margin of over 30% despite the restricted trading conditions. Operational restructuring at our resorts and hotels resulted in R180 million in annualised cost savings at Sun City alone. The various cost optimisation initiatives identified and implemented over the last two years, imply an adjusted EBITDA margin improvement on the 2019 South African results from 28% to 34%.

Balance sheet de-gearing from operational cashflow accelerated in 2021, with a net debt of R541 million repaid during the financial year. The group's capital allocation priorities remain focused on reducing leverage to create capacity for the re-instatement of dividends over the short to medium term and retaining flexibility for disciplined investment in high return opportunities.



**ANTHONY LEEMING**  
Chief executive

## OPERATIONAL HIGHLIGHTS

### URBAN CASINO OPERATIONS

Casino income increased by 22% compared to the 2020 year. Since the easing of lockdown restrictions our market share in the competitive Gauteng market increased from 25.5% in 2019 to 27.3% in 2021 while in KwaZulu-Natal it remained in line with the prior year.

Overall, casino operations generated adjusted EBITDA of R1 433 million for the year. The effects of the achieved cost saving initiatives, reduced salaries and efficiencies were clearly evident. Despite casino income being 37% below levels achieved in 2019, the group achieved 56% of the 2019 adjusted EBITDA at a margin of over 30%.

### SUN SLOTS

Sun Slots income increased from R886 million to R1 242 million with adjusted EBITDA up from R202 million to R313 million for the year under review.

The slots business proved remarkably resilient, with a strong recovery in trading following the easing of the alcohol ban and relaxation of curfew hours in the last week of January 2021. The group swiftly reactivated closed sites, resulting in 4 652 of the machines being made available for play during the period under review.

In Mpumalanga, the regulator has commenced with a consultation process involving route operators on the submission of Type B licences. This is a positive development in addressing the rollout backlog in the province and will also see the converting of licence applications into live sites. Similarly, the KwaZulu-Natal Gambling and Betting Board's recent decision to accept new licence applications where Limited Pay-out Machines (LPM) quotas have been exceeded, will result in more Type B licences being processed.

## Resilience, determination, commitment and passion

### SUNBET

SunBet has continued its strong growth trajectory in 2021 and remains an exciting prospect for the group. Our active players continue to grow and with additional games being offered, the overall player experience has been enhanced. At the end of the year under review, we achieved a substantial improvement in our key performance indicators which included:

**New player acquisitions up by 41%** against 2020 and 88% compared to 2019.

**Turnover up 78%** against 2020 and 66% against 2019.

**Gaming income up to R182 million** which represents an increase of 33% against 2020 and 30% against 2019.

We believe that SunBet offers the group significant and exciting growth potential, and with this in mind we continue to invest in people and marketing in order to significantly increase our share of the fast-growing online gaming market. With the introduction of live games (live dealer casino games) and potentially slot style games in the near future, the group is well placed to capitalise on this opportunity. Overall income at SunBet was up 33% for the year while a small adjusted EBITDA loss was incurred as we increased our marketing effort and addressed the staffing structures.

The opportunity for SunBet to develop synergies with the group's casino and hotel portfolio offering adds value to SunBet players and positions this unit for significant organic growth. Priority investment in the right people, continued operational and technology improvements and focused marketing will allow SunBet to gain market share in this exciting industry.

### RESORTS AND HOTELS

Total resorts and hotels income was up 39% in 2021 to R1 559 million from R1 123 million in 2020. However income remained 39% below 2019 levels. Overall, our resorts and hotels incurred an adjusted EBITDA loss of R56 million for the year under review, significantly improved from an adjusted EBITDA loss of R158 million during 2020.

The easing of lockdown restrictions to alert level 1 in March 2021 increased domestic leisure travel demand for our resort destinations such as Sun City and the Wild Coast Sun.

However midweek demand from the corporate and Meetings, Incentives, Conventions and Exhibitions (MICE) segments remained weak. Food and beverage revenue remained well below 2019 levels due to lower occupancies, with certain outlets being closed and costs managed appropriately.

Sun City Vacation Club proved remarkably resilient throughout the lockdown period with R185 million in cash generated in time share sales during 2020 and 2021.

### DEBT

Overall group debt (excluding IFRS 16 lease liabilities) reduced from R7 630 million to R7 089 million. Our debt to adjusted EBITDA and interest cover of 4.03 times and 2.67 times respectively, were well within our lenders' covenants of 6.0 times and 1.75 times respectively. Our balance sheet is in a strong position and we will continue to prioritise deleveraging as well as to focus on increasing free cashflows and disciplined capital allocation to maximise shareholder value.

With the significantly lower debt levels and as the business returns to pre-Covid-19 levels we anticipate that our debt to adjusted EBITDA ratio will improve rapidly. This will enable the group to consider resuming the payment of dividends and/ or return capital to shareholders through share buybacks.

### STRATEGY

Over the past two years our group strategy stood us in good stead. Our strategy included our five objectives: improve our existing operations and our guest experience, protect and leverage our existing asset portfolio, grow our business into new areas and products, governance and sustainability and our people.

During 2021, our strategic objectives were refreshed to align with our current operating environment and strategic outlook.

These strategic objectives are:

CUSTOMER CENTRICITY

OPERATIONAL EXCELLENCE AND EFFICIENCIES

PEOPLE AND CULTURE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

MAXIMISE SHAREHOLDER VALUE

While ESG is a standalone objective, these ESG elements are encompassed within all our other strategic objectives as depicted on page 21. Our strategic progress per objective is detailed on pages 23-27.

## UPDATE ON KEY MATTERS

### REGULATORY

► In January 2020, the MEC of the North West Province responsible for gambling, gazetted an average increase in gaming levies of 2% per tier of gaming income (approximately R9 million per year). The matter is being opposed by the Casino Association of South Africa (CASA).

► On 2 July 2021, the Western Cape High Court delivered its judgment in the application by the Tsogo Sun Group declaring that the Western Cape Gambling and Racing Board (WCGRB) is competent to consider and determine an application to relocate a casino in terms of section 41(2) of the Western Cape Gambling and Racing Act, 1996 and ordered the WCGRB to consider any such application brought by one of the Tsogo Sun entities. However, the Court suspended its declaration for a one-year period to allow the Western Cape Provincial Government (Provincial Government) to enact a new regulatory regime which will expressly allow the WCGRB to approve applications to relocate casinos in the Western Cape.

Accordingly, the current casino exclusivity regime will remain in effect until the end of June 2022, to allow the Provincial Government to pass the Amendment Bills into law.

► Our casino licence for the Wild Coast Sun was renewed for a further 20 years, with effect from 1 September 2021. The Eastern Cape Gambling Board (ECGB) has imposed certain licence conditions relating particularly to local procurement from Eastern Cape suppliers who reside in close proximity to the resort.

### PORTFOLIO OPTIMISATION

► Swazispa Holdings Limited was placed in liquidation on 14 June 2021. The liquidator has facilitated creditors meetings with oversight by the Master of the High Court. The creditors have formed a committee in conjunction with the liquidators to dispose of the assets.

► The Deloitte forensic investigation commissioned by the Nigerian Securities and Exchange Commission (SEC) regarding certain share transactions when Sun International invested in the Tourist Company of Nigeria (TCN) has been completed and the findings report delivered to the SEC offices in Nigeria. To date we still await the SEC to make its final determination and to release its findings to bring clarity regarding the future of TCN.

► Phase 1 of the Boardwalk Mall opened at the end of the first quarter of 2022 with the remaining components opening in the fourth quarter of 2022.

► The Table Bay Hotel lease has been extended to 28 February 2025 and we continue to engage with the V&A Waterfront Company regarding a longer lease opportunity.

► Subsequent to the disposal of our interest in Dreams S.A. in October 2020, we continue to monitor progress of the renewal of certain casino licences to ascertain whether future earnouts, which formed part of the transaction, will materialise. The earnouts relate to the renewal of four of Dreams S.A.'s SCJ licences by 31 December 2024 (CLP10.5 billion earnout R198 million) and these licences achieving at least their 2019 adjusted EBITDAR in the first full year following renewal of these licences (CLP31.8 billion earnout (R594 million)). The bids for renewal of the four SCJ licences have been submitted with Dreams S.A. being the only bidder. The announcement on the renewal is expected in June 2022.

## OUTLOOK

South African gaming income in January and February 2022, was in line with 2019 and adjusted EBITDA is well up on 2019, which demonstrates that we are entering a more normalised trading environment. Group adjusted EBITDA for this year was up due to embedded cost savings across gaming and resorts and hotels.

Online gaming and sports betting continues to grow exponentially driven by increased internet, smart phone and mobile money penetration. SunBet is rapidly scaling up revenues from mid to high-end customers while building a reputation for excellence through our omni-channel offering, with Sun International's premium hotel and casino portfolio and integrated Most Valued Guest (MVG) programme.

Implementation of Playtech's Neon casino management system in both our land-based casinos as well as our online SunBet platform is a key component to this strategy which will allow our MVG customers to enjoy a seamless interaction with the group as they transition between online gaming and our land-based casinos. We anticipate SunBet will contribute meaningfully to group profitability within three years and are investing in critical resources and skills to capture this transformational opportunity.

We expect to accelerate further de-gearing of the balance sheet to create capacity for disciplined capital allocation towards high return opportunities while targeting the re-instatement of dividends over the short to medium term, with a focus on maximising total shareholder return.

## APPRECIATION

I am proud of the way my management team, employees and our suppliers rallied, during these challenging times, to ensure that we still lived up to our purpose of creating great memories for our guests. Together with the board and the executive's leadership, we have emerged stronger and more resilient to face the future with shared optimism and confidence.

It was with great sadness that our former chairman, Dr Jabulane (Jabu) Mabuza, passed away from Covid-19 complications on 16 June 2021. Jabu was an inspirational leader and confidant from whom I learnt a lot as we worked closely together during some challenging times. My deepest condolences to the Mabuza family on their loss.

### ANTHONY LEEMING

Chief executive

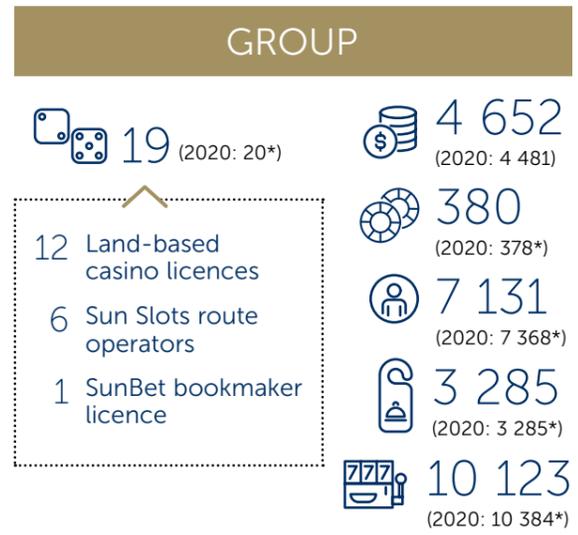
31 March 2022



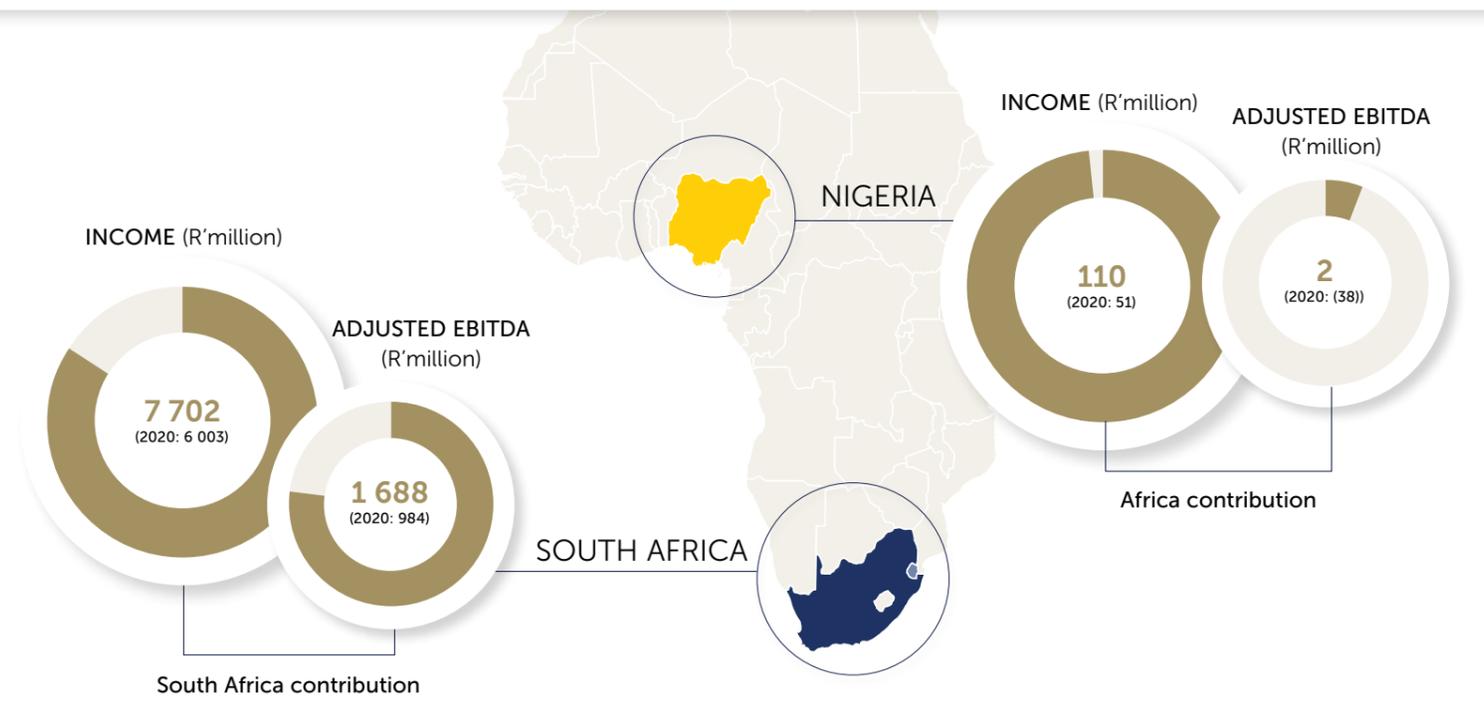
# OUR PRESENCE AND GROUP STRUCTURE

Sun International is an international hotel, casino and entertainment company that has a presence in South Africa and Nigeria.

Casino operations, including alternate gaming, contributes the largest share of group revenue at R6 254 million (80%) with hospitality contributing R1 558 million (20%).



\* Restated numbers exclude eSwatini.



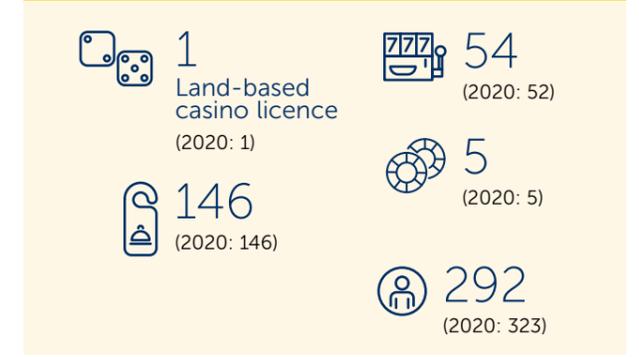
## SOUTH AFRICA



FINANCIAL	Economic interest (%) <sup>2</sup>	Slots*	LPMs*	Tables*	Rooms	Employees
<b>Property</b>						
<b>Gauteng</b>						
Carnival	91	1 400	-	43	105	619
The Maslow Sandton	100	-	-	-	281	111
Time Square Casino	82	1 721	-	60	238	774
<b>Western Cape</b>						
GrandWest	62	2 320	-	82	39	900
The Table Bay	62	-	-	-	329	230
Golden Valley	61	227	-	6	98	148
<b>KwaZulu-Natal</b>						
Sibaya	87	1 287	-	50	154	629
<b>Limpopo</b>						
Meropa	68	400	-	17	60	147
<b>North West</b>						
Sun City	100	700	-	51	1 299	1 581
<b>Northern Cape</b>						
Flamingo	71	300	-	7	-	122
<b>Eastern Cape</b>						
Boardwalk	82	763	-	26	140	381
Wild Coast Sun	50	550	-	18	396	407
<b>Free State</b>						
Windmill	70	401	-	15	-	137
<b>Alternate gaming</b>						
Sun Slots	70	-	4 652	-	-	226
SunBet	100	-	-	-	-	56
<b>Management</b>						
Sun International Management	100	-	-	-	-	371
<b>Total</b>		<b>10 069</b>	<b>4 652</b>	<b>375</b>	<b>3 139</b>	<b>6 839</b>

\* Due to Covid-19 requirements and social distancing not all licensed slots, LPMs and tables are operational. The numbers indicated in the table above are operational slots, tables and LPMs in 2020. Sun International has licences to operate a total of 10 336 slots, 6 267 LPMs and 381 tables.  
 1 Licences include 12 South African land-based casinos, 6 Sun Slots route operators and 1 SunBet bookmaker licence.  
 2 Economic interest excludes the interest held by the Sun International Employee Share Trust (SIEST).

## NIGERIA



## SUSTAINABILITY METRICS

WATER CONSUMPTION (kl) 3 260 467 (2020: 3 110 231)	ENERGY CONSUMPTION (kWh) 185 172 531 (2020: 162 283 056)
WASTE (kg) 4 462 461 (2020: 4 296 011)	LOST TIME INJURY FREQUENCY RATE 0.76 (2020: 0.58)
SED SPEND (RAND) 14 018 662 (2020: 18 578 174)	TOTAL INJURY FREQUENCY RATE 7.02 (2020: 7.05)

**B-BBEE LEVEL 3 (2020: 1)**  
 Due to the impact of Covid-19 on our operations, our scores under skills development and enterprise and supplier development B-BBEE pillars dropped. This resulted in an overall B-BBEE ratings level drop from level 1 in 2020, to level 3 in 2021.

# OPERATING ENVIRONMENT

Our macro-operating environment continues to be influenced by external and internal factors that are not always under our control. These factors include economic, regulatory and industry trends in South Africa as well as the Covid-19 global pandemic that continues to impact our entire operating environment. This operating environment constantly informs and shapes our strategy as we adapt to these trends and navigate our way forward.



## COVID-19 GLOBAL PANDEMIC

### Impact in 2021

The Covid-19 pandemic continued to impact the group's revenues as our units were operating under significant and varied lockdown restrictions.

### Group response

Cost optimisation



Page 6

Business interruption insurance claim



Page 29

Reduced debt levels



Page 6

### Outlook

The Covid-19 pandemic, coupled with the ongoing restrictions imposed on business activities, will continue to have an impact on the group's trading results and will take time to recover. Encouragingly, the rollout of South Africa's vaccination programme and a reduction in infection rates over time, will result in a more stable operating environment, positive sentiment and improved trading conditions.

Improved liquidity position

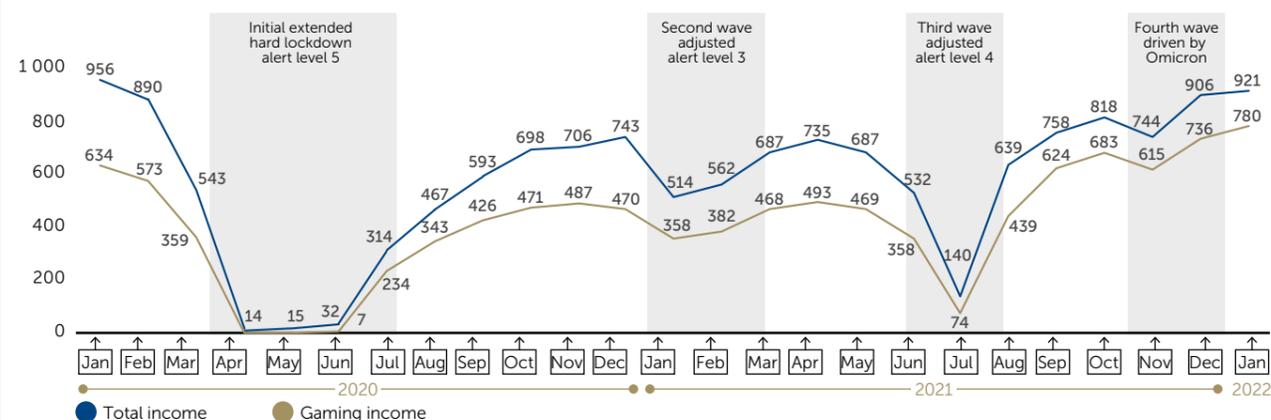
Controlled capital allocation

Implemented a group vaccination strategy

Compliance with Covid-19 legislation

### KEY FACTS

#### Income trend (R million)



## ECONOMY

### Impact in 2021

Global growth projections are more positive at 4.4% (2020: -3.5%) as economies rebound from the Covid-19 pandemic impact. The International Monetary Fund (IMF) is forecasting a GDP growth of 1.9% in 2022 for South Africa as the economy struggles to rebound, exacerbated by the Covid-19 pandemic, civil unrest in July 2021, low investor confidence, increased inequality, power outages, failing infrastructure, increasing debt levels and high unemployment levels.

Personal disposable income remains under severe pressure, resulting in less disposable income allocated to leisure and entertainment spend.

### Group response

Ongoing cost efficiencies and optimisation



Page 6

Reduced debt levels



Page 6

Controlled capital allocation

Disposal of non-core assets

### Outlook

We anticipate that the economic environment will remain challenging, however we are optimistic that with our various cost saving and efficiency initiatives implemented, the group will recover and resume delivering strong returns to shareholders. Our alternate gaming strategy is anticipated to continue on a strong growth trajectory and is a key focus area for the group.

### KEY FACTS

#### Real GDP and inflation rate

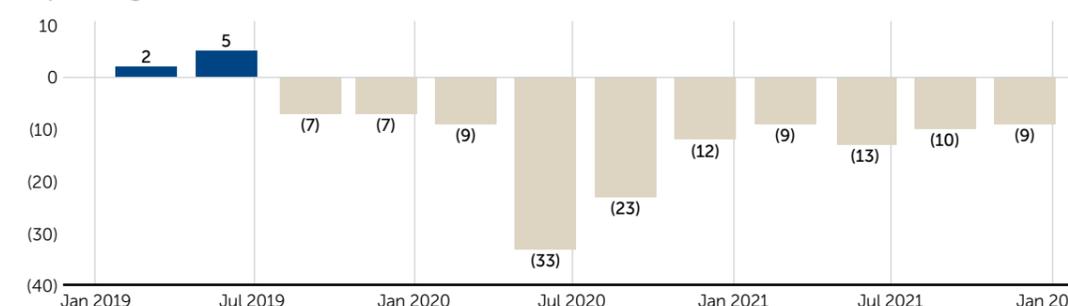
South Africa	2018 %	2019 %	2020 %	2021 %
GDP	0.8	0.2	-7.5	2.8
Inflation	4.6	4.1	3.3	3.9
Unemployment	26.9	28.5	32.5	34.4

GDP and inflation source: IMF's World Economic Outlook October 2021 and January 2022. Unemployment statistics source: Statistics South Africa (Stats SA).

#### Checking the pulse of consumer confidence

The Bureau for Economic Research (BER) Consumer Confidence Index covers 2,500 households in metropolitan areas, cities, towns and villages. The survey is made from personal at-home interviews and assesses general economic outlook, household's economic condition and major spending purposes. The index is computed as the difference between the share of respondents expecting an improvement from the percentage expecting a deterioration. The indicator varies on a scale of -100 to 100; a value of -100 indicates extreme lack of confidence, 0 neutrality and 100 extreme confidence.

#### Operating environment



Operating environment *continued*

REGULATION

Impact in 2021

The group operates in a complex regulatory environment. Critical legislation impacting on our business is listed below.

Further information on regulatory risk is provided on pages 7, 18, 19 and 20.

LEGISLATION	STATUS IN 2021
<b>Smoking legislation:</b> The Draft Control of Tobacco Products and Electronic Delivery Systems Bill 2018	Still in draft with no further developments.
<b>Gaming taxes, fees and levies:</b> Amendments to Gauteng, KwaZulu-Natal (KZN), Western Cape and North West gaming levies	The Casino Association of South Africa (CASA) is opposing the matter – no change in 2021.
<b>SunWest exclusivity:</b> The Western Cape Twentieth and Twenty-First Gambling and Racing Amendment Bills	Western Cape High Court ruled on 2 July 2021 and ordered the WCGRB to consider applications to relocate casinos in the Western Cape. However, the court suspended its declaration for one year until the end of June 2022. Sun International will have an opportunity to comment on any relocation applications.
Protection of Personal Information Act (POPIA) and General Data Protection Regulation (GDPR)	We have formalised the appointment of our privacy information officer and established key processes to govern our information office. We have enhanced our control environment to ensure compliance to the conditions of the Act.

Group response

Ongoing monitoring by compliance department

Regular submissions to government with Sun International's views on proposed regulation

Ongoing engagement with regulatory bodies

Outlook

Sun International continues to monitor regulatory developments, engage relevant regulatory bodies and mitigate relevant legislative risks.

KEY FACTS

The Department of Trade and Industry (dti) authorises the issuing of casino licences. In 2015 the dti increased the number of South African casino licences from 40 to 41, which is under appeal.

The National Gambling Board (NGB) oversees the regulation of South Africa's gaming industry.

41 authorised casino licences in South Africa, and

39 have been issued. Each province has its own gaming legislation and provincial licensing authority.

GAMING INDUSTRY

Impact in 2021

South Africa's casino industry continues to be significantly impacted by the National State of Disaster regulations imposed due to Covid-19. Depending on lockdown levels and curfews imposed, units' activities were either closed or restricted. Consumers' disposable income was also constrained due to financial uncertainty, high unemployment and other socio-economic factors. This was over and above pressures from the stagnant economy.

Group response

Enhanced Most Valued Guest (MVG) loyalty programme

Focus on online gaming strategy (SunBet)

Sun Slots well positioned for further growth in South Africa

New online gaming products offered – Lucky Numbers, Bet Games, Virtual Games, Live Games

Appointed an expert board director, Nigel Payne from the UK

Outlook

While lockdown and economic challenges are likely to remain into the foreseeable future, the group is well positioned to continue growing in the gaming business, with a focus on Sun International's online gaming strategy (SunBet and Sun Slots).

KEY FACTS

Alternate gaming

SunBet by the numbers 2021

UNIQUE ACTIVE CUSTOMERS

33 036 up 41%

Sun Slots by the numbers

GAMING INCOME

R1.2 billion

TURNOVER

R3.1 billion up 78%

GAMING INCOME

R182 million up 33%

4 652 LPMs ACROSS 891 SITES

Available in four provinces: Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape

HOSPITALITY INDUSTRY

Impact in 2021

South Africa had a slow start to the year with the Covid-19 second wave peaking in January 2021. Occupancies slowly started to recover; however, lockdown restrictions were tightened again from June 2021 as the country entered the third wave. Approximately 10% of hotels had closed over the July level 4 lockdown period as leisure travel to and from Gauteng was restricted and casinos could not operate. With the restrictions being lifted from end July, we saw an increase in occupancies. However, with the new variant (Omicron) identified, South Africa was again included on international countries red lists, which severely impacted the traditional December holiday influx of international tourists. With these bans only lifted at the end of December 2021 and early January 2022 we are hopeful that there will be an uptick in international tourism during 2022.

Outlook

As the harsh travel bans imposed on South Africa over December 2021 were lifted, our hotels remain well placed to host all guests (local and international) and ensure safe and memorable experiences.

Sun International received board approval for the expansion of the Sun City Sun Vacation Club, with the development of an additional 258 units in a phased development.

KEY FACTS

Tourism industry recovery post Covid-19

International travel is not expected to recover to 2019 levels until 2023/2024

Leisure travel to be at 75% – 100% of 2019 with resorts higher than city leisure travel

Global travel and tourism trends in 2022

Eco travel – conserving energy and 'going green' is gaining traction

Bleisure trend – work from home in your hotel

Experiential holiday – authentic local experiences focused on wellness (retreats)

Group response

Implemented a new website booking engine

Page 18.

Joined the Global Hotels Alliance – world's largest alliance of independent hotel brands network

Page 23.

Implemented a group vaccination strategy

Focus on local leisure while international travel starts to rebound

Strong focus on sports and events at resort properties

Continued to focus on cost optimisation

# BUSINESS MODEL

Our business model operates in a dynamic environment. Sun International uses the six capital resources through our business activities, which results in outputs and outcomes that either lead to value creation, preservation or erosion over time.

## INPUTS

We use the six capital resources interchangeably and appreciate that there are trade-offs between them. These trade-offs are carefully considered to preserve shareholder value.

<p><b>FC</b> Our source of funds includes debt and equity, which we use for business operations including running costs, property refurbishments and maintenance and strategic acquisitions.</p>	<ul style="list-style-type: none"> <li>Debt</li> <li>Equity</li> </ul>
<p><b>PC</b> Our unique properties form the bricks and mortar where our business activities are carried out, to ensure we offer our guests an unforgettable experience. Our unused land also creates opportunities for development.</p>	<ul style="list-style-type: none"> <li>14 Properties</li> <li>Unused land</li> </ul>
<p><b>SC</b> Our guests, shareholders, employees, communities, gambling boards, government and regulators are key stakeholders. We actively engage and manage these stakeholder relationships to promote a shared value proposition.</p>	<ul style="list-style-type: none"> <li>Key stakeholders</li> <li>Page 12</li> </ul>
<p><b>HC</b> Our people are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.</p>	<ul style="list-style-type: none"> <li>7 131 Employees</li> <li>Experienced board</li> <li>Page 5</li> <li>Employee wellness programme</li> <li>Page 24</li> </ul>
<p><b>IC</b> Our intellectual capital includes our gaming licences, brand and know-how, which provides our licence to operate and cultivates a wealth of management expertise and innovative IT.</p>	<ul style="list-style-type: none"> <li>Gaming licences</li> <li>Respected brand and reputation</li> <li>IT systems</li> </ul>
<p><b>NC</b> Our business activities depend on natural resources, particularly land, water and energy. Some of our properties are in pristine environments rich in biodiversity, which we protect and preserve.</p>	<ul style="list-style-type: none"> <li>Resources – land, energy and water</li> <li>Fauna and flora at our pristine properties</li> </ul>

## BUSINESS ACTIVITIES AND OUTPUTS

Our business activities draw on the various capital resource inputs and convert these into our activities and outputs – **gaming, resorts and hotels**, which are supported by various central service functions. Our business support function also leads innovation and technology, to optimise the use of digitisation and technology in our customer centric environment.



## OUTCOMES

Our business model culminates in specific stakeholder outcomes that have far-reaching impacts on the economies and societies where we operate. We strive to create stakeholder value and manage capital trade-offs responsibly.

		Stakeholders impacted
<b>FC</b>	<b>R1.7 billion</b> normalised adjusted EBITDA (2020: R936 million)	Value created
	<b>R117 million</b> net profit after tax (2020: loss of R817 million)	Value created
	Strong cash flow generation	Value created
<b>PC</b>	Share price <b>105 cents</b> (2020: loss of 1 045 cents)	Value created
	<b>R586 million</b> capital expenditure	Value preserved
<b>SC</b>	Ongoing refurbishments at properties	Value preserved
	Level <b>3 B-BBEE</b> rating (2020: Level 1)	Value preserved
	<b>R30.7 million</b> invested in supplier development (2020: R30.9 million)	Value preserved
	<b>R8.3 million</b> committed to enterprise development (2020: R6.9 million)	Value preserved
	<b>R14 million</b> invested in SED (2020: R18.6 million)	Value preserved
	<b>R13.1 million</b> invested in CSI contributions (2020: R7.1 million)	Value preserved
<b>HC</b>	Significant tax contribution <b>R1.7 billion</b> (2020: R1.2 billion)	Value preserved
	Training and development – <b>R52 million</b> (2020: R39 million)	Value preserved
	Employee remuneration – <b>R1.7 billion</b> (2020: R1.6 billion)	Value preserved
	<b>92.2%</b> black employees (2020: 92.4%)	Value preserved
<b>IC</b>	A Covid-19 workplace <b>vaccination programme</b> in place	Value preserved
	<b>10</b> employees succumbed to Covid-19 (2020: 3)	Value eroded
<b>NC</b>	<b>19 gaming licences</b> (2020: 20)	Value preserved
	<b>Strong brand</b> to attract customers to iconic properties	Value preserved
<b>NC</b>	<b>14%</b> increase in electric energy usage (2020: 30% decrease)	Value eroded
	<b>5%</b> increase in water usage (2020: 30% decrease)	Value eroded
	<b>4%</b> increase in waste generated (2020: 43% decrease)	Value eroded
	<b>6%</b> increase in CO <sub>2</sub> emissions (2020: 35% decrease)	Value eroded
	<b>10</b> of our 14 properties implemented water metering in 2021	Value preserved

● Value created ● Value preserved ● Value eroded

Operating environment game changers: Regulation / Industry and gaming bodies / IT advancements / Society

# STAKEHOLDER MANAGEMENT

Relationships with our stakeholders impact directly and indirectly on our business and reputation. Sun International encourages constructive stakeholder feedback through the group's various communication channels. Our stakeholder engagement approach ensures that we continue to add stakeholder value in this challenging operating environment.

## STAKEHOLDER ENGAGEMENT APPROACH

Our stakeholder engagement approach allows for ongoing key stakeholder engagement in an open and transparent manner group-wide. Achieving our five strategic objectives depends on our ability to proactively engage with and respond to our stakeholders. Our various engagement methods include online and face-to-face interactions, formal and informal communication platforms, social media, results presentations, reports and our annual general meeting (AGM). We also engage through our marketing campaigns, digital platforms, advertising, electronic media, newsletters, events and roadshows. We conduct regular surveys among our guests and employees, with the aim of continually improving service delivery, guest experience and employee satisfaction.

## ENGAGEMENT PROCESS

We annually assess our stakeholder universe based on stakeholder influence, legitimacy and urgency of their concerns. This engagement process allows us to identify any material concerns and opportunities that may exist, and purposefully engage to resolve and build on these matters and acquire a better understanding of our stakeholders' needs. The risk and social and ethics committees provide oversight of the group's stakeholder engagement and are responsible for keeping the board abreast of material matters arising.

Focused engagement within the communities in which we operate is particularly important as most of our properties are situated within or close to surrounding communities. Stakeholder concerns and demands, particularly from communities and local suppliers, continue to increase as the socio-economic environment weakens. Cultivating positive relationships with these stakeholders ensures that Sun International strives to offer shared value and sustainable socio-economic development (SED) opportunities.



## CUSTOMERS AND GUESTS

Our livelihood depends on our guests, as they have a direct impact on our financial sustainability. We constantly need to innovate and create memorable experiences to remain relevant and attract and retain our guests.

### Methods of engagement

- Sun International app
- Customer surveys
- Online booking engine
- Digital communication platforms
- Sun MVG loyalty programme
- In-room TVs
- Media releases
- Website
- Social media
- Face-to-face engagements

### Value add

- ▶ Stringent Covid-19 and safety protocols at all operations
- ▶ MVG loyalty programme that can be managed on the Sun International app
- ▶ Rewarding our loyalty members through our Global Hotel Alliance affiliation
- ▶ Enhancing customer service and experience through new product offerings
- ▶ Creating memorable experiences
- ▶ Streamlining the customer experience with the new online booking engine

### KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM

<b>Ongoing customer concerns on Covid-19 and safety protocols at our operations</b>	<ul style="list-style-type: none"> <li>• Industry leading health and safety Covid-19 protocols – <a href="https://corporate.suninternational.com/media/covid-19-protocols/">https://corporate.suninternational.com/media/covid-19-protocols/</a> and ongoing communications</li> </ul>
<b>Customer service complaints and perception of value</b>	<ul style="list-style-type: none"> <li>• Learning and development programmes for employees to enhance customer service</li> <li>• Innovative product offerings</li> <li>• Focused refurbishments and upgrades</li> <li>• Customer surveys and proactive customer feedback</li> <li>• Launch of the SunStars employee recognition and reward programme</li> </ul>
<b>Inconsistent customer communication around our facilities and service offerings</b>	<ul style="list-style-type: none"> <li>• Customer surveys and staff training</li> <li>• Launched Sun International app and upgraded our online booking engine</li> <li>• Branding and marketing campaigns</li> <li>• Focused MVG communication</li> </ul>
<b>Limited discretionary spend in a tough economic climate</b>	<ul style="list-style-type: none"> <li>• Promotional offers to encourage footfall</li> </ul>
<b>Customer information privacy</b>	<ul style="list-style-type: none"> <li>• Compliant with the Protection of Personal Information Act (POPIA) and the General Data Protection Regulation (GDPR)</li> </ul>

## EMPLOYEES

Employees are the heart of our business. They are the primary interface with our guests and the custodians of the memorable experiences we strive to offer our guests.

### Methods of engagement

- Sun Talk
- Social media
- Email notifications
- Face-to-face meetings
- Podcasts
- Ongoing training – online and face-to-face

### Value add

- ▶ Building on the SunWay culture and employee value proposition
- ▶ Launch of the SunStars employee recognition and reward programme
- ▶ Proactively engaging and supporting employees
- ▶ Ongoing training and development
- ▶ Retaining and attracting key skills
- ▶ Ongoing talent management

### KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM

<b>Reduced remuneration during lockdown</b>	<ul style="list-style-type: none"> <li>• Adjusting salaries to maintain costs and sustain the business</li> <li>• Ongoing employee communication through various communication channels</li> <li>• Regular leadership podcast messages</li> </ul>
<b>TERS payments not being paid on time</b>	<ul style="list-style-type: none"> <li>• Applying to TERS fund on behalf of employees</li> <li>• Ongoing engagement with Department of Labour concerning unpaid TERS claims</li> </ul>
<b>Sun International's viability and sustainability in the Covid-19 operating environment</b>	<ul style="list-style-type: none"> <li>• Regular dialogue on the Sun Talk platform between leadership and employees</li> <li>• Focus on operational efficiencies to reduce costs group-wide</li> </ul>
<b>Covid-19 impact on employees' wellbeing</b>	<ul style="list-style-type: none"> <li>• Wellness programmes in place to provide employee counselling and support</li> <li>• Ongoing support to Covid-19 positive employees and their families</li> <li>• Supporting remote working opportunities</li> <li>• Ongoing leadership podcast messages</li> <li>• R2 million (2020: R1.6 million) invested in employees' family educational needs</li> </ul>
<b>Slow transformation</b>	<ul style="list-style-type: none"> <li>• Focusing on the group's diversity strategy and diversity policy</li> <li>• Focusing on implementing an equal pay for equal work strategy</li> <li>• Tracking the group's progress on transformation related to our employment equity plan</li> </ul>
<b>Attracting and retaining critical skills</b>	<ul style="list-style-type: none"> <li>• Ongoing succession plans implementation across the group with a specific focus on critical skills</li> </ul>

Stakeholder management *continued*

## GAMBLING BOARDS

Gambling boards provide our legal licence to operate and guide the group on how best to create shared value for the communities where we operate. They also provide oversight on the gaming industry to ensure a fair and responsible industry.

<b>Methods of engagement</b> <ul style="list-style-type: none"> <li>Virtual and face-to-face meetings</li> <li>Written correspondence</li> </ul>	<b>Value add</b> <ul style="list-style-type: none"> <li>Supporting South Africa's economy by creating jobs and supporting empowerment opportunities through our SED and CSI initiatives, which are linked to gaming revenue generation and licensing conditions.</li> <li>Creating co-operative interactions with regulators</li> <li>Increasing Covid-19 measures to safeguard communities while gambling</li> </ul>
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KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM	
<b>Compliance with licence requirements</b>	<ul style="list-style-type: none"> <li>Ongoing monitoring of compliance to ensure we maintain our licences to operate</li> </ul>
<b>Responsible gambling</b>	<ul style="list-style-type: none"> <li>Supporting responsible gambling through financial contributions to the South African Responsible Gambling Foundation</li> </ul>
<b>Outstanding legal disputes between gaming regulators and the group</b>	<ul style="list-style-type: none"> <li>Engaging with the respective gaming regulators to resolve all outstanding legal disputes</li> </ul>
<b>Illegal gambling</b>	<ul style="list-style-type: none"> <li>Engaging with various stakeholders, including the NGB, provincial gambling boards, SAPS and the Specialised Investigations Unit to identify illegal gambling activities and to institute criminal action against offenders</li> </ul>

## PARTNERS AND SUPPLIERS

Partners provide support to ensure that we do not operate in isolation, thereby maximising potential value creation. Suppliers provide the necessary supplies, services and systems to enable the group to conduct its business activities and improve the overall guest experience.

<b>Methods of engagement</b> <ul style="list-style-type: none"> <li>Emails</li> <li>Procurement notice board</li> <li>Workshops</li> </ul>	<b>Value add</b> <ul style="list-style-type: none"> <li>Empowering smaller businesses and service providers</li> <li>Creating a pipeline of suitable businesses in the group's supply chain</li> <li>Partnering with local business to leverage synergies</li> </ul>
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KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM	
<b>Limited work and tender opportunities</b>	<ul style="list-style-type: none"> <li>Work and service delivery opportunities are advertised on unit specific portals</li> <li>RFP and tender opportunities are displayed on the group and unit tender bulletin boards</li> <li>Ongoing unit specific engagements with relevant local suppliers</li> </ul>

## COMMUNITIES

Communities form an integral part of our operating environment as they provide our social licence to operate. It is imperative to create shared value for these communities to sustain our operations.

<b>Methods of engagement</b> <ul style="list-style-type: none"> <li>Site visits</li> <li>Virtual meetings</li> <li>Local small, medium and micro enterprise (SMME) workshops</li> <li>Communities business forums</li> <li>Face-to-face meetings</li> <li>Written correspondence</li> </ul>	<b>Value add</b> <ul style="list-style-type: none"> <li>Building strong relationships and positively impacting on local communities</li> <li>Supporting local initiatives and creating employment opportunities</li> <li>Identifying local procurement opportunities to benefit surrounding communities</li> <li>Creating sustainable project opportunities</li> <li>Developing and training SMMEs by hosting incubation workshops</li> <li>Supporting community upliftment</li> </ul>
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KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM	
<b>Increased community needs as a direct result of Covid-19</b>	<ul style="list-style-type: none"> <li>Enhancing community stakeholder engagement opportunities</li> <li>Ongoing SED and CSI contributions</li> <li>Approving special SED projects to support the immediate needs of communities where we operate</li> <li>Supporting initiatives to mitigate and minimise hunger and poverty impacts due to Covid-19</li> <li>Assisting in improvement of government infrastructure within schools</li> <li>Collaborating with local government departments to identify needs and gaps</li> </ul>
<b>Lack of tendering and procurement opportunities, particularly for black women-owned businesses</b>	<ul style="list-style-type: none"> <li>Sun International suppliers bulletin board available to suppliers</li> <li>Participating in community business forums</li> <li>Reviewing procurement processes and inviting black women-owned businesses to stakeholder engagement sessions</li> </ul>
<b>Compliance with basic registration and supplier process</b>	
<b>Reduced local procurement, lack of competitive pricing and job opportunities</b>	<ul style="list-style-type: none"> <li>Group and unit-specific engagement and request for proposal (RFP) opportunities</li> <li>Providing adhoc local job opportunities and training</li> </ul>
<b>Access to further enterprise and supplier development opportunities to develop business</b>	<ul style="list-style-type: none"> <li>Feasibility study and research conducted on community needs within local procurement to scope key issues and attain solutions</li> <li>Securing an enterprise and supplier development fund with the National Empowerment Fund</li> </ul>

## EQUITY PARTNERS, SHAREHOLDERS AND DEBT FUNDERS

Equity partners, shareholders and debt funders provide us with the financial resources to deliver on our strategic objectives and create shareholder value.

<b>Methods of engagement</b> <ul style="list-style-type: none"> <li>Interim and year-end financial results presentations</li> <li>Business updates on SENS</li> <li>Circulars and integrated annual report</li> <li>Virtual and face-to-face meetings</li> <li>Participation in investor conferences</li> <li>Monthly and quarterly financial submissions to lenders</li> <li>AGM</li> <li>Written correspondence</li> </ul>	<b>Value add</b> <ul style="list-style-type: none"> <li>Ensuring acceptable shareholder returns on investments</li> <li>Ensuring short-term liquidity and optimal capital structures</li> <li>Optimising cost of debt and transactional banking</li> <li>Ensuring sound corporate governance</li> <li>Improving lender insights into the group's financial performance, risks and strategy</li> </ul>
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KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM	
<b>The group's long-term business sustainability and return on investment and ensuring an acceptable dividend flow</b>	<ul style="list-style-type: none"> <li>Ensuring all operational and growth strategies are well communicated and implemented</li> <li>Improving the liquidity position and strengthening the balance sheet</li> <li>Complying with all good governance requirements</li> </ul>
<b>Current debt and liquidity levels and the ability to ensure financial recovery post Covid-19</b>	<ul style="list-style-type: none"> <li>Maintaining the group's liquidity position</li> <li>Strengthening the balance sheet</li> </ul>

## REGULATORS AND INDUSTRY BODIES

Regulators provide the guidance within which we are required to operate, and industry bodies provide a platform to influence policy and legislation. This continues to create value for all stakeholders within the confines of the law.

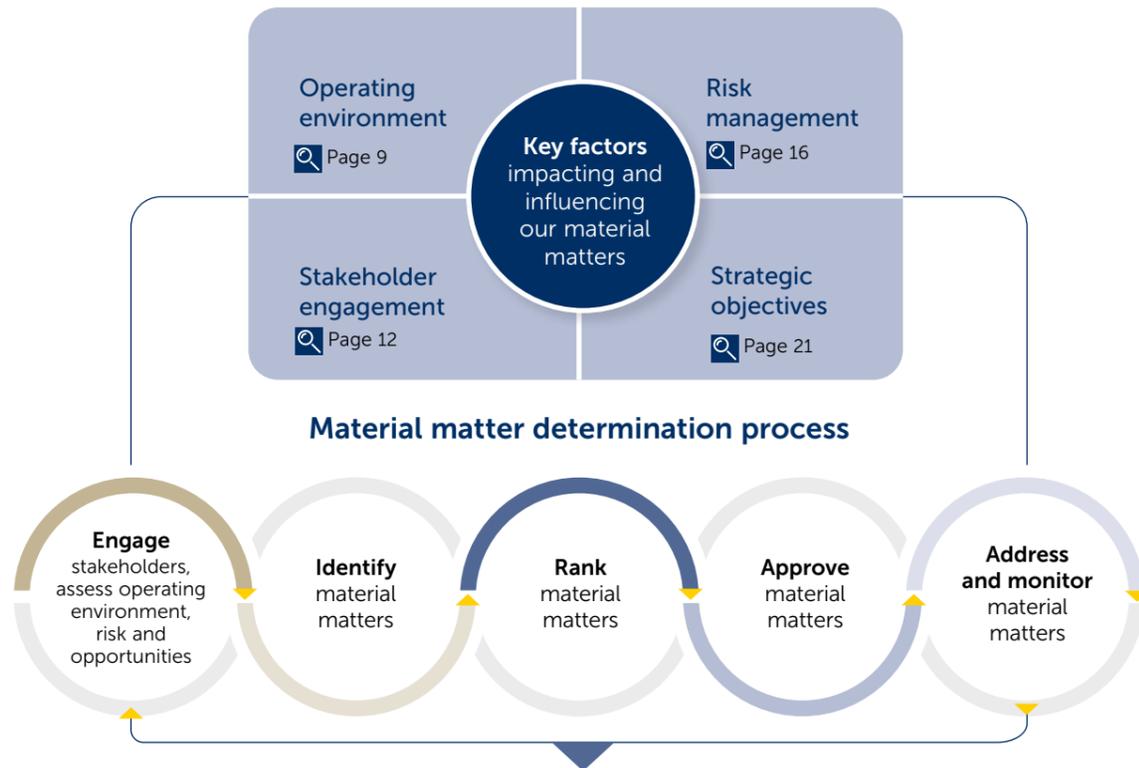
<b>Methods of engagement</b> <ul style="list-style-type: none"> <li>Written submissions</li> <li>Face-to-face and virtual meetings</li> </ul>	<b>Value add</b> <ul style="list-style-type: none"> <li>Remaining abreast of any legislation change and/or new legislation</li> <li>Ongoing compliance with all relevant regulation</li> </ul>
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KEY STAKEHOLDER CONCERNS AND ACTIONS TO ADDRESS THEM	
<b>Non-compliance with relevant legislation</b>	<ul style="list-style-type: none"> <li>Ongoing monitoring of legislative changes directly impacting the group</li> <li>Ongoing lobbying with relevant industry bodies (CASA) and bookmaker associations to inform and shape our regulatory landscape</li> <li>Internal and external compliance audits on relevant legislative aspects</li> </ul>
<b>Maintaining Covid-19 safety protocols</b>	<ul style="list-style-type: none"> <li>Industry leading, best practice Covid-19 protocols in place – <a href="https://corporate.suninternational.com/media/covid-19-protocols/">https://corporate.suninternational.com/media/covid-19-protocols/</a></li> </ul>

# MATERIAL MATTERS

Our material matters inform our business model, strategy, capital resource allocation and our stakeholder engagement process. They are influenced by our internal and external operating environment, our key stakeholder concerns, and the risks and opportunities impacting our business.

Through the group's material matters determination process, all matters are assessed annually to ensure that they remain relevant to our business strategy and operations. During 2021, the matters listed below were determined to be the most material to the group. The group's material matters were updated to incorporate similar matters under a broader category. In the prior year, we included climate change as a material matter, however, with the increased focus on environmental, social and governance (ESG) analysis and reporting, this material matter was broadened to include all ESG elements.



## MATERIAL MATTERS UNPACKED

### MANAGING THROUGH TOUGH ECONOMIC CONDITIONS

#### Why this matter is considered material

Our business depends on consumer spending and guests staying at our properties. The prevailing tough South African economic environment continues to impact our profitability, debt levels, capital investments and strains consumers' disposable income, particularly discretionary spending on gaming and hospitality.

#### Related risks

- R 1, R 2, R 6, R 7

#### Capital resources impacted

- FC, PC, HC, SC

#### Related strategic objectives

- SO1: Customer centricity
- SO2: Operational excellence and efficiencies
- SO3: People and culture
- SO5: Maximise shareholder value

### CUSTOMER ATTRACTION AND RETENTION

#### Why this matter is considered material

Our customers and guests are one of our most important stakeholders and are critical to our sustainability. It is important that we provide products and services that continue to attract and retain their patronage by providing excellent customer service, diversified entertainment opportunities and world-class facilities, in line with our vision of creating memorable experiences.

#### Related risks

- R 1, R 2, R 4, R 6, R 7, R 9

#### Capital resources impacted

- FC, HC, SC

#### Related strategic objectives

- SO1: Customer centricity
- SO3: People and culture
- SO4: ESG

### MANAGING STAKEHOLDERS' NEEDS

#### Why this matter is considered material

Managing the growing needs of stakeholders is critical to our sustainability. We operate in a highly regulated and complex environment, and it is important that we maintain our operational and social licence to operate. The group continues to focus on adherence to critical legislation impacting our business including: smoking legislation, POPIA, GDPR, B-BBEE, gaming taxes and levies, and licencing exclusivity requirements. The health, safety and wellbeing of all our key stakeholders have always been a priority for the group, but with the pandemic, a new emphasis has been placed on the importance of creating a safe environment for our key stakeholders.

#### Related risks

- R 2, R 7, R 10

#### Capital resources impacted

- FC, HC, SC

#### Related strategic objectives

- SO1: Customer centricity
- SO3: People and culture
- SO4: ESG

Level of control: Low (light blue), Medium (dark blue), High (gold)

Material matters *continued*

### MANAGING HUMAN CAPITAL AND THE EVOLVING WORLD OF WORK

**Why this matter is considered material**

The group's unique casino and hotel business requires critical skills to grow the business in an ever-changing operating environment. Globalisation and virtual operating environments make it attractive for people to constantly seek new job opportunities globally. While competitive remuneration is an important retention tool, employees' focus is shifting to a healthy work-life balance that incorporates flexibility, transformations (inclusivity, diversity and equality) succession, development, retention and an empowering working environment.

**Related risks**

- R 1
- R 2
- R 7

**Capital resources impacted**

- FC
- HC
- SC

**Related strategic objectives**

- SO2  
Operational excellence and efficiencies
- SO3  
People and culture
- SO4  
ESG

### SOCIO-ECONOMIC AND POLITICAL CHALLENGES

**Why this matter is considered material**

Socio-economic challenges are increasing as the world grapples with the current Covid-19 pandemic, which has impacted lives and livelihoods and highlighted inequalities prevalent in society. At Sun International we continue to experience stakeholder demands, specifically from our communities and supply chains in respect of job creation, local procurement opportunities and community upliftment. In South Africa, over and above Covid-19, the socio-economic and political challenges we faced during 2021 included: inequality, high unemployment and civil unrest.

**Related risks**

- R 1
- R 2
- R 3
- R 7

**Capital resources impacted**

- HC
- SC
- PC

**Related strategic objectives**

- SO1  
Customer centricity
- SO2  
Operational excellence and efficiencies
- SO3  
People and culture
- SO4  
ESG
- SO5  
Maximise shareholder value

### OPERATING IN AN EVOLVING DIGITAL ENVIRONMENT

**Why this matter is considered material**

Consumer needs are constantly shifting and evolving in this digital era we operate in. Sun International embraces these changes and is constantly looking to integrate digital and information technology in all areas of business. This ensures that we continue to innovate (Playtech, new guest booking platform and the Sun app), transform and challenge the status quo. This results in an enhanced customer value proposition as well as creating opportunities for new customers and providing a secure platform that mitigates cyber risk.

**Related risks**

- R 1
- R 2
- R 10

**Capital resources impacted**

- FC
- IC

**Related strategic objectives**

- SO1  
Customer centricity
- SO2  
Operational excellence and efficiencies
- SO3  
People and culture
- SO5  
Maximise shareholder value

### EMBRACING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRINCIPLES

**Why this matter is considered material**

ESG analysis and focused reporting is a growing trend globally. Climate change is one component of ESG (environmental) and has a huge effect on our livelihoods, our health, and our future. In South Africa, our water resources are limited, and our electricity costs continue to increase significantly, and the reliability of our energy supplier remains fragile. Sun International is dependent on these resources to operate and provide world-class facilities to our customers and guests. As a good corporate citizen, it is important that we demonstrate how we are playing our part to provide decent working conditions that include health, safety and wellbeing, quality education, equality and community upliftment. These environmental and social elements are all underpinned by the group's robust governance framework.

**Related risks**

- R 1
- R 2
- R 7

**Capital resources impacted**

- HC
- NC
- SC
- PC

**Related strategic objectives**

- SO1  
Customer centricity
- SO2  
Operational excellence and efficiencies
- SO3  
People and culture
- SO4  
ESG
- SO5  
Maximise shareholder value

**Risks**

- R 1 Weak economic conditions
- R 2 Coronavirus (Covid-19)
- R 3 Political and civil unrest
- R 4 Smoking legislation
- R 5 Increase in gaming taxes and levies
- R 6 Hospitality and tourism industry recovery and its impact on hotels and resorts
- R 7 Increased demands from stakeholders (minority shareholders, communities and local suppliers)
- R 8 Erosion of market share due to other forms of gambling
- R 9 Loss of GrandWest casino licence exclusivity
- R 10 Cyber threats and information security

**Level of control**

- Low
- Medium
- High

# RISK MANAGEMENT

Sun International’s risk management process is focussed on identifying and minimising the impact of the key strategic, operational, financial, reputational and regulatory risks facing the business in the geographies and economic sectors in which the company operates. The process encompasses activities which are from a risk perspective value accretive as well as those activities which could potentially lead to value depreciation. The scope of the risk management process includes the consideration of internal and external factors, which could impact on the successful implementation of the group’s strategy with a focus on operating environment, trends, material matters, threats, opportunities and stakeholder engagement.

## RISK APPROACH

The board is ultimately responsible for the governance of the group’s risk management process and the formulation of the group’s risk appetite and setting and monitoring risk tolerance. The board discharges its duties by mandating specific risk management duties and responsibilities to the group’s risk committee and the group’s chief executive and executive management team. The executive management are collectively responsible for the compilation and continuous review of the group’s risk register, which is tabled at each meeting of the risk committee for discussion as well as ensuring that the risk management process is inclusive and deeply embedded throughout the group.

The group considers its risks in terms of the potential likelihood of an identified risk actually occurring and its impact on the group, resulting in each risk being allocated an inherent risk rating. The potential impact is determined by considering the operational, regulatory and financial impact a risk could have on the group, while the likelihood is rated on a scale ranging from a remote to a definite possibility. Each inherent risk is considered along with the effectiveness of mitigating controls, which results in a residual risk exposure. A residual risk rating is allocated to each risk, with a detailed risk mitigation action plan with quarterly status updates and contingency plans and opportunities, to minimise or prevent the risk. Each risk is assigned to a specific executive who is responsible for implementing the mitigation measures and is held accountable for continually monitoring, mitigating where possible and reporting on progress.

Prior to the final risk committee meeting for the year, the group’s risk working committee, comprising of the executive team, senior management and other relevant invitees conduct a full review of the risk register, risk ratings and mitigation measures, for presentation to the risk committee. The risk committee ensures that the group’s approach to risk management and methodology remain relevant and that the risks included in the risk register represent the group’s risk universe. The risk committee is satisfied that the group’s 2021 risk approach was consistently applied group-wide and remains relevant and robust. The group’s risk management process and the effectiveness of risk mitigation implemented at a group and unit level are reviewed by various providers, as defined in the group’s combined assurance framework.

The group’s risk management approach stood us in good stead when addressing the Covid-19 pandemic. The executive team acted decisively and quickly in putting additional policies and protocols in place to address Covid-19. The risk committee also annually reviews the group’s insurance programme before presentation to the board for approval. The 2019/2020 programme included infectious diseases in its business interruption cover and the group was successful with a claim against its insurers receiving a substantial settlement during the year under review.

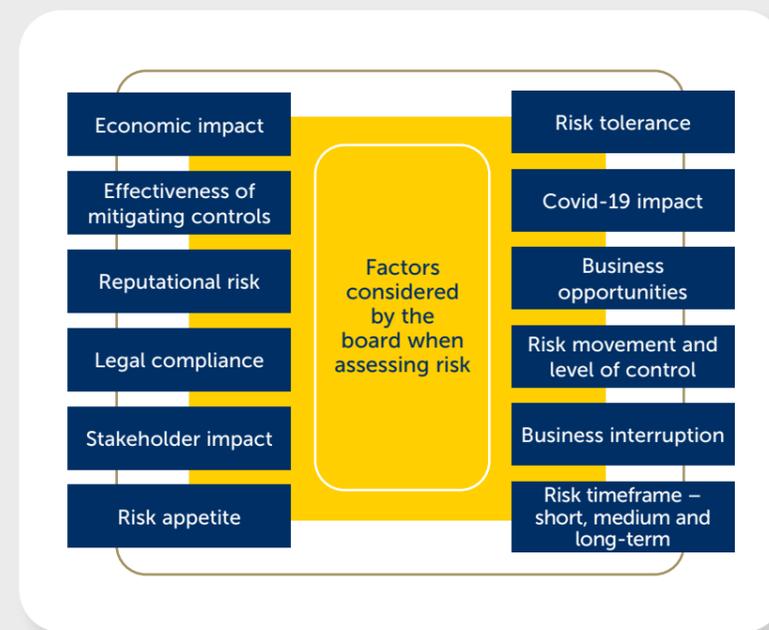
To further bolster our risk process, a dedicated group risk manager was appointed who will be responsible for supporting the leadership and management. The group will also commission a third-party independent review of the group’s risk management approach and methodology, to ensure its effectiveness and alignment with the board’s risk appetite, tolerance plus industry best practice.

## COVID-19

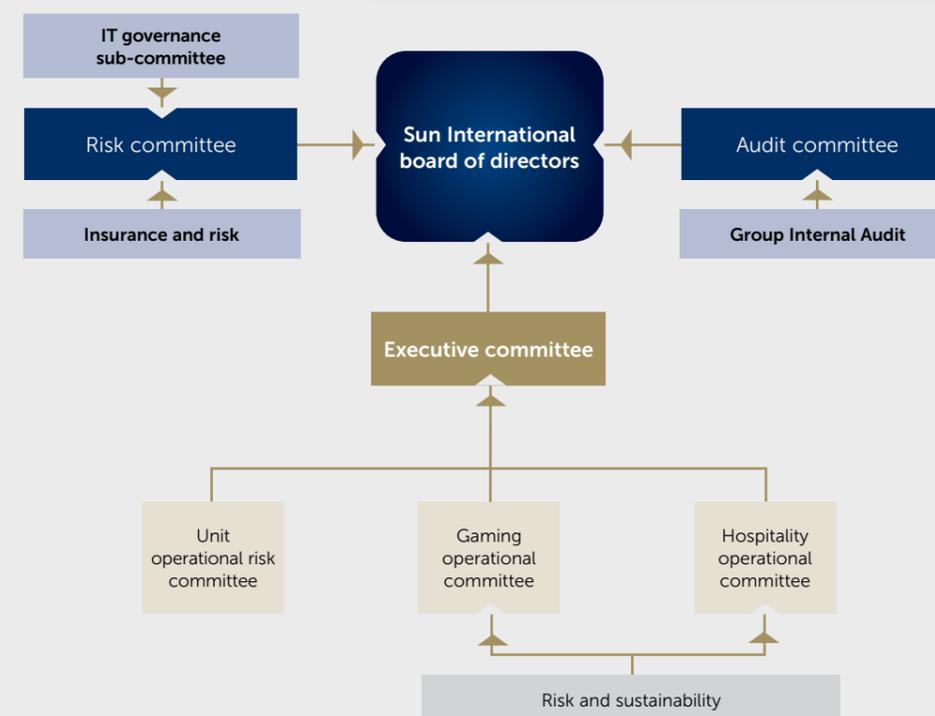
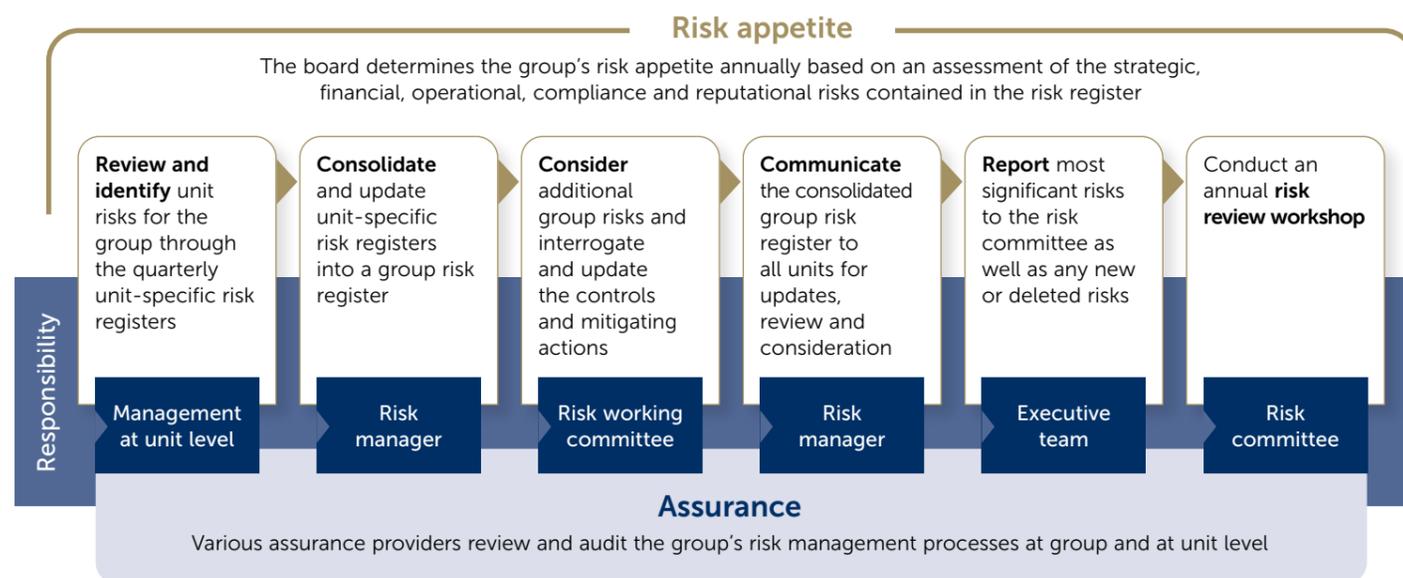
The group continues to enforce and monitor strict and disciplined Covid-19 protocols to mitigate against the risk of employees, customers and other key stakeholders contracting the virus. These protocols are benchmarked across all jurisdictions.

## RISK GOVERNANCE

The risk committee chairman reports to the board following each meeting, in accordance with the committee’s terms of reference. The committee’s mandate provides that material matters are reported to the group’s audit committee to ensure the committee has appropriate insight into the group’s material risks and opportunities and to avoid duplication of matters within the remit of both committees. The board, through the audit and risk committees, considers the risks and opportunities the group may face. It also seeks the assurance of the risk committee chairman that the risks have been assessed and mitigated by management. The audit committee chairman is a member of the risk committee. The interaction between these two committees is such that the audit committee has an oversight role, specifically in relation to financial reporting risks.



## RISK IDENTIFICATION PROCESS

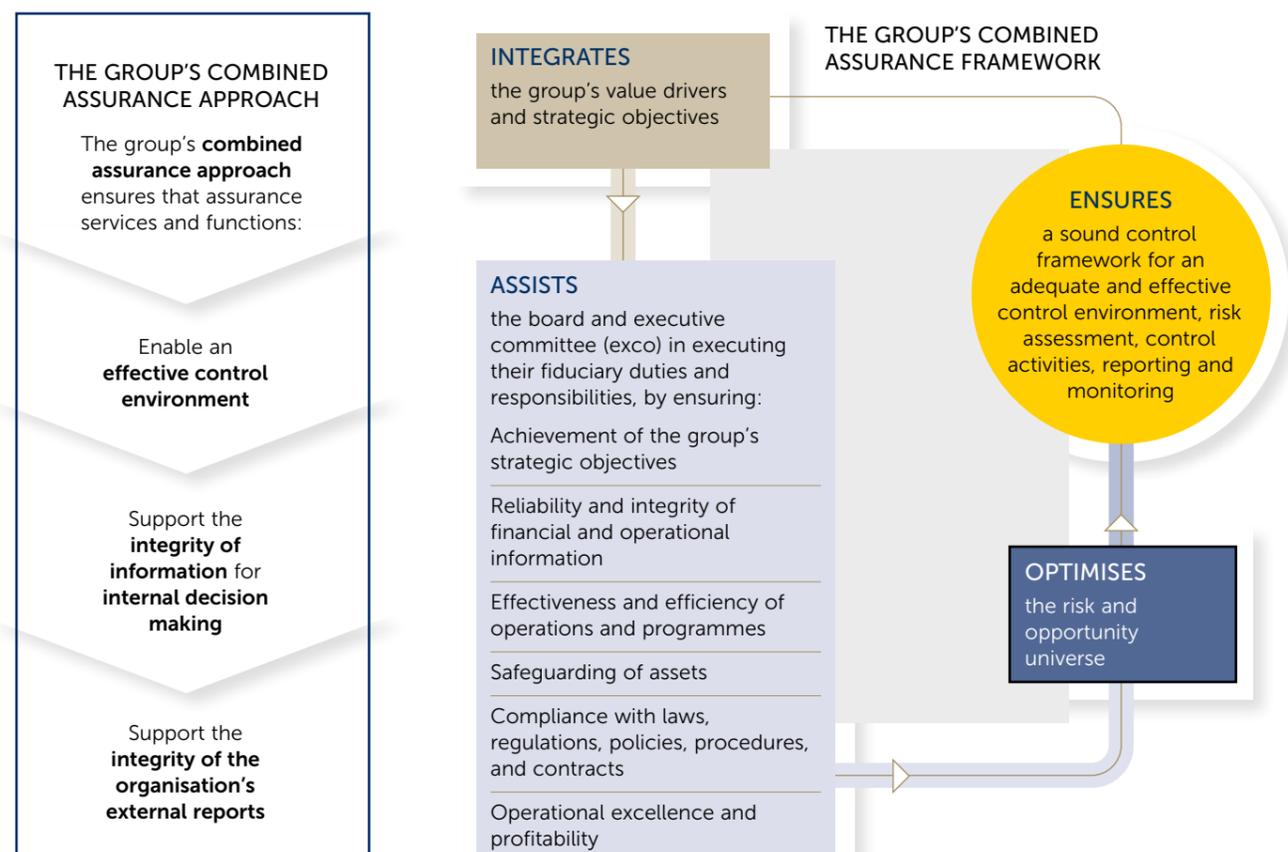


Risk management *continued*

COMBINED ASSURANCE MODEL

Philosophy and approach

Sun International's combined assurance strategy and framework objective is to ensure optimal, cost-efficient and focused assurance coverage across the group. Our hybrid top-down and bottom-up approach, which aligns with the JSE Listings Requirements and King IV outcomes, ensures adequate assurance on key business risks and processes as detailed below.



Lines of defence

Sun International's lines of defence model is used as a basis for risk management, governance and oversight structures to obtain assurance at various levels group-wide. The group has adopted a four lines of defence model, highlighting the different role players' responsibilities for internal controls and risk management as shown alongside.

Lines of defence (LoD)	Example and description of role players
1st LoD	<b>Management</b> The definition of management includes all levels of the business and management, including exco and the chief executive.
2nd LoD	<b>Support functions</b> Corporate functions independent from the operations – includes, compliance, sustainability and risk management that perform key functions to provide a second line of assurance to the board.
3rd LoD	<b>Internal assurance</b> Internal assurance – incorporates internal assurance providers that provide objective assurance such as Group Internal Audit.
4th LoD	<b>External assurance</b> External assurance – incorporates assurance providers, such as external auditors, environmental auditors, and other external parties. These structures are largely independent of the operational activities of the company and provide assurance to the board.

Required level of assurance in respect of group risks

The group's combined assurance provides a view and opinion over the adequacy and operational effectiveness of key controls in relation to material risks. Successful assurance enhances the degree of confidence that the control environment is functioning optimally, to mitigate material risks and promote the achievement of group-wide objectives. Sun International's combined assurance is designed such that the level of assurance required is dependent on the level of risk assessed, taking into account inherent risk and risk appetite. The assurance quality provided by the various assurance providers depends on factors such as the nature, timing, and extent of

assurance activities as well as the assurance provider's level of independence, skill and qualifications. Sun International's assurance strategy is tailored so that the higher the level of risk, the higher the level of assurance required.

The audit committee and senior management ensure that both external and internal assurance providers appointed have the appropriate experience, skills and follow an acceptable assurance approach. This is achieved through periodic assessment of the assurance providers to establish both assurance coverage and assurance quality.

Top 10 risks

The risk table below identifies the group's top 10 risks as at 31 December 2021. These risks are discussed in detail and include Sun International's level of control, key stakeholders impacted and primary board committee responsible for oversight. For the year under review the following risks moved into the group's top 10 risks:

- Risk 3:** Political and civil unrest
- Risk 6:** Recovery of the hospitality and tourism industry and its impact on hotels and resorts
- Risk 9:** Loss of GrandWest casino licence exclusivity

**The following risks moved out of the top 10 risks:**

- Ongoing changes in licence conditions
- Succession plans for critical roles
- Infrastructure management and maintenance

Risk ranking	Risk description	Residual risk	Change in ranking from 2020	2020 risk rating	Strategic objective
1	Weak economic conditions	Extreme	▲	(2020: 2)	SO1 SO5
2	Coronavirus (Covid-19)	Serious	▼	(2020: 1)	SO4
3	Political and civil unrest	Serious	▲	●	SO4
4	Smoking legislation	Moderate	▲	(2020: 4)	SO4
5	Increase in gaming taxes and levies	Moderate	▲	(2020: 5)	SO5
6	Hospitality and tourism industry recovery and its impact on hotels and resorts	Moderate	▲	●	SO1
7	Increased demands from stakeholders (minority shareholders, communities and local suppliers)	Moderate	▲	(2020: 7)	SO4
8	Erosion of market share due to other forms of gambling	Moderate	▲	(2020: 11)	SO5
9	Loss of GrandWest casino licence exclusivity	Within appetite	▲	(2020: 17)	SO5
10	Cyber threats and information security	Within appetite	▼	(2020: 9)	SO4

▲ Constant    ▲ Increased    ▼ Decreased    ● New risk

Risk management *continued*

**RISK 1** ▲ (2020: 2)

**Weak economic conditions**

**RISK DESCRIPTION**

The macro-economic outlook remains under pressure. Key factors impacting the economic climate include the impact of Covid-19 and the civil unrest and looting in parts of South Africa. Intermittent load shedding and deterioration of critical infrastructure continues to impact economic growth.

<b>Risk category</b> Financial sustainability	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk and audit committees	<b>Key stakeholders</b> Shareholders, potential investors and employees

**RISK MITIGATION**

- ▶ Focus on improving our customer experience and engagement:
  - Launched a Sun International mobile App for both our leisure and casino customers.
  - Launched our online booking engine to drive an increase in direct bookings and improve the customer booking experience.
  - Implementing a new gaming system (Playtech), in a phased approach, which will enhance our customer experience – system to be fully implemented in 2024.
- ▶ Ongoing focus on improving operational and resource efficiencies as well as cost containment across the group.
- ▶ Strengthened our balance sheet and improved our liquidity position.

**OUTLOOK**

- The weak economic climate is set to continue and with the risk of further Covid-19 waves, there may be additional economic pressures for corporates and consumers. South Africa's energy supplier remains fragile, high-energy costs and failing infrastructure persist, all of which impact growth opportunities. Crime, corruption and unrest also remain a concern and continue to impact our economy.

**RISK 2** ▼ (2020: 1)

**Coronavirus (Covid-19)**

**RISK DESCRIPTION**

The coronavirus global pandemic continues to severely impact our business operations and revenue across our gaming, hospitality and supply chain areas.

<b>Risk category</b> Business interruption	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk, audit, social and ethics and remuneration committees	<b>Key stakeholders</b> Employees, customers, shareholders, suppliers, communities

**RISK MITIGATION**

- ▶ Covid-19 protocols in place and continuously updated as lockdown levels change.
- ▶ Ongoing awareness and support provided around Covid-19 among employees, customers and guests.
- ▶ Opened several vaccinations sites at certain properties and actively promoting vaccinations group-wide.
- ▶ Significant cost containment measures implemented.

**OUTLOOK**

- Sun International will continue to adapt to the new normal business environment and encourage employees and guests to be vaccinated.
- Government's vaccination rollout plans will continue into 2022 to encourage citizens to be vaccinated.

**RISK 3** ▲ (2020: new risk)

**Political and civil unrest**

**RISK DESCRIPTION**

The political and civil unrest, similar to the unrest South Africa (Gauteng and KwaZulu-Natal) experienced in July 2021, is a risk to Sun International.

<b>Risk category</b> Financial sustainability	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk and audit committees	<b>Key stakeholders</b> Employees, customers, shareholders, suppliers, communities

**RISK MITIGATION**

- ▶ Reviewed security arrangements and business interruption plans at properties.
- ▶ Reviewed the group's SASRIA insurance cover.
- ▶ Engaging with security companies to obtain early warnings of potential riots.

**OUTLOOK**

- Significant economic inequality could lead to future political and civil unrest which the group is closely monitoring.

**RISK 4** ▼ (2020: 4)

**Smoking legislation**

**RISK DESCRIPTION**

South Africa's draft Control of Tobacco Products and Electronic Delivery System Bill, 2018 was published in May 2018 and includes a ban on smoking (including e-cigarettes) in public areas (both indoor and outdoor areas). This proposed legislation will have a significant impact on group casino revenues.

<b>Risk category</b> Regulated operating environment	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Employees, customers, health authorities and shareholders

**RISK MITIGATION**

- ▶ Submitted comments on the proposed Tobacco Bill against the May 2018 draft and we await government's view on the collective submissions made.
- ▶ Continue to lobby and engage with CASA, the gaming boards, trade unions and other affected corporates.

**OUTLOOK**

- The South African legislation is not expected to be enacted in the 2022 financial year.
- The group continues to lobby and coordinate efforts with other affected industries.
- The group's legal department continues to monitor changes and/or movement on the proposed Bill.

Risk management *continued*

**RISK 5** (2020: 5)

**Increase in gaming taxes, fees and levies**

**RISK DESCRIPTION**

Various provincial gaming boards have implemented and/or proposed increases to gaming taxes and levies in 2020. Where the increases have become effective the group is obligated to comply with the increases, however the group continues to engage with the various gaming boards directly and through CASA on these increases.

The Western Cape Provincial Government (WCPG) has promulgated a Bill into law that will introduce operator fees for casinos and route operators to fund the WCPG operations. The company has instituted legal action to review the WCPG's decision to impose the operator fees concerned. In the meantime, the WCPG confirmed that it will not impose the operator fees until the review application has been heard.

The KZN Provincial legislature has proposed amendments to the KZN Gambling Tax Act which seeks to increase gaming taxes; to tax Freeplay and to introduce a Transformation Fund, which is to be funded through gaming taxes raised. The company has engaged with the provincial legislature through CASA and directly in respect of its LPM operations and it will be objecting the proposed amendments.

<b>Risk category</b> Regulated operating environment	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Gaming boards, CASA, provincial government and shareholders

**RISK MITIGATION**

- ▶ Monitoring CASA's progress in challenging the increase on grounds of a procedural and fairness basis.
- ▶ Lobbying and challenging proposed gaming tax legislation is ongoing for the group.
- ▶ Legal action instituted to set aside the WCPG decision to impose operator fees on casinos and route operators in the Western Cape.

**OUTLOOK**

- Currently the group is not aware of any additional increases in gaming taxes or levies.
- We anticipate engaging more constructively with gaming boards in the future regarding compliance costs associated with a gambling business.

**RISK MITIGATION**

- ▶ Integration into the Global Hotel Alliance effective 7 December 2021.
- ▶ Ongoing focus on maximising domestic leisure revenues at all properties through online and direct booking channels.
- ▶ Continual focus on maximising gaming accommodation and gaming revenues at Sun City, Wild Coast and Boardwalk.
- ▶ Ongoing cost reviews at all properties.
- ▶ Creation of additional events at resorts to drive midweek and weekend demand.
- ▶ Ongoing engagement with government on vaccination travel protocols to encourage a swift return of international tourists.
- ▶ Lobbying relevant regional and national government to maintain and upgrade roads, airports and infrastructure around Sun City.
- ▶ Engagement with the Tourism Ministry and Tourism Business Council of South Africa with respect to removing obstacles to the growth of international tourist arrivals, e.g. Visas, air access and destination marketing.

**RISK 6** (2020: new risk)

**Recovery of the hospitality and tourism industry and its impact on hotels and resorts**

**RISK DESCRIPTION**

The hospitality, travel and tourism industry recovery will be prolonged, notwithstanding global vaccination programmes. This will affect international and local group travel and conferencing. Corporate transient travel will also be sluggish in the foreseeable future. Certain group properties will be harder hit due to reliance on conferencing and international tourists.

<b>Risk category</b> Financial sustainability	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Shareholders, gaming boards, CASA

**OUTLOOK**

- While vaccination rollout programmes are ongoing, we anticipate a slow recovery in the hospitality, travel and tourism industry in 2022.

**RISK 7** (2020: 7)

**Increased demands from stakeholders (minority shareholders, communities and local suppliers)**

**RISK DESCRIPTION**

There has been ongoing demands from local communities and local suppliers surrounding our operations, ranging from procurement, employment, shareholding to land opportunities.

<b>Risk category</b> Financial sustainability	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Social and ethics committee	<b>Key stakeholders</b> Shareholders, communities and suppliers

**OUTLOOK**

- It is expected that increased stakeholder demands will continue, given the weak economic environment and the additional impact of Covid-19.
- Sun International will continue to proactively engage with stakeholders on their concerns.

**RISK MITIGATION**

- ▶ A formal community engagement management plan is in place to identify community needs.
- ▶ Continued to support local B-BBEE procurement and enterprise development within communities surrounding group operations, through our supplier registration database and our online tender notice board.
- ▶ Ongoing engagement with minority shareholders.
- ▶ Additional CSI and SED spend has been allocated to address some of the community needs identified as part of our ongoing community engagement strategy.
- ▶ Regular focused communication with interested stakeholder groupings such as our debt funders, shareholders and equity partners.

**RISK 8** (2020: 11)

**Erosion of market share due to other forms of gambling**

**RISK DESCRIPTION**

The proliferation of illegal gambling operations, the availability of casino style games offered by non-casino licensees and the operation of EBTs continues to erode gaming revenues.

<b>Risk category</b> Increased competition	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Gaming boards, CASA, South African Police Service (SAPS) and provincial and national government

**OUTLOOK**

- It is anticipated that alternate casino style games will continue to grow.
- Strategic focus on growing SunBet's share in the online gaming market.
- The group's strategy is to keep abreast of the changing landscape in the online gaming environment.

**RISK MITIGATION**

- ▶ Engaged with a financial institution to ascertain the viability of blocking bank accounts of persons who are participating in illegal gambling activities.
- ▶ Continuing to participate in the National Illegal Gambling Enforcement Forum consisting of the SAPS and the National Gambling Board (NGB).
- ▶ Lobbying gaming boards for support from law enforcement agencies.
- ▶ Following up on illegal gambling operations in Sun International's catchment areas.
- ▶ The company leverages developments in the online sports betting business to offset the erosion of revenue.
- ▶ CASA is challenging the unlawful gambling through the Advertising Regulatory Board and provides regular updates to Sun International.

Risk management *continued*

**RISK 9** ▲ (2020: 17)

**Loss of GrandWest casino licence exclusivity**

**RISK DESCRIPTION**

The Western Cape Twentieth Gambling and Racing Amendment Bill and the Western Cape Twenty-First Gambling and Racing Amendment Bill were published on 8 May 2020, which seeks to: impose new casino operator and LPM operator fees, create new exclusivity areas and reduce GrandWest's exclusivity zone from 75km to 25km, and introduce a relocation and exclusivity fee. The High court recently ruled in favour of Tsogo Sun and compelled the Western Cape Gambling and Racing Board (WCGRB) to consider an application for relocation. It however suspended its decision for one year for the WCGRB to enact a new regulatory regime which will expressly allow the WCGRB to approve applications to relocate casinos in the Western Cape.

<b>Risk category</b> Gaming and other operating licences	<b>Sun International's level of control</b> Limited
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Gaming boards, provincial government, shareholders and potential investors

**RISK MITIGATION**

- ▶ Proactively engaging with the Western Cape Premier and national government to discuss relocation and the possibility of licence exclusivity.

**OUTLOOK**

- Covid-19 and the weak economy will reduce the likelihood of a relocation given the financial viability of such a move.

**RISK 10** ▼ (2020: 9)

**Cyber threats and information security**

**RISK DESCRIPTION**

Increasing interconnectivity, globalisation and the commercialisation of cybercrime are driving greater frequency and severity of cyber incidents, including data breaches and data theft. These incidents or breaches could lead to system unavailability, business disruption and financial loss.

<b>Risk category</b> Business interruption	<b>Sun International's level of control</b> High
<b>Primary board committee</b> Risk committee	<b>Key stakeholders</b> Employees, shareholders and potential investors

**RISK MITIGATION**

- ▶ Establishing a security training and awareness communication strategy to enhance our people defence.
- ▶ Enhanced our remote working security protocols to combat new threats.
- ▶ Enhanced security monitoring tools to help establish an holistic security operation group-wide.
- ▶ Establishing a vulnerability management practice to provide reporting, monitoring and execution of identified threats across the application and infrastructure landscape.
- ▶ Conducting independent internal and external penetration testing to understand current threats and vulnerabilities.
- ▶ Assessing the regulatory environment, particularly the new Cyber Act, which was promulgated in May 2021 and its impact on the group.
- ▶ Assessing outsourcing security providers to enhance the security skills and existing resources required.
- ▶ A cyber insurance policy was put in place to help minimise risk exposure.

**OUTLOOK**

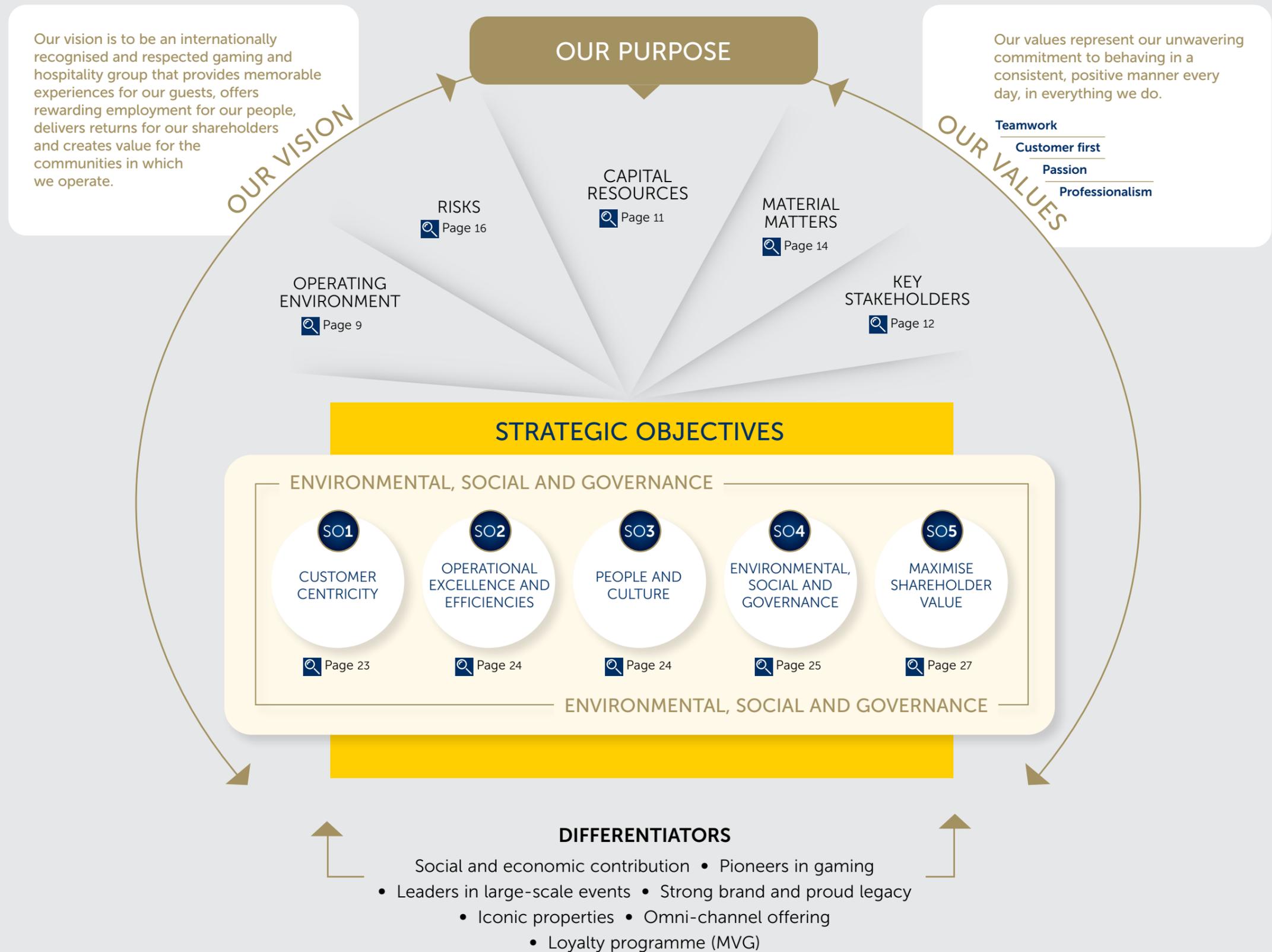
- We are constantly assessing our threat landscape to ensure our information security management systems are effective and robust to deal with evolving threats.
- Ransomware has been an increasing threat in South Africa, and we have partnered with various organisations to help with our detection and response capabilities.
- Phishing attempts are the primary attack type and our focus area is to enhance our awareness and communication to employees.
- As we look at more digital technology solutions, we have also enhanced our cloud security controls.



# OUR STRATEGY

Our **purpose** of creating great memories for our guests, people and stakeholders is at the heart of our strategy. Various internal and external factors influence our strategy, including our **operating environment, risks and opportunities, capital resource availability and our material matters. Key stakeholder** feedback is also pertinent to continually shaping our strategy to ensure that we remain relevant and continue to create stakeholder value.

Our **environmental, social and governance elements (ESG)** are fundamental to Sun International's operations and are embedded in our strategy and decision-making process, from board to operations. We remain committed to being a **responsible corporate citizen.**



# STRATEGIC PROGRESS

Our key strategic enablers include our people and iconic properties. We are committed to creating great memories for our guests, maximising shareholder and stakeholder value and respecting the natural environment and critical resources. All of this is achieved through our commitment to operational excellence and efficiencies. We also strive to implement new products group-wide to remain relevant and enrich our customer experience.

## KEY HIGHLIGHTS

CONTINUING GROUP INCOME

**R7.8 billion**  
▲ **29%**

CONTINUING GROUP ADJUSTED EBITDA

**R1.7 billion**  
▲ **80%**

Excludes insurance receipts of R522 million

BUSINESS INTERRUPTION INSURANCE CLAIM

**R522 million**

TOTAL ANNUALISED SUSTAINABLE COST SAVINGS

**R650 million\***  
Imply an adjusted EBITDA margin improvement on 2019 from 28% to **34%**

TOTAL GROUP DEBT (excluding lease liabilities)

**R7.1 billion**  
▼ **R541 million**

AVAILABLE LIQUIDITY

**R2.2 billion**  
Optimised balance sheet

STRONG CASINO INCOME RECOVERY

**Casino income**  
▲ **22%**

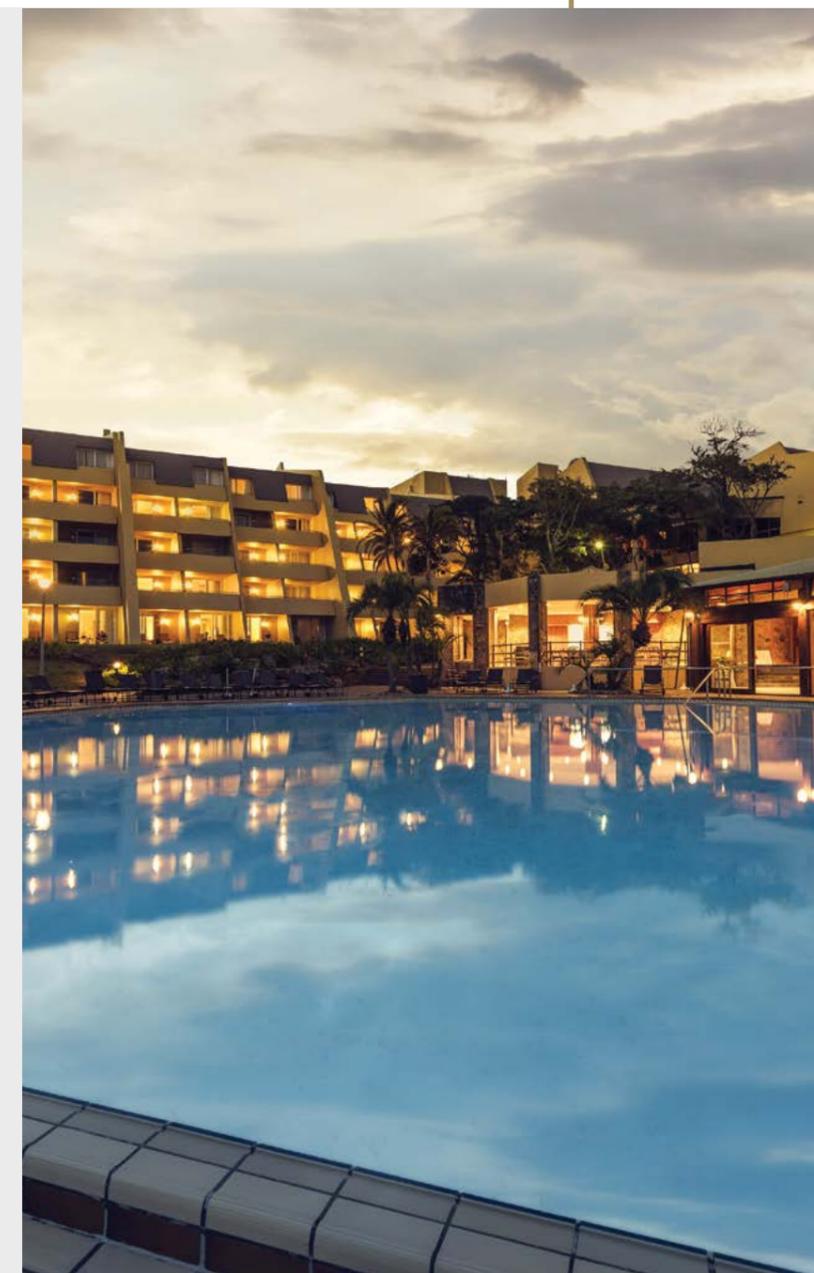
SUN SLOTS CONTINUED TO SHOW GROWTH

**Gaming income**  
▲ **40%**  
Adjusted EBITDA margin of **25%**

GROWTH IN ACTIVE PLAYERS AND PRODUCT OFFERING IN SUNBET

**Income**  
▲ **33%**  
Active players up **41%**

We made excellent strategic progress during 2021, as tabled and discussed in this section. Further detail around our sustainability elements (environmental, health, safety and wellness, socio-economic development, people and enterprise and supplier development) is included in our standalone environmental, social and governance report.



\* Cost savings comprises savings on employee costs of R350, million renegotiated contracts of R102 million, events of R10 million marketing costs of R56 million, IT costs of R11 million and general costs of R122 million. All comparisons are to 2020.

**SO1**  
**CUSTOMER CENTRICITY**

- ▶ Leverage a customer-centric model underpinned by a strong Sun International brand
- ▶ Enhancement of digital capabilities across our business to enhance our omni-channel strategy

**KEY FOCUS AREAS IN 2021**

Continuing to entrench Covid-19 customer health and safety protocols	✔
Continuing to improve customer service levels through employee service training and employee engagement and recognition	🔄
Finalising the Boardwalk, Meropa, Golden Valley, Flamingo and Windmill restructuring	✔
Focusing on VIP product and customer service standards at all casino properties as well as focusing on our VIP guests	✔
Finalising the integration of all hotels within the Global Hotel Alliance (GHA)	✔
Focusing on MVG signups, and activating and retaining MVG customers	✔
Promoting our resorts for gaming opportunities	✔
Launching additional group-wide tables and slots tournaments	✔
Implementing an online customer booking platform to streamline bookings	✔

**Progress**

✔ Achieved/Good progress    🔄 In progress    ✖ Limited progress

**LOOKING AHEAD**

- ▶ Continuing to improve customer service levels through employee service training, engagement and recognition
- ▶ Enhancing our customer engagement through the Sun International app
- ▶ Completing the Palace Hotel refurbishment, as well as opening a spa and gym
- ▶ Refurbishing the Sun City and Boardwalk Privés
- ▶ Commencing with our phase three Vacation Club product at Sun City

**Customer satisfaction**

Sunshare, our customer feedback platform, continues to remain our primary form of direct customer engagement. We encourage our customers to share their experiences so we can monitor customer sentiment and gauge our overall performance and ability to manage our customers' expectations.

We reviewed our customer questionnaire to further refine our customer sentiment data collection, streamline our customer experience and identify key areas of improvement. We also upgraded the platform to enrich the user experience and provide enhanced reporting capabilities. Our new corporate identity programme has led to significant increases in survey completions.

Customer satisfaction scores are integral to our business and are aligned to the key performance indicators (KPIs) of relevant employees. Our customer feedback provides both qualitative and quantitative information that helps us determine our strengths and improvement areas. Due to two different surveys being in the market during 2021, our customer satisfaction results are skewed. In future our satisfaction targets of 85% (gaming and hospitality) and 90% (Privé gaming customers) will be measured against customer sentiment.

We continue to provide ongoing online customer service training to cater for remote working conditions. This training continues to enhance our service offering and customer experience, and empowers employees in line with the group's employee value proposition. Our SunStars employee recognition programme will be enhanced in 2022 to recognise our employees for behaviours that align to our values.

**Footfall**

Footfall at properties continued to remain significantly impacted by Covid-19 and the varying restrictions. We reviewed our direct marketing activities to drive footfall while being mindful of strict social distancing protocols, so customers enjoy our offerings without compromising their health and safety. Our agile marketing strategy adapted to the restrictions and ensured our customers knew about our entertainment offerings.

As part of our activation toolkit, we devised further exciting group tables activations. During 2021, we launched our inaugural group-wide Black Opal Baccarat Tournament, with a prize pool of over R2 million. We received an excellent response in customer registrations (1 349) and participation. The grand finale in October 2021 was hosted at Carnival City and yielded good returns. Sun International continues to deliver world-class events for our customers and we will reinforce our positioning as the home of gaming tournaments. The calendar for 2022 is being concluded and we look forward to hosting additional slots and tables tournaments.

The group's digital department has been involved in delivering our new hotel booking platform; integrating a white label solution into our business operations on our website and apps. We have made booking easy by streamlining the customer experience and encouraging direct hotel bookings. The performance and results to date are encouraging.

Digital marketing continues to be a key focus for our properties. The integration of various new tools has assisted with the monitoring, measuring and reporting across various elements such as social media engagement, digital marketing and paid media advertising.

**Omni-channel offering**

As part of our commitment to ensure that our customers can transact seamlessly in an ever-evolving online environment, we have adopted an omni-channel strategy. Our Playtech Neon casino management system implementation (at our land-based casinos and in our SunBet online platform) will be a key differentiating factor for the group in the attraction and retention of customers.

**Sun MVG loyalty programme**

Sun International's MVG loyalty programme (1994) has evolved over the past five years with integration across all our products (gaming, hotels, leisure and SunBet). This journey has seen the implementation of tier credits, casino points and leisure points. Over 600 000 customers enjoyed participating in our loyalty programme in 2021, with a 100% redemption of casino points and an 83% redemption of leisure points. A total of 56 372 room night discounts were afforded on the accommodation benefit and 287 277 food and beverage discount transactions were processed during 2021.

Due to the Covid-19 restrictions and protocols, we continued to freeze our member status levels and MVG points in 2021. Tier credits continue to accumulate, through which members gauge their ranking and associated benefits and rewards. During 2021, we welcomed 151 574 new members to the loyalty programme.

We also launched the Sun International app, enabling our MVGs to manage their loyalty journey anywhere from the palm of their hand. Although the app is only in phase one of development, it will grow to become our primary channel of communication with our customers. The next phase will enable robust transactional value to further enhance our customer engagement and value proposition.

**Global Hotel Alliance**

In 2020, we concluded an agreement with GHA, the world's largest alliance of independent hotel brands. Participation in this alliance enables us to leverage a customer data base of over 17 million GHA Discovery loyalty members. There are currently approximately 30 000 GHA members in South Africa. The Sun GHA leisure loyalty programme went live on 7 December 2021, to coincide with the launch of GHA's updated Discovery loyalty programme that includes the introduction of Discovery Dollars.

Strategic progress *continued*

**SO2**  
**OPERATIONAL EXCELLENCE AND EFFICIENCIES**

► We continue to focus on improvement in operational performance and permanently eliminating inefficiencies.

**Efficiencies and system utilisation**

Prior to the Covid-19 pandemic, the group was already successfully making efforts to manage costs and improve efficiencies. Once we understood, however, that lockdown (and its impact on trading) was to be extended, these efforts had to be accelerated. We increased focus on cost reductions, optimising working capital, prioritising capital investment, formulating plans to achieve operational efficiencies, ensuring better use of systems and ensuring consistent application of standards and procedures across our operations.

Efficiency and rationalisation plans were implemented during the latter part of 2020, which included a review of operational costs and the conclusion of the S189A restructure embarked on at Sun City, The Maslow Sandton, Boardwalk, The Table Bay, Wild Coast Sun, Meropa, Windmill, Flamingo, Golden Valley, Naledi Sun and The Carousel. The cost base for most properties were further reviewed in 2021 to ensure profit margin improvements. Service provider contracts were renegotiated for cost reductions, and other operational costs were reviewed to eliminate wasteful expenditure. Where feasible, certain functions were outsourced, and capital investment projects were undertaken to derive energy efficiencies.

The engineering function at Sun City was fully outsourced during 2021, which realised cost savings, operational efficiencies and ensured improved preventative maintenance plans. The IFS maintenance module project is in the process of being rolled out at Sun City and this will be fully implemented in 2022. This system allows management to focus on critical, preventative and infrastructure maintenance, ensuring effective management and planning of maintenance and capital expenditure.

**Kronos scheduling system:** Covid-19 restrictions had a direct negative impact on our operations. In this environment, it was imperative that we operated as efficiently as possible. Through the Kronos scheduling system, we were able to manage and forecast staff levels and hours in line with business demand. This also provided improved monthly payroll cost control. In 2022 we aim to implement automation through interfaces, from Kronos to various other systems, to gain better efficiency and control, which should lead to a positive group bottom line impact.

**Gaming:** The project to replace our current Bally gaming system with Playtech continued during

2021 after an extensive scoping exercise was completed. This is essential to ensure that Playtech delivers all the required functionality to support Sun International's business model and complies with relevant South African legislation. The system can only be implemented once these approvals have been received. The project has an expected end date of Q4 2024.

**Food and beverage**

Trading conditions proved challenging for most of the year due to the various Covid-19 waves, restrictions and lockdown levels, all of which impacted trading. The restrictions on conferencing numbers and the ban on alcohol sales as well as the adjusted curfew times further impacted operations. Improving profitability and margins continued to remain a key focus. We particularly focused on recipe costings, menu re-engineering, productivity ratios to manage staff as business levels fluctuated and improving our stock management and control environment. Although food inflation continues to be a challenge, we continuously review our procurement strategy and pricing to ensure we provide value to our guests.

**Maintenance and refurbishments**

Ongoing maintenance took place in improving the various facilities during the reduced trading periods. At Sun City, we began refurbishing the first 86 Palace Hotel guest rooms, which were completed in 2021. The remainder of the Palace's rooms will be refurbished during 2022. The Valley of the Waves infrastructure received a further upgrade and we continued focus on our ageing infrastructure across the resort.

At Carnival City Hotel, we completed the refurbishment of the remaining 48 guest rooms.

Sun City and Boardwalk's Privés refurbishments were placed on hold until 2022. The proposed Boardwalk Mall development commenced in April 2021 as planned, with the first phase of the opening delayed until March 2022, due to lockdown. The second phase of the mall will be completed by the end of September 2022.

Further investigations linked to the harvesting of the natural spring water at Boardwalk were done, and a successful supplier appointed. Work will be completed during Q1 of 2022.

**SO3**  
**PEOPLE AND CULTURE**

► Enhance recruitment, talent management and development as well as diversity and inclusion

Our employees are key to achieving the group's strategy and providing memorable guest experiences. Business activity continued to be impacted by various lockdown levels during 2021 as we endured Covid-19 waves, shifting curfews and the closing down of operations in July 2021. These disruptions required our people to continue in their roles, despite salary reductions and delayed TERS payouts. We applaud their diligence in ensuring that their colleagues and our patrons felt safe. Despite a loss of critical skills due to emigration, we have successfully replaced staff in key roles within the company, although we remain concerned about the talent gap in the hospitality and gaming industry.

All staff were kept informed about operational changes through a blended approach of online and face-to-face communication. There was also a priority on reconnecting with employees to rebuild camaraderie among teams. We continued to enhance employee engagement throughout the year by using the Sun Talk communication platform, email, WhatsApp and video messages.

**KEY FOCUS AREAS IN 2021**

Continuing to extract efficiencies and relevant business intelligence to make informed strategic decisions group-wide	✓
Focusing on the quality and variety of food and beverage options as well as further margin improvements	✓
Implementing the IFS maintenance module to proactively manage maintenance and ageing infrastructure	✗
Using our employee scheduling system (Kronos) more effectively at properties to better manage labour demand and costs	🔄
Focusing on guest service training	🔄
Implementing a new group reservation solution to improve efficiencies and guest experience	🔄
Implement a new online guest booking engine to improve the guest reservation experience	✓

**LOOKING AHEAD**

- Continuing to extract efficiencies to make informed strategic decisions group-wide
- Finalising the consolidation of various gaming functions at all units
- Completing IFS maintenance project rollout
- Focusing on the quality and variety of food and beverage options as well as further margin improvements
- Completing the Kronos and advance scheduling rollout across all unit

**KEY FOCUS AREAS IN 2021**

Improving succession planning and transformation at a senior management level and maintaining a talent pipeline and development plan for top black talent	✓
Building critical skills and core competencies necessary in the gaming and hospitality industry	🔄
Instilling an employee culture that embraces the group's vision, purpose and values	🔄
Ongoing engagement with employees through Sun Talk	✓
Ongoing focus on equal pay for work of equal value as well as gender pay equality	✓
Managing change management with organisational design revisions	🔄
Providing ongoing employee wellness support, education and awareness around Covid-19 and government's vaccination rollout plans	✓

**LOOKING AHEAD**

- Enhancing critical skills and competency development and ensuring change management in our agile work environment group-wide
- Nurturing internal current and future leadership
- Improving our employee experience and relaunching our employee recognition programme, SunStars
- Continuing to focus on diversity, equity and inclusion
- Ongoing focus on employee wellbeing through our One Sun Wellness (OSW) programme

**Progress**

✓ Achieved/Good progress    🔄 In progress    ✗ Limited progress

Strategic progress *continued*

**SO4**  
**ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE**

► Our commitment to our environmental, social and governance responsibilities was unwavering.

KEY FOCUS AREAS IN 2021  
**ENVIRONMENTAL**

Developing and implementing our ENVIRO-AMBITION 2025	✔
Implementing environmental reduction targets (water, waste, electricity and Scope 1 and 2 emissions)	✔
Conducting a Scope 3 survey to identify targets	✘
Procuring sustainably sourced seafood	🔄
Reducing our carbon footprint through our supply chain	✘
Improving collaboration between sustainability and maintenance departments to identify and address areas of concern	🔄
Eliminating the use of palm oil by 2021 and plastic straws by 2022	🔄

**LOOKING AHEAD**

- Installing a water treatment plant at Boardwalk in the Eastern Cape to supplement water supply
- Developing a zero-waste-to-landfill (ZWTL) self-assessment toolkit to assist units in managing their progress
- Developing a resources-strategic framework addressing both electricity and water supply
- Looking to source green energy

KEY FOCUS AREAS IN 2021

**SOCIAL**

**HEALTH, SAFETY AND WELLNESS**

Training and awareness	🔄
<ul style="list-style-type: none"> <li>Improving training on the safety, health and environment (SHE) management system procedures at all properties</li> <li>Improving risk-based and compliance-related training and awareness facilitation</li> <li>Achieving greater participation in our sustainability awareness e-learning initiative</li> </ul>	
Achieving zero work-related fatalities, penalties, infringements or convictions as well as reducing and/or preventing injuries from occurring at all properties	✔
Improving customer satisfaction scores in relation to health, safety and wellness matters	✔
Improving auditing and incident reporting functionality usage on the electronic SHE management platform as well as achieving improved internal and external audit scores at all properties	✔
Implementing innovative solutions to improve risk management and employee wellbeing	🔄
Implementing a reward and recognition framework to encourage sustainable behaviour	✔
Implementing the group medical surveillance programme at all properties	✔

**LOOKING AHEAD**

- Adopting an alternative approach to implementation of the group SHE management system to enable ISO 45001 certification readiness
- Standardising and improving risk-based training group-wide
- Improving incident reporting with a key focus on near misses at all operations to ensure proactive risk management
- Improving data analytics through business intelligence to improve risk mitigation and performance
- Updating and implementing the amended group fire and legionella standards

**SOCIO-ECONOMIC DEVELOPMENT (SED)**

Continuing to create shared value through the group's SED focus areas – education, sports, and arts and culture while taking into consideration the increased emphasis on supporting community needs due to the pandemic	✔
Developing and implementing hospitality career programmes/events for our communities and our Adopt a School programme	✔
Developing an SED and CSI communication plan to showcase the group's corporate citizenship commitment	✔
Rolling out and managing sustainability SED projects incorporating health, safety, wellness and environmental elements	✔
Conducting SED project impact assessments for group-wide projects	✔

**LOOKING AHEAD**

- Integrating long-term ESG aspects within the business
  - Ensuring renewed cross-sector collaboration and proactive partnerships
  - Repurposing our SED spend to respond to the global pandemic and align with the United Nations SDGs
- 
- Integrating impact measurement and management to ensure greater accountability and transparency with our projects and programmes
  - Implementing a skills-based employee volunteering programme
  - Embracing best practice governance standards and stakeholder engagement through codes of conduct and internal and external reporting

**ENTERPRISE AND SUPPLIER DEVELOPMENT (E&SD)**

Monitoring E&SD loans to ensure an improved recovery rate	✔
Continuing to monitor our group-wide supplier base and focus on locally based communities by apportioning spend across local small, medium and micro enterprises (SMMEs) and national suppliers as well as supporting suppliers through our BDS programme	🔄
Engaging our top 20 suppliers to identify areas of collaboration and/or support on Sun International's sustainability strategy	🔄
Encouraging our top 100 suppliers to become part of the group's endeavours in building stronger sustainable partnerships by signing our sustainability memorandum of understanding	🔄
Implementing our new Broad-based Black Economic Empowerment (B-BBEE) system to assist with information accuracy and monitor trends to optimise B-BBEE spend	✔

**LOOKING AHEAD**

- Implementing a new request for proposal online portal for small suppliers to bid for tenders
- Continuing to monitor our group-wide supplier base and focus on locally-based-communities, by apportioning spend across local SMMEs and national suppliers as well as supporting suppliers through our BDS programme
- Encouraging our top 100 suppliers to sign our sustainability memorandum of understanding as part of the group's endeavours to build sustainable partnerships

KEY FOCUS AREAS IN 2021

**GOVERNANCE**

Monitoring any proposed JSE Listings Requirements amendments as well as any company legislative amendments	✔
Filling any relevant skills gaps at board level	🔄
Supporting responsible gambling through the South African Responsible Gambling Foundation (SARGF)	✔

**LOOKING AHEAD**

- Monitoring any proposed JSE Listings Requirements amendments
- Assessing the proposed changes that may be necessitated with the Companies Amendment Bill, 2021 coming into effect
- Increasing the female board composition from 30% to 50% over the next three years (2022-2024)
- Providing ongoing director training and development
- Integrating the group's enterprise risk framework with the combined assurance framework to further enhance the group's risk management and assurance process
- Developing a responsible gambling policy in the online environment, and following best practice guidance from the NGB and SARGF

**Progress**

✔ Achieved/Good progress 🔄 In progress ✘ Limited progress

Strategic progress *continued*

**SO4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE continued**

The group's corporate governance and sustainability approach embrace ethical practices that are responsive to stakeholders and the operating environment. Good corporate governance and sustainability are important enablers in managing the group's reputation, making strategic progress, creating and preserving stakeholder value. It also ensures that we achieve our corporate governance outcomes (see below).

As our sustainability journey matures, we continue to monitor developments in the sustainability field and engage with our stakeholders on their needs and concerns. Investors need to assess the socio-environmental risk profile of the group and how this may affect long-term decisions. To address this, we have aligned with the ESG approach and will be adapting our sustainability strategy from 2022 onwards. The focus on ESG elements and issues material to the business also ensures a more integrated sustainable business strategy for sustaining Sun International.

We envisage enacting meaningful change within the organisation by critically assessing the rising importance of ESG criteria and metrics to develop a clearly defined ESG strategy. This strategy will outline the measurable, time-bound metrics along with the relevant mechanisms and tools for Sun International to deliver to investors and shareholders and demonstrate accountability.



**The value to be gained by Sun International on this transition from sustainability to ESG is discussed below.**

**MANAGE RISK**

Involving all key stakeholders in the process will ensure all risks and opportunities are identified early and addressed proactively

**ENHANCE OUR BRAND**

A well-defined strategy demonstrates our commitment to ESG, improving our overall brand and reputation

**INCREASE REVENUE**

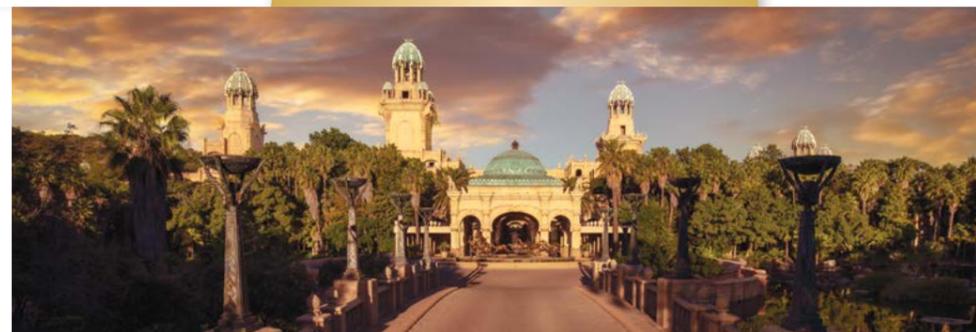
We will identify opportunities for market differentiation, product innovation and the development of new, sustainable business models

**LOWER COSTS**

We can reduce long-term costs and discover new saving opportunities from holistic, system-based, strategic thinking

**ATTRACT INVESTMENT**

We can avoid poor lending conditions and exclusion from capital markets by showing evidence of having developed a robust ESG strategy



Strategic progress *continued*

**SO5**  
**MAXIMISE SHAREHOLDER VALUE**

- ▶ Disciplined capital allocation to ensure optimal return on investment
- ▶ Leverage value of our non-core assets



**SunBet**

The online sports betting market is extremely competitive locally and internationally, and continues to gain traction due to the convenience offered by digital devices. In South Africa, our SunBet sports betting platform continued to show excellent growth and we continue to look for new products to meet growing demand. We have also increased our marketing focus to improve our market share in this rapidly growing market. We are still exploring opportunities to optimise all Sun Slots locations by site owners, encouraging licence holders to become acquisition partners that market our SunBet online platform.



**Sun Slots**

Sun Slots growth remains strong in this maturing market and a key part of the group's alternate gaming strategy. Sun Slots holds six route operator licences (type A and type B) in four provinces: and has 4 652 LPMs across 933 sites. Further growth opportunities are being explored through the Africa expansion project by means of machine trials being conducted in East Africa, with others due to commence in Zimbabwe in the first quarter of 2022.

**Acquisition/disposal of interest in subsidiaries**

**Swaziland: eSwatini**

Swazisa Holdings Limited was placed in liquidation in June 2021 and is no longer operational. The liquidation process is underway to sell off the company's movable assets.

**Nigeria: The Tourist Company of Nigeria (TCN)**

The Federal Palace in Nigeria went into lockdown in April 2020 as a result of the Covid-19 pandemic. Although it has resumed trading, occupancy remains muted due to the ongoing nature of the pandemic. Despite the muted demand in the hospitality space, the casino is trading ahead of expectations. We continue to assess unsolicited expressions of interest to dispose of our interests in this business.

**Developments**

**Vacant land**

The group has vast tracts of vacant land located at The Carousel, Carnival City, Sibaya, Time Square and GrandWest. Management is considering various proposals either to dispose of unused land or to participate in real estate development with property developers.

**GrandWest**

The feasibility of an extension to the GrandWest Hotel is currently being explored, which will increase our hotel room capacity by 64 rooms. This development will also focus on gaming, exhibitions and conferencing facilities to further grow our market share.

**Vacation Club**

The Sun City Sun Vacation Club continued to enjoy high average occupancy percentages of 73% during 2021, compared to the 2019 occupancy of 70%. The Sun Vacation Club is earmarked as an opportunity to expand our timeshare offering. The first phase of this expansion strategy was approved by the board in 2021 and includes an additional 258 timeshare units at Sun City. This project will commence in a phased approach during 2022 and be completed in 2025.



**KEY FOCUS AREAS IN 2021**

- Focusing on business recovery, margin optimisation and growth in our Sun Slots and SunBet offerings ✔
- Pursuing growth opportunities in Sun Slots in South Africa and exploring opportunities in the rest of Africa 🔄
- Launching new products within our SunBet offering ✔
- Pursuing growth and development opportunities within our Sun Vacation business model 🔄
- Engaging with provincial regulators for new opportunities for site owners and Sun Slots 🔄
- Engaging with suppliers on our Sun Slots machine replacement strategy ✔

**Progress**

- ✔ Achieved/Good progress
- 🔄 In progress
- ✘ Limited progress

**LOOKING AHEAD**

- ▶ Continuing to improve operating efficiencies to drive an improved adjusted EBITDA margin
- ▶ Focusing on the SunBet marketing and growth strategy
- ▶ Launching phase three of the Sun Vacation Club development at Sun City Resort
- ▶ Completing the Palace Hotel refurbishment with the addition of The Palace Spa
- ▶ Investigating the feasibility of the extension of the Grand Hotel at GrandWest
- ▶ Pursuing development opportunities on vacant land at our casino properties
- ▶ Rolling out additional Sun Slots sites and launching Sun Slots into the African market

# CHIEF FINANCIAL OFFICER'S REVIEW



**NORMAN BASTHDAW**  
Chief financial officer

## KEY HIGHLIGHTS

### GROUP INCOME

↑ **29%**  
up to R7.8 billion

### GROUP BASIC EARNINGS

↑ **>100%**  
up to 105 cents earnings

### GROUP HEADLINE EARNINGS

↑ **>100%**  
up to 106 cents earnings

### GROUP ADJUSTED HEADLINE EARNINGS

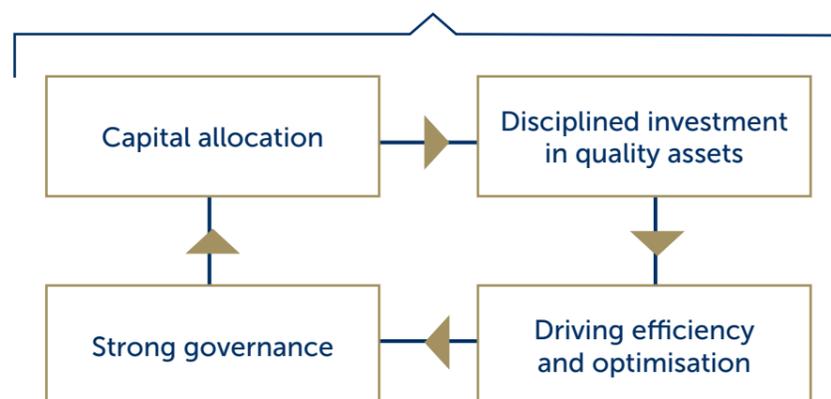
↑ **>100%**  
up to 44 cents earnings

## INTRODUCTION

Sun International achieved exceptional results for the year, showing strong growth in revenue and adjusted EBITDA and a significant reduction in group debt, despite the substantial impact of Covid-19 related restrictions on operations. Group income in 2021 increased by 29% from R6,1 billion to R7.8 billion. The R650 million in recurring cost savings embedded during 2020 resulted in margin resilience, even at reduced levels of operation. During 2021, casino operations delivered an adjusted EBITDA margin of over 30% despite the restricted trading conditions. Operational restructuring at the group's hospitality properties resulted in R180 million in annualised cost savings at Sun City alone. The various cost optimisation initiatives identified and implemented over the last two years imply an adjusted EBITDA margin improvement on the 2019 South African results from 28% to 34%.

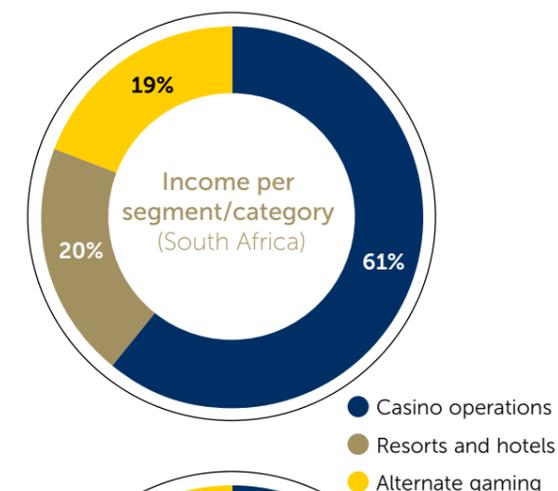
## VALUE CREATION FOCUS AREAS

Prudent financial management achieves = wealth creation

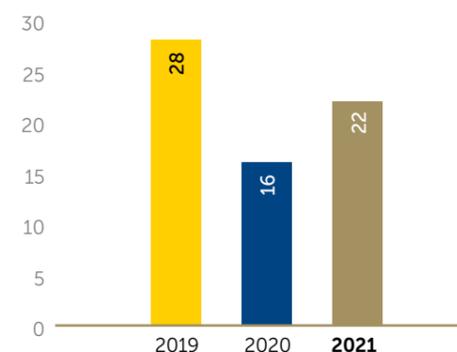


## SEGMENTAL CONTRIBUTION

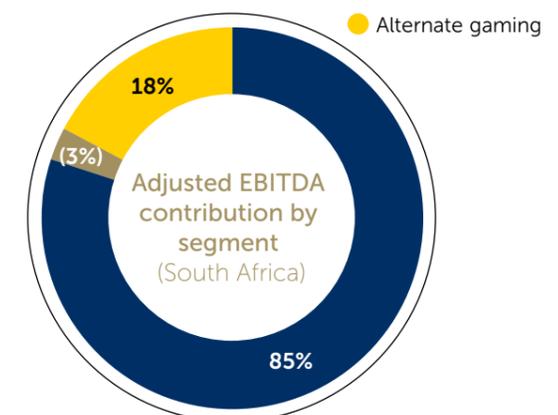
The group's casino operations contributed the majority of group income (61%) and adjusted EBITDA (85%) in 2021 respectively. Following the group's cost optimisation initiatives identified and implemented over the past two years (2020 and 2021), our adjusted EBITDA margins have shown a marked improvement. Our alternate gaming operations (SunBet and Sun Slots) continued its strong growth trajectory and remains an exciting prospect for the group.



### Adjusted EBITDA margin (%)\*



\* Casino operations comprise of GrandWest, Sibaya, Sun Time Square, Carnival City, Boardwalk, Meropa, Windmill, Flamingo, Golden Valley and management companies.



## FINANCIAL PERFORMANCE OVERVIEW

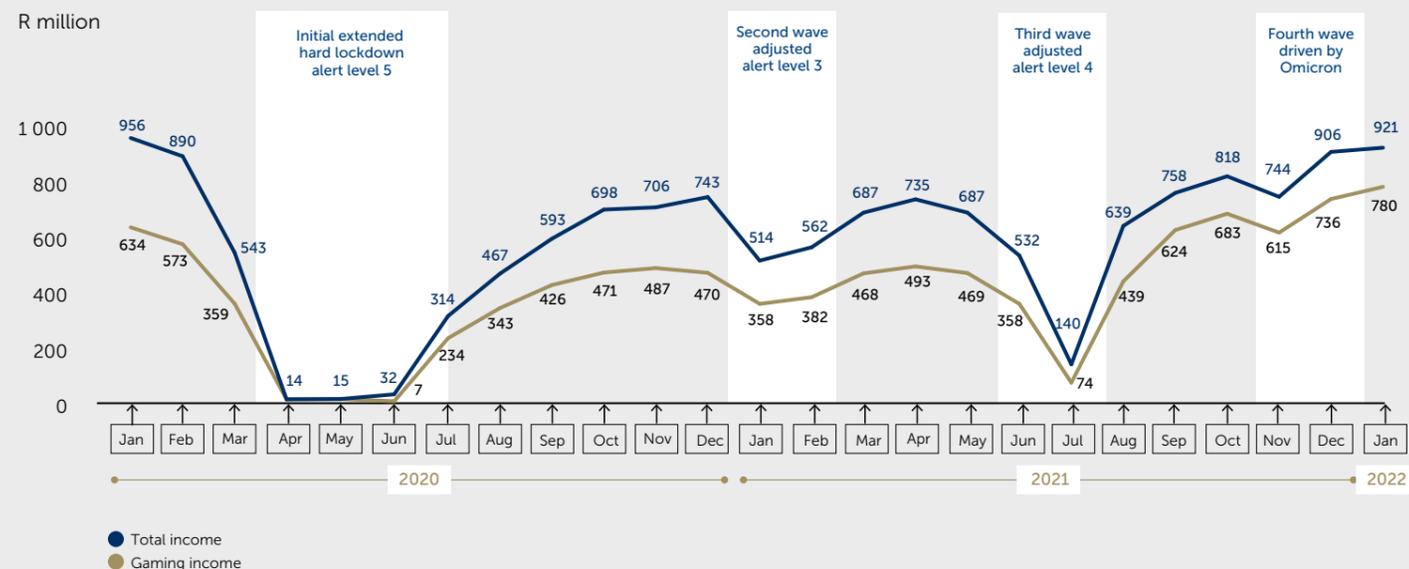
for the year ended 31 December 2021

R million	South Africa			Total group*		
	2021	%	2020	2021	%	2020
Income	7 702	28	6 003	7 812	29	6 054
Adjusted EBITDA	1 688	72	984	1 685	80	936
Depreciation and amortisation	(846)	6	(902)	(863)	6	(921)
Adjusted operating profit	842	>100	82	822	>100	15
Foreign exchange loss	3	(73)	11	(2)	97	(58)
Net interest	(564)	38	(908)	(564)	40	(939)
Adjusted profit/(loss) before tax	281	>100	(815)	256	>100	(982)
Tax	(50)	<(100)	33	(66)	<(100)	(7)
Adjusted profit/(loss) after tax	231	>100	(782)	190	>100	(989)
Minorities	(93)	<(100)	57	(73)	<(100)	170
Attributable profit/(loss)	138	>100	(725)	117	>100	(819)
Share of associates	-	(100)	2	-	(100)	2
Continuing group adjusted headline earnings/(loss)	138	>100	(723)	117	>100	(817)
Discontinued headline loss	-	-	-	(7)	98	(289)
Group headline earnings/(loss)	-	-	-	110	>100	(1 106)

\* Group comprises South Africa, Nigeria and Sun Chile.

Chief financial officer's review/financial performance *continued*

**INCOME TREND**



The graph above shows how our income was impacted by the various Covid-19 waves/variants over the past two years and the related lockdown adjusted alert levels. Income levels were materially impacted when operations were in hard lockdown from April to June 2020. While the second wave impacted income, it was not as severe as the third wave (Delta variant) over June and July 2021, when curfew hours were changed, thereby limiting our key trading hours. On 28 June 2021, South Africa was moved to lockdown level 4 and all our casino operations were closed, which severely impacted our income levels. With the move back to level 1 in September 2021 and the easing of the curfew, trading improved significantly, even with the fourth wave (Omicron variant). Indications in early 2022 reveal that we are entering a more normalised trading environment.

**EARNINGS**

Our total group headline earnings improved from a loss of R409 million to earnings of R265 million, equivalent to headline earnings of 106 cents per share from a loss of 234 cents per share, in the prior year.

R million	Total group*		
	2021	%	2020
Group headline earnings/(loss)	110	>100	(1 106)
Group adjusted headline earnings/(loss)	265	>100	(409)
Group basic earnings/(loss)	263	>100	(1 829)
Basic earnings/(loss) cents per share	105	>100	(1 045)
Headline earnings/(loss) cents per share	106	>100	(234)
Adjusted headline earnings/(loss) cents per share	44	>100	(633)
Dividends	-	-	-

\* Group comprises South Africa, Nigeria and Sun Chile.

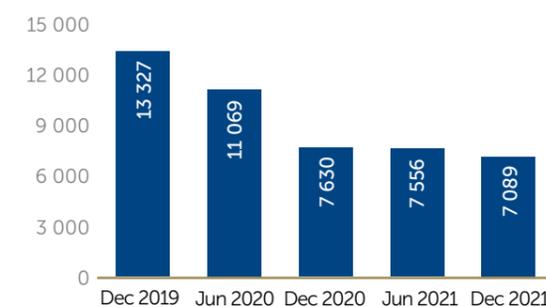
**BALANCE SHEET AND LIQUIDITY**

**BORROWINGS**

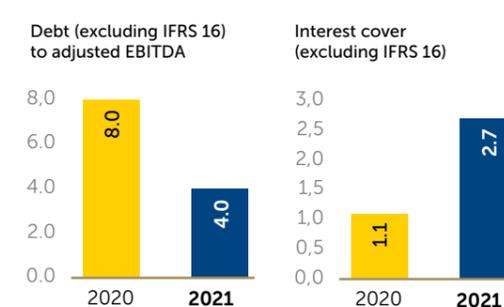
R million	Debt	IFRS 16 lease liability	Total debt
<b>South Africa</b>	6 389	869	<b>7 258</b>
<b>Nigeria</b>	700	-	<b>700</b>
Shareholder loans	1 078	-	<b>1 078</b>
Sun International's portion of shareholder loans	(378)	-	<b>(378)</b>
<b>TOTAL DEBT AS AT 31 DECEMBER 2021</b>	<b>7 089</b>	<b>869</b>	<b>7 958</b>
<b>TOTAL DEBT AS AT 31 DECEMBER 2020</b>	<b>7 630</b>	<b>751</b>	<b>8 381</b>

Overall group debt (excluding IFRS 16 lease liabilities) reduced from R7 630 million to R7 089 million. The South African debt to adjusted EBITDA and interest cover of 4.03 times and 2.67 times was well within the lenders covenant of 6.0 times and 1.75 times respectively. We expect to accelerate further de-gearing of the balance sheet to create capacity for disciplined capital allocation towards high-return opportunities while targeting the re-instatement of dividends over the short to medium term, with a focus on maximising total shareholder return.

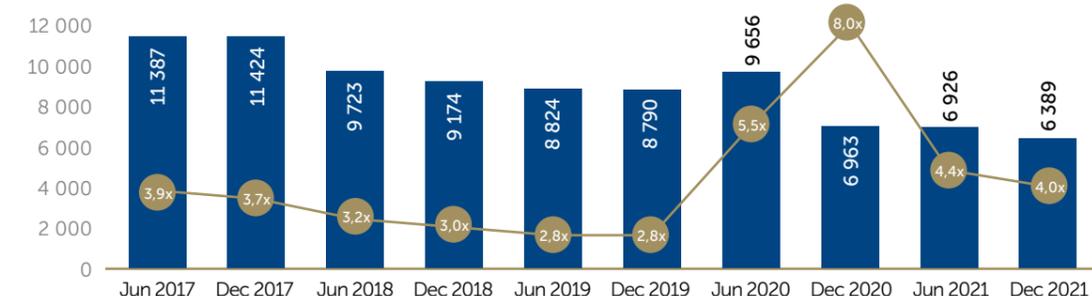
**Group debt (Rand)**



**Key ratios South Africa (%)**



**South African debt and debt: adjusted EBITDA ratio**



**INSURANCE CLAIM RELATING TO COVID-19**

Sun International has for many years had in place an Assets All Risks insurance policy covering its South African operations, which contains an extension providing cover for business interruption (BI) following a contagious and infectious diseases incident. Based on legal advice obtained, a comprehensive claim for all properties was prepared and submitted during July 2020. In 2021 we received R517 million in Covid-19 business interruption insurance receipts.

**OUTLOOK**

While the operating environment remains challenging and economic growth is muted, we remain committed to being financially disciplined through further reducing debt levels, prioritising capital allocation and focusing on sustainable cost optimisation to improve margins. We remain optimistic about our sustainable cash flow generation and available liquidity for growth opportunities and our balance sheet remains strong.

**NORMAN BASTHDAW**

Chief financial officer

31 March 2022

## SEGMENTAL REVIEW

Our diverse portfolio of assets includes world-class hotels, modern and well-located casinos, online gaming platforms and premier resorts with conference and sports facilities. While the Covid-19 lockdown restrictions impacted our asset portfolio we continued to provide memorable experiences.

R million	Income*			Adjusted EBITDA			Depreciation and amortisation			Adjusted operating profit/(loss)		
	2021	%	2020	2021	%	2020	2021	%	2020	2021	%	2020
<b>Casino operations</b>	<b>4 720</b>	22	3 857	<b>1 433</b>	60	894	<b>(550)</b>	6	(585)	<b>883</b>	>100	309
GrandWest	<b>1 281</b>	25	1 024	<b>399</b>	45	275	<b>(116)</b>	1	(117)	<b>283</b>	79	158
Time Square	<b>977</b>	21	808	<b>274</b>	27	215	<b>(189)</b>	10	(210)	<b>85</b>	>100	5
Sibaya	<b>904</b>	22	743	<b>302</b>	35	224	<b>(49)</b>	6	(52)	<b>253</b>	47	172
Carnival City	<b>642</b>	21	532	<b>138</b>	59	87	<b>(59)</b>	–	(59)	<b>79</b>	>100	28
Boardwalk	<b>349</b>	37	254	<b>50</b>	>100	(1)	<b>(45)</b>	10	(50)	<b>5</b>	>100	(51)
Meropa	<b>188</b>	20	157	<b>49</b>	44	34	<b>(17)</b>	11	(19)	<b>32</b>	>100	15
Flamingo	<b>99</b>	22	81	<b>18</b>	50	12	<b>(14)</b>	(17)	(12)	<b>4</b>	100	–
Golden Valley	<b>114</b>	19	96	<b>15</b>	67	9	<b>(13)</b>	–	(13)	<b>2</b>	>100	(4)
Windmill	<b>155</b>	21	128	<b>47</b>	57	30	<b>(18)</b>	(6)	(17)	<b>29</b>	>100	13
Carousel	<b>6</b>	(79)	28	<b>2</b>	>100	(16)	<b>–</b>	100	(6)	<b>2</b>	>100	(22)
Naledi Sun	<b>3</b>	(25)	4	<b>–</b>	100	(2)	<b>–</b>	–	–	<b>–</b>	100	(2)
Management companies	<b>298</b>	30	229	<b>139</b>	>100	27	<b>(30)</b>	–	(30)	<b>109</b>	>100	(3)
Inter-company management fees	<b>(296)</b>	(30)	(227)	<b>–</b>	–	–	<b>–</b>	–	–	<b>–</b>	–	–
<b>Alternate gaming</b>	<b>1 424</b>	39	1 023	<b>311</b>	25	248	<b>(91)</b>	(2)	(89)	<b>220</b>	38	159
Sun Slots	<b>1 242</b>	40	886	<b>313</b>	55	202	<b>(87)</b>	(1)	(86)	<b>226</b>	95	116
SunBet	<b>182</b>	33	137	<b>(2)</b>	<(100)	46	<b>(4)</b>	(33)	(3)	<b>(6)</b>	<(100)	43
<b>Resorts and hotels</b>	<b>1 558</b>	39	1 123	<b>(56)</b>	65	(158)	<b>(205)</b>	10	(228)	<b>(261)</b>	32	(386)
Sun City	<b>1 024</b>	46	699	<b>(52)</b>	63	(142)	<b>(144)</b>	13	(166)	<b>(196)</b>	36	(308)
Wild Coast Sun	<b>380</b>	40	271	<b>49</b>	>100	17	<b>(38)</b>	14	(44)	<b>11</b>	>100	(27)
The Table Bay Hotel	<b>105</b>	(6)	112	<b>(21)</b>	<(100)	(4)	<b>(23)</b>	(64)	(14)	<b>(44)</b>	<(100)	(18)
The Maslow Sandton	<b>49</b>	20	41	<b>(32)</b>	(10)	(29)	<b>–</b>	100	(4)	<b>(32)</b>	3	(33)
<b>Total South African operations</b>	<b>7 702</b>	28	6 003	<b>1 688</b>	72	984	<b>(846)</b>	6	(902)	<b>842</b>	>100	82

\* Income excludes insurance receipts comprising of R517 million Covid-19 and R5 million other business interruption claims received.

**Boardwalk's** income increased by 37% (2020: (52%)) with adjusted EBITDA up >100% (2020: (99%)). The appointment of a new general manager during the last quarter of 2020 has resulted in renewed energy and excitement at the property among staff and customers. Innovative thinking, revitalised promotions and marketing efforts resulted in positive impacts on casino revenues and market share. The VIP gaming strategy yielded positive results with the hotel being used to fully support the gaming strategy. The casino floor layouts were changed to enhance the customer offerings while ensuring management maximise gaming revenues in certain areas. The LA 10 headcount reduction application was finalised and management is awaiting final approval from the Eastern Cape Gambling and Betting Board. The Boardwalk Mall construction commenced in May 2021 with the first phase of the mall due to open in March 2022.

The second and final phase will be completed in September 2022. Boardwalk's Privé will undergo a soft refurbishment to attract and retain our top-end gaming customers. Plans are also underway to harvest the groundwater in the property's basement for use in irrigation and in the cooling towers.

**Carnival City's** income was R642 million, up 21% on 2020. The hotel room refurbishments were completed in 2021 and we continue to receive positive feedback from our guests. The hotel's public area refurbishment and the replacement of casino carpets, including the resizing of the gaming positions, are planned for 2022. Management is also restructuring the operation to improve operating margins.

At **The Carousel**, the North West Gambling Board has approved the transfer of a casino licence to Lakama, subject to consultation with the MEC. The Carousel property is currently leased to Lakama.

**GrandWest's** income increased by 25% in comparison to 2020 but was still 40% lower than 2019. Adjusted EBITDA increased by 45% in comparison to 2020, but was still down 52% in comparison to 2019. Slots Handle increased by 32% against 2020 but still 27% lower than 2019, while slots gross revenues increased by 27%, still 33% lower than 2019. Tables' performance was particularly impacted by the lockdown. GrandWest's exclusivity remains under threat following the publication of two new Bills in May 2020. These Bills provide for the relocation of an outlying casino licence to the new Helderberg zone. If enacted, GrandWest's exclusivity zone will be reduced from 75km to 25km. These Bills will also introduce a new exclusivity fee and casino operator fees. The feasibility of an extension to GrandWest is currently being explored.

**Sibaya's** income increased by 22% from 2020 but is still 33% lower than 2019, with adjusted EBITDA up 35% from 2020 but 39% lower than 2019 due to Covid-19's impact on trading. A continued focus on the guest experience as well as tactical gaming marketing interventions have ensured that Sibaya has maintained its market share, even with competition from the EBTs and Suncoast Casino. Other opportunities to attract customers included establishing a retail sports betting facility as the online sports betting market continues to grow, as well as opening new outlets and entertainment offerings for children. The Royal Sibaya Hotel and the Privé will be refurbished in 2022.

**Sun City's** income increased by 46% in comparison to 2020. Adjusted EBITDA losses reduced by 63%. Sun City's full operational turnaround plan resumed in 2021 and apart from two areas that will be concluded in the first quarter of 2022, was successfully concluded. Trading continued to be impacted during the year with the third liquor ban being lifted in February 2021 and the fourth ban introduced at the end of June 2021, which forced the resort to shut down for most of July 2021. The remainder of the year was impacted by restricted trading hours, capacity limitations and almost zero international travellers. Resort occupancy closed the year at 42% with an average room rate of R1 684.

With the Cascades refurbishment completed in 2020, the Palace refurbishment started towards the latter part of 2021, with 86 rooms completed as scheduled by year end. The balance of the room refurbishment is on track to be concluded in time for the 40th Nedbank Golf Challenge edition and the Palace's 30th birthday celebrations. In addition, a Palace Spa and gym will be added to the Palace Hotel facilities. Ageing infrastructure at the resort, including the Valley of the Waves, was a continued focus during the year. The outsourcing of the maintenance function has begun to show results. With the environmental authorisation now received from the departments of Economic Development, Environment, Conservation and Tourism, planning for the Vacation Club's third phase has begun. Going forward, we will relaunch the convention centre and focus on Meetings, Incentives, Conferences and Exhibitions (MICE). We also aim to develop multi-purpose sporting facilities (rugby, soccer and basketball); all to enhance our guest experience. An Asia leisure plan is being explored to stimulate additional visits from Chinese and Indian source markets.

Segmental review *continued*

Historically, **The Table Bay Hotel** has attracted primarily international tourists. However, due to the continuation of stringent international lockdown travel restrictions, the revenue mix during 2021 was 61% local and 39% international, with income down 6% from 2020 and adjusted EBITDA down >100% comparatively. To protect margins and remain relevant, all variable costs were reviewed for efficiencies. The group negotiated a short-term lease until 2025 with the intent to extend pending discussions with the V&A Waterfront. In addition, we commissioned and installed heat pumps as part of our energy saving initiatives. We partnered with South African celebrity chef Siba Mtongana in a pop-up restaurant during 2020. In 2021, Siba The Restaurant signed a three-year lease at The Table Bay and this restaurant will be expanded from a 40-seater to a 90-seater in 2022. The online booking engine rollout during July 2021 facilitated more direct bookings through our website, starting at 3% of commissionable revenues and ending the year on 29%. With Sun International becoming the first African hotel group to join Global Hotel Alliance in December 2021, The Table Bay is well positioned to target individual travellers as the tourism industry begins to recover.

**Sun Time Square** had a slow start to 2021 with the Covid-19 lockdown restrictions imposed in January 2021. However, the business started gaining momentum as restrictions eased. Even with the four-week shutdown in July 2021, continued curfews, and the arena not being operational, the business generated income of R977 million for the year. This was 32% lower than 2019 (R1.48 billion) and 21% up on 2020 (R808 million). Despite the significantly lower hold percentage in tables, gaming revenues at R896 million finished 28% lower than 2019 (R1.2 billion) and 20.4% up on 2020 (R744.3 million). Adjusted EBITDA at R274 million was 38% lower than 2019 (R446 million) however 27% up on 2020 (R215 million). The casino market share was at 16.2% (2020: 16.5% and 2019: 15.7%) at the end of November 2021 from target marketing to its MVG customers. We will be relooking at our food and beverage offering with the possibility of opening additional food outlets.

**Wild Coast Sun** celebrated its 40th birthday and income increased by 40% (2020: 43%) to R380 million (2020: R271 million), with adjusted EBITDA up from R17 million (2020) to R49 million. Key developments during the year include being awarded a 20-year casino

licence, the resort being successfully rebranded as a beach, hospitality and gaming resort and maintaining its zero-waste-to-landfill status. In addition, to improve community relations and SED and CSI implementation, an SED manager was appointed. Encouragingly, community and shareholder relations have improved and remains an ongoing focus. The resort retained its four-star grading of the hotel and conference centre and we introduced the group's SunStar rewards programme to incentivise staff. Going forward, we will continue focusing on excellent customer service and compliance with our gaming licence requirements, in particular local procurement and employment.

#### Small urban casinos

These casinos include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape). All showed an increase in income of 20% (2020: 48%) and adjusted EBITDA of 52% (2020: 66%). We are continuing to review the operating model with the correct structures to manage these businesses as effectively and efficiently as possible, which will result in margin improvement in the long term.

#### Sun Slots

Despite the numerous interruptions experienced by the business due to Covid-19 lockdowns, curfews and liquor sales restrictions, Sun Slots performed better than anticipated, exceeding prior year actuals by 40% at R1.24 billion (2020: R886 million). The business achieved profitable results, recording R313 million in adjusted EBITDA. Key to this exceptional performance was the business's ability to reactivate 99% of its machines post various lockdown levels. Both the site owners and assistance from regulatory bodies ensured that trading resumed as speedily and as safely as possible after the relaxation of lockdown regulations. Our market share grew by 0.13% in comparison to 2020, while LPM market share increased by 3.31%, owing to the licensing of additional machines. The growth in market share was realised despite site closures due to Covid-19 and widespread looting, which severely affected KwaZulu-Natal and Gauteng. With a sizeable pipeline of licence applications awaiting regulatory approvals, Sun Slots is expected to make further market inroads in 2022 and gain further LPM and revenue market share.

#### SunBet

SunBet, our South African online sports betting business, continues to grow, with income increasing from R137 million in 2020 to R182 million in 2021. However, adjusted EBITDA was down from R46 million to a R2 million loss due to further investment in growing the brand and player base.



## CORPORATE DATA AND ADMINISTRATION

### COMPANY SECRETARY AND REGISTERED OFFICE

#### Company secretary:

AG Johnston  
6 Sandown Valley Crescent  
Sandton  
2196  
(PO Box 784487, Sandton 2146)

### SUN INTERNATIONAL LIMITED

Incorporated in the Republic of South Africa

Registration number: 1967/007528/06

JSE share code: SUI

ISIN: ZAE000097580

LEI: 378900835F180983C60

### SPONSOR

#### Investec Bank Limited

(Registration number 1969/004763/06)

2nd Floor  
100 Grayston Drive  
Sandton  
2196  
(PO Box 785700, Sandton, 2146)

### AUDITORS

#### PricewaterhouseCoopers Inc.

4 Lisbon Lane  
Waterfall City  
Jukskei View  
2090  
South Africa  
Telephone: +27 (0)11 797 4000  
Telefax: +27 (0)11 797 5800

### CAPITAL LENDERS

#### Banks

- ABSA Bank Limited
- Investec Bank Limited
- Nedbank Limited
- Rand Merchant Bank (a division of FirstRand Bank Limited)
- Standard Bank of South Africa Limited

#### Institutions

- Sanlam

#### Transactional bankers

- Nedbank
- Standard Bank
- ABSA

### CORPORATE LAW ADVISOR

#### Cliffe Dekker Hofmeyr Inc.

(Registration number: 2008/018923/21)

1 Protea Place  
Sandton  
2196  
(Private Bag X40, Benmore 2010) Telephone:  
+27 (0)11 562 1000  
Telefax: +27 (0)11 562 1111

### REGISTERED OFFICE

6 Sandown Valley Crescent  
Sandton  
2196  
(PO Box 782121, Sandton, 2146)  
Telephone: +27 (0)11 780 7000  
Telefax: +27 (0)11 780 7716

### TRANSFER SECRETARIES

#### JSE Investor Services (Pty) Limited

13th Floor  
19 Ameshoff Street  
Braamfontein  
2001  
(PO Box 4844, Johannesburg, 2000)  
Telephone: +27 (0)11 713 0800  
Telefax: 086 674 4381 or 086 674 1990

### RESERVATIONS AND NATIONAL SALES

Telephone: +27 (0)11 780 7810

### INVESTOR RELATIONS

Telephone: +27 (0)11 780 7762

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("Sun International" or "the company")  
[www.suninternational.com](http://www.suninternational.com)

*Sun* International

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