

The image features a large, stylized 'Sun' logo in a light blue color, partially obscured by a large, dark blue, wavy graphic element that spans the top and middle of the page. The background is a photograph of a modern building at dusk, with its interior lights glowing and the sky transitioning from blue to orange. The building has a distinctive geometric facade with blue lighting accents. The text 'Sun International' is centered in the upper half, with 'Sun' in a script font and 'International' in a sans-serif font.

Sun International

INTEGRATED
ANNUAL REPORT

'18

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ABOUT THIS REPORT

We are pleased to present Sun International Limited's (Sun International) 2018 online integrated annual report (report) to our stakeholders.

Sun International reports in a holistic, transparent and integrated manner to help our stakeholders make informed decisions about our business. We aim to provide our stakeholders with a focused and concise report that covers our financial and non-financial performance for the year under review.

This is our primary report to stakeholders and covers the financial period 1 January 2018 to 31 December 2018. The online report includes all Sun International's subsidiaries and operating units, locally and internationally. Our report is structured around our leadership reviews (*front of house*), business overview (*our deck of cards*), our strategic performance and outlook (*our game plan*), our financial performance (*our payouts*) and our governance transparency and accountability (*rules of the game*).

The content covers the reporting period's most material matters. In some cases, content includes the period up to the report's finalisation on 29 March 2019. *Material matters* are issues that could substantively influence the assessment of providers of capital and other stakeholders, regarding the group's ability to create value over the short, medium and long term. To achieve our strategic objectives and manage our risks, these material matters are continuously monitored by Sun International and its board.

South Africa continues to contribute the majority of group revenue at 69% (2017: 70%), with Latam contributing 30% (2017: 29%), Nigeria 1% (2017: 1%) and Swaziland 0% (2017: 0%). Gaming is the primary contributor to group revenue at 73% (2017: 73%), alternate gaming contributes 8% (2017: 7%), food and beverage 8% (2017: 9%), rooms 8% (2017: 8%) and other revenue streams 3% (2017: 3%).

REPORTING FRAMEWORKS AND ASSURANCE

The group's 2018 online report is guided by various frameworks. Our integrated reporting is primarily guided by the International Integrated Reporting Council's (IIRC) recommendations for integrated reporting (the <IR> framework). Our sustainability information is guided by the GRI Sustainability Reporting Guidelines. 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. This report is also prepared in accordance with the JSE Limited Listings Requirements and the South African Companies Act, 71 of 2008, as amended (Companies Act). A register of our application of the King Code on Corporate Governance™ for South Africa 2016 (*King IV™*) governance principles is available online. Our *annual financial statements* (AFS) follow the IFRS.

Sun International's combined assurance model enables an effective internal control environment and supports the integrity of information that management and the board use in decision-making. The information tabled below was assured, either externally or internally, during the year under review.

	Standard / Code	Assurance provider
The financial information extracted from the group's audited AFS	IFRS	PricewaterhouseCoopers Inc.
Sustainability information	AA1000AS IIRC <IR> framework GRI Standard King IV™ CDP	IBIS ESG Assurance
B-BBEE information	Tourism Code	Empowerdex
Property risk audits	Internationally Recognised Code of Practice: NFPA and SANS Codes	Marsh Risk Consulting
Internal control functions		Group internal audit

REPORTING FOOTPRINT

In keeping with Sun International's commitment to reduce its environmental footprint. As indicated in our 2017 integrated annual report, we have only produced an interactive online report with no hard copies. Stakeholders still have the option to print the full report or sections through the [reporting basket option](#).

DIRECTORS' APPROVAL

The board acknowledges its responsibility to ensure the integrity of information contained in this online integrated annual report and has applied its collective mind in the preparation of this report. The group audit committee was instrumental in providing guidance on this process and keeping the board abreast of the reporting progress.

The board is of the opinion that this online report is presented in compliance with the <IR> framework and the information is correct and relevant. The report was approved by the board on 29 March 2019.



Valli Moosa
Chairman
29 March 2019



Anthony Leeming
Chief executive
29 March 2019

REPORT NAVIGATION

The report's design is interactive so that users can easily navigate their way across the report by following the relevant content headings, sub-headings, as well as interactive icons, footnotes and links. This being our inaugural report online report, we welcome feedback from stakeholders regarding the accessibility and ease of navigation.

STAKEHOLDER FEEDBACK

We welcome stakeholders' feedback on our reporting, which can be sent to investor.relations@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 integrated annual 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.

ADMINISTRATION

SUN INTERNATIONAL LIMITED

Incorporated in the Republic of South Africa
Registration number: 1967/007528/06
JSE share code: SUI
ISIN: ZAE000097580

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Nedbank Limited
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CHAIRMAN'S MESSAGE



Although the local operating environment remains challenging, we share the improvement in investor confidence due to several positive factors in South Africa, including the change in the political climate and the tough stance taken by President Cyril Ramaphosa on fraud and corruption. Consumers remain under severe financial pressure, which continues to impact the group's revenues, in an industry reliant on consumer discretionary spend.

Collectively, the board continues to drive ethics from the top and maintains its zero-tolerance approach towards unethical conduct. An ethics survey was conducted across all South African units early in 2018 to determine Sun International's ethical climate and to create an inclusive culture. Sun International's code of ethics was relaunched to reinforce the ethical culture across the business. Employees signed an ethics declaration, based on the new SunWay culture, in support of the group's [vision and values](#). Sun Dreams has its own code of ethics which is broadly aligned with Sun International's.

A key business highlight was the conclusion of an equity capital raise of R1.6 billion through a rights offer finalised in June 2018. The rights offer was significantly oversubscribed, which indicates shareholder confidence in the company and its strategy. Funds from the rights offer were used against debt settlement. These funds de-risked the group's balance sheet, following material balance sheet leveraging over the past five years for various capital projects, the biggest of which is Maslow Time Square. Debt ratios also improved, and the board remains confident in the group's ability to generate free cash flows, reduce debt and further strengthen the balance sheet.

The board is satisfied with the group's operational and [financial](#) performance in this tough trading environment, and it commends management on a job well done. The board believes that management has a clear and consistent grasp of the group's strategy, which remains unchanged. During 2018, the group made solid progress towards achieving the group's strategic objectives.

The group remains passionate about its sustainability commitments. Sun International adopted a more inclusive approach towards driving sustainability across the business in terms of creating long-term shared value for our business, employees, society and the environment. We made headway in implementing [sustainable solutions](#) to address the water scarcity that impacted our properties in the Western Cape and Eastern Cape early in 2018. We continue to investigate additional sustainable water and energy solutions to provide our guests with memorable experiences at our iconic properties. Our zero-waste-to-landfill initiative is gaining traction, with Wild Coast Sun being the first facility to achieve zero-waste-to-landfill certification by the Green Building Council of South Africa. The group continues to implement various sustainability awareness campaigns.

Transparent and honest stakeholder relations are important for Sun International, as several of our properties are located in poor communities. The main community concern during the year related to securing local procurement spend to provide socio-economic upliftment. To address this, Sun International refined its approach towards local economic development, procurement and enterprise and supplier development, and increased local procurement spend. Local procurement targets were established and we developed a more inclusive community stakeholder approach that involves assessing various community economic and social aspects, as well as the collective needs of these communities to create shared value.

The appointments of four new non-executive directors – [Messrs Sam Sithole](#), [Jabu Mabuza](#) and [Vusi Khanyile](#), and [Ms Zimkhitha Zatu](#) – have significantly strengthen the board and filled two vacant positions. Mr Jabu Mabuza was appointed deputy chairman of the board. The board looks forward to these new directors' contribution to the group. The board also thanks Ms Zarina Bassa and Mr Graham Rosenthal, who resigned from the board, for their valuable contributions as members of the board. Mr Khati Mokhobo stepped down as an executive director, but retains his executive responsibilities.

While the board did not meet its diversity target of 30% female directors (actual 29%), it exceeded the target of 50% black directors with 57% black representation. We made solid progress during the year towards maintaining an appropriate board composition regarding knowledge, skills, experience, diversity and independence.

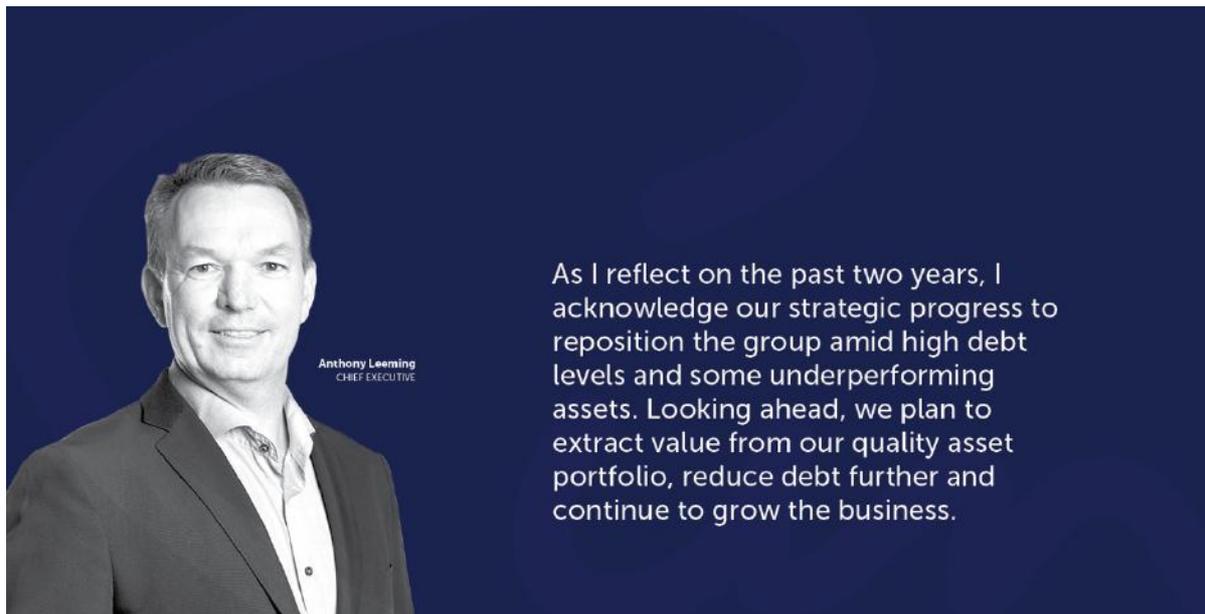
The impact of the subdued local and global economy means trading is expected to remain under pressure. However, we are encouraged by trading at some of our strategic projects in South Africa and in Latam. The group will continue to focus on maximising efficiencies, reducing debt levels and improving our debt covenants.

In closing, and as I retire on 14 May 2019, I would like to thank the board and management for their unwavering support over my 14-year tenure at Sun International. I am and continue to be inspired by management and am confident in their ability to drive the group strategy forward, albeit in tough trading conditions. To my successor, Jabu Mabuza, I wish you the best as you embark on your journey of steering the group into the future. Thank you to all our patrons, without whose support we would not be where we are today.



Valli Moosa
Chairman
29 March 2019

CHIEF EXECUTIVE'S MESSAGE



OVERVIEW

Trading in South Africa remained subdued with continued downward pressure on the consumer due to the economic environment, the 1% VAT increase and a weakening rand. With the shift in strategy to focus on operating as efficiently and optimally as possible and despite the increase in VAT, which cost the group R44 million before tax, comparative adjusted EBITDA was down 1% and revenue up 1% compared to the prior year. In Chile, trading improved in the second half of the year from a disappointing first half to achieve good growth in revenue and adjusted EBITDA.

We addressed the high debt levels in the South African business through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. As a result, our South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion at 31 December 2018 and our debt:adjusted EBITDA ratio reduced from 3.7 to 3.0. We will continue to focus on reducing debt in South Africa with a target debt:adjusted EBITDA ratio of below 2.5 times.

In Latam, we concluded the acquisition of an additional 10% interest in Sun Dreams during May 2018, at a purchase price of R832 million, increasing our interest to approximately 65%. We further concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US\$26 million) in April 2018 and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US\$25 million) in July 2018. Both these acquisitions were concluded at attractive valuations and will contribute positively to the group's performance. Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile. While our bids all met the minimum criteria, we lost out to a competitor whose economic offer (additional tax) was substantially above ours, and at levels which would not generate satisfactory returns.

We continue to deal with loss-making entities and commenced with the restructure of the Boardwalk and Carousel operations. In Latam we closed the 66th and 65th floors of the Ocean Sun Casino and are now only operating the 2nd floor casino at significantly reduced cost. We are actively looking to dispose of the Ocean Sun property but will continue to operate it until it is sold. We will also be selling all our Colombian operations to another operating company in Colombia and will take a minority stake in the combined operations.

Maslow Time Square achieved pleasing growth, with casino income up 19% in the second half of the year. With the opening of the Maslow hotel in April 2018, Maslow Time Square is now fully operational, and we anticipate that it will continue to gain further market share and achieve strong growth in revenue and adjusted EBITDA.

Our back-to-basics strategy made significant progress. We will continue implementing initiatives to build on group-wide efficiency. The benefits of this strategy are demonstrated in the South Africa operations' results. Key priorities going forward include creating further efficiencies; further reducing debt levels; eliminating losses at certain properties such as The Maslow in Sandton and the Carousel; and safeguarding The Table Bay's lease renewal, which expires in May 2022. The group's strategy remains unchanged, and we made good progress towards achieving the strategic objectives.

Further information is discussed in this review, the [chairman's message](#), the [chief financial officer's message](#) and the group's strategic objectives reviews:

- [improve our existing operations and guest experience](#);
- [protect and leverage our existing asset portfolio](#);
- [grow our business into new areas and products](#);
- [our people](#);
- [governance and sustainability](#).

OPERATIONAL SYNOPSIS

Driving efficiencies

Our vision is to better serve our customers by creating memorable experiences. This will lead to cost savings and preserving our vision of being an internationally recognised and respected gaming and hospitality group. Driving efficiencies and adopting new technologies in a considered framework, while consolidating enhanced productivity and effort, is Sun International's business as usual. Our newly established efficiency initiative team highlighted positives and negatives in the business. We identified improving staff service levels as an important initiative to enhance customer satisfaction levels. In addition to ongoing customer service training, we updated several standard operating procedures; developed online staff training; and will reintroduce our CLEAR^[1] principles for customer service.

¹ CLEAR principles: Choices, listening, expression, accountability and relationships.

We commenced several projects across the group to improve service levels and maintain our position as a choice destination. Service is a key differentiator in an increasingly competitive environment. The shared service rollout continues to improve back-office efficiencies, allowing the units' operational management to focus on delivering excellent customer service. We insourced our creative function, which improved the quality of our marketing content and direct marketing campaigns. Essential accounting system standardisation was achieved during 2018. This improved reporting across our South African operations, enhanced benchmarking against peers, and improved margins. Our workforce management system, Kronos, improved staff scheduling according to business demands and enabled more accurate labour cost measurement. The integration of our micros point-of-sale system with the integrated financial system (IFS) enhanced control and stock management, and the integration of our operational and gaming systems is ongoing. We drive these efficiencies and standardised systems across the business and noted potential cost savings in several areas, however there is still room for improvement.

South Africa

Maslow Time Square

The opening of Maslow Time Square's Hotel was met with excitement and anticipation and was well received by our customers. This marks the end of the R4.4 billion development project that began in 2016 and included the opening of the Maslow Time Square casino in April 2017, followed by the state-of-the-art Sun Arena opening in November 2017. Maslow Time Square has been trading for more than a full year and, although revenue growth is below expectations, it is on a steady growth trajectory. We are confident in Maslow Time Square casino's ability to gain market share (currently 14%) and grow income and EBITDA. We reduced the number of slots from 2 000 to 1 750 and we secured an extension to alcohol trading hours that encouraged footfall. We replaced some of our non-performing food and beverage outlets, which positively impacted profits and margins.

Sun City

Sun City experienced a tough trading year, with income down by 3%. The tables were impacted by a low hold percentage, and slots came under pressure in the local market following the opening of a third EBT outlet in 2017 and a weak local economy. We will review Sun City's operating model, improve margins and explore opportunities to attract new revenue in gaming and hospitality. Opportunities include developing an app to improve direct marketing and promote sales, and focusing on increasing foreign visits and foreign gaming revenue from China and India when government makes the announced changes to visa legislation. Upgrades to the Palace and Cascades rooms are underway and phase two of the Vacation Club refurbishments commences in 2018, with no displacement of business expected. The Vacation Club phase two 10-year ownership cycle ends in 2019 and will result in more inventory available for sale.

The storm at Sun City in December 2018, with the unprecedented volume of water and hail, caused significant damage. The team reacted proactively to prevent any serious injuries and turned the resort around so that the impact on guests was kept to a minimum. Following repairs, there is little visible damage, and we were covered by insurance from a business interruption and property damage perspective.

Sun City experienced community concerns regarding securing local procurement spend to provide socio-economic upliftment. Although we have made significant progress with local procurement spend, we increased our efforts and improved local procurement spend and established local procurement targets. We developed a more inclusive community stakeholder approach that determines the collective economic and social needs of these communities to create shared value.

Other properties

The Boardwalk received partial approval for its restructure application, and we are in the process of engaging with the union and the gaming board to implement the restructure. The shopping mall development is progressing well and we are confident development will commence later this year. The High Court challenge to licensing EBTs in Boardwalk's catchment area, which has breached Boardwalk's exclusivity, has made limited progress due to several delays on the part of the EBT operators and the gambling board.

Wild Coast Sun's licence expires in August 2019 and we have submitted our bid to extend this licence. The Wild Coast Sun's land claim settlement was a significant highlight and we expect the land to be transferred to the local community in the near future.

The Table Bay was impacted by the water crisis early in 2018, which resulted in cancellations and a slowdown in bookings. However, occupancy improved given the indefinite postponement of day zero. The Table Bay's lease renewal proposal was submitted to the Waterfront Company in July 2018, with a decision on the renewal expected during 2019.

Sibaya's income increased by 2% while adjusted EBITDA decreased by 2%. We are concerned about the recent opening of EBT outlets in Sibaya's catchment area. We are challenging the award of these licences on the basis that the correct process was not followed.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining by 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and we have commenced engagement with the union.

SunSlots income and adjusted EBITDA increased by 10% and 15% respectively. Adjusted EBITDA was impacted by the VAT increase. SunBet's new premium international software implemented during 2018 enriched our online sports betting offering, resulting in a significant growth in revenue. The new website design significantly enhanced SunBet's online user experience, increasing its sports content and betting market offering to cover over 100 000 live in-play sports events annually. The new platform effectively positions the group to explore entering new online gaming jurisdictions and products.

The small urban casinos, which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively grew their income by 1% while maintaining adjusted EBITDA in line with the prior year.

Maintenance

Property maintenance is a key focus, with scheduled maintenance prioritised for the upkeep of all South African properties across our portfolio. We completed a major plant and equipment review to enable better planning and capex budgeting.

Land development opportunities

The group is exploring several land development opportunities across its asset portfolio to unlock value. We have finalised agreements with a consortium of partners to develop the vacant land at Carnival City and will look to dispose of the Carousel unused land which, following the restructure, will no longer be required. We reached an agreement to dispose of Sibaya land for R45 million. Proposals for Swaziland development are under consideration.

Rest of Africa

As indicated previously to shareholders, Sun International is looking to exit its investments in Swaziland and Nigeria. Although third parties have approached Sun International to acquire these two operations, there are certain outstanding regulatory matters and approvals that first need to be resolved before we can pursue these divestments.

Latam

Two strategic acquisitions were concluded in Latam during 2018. The first was the Sun Dreams acquisition of Thunderbird Resorts in Peru for US\$26 million in April 2018, which presents an opportunity for Sun Dreams to strengthen its position in Peru and diversify its asset base in Latam. Secondly, in July 2018 Sun Dreams acquired a 100% interest in the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for US\$25 million. This acquisition aligns with the board's strategy of asset diversification across Latam and extending the average length of the group's licences. Both acquisitions were concluded at attractive valuations and began contributing positively to the group's performance.

Monticello performed well with income and adjusted EBITDA up 14% and 37% respectively. In Chile, Sun Dreams submitted bids for the two municipal licences it holds, namely Iquique and Puerto Varas, and three additional licences. Following the adjudication by the Superintendent of Casinos, only the Iquique licence was awarded to Sun Dreams for a further 15 years. All the other Sun Dreams' bids met the minimum requirements, but the economic offers submitted by the competitor bidders would not have delivered acceptable rates of return required by the boards of Sun Dreams and Sun International for similar projects of this nature.

Sun International launched a court application objecting to the award of Puerto Varas and Pucon licences on the basis that the competitor's bid did not meet the minimum requirements and the matter is in court. We anticipate that Puerto Varas will continue trading for the 2019 financial year, but the court challenge could delay the licensing process and impact revenue going forward. We are investigating various online sports betting opportunities in South America.

FINANCIAL SYNOPSIS

Our group financial performance was satisfactory considering the tough trading environment, and is detailed in the [chief financial officer's message](#).

REGULATORY OVERVIEW

The group continues to face some regulatory challenges, most notably the proposed smoking legislation. The effect of this legislation is that casinos will no longer be permitted to designate indoor smoking areas, which will impact casino revenues. Management continues to engage with gaming regulators on this matter, and the CASA made submissions on the draft bill. There is concern around changes to gaming taxes and allowing the relocation of licences in the Western Cape. Sun International responded to the Western Cape Government's gazette draft legislation with the view that there is no incremental value for an additional licence as it will result in revenue displacement. We conducted extensive engagement with various stakeholders regarding this issue. Based on stakeholder feedback, there was overwhelming public

support against an additional casino in the Cape Metropole. Management is challenging the proposed legislation that could impact GrandWest's exclusivity in the Western Cape.

PEOPLE OVERVIEW

Our people are important enablers to providing excellent customer service and creating lasting memories for our guests. During 2018, we implemented focused management development through our learning and development initiatives to drive improved customer service. The SunWay culture and employee value proposition were embedded across the business to reinforce a cohesive and ethical culture. We appreciate that our employees also feel the impact of the tough economic climate. To provide support around personal debt and financial management, we partnered with the ASISA Foundation to provide workshops on financial literacy, which were attended by over 1 300 employees. The group is making good progress on most elements of the B-BBEE scorecard. We maintained our Level 1 status in accordance with the Tourism Sector Codes as at 31 July 2018.

Following a constitutional ruling in July 2018, we successfully onboarded about 1 200 temporary employees on 1 October 2018. This increased our headcount by approximately 8%. The onboarding process was managed seamlessly and without any complications. We conducted negotiations with the labour brokers and the trade unions to ensure an amicable resolution regarding employment contracts was reached prior to the onboarding.

SUSTAINABILITY OVERVIEW

Sustainability is a business imperative and our integrated sustainability strategy and commitments ensure Sun International maintains its operational and social licence to operate and safeguards the group's long-term prosperity. The group's sustainability agenda focuses on reducing our environmental footprint, improving the safety and wellbeing of our employees and guests, and contributing to the upliftment of our communities through our SED projects.

During 2018, our sustainability team continued to streamline sustainability functions across all units and established short, medium and long-term sustainability goals aligned with the group's overall business strategy. We made significant progress against this, including achieving the group's first zero-waste-to-landfill certification at Wild Cost Sun and a significant improvement in our lost-time injury frequency rates. The SED team also handed over the digital curriculum programme to the Department of Basic Education. Further detail on our [group sustainability](#) performance is available online.

GOVERNANCE OVERVIEW

Good progress was made in aligning Latam's governance framework. The Latam committees report into the South African board committees, allowing local operations to focus on operational matters while material matters are elevated to the group board. The governance integration between Latam and South Africa is a focus to further improve governance synergies.

The board strengthened its skills, experience, independence and diversity with the four new board member appointments. We restructured our executive management to include the general managers from our five largest South African properties^[2] and general management representation from our remaining seven properties. This resulted in improved buy-in and decision-making, as well as enhanced alignment with the group strategy.

² Big five properties include Carnival City, GrandWest, Sibaya, Sun City and Maslow Time Square.

OUTLOOK

South Africa is in a transitional phase and has repositioned itself to deal with issues of the past. Sun International is confident in the government's ability to take the country forward through its investment strategy and policies, and we support its drive against fraud and corruption. We acknowledge, however, that the country has high debt levels, currency volatility, high unemployment rates, potential sovereign downgrades, and major social and economic inequality. We appreciate that these challenges will take time to fix. We are optimistic about President Cyril Ramaphosa's positive sentiment around the tourism industry's ability to grow significantly and bring about transformation. In this regard, Sun International has an important role to play, and we look forward to helping rebuild and transform South Africa.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile's GDP forecast to grow at a rate of 4% during 2019. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. However, interest costs in Latam will increase following these acquisitions and the acquisition of the minority interest in Sun Dreams. We will continue exploring further growth opportunities in Latam, including in the online space, where a number of countries are going through the process of regulating this industry.

The proceeds from the rights offer will continue to reduce interest costs in South Africa in the first half of 2019, although the number of shares in issue has increased.

APPRECIATION

In closing, I would like to thank Valli Moosa for his leadership, guidance and the significant contribution he made to the Sun International group over the past 14 years. I look forward to working with the new chairman, Jabu Mabuza, who I know will bring tremendous value to the business. I appreciate the commitment and discipline that my management team and employees demonstrated in this difficult trading environment. I look forward to building the SunWay culture, and I believe that by getting the basics right, we will reshape our business and continue to create lasting memories for our customers and our employees.



Anthony Leeming

Chief executive

29 March 2019

CHIEF FINANCIAL OFFICER'S MESSAGE



OPERATING ENVIRONMENT OVERVIEW

Trading in South Africa remains challenging with continued pressure on consumer disposable income, the VAT increase and a subdued economic climate. In Chile, trading improved in the second half of the year from a disappointing first half to achieve good growth in revenue and adjusted EBITDA.

The group's back-to-basics strategy has made significant progress and we continue to implement initiatives that create further group-wide efficiency. South Africa's high debt levels were addressed through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. Group borrowings decreased from R15 billion to R14.7 billion at 31 December 2018.

In Latam we acquired an additional 10% interest in Sun Dreams, increasing our interest to approximately 65%. Further, we concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US\$26 million) and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US\$25 million). Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile.

FINANCIAL REVIEW

Group income increased by 7% to R16.4 billion for the year. South African comparable income was up 1% (excluding Maslow Time Square, Carousel, Fish River and Morula). In Latam, income from continuing operations increased by 6% on a comparable basis, with Monticello income up by 14%. As a result of a decision taken to exit the Sun Nao Casino in Colombia and Ocean Sun Casino in Panama, these operations were accounted for as discontinued for the year.

Group adjusted EBITDA increased by 5% to R4.4 billion and, on a comparative basis, was up 2% to R3.8 billion. The increase in VAT from 14% to 15% negatively impacted adjusted EBITDA by approximately R44 million.

Interest charges were higher due to the completion of the Maslow Time Square hotel (opened April 2018) and the arena (opened November 2017) where interest is no longer capitalised, as well as the acquisition of the 10% shareholding in Sun Dreams and the Latam acquisitions. The interest saved on the debt which was repaid through the proceeds of the R1.6 billion rights offer, partly offset the higher interest charges.

Due to the group's attributable share of the losses from Maslow Time Square increasing from R254 million in the prior year to R310 million, continuing adjusted headline earnings operations decreased from R485

million to R472 million, 3% below the prior year. Adjusted headline earnings per share were up 4% to 316 cents per share.

Due to the continued underperformance of Sun City, which is defined as a cash-generating unit (CGU), an impairment indicator was identified which resulted in an impairment of R306 million.

Headline and adjusted headline earnings adjustments

Headline earnings adjustments include the following:

- profit on disposal of assets of R12 million
- loss on the Colombian assets of R41 million
- impairment charge of R306 million on Sun City
- net impairment of Panama assets of R31 million.

Adjusted headline earnings adjustments include the following:

- reversal of a Colombian onerous lease provision of R31 million
- forward exchange contract losses relating to the Maslow Time Square development of R75 million
- foreign exchange profit on inter-company loans of R44 million
- the straight-lining of the Maslow and head office building lease expense of R13 million
- amortisation of R102 million of the Sun Dreams intangible assets raised as part of a purchase price allocation adjustment
- an increase in the value of the Tsogo Sun put options of R27 million
- tax on the above items of R118 million
- minorities' interest in the above items of R67 million.

Income by nature and geographic segment

South Africa continues to contribute majority of the group's income at 69%, Latam contributing 30% and Nigeria 1%. Gaming is the primary contributor to group income at 73%, alternate gaming contributes 8%, food and beverage 8%, rooms 8% and other income 3%.

Financial summary

R million	Audited year ended 31 December 2018	Change %	Audited year ended 31 December 2017*
Income	16 420	7	15 351
Adjusted EBITDA	4 357	5	4 143
Adjusted operating profit	2 816	4	2 298
Profit before tax	1 632	3	1 584
Profit after tax	967	(2)	989
Adjusted headline earnings	365	20	304
Basic earnings per share (cents)	(6)		(243)
Headline earnings per share (cents)	213		(175)
Diluted earnings per share (cents)	(6)		(243)
Diluted adjustments headline earnings per share (cents)	316		304
Dividends per share	-		-

* The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held and Discontinued Operations. The group has restated the

prior year's weighted average number of shares to reflect the effect of rights offer as requested by IAS 33: Earnings per Share.

BORROWINGS

In June 2018, Sun International concluded an equity capital raise through a renounceable rights offer (rights offer) when it successfully raised an amount of R1.6 billion. The funds from the rights offer were utilised to settle debt.

Sun International's borrowings as at 31 December 2018 were R14.7 billion, a year-on-year decrease of R15.0 billion. South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion due to strong cash flows and the rights offer. Latam debt, however, increased following the raising of a 10-year bond by Sun Dreams due to the funding of the minority interest acquisition.

The group's statement of financial position remains resilient and the operations continue to generate strong cash flows. The group continues to trade within its debt covenant levels. The group has unutilised borrowing facilities of R1.4 billion and available cash balances of R938 million.

Group borrowings (for the year ended 31 December 2018)

R million	Total debt	Minorities	Sun International
South Africa	9 174	1 310	7 864
SunWest	728	256	472
Afrisun Gauteng	608	32	576
Afrisun KZN	276	92	184
Emfuleni	507	76	431
Wild Coast Sun	234	70	164
Meropa	74	21	53
Teemane	73	18	55
Windmill	74	20	54
Golden Valley	(12)	(4)	(8)
Sun Slots	24	7	17
Maslow Time Square	5 070	722	4 348
Management and corporate	1 518	–	1 518
Nigeria	602	305	297
Shareholder loans	927	470	457
Sun International inter-company debt	(325)	(165)	(160)
Latam	4 890	1 461	3 429
Sun Dreams	4 103	1 461	2 642
Sun Chile	787	–	787
31 December 2018	14 666	3 076	11 590
31 December 2017	14 995	2 654	12 341

Debt covenants

	South Africa		Sun Dreams	
	Actual	Covenant	Actual	Covenant
Debt to adjusted EBITDA	3.0	3.5	3.0	4.5
Interest cover	3.2	3.0		

LOOKING AHEAD

We are confident that the positive steps taken by the government to deal with corruption and state-owned entities will positively impact the South African economy. However; we do not anticipate a tangible improvement in the short term. Consequently, we expect continued pressure on disposable income and hence trading to remain subdued.

Maslow Time Square achieved satisfactory growth, with casino income up 19% in the second half of the year. With the opening of the Maslow hotel in April 2018, Maslow Time Square is now fully operational, and we anticipate that it will continue to gain further market share and achieve strong growth in revenue and adjusted EBITDA.

We will continue to focus on improving our operations and guest experience. We are dealing with loss-making entities and in this regard have commenced with the restructure of the Boardwalk and Carousel operations.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile's gross domestic product forecast to grow by 4%. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. We will continue exploring growth opportunities in Latam, including in the online space where several countries are going through the process of regulating the industry.



Norman Basthdaw
Chief financial officer
29 March 2019

VISION, MISSION, VALUES AND STRATEGIC OBJECTIVES



GROUP STRUCTURE

Sun International's group structure remains largely unchanged, except for our Argentinian addition (Park Hyatt Hotel, Casino & Spa) and an acquisition in Peru (Thunderbird Resorts). We also opened the much-anticipated Maslow Time Square hotel at Menlyn Maine in March 2018, on time and within budget.

GROUP

	Gaming licences	Rooms	Slots	LPMs	Tables	Employees	Vacation Club units
2018	27	4 454	19 869	4 040	775	14 632	384
2017	27	4 340	18 717	3 720	736	12 959	384
		2018			2017		
Group contribution (%)		Revenue	EBITDA		Revenue	EBITDA	
South Africa		69	69		70	71	
Other Africa		1	–		1	0	
Latin America		30	31		29	29	

SOUTH AFRICA

	Gaming licences	Slots	LPMs	Tables	Rooms	Employees	Vacation Club units
2018	13	11 275	4 040	388	3 238	9 001	384
2017	13	11 677	3 720	414	3 310	8 244	384
FINANCIAL	ECONOMIC INTEREST (%)⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES		
GAUTENG							
Carnival City		91	1 401	46	105	773	
Maslow		100	–	–	281	274	
Time Square		82	1 750	60	238	1 005	

FINANCIAL	ECONOMIC INTEREST (%) ⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES
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WESTERN CAPE

GrandWest	61	2 563	61	39	1 199
Table Bay	61	–	–	329	245
Worcester	61	220	6	98	213

FINANCIAL	ECONOMIC INTEREST (%) ⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES
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KWAZULU-NATAL

Sibaya	63	1 214	48	154	794
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FINANCIAL	ECONOMIC INTEREST (%) ⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES
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LIMPOPO

Meropa	68	417	17	60	304
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FINANCIAL	ECONOMIC INTEREST (%) ⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES
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NORTH WEST

Sun City	100	700	51	1 311	1 662
Carousel	100	700	25	57	166

FINANCIAL	ECONOMIC INTEREST (%) ⁽¹⁾	SLOTS	TABLES	ROOMS	EMPLOYEES
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NORTHERN CAPE

Flamingo	71	300	10	–	191
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FINANCIAL	ECONOMIC INTEREST (%) ¹¹	SLOTS	TABLES	ROOMS	EMPLOYEES
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EASTERN CAPE

Boardwalk	82	900	27	140	566
Wild Coast Sun	70	549	19	396	535

FINANCIAL	ECONOMIC INTEREST (%) ¹¹	SLOTS	TABLES	ROOMS	EMPLOYEES
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FREE STATE

Windmill	70	401	18	–	255
Naledi Sun	100	160	–	30	57

FINANCIAL	ECONOMIC INTEREST (%) ¹¹	SLOTS	TABLES	ROOMS	EMPLOYEES
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ALTERNATIVE GAMING

SunSlots	70	4 040	–	–	231
SunBet	100	–	–	–	32

FINANCIAL	ECONOMIC INTEREST (%) ¹¹	SLOTS	TABLES	ROOMS	EMPLOYEES
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MANAGEMENT

Sun International Management Ltd	100	–	–	–	499
Total Sun International Limited		15 315	388	3 238	9 001

OTHER AFRICA

	Gaming licences	Rooms	Slots	Tables	Employees
2018	2	497	258	18	543
2017	2	497	264	25	548
	ECONOMIC INTEREST (%) ^[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
Nigeria	49	100	5	146	340
Swaziland	51	158	13	351	203

LATIN AMERICA

Gaming licences	Rooms	Slots	Tables	Employees	
2018	12	719	8 336	369	5 088
2017	12	533	6 776	325	4 167
FINANCIAL	ECONOMIC INTEREST (%) ^[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
Argentina					
Park Hyatt Hotel, Casino & Spa	64	695	18	186	610
Chile					
Monticello	64	1 961	80	155	1 536
Iquique	64	729	22	0	197
Temuco	64	733	36	96	389
Valdivia	64	434	22	104	298
Puerto Varas	64	453	36	50	317
Coyhaique	64	206	11	40	160
Punta Arenas	64	500	20	88	344
Colombia					
Plazuela, Bocagrande	64	242	11	0	46
Panama					

Ocean Sun Casino	64	487	26	0	178
Peru					
New York	64	443	17	0	288
Eden	64	186	5	0	61
Kingdom	64	154	7	0	60
Pachanga Independencia	64	256	8	0	100
Thunderbird Resorts	64	857	50	0	504

OUR GLOBAL PRESENCE

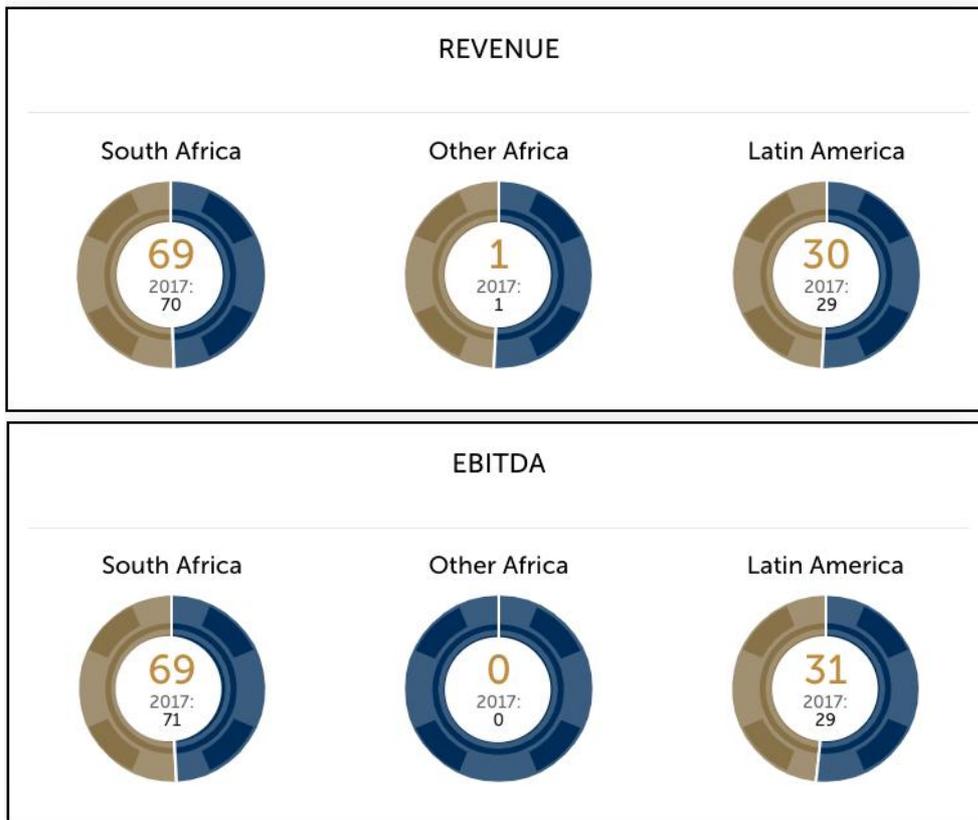
KEY GLOBAL PRESENCE STATISTICS

Sun International is an international hotel, casino and entertainment company with a global presence in eight countries. It owns and operates properties in South Africa, Nigeria, Swaziland and Latin America – including Argentina, Chile, Colombia, Panama and Peru. Our focus is to grow our existing asset portfolio in South Africa and Latin America, and exit operations in Nigeria and Swaziland. Our casino operations, including alternative gaming, contributes the largest share (81%) of group revenue.

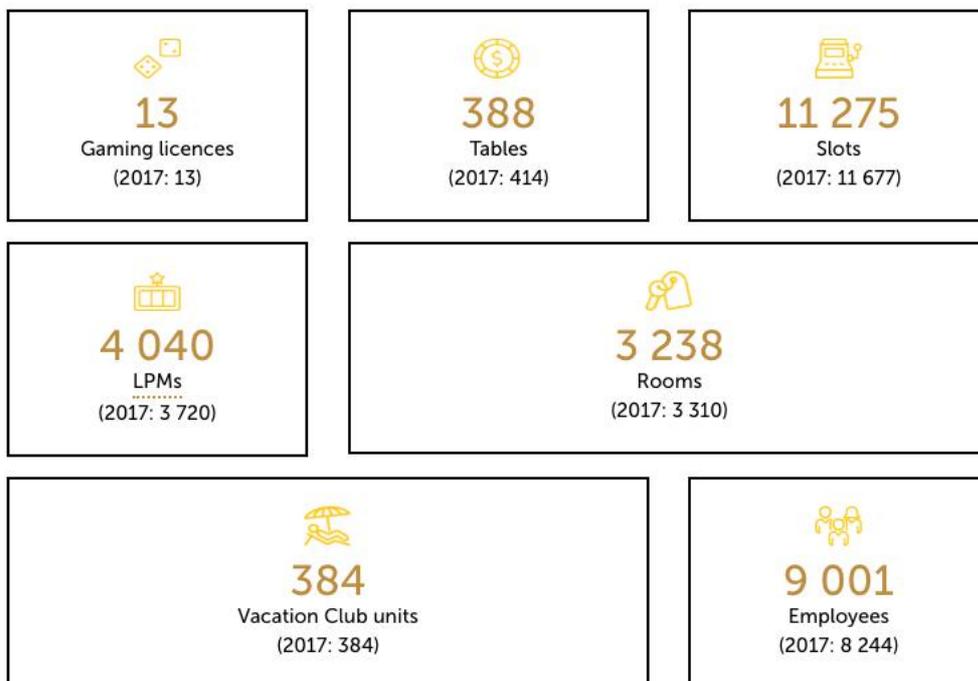
GROUP

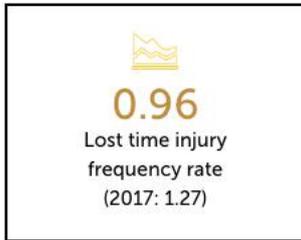


GROUP CONTRIBUTION (%)



SOUTH AFRICA





NIGERIA



SWAZILAND

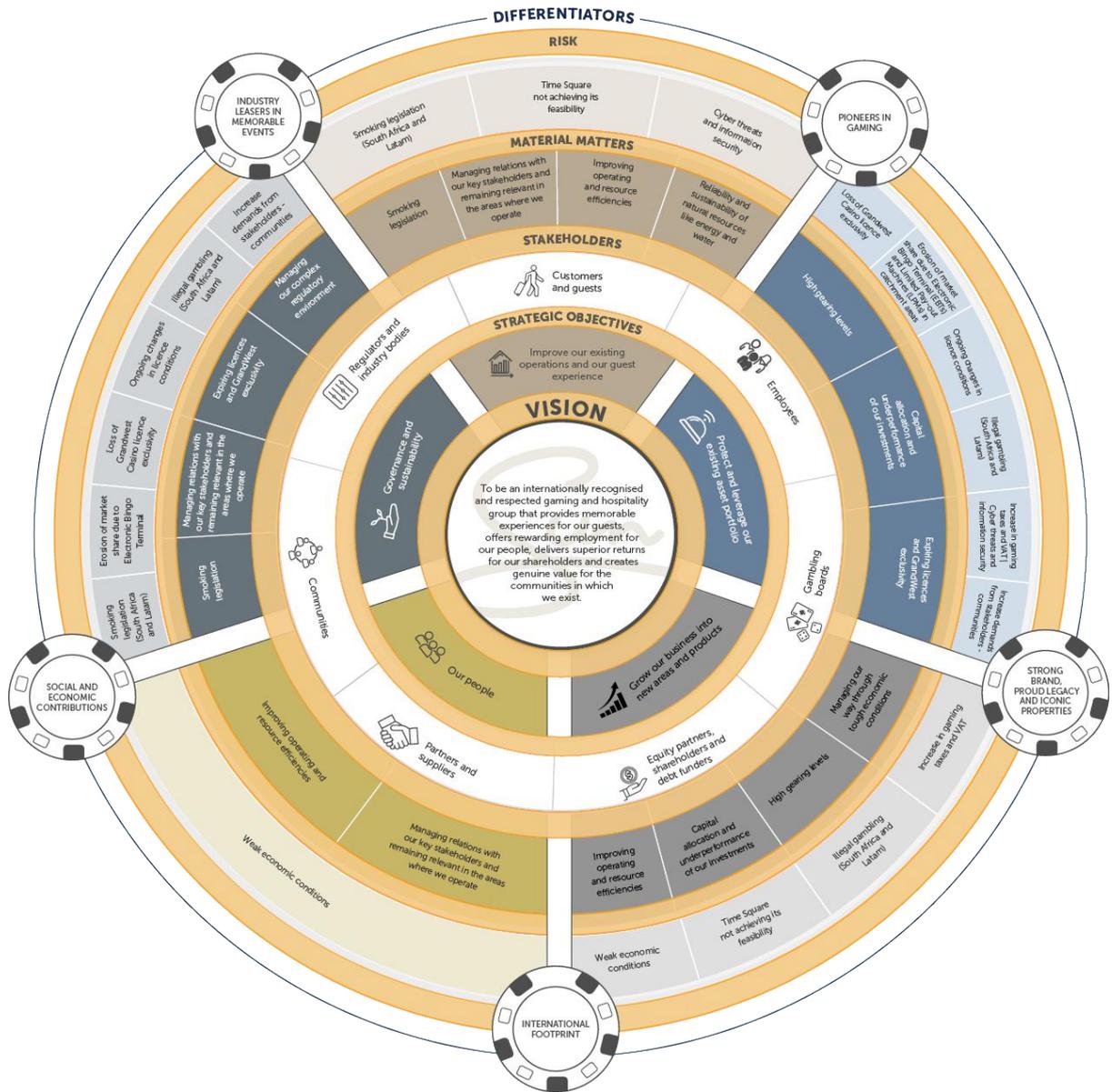


LATIN AMERICA



VALUE CREATION

Achieving our vision ensures value creation for all stakeholders. This is achieved through our business events model, which is executed through our sustainable business strategy, reinforced by our core values, and underpinned by our governance and risk management.



OPERATING ENVIRONMENT

We recognise that we cannot influence macro-operating environment factors beyond our control. Therefore, we focus on what we can control in the gaming and hospitality operating environment. We enhance our customers' experience by providing excellent customer service, offering new products, and seeking opportunities to create memorable experiences and enhance shareholder value.

ECONOMIC ENVIRONMENT

Global economic growth for 2019 is projected at 3.5%^[1] percent, 0.2% lower than forecast in October 2018. This decrease is largely due to diminished growth momentum and tighter financial conditions in emerging markets and developing economies. Other factors include increased trade tensions between the USA and other countries, geopolitical tension, over-indebtedness, and uncertainty over Brexit. In Latam growth is projected to recover from 1.1% in 2018 to 2.0% in 2019. South Africa's 2018 economic growth remained subdued at 0.8%. However, growth is projected to pick up to between 1.5% and 1.7% in 2019.

¹ Source: IMF World Economic Outlook

The economic overview that follows includes countries in which our core assets operate, namely South Africa, Chile, Peru and Argentina.

South Africa^[2]

The group's revenue largely depends on the South African economy. South Africa's GDP growth rate was 0.8% at the end of 2018, weighed down by lower investor confidence on the back of the controversial land reform debate, high unemployment rates, and a technical recession during the first half of the year. Economists expect the economy to improve marginally in 2019 ahead of the general elections in May 2019, which should increase household spend and fixed investment. Additional credit rating downgrades remain a concern amid economic and political tensions. Continued power outages and ever-increasing electricity prices are still a threat to the economy. Consumer disposable income remains under pressure since the 1% increase in VAT took effect. Consumers are likely to allocate less disposable income on leisure and entertainment spend.

² Source: Focus Economics

The rand experienced another volatile year, closing at R14.43 (2017: R12.38). It is trading stronger than expected to date in 2019, and is expected to average R14.40^[3] for the remainder of 2019. A weaker rand tends to attract international visitors, as South Africa becomes an affordable tourist destination with excellent gambling and hospitality offerings.

³ Source: Bureau for Economic Research

Chile^[4]

Chile's economy grew during the first half of 2018, but growth dropped notably in the third quarter amid faltering mining activity and weak external sector metrics. It recovered at the end of 2018. Chile's resilient construction industry and sustained investment in machinery and equipment improved solid fixed investment growth in the third quarter. Growth in 2019 is expected to remain solid, largely driven by sturdy domestic demand, although the pace of expansion will ease alongside moderation in global trade. The tightening labour market should sustain higher wages and drive private consumption.

⁴ Source: Focus Economics

Peru^[5]

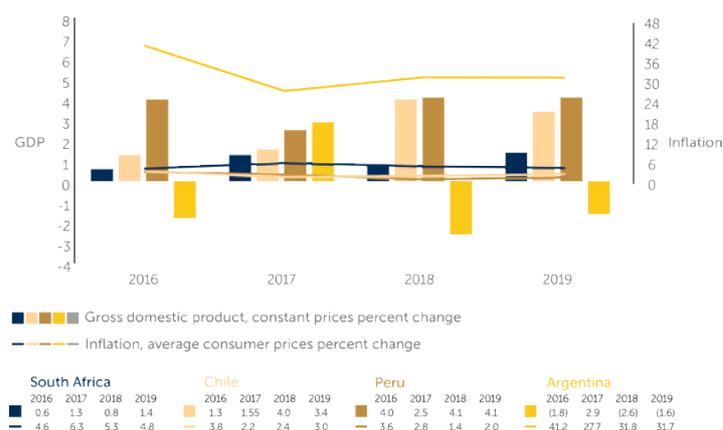
Peru's good growth in the first half of 2018 was muted by a significant dampening in business investment and public infrastructure funding during the third quarter. Public investment rebounded in the last quarter; credit continued to expand; and the agriculture and fishing sectors recorded outstanding performances. Growth is expected to improve in 2019, underpinned by a solid domestic economy and healthy external demand for commodities. Improving investor confidence, solid credit growth and favourable business growth is likely to reinforce fixed investment. The main risk stems from escalating global trade tensions and a possible slowdown in China's economy.

5 Source: Focus Economics

Argentina^[6]

Argentina's economy is expected to remain in recession due to challenging financial markets and a depreciation of the peso. Negative consumer confidence and rising debt levels prompted a sovereign downgrade by rating agencies. Looking ahead, the economy is likely to remain in recession, although this should subside. Inflationary pressures and rising taxes will place additional pressure on consumers, and high interest rates and shrinking public investment will impact fixed investment. Positively, the trade balance is expected to improve from a deficit to surplus on the back of higher agricultural exports and lower imports, and the fiscal deficit is expected to narrow.

6 Source: IMF October 2018 and Focus Economics.



REGULATORY ENVIRONMENT

The group monitors its regulatory environment through its legal and compliance departments in South Africa and Latam. The NGB oversees the regulation in South Africa's gaming industry. Each province has its own gaming legislation. There are 40 authorised casino licences in South Africa, and 39 are issued. Sun International has 13 of these licences in its eight provinces of operation. The group is also a member of the CASA, which represents the interests of the country's legal casino gaming industry.

In 2015 the Minister of Trade and Industry published a notice increasing the number of casino licences in South Africa from 40 to 41. The additional casino licence is earmarked for the North West. CASA is appealing the matter on behalf of its members.

In Chile, the SCJ oversees 18 authorised casinos in 13 regions of the country, with another seven casinos operating under concession granted by certain municipalities. Sun International has seven licences in Chile. In terms of a new casino law, the licence for these casinos expired in December 2017 and the group submitted bids for five of these licences. The group was only awarded one licence – Iquique municipal licence – for a further 15 years. The new licences fall under the regulations of the SCJ.

Peru is preparing for legislative reforms, which, if approved, will regulate online gambling and sports betting services in the country. This will provide opportunities for Sun International to introduce online and sports betting products.

Smoking legislation

In May 2018, the South African Department of Health published the Control of Tobacco Products and Electronic Delivery Systems Bill for public comment. The Bill prohibits smoking in all public enclosed areas and aims to control electronic delivery systems – including vapour-releasing electronic cigarettes and heat-not-burn devices that heat up tobacco, which were not covered by earlier legislation. The operation of casinos falls within the scope of this provision. Sun International submitted comments, with the main concerns being severe economic and social consequences such as lower revenue, job losses and the negative impacts on enterprise development. CASA^[4] estimates that, if this Bill is passed, casinos could see as much as an 18% drop in GGR nationally, which translates to about R3.2 billion in the first year of implementation. This, in turn, will significantly reduce provincial gambling tax revenue by R343 million and national VAT revenue by R422 million in the same period. In addition, CASA estimates that 4 000 direct and indirect industry jobs could be impacted. This decrease in casinos profitability will necessitate cost-cutting measures, including a reduction in CSI. Sun International is actively monitoring this legislation and exploring mitigating actions if this Bill is passed.

⁴ Source: CASA 2018 Survey of casino entertainment in South Africa.

REGULATORY AND INDUSTRY BODIES

South Africa

- ▶ The NGB
- ▶ The CASA
- ▶ The dti

Latam

Argentina has a federal structure and gaming activities remain under control of each province. In Mendoza, the entity that regulates gaming is the Instituto Provincial de Juegos y Casinos de la Provincia de Mendoza

Chile

- ▶ The SCJ – operating under the auspices of the Deputy Minister of Finance

Colombia

- ▶ The Coljuegos

Peru

- ▶ The General Direction of Casino Games and Slot Machines

Panama

- ▶ The Gaming Control Board – operating under the auspices of the Minister of Economy and Finance

PRIMARY GAMBLING LEGISLATION

South Africa: The National Gambling Act 7 of 2004

Argentina: Law No 5188 (Valle de Las Leñas Casino); Law No 5775 (Casinos in 4- and 5-star hotels); and Law No 6659 (Nuevo Plaza Hotel Mendoza)

Chile: The Law No 19.995

Peru: The Law No 27.153

Panama: The Law No 19 of 8 May 1947

Gaming taxes

Proposed amendment to the Gauteng casino tax regulations

On 14 January 2019, the MEC responsible for Economic Development, Environment, Agriculture and Rural Development for the Gauteng province amended regulation 85 of the Gauteng Gambling Regulations, 1997. The amendment introduced a new tax regime for casinos in Gauteng. Prior to the amendment, regulation 85 of the Regulations provided that casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling revenue. In terms of the amendment, gaming tax was to be determined with reference to a sliding scale of GGR. The taxes were due to be implemented with effect from 1 April 2019.

The CASA, on behalf of its members, vigorously opposed the implementation of the amendment resulting in the MEC's office agreeing to withdraw the implementation of the amendment and recommence the process including conducting an updated assessment to determine the effect such a proposed tax would have on the Gauteng casino industry.

South African national gaming tax

It was announced in the 2019 budget presented by the Minister of Finance that draft legislation introducing a gambling tax in the form of a 1% levy will be published for public comment. This tax was previously proposed and we will comment on the draft legislation when published.

Peru gaming taxes

According to a decree published in September 2018, from 1 January 2019, casinos will pay a monthly consumption tax levied against each machine and gaming table they offer in their venues. The specific amounts will vary according to the level of gaming revenue reported by each machine or table. This represents an estimated additional tax of 4.8% to the current 12% tax on gross gaming revenue. The gaming industry has declared this decree unconstitutional and illegal and has launched a legal challenge.

Financial Intelligence Centre Act

The group revised its controls within its gaming operations to align with the amendments to the FICA and is at an advanced stage of implementing software and hardware improvements to its systems to identify customers who transact below R5 000. The group is implementing a third-party solution to identify politically exposed persons.

Liquor legislation

The group's casinos in the Free State province trade on a 24-hour basis. The province's regulation amendments propose curtailing liquor trading hours at casinos from 08:00 to 04:00. The group will submit its comments on the proposed amendments to the Free State Gambling and Liquor Authority.

B-BBEE legislation

The group embraces transformation and is committed to continually improving its B-BBEE credentials in its South African operations. As at 31 July 2018, Sun International achieved a Level 1 B-BBEE status and most units achieved Level 2 and higher.

CASA members generated GGR of **R18.5 billion** (2017: R17.8 billion) – up **3.5%**

GAMING AND HOSPITALITY OPERATING ENVIRONMENT

Gaming

South Africa's casino industry remains under pressure as a result of the tough economic climate that places pressure on consumer disposable income. Positively, CASA^[8] reported that the industry's GGR experienced a 3.5% increase off the back of a decrease in GGR in the comparative period (31 March 2017). The gaming industry contributes significantly to the economy through employment opportunities (direct and indirect), boosting government tax revenues, progressing transformation and enabling social upliftment.

⁸ Source: CASA 2018 Survey of casino entertainment in South Africa

Illegal and online gambling (currently prohibited in South Africa and Chile) leads to negative socio-economic impacts, including fewer collected taxes for national development and redundancies in casino jobs. Despite government's and the dti's commitment to combat this problem, illegal gambling continues to increase. More action needs to be taken in South Africa and Chile to avoid further revenue erosion from licensed casinos.

The proliferation of EBTs continues to impact the casino market in South Africa. While the NGB is against the rollout of EBTs, certain provinces continue to issue licences or are looking to do so. Sun International is opposed to an EBT rollout in the current regulatory environment. We object to licensing EBTs in the catchment areas of our casinos where significant investments have been made in return for the casino licence. Considerable regulatory reform is required from a socio-economic perspective.

The Western Cape's proposed legislation allows for the relocation of casinos, which could lead to declines in gambling revenue and a loss of jobs. Sun International's GrandWest and Worcester casinos will be directly impacted should this Bill be passed into law. Sun International submitted comments opposing the promulgation of the proposed legislation in its current form. The adverse impacts of the relocation of two outlying casinos into the Cape Metropole are projected to include:

- no material increase in total annual provincial GGR, which is forecast to rise by 3.6%
- a net decline in total annual provincial gaming tax revenue, which is forecast to fall by 7.5% per annum (if the newly proposed two-tier tax dispensation is introduced), or by 6.2% (if the existing six-tier tax dispensation is retained), which will ultimately not be offset by the economic opportunity fees provided for in the Bill
- a pronounced adverse impact on GrandWest, its employees and suppliers, and the community in which it operates
- irreversible negative impacts on the local economies of the areas from which the relevant casinos relocate.

The National Gambling Amendment Bill was tabled at Parliament near the end of 2018. One of the proposals is to reposition the NGB to become a National Gambling Regulator. CASA, on behalf of its members, submitted substantial comments against the Amendment Bill and the dti introduced the redrafted Bill to the Select Committee on Trade and International Relations.

TOTAL AFRICAN CASINO LICENCES: 40

- ▶ 13 Tsogo Sun
- ▶ 13 Sun International (South Africa)
- ▶ 1 Nigeria
- ▶ 1 Swaziland
- ▶ 2 Sun International (Other Africa)
- ▶ 8 Peermont Global
- ▶ 1 Caesars Entertainment
- ▶ 1 Desert Palace Casino*
- ▶ 1 Leithlo Resort*

South Africa source: CASA's 2018 Survey of Casino Entertainment in South Africa.

* Non-CASA member.

TOTAL SUN INTERNATIONAL LATAM LICENCES: 12

- ▶ 7 Chile
- ▶ 1 Panama
- ▶ 4 Peru

Sun International owns and operates **six route operator licences LPMs, one online sports betting licence, and four cash betting retail stores.**

Hospitality

The hospitality industry is particularly vulnerable to the ebbs and flows of economic conditions and increasing competition. In South Africa, other factors that impact our international tourism include: the confusion around the visa requirements for families travelling to South Africa; the oversupply of hotels in certain areas, including the Sandton central business district and the Western Cape; and the water crisis that mainly impacted the Western Cape and Eastern Cape. Towards the end of 2018, South Africa's Department of Home Affairs simplified the visa requirements for travellers from certain countries. Waiver agreements will be implemented for several African and Middle Eastern countries, which should lift the travel barrier going forward and increase tourist numbers. The water crisis has abated and Sun International implemented sustainable solutions to ensure our guests are not negatively impacted should a similar crisis reoccur.

Rooms make up 8% (2017: 8%) of Sun International's revenue. Most of the group's hotels focus on serving our gaming customers. In South Africa, Sun City, The Table Bay, The Maslow and Maslow Time Square are focused on local and international business and leisure travellers. In Chile, the group has several hotels at its casino properties that serve local travellers and VIP gaming customers.

TECHNOLOGY ENVIRONMENT

Technology is inherent in Sun International's business. It assists in creating opportunities to understand and better serve our customers and identify efficiencies as we strive to contain costs. Our world-class Enterprise Gaming and Bally Business Intelligence systems provide invaluable customer data to track customer behaviour and interact with customers directly. During 2018, the group acquired premium international online gaming software that enriched Sun International's online sports betting offering (SunBet.co.za).

The threat of cyberattacks is increasing in the gaming industry. Sun International implements various technologies group-wide to detect and block cyber threats.

Customer data protection is critical, as more protection provides comfort to customers in providing information, which enables the group to make informed decisions around customer behaviour. The group complies with relevant data protection legislation including the PoPI in South Africa, the GDPR in Europe, and other relevant internal policies and procedures.

NATURAL ENVIRONMENT

Even though our business poses limited risk to the natural environment, the group remains committed to limiting its environmental impact through our various initiatives aimed at reducing resource consumption. The water crisis in the Eastern Cape and Western Cape has lessened, but management continues to look at implementing [sustainable solutions](#) to ensure our guests are not negatively impacted.

SOCIETAL ENVIRONMENT

Our bookmaking, sports betting, LPMs and casino properties, which largely have exclusive rights in the areas where they operate, impact the surrounding communities. Many customers and employees come from these communities and play a meaningful role in community development through E&SD initiatives. Being a responsible corporate citizen is part of the group's DNA. We fully support responsible gambling through the SARGF – the entity that supervises the NRGF in cooperation with the gambling industry operators and governmental regulators. The NRGF integrates education, research and treatment into one programme.

Of the R15.6 million (as reported by CASA^[8]) contributed by the casino industry to the SARGF, Sun International contributed approximately R8.1 million in 2018. Sun International paid a further R1 million in respect of its bookmaking and LPM businesses. These contributions are earmarked to provide free support to all people affected by problem gamblers.

⁸ Source: CASA 2018 Survey of casino entertainment in South Africa

BUSINESS MODEL

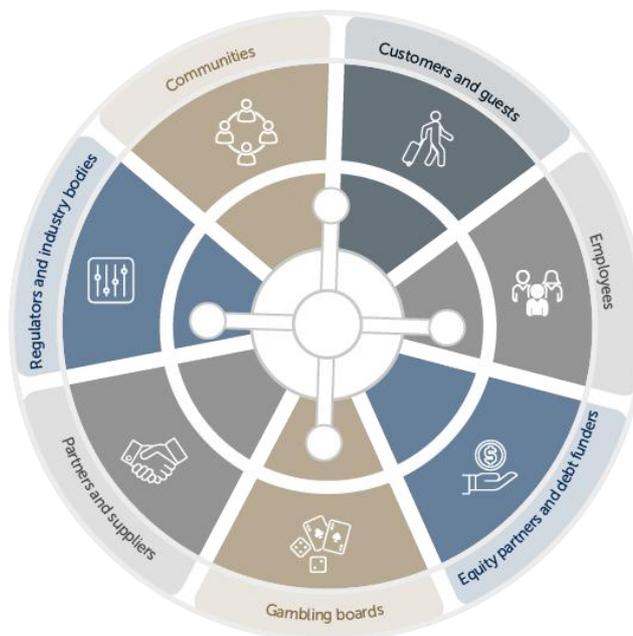
We use the six capitals in our business model which, through our business activities, culminate in outputs and outcomes that create value for our various stakeholders. Good corporate governance, sustainable business practices and risk management underpin our business model and provide the foundation on which we build and grow our business.

Activities and outputs	Capitals	Inputs	Business activities	Stakeholders	Outputs	Outcomes	Game changers
<p>GAMING</p> <p>Our gaming licenses are the most critical enabler allowing us to operate.</p>	<p>Financial capital 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> <p>Productive capital 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"> ▶ Cash flows from internal operations R3 billion ▶ Debt and equity funding ▶ 31 properties ▶ 775 tables ▶ 18 717 slot machines ▶ 3 720 LPMs ▶ Unused land ▶ 12 959 group employees ▶ 27 licences ▶ Respected brand and reputation ▶ World-class gaming systems ▶ Active stakeholder engagement ▶ Energy and water 	<ul style="list-style-type: none"> ▶ Evaluating our licence conditions ▶ Diversifying across Latam and divesting where appropriate ▶ Renewing casino licences ▶ Engaging gaming boards and CASA ▶ Investigating alternative gaming options ▶ Offering responsible gaming interventions ▶ Enhancing the SunMVG programme ▶ Engaging communities 	<ul style="list-style-type: none"> ▶ Communities ▶ Customers and guests ▶ Employees ▶ Equity partners, shareholders and debt funders ▶ Gambling boards ▶ Partners and suppliers ▶ Regulators and industry bodies 	<ul style="list-style-type: none"> ▶ Gaming contributes 80% of group revenue (2017: 73%) ▶ Government taxes including levies and VAT R4.5 billion (R4.2 billion in 2017) ▶ 27 gaming licences ▶ 775 tables ▶ 19 869 slot machines ▶ 4 040 limited payout machines (LPMs) ▶ 14 632 group employees ▶ SED spend R23 673 966 	<ul style="list-style-type: none"> ▶ Maintaining gaming and social licences ▶ Influencing gaming legislation ▶ Expanding geographic footprint ▶ Significant tax contribution ▶ Unintended consequences of gambling 	<p>Vision</p> <p>To be an internationally recognised and respected gaming and hospitality group that provides memorable experiences for our guests, offers rewarding employment for our people, delivers superior returns for our shareholders and creates genuine value for the communities in which we exist.</p> <p>Strategic objectives</p> <ul style="list-style-type: none"> ▶ Improve our existing operations and our guest experience ▶ Protect and leverage our existing asset portfolio ▶ Grow our business into new areas and products ▶ Our people ▶ Governance and sustainability <p>Operating environment</p> <ul style="list-style-type: none"> ▶ Changing regulations ▶ Economic and political climate ▶ Industry and gaming bodies' requirements ▶ IT advancements and integration of technology ▶ Societies expectations <p>Differentiators</p> <ul style="list-style-type: none"> ▶ Strong brand and proud legacy ▶ Pioneers in gaming in South Africa ▶ Industry leader in the field of big events ▶ Unique iconic properties
<p>HOTEL AND RESORTS</p> <p>Our unique hotels, their location and superior service offerings are some of our key differentiators to offering an unforgettable experience for our guests, which keeps them choosing Sun International as a destination of choice.</p>	<p>Human capital Our people are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.</p> <p>Intellectual capital Our intellectual capital includes our gaming licences, brand and know-how, which provide our licence to operate and cultivates a wealth of management expertise and innovative IT.</p>	<ul style="list-style-type: none"> ▶ Cash flows from internal operations R3 billion ▶ Debt and equity funding ▶ 31 properties ▶ 4 340 rooms ▶ 384 Vacation Club units ▶ Unused land ▶ 12 951 group employees ▶ Respected brand and reputation ▶ IT systems ▶ Active stakeholder engagement ▶ Energy and water 	<ul style="list-style-type: none"> ▶ Maintaining and improving infrastructure and efficiencies ▶ Leveraging our iconic properties ▶ Integrating sustainable business practices ▶ Conducting customer surveys ▶ Managing underperforming properties 	<ul style="list-style-type: none"> ▶ Customers and guests ▶ Employees ▶ Equity partners, shareholders and debt funders Partners and suppliers 	<ul style="list-style-type: none"> ▶ Hotel and resorts contribute 8 % Revenue (2017: 8%) ▶ Total capex R1 050 million (2017: R2 591 million) ▶ 4 454 rooms ▶ 384 Vacation Club units ▶ 14 632 group employees 	<ul style="list-style-type: none"> ▶ Brand recognition ▶ Destination of choice ▶ Customer satisfaction ▶ Safe and healthy environment ▶ Cultivating a broader supplier base ▶ Reducing environmental impacts 	<p>Operating environment</p> <ul style="list-style-type: none"> ▶ Changing regulations ▶ Economic and political climate ▶ Industry and gaming bodies' requirements ▶ IT advancements and integration of technology ▶ Societies expectations <p>Differentiators</p> <ul style="list-style-type: none"> ▶ Strong brand and proud legacy ▶ Pioneers in gaming in South Africa ▶ Industry leader in the field of big events ▶ Unique iconic properties
<p>FOOD AND BEVERAGE</p> <p>The group's food and beverage offering provides something for all food lovers – from fine dining to take-away options and everything in between.</p>	<p>Social and relationship capital Our guests, shareholders, employees, communities, gambling boards, government and regulators are key stakeholders and actively engage with and manage these stakeholder relationships to promote a shared value proposition.</p>	<ul style="list-style-type: none"> ▶ Cash flows from internal operations R3 billion ▶ Debt and equity funding ▶ 31 properties ▶ 12 959 group employees ▶ Respected brand and reputation ▶ Active stakeholder engagement ▶ Energy and water 	<ul style="list-style-type: none"> ▶ Managing operations efficiently and optimally ▶ Improving and upgrading our variety of food and beverage offerings ▶ Improving supplier relations ▶ Leveraging cross-sell food and beverage opportunities 	<ul style="list-style-type: none"> ▶ Customers and guests ▶ Employees ▶ Partners and suppliers 	<ul style="list-style-type: none"> ▶ Food and beverage contribute 8% (2017: 9%) ▶ Growing our variety of concessionaires ▶ Maintaining unique food brands ▶ 14 632 group employees 	<ul style="list-style-type: none"> ▶ Resource efficiencies – people, costs and systems ▶ Creating memorable experiences ▶ Customer satisfaction ▶ Creating opportunities for local enterprise development 	<p>Operating environment</p> <ul style="list-style-type: none"> ▶ Changing regulations ▶ Economic and political climate ▶ Industry and gaming bodies' requirements ▶ IT advancements and integration of technology ▶ Societies expectations <p>Differentiators</p> <ul style="list-style-type: none"> ▶ Strong brand and proud legacy ▶ Pioneers in gaming in South Africa ▶ Industry leader in the field of big events ▶ Unique iconic properties
<p>EVENTS AND CONFERENCING</p> <p>Most of our properties have the facilities and infrastructure to host world-class events and conferences, which drive footfall at properties and create memorable experiences.</p>	<p>Natural capital Our business activities depend on natural resources, particularly water and energy. Some of our properties are located in pristine environments rich in biodiversity, which we protect and preserve.</p>	<ul style="list-style-type: none"> ▶ Cashflows from internal operations R3 billion ▶ Debt and equity funding ▶ 31 properties ▶ 3 Sun Parks ▶ 12 959 group employees ▶ Respected brand and reputation ▶ Active stakeholder engagement ▶ Energy and water 	<ul style="list-style-type: none"> ▶ Cultivating and maintaining brand partnerships ▶ Leveraging cross-sell events and conferencing opportunities 	<ul style="list-style-type: none"> ▶ Customers and guests ▶ Employees ▶ Partners and suppliers 	<ul style="list-style-type: none"> ▶ Events and conferencing contribute 3% (2017: 3%) ▶ Maintain partnership and grow events and conferencing ▶ 3 Sun Parks ▶ 14 632 group employees 	<ul style="list-style-type: none"> ▶ Brand recognition ▶ Reputational impact ▶ Creating memorable experiences ▶ Recurrent participation in events and conferencing 	<p>Operating environment</p> <ul style="list-style-type: none"> ▶ Changing regulations ▶ Economic and political climate ▶ Industry and gaming bodies' requirements ▶ IT advancements and integration of technology ▶ Societies expectations <p>Differentiators</p> <ul style="list-style-type: none"> ▶ Strong brand and proud legacy ▶ Pioneers in gaming in South Africa ▶ Industry leader in the field of big events ▶ Unique iconic properties

STAKEHOLDER ENGAGEMENT

We actively engage with our key stakeholders and value constructive feedback. We encourage all shareholders to voice legitimate concerns, comments and suggestions through the various communication channels that we make available.

KEY STAKEHOLDERS



STAKEHOLDER ENGAGEMENT APPROACH

Every aspect of our business interacts with stakeholders, and our relationships with them impact directly and indirectly on our business and its reputation. Our reputation, or social and relationship capital, has a direct impact on our financial capital, as it influences whether consumers decide to become our guests; whether suppliers want to be vendors; whether employees want to work for us; and whether government believes that we comply with regulations, give back to communities and drive economic development.

Achieving our five strategic objectives depends on our ability to engage with and respond to our stakeholders. Our various methods of engagement include, among others, face-to-face interactions, formal and informal communication platforms, results presentations, reports and our annual general meetings. We also engage through our marketing campaigns, advertising, electronic media, newsletters and roadshows. We regularly conduct surveys among our guests and employees with the aim of continually improving service delivery, guest experience and employee satisfaction. We obtain positive and constructive feedback and respond to it appropriately.

ENGAGEMENT PROCESS

Through the group's stakeholder engagement process, we annually assess our stakeholder universe based on their influence on the group, and the group's influence on stakeholders. We identify any material concerns and opportunities that may exist, and purposefully engage to resolve and build on these matters and develop 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. Cultivating relationships with stakeholders such as community leaders, NGOs, NPOs and PBOs ensures that Sun International offers shared value and sustainable SED opportunities. During 2018, communities (particularly in the North West) raised concerns around the lack of local procurement opportunities which, in return, create job opportunities and provide socio-economic upliftment in these communities.

To ensure that we stay abreast of community needs and concerns, the group's community engagement methodology is being updated as part of a new stakeholder engagement management system. This will ensure that all engagement and interventions are aligned with the group's sustainable business strategy and, more broadly, with provincial and national growth and development plans. This revised engagement methodology involves the identification and classification of our relevant communities and stakeholders. This is followed by assessing various social aspects related to the wellbeing of these communities, as well as identifying the collective needs of these communities. Based on these assessments, possible interventions are identified and discussed with the affected stakeholders. It is anticipated that the new engagement methodology will be rolled out to all South African units in 2019.

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.

Key stakeholder concerns

- Limited procurement opportunities in the local and regional communities
- Perception of community upliftment
- Limited job opportunities
- Ageing infrastructure and no shared value

Actions to address stakeholder concerns

- Community engagement specialist proactively engages with communities on pertinent issues
- Financial investment in SED initiatives across our focus areas
- Increasing local supplier procurement and development in most of our communities
- Introducing a formal business development support initiative
- Developing a new community engagement strategy to improve dialogue over community concerns

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.

Key stakeholder concerns

- Customer segmentation
- Customer service
- Perception of value

- Discretionary spending under pressure
- Inconsistent and conflicting customer communication

Actions to address stakeholder concerns

- Ongoing learning and development programmes for employees to improve skills and customer service
- Ongoing customer surveys
- Proactively managing customer feedback
- Enhanced business analytics to improve customer segmentation
- Ongoing property upgrades and refurbishments
- Improving brand and marketing campaigns
- Continually enhancing the Sun MVG offerings
- Implementing a new communication system to improve direct communication with Sun MVGs

EMPLOYEES

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

Key stakeholder concerns

- Fair remuneration
- Learning and development
- Talent management
- Performance management
- Succession planning
- Transformation
- Recognition

Actions to address stakeholder concerns

- Embedded the SunWay culture programme and employee value proposition
- Ensuring compliance with the tenets of 'equal pay for work of equal value' through our South African operations
- Ongoing learnings and development initiatives
- Annual performance reviews
- Biannual employee satisfaction surveys to determine overall employee satisfaction
- Robust employment equity plan in place to track transformation progress
- Best practice policies, standards and procedures in place
- Increased employee wellness initiatives and programmes
- Updated and implemented the group's revised code of ethics

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.

Key stakeholder concerns

- Underperformance of strategic investments
- Capital allocation
- High debt levels
- Meeting debt covenants
- Gap between valuation and the group's share price
- Creating shareholder value through dividend distributions

Actions to address stakeholder concerns

- Rights offer proceeds of R1.6 billion allocated to debt to strengthen balance sheet
- Direct engagement with executives at annual and interim reporting and investor presentations
- Debt strategy communicated to investors through presentations, direct engagement, roadshows and annual and interim reporting
- Increased focus on operational and resource efficiencies.

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 game industry to ensure a fair and responsible industry.

Key stakeholder concerns

- EBTs licensing
- Licence conditions change requests
- Increase in gaming taxes in Gauteng

Actions to address stakeholder concerns

- Executives and group compliance continue to build relationships with all provincial gaming boards through regular interaction
- Site visits to key properties
- Ongoing feedback to gaming boards on licence conditions
- Internal and external compliance audits

PARTNERS AND SUPPLIERS

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

Key stakeholder concerns

- Negative perceptions around the process of registering as a supplier
- Lack of visibility of sourcing opportunities when tenders are being issued
- Return on investment on big events

Actions to address stakeholder concerns

- Improved the procurement system to control fronting and support B-BBEE initiatives
- Improved guest and customer offerings through sustained and improved partnerships
- Maintained our Level 1 B-BBEE rating
- Introduced a procurement tender notice board to inform all suppliers of new requests for proposal
- Introduced supplier conferences and open day to improve local procurement
- Continued to review events to provide sustainable returns on investment

REGULATORS AND INDUSTRY BODIES

Regulators provide guidance on how 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.

Key stakeholder concerns

- Compliance with relevant legislation (e.g. regarding B-BBEE, labour, health, smoking and liquor)

Actions to address stakeholder concerns

- Ongoing engagements with regulators and industry bodies
- Continuous monitoring of changes to legislation directly impacting the group
- Submissions to regulators on proposed legislation
- Ongoing lobbying through the industry body, *CASA*
- Internal and external compliance audits on all aspects of sustainability, namely environment, health and safety, and SED
- SHE compliance cross-unit audits conducted at all local operations
- Training of 32 SHE representatives as internal SHE compliance auditors

MATERIAL MATTERS

Our material matters consider the operating environment, including external and internal factors, our stakeholder concerns, and the risks impacting our business.

OPERATING ENVIRONMENT

The group operates in eight countries across two continents. This provides a dynamic and often challenging operating context, which can impact the delivery of our vision. Continually monitoring external factors helps identify risks and opportunities, which we respond to through our business model and strategy. The external factors indicated below are the most material issues that impact on our day-to-day operating environment.

Key external factors

Local and global economic conditions	Socio-economic and social issues	Gambling boards requirements	Government policy and legislation	Local infrastructure	Climate change
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STAKEHOLDER ENGAGEMENT

Proactive and transparent **stakeholder engagement** is important to achieving our strategy and vision. It enables us to determine and address stakeholders' material concerns and manage their expectations. Our reputation directly impacts whether consumers become our guests, whether suppliers become vendors, and whether government believes we comply with regulations and give back to the community by driving economic and social development (E&SD). Sun International has numerous stakeholders with whom we engage on various platforms. Our key stakeholders for the year under review are shown [here](#).

RISK MANAGEMENT

Through a formal **risk management** process and governance structure, Sun International identifies, reviews, monitors and responds to the most material risks and opportunities across our business units and the countries in which we operate. Risk identification is key to safeguarding our assets, recognising opportunities, and implementing strategies to ensure we continue to address our material matters and deliver on our strategy.

STRATEGY

Our group **strategy** consists of five objectives that guide our growth and operational aspirations. These strategic objectives are informed by and address the material matters, risks and opportunities the group faces as well as key stakeholder concerns.

MATERIALITY DETERMINATION PROCESS

The process of determining materiality, outlined below, involves reviewing our risks, opportunities, external environment and stakeholder concerns. This process is dynamic and evolves yearly to ensure our material matters remain relevant and enable the group to achieve its strategic objectives, vision and mission. This materiality determination process, shown below is reviewed, updated and approved annually by the relevant governing bodies.

Our materiality process and methodology are reviewed and updated annually and, where applicable, aligned to best practice.



GROUP MATERIAL MATTERS

We consider material matters as factors that could substantively influence the assessment of providers of capital and other stakeholders regarding Sun International's ability to create value over the short, medium and long term. Our material matters are informed by our internal and external operating environment. They inform our business model, strategy and stakeholder engagement process. To achieve our strategic objectives and manage our risks, these material matters key for level of control are continuously monitored by Sun International and its governing body.

MANAGING OUR WAY THROUGH TOUGH ECONOMIC CONDITIONS

Our business depends on consumer spending at our properties. The prevailing tough economic environment in South Africa continues to strain consumers' disposable income, particularly discretionary spending on gaming and hospitality. This negatively impacts our profitability. The ongoing political and social challenges in South Africa remain a concern for the group.

2018 update: Consumer and investor confidence improved marginally following the December 2017 election, when Cyril Ramaphosa was elected as the President of South Africa. The upcoming May 2019 South African general elections are important to ensure South Africa can generate social and economic growth. Economic growth prospects across our international operations have improved and stabilised, although global geopolitical risks are increasing.

Opportunities: As the group navigates its way through these tough economic conditions. South Africa's interest rates are attractive for international investors. This provides a platform for increased investor inflows. The group makes a concerted effort to contain costs, improve customer service and become more efficient in this difficult economic climate.

Risks:

- Weak economic conditions
- Times Square not achieving its feasibility

Level of control



Risk level
Serious

SMOKING LEGISLATION

The proposed amendments to the smoking legislation, which will ban smoking in public areas, will severely impact casino revenues.

2018 update: The group submitted comments to the South African Department of Health on the draft Control of Tobacco Products and Electronic Delivery System Bill, following its publication in May 2018, expressing concerns about smoking (including e-cigarettes) being banned in public areas. Extensive lobbying through interested stakeholders such as CASA, gaming boards, and trade unions has taken place to raise similar concerns. Sun International continues to actively monitor this legislation and explore mitigating actions if this Bill is passed.

Risks:

- Smoking legislation

Level of control



Risk level
Serious

HIGH GEARING LEVELS

Managing high debt levels, in a tough economic environment, and managing certain properties that have performed below expectations, is imperative in ensuring we continue to provide sustainable shareholder value.

2018 update: Following the group's rights offer in 2018, which was significantly oversubscribed, R1.6 billion was raised and used to reduce the group's debt levels and strengthen the balance sheet. The group's balance sheet remains resilient and the group experienced strong cash flows.

Risks:

- Weak economic conditions

Level of control



Risk level
Serious

CAPITAL ALLOCATION AND UNDERPERFORMANCE OF OUR INVESTMENTS

The group continues to strategically allocate capital and carefully monitor its underperforming investments, in line with the economic environment.

2018 update: The group closed two underperforming investments in Colombia (Sun Nao Casino) and Panama (International VIP Business and the 66th floor of the Ocean Sun Casino), which led to decreased income and a significant cost reduction. Following the closure of the Sun Nao Casino in Colombia, the group explored a more lucrative business model for the Colombian market by opening several small low-cost halls using Sun Nao Casino's machines and tables. Although the group continues to incur small losses, this business model is an opportunity to turn this business into a profitable venture.

There was significant increased activity at Maslow Time Square with the opening of The Maslow Time Square Hotel. Although casino income is still below expectations, we remain confident it will continue to gain market share, grow revenue, and improve its operating margin. Following a good performance in 2017, Sun City came under pressure due to the difficult economic climate.

Opportunities: Grow Time Square's market share and improve the operating margin. Secure new lines of business for Sun City, particularly mid-week business and focus on increasing foreign visitation out of China and India when government makes the announced changes to the visa legislation.

Risks

- Maslow Time Square not achieving its feasibility
- Weak economic conditions

Level of control



Risk level
Priority

MANAGING RELATIONS WITH OUR KEY STAKEHOLDERS AND REMAINING RELEVANT IN THE AREAS WHERE WE OPERATE

Proactive stakeholder engagement is imperative to ensure we understand stakeholder needs to achieve our strategic objectives, minimise our risks and optimise business opportunities. As most of our casino licences provide for exclusive area rights, we must offer products and services that support, and remain relevant to, the communities in which we operate.

2018 update: Community demands for increased local procurement spend was a material stakeholder concern. Sun International has established targets for increasing local procurement spend across its South African operations. Further, we provide formal business development support for current and potential suppliers as part of our E&SD strategy.

In addition to the group's inclusive stakeholder engagement approach, our community engagement methodology was refreshed to ensure that all community engagement and interventions align with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans.

Opportunities: Transparent and positive stakeholder relations lead to greater stakeholder cohesion and inclusivity and provide opportunities to uplift SED within our communities and boost the tourism industry, which remains an important element in stimulating economic growth.

Risks

- Increased demands from stakeholders – communities

Level of control



Risk level
Priority

MANAGING OUR COMPLEX REGULATORY ENVIRONMENT

We operate in a highly regulated and complex environment. The possibility of increased taxes and more onerous licence conditions will all impact the group's profitability. The group continues to focus on compliance requirements, ensuring we maintain our operational and social licence to operate. The increased availability of alternate gaming and the encroachment of EBTs in our catchment areas remain a concern as our market share has eroded.

2018 update: Ongoing lobbying, through CASA, against increased taxes and more onerous licence conditions remains a significant group focus. The Gauteng Gambling Board recently gazette an increase in gaming taxes in Gauteng, applicable from 1 April 2019. CASA is challenging the increase on grounds of a procedural and fairness basis.

Sun International continues to oppose the EBT rollout in the catchment areas of casinos in the current regulatory environment on the basis that significant investments have been made by Sun International in return for the casino licence.

CASA, on behalf of its members, is appealing the proposed decision by the Minister of Trade and Industry to increase the number of casino licences in the country to 41 with the additional one casino licence earmarked for the North West. CASAmade a submission to proposed changes to the National Gambling Bill which seeks to

Level of control



Risk level
Priority

introduce a new body to replace the current National Gambling Board with a National Gambling Regulator.

Risks

- Ongoing changes in licence conditions
- Erosion of market share due to EBTs and LPMs in catchment areas
- Increase in gaming taxes and VAT

IMPROVING OPERATING AND RESOURCE EFFICIENCIES

To remain relevant to our customers and to adapt in a weak trading environment, the group focuses on extracting efficiencies across the business and optimising systems.

2018 update: An efficiency initiative team was established that has identified several processes across the business that need to be revised to function more efficiently. Several initiatives have been or are being implemented at an operational level.

Opportunities: Managing the business more efficiently and improving the utilisation of technology will lead to further cost containments and improve customer service levels.

Risks:

- Weak economic conditions

EXPIRING LICENCES AND GRANDWEST EXCLUSIVITY

Our casino business depends on the renewal and exclusivity of our casino licences. The group continues to monitor licence renewal bidding processes and changes in licence conditions that impact the business.

2018 update: The group's bid for the Iquique municipal licence in Chile was awarded to Sun Dreams for another 15 years. While our bids all met the minimum criteria, we lost to a competitor whose economic offer (additional tax) was substantially above ours and at levels which would not generate satisfactory returns for us. The group offset this by acquiring two operations, the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina and Thunderbird Resorts in Peru.

In February 2018, the Western Cape government gazetted draft legislation to establish three zones for casinos in the Cape Metropole and to allow for licence relocation. This legislation includes changes to gaming tax tables and conditions for relocation, entailing additional taxes and fees. The group submitted comments on the draft legislation and simultaneously engaged with several stakeholders including the media, local municipalities in Worcester, Caledon and Mykonos and other interested stakeholder groupings. Overwhelming public support was received against the relocation of licences.

Opportunities: There is an opportunity to look at real estate development at GrandWest to generate additional footfall and realise estate value. Sun Dreams continues to seek further expansion opportunities in Latam and is addressing the issue of renewal of the Monticello license.

Level of control



Risk level
Priority

Level of control



Risk level
Focus area

Risks

- Loss of GrandWest licence exclusivity
- Ongoing challenges in licence conditions

RELIABILITY AND SUSTAINABILITY OF NATURAL RESOURCES LIKE ENERGY AND WATER

External factors such as water scarcity, the ongoing proposed material energy cost increase and the financial crisis facing South Africa’s energy supply continue to create additional pressure on our business.

2018 update: Renewable energy projects are being considered across the group and we are in the process of identifying and evaluating the most suitable approach for participating in energy projects. The water crisis has abated, and we have implemented sustainable solutions to address any future water crises at our properties in the Western Cape and Eastern Cape.

Opportunities: The implementation of energy-efficient projects will assist in reducing our reliance on South Africa’s energy supplier and reduce energy and water consumption.

Risks:

- Weak economic conditions

Level of control



Risk level
Priority

RISK MANAGEMENT

Our risk management process aims to achieve an appropriate balance between identifying and minimising key risks and realising value creation opportunities. The board is ultimately responsible for governing the group’s risk management process, which includes formulating 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 risk committee.

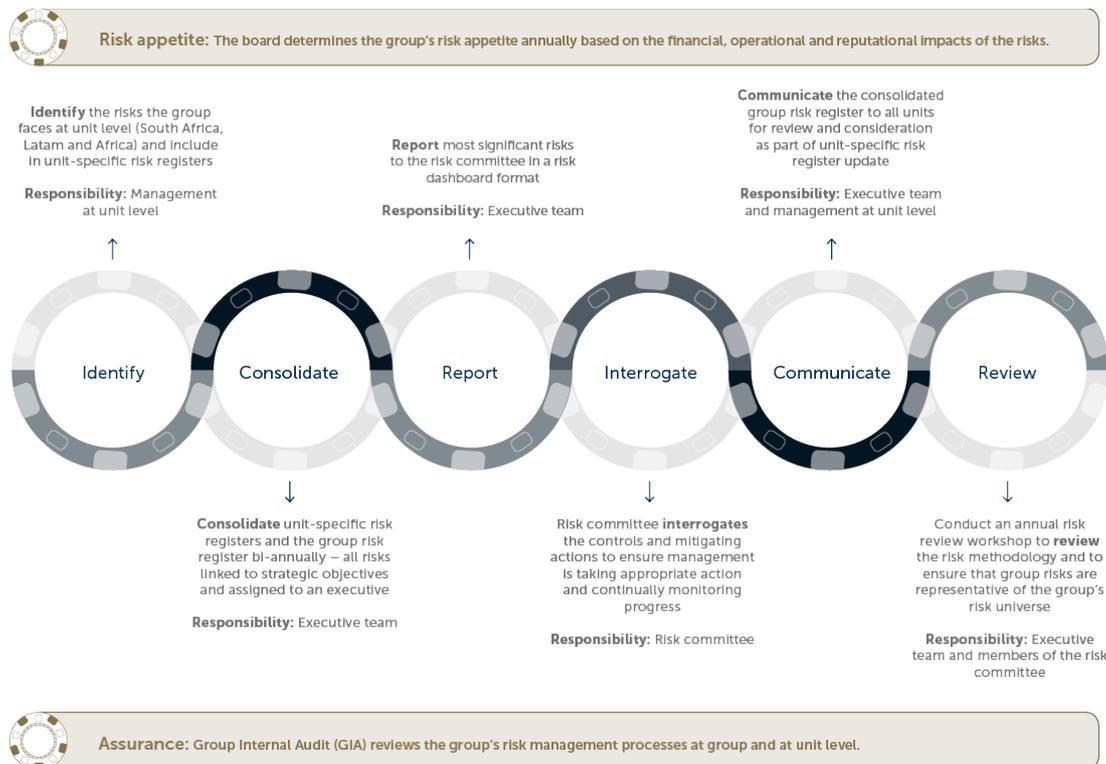
RISK APPROACH

Sun International has a formal [risk management process](#) and [governance structure](#) with various management and board sub-committees responsible for identifying, reviewing and monitoring the group’s risks and identifying opportunities. During 2018, the group’s risk approach was consistently applied group-wide and remains robust.

Risks are linked to the group’s strategic objectives to understand the likelihood of the group achieving its long-term sustainable business strategy. The group considers its risks in terms of the possible impact and likelihood of a risk occurring, 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 that includes quarterly status updates, contingency plans and possible opportunities, to minimise or prevent the risk.

As part of the revised risk management programme, an annual risk workshop is held to ensure the risk methodology is still relevant and that the risks are representative of the group’s risk universe. The risk review workshop includes the risk committee, and relevant executive members. The executive team remains collectively responsible for managing and reviewing the entire register prior to each risk committee meeting.

RISK IDENTIFICATION PROCESS



RISK GOVERNANCE

The group's management team is tasked with identifying the group's risks and each unit in South Africa, Africa and Latam has a unit-specific risk register, using the same methodology, which is compiled and consolidated quarterly. The most significant risks are reported to and reviewed by the risk committee at each meeting in the form of a risk dashboard, where the committee interrogates the controls and mitigating actions to ensure management is taking appropriate action and continually monitoring progress. The chairman of the risk committee 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 key risks and opportunities and 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 and assesses each risk.

Factors considered by the board when assessing risk

- possible economic impact on our business
- degree to which the risk affects us and our stakeholders
- extent to which the risk is likely to grow in significance and impact our business in the future
- business opportunities the risk presents
- strength and effectiveness of mitigating controls in place to manage the risk
- whether the residual risk is within the group's tolerance levels.

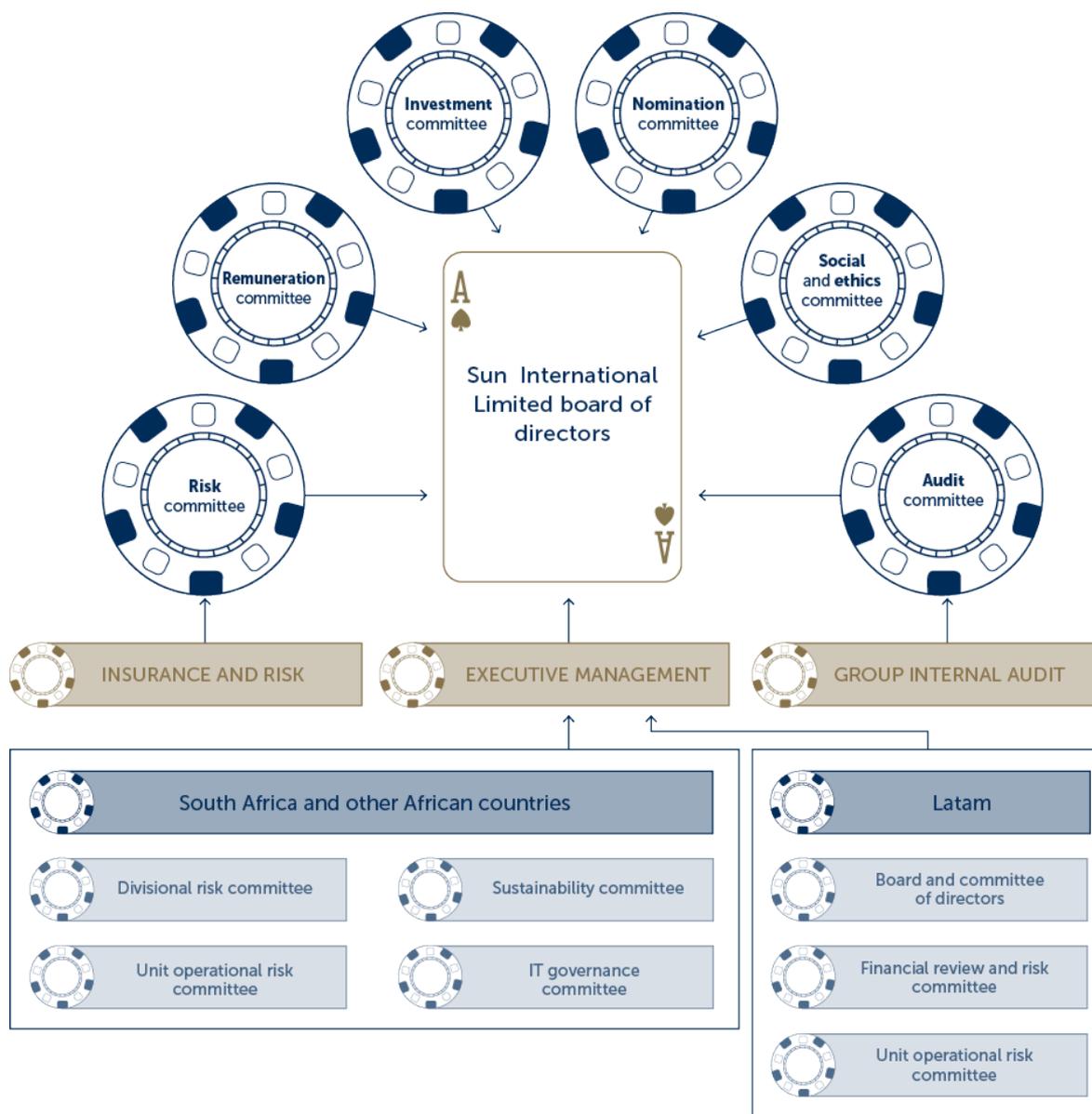
The chairman of the audit committee is a member of the risk committee. The interaction between these two committees is such that the audit committee has an oversight role specifically in relation to financial reporting risks.

As part of Sun International's combined assurance model, GIA's annual internal audit plan includes a review of the consistency of the application of the risk methodology and the effectiveness of risk controls. GIA's overall mandate includes the evaluation of risk exposures and the:

- reliability and integrity of information
- effectiveness of operating processes
- reliable and accurate reporting and communication of risks
- safeguarding of assets
- compliance with laws, regulations and controls.

The risk governance structure depicts the various management and board sub-committees responsible for the risk management process.

Risk governance structure



TOP 10 RISKS

As part of the group's overall risk universe, the following risks have been identified as the top 10 group risks. These risks are used to inform our business strategy accordingly. The residual risk ranking accounts for the impact and likelihood of the risk occurring and the controls in place to effectively mitigate the risk. The residual risk rating determines the urgency of action required by management. For the year under review, two risks (7 and 10) moved into the group top 10 risks, with one new risk (9) being added to the risk register.

Top 10 risks in 2018

Risk rating	Risk description	Residual risk description	Risk category
1 (2017: 1)	Smoking legislation (South Africa and Latam)	Serious	Regulated operating environment
2 (2017: 3)	Erosion of market share due to EBTs and LPMs in catchment areas	Serious	Increased competition
3 (2017: 2)	Weak economic conditions	Serious	Financial sustainability
4 (2017: 10)	Maslow Time Square not achieving its feasibility	Moderate	Financial sustainability
5 (2017: 4)	Loss of Grandwest Casino licence exclusivity	Within appetite	Gaming and other operating licences
6 (2017: 5)	Ongoing changes in licence conditions	Within appetite	Gaming and other operating licences
7 (2017: 11)	Illegal gambling (South Africa and Latam)	Within appetite	Increased competition
8 (2017: 6)	Increase in gaming taxes and VAT¹	Within appetite	Gaming and other operating licences
9 (New)	Increase demands from stakeholders – communities	Within appetite	Regulated operating environment
10 (2017: 16)	Cyber threats and information security	Within appetite	Business interruption

¹ This risk was ranked 13 in the risk register as at 31 December 2018. However, the risk was elevated to 8 post year end due to amended [Regulation 85](#) of the Gauteng Gambling Regulations, 1997, released on 14 January 2019. The amendment purported to introduce a new tax regime for casinos in Gauteng whereby gaming taxes were to be determined with reference to a sliding scale of GGR, effective 1 April 2019. Prior to this amendment, casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling income. CASA opposed this amendment resulting in the Gauteng MEC responsible for Economic Development, Environment, Agriculture and Rural Development agreeing to withdraw the implementation of the amendment, and recommence the process to determine the effect such a proposed tax would have on the Gauteng casino industry.

RISK 1: SMOKING LEGISLATION (SOUTH AFRICA AND LATAM) (2017: 1)

Risk description: The 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 casino revenues in South Africa.

Risk rating: Serious

Risk movement: Unchanged

Sun International's level of control: Low

Primary board committee: Risk committee

Key stakeholders: Employees, customers, health authorities and shareholders

Risk movement



Risk mitigation

- Submitting comments on the proposed legislation
- Lobbying and engaging with CASA, the gaming boards, trade unions and other companies who have similar concerns regarding this legislation
- Rolling out alternative non-tobacco products at certain South African operations
- Establishing additional smoking decks at our Latam operations.

<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Governance and sustainability • Improve our existing operations and guest experience. 	<p>Outlook</p> <ul style="list-style-type: none"> • Legislation is not expected to be enacted in the 2019 financial year • Sun International continues to lobby and coordinate efforts with other affected industries.
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RISK 2: EROSION OF MARKET SHARE DUE TO EBTS AND LPMS IN CATCHMENT AREAS (2017: 3)

<p>Risk description: The proliferation of EBT and LPM licences issued in the group's catchment areas have eroded market share from casino operations due to increased competition.</p>		<p>Risk movement</p>
<p>Risk rating: Serious Risk movement: Increased Sun International's level of control: Low Primary board committee: Risk committee Key stakeholders: Shareholders and potential investors, gaming boards, regulators and suppliers</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Pursuing legal action in KwaZulu-Natal against the issue of EBT licencing • Pursuing legal action in Eastern Cape around licence exclusivity • Engaging and collaborating with gaming boards around roll out of EBTS and LPMS in catchment areas • Lodging objections against the Eastern Cape Gambling Board to issue more ISO licences • Continuing to collaborate with law enforcement to clamp down on illegal gambling activities. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Protect and leverage our existing asset portfolio 	<p>Outlook</p> <ul style="list-style-type: none"> • Sun International continues to engage government and the gaming boards regarding EBT and LPM rollouts to protect the group's licence exclusivity 	

RISK 3: WEAK ECONOMIC CONDITIONS (2017: 2)

<p>Risk description: South Africa continues to experience a weak economic climate that impacted the group's revenue and costs. The change in the country's leadership improved investor confidence, which could provide a more positive economic outlook.</p>		<p>Risk movement</p>
<p>Risk rating: Serious Risk movement: Increase Sun International's level of control: Low Primary board committee: Risk and audit committees Key stakeholders: Shareholders and potential investors and employees</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Established an efficiency initiative team that is focusing on improving operational and resource efficiencies across the business • Focusing on cost containment • Focusing on customer service and value offerings • Focusing on repairs and maintenance while carefully considering capital expenditure • Reducing debt through the proceeds of the rights offer • Improving investor relationships through regular engagement. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Improve our existing operations and guest experience 	<p>Outlook</p> <ul style="list-style-type: none"> • Sun International's efficiency initiative team will continue to implement efficiency initiative across the business • Post the 2019 South African general elections, further clarity may be provided on how the 	

	<p>government will implement growth-enhancing policies, however, there remains uncertainty</p> <ul style="list-style-type: none"> • The fragility of South Africa's energy supplier and high energy costs remains a concern.
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RISK 4: MASLOW TIME SQUARE NOT ACHIEVING FEASIBILITY (2017: 10)

<p>Risk description: Despite ongoing marketing efforts and with the weak economic conditions, Maslow Time Square is not achieving the original projected estimates and there is a risk of impairment to the asset.</p>		<p>Risk movement</p>
<p>Risk rating: Moderate Risk movement: Increased Sun International's level of control: Medium Primary board committee: Risk committee Key stakeholders: Shareholders and potential investors, gambling boards</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Reconfiguring certain areas of the gaming floor • Outsourcing certain food and beverage offerings • Maximising hotel occupancy • Reviewing operational efficiencies to improve margins • Continuing to focus on marketing initiatives • Driving Sun MVG sign-ups • Increasing events in the arena to improve footfall. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Improve our existing operations and guest experience 	<p>Outlook</p> <ul style="list-style-type: none"> • Revenue and footfall improved and we remain optimistic that Maslow Time Square will increase market share, given the lacklustre trading environment 	

RISK 5: LOSS OF GRANDWEST CASINO LICENCE EXCLUSIVITY (2017: 4)

<p>Risk description: Draft legislation was published in February 2018 that allows for the relocation of casinos. If this legislation is implemented, there is a risk of diluting GrandWest Casino's gambling revenues, thereby impacting overall profits which may lead to job losses and revenue displacement – all of which have a negative impact on the local economic environment. There has been significant media reaction to this draft legislation, with most interested parties objecting to the relocation of casinos.</p>		<p>Risk movement</p>
<p>Risk rating: Within appetite Risk movement: Decreased Sun International's level of control: Low Primary board committee: Risk committee Key stakeholders: Gambling boards, provincial government, communities and guests</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Continuing to review and challenge the proposed legislation • Ongoing lobbying with government to discuss and consider proposal for exclusivity • Extensive engagement with media, local municipalities and other interested stakeholders informing them of the risks of relocation in respect of revenue declines and potential job losses • Considering the feasibility of relocating the Worcester casino licence. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Protect and leverage our existing asset portfolio 	<p>Outlook</p> <ul style="list-style-type: none"> • It is unlikely that this legislation will be implemented in 2019 given the general elections and other matters on which the government is focusing 	

RISK 6: ONGOING CHANGES IN LICENCE CONDITIONS (2017: 5)

<p>Risk description: Regulators may issue more onerous licence conditions that will impact the group’s licence compliance and profitability.</p>		<p>Risk movement</p>
<p>Risk rating: Within appetite Risk movement: Decreased Sun International’s level of control: Medium Primary board committee: Risk committee Key stakeholders: Gambling boards, provincial government, shareholders and potential investors</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Negotiating licence conditions with various gambling boards • Proactively improving relationships with gambling boards • Maintaining or improving current B-BBEE levels • Continuing to invest in local and affected communities through SED spend. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Protect and leverage our existing asset portfolio 	<p>Outlook</p> <ul style="list-style-type: none"> • Sun International continues to engage with the gambling boards 	

RISK 7: ILLEGAL GAMBLING (SOUTH AFRICA AND LATAM) (2017: 11)

<p>Risk description: The proliferation of Illegal gambling operations continues to erode gambling revenues. Companies need to constantly adapt to these invisible operators. Even with law enforcement keeping a watchful eye on illegal gambling in South Africa and in Latam, there has been limited impact on this illegal industry.</p>		<p>Risk movement</p>
<p>Risk rating: Within appetite Risk movement: Increased Sun International’s level of control: Low Primary board committee: Risk committee Key stakeholders: Gambling boards, CASA, South African Police Service, and provincial and national government</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> • Providing authorities with intelligence around illegal gaming and casino outlets • Lobbying with CASA and gaming boards for support from law enforcement agencies 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> • Improve our existing operations and guest experience 	<p>Outlook</p> <ul style="list-style-type: none"> • Sun International continues to engage with relevant stakeholders to assist in combatting illegal gambling 	

RISK 8: INCREASE IN GAMING TAXES AND VAT¹ (2017: 6)

<p>Risk description: The Gauteng Gambling Board gazetted an increase in Gauteng gaming taxes effective 1 April 2019. This will impact our South African operations' profitability in an already constrained economic environment.</p>		<p>Risk movement</p>
<p>Risk rating: Within appetite Risk movement: Decreased Sun International's level of control: Low Primary board committee: Risk committee Key stakeholders: Gambling boards, CASA, provincial government and shareholders</p>		
<p>Risk mitigation</p> <ul style="list-style-type: none"> Monitoring CASA's progress in challenging the increase on grounds of a procedural and fairness basis Lobbying and challenging proposed gaming tax legislation. 		
<p>Strategic objectives impacted</p> <ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<p>Outlook</p> <ul style="list-style-type: none"> Ongoing lobbying with CASA to resolve this matter Current tax rates to be applied until further clarity on this increase 	

¹ This risk was ranked 13 in the risk register as at 31 December 2018. However, the risk was elevated to 8 post year end due to amended [Regulation 85](#) of the Gauteng Gambling Regulations, 1997, released on 14 January 2019. The amendment purported to introduce a new tax regime for casinos in Gauteng whereby gaming taxes were to be determined with reference to a sliding scale of GGR, effective 1 April 2019. Prior to this amendment, casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling income. CASA opposed this amendment resulting in the Gauteng MEC responsible for Economic Development, Environment, Agriculture and Rural Development agreeing to withdraw the implementation of the amendment, and recommence the process to determine the effect such a proposed tax would have on the Gauteng casino industry.

RISK 9: INCREASED DEMANDS FROM STAKEHOLDERS – COMMUNITIES (NEW)

<p>Risk description: There has been a significant increase in demands from local communities surrounding our operations, ranging from procurement, employment, shareholding to land opportunities. Political parties are increasing their involvement and local B-BBEE shareholders' requests are increasing.</p>		<p>Risk movement</p>
<p>Risk rating: Within appetite Risk movement: Increased Sun International's level of control: Medium Primary board committee: Social and ethics committee Key stakeholders: Communities and suppliers</p>		

Risk mitigation

- Ongoing communication with interested stakeholder groupings
- Appointed a dedicated SED and community engagement specialist to improve ongoing communication and engagement with local communities
- Introduced stakeholder engagements forums
- Focusing on local B-BBEE procurement, enterprise development and SED within communities surrounding group operations
- Developing a formal community engagement management plan to improve community dialogue and to identify community needs.

Strategic objectives impacted

- Protect and leverage our existing asset portfolio

Outlook

- Community engagement plan should be completed in July 2019 to be rolled out across our South African operations.
- Ongoing SED stakeholder training will take place across units for SED representatives
- Ongoing efforts to increase local procurement spend.

RISK 10: CYBER THREATS AND INFORMATION SECURITY (2017: 16)

Risk description: The group's dynamic operating environment includes the digital arena, which is susceptible to cyberthreats leading to business interruption, and the risk of customers' personal information being compromised.

Risk rating: Within appetite
Risk movement: Increased
Sun International's level of control: Medium
Primary board committee: Risk committee
Key stakeholders: Customers and guests, employees and shareholders

Risk movement



Risk mitigation

- A group-wide cyber security policies are in place
- Ongoing cyber training and awareness as well as cyber threat simulations
- Various technologies in place to detect and block multiple levels of threats
- Ongoing monitoring of cyber threats to identify root causes and implement solutions
- Business continuity plans in place including the use of external forensic teams in the event of a sophisticated attack, cyber security insurance in place and certified ethical hackers to test Sun International's IT environment.

Strategic objectives impacted

- Protect and leverage our existing asset portfolio

Outlook

- Sun International continues to proactively secure its IT management systems

STRATEGIC OBJECTIVES

To achieve our strategy, we have set short and medium-term objectives and initiatives, that are reviewed and updated when necessary. These objectives and initiatives address the material issues, risks and opportunities the group faces, as well as key stakeholder concerns and strategic growth aspirations.

Our strategic objectives are incorporated under these five pillars.



IMPROVE OUR EXISTING OPERATIONS AND OUR GUEST EXPERIENCE

In challenging the assumption that the markets in which we operate are relatively mature, we are actively relooking how our business is structured and how we operate to maximise the value we can create, and to improve our guest experience.

Ensuring that existing and new guests keep choosing Sun International properties as their destination of choice, through offering a great experience, is core to this focus area.



PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

We have a diverse portfolio of assets including world-class five-star hotels, modern and well located casinos, some of the world's premier resorts and some older legacy assets that for various reasons may no longer be positioned favourably. In evaluating our portfolio, we have identified those properties that can be better leveraged, those that need protection and those that may no longer be core to our strategy.



GROW OUR BUSINESS INTO NEW AREAS AND PRODUCTS

While we believe there is still latent growth to be had from our existing assets, to effectively grow our business, we are considering other geographic areas that offer attractive opportunities for casinos. In particular, we continue to focus on Latin America. We are also looking at the alternative gaming market which continues to experience strong growth.



OUR PEOPLE

Our people are the enablers of the group's ability to achieve its strategic objectives. Given the highly regulated and service-orientated industry in which we operate, our people's motivation and competence to perform and provide a memorable guest experience are key determinants of the group's ongoing success and sustainability.



GOVERNANCE AND SUSTAINABILITY

As a responsible corporate citizen, the group has developed a credible track record that underpins our corporate reputation. Governance and sustainability are fundamental to Sun International's operations and are interwoven into our strategy and decision-making process, from board and management level to our operations.

IMPROVE OUR EXISTING OPERATIONS AND OUR GUEST EXPERIENCE

IMPROVE OUR GUEST EXPERIENCE

To create great memories for our guests, we must remain relevant and offer our guests memorable experiences. Our two greatest assets are our people and our properties. Our people work tirelessly to put our guests first, demonstrating how we 'walk the talk' to solidify our vision into reality.

HIGHLIGHTS

- Introduced a digital communication platform for our Sun MVG customers
- Adopted a premium international online gaming software.

CHALLENGES

- Improving customer service levels across all units
- Driving footfall at units in a subdued economy.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Improving customer satisfaction scores and optimising guest communication.	Achieved average customer satisfaction ratings between medium and high, with our premium properties achieving an excellent rating.	In progress
Improving communications and our Sun MVG loyalty programme based on customer feedback.	Introduced a digital communication platform to improve engagement with our Sun MVG customers and system implemented a monthly loyalty programme communication.	Achieved
Migrating to new and improved systems and software for SunBet and SunSlots.	Adopted a new premium international online gaming software and a new website design to enhance SunBet and SunSlots systems.	In progress
Leveraging food and beverage opportunities at SunPark and national events, including SunMet, Miss South Africa and the Nedbank Golf Challenge.	Continued leveraging food and beverage opportunities at our national events and conferences.	Achieved

OVERVIEW

Sun International's business model is based on creating memorable experiences for our customers. We achieve this tenet by instilling a 'customer first' culture at our properties. Customers can rate their experience at each unit. Their comments provide qualitative information to help us determine areas where we can improve, and where our strengths lie. Customer satisfaction scores are also aligned to relevant employees' key performance indicators to drive the correct behaviour and align with our SunWay success formula enabler, 'bending over backwards'. We conduct ongoing customer service training at units to enhance our service offering and customer experience, and empower staff in line with the group's employee value proposition. We will be reintroducing our CLEAR^[1] principles, which impact how employees conduct themselves personally and professionally.

¹ CLEAR principles: choices, listening, expression, accountability and relationships.

On average we achieved a medium to high customer satisfaction rating for most properties. Premium properties such as The Table Bay Hotel achieved excellent satisfaction ratings. The group needs to ensure we maintain this level of service at all Sun International units. In the year ahead, we aim to increase our average rating.

Customer complaints about general service are addressed and resolved at each unit. Most compliments are for exceptional service and friendly staff. Our automatic complaint escalation process has improved the time it takes to address each complaint, and to close each case to the guest's satisfaction.

We introduced a new case management system in the call centre that pre-emptively provides a customer's history when they contact us. This assists the call centre with providing more informed and relevant solutions to the customer, which in turn improves customer service and satisfaction levels.

We prioritise delivering trusted solutions that inspire and reward customers. Backed by data-driven insights, Sun International's digital marketing efforts have evolved to offer a full suite of content solutions to engage customers in their online journey. We made efforts to optimise the myriad of digital marketing platforms available. Our online brand presence gained a significant share of voice through a mix of 'always-on' and targeted campaigns that yield high conversion rates. Our competitive landscape expands from hotel and gaming companies to industry disruptors like Google, Uber, Airbnb and Facebook. Sun International's digital marketing strategy will focus on building a long-term communication framework that integrates the customer journey with intelligent analytics, which involves continuous customer journey mapping to deliver data-driven responses to real-time customer activities.

To gain maximum benefit from our units, particularly in off-peak times, we continue to explore new ways of driving footfall. An example of this is using our SunPark multipurpose conferencing facility for hosting events, festivals and conferences. Some units have cross-sell opportunities including banqueting, gaming and room nights.

It is important to continually upgrade our iconic properties to ensure they provide guests with lasting memories. Refurbishments to the rooms at Sun City's Cascades and the Palace are under way. The Vacation Club's phase two refurbishments commenced in 2018, and no displacement of business or customer inconvenience is expected. Sibaya's Privé and various restaurants were refurbished during 2018. At Maslow Time Square, we replaced non-performing food and beverage outlets with restaurants with enhanced customer appeal.

During 2018, the group adopted premium international online gaming software that enriched Sun International's online sports betting offering, SunBet. SunBet showed positive results, increasing 81% (2017: 27%) in the number of bets placed and 42% (2017: 44%) in active users, which resulted in a 57% increase in GGR. The software migration and a new website design enhanced SunBet's online user experience, increasing its sports content and betting market offering to cover over 100 000 live in-play sports events annually. The new platform effectively positions the group to explore entering new online gaming jurisdictions and products.

Food and beverage revenues decreased 2% to R903 million (2017: R921 million), largely due to difficult trading conditions in South Africa, which also adversely impacted hotel occupancy, banqueting and average spend by casino patrons. Revenue was negatively affected by the closure of Morula and Fish River Sun in 2017. Subdued trading conditions at Sun City, Boardwalk, The Table Bay, Maslow Sandton and Carnival City impacted food and beverage revenue.

The water shortage in the Western Cape, where The Table Bay is located, negatively affected tourism. There was a notable increase in tourism towards the end of 2018 after the water crisis was addressed. Going forward, we will focus on driving further efficiencies by optimising and leveraging our supplier relationships to achieve savings within the food and beverage purchasing model. The IFS and micros data clean-up positively impacted profits and improved margins. Looking ahead, the food and beverage strategy is to drive margins and continue to offer unique food experiences, such as the Food Fest at MASlow Time Square.

Our scheduling system, Kronos, enables better staff management based on property demand. We developed a comprehensive marketing strategy to drive conferencing activity throughout the group. On-the-job training, mentoring, succession planning and emphasising the SunWay culture are some key drivers to ensure our people deliver meaningful customer experiences and improve back-office efficiencies.

During 2018, we focused on familiarising our customers with the refreshed loyalty programme, Sun MVG's rewards and benefits. Customers can sign up online within the property environment, which enables fast and more accurate data collection, distribution of more relevant information and improved customer service. We reduced our carbon footprint by moving from a postal to a digital environment, ensuring efficient and effective communication platforms are available to our customers. We implemented monthly loyalty programme related communication to our Sun MVG cardholders, specifically around points expiry. Going forward, we will focus on looking for opportunities to drive new signups, encourage active participation through tiered rewards and

benefits, deliver relevant information to Sun MVG cardholders through digital communication, and continue to create a seamless customer experience at all touchpoints.

LOOKING AHEAD

- ▶ Continuing to improve customer service levels and great memorable experiences
- ▶ Enhancing Sun International's digital marketing strategy to improve customer communication and analytics
- ▶ Explore new ways of driving footfall at our properties
- ▶ Exploring opportunities to enter new online gaming jurisdictions and products
- ▶ Driving further efficiencies across our properties to improve margins
- ▶ Exploring opportunities to drive new Sun MVG signups.

EFFICIENCY AND OPTIMISATION OF OUR PROCESS

We continually review our processes and systems to optimise efficiencies across the business. This enables us to contain and reduce our costs and improve the quality of our information so we can make better and more informed decisions, leading to improved guest experiences.

HIGHLIGHTS

- Identified several efficiency opportunities across our South African units
- Implemented system integrations and modifications to increase operational efficiencies
- Improved our marketing content by insourcing a creative function.

CHALLENGES

- Continually identifying opportunities to make better decisions around customer behaviour and experiences
- Improving margins in a subdued economy.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Establishing an efficiency and optimisation team.	Established an efficiency initiative team at head office that has identified various ways to improve efficiencies across our South African operations.	Achieved
Critically assessing margins and benchmarking.	Benchmarked the group's EBITDA margins against our peers.	Achieved
Driving system utilisation and process standardisation.	<p>Implemented system integrations and modifications, which increased operational efficiency.</p> <p>Updated standard operating procedures for the cashiering and casino administration.</p>	In progress
Expanding shared services centres to other properties.	Expanded the shared services centres to various other properties nationally.	In progress
Insourcing a design team to improve marketing.	Insourced a creative team, who improved the quality of our marketing content.	Achieved
Assessing the effectiveness of direct marketing campaigns.	Achieved costs savings across the marketing function and improved brand content and messaging.	Achieved

OVERVIEW

Over the past few years, the group has made significant investments in new gaming and operational systems to improve customer service excellence and enhance business alignment. To assist our back-office effectiveness, an efficiency initiative team was established in 2018. The steering committee leads this team to review various operational functions and find solutions to any gaps in our processes, systems and procedures. Several initiatives to address operational and system concerns continue to be implemented throughout the business.

During 2018, system integrations and modifications were implemented, which increased operational efficiencies, improved transaction accuracy and the control environment, and standardised systems across our South African operations. These improvements are geared towards strengthening customer service levels to create memorable guest experiences that ensure our units remain a destination of choice. Primarily, the focus was around our customer-facing systems, including efficiencies and food and beverage, which includes standard operating procedures and training videos available on the group's intranet. Employee training is tracked and monitored to ensure service levels and customer offerings are constantly improved and refreshed. The integration of our micro point-of-sale system with IFS was implemented and has enhanced control and stock management.

Our shared services centre continued to improve efficiencies by centralising the finance and payroll functions, and enhancing economies of scale. This allowed our units' operational management to focus on the needs of our customers and guests. The group is committed to expanding the shared services centre to other properties and provinces.

We continue to look at modernising our world-class gaming systems to reduce the cost of doing business and enhance customer service levels. This allows us to make better decisions around customer behaviour and experiences.

Kronos was implemented at all our local units and allows us to measure labour costs more accurately, improve our scheduling according to business demands, improve payroll processing, and reduce overtime costs.

LOOKING AHEAD

- ▶ Continuing to extract efficiencies across the business
- ▶ Aligning the business at the unit level to continually compete in our dynamic business environment
- ▶ Extracting relevant business intelligence to make informed strategic decisions around customer interaction and behaviour
- ▶ Upskilling employees around mobile application development and data security.

PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

Our diverse portfolio of assets includes world-class, five-star hotels, modern and well-located casinos, and premier resorts and events facilities. It is essential that we harness the full potential of our portfolio, explore land development opportunities, and review our offerings to identify properties that need reinvestment and upgrading, and those that may no longer be core to our strategy.

HIGHLIGHTS

- Finalised certain land development opportunities
- Finalised Wild Coast Sun's land settlement claim
- Opened the Maslow Time Square Hotel, on time and within budget.

CHALLENGES

- Roll-out of EBTs in our catchment areas continues to impact market share
- Protecting GrandWest's exclusivity
- Awarded one out of five casino licence bids in Latam.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Submitting our bid for the Wild Coast Sun licence renewal.	Submitted our bid for Wild Coast Sun's licence, which expires in August 2019.	Achieved
Commencing development of successful municipal gaming licence bids.	Submitted bids for a further five municipal licences, however, we were only awarded one licence (Iquique).	Limited progress
Restructuring the Carousel and pursuing land development opportunities at Carousel, Carnival City and Sibaya.	Received approval from the North West Gambling Board to restructure the Carousel operations.	In progress
	Looking to dispose of the Carousel unused land.	In progress
	Finalised agreements with a consortium of partners to develop the vacant land at Carnival City.	Achieved
	Concluded the land claim settlement to dispose of Sibaya land for R45 million.	Achieved
Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall.	Received partial approval for the restructuring application and began the union consultation process regarding affected employees. Commenced with the Boardwalk mall development.	Limited progress
Finalising the North West licence conditions.	Submitted our proposal for renewing licensing conditions.	In progress
Protecting GrandWest's exclusivity.	Conducted extensive stakeholder engagement in support of GrandWest's exclusivity and we are awaiting government's response on the draft bill.	In progress
Opening Maslow Time Square Hotel.	Opened the Maslow Time Square Hotel in March 2018.	Achieved
Managing the water crisis impacting our properties in the Western Cape and Eastern Cape.	Implemented various sustainable solutions to ensure our guests are not negatively impacted.	Achieved
Focusing on scheduled property repairs and maintenance.	Implemented a scheduled maintenance plan that prioritises property upkeep across our operations.	In progress

OVERVIEW

SOUTH AFRICA

Boardwalk's income decreased 4% with casino income down 3% and adjusted EBITDA in line with the prior year. This unit continues to be affected by the roll-out of EBTs. We launched a High Court challenge to the issuing of EBT licences on the basis that granting them breaches the exclusivity that Boardwalk paid for as part of its licensing bid commitments. We received partial approval for our restructure application, which will limit our ability to implement a full restructure. We are in discussion with the gambling board in this regard, and have started engagement with the unions. The shopping mall development is progressing slower than expected.

Carnival City income and adjusted EBITDA decreased 2% and 9% respectively. Although increased footfall continues, the average spend is dropping, reflecting the weak economic conditions. We entered into joint venture agreements with a consortium of construction companies to proceed with land development. The Carnival City Privé and a number of the hotel rooms will be refurbished in 2019.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and consultations with the unions have commenced. We are exploring land development opportunities.

GrandWest's income and adjusted EBITDA increased 3% and 2% respectively. Slots income was up 2% and tables income was up 6%. GrandWest's exclusivity remains under threat, as draft legislation from the Western Cape to establish three zones for casinos in the Cape Metropole and to allow for the relocation of casino licences from the Western Cape to the Cape Metropole was released in February 2018. We submitted comments on the draft legislation and conducted comprehensive stakeholder engagement, which garnered positive support from the public against relocating licences.

Maslow is not trading to expectations, with income and adjusted EBITDA decreasing respectively by 4% and 59%. We focus on improving marketing and sales initiatives, and exploring opportunities to increase conferencing activity, particularly over weekends to increase footfall. Improving efficiencies in the hotel and food and beverage remains a priority to improve customer service levels.

Sibaya's income increased by 2% and adjusted EBITDA decreased by 2%. The Sibaya Privé and food and beverage offerings were refurbished during 2018. The recent opening of two EBT outlets in Sibaya's catchment areas is concerning. We continue to challenge the award of these licences on the basis that the correct process was not followed.

Sun City experienced difficult trading conditions, with income down 3%. Tables was impacted by a lower drop and slots came under pressure in the local market following the opening of a third EBT outlet in the catchment area and a weak economy. We focus on increasing conferencing activity, and marketing and sales initiatives to attract more local and foreign customers to enjoy Sun City's offerings. The rooms at the Cascades and the Palace of the Lost City are undergoing refurbishments, and plans are in place to expand the Vacation Club. In addition, the storm in December 2018 severely impacted Sun City, with the Vacation Club being the hardest hit. Sun City was insured against revenue losses and refurbishment costs.

The Table Bay was impacted by the water crisis in early 2018, which resulted in cancellations and a reduction in bookings. There was a notable improvement in forward bookings due to the indefinite move out of day zero. Room occupancy decreased by 6% to 69% and the average room rate improved by 6% to R3 188.

Maslow Time Square achieved income and adjusted EBITDA of R1.3 billion and R305 million respectively, with market share tracking at 14%. We received encouraging feedback on the Maslow Time Square Hotel, which opened at the end of March 2018. The hotel achieved occupancy of 48% at a room rate of R1 197. We continue to try increase our market share through focused marketing of our arena, hotel and conferencing facilities to drive an increase footfall to the precinct. As part of the group's commitment to the environment, MASlow Time Square's external design blends in with the surrounding green design principles and overall aesthetics of the Menlyn Maine eco-precinct.

Wild Coast Sun's income and adjusted EBITDA increased by 4% and 2% respectively. We submitted our bid for the casino licence renewal. The current casino licence will expire in August 2019. The land settlement claim was finalised in 2018 and the official handover will take place during 2019. Wild Coast Sun leads in the waste management space and recently achieved certification from the South African Green Buildings council as a zero-waste-to-landfill facility.

SunSlots continues to trade well with income and adjusted EBITDA increasing by 10% and 15% respectively.

Sustainable water solutions

Although the water crisis in the Eastern Cape and Western Cape significantly declined, management continues to look at implementing sustainable water solutions to ensure our guests are not negatively impacted should the water crisis escalate.

Maintaining our assets

We are improving the aesthetics of our casinos and hotels through a scheduled maintenance plan that prioritises the upkeep across our operations. Ongoing maintenance assists in driving footfall to our properties and improving customer service and satisfaction levels.

Cyber security

In South Africa, cyber attacks are increasing. Our internal detection processes noted an increase in these attacks. To mitigate this risk, we have a mature cyber practice and we actively engage several external experts to benchmark our ability to manage this risk. We also engage 'certified ethical hackers' who test our systems security biannually. Going forward, we will be scoring our cyber threat response and maturity to ensure best practice and to reduce our cyber insurance premiums.

LATAM

Sun Dreams submitted bids for its two municipal licences in Chile, namely Iquique and Porta Varas. Iquique was awarded a licence for a further 15 years. Although our bids met all the minimum criteria, we lost to a competitor whose economic offer (additional tax) was substantially above ours and at levels which would not generate satisfactory returns for us. Sun International has launched a court application objecting to the award of Puerto Varas and Pucon licences on the basis that the competitor's bid did not meet the minimum requirements and the matter is currently in court. We anticipate that Puerto Varas will continue trading for the 2019 financial year, but the court challenge could delay the licensing process and impact revenue going forward.

Monticello benefited from its new arena and a refresh of its restaurant. This helped drive footfall and income, which was up 14% and adjusted EBITDA was up 37%. We only secured one of the five municipal licences we bid for in Chile (Iquique).

The closure of the International VIP Business and the 66th floor of the **Ocean Sun Casino** led to a decrease in income and a significant reduction in costs. We are pursuing opportunities to dispose of the business unit, however, until such time we will continue to operate the casino. Following the closure of the **Sun Nao Casino** in Colombia, we opened a few small low-cost halls using the machines and tables from the Sun Nao Casino. The group will dispose of these operations to another Colombian operator and will take a minority stake in the business. We settled the outstanding rental for the Sun Nao Casino at US\$1.5 million, US\$2.3 million below what we provided for. The Colombian and Panama operations are accounted for as discontinued operations.

The Peruvian operations (excluding Thunderbird Resorts) increased income by 4% and adjusted EBITDA remained in line with prior comparative period. **Thunderbird Resorts**, which acquisition was effective 11 April 2018 generated revenue of R194 million and adjusted EBITDA of R25 million.

The **Park Hyatt Hotel, Casino & Spa** in Mendoza, Argentina became unconditional on 11 July 2018 and has performed ahead of expectations in US dollar terms with a strong performance from the hotel. Its US dollar based income was offset partly by the casino, which was impacted by the weak currency.

LOOKING AHEAD

- ▶ Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall
- ▶ Restructuring the Carousel
- ▶ Pursuing land development opportunities at certain properties
- ▶ Finalising the North West licence conditions
- ▶ Protecting GrandWest's exclusivity
- ▶ Continuing with maintenance across our properties
- ▶ Managing our Latam operations to ensure they meet expectations
- ▶ Continually monitoring the risk of cyber attacks across the business.

GROW OUR BUSINESS INTO NEW AREAS AND PRODUCTS

During 2018, we grew our Latam business through two strategic acquisitions, and we continue to seek opportunities to offer new products in Latam. We continue to strengthen our balance sheet.

HIGHLIGHTS

- Finalised the Thunderbird Resorts acquisition in Peru
- Concluded the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina
- Increased our interest in Sun Dreams to 65%.

CHALLENGES

- Delivering investment returns and growing our business in a challenging economic environment

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Investigating online gaming and sports betting in Latam.	Investigations for online sports betting in Latam is ongoing.	In progress
Concluding the Thunderbird Resorts acquisition and integrating operations.	Concluded the Thunderbird Resorts acquisition. The integration of the business is progressing well.	Achieved

OVERVIEW

We focus on bedding down our significant investments and achievements over the past five years. This is to ensure we deliver a return on investment and grow the business in the eight countries where we operate.



The group finalised its 50% acquisition of EDS, approximately 20% shareholding in Sun Dreams, increasing its interest in Sun Dreams to approximately 65%. The other minority, Pacifico, acquired the balance, which increased its interest to approximately 35%. The acquisition of EDS's interest was funded through an available cash resources and a 10-year bond of R1.5 billion.

In June 2018, Sun Dreams acquired a 100% interest in the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US\$25 million). The Park Hyatt Hotel, Casino & Spa comprises 186 rooms, 695 slot machines and 19 tables. The casino licence is valid for a 20-year period.

Sun Dreams concluded the acquisition of Thunderbird Resorts and Casinos Peruanos S.A. (Thunderbird Resorts) in April 2018. Thunderbird Resorts includes four gambling operations. The purchase consideration

of R317 million (US\$26 million) includes net assets of R192 million, intangible assets of R118 million and goodwill recognised of R7 million.

The online sports betting market is rapidly increasing as customers prefer the convenience of using their mobile devices. The group continues to investigate online gaming and sports betting opportunities in Latam.

SunSlots is part of the group's alternate gaming strategy. Sun Slots holds six licences in four provinces: Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape. It has over 4 000 LPMs across 840 sites. In 2018, Sun Slots increased its GGR by 10% to R1.16 billion (2017: R1.06 billion). The average GGR per machine per day of R833 was up 8% (2017: R772), largely due to product improvements at existing outlets and additional revenue from new sites. During 2018, we submitted over 400 machine licence applications to the gaming boards for approval across our various Sun Slots units. Encouragingly type B licences were secured for the first time in KwaZulu-Natal, which will allow for the roll-out of up to 40 LPMs and fill the demand for additional game play and improve LPM revenues. Grandslots, our LPM operator in the Western Cape, reached full capacity of 1 000 LPMs and Sun Slots engaged with the gaming board for issuing additional licences.

The international VIP gaming business remains suspended at Sun City and Ocean Sun Casino. We are looking at opening our facilities to host international guests within our existing casino limits and not on a rebate programme. The local VIP management was successfully decentralised to the units to focus on serving our local VIPs and, specifically, to facilitate the movement of guests who wish to visit our other casinos (different from their home/local casino). This decentralisation also assisted in driving and hosting the correct level of customer to major events such as the NGC and the SunMet.

LOOKING AHEAD

- ▶ Continuing to manage our assets efficiently to provide acceptable returns on investment
- ▶ Continuing to investigate online gaming and sports betting in Latam.

OUR PEOPLE

Our employees are important enablers of the group's ability to achieve its strategic objectives. We operate in a highly governed and competitive service-oriented industry. It is important that we continually develop and motivate our employees to perform well and provide memorable experiences to our guests.

HIGHLIGHTS

- Rolled out an improved HIV management programme to encourage and monitor adherence to appropriate ARV therapy
- Implemented a leading ELMS
- Improved employees' retirement outcomes by moving from our in-house membership provident fund to an external fund
- Rolled out a financial literacy programme to employees in conjunction with the ASISA Foundation
- Achieved 92.2% black employment in our South African operations
- 55.27% female representation across our South African operations (94% of whom are black females) and 51.17% for the group
- Rolled out a coaching programme for senior and middle management
- Successfully onboarded about 1 200 temporary employees.

CHALLENGES

- Ensuring our employees understand the alignment of remuneration and benefits
- Aligning recruitment practices with the group's employment equity plans
- Improving the representation of people with disabilities and increasing black representation across middle and senior management to align with B-BBEE targets
- Keeping abreast of proposed amendments to sections of the Employment Equity Act and its impact on the group, particularly mandatory sectoral targets and the national minimum wage framework.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Embedding our succession management practices and integrated management strategy group-wide.	Completed and implemented the group's talent management programme that informs succession planning.	In progress
Developing leadership skills throughout our workforce and strengthening the manager's role as coach and mentor.	Rolled out a coaching programme for senior and middle management.	In progress
	Formulated a manager learning journey with core training programmes to guide managers.	
	Developed and implemented a performance management programme for all line managers to enhance effective performance management.	
Aligning our employee remuneration following the 'equal pay for work of equal value' review.	Continued working around 'equal pay for work of equal value' and applied these principles when appointing new employees and promoting existing employees.	In progress
Embedding the EVP within the group and addressing challenges employees have identified.	Embedded the EVP and SunWay culture programme through presentations and competitions at all South African units.	In progress
Managing employee productivity to avoid unnecessary absenteeism costs.	Implemented a WAM programme to reduce absenteeism.	Limited progress
Actively engaging with employees and addressing concerns as they arise.	Ongoing active engagement through the SunTalk and OneSun platforms.	In progress

Focusing on disabled people at the workplace.

Increased targets for employing persons with disabilities in the new employment equity plans.

In progress

Implemented phase two of the group's disability strategy.

KEY PERFORMANCE INDICATORS

		December 2018	December 2017
Total group employees	Number	14 632	12 959
– South Africa including SunSlots	Number	9 001	8 244
– Other Africa	Number	543	548
– Latam	Number	5 088	4 167
Employee turnover	%	23.3	24.1
Female representation	%	51.17	51.5
Black representation ^[1]	%	92.2	91.5

¹ South African operations.

PERFORMANCE OVERVIEW

The prior financial year was earmarked with good progress in bedding down our SunWay culture journey; empowering employees through talent, learning and leadership development initiatives; intensive employee engagement; and maintaining transformation progress. These focus areas were our guiding principles in supporting the business and enabling the group's 'our people' strategic objective.

Workforce profile

At 31 December 2018, we had 14 632 (2017: 12 959) employees across our operations, a 13% year-on-year increase. The increase was mainly as a result of the employment of 1 200 temporary employees, following a constitutional ruling in July 2018 that required employees earning below the Basic Conditions of Employment Act threshold, and who worked for a three-month period to be permanently employed. We engaged extensively with labour brokers and trade unions, which resulted in an amicable outcome for all affected parties. The onboarding process at our various units was managed seamlessly and without any complications. We acquired 315 employees following the group's acquisition of a casino and hotel in Mendoza, Argentina. Our permanent employees in South Africa comprise:

- permanent full-time employees
- permanent part-time employees, who are paid the same hourly rate as full-time employees; and work according to a roster that guarantees minimum monthly work hours.

For more details on our workforce by [employee statistics](#) and [region and gender](#) for 2018 refer to [Annexure A](#).

Employment equity at our South African operations

Our approach is to achieve legislative and substantive transformation through numerical and non-numerical targets aligned to the group's strategic objectives. These targets are tracked and monitored quarterly and included in line managers' performance contracts. The social and ethics committee is responsible for monitoring our progress against set targets.

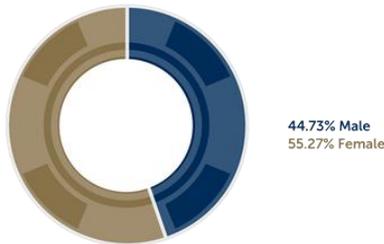
During 2018 we established and adopted a property-specific, three-year employment equity plan that supports the group's strategic objectives. It also accounts for our transformation and talent management strategies, succession planning, talent attraction, career progression and retention. It takes account of the demographics in the provinces where we operate. Each property is positioned to set its own goals and objectives for employment equity, while meeting the provincial gaming boards licensing criteria.

We increased our South African black employee representation to 92.2% (2017: 91.5%), exceeding the distribution of the national economically active population. The management team is made up of 82% (2017: 80%) black people, of whom 46% (2017: 45%) are females. This was mainly due to the increase in black representation at junior and middle management levels. However, there are still challenges at middle and senior management levels, where representation of black people, particularly black females is lower than white people.

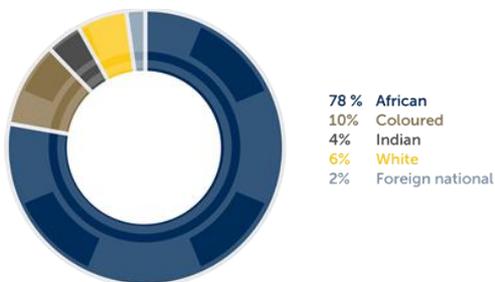
To mitigate our previous challenges in retaining persons with disabilities, we introduced disability capacity building workshops and disability awareness days. This resulted in the retention of persons with disabilities and provides us with an opportunity to increase representation.

Our SunSlots operations' black representation is at 89.6% (2017: 90.6%) and black people make up 82% (2017: 85%) of the management team with 45% (2017: 40%) being female.

Workforce profile by gender (2018)



Workforce profile by race (2018)



Diversity profile South Africa¹

Employee class	Occupational levels	Male					Female					Foreign nationals		Total
		A	C	I	W	Total	A	C	I	W	Total	Male	Female	
Permanent	Top management	2	1	1	3	7	1	1	0	0	2	0	0	9
	Senior management	18	6	24	45	93	12	8	12	21	53	8	0	154
	Middle management	96	33	37	98	264	93	24	20	44	181	13	9	467
	Skilled technical/supervisor/junior management	709	169	93	121	1 092	660	169	73	100	1 002	31	9	2 134
	Discretionary decision-making	2 046	210	61	39	2 356	3 173	278	54	55	3 560	59	31	6 006
Permanent total		2 871	419	216	306	3 812	3 939	480	159	220	4 798	111	49	8 770
Temporary		176	28	5	21	230	210	30	2	12	254	3	1	488
Total		3 047	447	221	327	4 042	4 149	510	161	232	5 052	114	50	9 258

¹ Excluding SunSlots' headcount of 231

Employee turnover

During the year under review there were 3 257 (2017: 3 178) employment terminations employment group-wide, and group turnover was 23.3% of the total headcount (2017: 24.1%).

The tables below provide the reasons for employment termination by region and by age.

Consolidated labour turnover

Region	2018			2017		
	Average headcount	Terminations	Turnover	Average headcount	Terminations	Turnover
South Africa	8 870	913	11.0%	8 019	1 214	14.6%
SunSlots	231	43	19.0%	225	53	23.5%
South Africa total	9 001	956	11.5%	8 244	1 267	14.87%
Africa	543	56	10.2%	548	40	7.3%
Latam	5 088	2 245	44.0%	4 167	1 871	46.6%
Total	14 632	3 257	23.3%	12 959	3 178	24.1%

Reason for termination by region

Reason	South Africa	South Africa SunSlots	Swaziland	Nigeria	Argentina	Chile	Colombia	Panama	Peru	Group
Death	32	1	1	1	1	4	0	0	2	42
Dismissal – Incapacity health	6	2	0	0	0	0	0	0	0	8
Dismissal – Incapacity/poor work performance	0	0	1	0	0	0	0	0	0	1
Dismissal – Misconduct	268	5	2	10	38	782	32	64	223	1 424
Dismissal – Operations requirement	8	0	0	0	0	0	0	0	0	8
Mutual agreement separation	3	1	0	0	14	62	19	14	1	114
Resignation	538	34	19	19	48	420	22	17	482	1 599
Retirement	58	0	3	0	0	0	0	0	0	61
Total	913	43	26	30	101	1 268	73	95	708	3 257

Reason for termination by age band

Reason	18 – 20	21 – 30	31 – 40	41 – 50	51 – 70	Total
Death	0	5	10	17	10	42
Dismissal – Incapacity health	0	1	0	1	6	8
Dismissal – Incapacity/poor work performance	0	0	0	1	0	1
Dismissal – Misconduct	30	605	538	193	58	1 424
Dismissal – Operations requirement	0	1	5	3	0	9
Mutual agreement separation	0	30	54	20	9	113
Resignation	28	770	550	203	48	1 599
Retirement	0	0	0	0	61	61
Total	58	1 412	1 157	438	192	3 257

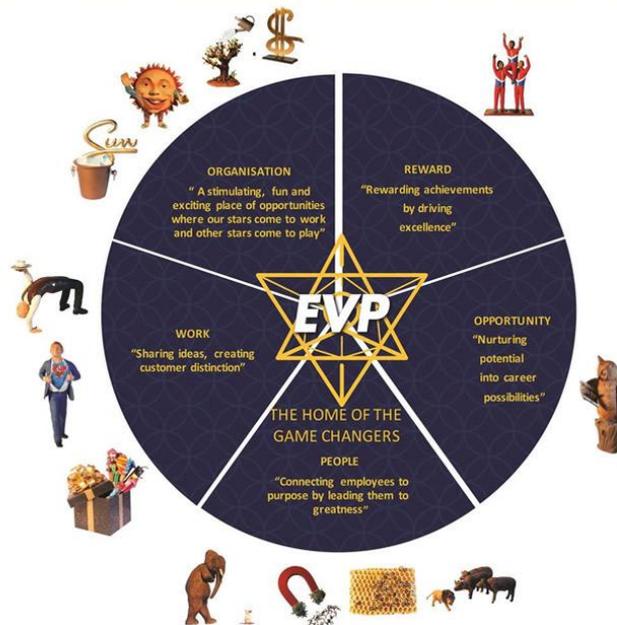
Improving our organisational culture

SunWay formula for success

Sun International's SunWay formula for success gained traction across all South African units. As part of the process to measure the SunWay formula, employees provided feedback on how they identified with the formula and gave ideas on how to improve process and efficiencies.

Employee value proposition

Our EVP ensures that our people remain at the heart of everything we do. We attract and retain the very best talent group-wide by delivering world-class benefits and a positive work culture and value system at every level of our business. We positioned our EVP externally to attract talent. This was achieved through external presentations and various recruitment platforms.



Sharing the Sun campaign

Our Sharing the Sun campaign is a senior leadership that grants wishes to some of employees. The senior leadership team engaged directly with employees, who give a lot of themselves to our business every day. The senior leadership team personally gave something back and realised some of our employees' wishes. Sun International matched the personal funds pledged by leadership to deliver a truly impactful campaign that created lasting memories from within.

Wishes were granted for: medical assistance; shelter, food; education; and security. The initiative commenced in December 2016 and wishes are granted in January of the following year:

- 2016: 134 wishes received – 34 wishes granted across all South African properties.
- 2017: 164 wishes received – 54 granted
- 2018 306 wishes received – 103 granted

Employee and union relations

Employee communication

We engage with our employees in an open, honest and transparent manner through our SunTalk and OneSun platforms. The SunTalk mobile communication platform launched in the prior year continues to gain traction, with 5 300 employees having registered to date. Registered members from The Table Bay, GrandWest and Sun City are the most active on this platform. One of the most popular sections on the platform is the 'questions and answers' section. Other popular sections include competitions, news, leadership messages and digital stories from *One Sun* magazine.

Union relationships

64% (2016: 61%) of our South African workforce (excluding SunSlots, Africa and Argentina) is covered by collective agreements. It is imperative to maintain healthy relationships through meaningful engagements with the various unions. During 2018, all employee relations policies were reviewed and implemented.

Human rights and freedom of association

The group recognises that it has a responsibility to ensure the effective management of human rights. The principle of freedom of association as it relates to the constitution of each country where we operate is formally endorsed in our employee relations policy statements, and in our recognition agreements with the trade unions in South Africa and other countries where we operate.

Creating a high-performance culture

Talent management is an important process in rolling out the business strategy. The 2018 talent management process comprehensively addressed the senior management level across the organisation. Talent reviews were held for the executive, general and group management levels in all units, with a focus on succession for executive management level.

Talent management initiatives

Initiative	Description
Talent management	<ul style="list-style-type: none">• Revitalised the performance management processes by redesigning performance management training aligned to employee feedback.• Redesigned performance evaluation ratings to provide a comprehensive understanding of the differentiation between various ratings.• The performance evaluation was rolled out through the organisation and adopted in the 2018 performance cycle.
Organisational Design	<ul style="list-style-type: none">• Reprofiled all jobs to ensure alignment to the business strategy with clear and defined roles and responsibilities for each job.• Introduced the organisation design committee to enhance organisational structures and the optimise deployment of human resources in the organisation.• Controlled headcount costs by streamlining the process for approval to ensure a systematic and proper planning approach for our workforce.

Learning and development

To ensure that our employees are equipped to carry out their responsibilities, Sun International has several learning and development initiatives aimed at empowering and developing our talent group-wide. Several of these initiatives were developed, implemented or piloted during the financial year as tabled below.

Food and beverage training

The food and beverage executive team launched a training manual that is available in three languages (English, Zulu and Xhosa) on the Sun International Intranet. They partnered with the International Hotel Training School to produce training videos, featuring Sun International employees, to create an accredited Sun Academy programme.

Learning and development initiatives

Initiative	Description
Leading the SunWay	We rolled out the International Hotel Training School to present a revised and more functional leadership programme.
Managing the SunWay	We continued to embed the Managing the SunWay initiative that offers foundational management skills and knowledge customised to the SunWay of leading and managing.
Customer experience	<p>We continued to embed Sun International's standard operating procedures across all units. This was reinforced by implementing a reward and recognition programme that rewards employees who focus on and invest in improving our service delivery and on our brand promise, of 'creating lasting memories'.</p> <p>The outcome we seek is engaged people who can and want to engage with our customers and create the lasting memories for which we are renowned.</p> <p>The CLEAR serving is another way in which we want to entrench:</p> <ul style="list-style-type: none"> • our service principles • our interaction process • our people paying attention to detail and focusing on our customers.
Onboarding	An online onboarding module is complete and will be embedded as part of the employee learning journey.
Coaching for performance	Rolled out a coaching for performance programme with the University of Stellenbosch Business School for senior to middle managers, that includes practical application to create maximum impact.
Performance management	Developed and implemented a performance management programme for all line managers to enhance effective performance management by setting objectives and incorporating coaching.
B-BBEE skills plan	<p>Learning management system</p> <p>We implemented the PeopleSoft ELMS that stores learning records for legislative reporting.</p> <p>We scoped an end-user learning solution with the International Hotel Training School. This solution will enable better learning engagement.</p> <p>Training needs analysis</p> <p>The groupwide training needs analysis was conducted at all units to ensure a more qualitative and proactive approach to our employees' learning needs and B-BBEE skills plans.</p>

Skills development spend

Group training spend was R133 million (2017: R110 million), an increase of 21%. Total employees trained was up 17% (2018: 9 588 vs 2017: 8 221). Our skills development spend across our South African operations, excluding SunSlots, increased by 23% to R117 million compared to R95 million in 2017. This investment included formal and informal learning interventions, with 4 714 South African employees (2017: 4 249) benefiting. Interventions are targeted at employees' roles and growing the leadership pipeline. The number of employees trained per region includes employee terminations during this period.

Skills development spend per region and country

Region	Country	Total expenditure December 2018 R million	Total learners December 2018 Number
South Africa	South Africa	117.42	4 714
SunSlots	South Africa	1.80	220
Sun Dreams Latam	Argentina	0.02	840
	Chile	13.09	2 737
	Colombia	0.06	78
	Panama	0.00	193
	Peru	0.03	764
	Africa	Nigeria	0.15
	Swaziland	0.11	15
Total		132.69	9 588

Training costs as a percentage of leviable payroll (South African units only, excluding SunSlots)

	December 2018 R million	December 2017 R million
Leviable payroll	1 753	1 682
Training costs	117	95
% of leviable payroll	6.7	5.6

Grants and levies

To access skills development grants from the Culture, Art, Tourism, Hospitality and Sport Sector Education and Training Authority under the levy grant scheme, we are required to:

- pay a skills development levy to SARS
- submit a MGP detailing all learning interventions to be undertaken for the year
- submit a mandatory grant report confirming the implementation of the MGP for the previous year.

The group received the maximum recovery for mandatory grants, which is 20% of levies paid to SARS.

South Africa: Grants and levies	December 2018	December 2017
Skills development levy paid (R million)	17.5	16.8
Mandatory grants received (R million)	3.5	3.4

Remuneration and benefits

We participate in and consider market remuneration surveys and align our pay decisions to the principles set out in our remuneration policy. We made progress in aligning our 'equal pay for equal work of value' legislative requirements following an extensive benchmarking exercise. We addressed anomalies in the March 2018 increase process. We aim to conduct an annual 'equal pay for equal work of value' process to ensure that we remove any disproportionate income differentials over time.

Retirement benefits

Management decided to move from the in-house restricted membership provident fund to an external and more comprehensive umbrella fund. We conducted extensive research during 2018 to determine a suitable provider, which was approved by the remuneration committee. This new fund will improve members' retirement outcomes. The transfer to the new fund will take place in 2019.

Performance management

We accurately measure and provide feedback on performance by linking employee performance to business objectives through a KPI scorecard. The scorecard includes KPIs for managing and developing people and transformation, as these are important areas of our business.

Individual employment contracts include minimum requirements and standards for each role. Reward is directly linked to performance at group, team and individual levels. Performance feedback sessions provide opinions on achieving or exceeding the standards set, and are used to address performance that fails to meet requirements. These sessions include a review of development needs and the setting of plans for future development, talent and career management discussions.

Employee wellness

In 2018, we maintained the favourable case utilisation at a rate of 10.2% of headcount, which is above the employee wellness programme norm. This confirms that there is a need in our business units for support in psychosocial matters, and that, through proactive interventions, the propensity for referrals to the programme will increase. It confirms that the business units are responding to the needs identified within the workplace and therefore positioning activities that are relevant to the employees.

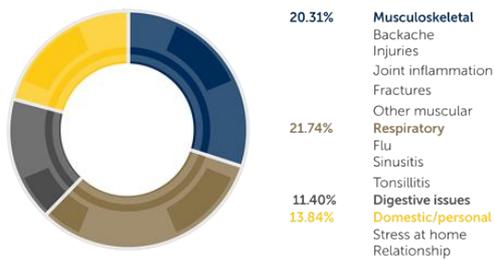
Top five reasons affecting employee wellness (2018)



Workplace absenteeism management (2018)

The WAM programme was rolled out to all South African units. We made 2 666 contacts with employees who were flagged for being absent. Most employees contacted by WAM had musculoskeletal, respiratory, digestive and HIV issues. We identified employees with domestic and personal problems that resulted in absenteeism which are referred to the employee wellness programme for further counselling and advice. The WAM service assists with sick note verification to ensure that sick leave is managed appropriately.

Reasons for workplace absenteeism (2018)



Healthcare cover for union employees

The healthcare cover introduced for our union employees commenced in January 2018. This programme is tailored for eligible employees who are not on a Sun International appointed medical aid scheme. It allows access to quality healthcare screening and treatment for achieving personal health. It also provides annual health screening, hospital trauma cover and other benefits. A comprehensive maternity benefit was tailored for eligible employees.

HIV management programme

We rolled out an improved HIV management programme in January 2018. The purpose of the programme is to assist HIV-positive employees on primary healthcare with maintaining ARV treatment adherence; to help them overcome any barriers; and ensure they live a healthy and productive life. This improved programme had significant success in its first year.

The on-site testing service is active at all units. A total of 2 995 (2017: 2 002) on-site tests were conducted (which includes HIV and health risk assessments) during the year. The prevalence of HIV is approximately 2.95%, but TB symptoms are low. Ongoing awareness campaigns on employees knowing their HIV and TB status continued. Units also include the posts exposure prophylaxis programme, which can prevent employees contracting HIV through accidental exposure.

Smoking, obesity and hypertension remain a focus at all units.

The comprehensive offering of the OneSun wellness strategy helps mitigate the risk of psychosocial and health problems. All business units need to ensure their annual wellness strategies focus on the inclusion of the above interventions to help control these risks. The focus going forward will be on financial wellbeing and HIV management.

Financial assistance programme

We acknowledge that employees are impacted by the difficult economic climate. To assist employees with financial literacy training and retirement planning, we rolled out financial literacy workshops, in conjunction with the ASISA Foundation, to employees earning R20 000 or less per month. During 2018, more than 1 300 eligible employees attended these workshops, with the overall objective of equipping them with knowledge and skills about finance to influence a behavioural change, and to improve their financial wellness. We will continue with this programme going forward.

Waya Waya WageWise

A new savings initiative was launched in 2018 in partnership with the ASISA Foundation as an additional offering under the OneSun Wellness Programme. The initiative's objective is to teach personal financial literacy. We aim to reach all Sun International units in South Africa by August 2019 through targeted workshops.

LOOKING AHEAD

- ▶ Tracking proposed amendments to Employment Equity Act and ensuring that current practices are aligned
- ▶ Integrating the new employment equity plans with our processes and practices
- ▶ Embedding a multi level succession roadmap
- ▶ Introducing a dynamic and innovative approach to talent management and skills development
- ▶ Enhancing the employee experience to improve customer service levels
- ▶ Continuing to provide a balanced working environment for employees, conducive to a healthy lifestyle
- ▶ Continuing to manage human resource risks and leverage opportunities for optimising people-driven business performance.

ANNEXURE A: EMPLOYEE STATISTICS

Regional employee statistics

South Africa		December 2018	December 2017
Permanent full-time employees	Number	4 773	4 928
Permanent part-time employees	Number	3 997	3 091
Skills development spend	R million	117	95
Female management employees	%	45	45
Employee turnover	%	11.5	15
Employees in bargaining unit	%	64	60

SunSlots		December 2018	December 2017
Permanent full-time employees	Number	229	223
Permanent part-time employees	Number	2	2
Skills development spend	R million	1.8	2
Female management employees	%	38	40
Employee turnover	%	19	24
Employees in bargaining unit	%	0	60

Africa		December 2018	December 2017
Permanent full-time employees	Number	543	548
Permanent part-time employees	Number	0	0
Skills development spend	R million	0.27	0.17
Female management employees	%	38	38
Employee turnover	%	10	7
Employees in bargaining unit	%	21	22

Sun Dreams Latam		December 2018	December 2017
Permanent full-time employees	Number	4 512	3 612
Permanent part-time employees	Number	576	555
Skills development spend	R million	13.17	13
Female management employees	%	32	27
Employee turnover	%	44	47
Employees in bargaining unit	%	35	25

Number of employees

Region	Country	December 2018				December 2017			
		Female	Female (%)	Male	Total	Female	Female (%)	Male	Total
South Africa	South Africa	4 847	55.27	3 923	8 770	4 416	55.07	3 603	8 019
SunSlots	South Africa	100	43.29	131	231	105	46.67	120	225
South African total		4 947	54.96	4 054	9 001	4 521	55.84	3 723	8 244
Other Africa	Nigeria	105	30.88	235	340	107	32.13	226	333
	Swaziland	78	38.42	125	203	82	38.14	133	215
Africa total		183	33.70	360	543	189	34.49	359	548
Sun Dreams	Argentina	295	48.36	315	610	0	0	0	0
	Chile	1 562	48.20	1 679	3 241	1 664	48.47	1 769	3 433
	Colombia	23	50.00	23	46	53	43.44	69	122
	Panama	71	39.89	107	178	71	37.97	116	187
	Peru	406	40.08	607	1 013	176	41.41	249	425
Sun Dreams Latam total		2 357	46.32	2 731	5 088	1 964	47.13	2 203	4 167
Group total		7 487	51.17	7 145	14 632	6 674	51.50	6 285	12 959

GOVERNANCE AND SUSTAINABILITY

Doing business sustainably is no longer optional, but a competitive business necessity. It allows Sun International to integrate strategic business decisions to create long-term shared value for our business, employees, society and the environment.

Sun International's sustainability journey started in 1996. We wanted to create a company that balanced doing business with doing good. Since then, the group's sustainable business approach has evolved to include, among others, measurable sustainability practices that engage all our stakeholders through relevant internal and external sustainability reporting; face-to-face community engagement; health, safety and environmental initiatives; and sustainability campaigns.

As an internal and external communication aid for all stakeholders, we created sustainability icons to represent focus areas within our three sustainability portfolios. These are: environment, health and safety, and socio-economic development (SED).

ENVIRONMENT	HEALTH AND SAFETY	SOCIO-ECONOMIC DEVELOPMENT
<ul style="list-style-type: none">• Energy• GHG• Waste• Water	<ul style="list-style-type: none">• Health• Hygiene• Safety	<ul style="list-style-type: none">• Socio-economic development• Community and stakeholder engagement

HIGHLIGHTS

- Appointed dedicated sustainability professionals at all local units
- Conducted the group's first sustainability culture survey
- Launched the group's new internal and external sustainability branding
- Maintained a Level 1 B-BBEE rating and were rated the sixth most-empowered South African company^[1]
- Established management targets for all sustainability portfolios (environmental, health and safety and SED)
- Trained all safety, health and environment (SHE) professionals to be lead SHE auditors and conducted our first round of cross-unit SHE audits for all South African units
- Developed an integrated management system for SHE, based on the ISO 45001: 2018 and ISO 14001: 2015 standards.

¹ <http://www.empowerdex.com/images/Documents/TheEmpowermentReportOctober2018.pdf>

CHALLENGES

- Collecting accurate and consistent sustainability data
- Implementing metering project across all local units
- Slower-than-expected progress towards our zero-waste-to-landfill initiatives at local units
- A delay in implementing a formal stakeholder engagement management process which will be completed in 2019
- Fully integrating and aligning Latin America's (Latam's) operations to the group's sustainability strategies, policies and procedures
- Consistent and impactful awareness and training for sustainability portfolios.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Implementing sustainability policies, procedures and frameworks across all portfolios.	Finalised the group's sustainability policies, standard operating procedures and frameworks for environmental, health and safety and SED.	Achieved
Developing a sustainability manual for Sun International.	Developed a sustainability manual to be rolled out in 2019 across all units locally and internationally.	In progress
Training all SHE professionals to conduct cross-unit SHE audits at our local units.	Successfully trained all South African SHE teams as internal SHE legal auditors and implemented the first phase of our SHE cross-unit auditing programme.	Achieved
Developing and implementing our sustainability culture programme.	Good progress was made during 2018 – we conducted a sustainability culture survey to assess the current sustainability culture and determine what we need to prioritise going forward. The culture programme concept was also finalised.	In progress
Improving sustainability awareness through training and unit initiatives.	Sustainability initiatives and training were carried out across all local units.	Achieved
Maintaining our Level 1 B-BBEE scorecard.	Most units achieved a Level 1 or 2 B-BBEE rating.	Achieved
Improving communication and awareness within South Africa, with focus on specific awareness days and using all forms of media through a communications and marketing strategy.	An integrated communication and awareness strategy was implemented to assist in breaking down silos and improving sustainability awareness group-wide. We need to place more focus on external communication around our sustainability strategy and achievements.	In progress

KEY PERFORMANCE INDICATORS

To measure our sustainability performance, we have developed specific KPIs for each of the sustainability portfolios, namely [environmental](#), [health and safety](#), and [SED](#). These indicators are reported on in each of the sustainability portfolio sections as indicated above. The group sustainability portfolio specialists track and monitor the specific KPIs and progress is regularly reported to our governance committees.

Strategy

The table depicts and highlights how our sustainability strategy is aligned with the group's strategic objectives.

 <p>Improve our existing operations and our guest experience</p>	 <p>Protect and leverage our existing asset portfolio</p>	 <p>Grow our business into new areas and products</p>	 <p>Our people</p>	 <p>Governance and sustainability</p>
<p>Adopt a proactive approach to SHE management. Standardise processes, to improve efficiencies and operational management</p> <p>Achieve cost reductions through efficiencies and awareness campaigns</p>	<p>Prevent harm, reputational damage, and reduce our risk through SHE initiatives</p> <p>Improve stakeholder commitments and brand reputation through targeted SED initiatives</p>	<p>Encourage engagement and improve participation in sustainability initiatives by breaking down silos and becoming an industry leader in the gaming and hospitality sector</p>	<p>Create a caring, responsible and vigilant workforce through improved awareness and communication and embedding a group-wide sustainability culture</p>	<p>Maintain compliance with all applicable legislation and conform to adopted standards.</p> <p>Continue integrating sustainability into the business strategy and create a sustainable work ethic</p>

In line with top management’s commitment to a sustainable business practice, we saw the need for a more formal approach to sustainability group-wide. As such, a sustainability department was established in 2017 to support, coordinate and drive the group’s sustainability strategy across all units, standardise all policies and procedures group-wide, and ensure all engagement efforts align with the group’s strategic messaging. The following portfolios are incorporated under the sustainability department:

- [environmental](#)
- [health and safety](#)
- [socio-economic development.](#)

The group sustainability manager is responsible for ensuring that the integrated sustainability strategy is filtered down to each portfolio specialist responsible for environmental, health and safety, SED, and stakeholder engagement. Each group specialist, responsible for the three portfolios, developed portfolio-specific strategies and frameworks that align to the group’s sustainability strategy. These are embedded throughout our operations.

The [sustainability organogram](#) shows the various sustainability roles implemented throughout our local operations. The structure of the sustainability teams was determined by the size, location, structure and specific needs of each unit.

An important part of the group’s sustainability strategy includes monitoring the performance of non-financial aspects so that informed business and board decisions can be made. The sustainability department developed a sustainability data reporting template that includes all relevant sustainability indicators and group-specific definitions for these indicators. The group’s indicators are generally aligned with the GRI standard and/or industry best practices. This ensures accurate reporting and timely monitoring of the group’s non-financial performance.

Sustainability is embedded within the group and impacts Sun International’s [strategic objectives](#). The governance and sustainability strategic objectives assist the group in monitoring and reporting on progress against specific short, medium and long-term sustainability KPIs. It also focuses on initiatives around cost saving, breaking down silos, and integrating management systems and communication approaches.

Our commitment towards sustainability demonstrates our business objective of **creating long-term value for our shareholders** by considering the group’s impact on surrounding communities, our people, our suppliers and the environment. Our strategy further demonstrates Sun International’s commitment to advancing its capitals: financial, productive, human, intellectual, social and relationship, and natural through continually improving our sustainability performance.

Governance and risk management process

We continue to implement Sun International’s policies, procedures and standards internationally. The group sustainability manager focuses on strategy development and implementation; improving resource efficiencies; and embedding a sustainability culture to ensure that sustainability remains relevant and continues to create value. Further sustainability responsibilities include collating sustainability data group-wide and coordinating, compiling, designing and managing the group’s integrated annual reporting and risk management processes.

GROUP SUSTAINABILITY POLICY OBJECTIVES

- ▶ Demonstrating **sound financial value** and **responsible commercial behaviour**
- ▶ Demonstrating **environmentally responsible behaviour**
- ▶ Demonstrating **responsible health and safety behaviour**
- ▶ Demonstrating **socially responsible behaviour**
- ▶ Demonstrating **good corporate governance**

The group has various sustainability policies in place that align to the group’s strategy and demonstrate Sun International’s commitment to advancing its sustainability performance as highlighted above. These policies are available online at <https://corporate.suninternational.com/sustainability/> and include:

- group sustainability policy
- group environmental policy
- group health and safety policy
- group socioeconomic development policy
- group community and stakeholders’ engagement policy
- group sustainable seafood policy.

As mentioned earlier, group sustainability is governed by various committees, as indicated below, and reports on strategic developments, risks and progress on KPI to these committees.

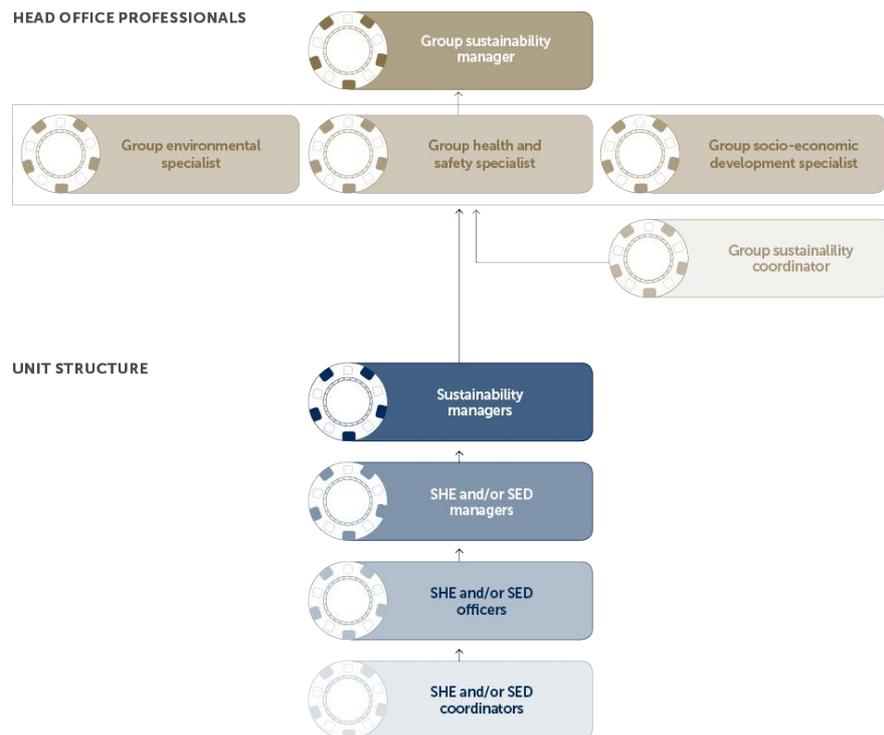
	Governance	Risk	Strategic objectives
Group sustainability	<ul style="list-style-type: none"> • Sustainability committee • Social and ethics committee • Risk committee • Executive committee • SISCDT 	<ul style="list-style-type: none"> • Failure to accurately and timeously track and report sustainability data groupwide • Unable to determine feasible sustainability initiatives across all portfolios • Failure to spend entire SED budget as required by the B-BBEE Act and the Gaming Board licence conditions • Unable to achieve SHE reduction and cost-saving targets for each unit. 	<ul style="list-style-type: none"> • Improve our existing operations and our guest experience • Protect and leverage our existing asset portfolio • Grow our business into new areas and products • Our people • Governance and sustainability.

Sustainability organogram

Although similar in approach, Sun International's sustainability structure is customised to each unit's needs. This approach depends on the size, location and structure of the unit, with a focus on improving our guest experience, delivering value to our shareholders, providing a safe and sustainable work environment for our employees, and uplifting our communities.

A team of dedicated and enthusiastic sustainability professionals at head office and unit level ensures we continue to add value while achieving our group sustainability targets.

Group sustainability organogram



Sustainability legislation and frameworks

Sun International complies with all relevant legislation and frameworks. The legislative requirements depend largely on unit location, namely South Africa, Nigeria, Swaziland and Latam. Each country's compliance department is responsible for monitoring legislative developments to ensure Sun International remains compliant with country-specific legislation.

The sustainability department developed a SHE legal register for our South African units, which includes a legal library of all the SHE legislation that units need to comply with. The SHE legal register allows for updates and new legislation to be added and is stored in the cloud to ensure easy and secure access. Any regulatory changes are updated, flagged and communicated to our SHE professionals. This ensures that the units have access to the latest relevant legal requirements.

The group also considers various local and international standards, frameworks and best practice initiatives and, where relevant, aligns our strategy to these requirements. Below are some of the sustainability requirements considered and implemented by the group:

- **Corporate governance:** Good corporate governance ensures the robustness of the organisation's framework that leads to accountability, fairness and transparency in how it conducts business and how it engages with all stakeholders. Sun International embraces the [King Code on Corporate Governance for South Africa 2016 \(King IV™\)](#), which includes 16 principles of good corporate governance.

- **Environment:** Environmental legislation ensures that the group complies with local, provincial and national environmental legislation with the aim of reducing the organisation’s environmental impact.
- **Health and safety:** Health and safety legislation extends to employees, contractors, concessionaires and guests. The relevant legislation provides guidelines on how to monitor and maintain a safe and healthy operating environment.
- **SED:** The gaming industry is required to adhere to gaming legislation as required by the Provincial and National Gaming Board’s requirements and licence conditions in each country. In addition to gaming legislation, our South African operations are required to comply with the B-BBEE Act, which aims to empower and distribute wealth across as broad a spectrum of previously disadvantaged South African society as possible.
- **Reporting:** Reporting financial and sustainability information to all stakeholders continues to evolve and improve. Regarding sustainability, the group uses the Global Reporting Initiative to guide sustainability reporting and continues to embrace the United Nations Global Compact (UNGC) requirements. Integrated reporting continues to gain traction, with many companies, including Sun International, following the International Integrated Reporting Council’s (IIRC) reporting framework (the <IR> Framework). Sun International continue to participate in the CDP (previously the Carbon Disclosure Project), reporting for both carbon and water disclosures in 2018.
- **Sustainability Development Goals (SDGs):** The United Nations released its SDGs, which address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. Sun International embraces the United Nations SDGs, and we endeavour to help achieve them through our operations and business strategies. While Sun International is only formally aligning and assessing the relevant goals in 2019, we are working towards addressing various SDGs in our ongoing sustainability journey. Refer to the Sun International report on [Sustainable Development Goals](#) for more details.

Assurance

The group’s assurance process incorporates an integrated audit compliance programme across all sustainability portfolios. This process follows a tiered structure as depicted below.



STAKEHOLDER ENGAGEMENT APPROACH

Every aspect of our business interacts with stakeholders and all our stakeholder relationships impact directly and indirectly on our business and its reputation. Our social and relationship capital has a direct impact on our financial capital, as it influences whether consumers decide to become guests; whether suppliers choose to be vendors; and whether government believes that we are complying with regulations, giving back to the community and driving economic development. [Key stakeholders](#) include employees, equity partners and debt funders, customers and guests, regulatory and industry bodies, gaming boards, unions, and communities.

The group continues to improve its stakeholder engagement approach, which identifies stakeholder concerns and provides a governance reporting framework for reporting any material concerns through to the relevant board and management committees. In addition, the sustainability department focuses engagement within the communities in which we operate, as most of our units are situated within or close to surrounding communities. The group SED and stakeholder engagement specialist, along with the SED professionals at the various units, are responsible for engaging and cultivating relationships with stakeholders, including communities, non-governmental organisations (NGOs), non-profit organisations (NPOs) and public benefit organisations (PBOs). This engagement ensures that Sun International’s relationships with these stakeholders offer shared value and sustainable socio-economic development.

Communications and awareness

To continue promoting group sustainability awareness, the sustainability department continuously rolls out initiatives and awareness campaigns for all three portfolios through different communication platforms. These communication and awareness programmes assist in breaking down silos, and improving employee engagement and participation that reinforces the SunWay formula for success.

Sustainability culture programme

Our sustainability culture programme encompasses all sustainability portfolios and aims to improve employee awareness, accountability and ownership in protecting the health and safety of all stakeholders, the environment, and the communities in which we operate.

To date, the sustainability culture programme:

- successfully implemented various sustainability practices into business processes
- completed a sustainability survey to assess the sustainability culture in Sun International
- improved awareness and commitment to sustainability policies, procedures and frameworks
- completed the development of the group SHE management system and the sustainability manual
- celebrated group SHE awareness days
- developed concepts for the e-learning and behavioural changes to be implemented as part of the overall culture programme.

Sustainability culture survey

Sustainability is often misunderstood internally as only being related to the environment. To clarify what sustainability means for the group, we conducted a sustainability survey, aimed at gauging the current understanding of what sustainability means in Sun International. The survey targeted all South African units and achieved a 40.6% response rate from the sample surveyed.

The following factors were examined in the survey:

- how aware employees are about the sustainability policies and practices of Sun International
- to what degree employees participate in sustainability initiatives at Sun International
- how committed management is to adhering to recognised sustainability policies and practices
- to what degree the Sun International culture is compliant with sustainability policies and practices.

The overarching comments centered around a need to improve sustainability training and awareness, as well as communication around who the sustainability representatives are within units. In addition, the survey revealed that employees felt that sustainability-related information was not cascaded down from management level to general employees and that a more consultative approach should be implemented between management and employees. Employees also stated their willingness to increase participation in employee volunteerism projects. These concerns will be addressed in the sustainability culture and behavior programmes planned for 2019.

PERFORMANCE OVERVIEW

To ensure the sustainability strategy is aligned and embedded throughout the group, the sustainability department identified the need for an integrated approach to managing sustainability. The group's integrated SHE management system enables ongoing sustainability performance overview and a holistic approach to managing and implementing sustainability at unit level. Sustainability data is captured, at our South African units, on this integrated system and the collated information is submitted to the group sustainability department for review and submission to relevant governance committees. Going forward, we aim to implement this integrated system at our Latam and African operations, that currently report sustainability information to the group on an annual basis.

The portfolio specialists monitor the group's environmental, health and safety and SED performance.

LOOKING AHEAD

- ▶ Launching and implementing Sun International's sustainability manual (locally and internationally)
- ▶ Identifying integrated SED projects that incorporate environmental and health and safety initiatives
- ▶ Implementing and maintaining our new SHE management system based on ISO 14001:2015 and ISO 45001:2018
- ▶ Launching our internal sustainability SharePoint site
- ▶ Implementing our sustainability culture programme – including our e-learning and behavioural change programmes
- ▶ Achieving our SHE reduction targets
- ▶ Increasing internal and external communication around Sun International's sustainability strategy
- ▶ Improving resource efficiencies across the group
- ▶ Aligning Latam and African operations with the new group sustainability strategy
- ▶ Continuing to improve our overall B-BBEE score.

ENVIRONMENTAL

Sun International remains committed to protecting the environment and minimising our environmental footprint. We place major focus on managing our environment and understand that the group's long-term future depends on using natural resources sustainably. Our environmental strategy is therefore integral to our business strategy.

HIGHLIGHTS

- Appointed Safety, Health and Environment (SHE) professionals across our South African units
- Achieved our Scope 1 and 2 emissions reduction target of 7% for South African units
- Implemented a water purification plant at GrandWest to address water quality and water scarcity
- Improved environmental data capturing and trend analysis through the eco-intelligence dashboard and ongoing training programmes
- Trained all SHE professionals as internal SHE legal auditors and conducted cross-unit SHE audits at all South African units
- Improved our emissions Carbon Disclosure Project (CDP) score and maintained our CDP score for water
- Achieved our first zero-waste-to-landfill (ZWTL) certification for Wild Coast Sun.

CHALLENGES

- Stability of energy supply from national energy supplier and increased energy costs
- Delays in the development and implementation of the group water and electricity metering projects
- Slower-than-expected progress towards achieving ZWTL for South African units
- Data accuracy and reporting from Latin America (Latam) and Africa units
- Identification and implementation of renewable energy initiatives
- Achieving our local WWF-South Africa's Southern African Sustainable Seafood Initiatives (SASSI) targets
- Driving behavioural change to ensure efficient use of water and energy resources, and effective waste management
- Achieving our water reduction targets.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Improving data quality throughout the group by training SHE professionals and implementing the use and update of the new eco-intelligence dashboard.	Appointed dedicated SHE professionals at our South African units. Trained all SHE professionals to accurately capture and record all environmental data that updates the group eco-intelligence dashboard.	Achieved
Conducting cross-unit SHE audits to improve awareness, share best practice and increase efficiencies.	Trained all South African SHE professionals as internal SHE auditors and implemented a SHE cross-unit auditing programme.	Achieved
Updating the environmental strategy to align with the group's new sustainability strategy and the overall business strategy.	Developed an environmental strategic framework. This framework is defined by our corporate sustainability strategy and aligned to the requirements of international environmental standards and best practices for corporate environmental responsibility.	Achieved
Implementing the group water and	We made solid progress in 2018. We reassessed our	In progress

electricity metering project.	approach from metering hardware and moved towards using an integrated online software platform, capable of providing real-time monitoring to ensure accurate billing of concessionaires. A request for proposal was issued in 2018 with a suitable supplier to be selected in 2019.	
Monitoring and achieving our environmental reduction targets for 2018.	Established and rolled out our energy, water and waste reduction targets to all local units to improve resource efficiencies and reduce costs. The improvement in data reporting enabled units to better monitor progress against the set targets.	In progress
Developing and implementing an integrated SHE management system based on ISO 45001 and ISO 14001 standards.	Developed an integrated SHE management system based on ISO 14001 and ISO 45001 standards; implementation to commence in 2019.	In progress

Strategy

Our environmental strategy is premised on understanding that the environment is integral to how we do business. We ensure our business paths are holistic, sustainable, and aligned with international standards and best practices. The state of the environment impacts local communities, our guests, our employees, our reputation and our bottom line. Our environmental journey continues to evolve as new technologies, risks and opportunities arise. As part of the environmental strategy, we have developed and implemented water and energy reduction targets, and continue to remain committed to ZWTL for all South African units. In Latam, the next key steps are to assess the accuracy, completeness and reliability of environmental data, to establish a reliable baseline for setting environmental targets.

Governance and risk management process

Our board of directors and chief executive (assisted by the board's social and ethics, risk and sustainability committees) are accountable for approving and monitoring Sun International's environmental strategy and reduction targets.

Alongside aligning the environmental portfolio within the sustainability department, we restructured our SHE teams at all local units, by combining our efforts and maximising value across the group. Restructuring the South African units sustainability teams were dependent on unit size, location, operational requirements, and applicable environmental and legislative requirements. This structure allows us to standardise SHE job profiles and requirements, and minimise the risks associated with succession planning and intercompany moves.

The group environmental specialist is responsible for:

- updating and implementing the environmental strategy and framework
- ensuring a consistent approach to environmental risk management by facilitating policy, procedure and performance standards
- monitoring, evaluating and reporting on group environmental performance
- guiding and supporting the SHE professionals at unit level
- ensuring that ongoing awareness and training are conducted for all employees in the group.

GROUP ENVIRONMENTAL POLICY OBJECTIVES

- ▶ **Developing, implementing** and maintaining an integrated management system (IMS) aligned with ISO 14001 and 45001 standards
- ▶ **Improving our IMS** to enhance the group's environmental performance
- ▶ Ensuring **compliance** with relevant environmental legislation, regulations and standards
- ▶ **Promoting efficient use of materials and natural resources** throughout our facilities through initiatives and technologies
- ▶ Setting and regularly **reviewing environmental objectives and targets**
- ▶ **Communicating and promoting awareness** of shared employee responsibility and accountability
- ▶ **Engaging and informing stakeholders** of our environmental commitments through ongoing monitoring and reporting initiatives.

Our team of professionals continues to add value by focusing on all aspects of water, waste, energy and emissions management across the group.

PERFORMANCE OVERVIEW

To ensure our environmental targets and commitments are monitored and achieved, the group developed an IMS and trained all SHE professionals to conduct cross-unit internal audits. This allows for learning experiences, shared value and improving best practice at unit level. Formal monthly SHEawareness campaigns are held at all units. The group developed a sustainability culture programme to integrate various SHE elements across all local units.

Environmental data is collected, consolidated and analysed monthly. It provides group-wide visibility and ongoing monitoring against environmental targets, resource efficiencies and cost reductions at unit level, through the eco-intelligence dashboard. Revised reduction targets for energy, water and waste were identified and rolled out across local units.

To improve group reporting, we will review and evaluate the current SHE management processes in Latam, following which similar environmental policies, standards and procedure will be developed and implemented. One initiative is to introduce our new group sustainability manual (in Spanish) to all Latam units. This will improve data accuracy and reporting and enable the establishment of environmental reduction targets going forward.

KEY PERFORMANCE INDICATORS

Sun International remains committed to reducing its environmental footprint across all units. As part of our commitment, we align our environmental reporting to the GRI disclosures. We comply with the CDP requirements for water and emissions, implement the WWF-SASSI requirements and, where possible, align our environmental initiatives to address the [Sustainable Development Goals \(SDGs\)](#).

South Africa		December 2018	December 2017 ^[1]
Energy consumption	kWh	249 911 965	248 869 294
Water usage (withdrawals ^[2])	kl	4 515 725	4 537 054
Waste ^[3]	kg	6 863 382	7 636 750
Carbon emissions (Scope 1 and 2)	tonnes CO ₂ e	253 875	255 904

¹ 2017 environmental data restated for water, energy and carbon emissions. This number excludes Fish River (closed in 2017) to enable an accurate year-on-year comparison.

² Water data is restated as water withdrawals vs water consumption in 2017. The definition of water withdrawal and consumption as per the CDP Water Security 2018 note on Water Accounting is as follows:

- Water withdrawal – The sum of all water drawn into the boundaries of the organisation (or facility) from all sources for any use over the course of the reporting period.
- Water consumption – The amount of water drawn into the boundaries of the organisation (or facility) and not discharged back to the water environment or a third party over the course of the reporting period. This is calculated by subtracting total water discharge from the total water withdrawal.

³ Waste in this regard refers to total waste generated for the group including general and hazardous waste that was recycled and/or disposed.

WATER MANAGEMENT

Water is a critical resource and remains a key focus area for all units. Sun International is committed to stewarding water resources responsibly, while ensuring we have a secure supply of water for all our units. We continue to investigate additional sustainable water sources from a cost, time and efficiency perspective to determine the most feasible and responsible options for the group.

To reduce our overall water consumption, the group committed to implementing electronic water meters. This will allow the group to view real-time consumption of water and eliminate data capturing errors and incorrect billing by utilities. Data will update our eco-intelligence dashboard, which will flag anomalies and track progress against reduction targets, while identifying water and cost savings.

The group's focus is to improve reporting water data, increase water efficiencies at a unit level and achieve cost reductions where possible.

Impact of water scarcity at GrandWest, The Table Bay and Boardwalk

The group implemented solutions to address the crisis of critical water scarcity that impacted three of our properties in the Western Cape and Eastern Cape – GrandWest, The Table Bay and Boardwalk. GrandWest installed a water purification plant that treats borehole water to potable standards. This plant includes four groundwater wells and a treatment plant, with iron-removal sand filtration, reverse osmosis and stripping capability to deliver up to 10 000kl per month. This solution is a water-wise, cost-saving initiative that guarantees safe drinking water, and has significantly reduced our risk for any future water scarcities.

At The Table Bay, the unit embarked on an employee and guest awareness campaign to influence behavioural changes around water usage. From an operational perspective, the unit installed low-flow aerators on taps and changed showerheads to reduce water consumption. A greywater treatment system was also implemented, and the treated water is used for irrigation purposes. All cloth napkins were replaced with high-quality, branded biodegradable napkins, and bed linen service was extended to every four days instead of every two days (dependent on guest length of stay and requirements). The gardens were replaced with water-wise plants that significantly reduced water consumption for irrigation.

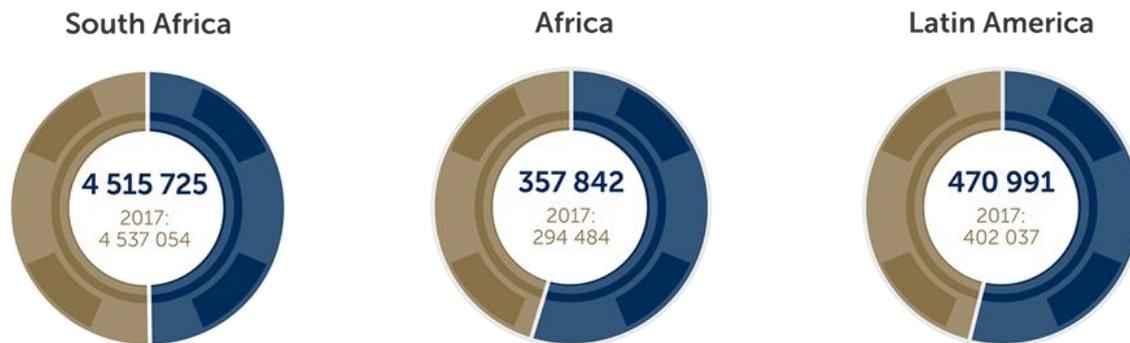
At Boardwalk, the unit embarked on an employee and guest awareness campaign to influence behavioural changes around water usage. From an operational perspective, the unit fitted four 10kl tanks to collect greywater for irrigation in the hotel gardens. The unit pumps water from the casino basement parking area to prevent flooding due to water seepage. This water is discharged directly to the current storm water system. The unit tested and verified the water quality and volumes, and is investigating the possibility of installing a reverse osmosis plant to purify the water to potable water standards for use in the hotel and casino.

Other initiatives were implemented across the group to save water, reduce cost and improve our overall water footprint. We continue to investigate additional sustainable water sources from a cost, time and efficiency perspective to determine the most feasible option for each unit.

Water key performance indicators

Water – South Africa		2018	% change	2017
Total water usage (withdrawals)	(kl)	4 515 725	0.47% decrease	4 537 054
Recycled water	(kl)	686 514	20% decrease	860 737
Recycled water	%	15	21% decrease	19
Cost of water usage (withdrawals)	(R)	67 854 054	16% increase	58 403 654

Water usage (withdrawals)



Municipal water supply is the largest source of overall water withdrawals (water usage) for South Africa and accounts for 92% of the main water supply used in our local units. The targets set for local units are based on a scientific target aligned methodology over a three-year period, and annualised for each unit. The target is to reduce water withdrawal of our South African operations by at least 11% by 2020.

Although we achieved a reduction in water use, we exceeded our 2018 water reduction target of 4 347 683kl (4 515 725kl). The main reasons we did not achieve our 2018 target include:

- the opening of Maslow Time Square Hotel which increased footfall, resulting in a 66% increase in water usage. Water usage is expected to increase until the unit has reached its optimal operating capacity
- water leaks experienced at most units due to ageing infrastructure
- a 12% increase by Carnival City due to legacy issues with increased pressure in water pipes resulting in water leaks that are difficult to address due to the design and layout of the complex
- a 12% increase at Carousel due to increases in water usage and several pipe failures at the housing village.

We remain committed to the reduction of our water withdrawal and are pleased with the seven units that achieved their water reduction targets. Recycled water volumes are reported by three units: Sun City, Wild Coast Sun and Carousel. These units are the only units that have their own waste water treatment plants that use recycled water. The reduction in recycled water use from 2017 (860 737kl) to 2018 (686 514kl) is primarily due to a reduction in volumes at Sun City. The unit had a major pipe burst in October 2018 and water was diverted to the Elands River as opposed to using the water within the complex. The unit reduced the irrigation on the golf courses during winter. The unit is making amendments to their water use licence to enable the use of more effluent water for irrigation of open areas at the Cabanas and Soho lawns, when the winter irrigation is reduced at the golf courses.

The cost of water at local units increased by 16% in 2018 to R67.8 million (2017: R58.4 million). GrandWest, The Table Bay, Boardwalk, Meropa and Head Office experienced over 50% year-on-year increases in the cost of water usage (withdrawals). The units in the Western Cape had a 51% increase in tariffs in February 2018, which were in place until the end of June 2018. Between July 2018 and December 2018, tariffs decreased by 45%. Other local units had incremental increases in tariffs during 2018.

Comparative data reporting improved as units interrogated the municipal and utility billing systems regarding tariff charges and the volumes of water billed back to the unit.

Sun International voluntarily participates in the CDP's annual water disclosure programme. For the 2018 CDP water report, only South African units were assured. Until the data collection systems and procedures are embedded in our Latam operations, we will continue to assure our South African units only. Based on year-on-year comparisons of our CDP water submissions, the independent assurance process shows an overall improvement in data reporting, resulting in fewer challenges in data accuracy, consistency, completeness and reliability. This translated into our CDP water score remaining within the management band (B scoring). Recommendations were made by the CDP to review the efficiency indicator and continue improving water consumption procedures, systems and controls.

To reduce our overall water withdrawal, the group committed to implementing electronic water meters at local units over the next two years. In 2018, we revised our approach from a metering hardware only solution, to an integrated online software platform that provides real-time monitoring to assist with accurate billing of concessionaires and verification of utility bills. To facilitate this improvement, a revised request for proposal was issued in 2018 and a suitable supplier will be selected in 2019. The electronic metering project will be implemented as a phased project from 2019 to 2020.

Going forward, the group will continue to create awareness around water-saving initiatives through our monthly environmental awareness programme, planned culture programme, e-learning initiatives and training programmes. The key driver for 2019 will be to minimise water wastage at all units by implementing a robust maintenance programme and improving recycled water usage. We are investigating the feasibility of installing a reverse osmosis plant at Boardwalk, which will address water needs for the hotel and casino, and reduce dependence on municipal water supply.

WASTE MANAGEMENT

Sun International remains committed to zero-waste-to-landfill (ZWTL) for our local units. This forms part of our commitment to minimise our waste footprint and save costs. Although progress towards achieving this target at our local units is slower than expected, we continue to work tirelessly to achieve this target. By reducing our waste-to-landfill, we reduce our carbon footprint, create job opportunities, improve our reputation and positively impact our bottom line.

The focus across the group is to improve reporting of waste data, minimise the generation of waste, increase waste recycling and achieve cost reductions where possible.

Waste – South Africa	2018		2017	
	kg	%	kg	%
Total volume of general waste to licenced landfill	3 364 544	(49)	3 916 482	(51)
Total volume of general waste diverted from landfill for beneficiation	20 405	(0.30)		
Total volume of general waste recycled	3 221 485	(47)	3 655 200	(48)
Total volume of hazardous waste to licenced landfill	29 256	(0.43)	27 485	(0.36)
Total volume of hazardous waste recycled	227 692	(3.32)	37 583	(0.49)
Total waste for the South Africa	6 863 382	100	7 636 750	100

During 2018, the total waste measured throughout our local units was 6 863 tonnes (2017: 7 637 tonnes), a 10% reduction. The reduction in waste can be attributed to:

- improved recycling and beneficiating measures applied at units
- the Wild Coast Sun maintaining its ZWTL status in 2018 and further reducing the volume of waste generated by 1%. The unit achieved certification by the Green Building Council of South Africa for its waste management process in January 2019 – the first in South Africa
- Sun City's significant 42% waste reduction – this unit is the largest local producer of waste
- improved data reporting in 2018, however, data inaccuracies remain a problem at certain units, particularly the volumes of general waste sent to landfill. This is being addressed by reviewing our waste management contracts and implementing the group's ZWTL programme.

Since reinforcing the South African waste monitoring programme in August 2017, annual waste reduction targets were implemented at each unit to ensure ongoing progress towards achieving ZWTL. Ongoing reporting and tracking of waste reduction and recycling initiatives allow us to monitor year-on-year cost savings in the group.

In 2018, the foremost group waste management project was to standardise waste management practices, which resulted in the development of the ZWTL programme: Waste management and handling standard operating procedure. This guidance document addressed issues identified in 2017 such as: inconsistencies in waste management procedures; difficulties in optimising waste contacts due to a broad range of service providers; and the lack of standard operating procedures for all types of waste.

One of the main reasons for our slower-than-expected progress towards achieving our ZWTL target was the ineffective waste separation systems and the weighing and recording of waste data on-site by some of our waste contractors. This resulted in the group developing a comprehensive terms of reference based on our ZWTL programme for all waste service providers. All local units are engaging and reviewing SLAs to ensure all contractors are aligned to the new ZWTL programme. Our units in the Western Cape (GrandWest and The Table Bay) completed new SLAs in 2018 with new service providers to commence services in 2019. SLAs for our units in Gauteng, Eastern Cape and KwaZulu-Natal will be completed in 2019.

In 2017, Sun City commenced with the prefeasibility phase for investing and developing a waste-to-energy project in the form of a pyrolysis plant. The aim of the project is to assist the unit with achieving the goal of ZWTL. Sun City is the largest unit in the group and the largest contributor to our overall waste, energy and water statistics. This project will allow the unit to eliminate waste to landfill while generating energy. In 2018, the Sun City received authorisation to close the landfill site and has made significant progress in obtaining the required environmental permits for the pyrolysis plant. With the closure of the Sun City landfill site scheduled for 2019, the pyrolysis plant is scheduled to be online in early 2020. The unit will continue to recycle most of its waste, and non-recyclable waste will be used to generate energy as part of the pyrolysis project.

ENERGY MANAGEMENT

Our energy management initiatives focus on improving efficiency, effectiveness and energy conservation. We aim to achieve this by implementing energy-saving initiatives, investing in renewable energy and focusing on behavioural change related to electricity consumption. Sun International has been collecting and analysing energy data since 2015 to establish baseline data for South African operations.

Through the eco-intelligence dashboard, we can track energy consumption and energy usage against our reduction targets, and study trends and anomalies. The dashboard links into real-time electronic electricity meters, which eliminates incorrect data capturing, and ensures data with high levels of integrity, accuracy and traceability. With the mandate from executive management to initiate reductions in electricity consumption and costs, this dashboard will provide the relevant data to motivate for potential energy-saving and renewable energy initiatives.

The focus across the group is to improve the data reporting, increase energy efficiencies, invest in renewable energy and achieve cost reductions where possible.

Energy data

Electricity purchased	2018		% year-on-year change	2017	
	kWh	Rand		kWh	Rand
South Africa	249 911 965	259 259 341	0.42% increase kWh	248 869 294	233 172 899
Latam	59 538 684	121 712 922	7% increase kWh	55 463 591	107 786 516
Africa (Nigeria and Swaziland)	13 918 839	22 886 892	14% increase kWh	12 243 844	18 005 624
Total	323 396 488	403 859 156	2% increase kWh	316 576 729	358 965 039

Direct: Fuel use for generator	2018		% year-on-year change	2017	
	litres	Rand		litres	Rand
South Africa	148 041	11 505 484	118% increase litres	68 035	840 912
Latam	126 568	1 149 841	17% decrease litres	152 663	1 495 830
Africa (Nigeria and Swaziland)	1 848 559	16 475 197	24% decrease litres	2 444 939	17 734 298
Total	2 123 168	29 130 522	20% decrease litres	2 665 637	20 071 041

Direct: Liquefied petroleum gas (LPG)	2018		% year-on-year change	2017	
	kg	Rand		kg	Rand
South Africa	652 230	12 574 937	10% decrease kgs	724 974	11 868 318
Latam	863 315	10 123 836	10% increase kgs	783 928	8 126 890
Africa (Nigeria and Swaziland)	40 897	873 364	1% increase kgs	40 412	845 502
Total	1 556 442	23 572 137	0.46% increase kgs	1 549 314	20 840 710

The total amount of electricity (Scope 2) purchased by our local units was 249 911 965kWh (2017: 248 869 294kWh), reflecting a 0.42% increase. Of the 16 local units, 11 achieved reductions in their consumption, with the highest reductions of 10% achieved by Boardwalk and GrandWest. Sun City achieved a 1% reduction, despite being the largest electricity consumer in the group. Maslow Time Square was fully operational in 2018, and we expect energy usage to increase until the unit has reached its optimal operating capacity.

The increase in fuels at local units is largely attributable to improved data reporting in 2018 with Golden Valley, Head Office, Maslow Time Square, Windmill, Wild Coast Sun and Naledi reporting data for the first time. Diesel consumption decreased at Carnival City, Maslow and Meropa.

There was improved data reporting from Head Office for LPGs, and an increase in consumption at Flamingo, Meropa and Maslow Time Square. All other units achieved a consumption reduction in 2018.

EMISSIONS MANAGEMENT

Together with our energy management focus, Sun International is committed to reducing greenhouse gas (GHG) emissions and our impact on the environment. Through setting science-based intensity targets^[5] for our Scope 1 and 2 emissions, we encourage all units to form part of the movement of transitioning towards low-carbon energy sources.

⁵ Science-based intensity targets have been set for the South African units. The target is calculated by taking our total Scope 1 and 2 emissions and dividing them by the unit total person hours worked. Our strategy is to set similar targets for Latam and Africa units once a verified baseline is established for Scope 1 and 2 emissions.

Sun International participates in the annual CDP as part of our commitment to measuring and reducing our carbon footprint. We continue to show significant improvements in reporting data, resulting in fewer

challenges with data accuracy, consistency, completeness and reliability. Through monitoring emissions and reporting our carbon footprint, we can estimate the environmental and financial impact carbon tax is likely to have on our bottom line in 2019. As a group, we continue to implement initiatives to reduce our carbon emissions, which will result in cost savings.

As part of our medium-term environmental strategy, Sun International is committed to addressing the impact of our Scope 3 emissions. In preparation for managing our Scope 3 emissions, we aim to evaluate and verify our them, following which we will commit to setting science-based reductions targets.

South Africa carbon emissions data

Scope	Source	Total 2018 ¹ (Tonnes CO ₂ e)	Total 2017 (Tonnes CO ₂ e)	% year-on-year change
Scope 1	Company-owned vehicles	2 473	3 167	22% decrease
	Stationary fuels	2 314	2 315	0.04% decrease
	Refrigerant gas (Kyoto gases)	11 672	6 530	79% increase
Subtotal Scope 1		16 459	12 012	32% increase
Scope 2	Electricity consumption	237 416	243 892	3% decrease
	Subtotal Scope 1 and 2	253 875	255 904	1% decrease
Out of scope	Fugitive emissions (non-Kyoto gases)	3 326	4 509	26% decrease
	Total emissions (including other direct)	257 201	261 413	2% decrease

¹ Science-based intensity targets have been set for the South African units. The target is calculated by taking our total Scope 1 and 2 emissions and dividing them by the unit total person hours worked. Our strategy is to set similar targets for Latam and Africa units once a verified baseline is established for Scope 1 and 2 emissions.

Total Scope 1 emissions increased by 32% (2018: 16 459 tonnes; 2017: 12 012 tonnes), largely due to improved data reporting particularly on refrigeration gases and diesel. Total emissions for Scope 2 in 2018 was 237 416 tonnes CO₂e (2017: 244 428 tonnes CO₂e), a 3% decrease that can be linked to our marginal consumption increase (0.42%) and the reduction in the Eskom grid emission factor in 2018 to 0.95 (2017: 0.98). To achieve our 2023 intensity target of a 15% reduction, the local units need to achieve an annual 2.6% reduction when compared to the 2017 baseline data. The local units achieved the 2018 reduction target for Scope 1 and 2 by being 7% below the 2017 baseline.

Renewable energy projects are being considered across the group. With the global shift towards low-carbon (clean) energy use, the group established an internal working group to strategise the process for identifying and evaluating the most suitable approach for participating in energy projects. The goal for 2019 is to commence with preliminary studies for a suitable local unit to pilot a renewable energy project for implementation in 2019 or 2020.

Sun International participated in the 2018 CDP, where only South African operations were assured. Until the data collection systems and procedures are embedded in our Latam operations, we will continue to assure South African operations. The primary objective of the assurance process was to provide stakeholders with an independent 'moderate level assurance' opinion of our carbon data. It also provided insight into the overall energy usage of the group to improve and/or reduce energy consumption.

Based on the year-on-year comparisons of our CDP carbon submissions, the independent assurance process indicated a significant improvement of reporting data, resulting in fewer challenges with data

accuracy, consistency, completeness and reliability. This translated into an improved CDPscore, and the group moved up into the management band (B scoring) from the awareness band (C scoring). Recommendations were made to review the efficiency indicator and to continue to improve energy and carbon data, procedures, systems and controls.

Reducing energy consumption remains a group focus. The group committed to installing electronic electricity meters at all local units in 2018. We reassessed our approach from only metering hardware to using an integrated online software platform that offers real-time monitoring, to assist with accurate billing of concessionaires and verification of utility bills. A request for proposal was issued in 2018 and a suitable supplier will be selected in 2019. The electronic metering project will be implemented as a phased project over 2019 to 2020.

BIODIVERSITY

Our impact on biodiversity remains largely the same. In addition to our standard management measures to protect important biodiversity, many units continue to monitor and support biodiversity initiatives in and around their operations. Although most units have a limited impact on biodiversity, units such as Wild Coast Sun and Sun City are situated in sensitive areas and we continue to monitor their impact on biodiversity. We participate, where applicable, in managing and protecting biodiversity, such as rhino protection, and the protection of our coastline (specifically near sensitive fauna and flora). Sun International is a member of the WWF and continues to participate in events that protect and leverage our biodiversity.

Sun International operates in the food and beverage industry, where supplying sustainable seafood is important. We appreciate the global concern over exploiting marine resources and the environmental impacts of fishing and aquaculture activities on marine ecosystems. As such, we partnered with WWF SASSI to ensure we continually implement a sustainable seafood strategy across our food and beverage outlets and restaurants. We are committed to driving positive change in the way we source and serve seafood in our restaurants by:

- supporting sustainable seafood choices and obtaining our seafood from legally and responsibly managed seafood suppliers
- working with our seafood suppliers to ensure that all our procured seafood is traceable back to its origins
- informing our food and beverage operations to recognise and purchase sustainable seafood
- providing our guests with sufficient and accurate information on seafood products, allowing them to make environmentally responsible choices.

In July 2018, Sun International hosted its annual WWF SASSI Supplier Workshop where all its seafood suppliers were invited to participate in Sun International's journey towards sustainable seafood. We achieved a 66% rating compared to 65% in 2017. This marginal increase is due to the continuous improvement in procurement processes and procedures to reduce and/or eliminate endangered seafood species purchasing.

ENVIRONMENTAL AWARENESS

Our group-wide SHE communications and integrated awareness strategy continues to ensure collaborative communication across all units within South Africa. An awareness calendar (see below) is used to break down silos and align with the group's SunWay formula for success

Month	Awareness event
March	World Water Day
May	International Biodiversity Day
June	World Environment Day
September	Recycling (Clean-up) Week

As part of the sustainability culture programme, we focus on changing employee behaviour regarding water and energy usage, and improve waste separation at source to improve waste recycling at the units. The

poster campaigns were instrumental in providing day-to-day learnings to employees that can be implemented in the work and home environments. They have fostered an environmental consciousness culture, which is one of the key outcomes of our environmental strategy.

LOOKING AHEAD

- ▶ Managing the introduction of the proposed carbon tax in June 2019
- ▶ Implementing the group water and electricity metering project
- ▶ Designing and implementing a pilot renewable energy project
- ▶ Improving environmental data accuracy in our Latam and Africa units
- ▶ Achieving our ZWTL target at another South African unit.

ENVIRONMENTAL INITIATIVES

World Biodiversity Day

WILD COAST SUN

Wild Coast Sun, together with the Departments of Environmental Affairs, Tourism and Forestry celebrated World Biodiversity Day with Ithuba Community College on 22 May 2018. The learners received topic discussions, posters, educational cards and keyrings on biodiversity.

THE IMPORTANCE OF BIODIVERSITY



Giant fruit bat

Bats eat flies, moths and other insects and thereby control insect populations. Some bats pollinate plants and disperse plant seeds that are important to humans. Bats indicate a healthy environment.



BIODIVERSITY DAY 2018

GOLDEN VALLEY

Golden Valley celebrated the South African National Biodiversity Institute World Biodiversity Day in May at the Aan De Doorns Primary School. The unit donated 20 plants to improve their landscaping.



SUN CITY

Sun City sustainability department celebrated World Biodiversity Day with Rateo Primary School. Members of Sun City's SHE representative club participated in the event together with grades 6 and 7 learners.

This **World Environment Day** event was hosted at Sun Central in June 2018. Posters and pledges posters were mounted for participating employees and guests to reduce plastic pollution. Several participants signed their pledge to reduce plastic pollution. Guests and staff were handed ecofriendly bags made from recycled plastic by a community project. The reusable bags are replacing plastic shopping bags.



Environment Day Pledge Desk

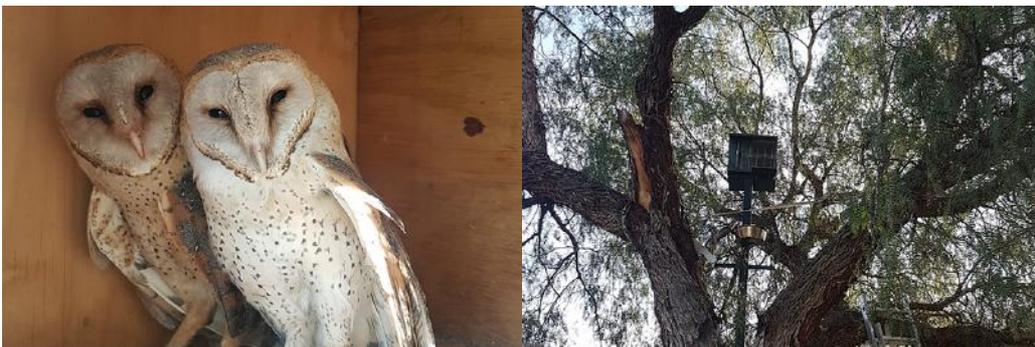


Employees and guests signing their pledge against plastic pollution

FLAMINGO – THE INTRODUCTION OF A BARN OWL BREEDING PAIR ON SITE

Flamingo – The introduction of a Barn Owl breeding pair on site

These owls were hand raised and donated to Sun Flamingo by the Honbu Sanctuary. The aim was to breed the pair and for them to serve as natural rodent control in the gardens and surrounding area, which should also reduce the prevalence of snakes in the vicinity. The owls roam freely in their new surroundings.



Barn Owl breeding pair, Upington (Right – male) and Steff (Left – female).

HEALTH AND SAFETY

Occupational health and safety management is critical to Sun International's sustainability portfolio. The health and wellbeing of our employees, guests and communities directly impacts our bottom line. Our health, safety and wellness framework enables the group to protect relevant stakeholders, maintain legislative compliance, and position the group to become an industry leader in health and safety.

HIGHLIGHTS

- Appointed dedicated SHE professionals across our South African units
- Implemented a SHE cross-unit auditing programme
- Trained all South African SHE professionals as internal SHE legal auditors
- Developed the first set of OHS reduction targets for our South African units
- Standardised our OHS incident reporting process, templates and definitions group-wide
- Developed a group fire standard to ensure standardisation and conformity to design, installation and maintenance of our fire systems
- Implemented a SHE awareness campaign in South Africa with specific health and safety awareness themes
- Developed an integrated SHE management system based on ISO 14001 and 45001 standards
- Implemented a compliance management platform to standardise our risk assessment, legal register and compliance management functions.

CHALLENGES

- Ageing infrastructure across various properties remains a challenge, however, the group continues to review, update and implement maintenance plans across all units
- Reporting health and safety information for our Latin America (Latam) operations
- Standardisation and implementation of OHS definitions at our local units
- Ineffective integration of wellness initiatives between OHS and human resources
- Awareness and improvement of our group's OHS culture.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Implementing a medical surveillance programme.	Appointed an occupational health provider to facilitate and implement a medical surveillance programme.	In progress
Implementing a sustainability culture programme across our local operations.	The sustainability culture programme is being developed and implemented through a phased approach. Phase one is complete, and phase two is in the final development stages and will be implemented in 2019.	In progress
Developing and implementing an integrated SHE management system based on the ISO45001 and 14001 standards.	Developed an integrated SHE management system based on ISO 14001 and ISO 45001 standards, with implementation to commence in 2019.	In progress
Implementing cross-unit SHE audits to improve awareness, share best practice and increase efficiencies.	Trained all South African SHE professionals as internal SHE auditors and implemented a SHE cross-unit auditing programme.	Achieved
Standardising the Latam and African properties incident reporting to the South African reporting systems.	Due to operational requirements and the mergers and acquisitions that took place in the reporting period, this requirement was placed on hold.	Not achieved

Enhancing our combined assurance process to ensure efficient compliance management.	Implemented a compliance management platform to standardise our risk assessment, legal register and compliance management functions.	Achieved
Improving incident reporting and collection of contractor data within South Africa.	Internal audits, refresher training and a definitions document were implemented, which has improved data reporting significantly.	Achieved
Improving emergency preparedness processes through introducing realistic simulations across all South African properties.	Small-scale emergency simulations were conducted at most South African properties and will continue in 2019.	Achieved
Addressing ageing infrastructure at properties by establishing a preventative maintenance plan.	The development department conducted structural audits at most South African properties to establish the short, medium and long-term maintenance requirements at those units to develop an informed preventative maintenance plan.	In progress
Developing a group fire standard.	Developed a group fire standard to ensure standardisation and conformity to designing, installing and maintaining fire systems.	Achieved

KEY PERFORMANCE INDICATORS

Sun International remains committed to reporting on relevant and applicable indicators as tabled below. Data was segmented by region to ensure an accurate reflection of our key performance indicators across the group.

South Africa

		December 2018	December 2017
FIFR ^[1]	Rate	0.00	0.00
LTIFR ^[2]	Rate	0.96	1.27
TRIFR ^[5]	Rate	2.05	3.35
TIFR ^[4]	Rate	7.94	7.86
Total number of guest injuries ^[5]	Number	242	148
Total number of employee/contractor injuries ^[6]	Number	334	517
Total fatalities	Number	0	0

Africa

		December 2018	December 2017
FIFR ^[1]	Rate	0.00	0.09
LTIFR ^[2]	Rate	0.97	0.00
TRIFR ^[5]	Rate	0.70	191.04 ^[7]
TIFR ^[4]	Rate	13.21	301.71 ^[7]
Total number of guest injuries ^[5]	Number	0	6
Total number of employee/contractor injuries ^[6]	Number	8	2 156 ^[7]
Total fatalities	Number	0	1

Latam

		December 2018	December 2017
FIFR ^[1]	Rate	0.02	0.04
LTIFR ^[2]	Rate	3.47	4.27
TRIFR ^[3]	Rate	16.66	11.22
TIFR ^[4]	Rate	22.47	17.27
Total number of guest injuries ^[5]	Number	10	3
Total number of employee/contractor injuries ^[6]	Number	783	547
Total fatalities	Number	1	2

¹ FIFR is the determination of the frequency of fatalities resulting from a work injury or work-related disease/illness, i.e. the number of fatalities per 200 000 employee hours worked.

² LTIFR is the determination of the frequency of LTIs, number of LTIs per 200 000 employee hours worked.

³ TRIFR is the determination of the frequency of all RIs – inclusive of all fatalities, LTIs and MTCs per 200 000 employee hours worked.

⁴ TIFR is the sum of all injuries (i.e. FACs, MTCs, LTIs and fatalities) per 200 000 employee hours worked, where the difference between TRIFR and TIFR is the addition of FACs.

⁵ Total number of recordable guest injuries includes all injuries that required treatment other than first aid.

⁶ Total number of recordable employee and contractor injuries that required treatment other than first aid.

⁷ The material variance between 2017 and 2018 is due to the incorrect application of definitions by Royal Swazi Sun in the comparative period. This was corrected in 2018.

PERFORMANCE OVERVIEW

Following an extensive restructuring process in 2017, we focused on bedding down the refreshed health and safety framework and standard operating procedures. Progress made in 2018 is discussed below.

Work-related fatalities and frequency rates

Fatal injury frequency rates (FIFR)

It was with great sadness that we experienced a contractor fatality at Monticello during the period under review. With the assistance of its labour department, the unit implemented additional safety measures to improve control over contractors and subcontractors. No fatalities were reported in the South African or other African operations. The group remains committed to zero fatalities and reducing incident rates group-wide.

Lost-time injury frequency rates (LTIFR)

The LTIFR is measured and compared on a region-specific basis due to some challenges with accurate data reporting across our Latam operations. Our South African operations noted a significant reduction of 63% in the LTIFR over a three-year period. In 2018, we achieved a 24% reduction compared to a 51% reduction in 2017. These reductions were achieved through:

- the development and implementation of our health and safety strategy and initiatives
- further improvements in the reporting process
- training on our reporting definitions
- an improved focus on health and safety issues and awareness in the group.

The LTIFR at our African operations increased to 0.09 injuries per 200 000 hours worked (2017: 0.00).

The LTIFR in Latam has reduced to 3.47 injuries per 200 000 hours worked (2017: 4.27). Monticello achieved a 50% reduction in their LTIs which contributed significantly to the current reduced LTIFR. Due to new acquisitions in Peru, the 2017 data is not comparable to the current year's data. Accurate reporting and the application of our sustainability definitions by our Latam properties remains a challenge that will be addressed in 2019.

Total Recordable injury frequency rates (TRIFR)

The TRIFR is measured and compared on a region-specific basis due to some challenges with accurate data reporting across our Latam operations. The rate in South Africa reduced by 39% to 2.05 injuries per 200 000 hours worked (2017: 3.35). This was in addition to the 44% reduction in TRIFR achieved in 2017. Over the past three years, we achieved an overall reduction of 66% in TRIFR. These reductions were achieved through the various initiatives implemented, ranging from improved data reporting to increased awareness and training initiatives.

Africa's TRIFR reduced significantly to 0.70 injuries per 200 000 hours worked (2017: 191.04). The material variance between 2017 and 2018 is due to the incorrect application of sustainability definitions by Royal Swazi Sun in the comparative period. This was corrected in 2018.

The TRIFR in Latam increased to 16.66 injuries per 200 000 hours worked (2017: 11.22). Contributing factors for this increase include the additional properties and the ongoing challenges we are experiencing with data standardisation across Latam.

Reduction targets

In 2018, the group developed the first set of injury reduction targets for our South African units.

To establish realistic injury reduction targets, we researched the LTIFR and TRIFR averages of our sector (travel, hotels and leisure) and various other high, medium and low-risk sectors, as well as the overall JSE averages. Based on this research, we aligned our LTIFR target to the 2016 JSE average, and our TRIFR target to the 2017 JSE average. Our TIFR reduction target was based on an overall group reduction of 20%.

	South African targets 2018	Achieved 2018
LTIFR	0.75	0.96
TRIFR	1.29	2.05
TIFR	5.92	7.94
Fatalities	0	0

Sun International did not achieve the first year's injury reduction targets. With various initiatives prioritised to identify injury trends, reduce incidents and improve awareness, we aim to make significant progress in 2019.

The group is improving awareness and data reporting on OHS information for our African and Latam units, with the intention of implementing reduction targets for these regions going forward. To assist the Latam operations with the OHS initiatives, we developed a sustainability manual that will be translated into Spanish to ensure all units are aligned to the same strategy, use the same definitions and report data consistently.

Units with clinics provide on-site medical treatment to our stakeholders (employees, service providers, contractors, concessionaires and guests) when required. All unit incidents and treatments are recorded monthly, tracked to ensure the wellness and safety of our stakeholders, and compared with our reduction targets to ensure we continually improve the health, safety and wellbeing of our stakeholders.

STRATEGY

Our OHS strategy is defined by our sustainability strategy and overarching group business strategy. It is aligned to the requirements of international OHS standards and best practice for effective health and safety management. This ensures we remain socially and ethically responsible.

Our OHS strategy reinforces how health and safety impacts our ability to:

- maintain memorable guest experiences
- protect the communities where we operate
- meet our shareholders' expectations
- maintain and improve our reputation
- reduce financial impacts on our bottom line.

To achieve our OHS goals and commitments, Sun International integrates OHS management into sustainable group practices throughout every level of our business. This integration assists the group in creating value, improving efficiencies and saving costs.

Our primary health and safety objectives are to:

- maintain compliance with applicable occupational health and safety legislation
- fully integrate health and safety into all aspects of the business
- identify, implement and achieve health and safety reduction targets set for the group
- reduce incident rates and improve our guest experience
- foster a proactive and caring health and safety culture and workforce that lives by the SunWay culture
- standardise and manage our activities, operations, processes and risks in an integrated, efficient and controlled manner
- prevent harm, reputational damage, and reduce our risk through implementing health and safety initiatives
- position our organisation as an industry leader in health and safety.

Governance and risk management process

Our health and safety governance and risk management process is shown below. The group's health and safety policy details our commitment to improving our health and safety performance. Each property has an approved site-specific health and safety policy, which is reviewed annually and aligned with the group policy.



Compliance

Safety management is critical to the group's strategy and is underpinned by the OHS legislative frameworks in the countries in which we operate. As a result, we are focused on achieving and maintaining compliance within all aspects of safety management. To facilitate this process, we implemented a compliance management platform that creates a 'management-on-the-go' mindset in terms of compliance and safety management. Using this technology, SHE professionals complete compliance checklists, SHE audits and risk assessments on the platform. They have access to all local, regional and national SHE legislation.

In addition to the compliance management platform, we conduct audits to verify compliance with applicable SHE legislation. By training and employing dedicated SHE professionals at our South African units, we developed a SHE cross-unit audit programme whereby our internal SHE professionals were trained to serve as internal compliance auditors. This creates an environment conducive to sharing SHE knowledge and experience across our business units. The compliance department implemented a compliance assurance process to ensure that any non-compliances identified are rectified within the specified closeout period, and escalated to the necessary management committees if required.

Our international properties are governed by applicable local laws. The units adopted specific health and safety standards. All international operations comply with relevant laws and regulations and successfully implemented SHE policies, standards and systems.

By integrating functional departments, we break down silos, improve communication, and manage compliance. This includes departments like food and beverage, legal and compliance, internal audit, human resources, procurement, IT, events, public relations and marketing, development, and maintenance. Integration is critical to implementing our OHS strategy effectively and creating a health and safety culture.

Fire and life safety

Fire and life safety audits are conducted annually by an independent third party to ensure that all fire and life safety risks are identified. All units receive detailed reports with concerns and possible risks to be addressed. Detailed action plans are developed and implemented to mitigate and control our shareholder risk. A group

fire standard was developed in 2018 to ensure standardisation and conformity to the design, installation and maintenance of our fire systems.

Culture programme

While compliance is the cornerstone of managing safety, our employees’ drive these initiatives within our units. This necessitated developing and implementing a sustainability culture programme. This programme informs our three-year tiered approach to changing behaviour group-wide. It focuses on health and safety, environment and SED.

Improved awareness

Our group-wide SHE communications and integrated awareness strategy ensures collaborative communication across all units in South Africa. An awareness calendar is used to break down silos and align with the group’s SunWay formula for success.

Group safety and health awareness day calendar

Month	Awareness event
February	Healthy Lifestyle Awareness Day
April	World Day for Safety and Health at Work
July	Corporate Wellness week
October	Mental Health Awareness Month

In addition to basic awareness, we ensure all employees are aware of their health and safety responsibilities by facilitating induction training for all new employees. Employees exposed to risks in the working environment, and who are responsible for ensuring compliance to specific regulations also undergo compliance and specialised training based on the risk involved. This training extends to all service providers and contractors that are contracted to perform work on-site on behalf of Sun International. All our OHS training requirements have been standardised for our South African units.

Group SHE management system

An IMS aligned with ISO 45001:2018 and ISO 14001:2015 was developed to standardise SHE management and reporting. The IMS is hosted and managed through the compliance management platform. The system will be implemented across our South African properties in 2019.

GROUP HEALTH AND SAFETY POLICY COMMITMENTS

- ▶ Adopting a **zero-tolerance approach to harm** without affecting the quality of our service
- ▶ Developing, implementing and maintaining a **health and safety management system** aligned with ISO 45001 standards
- ▶ Ensuring **compliance** with relevant health and safety legislation, regulations and standards
- ▶ Identifying, assessing and adopting appropriate measures to **prevent, minimise or eliminate risks to all our stakeholders**
- ▶ Ensuring **preparedness** to respond to any emergency
- ▶ **Communicating and promoting awareness** of shared employee responsibility and accountability, and **engaging** with our stakeholders
- ▶ **Demonstrating responsible health and safety behaviour** through strategic objectives, targets, internal and external reporting, employee training and development, guest awareness, and governance, and encouraging a group-wide health and safety culture.

Chile

Sun International acquired seven properties in Chile. All these properties are governed by various laws, including but not limited to the Supreme Decree No 40, 54, 76, 109 and 594, and Law No 16744 and 20123 of Chile. They did not adopt any international standards. However, their legislation governs the minimum requirements and guidelines for a health and safety management system.

Panama

Ocean Sun Casino is governed by the Panamanian labour code with no specific legislation developed in terms of health and safety. The unit adopted Sun International's standards. However, a health and safety management system has not been developed.

Peru

With the Sun International's Sun Dreams acquisition, we have five properties in Peru. These properties are governed by Law 29783 on Health and Safety at Work, as well as various regulations and international conventions which were ratified into law. They are required to comply with the National System of Health and Safety at Work.

Argentina

The Sun Dreams group recently acquired a property in Mendoza. This property is governed by various resolutions for occupational health, hygiene and safety of various working risks, covering a similar scope as the South African OHS Act 85 of 1993.

South Africa

In South Africa, we are governed by the following health and safety legislation, including but not limited to:

- OHS Act 85 of 1993 and its regulations
- Compensation for Occupational Injuries and Diseases Act 130 of 1993
- Safety at Sports and Recreational Events Act 2 of 2010 and its regulations
- National Health Act 61 of 2003 and its regulations
- National Building Regulations and Building Standards Act 103 of 1997

Swaziland

Royal Swazi is governed by the Occupational Safety and Health Act 9 of 2001 of Swaziland, which is similar in its application to South African legislation. The unit adopted various health and safety management system elements to ensure compliance without adopting a specific international standard.

Nigeria

Federal Palace is governed by the Occupational Health and Safety Act 2012, Employee Compensation Act 2011, and the Labour Act Chapter 198 1990 of Nigeria. The unit adopted Sun International and Nigeria's OHS and management system standards. The unit is inspected regularly by the authorities based on legislative provisions, in particular the health and environmental teams. To date, zero non-compliances have been identified.

HEALTH MANAGEMENT

Medical surveillance

Sun International protects employees' health through various compliance and best practice initiatives. All South African units are required to conduct occupational hygiene assessments every two years and a health risk assessment every year, as prescribed by legislation. These assessments identify employee health risk exposures, and the measures required to mitigate, control and prevent their health from deteriorating. Where additional monitoring is necessary, a medical surveillance programme is required in terms of the OHS Act 85 of 1993 and its regulations, with specific reference to certain regulations. We developed and implemented a medical surveillance programme to monitor our risk exposure in respect of these regulations. We conduct medical examinations on a scheduled basis, as specified by the medical surveillance programme.

OCCUPATIONAL HYGIENE AND MEDICAL SURVEILLANCE REGULATIONS

- ▶ Construction Regulations (GNR 84)
- ▶ Asbestos Regulations (GNR 155)
- ▶ Hazardous Chemical Substances Regulations (GNR 930)
- ▶ Hazardous Biological Agents Regulations (GNR 1390)
- ▶ Lead Regulations (GNR 236)
- ▶ Noise-Induced Hearing Loss Regulations (GNR 307)
- ▶ Ergonomics Regulations (draft).

Health and wellness

One Sun Wellness, our wellness programme, provides employees with health and wellbeing facilities to improve their mental and physical health. The programme provides trauma counselling to employees and their immediate family members, and facilitates HIV/Aids monitoring through on-site testing, which includes HIV and health risk assessments. The programme operates in conjunction with our human resources department.

Our guests are equally important to us, as we would have no business without them. Protecting their health and safety is how we create memorable experiences. As such, proactive health and safety management is crucial to effectively anticipating our health and safety risks and mitigating them timeously. The group continually looks for ways to improve the safety and wellbeing of our employees and guests. Through our ongoing reporting system, we identify incident trends and take appropriate action to minimise and prevent the recurrence of similar incidents.

Hygiene and food safety

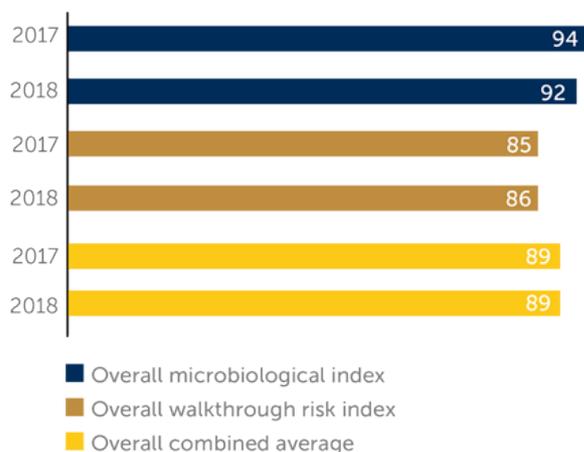
Being in the entertainment and food and beverage industry, the group is largely guest facing and requires great focus on guest safety and employee hygiene. Sun International monitors hygiene and food safety quarterly through an independent, third-party and SANAS-accredited laboratory. The following areas are covered in the assessments and quantified into indices:

- microbiological evaluation as per standard protocol
- scrutiny of visual cleanliness throughout food production areas
- full appraisal of food safety practices
- detailed inspection of facilities, including design, structural and maintenance issues
- investigation of relevant documentation and compliance with legislation relating to food hygiene practices.

All new employees are trained by accredited training providers to maintain high standards of food safety and practice good hygiene. Refresher training is provided annually to all food and beverage employees. Ongoing awareness campaigns reinforce the need to practice good hygiene across the group.

As depicted in the graphs below, Sun International achieved 92% compliance in its overall microbiological index for the South African and African units (2017: 94%). This is testament that our food and beverage departments are managing cleanliness and hygiene in critical areas, and we successfully achieved the group target of 90%. The overall walkthrough risk index improved by 1%, and we achieved 86% compliance (2017: 85%). Issues identified were mainly due to a lack of ongoing maintenance and infrastructure challenges experienced in our kitchens. We have plans in place to address these shortcomings. Our combined average (microbiological and walkthrough risk indexes combined) remains at 89%.

Sun International group hygiene averages year-in-year



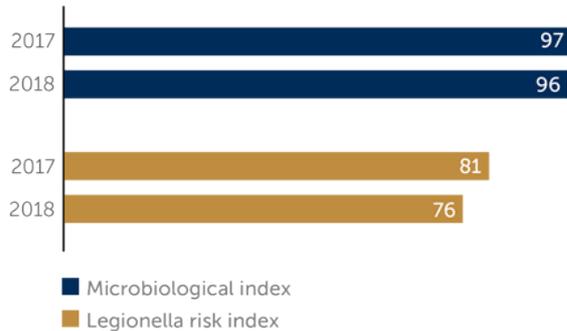
In 2018 there was an outbreak of listeriosis and bird flu in South Africa. Sun International's health and safety, food safety and procurement procedures ensured that no units were impacted by these diseases.

Legionella risk management

Legionnaires' disease¹ is a significant risk in the hospitality industry. Sun International monitors this risk through an independent third-party assessment and the use of SANAS-accredited laboratories.

¹ Legionnaires' disease is a form of atypical pneumonia caused by the inhalation of Legionella bacteria, which can be found in hot and cold water systems.

Group Legionella averages year-on-year



As depicted in the graphs, Sun International's Legionella microbiological index reduced by 1%, and the Legionella risk index reduced by 5% compared to 2017. The reduction in our risk index is primarily due to the introduction of the SANS 839 standard for Legionnaire's disease. This standard imposes stricter requirements on the group that were not enforced previously. Plans are in place to improve our risk index further.

Sun International is committed to providing a safe environment for all our stakeholders. Through our dedicated team of professionals, improved systems and procedures and ongoing training and awareness, we aim to ensure memorable experiences for all.

LOOKING AHEAD

- ▶ Implementing the SHE e-learning and behavioural change projects as part of the integrated sustainability culture change programme
- ▶ Implementing the group's integrated SHE management system
- ▶ Implementing incident reduction initiatives
- ▶ Implementing the group fire safety standard
- ▶ Improving compliance management and monitoring through the compliance management platform
- ▶ Standardising reporting of requirements and aligning health and safety management to South African standards in Latam by rolling out our sustainability manual
- ▶ Improving integration to implement preventive maintenance plans.

HEALTH AND SAFETY INITIATIVES

BURN AWARENESS MONTH

Sun International collaborated with the National Burn Association of South Africa to promote burn awareness during February 2018. The awareness focus on types of burns, how they impact people's lives, and how people can protect themselves and their family against burns and fire.



SUN CITY'S SHE REPRESENTATIVE CLUB

To promote participation and create a culture of caring employees, Sun City established a SHE representative club in February 2018 for its SHE representatives. In November 2018, the top SHE representative club members were awarded for their assistance in promoting a safe and healthy working environment, and supporting the unit's SHE initiatives.



INTERNATIONAL DAY AGAINST DRUG ABUSE AND TRAFFICKING

In June 2018, various units raised awareness around drug abuse. Wild Coast Sun partnered with the South Coast Recovery Centre, SAPS and Mzamba Youth Centre to raise awareness about drug and substance abuse. The awareness day focused on our employees, surrounding communities' leaders and youth.

In a show of drug awareness support, employees at various units tied yellow ribbons around trees on their properties.



UNDERSTANDING THE DANGERS AND WORKING TO MAKE A CHANGE.



DRUG ABUSE
AWARENESS

26 JUNE 2018

In recognition of the International Day against Drug Abuse and Illicit Trafficking

We're sharing a few facts.

Did you know?

- 13 is the average age when a child first experiments with drugs
- Over 50% of all suicides and violent crimes are influenced by drugs and alcohol
- 80% of domestic violence reports are related to drugs and alcohol
- The most commonly abused prescription drugs are pain killers, tranquilisers and stimulants
- The most commonly abused illicit drugs are marijuana, cocaine and methamphetamines
- It is estimated that up to 60% of poor work performance can be tied back to drugs and alcohol
- Gauteng's youngest drug dealer was an 8 year old boy from Douglasdale
- At least 15.3 million people in South Africa have a drug-abuse disorder
- School kids who use alcohol or drugs are three times more likely to become involved with violent crimes
- Children who have one alcoholic or drug dependant parent have a 60% chance of becoming one too. This rises to 80% if both parents are dependant.

If you or anyone in your family is suffering from drug or alcohol dependence, or you are concerned that they may be, you can contact the South African National Council on Alcoholism and Drug Dependence (SANCA) on:

☎ 011 892 3829 📞 0765351701 📧 sancanational@telkom.co.za

or LifeAssist

☎ 0860 111 322 📞 SMS: 32345 📧 help@lifeassist.co.za

 Scania International | SUSTAINABILITY

CORPORATE WELLNESS WEEK

In celebration of corporate wellness week, our units incorporated wellness elements into their annual wellness days. Maslow Time Square sponsored stress balls for all the units and awareness posters were distributed.

 **GETTING BETTER EVERY DAY,
BETTER IN EVERY WAY!**



When you're happy, we're happy.
That's why we've compiled some tips on how you can improve your wellness:

- Eat healthy, be selective
- Get active, exercise is massively beneficial to your health
- Commit to regular health checks with your doctor
- Get enough sleep
- Quit smoking and avoid alcohol
- Report hazards and risks
- Practice ergonomics

Make sure to find out more on how you can stay happy and healthy at the Wellness Day event coming soon to your property!

CORPORATE WELLNESS WEEK | 2 - 6 JULY 2018

 **International** | SUSTAINABILITY

WORLD HEARING DAY

In celebration of world hearing day in March 2018, Golden Valley invited the National Institute for the Deaf to inform employees on how they should protect their hearing. Awareness was created around how and when to uses PPE and how loud sounds and noises can affect your hearing over a period of time.



SAFETY AND HEALTH AT WORK – CLIMBING THE CORPORATE LADDER

In May 2018 we raised awareness about working at heights and using ladders. Email communication was distributed to employees.

SAFETY AND HEALTH AT WORK

CLIMBING THE CORPORATE LADDER



Your safety is important to us so we want to make sure you take care of yourself when it comes to height safety at work.

Basic office safety...

DO:

- Store items at a height that can be safely reached without the use of a ladder or a stool
- Use a ladder or short step stool if the item is out of reach

DON'T:

- Use your chair or a table
- Store an item that is too high to reach with a step ladder

What to do if you're using a ladder...

DO:

- Use a ladder that's the right height for the job
- Have a good grip
- Wear flat shoes
- Ensure the steps are clean
- Have a firm and level base

DON'T:

- Use a ladder that is too short
- Stand on top of the hand rail
- Use a ladder with slippery steps
- Use a ladder with damaged stiles
- Place the ladder on uneven or soft ground

We trust you'll follow these steps whether at work or at home. Happy climbing!

HEIGHT SAFETY
AT WORK

MAY 2018

 Sun International | SUSTAINABILITY

EYE SAFETY AWARENESS MONTH

November is eye safety awareness month, and employees were given eye safety packs. Awareness posters were also distributed.

LOOKING AFTER YOUR EYES

HEALTH AND SAFETY

DIET



Studies show that what we eat can affect our vision. Antioxidants can help to prevent retinal damage. One antioxidant which is hugely beneficial is lutein.

Eye health recommended diet includes:

- Broad leaf greens such as kale and spinach
- Brightly coloured fruit and veg such as corn, carrots, orange sweet peppers and oranges
- Oily fish like salmon, tuna and mackerel
- Broccoli
- Eggs

EXERCISE AND EYESIGHT



Lack of exercise contributes significantly to several eye conditions, particularly amongst people at age 60 and over. Exercise may reduce the risk of sight loss from narrowing or hardening of the arteries, high blood pressure and diabetes.

Eyesight Awareness
Month - November 2018

 Sun International | SUSTAINABILITY

SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development (SED) is integral to our sustainable business strategies. This allows us to create shared value, fulfil our licence conditions, and promote B-BBEE and corporate governance processes, while doing good. Our social licence to operate means we strive to uplift, empower and share value across the communities where our business units are located. We understand that community cohesion is critical to our future sustainability.

HIGHLIGHTS

- Invested R23 673 966 million in SED projects across our focus areas: education, sports, and arts and culture
- Improved the SED project governance process through policies, standard operating procedures and a new SED IFS to capture all SED projects and project budgets
- Commenced the SED audit programme and continued to roll this out at various units across South Africa
- Packed about 320 000 meals through our partnership with Rise Against Hunger South Africa, which impacted over 1 200 children’s lives by feeding them one nutritious meal, five times a week for one year
- Continued to nurture and promote talented artists through our annual arts and culture donation
- Appointed dedicated SED representatives at five of our big units and identified SED coordinators at the other units to assist with the SED strategy.

CHALLENGES

- Ensuring the integration and alignment of social, health, wellness and environmental concerns in future SED projects to enhance Sun International’s social impact
- Continuous and effective stakeholder engagement with our communities and employees
- Ensuring corporate accountability through reporting and monitoring the group’s SED investments
- Collecting and reporting on group CSI spend, including donations (in-kind, whether monetary or non-monetary), sponsorships and charitable givings.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Encouraging more students to register on Sun International’s hospitality curriculum development programme.	Approximately 5 000 students have registered to date. The programme was successfully handed over to the Department of Education.	Achieved
Continuing to create value through the group’s SED focus areas – education, sports, and arts and culture.	Various SED initiatives were successfully implemented across our focus areas.	Achieved
Implementing the new SED and community and stakeholder engagement strategic framework and policy.	Finalised and implemented the group community and stakeholder engagement policy. Developed a new SED and community stakeholder engagement framework that will be rolled out to all South Africa units in 2019.	In progress
Improving the capturing of SED, CSI and licence conditions spend for reporting purposes.	Developed and implemented a new SED IFS to capture all SED projects and project budgets. This has improved overall project governance and accurately tracks the group’s 1% net profit after tax SED spend. A new process was identified for capturing and reporting CSI. This will be implemented at unit level going forward.	In progress
Maintaining full points for SED as part of B-BBEE commitments.	All business units achieved full points for SED in the 2018 Empowerdex audit.	Achieved

KEY PERFORMANCE INDICATORS

Sun International's 1% NPAT spend for the period under review amounted to R23 673 966 million (2017: R16 million). This amount includes the SED spend for all 17 local units compared to 15 units reported on in the prior years (2017 SED spend did not include SunBet and SunSlots SED spend). In addition, the group invested in various CSI initiatives including donations, sponsorships and charitable givings.

	1% NPAT (SED 2018) Rand	1% NPAT (SED 2017) Rand
Boardwalk	580 000	338 768
Carousel	9 940	619 356
Carnival City	1 653 300	2 310 000
Flamingo	103 228	194 616
Golden Valley	213 981	182 867
GrandWest	5 746 862	4 642 000
Meropa	573 782	453 550
Sibaya	2 998 971	2 546 000
Sun City	1 333 363	1 348 034
Wild Coast Sun	849 000	680 158
Windmill	452 348	403 254
The Table Bay	439 837	293 209
Maslow Time Square	1 070 670	629 125
Maslow	38 110	338 602
Head Office	600 000	1 098 960
SunSlots	7 005 574	Not available
SunBet	5 000	Not available
TOTAL	23 673 966⁽¹⁾	16 078 499

¹ SED spend for 2018 includes SED spend for SunSlots and SunBet

STRATEGY

As a responsible corporate citizen, Sun International understands the necessity of empowering communities in the areas we operate. Therefore, SED is key to the group's sustainable business strategy. We not only create economic value, we also aim to maximise the positive social impact on surrounding communities through creating shared value.

CSI was recently incorporated within the group's SED portfolio. However, CSI is a unit-specific operational expense and is allocated to projects that are of interest to the group and its employees. CSI does not form part of the SED budget. Most of our CSI initiatives are funded by each business unit, and donations received from our guests and partners. Although the gaming boards recognise CSI spend, the B-BBEE scorecard only recognises the SED expenditure from NPAT. Our SED projects are allocated to initiatives that facilitate sustainable access to the economy for our beneficiaries. They are governed by our SED policy, which focuses on education, sport, and arts and culture. SED expenditure is based on our NPAT and is aligned with the B-BBEE Act requirements.

SOCIAL CAPITAL

Much of our social capital is accumulated through contributions from our business units and group initiatives close to the heart of our communities. We believe that the success of the communities in which we operate are paramount to the continued viability of our operations.

During 2018, we finalised our group SED strategy, which incorporates our SED framework. The strategy ensures all processes are streamlined across our South African business units. Our framework guides us in adhering to gaming licence conditions, data reporting and group targets. It guides applicable standards when identifying, approving and implementing SED projects, and provides a platform for projects that integrate environment and health and safety into the SED focus areas.

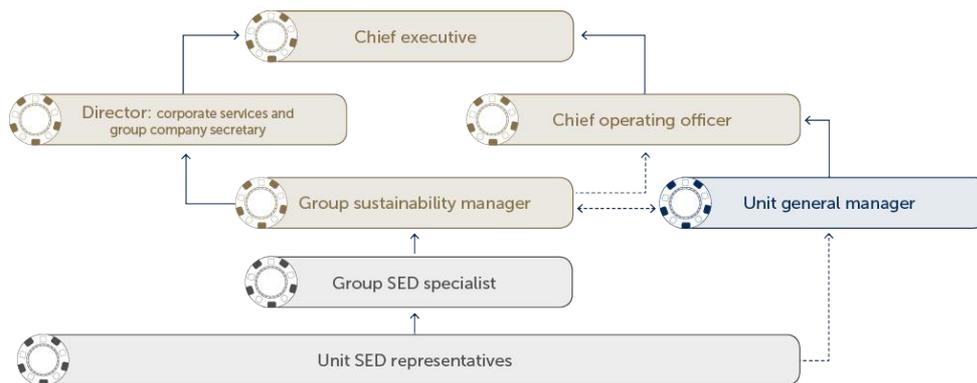
Governance process

Our SED governance process is depicted below. The SED portfolio comprises a dedicated group SED specialist, whose responsibilities include:

- monitoring SED, group and unit projects, gaming legislation, regulations and standards
- implementing and managing effective community engagement throughout the group.

This engagement ensures that Sun International's stakeholder relationships offer shared value and improved opportunities.

SED reporting structure



During 2018, the group's SED and community and stakeholder engagement policies were finalised and rolled out group-wide. Both policies align to the group's sustainable business strategy, demonstrating our commitment to social upliftment and wealth creation for communities and stakeholders affected directly and indirectly by our operations. These policies also demonstrate our commitment to transparent and inclusive engagement.

To standardise SED processes group-wide, we implemented an SED standard operating procedure in 2018. This document provides a high-level overview of processes to follow when submitting information, requesting approvals and providing feedback on all SED initiatives to the group. It also ensures that all SED information is reported timeously, accurately and in line with the group's SED strategy.

The group's IFS, where SED projects are captured and reported on, gained traction during the year. In 2018, all business units captured their SED spend on the IFS. This system ensures constant monitoring of SED projects and project spend, which ensures accountability at each business unit and that B-BBEE scores are accurately and timeously monitored to achieve maximum points.

GROUP SED AND COMMUNITY AND STAKEHOLDER ENGAGEMENT POLICY OBJECTIVES

- ▶ Making a **positive, sustainable and measurable impact on communities**
- ▶ **Investing and empowering communities** through our core SED focus areas
- ▶ **Transparently and inclusively engaging** with surrounding communities and stakeholders
- ▶ **Building and improving relationships** with surrounding communities
- ▶ Continuing to **enhance the group's caring corporate citizen reputation**
- ▶ **Demonstrating responsible behaviour** through strategic objectives, targets, good governance, targeted engagement and SED investment

SED project approval governance process

The group follows a robust process for identifying and governing SED approvals. This process ensures that the group continues to make a positive impact on one of our key and most vulnerable stakeholders – communities. All business units complete a project briefing template that highlights project background and sponsorship details. If projects do not align to our focus areas, the business unit's general manager and SED officer complete a special project form that states the project purpose and reason for project consideration. These forms are reviewed and approved or declined by the SISCDT and the chief executive on an ongoing basis.

The SISCDT meets quarterly to review, approve, and monitor SED projects and budget spend. Management representatives from various functions within the group attend the SISCDT meetings to respond to any questions the trustees may have regarding the proposed projects. These functions include SED, sustainability, group finance, human resources, tax, public relations, and learning and development. All SED project payments are processed through the SISCDT to ensure the correct tax concessions are claimed by Sun International.

The following SED project approval process is followed:



Creating value

Social capital investments are essential to our long-term business sustainability. We create economic value in the communities we operate, and aim to maximise shared value. Return on investment is measured by the lasting positive impact and self-sustaining structure that all SED projects should have. Our people play an active role in investing their personal time in our social investment projects that resonate with them, from volunteering and mentoring bursary students, to providing business advice and training.

VALUE CREATION

- ▶ **70%** of SED spend is allocated to **group projects**
- ▶ **30%** is allocated to **property-specific projects**
- ▶ SED initiatives are focused on **education, sports, and arts and culture projects**
- ▶ **Effective stakeholder engagement is critical** to the group, and continues to receive increased focus

Our SED project focus areas are **education, sports, and arts and culture**, with an emphasis on education. We believe education is critical in assisting poverty alleviation and ensuring economic stability. These focus areas were selected to unify the Sun International brand and meet the various gaming board licence conditions set out by the different gaming regulatory authorities. We strive to be known for innovative, inspired projects that positively impact our communities and afford them access to the economy. We also recognise the value in developing a sustainable model that connects our social investment to our core business strategy.

SED projects, as per the B-BBEE Codes, are funded by Sun International's 1% NPAT and adhere to the various provincial gaming licence conditions. Our B-BBEE scorecard recognises only projects funded from NPAT, but not CSI initiatives. In addition to the NPAT SED spend, some provincial gaming boards specify an additional percentage of GGR to be allocated to SED initiatives.

CSI projects are a combination of business unit and guest donations. Through the white cards, winnings from self-excluded guests and various anonymous donations from our guests and partners, we continue to improve the lives of communities. As a group, and more specifically at business unit level, we also actively sponsor, donate and contribute to charities as part the SunWay culture.

As part of ongoing improvement, we will implement a formal system to track in-kind donations, which are distinguished as donations with and without rand value. **In-kind donations with rand value** include the donation of venues, accommodation, food, drinks and any other donations that could have been sold. These in-kind donations do not form part of the NPAT for calculating the group's SED spend per the B-BBEE Codes. **In-kind donations without rand value** include donations of goods from which Sun International has already derived rand value and cannot be sold for the original value. For example, items such as discarded linens, furnishings and TVs would form part of this in-kind donation and would not be included in the NPAT for calculating the group's SED spend per the B-BBEE Codes.

STAKEHOLDER ENGAGEMENT APPROACH

Stakeholder engagement is important in building and maintaining solid, transparent relationships in the areas we operate. Some of our stakeholders include communities and traditional leaders, provincial and national government, NGOs, NPOs, PBOs, foundations, and labour organisations. During 2018, the group's engagement methodology was refreshed to ensure that all engagement and interventions are aligned with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans. This revised engagement methodology involves assessing various social aspects related to the wellbeing of the group's communities, and their collective needs. Following these assessments, possible interventions are identified and discussed with the relevant stakeholders. It is anticipated that the new engagement methodology will be rolled out to all South African business units in 2019.

LOOKING AHEAD

- ▶ Implementing our stakeholder engagement process and framework across all South African business units
- ▶ Increasing the impact made on the 'Adopt a Sustainable School' initiative as part of our integrated sustainability approach
- ▶ Maximising our employee volunteering initiatives
- ▶ Effectively report on all CSI spend
- ▶ Training dedicated SED managers and officers on our community engagement process
- ▶ Training dedicated SED managers and officers as internal SED auditors
- ▶ Conducting cross-unit SED audits at all local units in 2019

SED INITIATIVES

The case studies below detail some SED and CSI initiatives in which group-wide business units are involved.

EDUCATION

CARNIVAL CITY

Sci-Com Foundation – a 10-year partnership with a 100% pass rate for 10 consecutive years

Sci-Com Foundation is an organisation that runs the Saturday School and Holiday Project to help disadvantaged learners improve their grade 10 to 12 results. Sci-Com targets learners who need additional tuition to excel in matric and go on to register at a tertiary institution. The foundation's objective is to give the learners a solid grounding in mathematics and natural sciences at an early stage, and give exposure to science-related careers. In addition, learners participate in various team-building activities such as mentoring, attending a life science exploration camp, and receiving career advice to facilitate career options and encourage healthy lifestyle choices. About 89% of the learners who participated in this programme attained university entrance, and the number of distinctions averaged four per learner. Sci-Com also made a remarkable contribution to the academic performance of the Gauteng East District, which was among the top 20 highest-performing districts in 2018. Carnival City is the only funder of this organisation, and its resources are targeted at staff salaries and specific needs.

Grootvaly/Blesbokspruit – providing environmental education

Grootvaly/Blesbokspruit is the educational environmental facility at the Grootvaly Wetland Reserve. Through Carnival City's annual contribution (R120 000) learners participate in field trips to the reserve where they learn about the ample bird life and various environmental aspects.



GRANDWEST

African Institute for Mathematical Science Schools Enrichment Centre (AIMSSEC) – inspiring future mathematicians

GrandWest engaged AIMSSEC to coordinate a tutoring project for Kulani High School in Langa in 2018 for school learners from grades 10 to 12 (about 76 learners in total). This was following a previously successful pilot project between GrandWest and AIMSSEC where masters' students from AIMSSEC South Africa tutored school learners from grades 11 and 12. The pilot project resulted in an increased matric pass rate of 87% from 60%. AIMSSEC trained the masters' students, provided training material for each mathematical session, arranged for transport for the learners and evaluated and provided project feedback. The masters' students also received a stipend from AIMSSEC for the tutoring sessions. GrandWest invested R103 252 and provided food and beverages to the learners, tutors, lecturers and teachers who attended the sessions. Guest speakers were invited to provide motivational talks about the importance of mathematics; how to choose a career; and shared personal experiences on how they used mathematics in their careers. Positive feedback was received from several learners stating that they understood mathematics better. There was also an expression of appreciation from the tutors, lecturers and teachers who enjoyed giving back to the community and helping learners to be future mathematicians and future professionals that could help develop the African community.

Saxonsea Secondary School – providing on-the-job learnings in the hospitality industry and upgrading class rooms

Saxonsea High School was established in 1985 for several communities in the Western Cape. Despite many challenges facing this school, the learners have managed to achieve 80% or higher matric pass rates since 2012. GrandWest provided financial assistance (R300 000) to Saxonsea High School for upgrades to their consumer studies classroom. These upgrades include eight stoves, a fridge, a microwave, 15 workstations

and some kitchen appliances. Refurbishments included painting, improved lighting, new cupboards, fixing kitchen sinks and taps and repairing the damaged floors and ceilings. GrandWest believes that education is a critical lever to achieve sustainable social upliftment. By creating education opportunities for the youth in our communities, GrandWest ensures a growing pool of talented and skilled people, which companies like Sun International can employ in the future.

A day in the life of a chef. GrandWest invited 10 learners from Saxonsea, who hope to become chefs, to participate in GrandWest's SED career orientation programme. These learners were mentored by GrandWest chefs and experienced what it takes to work a hospitality environment so they can consider pursuing a career path in the hospitality industry.



MEROPA

Gojela High School – providing a classroom make-over for the hospitality class

Sun Meropa provided financial assistance (R300 000) to renovate and refurbish the Gojela High School hospitality classroom. These renovations and refurbishments included, among others, painting, flooring, plumbing, steelworks, extraction fan, and safety facilities and equipment.



SIBAYA

Ekutheleni Primary School – helping to improve literacy skills

The Ekutheleni Primary School is in a disadvantaged community, where most parents are unemployed, and many learners are from child-headed households. Many cannot afford school fees. The school relies on donations and fundraising campaigns, and reciprocates by opening itself to the community on weekends and after school hours for church services and computer lessons. Sibaya provided financial assistance (R191 220) to employ English teachers for the learners' to assist in developing a strong foundation for listening, speaking, reading and comprehension skills.

PROTEC – providing effective learner supplementary mathematics, science and technology education and career development opportunities

PROTEC was established in Soweto in 1982, with the aim of increasing the number of matriculants by preparing them for successful entry into the job market sustainably and effectively. The focus is on science, engineering and technology, which support the growth of technically skilled South Africans. In addition, PROTEC provides social and emotional support at both secondary and tertiary education levels to the point of successful integration into the job market. PROTEC has grown and is now a national organisation operating in all nine provinces. Sibaya's financial resources (R100 000) assist in funding PROTEC's 10-year learner excellence programme, which incorporates the school phase and the post-school phase. The school phase covers grades 10 to 12 and draws learners from rural and township schools to participate in its learner excellence programme (120 learners in total). The post-school phase prepares learners for successful placement in the work place and it offers learners support for seven years after completing grade 12.

The ELET – promoting literacy and numeracy education in the classroom

The ELET was established in 1984 to promote English language education in schools where it was a second language and the language of instruction. To date, these English teacher education projects are provided to five South African provinces (Eastern Cape, Free State, KwaZulu-Natal, Limpopo and Mpumalanga). English teaching material is published for use in primary and secondary schools. ELET works closely with various universities and holds a long-standing relationship local and national government. Sibaya invested R437 720 in the project to ensure the course is grounded in actual classroom practices and addressed teachers' and learners' language needs. These resources are used to fund workbooks and mathematics resource kits, aimed at improving numeracy and literacy levels.



SUN CITY

Lerome school classroom construction – building four classrooms

Lerome Secondary School caters for about 780 learners. To ensure learners have a safe schooling environment conducive to achieving expected academic results, Sun City is providing funding of R1.6 million to construct four classrooms. This investment should increase the probability for historically disadvantaged learners to be motivated to study.



THE TABLE BAY

St Mary's School and Stephen Road Primary – uplifting children and empowering communities through education

With the high cost of living, high unemployment rate and financial pressure, many children in poorer communities wear ill-fitting, old shoes or none at all at school. This makes the children uncomfortable and can lead to various orthopedic problems. Many of these children also walk considerable distances to school every day. The Table Bay takes a special interest in Cape Town's community life and decided to donate shoeboxes, individually decorated by The Table Bay employees, with a special message to make the gift more personal. The shoeboxes contain a pair of new school shoes and socks. This inspiring project gave 908 primary school children from these previously disadvantaged communities brand new school shoes at the beginning of the 2019 academic year.



MASLOW TIME SQUARE

Mamelodi East Pre-Vocational School – enriching learners by refurbishing and renovating hospitality classrooms

The Mamelodi East Pre-Vocational School was established to provide vocational studies to learners of Mamelodi who have learning deficiencies. This school has achieved remarkable success with limited resources and has the following centres: hospitality/consumer, sewing, hairdressing, metal/welding and motor mechanics. Maslow Time Square invested R537 070 to refurbish each of these centres in three phases, starting in 2018.



WILD COAST SUN

Zondubuvila Cooperative – uplifting the community

Amadiba community owns the land on which Wild Coast Sun is located. They are important beneficiaries of our CSI initiatives as they enable Sun International to provide shared value and maintain its social and legal licence to operate. Wild Coast Sun provided financial capital (R85 000) to procure equipment and seeds to develop a vegetable garden that will supply food to local schools (for free) and to local suppliers for revenue to maintain the vegetable garden. The funds will be used to build a shelter from where the vegetables can be sold to the public to generate additional revenue.

Free Methodist School – constructing buildings for learners and teachers

The Free Methodist School needed a crèche, kitchen and toilets. Wild Coast Sun provided funding (R400 000) to meet these needs so the 250 learners could learn in a conducive environment that enables them to do their best in their studies. The handover took place in February 2019.

Maqongwana Senior Secondary School – helping a girl-child to go to school

Wild Coast Sun donated sanitary towels to Maqongwana Senior Secondary School. Previously, some girls would miss class during their monthly menstrual cycle as their parents could not afford to buy them sanitary products. This initiative enabled girls to attend classes. Pupils, teachers and community members were all present to witness this jubilant day.

Marhwatini community – empowering the community with entrepreneurial skills and alleviating poverty

As part of community upliftment, the Wild Coast Sun identified an NGO (Zondubuvila Cooperative) that will be supported for a three-year period to start and maintain a vegetable garden of five hectares, following which it should be self-sustaining. The support includes preparing land for ploughing, fencing, providing water pumps, seedlings, training and uniforms. This project will also enable the community to generate revenue to sustain their livelihood.



WINDMILL

Lethabo Day Care Centre – assisting with obtaining a certificate of acceptability

Lethabo Day Care Centre was established in 1998 and provides early childhood development for almost 70 children aged from new-born to six years. The centre focuses on developing the children physically, emotionally, mentally and socially, as well as providing balanced meals. The centre requires a certificate of acceptability from the Department of Health to continue operating. It approached Sun Windmill to assist with funding (R76 845) to obtain the necessary equipment to upgrade the kitchen and fence to obtain their certificate. The handover was completed at the end of 2018, and Windmill employees donated toys and supplied food hampers.

Enviro Quiz

Sun Windmill has been a sponsor of the annual Enviro Quiz since 2009 and is part of the judging panel. This Enviro Quiz is a well-established environmental education programme that establishes environmental projects at schools in the Free State. The programme's purpose is to increase environmental awareness at schools. Various themes are used each year to educate learners on specific topics. The 2018 theme was waste – previous themes included energy reduction, vegetable gardens and water. Over the years, there has been a positive impact on many schools in creating a love for the environment and playing a role in creating a sustainable future for all.



SPORTS

SUN CITY

PGM Golf Academy – developing aspiring golfers and caddies

Sun International hosts the iconic Nedbank Golf Challenge (NGC) each year, which impacts the local community beyond the event week. The Sun City caddie, Mr Peter Mazibuko, has always had a passion for golf and helping local children in the North West, where Sun City is located. Peter arranges for the aspiring golfers to attend the NGC and his dream is to get some of the children competing in the under-12 and under-15 age group amateur tournaments at Sun City.

Sun International partners with Golf Operations and the North West Union to support this academy, which aims to provide sporting and job opportunities (caddies and/or pro golfers) to the youth. The academy has benefited about 25 children from the North West.

Sun International supports Peter's efforts by transporting the children to our resorts and back, offering them access to the Lost City Golf Club's driving range and supplying food packs. Sun International is aligning its CSI with the academy to benefit from the NGC charity funds raised, to support golf development in the North West at local schools.

Hall of Fame – honouring South African achievers

Sun City partnered with The South African Hall of Fame, whereby The Hall of Fame exhibition is located rent-free for a 10-year period. This exhibition affords many South Africans the opportunity to learn about various South African achievers celebrated by The Hall of Fame. The entry fee of R100 for guests staying at Sun City who visit the exhibition is discounted to zero by Sun City, as a direct service offering to the community. This allows The Hall of Fame to host numerous groups and schools from rural and informal areas, and more than 20 000 learners have been hosted to date.

ARTS AND CULTURE

SIBAYA

FLATFOOT Dance Company – changing the world, one person at a time

The FLATFOOT Dance Company has an established track record of dance education and development in KwaZulu-Natal. About 1 000 children and youth participate at the organisation. Previous financial resources from Sibaya enabled the FLATFOOT to establish a Waterloo Dance programme that has been active for four years and has about 42 participants, as well as an ADD programme with 15 participants, catering for youth aged between 17 and 21 years. In 2017, two dancers from the ADD programme were afforded a 12-month work placement mentorship with a professional company where they worked side-by-side with professional dancers full-time. In 2018, Sibaya provided further funding (R100 000) in support of FLATFOOT's new Junior ADD pilot programme which aims to promote the development of township female children towards a sustainable arts career. Presently 12 female dancers (aged nine to 13 years) participate in the pilot programme.

SUN CITY

Moses Kotane Secondary School – equipping learners with life skills orientation for making future life choices

This biodiversity, arts and culture programme provides learners with life skills critical for making choices in their lives. The programme provides a platform for recreation, leisure and entertainment, which many participants cannot afford. 310 learners were transported from their respective schools to Sun City to participate in a tour which complements the school curriculum in social science and arts and culture. Learners are taken on game drives, and provided leisure and entertainment. The learners enjoyed the Valley of Waves, after which they were taken back to their schools. Sun City's financial support (R66 532) embedded a culture of life-long learning and pursuit of career path, and these skills can be utilised in Sun International's workplace.

HEAD OFFICE

ACT – supporting and awarding talented South Africa artists

Sun International is a founding trustee of the ACT – South Africa's premier independent arts and culture funding and development agency. Co-founded by Sun International and Nedbank in 1994, the trust supports, nurtures and promotes artists by providing bursaries for tertiary education and mentorship programmes. The ACT's vision is to establish a self-sustaining perpetual fund for the development of arts, culture and heritage in South Africa. Its mission is to attract and provide funding to achieve the trust's vision. The trust activities include development, scholarship and building blocks programme, an arts and culture conference and the annual ACT awards. Each of the founding trustees contributed R1 million to minimise dependence on annual grants. Over the past 20 years, the ACT disbursed more than R20 million to arts and culture projects across South Africa.

CSI

CAROUSEL

Carousel visited Wisani Old Age Home and Moepathutse Children's Home and donated much-needed linen to make the residents' lives easier.

ENTERPRISE AND SUPPLIER DEVELOPMENT

E&SD remains a key focus for the group, and we continue to identify and invest in local procurement opportunities. The group further creates and maintains an efficient and equitable supply chain aligned to our strategic objectives through a robust governance process.

HIGHLIGHTS

- Invested R46 million in supplier development
- Invested R10.2 million in enterprise development
- Improved efficiencies and streamlined processes, including:
 - introducing formal BDS into our beneficiary programmes
 - enhancing automated compliance management processes to ensure good corporate governance within the group's supply chain
 - launching a tender bulletin board on the corporate website to attract a wider variety of responses to our various sourcing opportunities for suppliers
 - reducing active non-compliant suppliers through stringent controls over existing and new supplier management, with procurement spend being redistributed within our supply chain, in accordance with the requirements of our preferential procurement strategy.

CHALLENGES

- Continuing to entrench internal operational efficiencies and the principles of the E&SD programme
- Shifting the E&SD reporting focus from compliance to a broader social and economic impact
- Implementing E&SD effectively with limited operational resources, capacity and knowledge base

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Consolidating E&SD activities into a structured and consistent offering, ensuring we leverage opportunities to introduce additional efficiencies.	Enhanced internal processes, resulting in improved reporting efficiencies. Introduced an E&SD programme group-wide with a formal BDS successfully rolled out at one unit. The BDS will be rolled out to other units in 2019.	Limited progress
Supporting and enhancing the Sun International brand within our communities.	Introduced a tender bulletin board to proactively engage with suppliers in surrounding communities to expose them to our supply chain processes.	In progress
Positioning the E&SD function group-wide and entrenching the 2020 strategy.	Ongoing.	In progress
Finalising and implementing the fronting policy.	Defined a fronting process within the draft compliance management standard operating procedure, that will be implemented in early 2019. Created a task team to review existing and new fronting incidents.	Achieved
Focusing on effective reporting of E&SD funding.	Achieved greater use of IFS projects to record and monitor ESD loan funding, resulting in greater visibility in the loan recovery process.	Achieved
Meeting our B-BBEE target for E&SD suppliers.	Significant spend redistribution at group level, benefited and enabled existing, new and SMME businesses. Focus on achieving B-BBEE targets at unit level.	Achieved

KEY PERFORMANCE INDICATORS

	Spend 2018 R million	Spend 2017 R million	B-BBEE score achieved 2018 Points/(%)	B-BBEE score achieved 2017 Points/(%)
Preferential procurement	3 306	4 010.8	100	24.90 (99%)
Supplier development	46	34.5	100	11.00 (100%)
Enterprise development	10.2	9.0	100	6.00 (100%)
Total points out of a possible 44.00 (40 + 4 bonus points)	40	n/a	100	41.91 (100%)

PERFORMANCE OVERVIEW

The group remains committed to creating opportunities for all suppliers, especially B-BBEE compliant SMMEs. Ethical conduct throughout our supply chain is imperative, and we require our suppliers to commit to the highest standards of ethical conduct. Sun International's **supplier code of conduct** (is based on recognised international standards, principles and best practices. All suppliers are required to adhere to this code, which also complies with the **group's code of ethics**. Suppliers are encouraged to follow specific requirements in respect of labour conditions, human rights and occupational health and safety, and demonstrate consideration in mitigating harmful environmental impacts.

Preferential procurement

Sun International's total measured procurement spend for the financial year exceeded R3.3 billion (2017: R4.0 billion), of which R3.04 billion was procured from over 3 000 verified B-BBEE-compliant suppliers. This 92% valid spend compliance was below the group target of 95% for 2018. Our 2020 goal is to reach and maintain 95%.

The group prefers to engage suppliers that support our objectives and meet our optimum B-BBEE standard: black-owned with a level 3 rating or better. 41% of group spend met this optimum requirement, exceeding our 40% target for 2018. Our 2020 goal is to reach and maintain 50%.

Black-owned SMME spend of 35% (2017: 14%) was achieved, exceeding our 20% target. We intend to increase our annual target to 30% by 2020.

Stringent B-BBEE compliance controls are implemented throughout the year, including suspending a significant number of non-compliant suppliers. These controls positively impacted the transformation of our supply chain when measured against internal indicators (defined below), and were introduced as part of our preferential procurement strategy towards achieving optimal compliance by 2020.

Category	Target by 2020	Achieved in 2018	Achieved in 2017
Black-owned spend	60%	45%	33%
Black female spend	30%	19%	13%
Level 1 to 3	80%	63%	64%
Optimum spend ^[2]	50%	41%	31%
SMMEs	60%	35%	27%
Valid B-BBEE spend	95%	92%	88%

² Actual contributions invested, not the recognised values as per the B-BBEE Codes.

Sourcing and supplier onboarding process within Sun International

Although sourcing suppliers is commercially driven, we remain committed to economic transformation in South Africa by adopting the B-BBEE framework that encourages black SMME participation. We give preference to commercially competitive suppliers who meet our optimum B-BBEE compliance standard. All potential suppliers are required to register on the [Sun International supplier database](#) for inclusion in any sourcing opportunity. Sourcing opportunities are also advertised on our corporate website.

Onboarding process

The graphic below depicts Sun International's onboarding process.



Preference will be given to commercially competitive suppliers who demonstrate optimum Sun International B-BBEE compliance.



Enterprise and supplier development

Sun International's E&SD strategy remains a group priority, emphasising responsible corporate citizenship and a commitment to the environment, community, and economy. These objectives drive our supplier sourcing and create opportunities for small businesses to enter our supply chain.

The group's E&SD programme identifies and assists businesses at our various properties through capital funding or other business development services, with the goal of:

- fostering sustainable business growth, creating jobs, and adding economic value
- supporting the development of black-owned SMMEs
- offering consistent and structured application of E&SD projects
- focusing on the sustainability of our beneficiary organisations
- supporting South Africa's National Development Plan 2030
- supporting strategic category management plans
- achieving meaningful value through effective use of funding.

Through process efficiencies and our commitment to E&SD the group invested R46 million (2017: R34.5 million) in supplier development, including early settlements substantially above the claimable value. An additional R10.2 million (2017: R9 million) was invested in enterprise development, supporting a pipeline of new business into the supply chain. This investment represents 18.75% (2017: 11%) of net profit after tax, against the Tourism Code's requirement of 3.5% for the tourism sector.

Sun International's E&SD beneficiaries per category

Sun International believes that the endorsement of a small business by a corporate organisation goes a long way in supporting access to markets, creating job opportunities and uplifting local and regional communities. The group is proud to endorse our E&SD suppliers on our corporate website: corporate.suninternational.com

70 E&SD BENEFICIARIES

- 1 Casino and gaming
- 1 Fixtures, fitting and equipment
- 7 Food and beverage
- 1 IT supplies and services
- 13 Maintenance services
- 8 Marketing services
- 5 Operating equipment and supplies
- 32 Professional services
- 1 Travel service
- 1 Retail services

LOOKING AHEAD

- ▶ Formalising the group's E&SD committee
- ▶ Introducing an automated e-sourcing portal
- ▶ Conducting compliance management on Sun Internationals active supplier database and actioning outcomes accordingly
- ▶ Continuing to entrench BDS across all units, including the conclusion of a formal BDS provider sourcing process
- ▶ Formalising the compliance management standard operating procedure
- ▶ Enhancing the business intelligence reporting capabilities.

E&SD INITIATIVES

For more detail on the various E&SD initiatives refer to:

- <https://www.suninternational.com/stories/>
- <https://www.suninternational.com/stories/people/> (Sun International Beneficiaries – Get to Know our Entrepreneurs)

BOARD OF DIRECTORS



PDS (PETER) BACON ⁷²

Non-executive

FIH

Appointed in 2013

Experience:

- Hospitality and gaming
- Sound business experience

Committee membership:

Chairman of the risk committee and a member of the audit committee

Peter was appointed independent non-executive director of the company with effect from 1 February 2013. He has over 36 years' experience in the hospitality, resorts and gaming industry. He served as managing director of Sun International (South Africa) Limited from 1994 and as the group's chief executive from 2003 until his retirement in June 2006.

Peter was a non-executive director of Woolworths Holdings Limited from 2006 to 2017, chairman of National Sea Rescue Institute from 2008 to 2014, chairman of Cape Town Routes Unlimited from 2008 to 2012, board member of South African Tourism from 2009 to 2012, chairman of the Tourism Grading Council Awards Committee from 2009 to 2012, and chairman of CASA from 2004 to 2005. Peter serves as chairman of Atlantic Leaf Properties Limited (Mauritius), and is a director of PSG Konsult (Mauritius) Limited and DMH Limited (Mauritius).



N (NORMAN) BASTHDAW ⁵¹

Chief financial officer

BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)

Appointed in 2017

Experience

- External and internal audit
- Financial management expertise
- Corporate finance advisory and private equity

Committee membership:

Member of the IT governance, executive and risk committees

Norman was appointed as the chief financial officer and an executive director on the board with effect from 24 March 2017. He is a director of various group companies. Prior to his appointment, Norman was the group executive: mergers and acquisitions at Sun International from March 2013.

Norman's prior experience includes senior corporate finance and finance positions at, among others, Absa Bank Limited, Gensec Bank Limited (a subsidiary of Sanlam), Genbel Securities Limited and Allied Electronics Corporation Limited. He has also been instrumental in Sun International's expansion into Latin America.



DR NN (LULU) GWAGWA ⁵⁹

Non-executive

BA, MTRP, MSc, PhD (London)

Appointed in 2005

Experience

- Sound business experience

Committee membership:

Member of the risk, remuneration and nomination committees

Lulu was appointed to the board effective 30 November 2005. She served as a deputy director general in the National Department of Public Works, and served a five-year term as chief executive officer of the Independent Development Trust. She currently also holds directorships in FirstRand Limited, Massmart Limited and Aurecon. Lulu was on the board of ACSA and is the chief executive officer of Lereko Investments.



Z (ZIMKHITHA) ZATU ³⁵

Non-executive

BCom, HDipAcc, CA(SA)

Appointed in 2018

Experience

- Expert in entrepreneurship and strategic insights
- Strong financial and operational expertise
- Consulting in commercial and business practices
- Sound governance, business and leadership experience
- Driving innovation in financial services

Committee membership:

Member of the audit committee

Zimkhitha was appointed as an independent non-executive director on the board effective 2018. Zimkhitha is highly entrepreneurial, while committed to solid commercial and business practice and sound governance. She co-founded ZAAM Investments Proprietary Limited, a 100% female-owned and managed company focusing on project development, consultancy services and strategic investments within key economic sectors in South Africa. She is a shareholder and director of Mathupha Capital, which has investments in the rail sector. She heads up Edge, an innovative proposition launched by Standard Bank with the aim of providing a unique service experience for accountants and entrepreneurs. Her board roles include deputy chairperson of National Film and Video Foundation and director of Rail 2 Rail Proprietary Limited and SAFCOL, respectively. She held directorships at African Women Chartered Accountants, Commuter Transport Engineering, Sedibeng Iron Ore Mine Proprietary Limited, SAICA Thuthuka Education Upliftment Fund and Siyazisiza Trust.

Zimkhitha completed the GIBS Executive Leadership Programme and is completing her thesis for a master's degree (corporate finance) through the University of Liverpool. As a highly analytical person, she has excellent strategic insights and strong operational experience as well as an in-depth understanding of infrastructure projects.



E (ENRIQUE) CIBIE ⁶⁵

Non-executive

BA, CA (Pontificia Universidad Catolica de Chile), MBA (Stanford)

Appointed in 2014

Experience

- International gaming experience
- Sound business experience

Committee membership:

Member of the audit, remuneration and risk committees

Enrique was appointed to the board effective 22 August 2014. Enrique is a Chilean national and serves as a non-executive director on various boards in Chile. He served as the chief executive of various multinational and Chilean companies. Enrique is also a director of the Sun Dreams board in Chile.



VP (VUSI) KHANYILE ⁶⁹

Non-executive

BComm (Hons) (Birmingham) in Accounting and Finance, Fellowship in Development Finance (Princeton University), DCom (Transkei) (h.c.)

Appointed in 2018

Experience

- Finance sector
- Sound business and leadership experience
- Sustainability and community development

Committee membership:

Member of the social and ethics committee

Vusi was appointed to the Sun International board in 2018 as an independent director. He was the chairman of Thebe Investment Corporation (Thebe) from 1992 until his retirement in 2018, having been the founding CEO. Vusi serves as chairman of Afrikan Farms Proprietary Limited, the WWF SA and Santam Limited.

Vusi is known for his community and political development involvement, and headed up the Finance Department of the ANC between 1990 and 1992. He presented numerous public addresses and issued several publications in Africa, Europe and North America covering topics such as education, economics, politics and business.



GW (GRAHAM) DEMPSTER ⁶³

Non-executive

BCom, CTA, CA(SA), AMP (Harvard)

Appointed in 2017

Experience

- Banking and finance (local and international)
- Sound business experience

Committee membership:

Chairman of the investment committee and a member of the risk committee

Graham was appointed to the board effective 6 October 2017. He has over 35 years of experience in the banking and financial services industry in South Africa and internationally. Graham serves as a non-executive director on the boards of Imperial Holdings Limited, Telkom SA SOC Limited and AECI Limited. He is chairman of Long4life Limited and Motus Holdings Limited.



PL (LEON) CAMPHER ⁷⁰

Lead independent director

BEcon

Appointed in 2002

Experience

- Investment management
- Sound stock exchange experience in equity property funds and clearing
- Sound business experience

Committee membership:

Chairman of the remuneration committee, lead independent director and a member of the audit, nomination, and social and ethics committees

Leon was appointed to the board effective 19 June 2002. Leon has extensive experience in investment management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. He is the chief executive officer of the Association for Savings and Investment South Africa, lead independent director of Brimstone Investment Corporation Limited, chairman of the International Investment Funds Association, and chairman of Equities Property Fund Limited.



BLM (BOITUMELO) MAKGABO-FISKERSTRAND ⁴⁴

Non-executive

BA (International Relations)

Appointed in 2010

Experience

- Investment opportunities in Africa
- Sound business and leadership experience
- Expertise in communications

Committee membership:

Chairperson of the social and ethics committee

Tumi was appointed to the board effective 1 March 2010. She is the founder and executive director of Africa Worldwide Media, and founder of Tumi Makgabo Enterprises, which focuses on identifying investment opportunities throughout Africa. Tumi previously worked for CNN International and the FIFA 2010 World Cup Organising Committee South Africa. She serves on the board of The Foschini Group Limited. Tumi is a member of the World Economic Forum's Forum of Young Global Leaders.



AM (ANTHONY) LEEMING ⁴⁹

Chief executive

BCom, BAcc, CA(SA)

Appointed in 2013 (board)

Appointed in 2017 (chief executive)

Experience

- Gaming and hospitality
- Financial and corporate finance
- Governance and IT

Committee membership:

Chairman of the IT governance and executive committees and a member of the risk and social and ethics committees

Anthony was appointed as the chief executive in 2017. Prior to his appointment, he was the group's chief financial officer and an executive director on the board since 1 March 2013. Anthony is a director of various group companies and has over 19 years' experience in the hotels, resorts and gaming industries. He joined the group in 1999 as the group financial manager. As chief financial officer he was responsible for the overall financial function, the group's IT and procurement functions, and was integrally involved with the group's corporate finance activities.



MV (VALLI) MOOSA ⁶²

Chairman

BSc (Mathematics, Physics)

Appointed to the board in 2005

Appointed in 2009 as chairman of the board

Experience

- Sound business experience
- Public and private sector leadership
- Sustainability experience
- Global experience

Committee membership:

Chairman of the nomination committee, a member of the social and ethics committee, member of the investment committee and a member of the remuneration committee.

Valli was appointed to the board effective 30 November 2005 and became board chairman on 1 July 2009. He served as a Cabinet Minister from 1996 to 2004. Valli previously served as a non-executive director on the boards of Sanlam Limited, Imperial Holdings and The Indian Hotels Company Limited and served as chairman of Anglo American Platinum as well the UN Commission on Sustainable Development. He also served as President of the International Union for the Conservation of Nature and of WWF (SA).

Valli currently serves as a non-executive director of Sappi Limited and is a member of the Auditor-General's Advisory Committee.



JA (JABU) MABUZA ⁶¹

Deputy chairman

DCom (University of Witwatersrand) (h.c.)

Appointed in 2018

Experience

- Gaming and hospitality
- Sound business and entrepreneurship experience
- Public and private sector leadership
- Wide-spread knowledge in black economic empowerment investment and small business development

Committee membership:

Member of the investment, nomination and remuneration committees

Jabu was appointed as deputy chairman to the board effective 5 September 2018. He was previously the group chief executive officer of Tsogo Sun Holdings Limited, and recently retired as president of Business Unity South Africa. He serves as the chairman of various companies including Anheuser – Busch InBev/SAB Miller – Africa, Business Leadership South Africa, the CASA, Eskom SOC and Telkom SA SOC Limited. In 2016, Jabu was appointed by the Presidency as a co-convenor of the CEO Initiative with the Minister of Finance to assess the state of the South African economy. Jabu has served on several international companies' boards in various industries, and he has a wide array of organisational memberships in South Africa and abroad.

In 2017, Jabu was awarded an Honorary Doctor of Commerce degree by the University of Witwatersrand in recognition of his entrepreneurship achievements and his contribution to the South African economy. Jabu was also the recipient of a Lifetime Achievement Award from Ernst & Young in their World Entrepreneur Awards, and has presented several papers in southern Africa, the United Kingdom, United States of America and Europe on black economic empowerment investment in South Africa, small and medium enterprise development, and the role of business in transition.



CM (CAROLINE) HENRY ⁵²

Non-executive

BCom, B Compt (Hons), CA(SA)

Appointed in 2016

Experience

- Finance, treasury, debt capital markets, and pension and provident funds
- Sound business experience

Committee membership:

Chairperson of the audit committee, and a member of the risk and social and ethics committees

Caroline was appointed as an independent non-executive director on the board effective 3 October 2016. Caroline has over 20 years of experience in finance. Since 2005 she headed Eskom's treasury function and gained invaluable experience in debt capital markets and treasury. In 2013 she served as acting chief financial officer responsible for financial reporting, treasury, shared services, insurance, and oversight of the Eskom pension and provident fund. Caroline contributed in various capacities (member and executive) to Eskom's investment and finance committee, new build oversight committee, audit and risk committee, executive committee, nuclear management committee, Eskom Finance Company, and Eskom's pension and provident fund investment committee.



S (SAM) SITHOLE ⁴⁶

Non-executive

BAcc (Hons), CA(SA), ACA, CA(Z)

Appointed in 2018

Experience

- Finance and investment industries expertise
- Sound business and leadership experience
- Auditing expertise

Committee membership:

Member of the investment and remuneration committees

Sam was appointed to the board effective 20 June 2018. He is the chief executive officer and co-founder of Value Capital Partners Proprietary Limited and has over 20 years of experience in the finance and investment industries in South Africa and internationally. Sam serves as a non-executive director on the boards of Allied Electronics Corporation Limited, Adcorp Holdings Limited and African Phoenix Investments Limited.

EXECUTIVE LEADERSHIP



ANDREW JOHNSTON ⁵³

Director: corporate services and group company secretary

BA, LLB, FCIS, PGDip (Environmental Law), Certificate in Advanced Corporate Law and Securities Law

Experience

- Legal, secretarial, compliance, sustainability and corporate and remuneration governance
- Corporate finance and investor relations expertise
- Admitted attorney and certified ethics officer



ANNEMIE TURK ⁴⁸

General manager: Carnival City

NDip (Business Management)

Experience

- Gaming, technical and hospitality
- Managing financial aspects of a business unit
- Expertise in developing and opening new casinos, as well as property upgrades and refresh



ANTHONY LEEMING ⁴⁹

Chief executive

BCom, BAcc, CA(SA)

Experience

- Gaming and hospitality
- Financial and corporate finance expertise
- Governance and IT



BRETT HOPPÉ ⁵⁰

General manager: Maslow Time Square Casino

NDip (Hotel Management), EMDP (University of Nevada, Las Vegas)

Experience

- Gaming and hospitality operations
- International sales and marketing
- Events and entertainment expertise



CATHERINE NYATHI ³⁷

Chief audit executive

CA(SA), PGDip (Banking Law), PGDip (Hons) (Corporate Governance)

Experience

- Auditing
- Governance, risk and compliance expertise
- Banking, insurance, gaming and hospitality



CLAUDIO TESSADA ⁴⁸

Chief financial officer: Sun Dreams S.A.

BA, MBA

Experience

- Financial and insurance
- Marketing
- Casino operations



JAIME WILHELM ⁵²

Chief executive: Sun Dreams S.A.

Business Administration and Economics, MBA

Experience

- Strategic, planning, and development and implementation expertise
- Finance and accounting expertise
- Casino design and operations



KHATI MOKHOBO ⁵³

Director: special projects

BCom, BAcc, ACMA, CA(SA)

Experience

- Financial and forensics expertise
- New business development
- Strategic corporate projects execution
- Gaming expertise
- Stakeholder management expertise



MELVILLE VOGEL ⁵⁷

Regional general manager: KwaZulu-Natal

UCT Graduate School of Business, Gordons Institute of Business Science

Experience

- General management in gaming and hospitality
- Management of operations and gaming systems



MERVYN NAIDOO ⁵²

Regional general manager: Western Cape

NDip (Hotel Management), Certificate (Strategic Management)

Experience

- Gaming, technical and hospitality
- Managing financial aspects of a business unit
- Expertise in developing and opening new casinos, as well as property upgrades and refresh



NORMAN BASTHDAW ⁵¹

Chief financial officer

BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)

Experience

- External and internal audit
- Financial management expertise
- Corporate finance advisory and private equity



RAUL DE LIMA ⁵⁵

General manager: Sun City Resort

Experience

- Executive management and leadership expertise
- Business development and turnaround strategy
- Multinational quick-service restaurant brand development expertise



ROB COLLINS ⁵⁷

Group strategy and operations officer

BCom (Law), BCom (Hons) (Marketing), HDip (Company Law), HDip (Tax Law)

Experience

- Marketing, events, entertainment and sales expertise
- Gaming and hospitality
- Hotel management



RUBEN GOORANA ⁵³

Regional general manager: Smaller units

BCom

Experience

- General management in gaming and hospitality
- Management of operations and gaming systems



THABO MOSOLOLI ⁴⁹

Chief operating officer

BCom (Hons), CA(SA), EDP, MAP, NDip (Project Management), Certificate (International Business Studies)

Experience

- Financial and corporate finance expertise
- Gaming and hospitality
- Audit and advisory services



VERNA ROBSON ⁴⁷

Director: group human resources

BProc (University of Witwatersrand), Certificate (Advanced Human Resources Management) UCT, MBA Core (University of Stellenbosch Business School)

Experience

- Labour relations
- Human resources



ZAINE MILLER ⁵³

Group chief information officer

Electrical, Electronic Engineering NTC (Highveld Tech), CIO Certificate (University of South Carolina), MBA Core (University of Stellenbosch), Digital Strategy & Design Thinking PD (Massachusetts Institute of Technology)

Experience

- Enterprise architecture and IT strategy
- IT governance, IT operations, Information security and cyber practice
- Hospitality systems, gaming platforms, ERP, online platforms

CORPORATE GOVERNANCE REPORT

Good corporate governance is paramount to Sun International. We live by the pillars of integrity, responsibility, fairness, transparency, honesty and accountability to all stakeholders. These pillars preserve the group's long-term sustainability so we can deliver value to all stakeholders. The outcomes of good corporate governance ensure an ethical culture, good performance, effective control and legitimacy.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders

During the past year, we saw further changes at Sun International, particularly regarding the board and its committees. These changes included resignations and appointments to further strengthen the board and its skills, diversity and experience. Ms Zarina Bassa resigned and Mr Graham Rosenthal retired as independent non-executive directors effective 12 February 2018 and 15 May 2018, respectively. In line with the principles of King IV™^[1] and given the number of new non-executive directors recently appointed to the board, Mr Khati Mokhobo agreed to step down as executive director effective 5 September 2018, while retaining his executive responsibilities. Mr Samuel (Sam) Sithole was appointed as a non-executive director effective 20 June 2018. Effective 5 September 2018, Mr Jabulane (Jabu) Mabuza was appointed as deputy chairman and Mr Vusumuzi (Vusi) Khanyile as an independent non-executive director. Ms Zimkhitha Zatu was appointed as an independent non-executive director effective 23 November 2018.

¹ Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Following these board changes, board committee membership was modified to ensure alignment with King IV™ and to deliver on our strategic objectives.

There were no material instances of non-compliance during the year under review. The board is satisfied with the group's level of compliance in accordance with applicable governance and regulatory requirements and it will continue to review the group's governance against best practice.

Sun International is proud that its business practices are underpinned by ethical principles embraced by the board, practised by the leadership team and cascaded down to our employees group-wide. We are unwavering in our zero-tolerance approach to crime, including corruption at every level of the organisation. To reinforce the board's ethical leadership commitment, several ethics training initiatives were concluded with the assistance of the ethics office to determine Sun International's current ethics climate and create a culture of inclusivity. Engagement took place with the board and employees to find out how they felt about ethics in the organisation. We continued to engage with Deloitte Tip-Offs Anonymous, who independently manages the group's 24-hour ethics hotline. We invited all stakeholders to use the hotline by way of an announcement on SENS.

The board continues to focus on reviewing the fundamentals of how we govern our business and how our structures enhance and unlock shareholder value. We continued to apply the 16 King IV™ principles, which are detailed in our [King IV™ application register](#). The board is satisfied with the extent of the group's application of these principles, the group's regulatory universe, and compliance with the JSE Listings Requirements, as articulated in this report.

Sun International's risk management committee is satisfied that the group's integrated risk methodology and ranking system accurately identified, quantified and ranked group-wide risks and opportunities in South Africa and Latam. This risk approach helps the board govern risk in a way that helps achieve our strategic objectives. It also ensures that Sun International is managed in accordance with principle 11 of King IV™. Specific executives are accountable for managing, monitoring, mitigating and reporting on identified risks and opportunities in their areas of expertise.

The sustainability committee focuses on environmental, health and safety, SED, E&SD and the group's progress against B-BBEE. Further, the policy revitalisation management sub-committee continues to review, update and consolidate group policies.

With increased cyber threats across our operating environment, the group's IT governance structures remain resilient and responsive in securing the information stored across the group's various systems. To further bolster the group's IT governance environment, several actions were taken including, *inter alia*, aligning IT policies with King IV™, deactivating USB ports and engaging an external assurance adviser annually to review the activities, methodologies and performance of the IT governance committee in accordance with best practice. A great amount of work was done in Chile to align IT governance with best practice, including an external assessment of its IT governance structures.

The stewardship of customer information and data protection is important. During 2018, management implemented a group-wide self-service kiosk to allow customers to sign up and update their own identification documents. We implemented a data governance programme to address data quality issues of gaming customers.

Governance in Latam is a focus area and good progress was made in aligning its board and committee processes to the South African operations. This includes a best practice integrated governance framework between South Africa and Latam, and the group company secretary attends all Sun Dreams committee meetings. The Latam committees report into the Sun Dreams South African board committees so the local operations can focus on operational matters while material governance, risk and strategy issues are elevated to group level. Mr Enrique Cibie chairs the Sun Dreams board committees, serves as a member of the Sun International remuneration, risk and audit committees, and is a member of the Sun International board. Latam's social and ethics report is tabled at their financial review and risk committee meeting. It is included in South Africa's social and ethics committee meeting to monitor sustainability, compliance and money laundering. Great synergies are being created between the internal audit function at Sun Dreams and Sun International's head of Group Internal Audit. We acknowledge that, although significant progress was made in this regard, there is still work to be done to align governance with the rest of the group.

In Nigeria, the TCN has a robust governance structure, including a statutory audit committee, finance review and risk committee and a nomination and governance committee that monitors remuneration. All committees operate under approved mandates and terms of reference and all non-executive directors have letters of appointment. The non-executive directors' fees are determined by the nomination and governance committee and shareholders.

The regulatory and operating environment continues to pose challenges such as the proposed amendments to smoking legislation, the ongoing threat of increased gaming taxes, and the erosion of market share due to Electronic Bingo Terminal (EBTs) and Limited Payout Machines (LPMs) in catchment areas. The tough economic situation requires a balance between innovative thinking and disciplined processes. We continue to strive for balance. The automated compliance portal will be finalised during 2019 and steps were taken to implement FICA legislation. Sun International engages the gaming boards regarding simplifying our group corporate structure. It is anticipated that the restructuring will be finalised during 2019.

Looking ahead our key focus areas include:

- continuing to embed an ethical culture through regular ethics awareness campaigns
- implementing a permanent central policy repository, which will track the reading of policies, alert employees to updates on any of the policies, and provide competence testing on policies with reporting capabilities
- continuing to remain resilient to cyber threats by developing robust IT systems and processes
- continuing work on the integration of Latam's governance structures with South Africa.

We are satisfied that the group meets the requisite standards of governance and compliance, and that matters for our consideration have been robustly interrogated and canvassed. We will continue to apply our minds individually and collectively to guide the group's strategic direction and to facilitate the group's delivery of its strategic objectives.

Following my decision to retire as Sun International's chairman on 14 May 2019, I welcome Jabu Mabuza as the new incumbent and wish him the best as he steers the group forward. I would like to thank the board and management for their support over my 14-year tenure at Sun International. I am and continue to be inspired by the management team and am confident in their ability to drive the group strategy forward, albeit in tough trading conditions.



Valli Moosa

Chairman

29 March 2019

This governance report should be read with the separate sub-committee reports – [audit](#), remuneration and [social and ethics](#) – to obtain a holistic view of the governance matters under consideration during the year under review. Certain fundamental principles are discussed in this report. These reflect the governance and workings of the board given that the board's primary role is to exercise effective, ethical and responsible leadership in determining the group's strategy, overseeing the implementation of this strategy by the management team, and closely monitoring business performance.

SUPPORTING VALUE CREATION THROUGH GOVERNANCE OUTCOMES AND EFFECTIVE LEADERSHIP

The governing body (the board) is the custodian of Sun International's corporate governance framework. It acknowledges its responsibility to lead the group in an ethical and effective manner through the mindful application of King IV™ with substance prevailing over form. This entails the integration of King IV™'s recommended 16 principles and practices that culminate in specific outcomes: namely an ethical and cohesive culture, effective control, compliance and accountability, responsive and transparent stakeholder engagement, performing to strategic expectation, and legitimacy and trust.

Sun International's board and executive management collectively have a wealth of knowledge that spans across South Africa and internationally to provide the expertise required to achieve the group's strategic objectives and ultimately create great memories for our guests, people and stakeholders. The SunWay culture and [code of ethics](#) further reinforce positive behaviours to ensure a cohesive ethical culture group-wide. Sun International's governance framework and policies provide the foundation for responsible, accountable and transparent reporting.

Through the various inputs and outputs, the board achieves specific outcomes that support the group's value creation. These outcomes include maintaining an ethical culture from the top down throughout the organisation. Through effective control of our risk universe, material matters and responsive stakeholder relations, the group maintains compliance with relevant legislation, codes and frameworks. These enable performance according to strategic expectations to enhance its legitimacy and trust among its stakeholders.



Code of ethics

SunWay culture

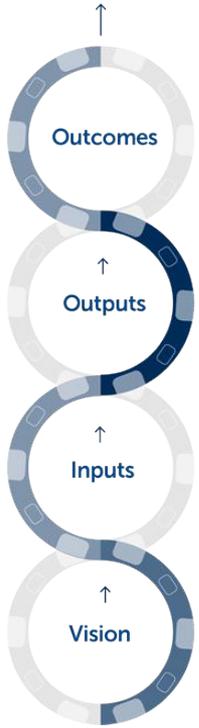
Board and exco expertise
 Leadership
 Finance
 Gaming and hospitality
 Hotel management
 Gaming systems
 B-BBEE and business development
 Information technology
 Sustainability
 Governance
 Legal
 Marketing
 Human resources
 Auditing

Legislation, codes and frameworks

Policies

Governance framework

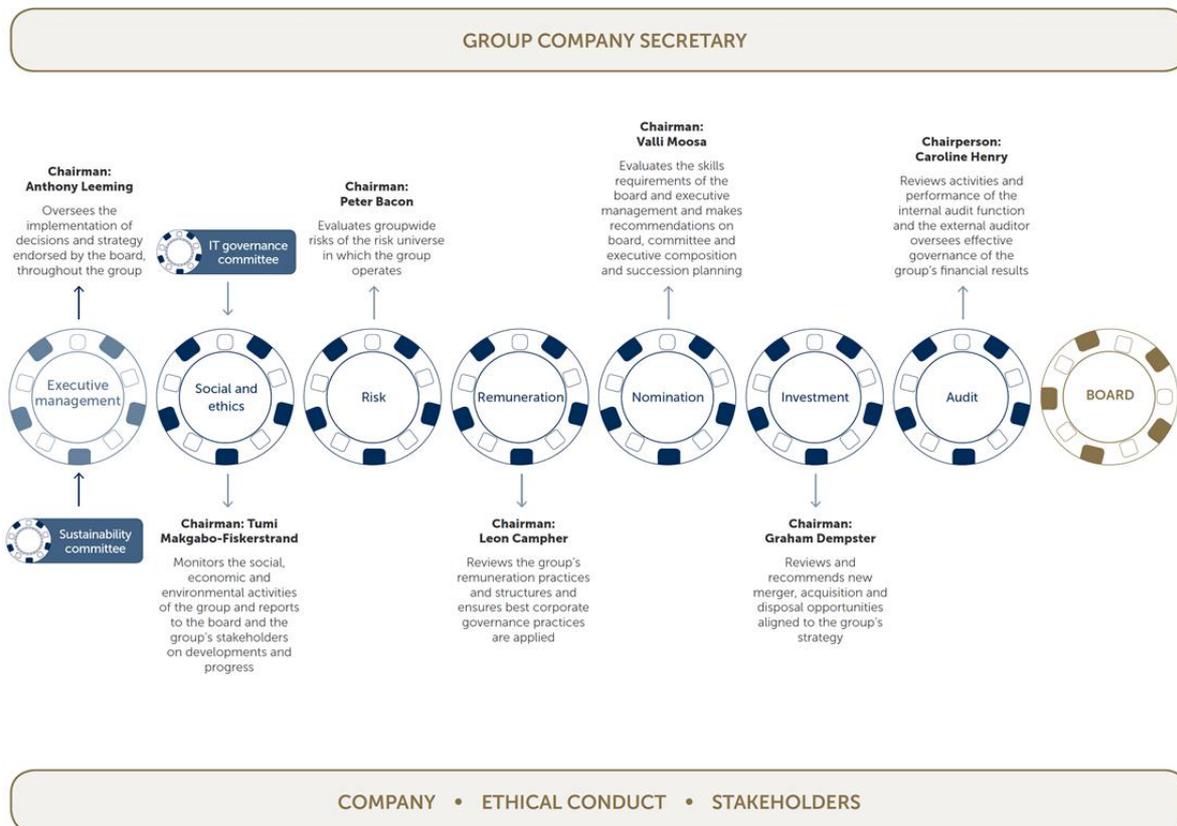
Strategy



Outputs include progress against our strategic objectives and continually improving the group's ethical culture. We also ensure our business activities make a positive impact on society by managing our natural resources responsibly and uplifting the communities where we operate.

GOVERNANCE FRAMEWORK

Sun International’s governance framework provides clear direction for implementing robust governance practices. Our framework is underpinned by our corporate governance policies, ethics and human rights to promote an organisational culture that embraces the SunWay culture and ensures that we remain a good corporate citizen.



KING IV™ APPLICATION AND GOVERNANCE OUTCOMES

The board is committed to best practice governance through the application of King IV™ principles. All principles are applied and align with our governance outcomes as detailed in the [King IV™ application register](#).

BOARD OVERVIEW

The board’s role is to exercise effective and ethical leadership, and sound judgement in directing Sun International and thereby the group, to achieve sustainable growth in the best interests of all its stakeholders.

Board charter

The board operates under a formal and defined board charter that sets out specific responsibilities that are collectively discharged by board members and the roles and responsibilities of the directors as individuals. This board charter is reviewed annually or sooner as required to ensure relevance. The board is satisfied that it has fulfilled its responsibilities in accordance with the charter for the reporting period.

To comply with best corporate governance practices, Sun International conducts periodic board reviews. These reviews are anonymous, and focus on evaluating the board, governance issues and the group company secretary’s competence. After the review process held in 2018, no material concerns were noted.

Board and committee attendance: 1 January 2018 to 31 December 2018

	Board	Remuneration committee	Nomination committee	Audit committee	Social and ethics committee	Risk committee	Investment committee
Non-executive directors							
PD Bacon	5/5			3/3		3/3	
ZBM Bassa ^[1]							
PL Campher ^[2]	5/5	4/4	3/3	3/3	3/3		5/7
EAMMG Cibie	5/5	4/4		3/3		3/3	
GW Dempster	5/5					0/2	7/7
NN Gwagwa	5/5	1/2	3/3			3/3	
CM Henry	5/5			3/3	2/2	3/3	
VP Khanyile ^[3]	2/2						
JA Mabuza ^[4]	2/2						2/2
BLM Makgabo-Fiskerstrand	5/5				3/3		
MV Moosa	5/5	4/4	3/3		3/3		7/7
GR Rosenthal ^[5]	1/1			1/1	1/1	1/1	
S Sithole ^[6]	3/3	1/1					4/4
ZK Zatu ^[7]							
Executive directors							
N Basthdaw	5/5			3/3	3/3	3/3	7/7
AM Leeming	5/5	4/4	3/3	3/3	3/3	3/3	7/7
DR Mokhobo ^[8]	2/3						

¹ Ms Bassa resigned effective 12 February 2018.

² Mr Campher was appointed lead independent director effective 1 January 2018, after Mr Matthews retired as the lead independent director effective 31 December 2017.

³ Mr Khanyile was appointed to the board effective 5 September 2018.

⁴ Mr Mabuza was appointed to the board effective 5 September 2018.

⁵ Mr Rosenthal retired from the board effective 15 May 2018.

⁶ Mr Sithole was appointed to the board effective 20 June 2018.

⁷ Ms Zatu was appointed to the board effective 23 November 2018.

⁸ Mr Mokhobo resigned from the board effective 5 September 2018.

BOARD COMPOSITION

Sun International's unitary board structure comprises executive and non-executive directors, most of whom are independent non-executive directors. The non-executive directors have the necessary skills, qualifications, industry experience and diversity to provide judgement independent of management on material board issues.

Age	30 – 40 years	41 – 50 years	51 – 60 years	61 – 70 years	70+ years	Average Age
Board members	1	3	3	5	2	57

INDEPENDENCE

The board, through the nomination committee, annually assesses the independence of the non-executive directors against the criteria set out in King IV™ and the JSE Listings Requirements. During 2018 and prior to the date of this report, the nomination committee agreed that 10 non-executive directors continue to satisfy the independence criteria. These directors are: Messrs Bacon, Campher, Cibie, Dempster, Khanyile, Moosa, and Mesdames Gwagwa, Henry, Makgabo-Fiskerstrand and Zatu. In 2017, Mr Moosa and Dr Gwagwa were classified as not independent, as they were both directors of the group's empowerment partner Dinokana and had not yet served out their cooling-off period. Following an independence reassessment in 2018, it was noted that both had resigned as directors of Dinokana in 2015 and they had served an appropriate cooling-off period since then to allow them to be reclassified by the board as independent directors. An advisory agreement was concluded with Mr Mabuza for the provision of certain key strategic services to the group. As a result of this advisory agreement, he is not classified as an independent non-executive director. Mr Sithole is not classified as an independent non-executive director as he represents a major shareholder of the group.

The nomination committee conducted a rigorous independence assessment of those independent non-executive directors who had served on the board for nine years or longer (these being Messrs Campher and Moosa and Dr Gwagwa) and concluded that these directors retained their independence in character and judgement, notwithstanding their length of service, and that there were no relationships or circumstances that were likely to affect or be perceived to affect their independence. The board concurred with these findings and is of the view that these non-executive directors bring valuable experience and skills to the board, and that they will continue to exercise independent judgement.



Group gender and race diversity policy

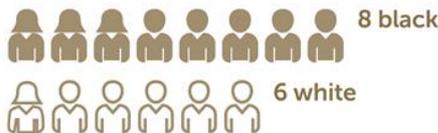
Sun International's gender and race diversity policy sets out Sun International's approach to gender and race diversity on the board. This revised policy was approved by the board on 23 November 2018. The board applied this policy in the appointment of the new directors during the year under review.

Factors considered in ensuring appropriate gender and race targets included: the current composition and expected changes in the board; the B-BBEE Codes of Good Practice; the sectoral charter for the tourism industry; the gaming board licences and their respective requirements; and the group's employment equity plan. Although the board marginally missed achieving its 30% target for female directors (29%), it achieved and exceeded its race target of 50% black directors with 57% black representation.

Gender
(at 31 December 2018)



Ethnicity
(at 31 December 2018)



EFFECTIVE LEADERSHIP

The board provides effective leadership and directs the group within the group governance framework and delegation of authority.

Chairman and lead independent director

The board is chaired by Mr Valli Moosa, a non-executive director who has annually been reappointed as board chairman since 1 July 2009. The chairman of the board is responsible for, among others, ensuring the integrity and effectiveness of the board's governance processes. In terms of the company's Mol, the board chairman is subject to an annual appointment from among its members. The chairman's reappointment, effective 1 January 2019, follows an evaluation of his performance by all directors during the year under review.

Mr Moosa will retire as Sun International's chairman effective 14 May 2019 and as a director. Mr Jabulane (Jabu) Mabuza's appointment will be subject to election by shareholders, assuming the role of chairman of Sun International. Mr Mabuza brings a wealth of industry experience to the board, having previously served as group chief executive officer of Tsogo Sun Holdings and as the present chairman of the CASA.

The board charter, which is aligned with King IV™, requires the appointment of a lead independent director. This is particularly relevant where the board chairman is conflicted vis à vis executive management, other directorships or stakeholders. Mr Campher was reappointed as lead independent director effective 1 January 2019.

In terms of the board charter, the chairman, lead independent director and chief executive have separate responsibilities as tabled below. The deputy chairman assists the chairman and fills his position if he is unavailable. The chairman and deputy chairman maintain a good working relationship to ensure collaboration and teamwork in fulfilling their roles and responsibilities. The deputy chairman is a successor to the chairman and there will be a handover from Mr Moosa to Mr Mabuza.

Responsibilities	Description
Chairman	Responsible for providing ethical and effective board and committee leadership by encouraging candid board debates; overseeing the group's strategy; board succession and performance; managing any conflicts of interest; actively engaging with the chief executive; ensuring positive stakeholder relations are maintained.
Lead independent director	Responsible for providing support and advice to the chairman as a trusted confidante. If the chairman has a conflict of interest, the lead independent director maintains ethical and effective leadership without undermining the chairman. The lead independent director is instrumental in leading and introducing discussion at board and committee meetings regarding the performance and evaluation of the board chairman and his remuneration.
Chief executive	Responsible for effectively monitoring and managing the business and implementing the policies and strategies adopted by the board; ensuring appropriate internal control mechanisms are in place to maintain compliance with all relevant laws and best practice; to safeguard assets; and guiding and assessing executive management's performance against strategic objectives. The chief executive delegates the appropriate authority to his management team in terms of defined levels of authority and retains accountability to the board.

Chief executive and delegation of authority

Mr Anthony Leeming is the chief executive. The board's governance and management functions are linked through the chief executive. The role and function of the chief executive is formalised, and the board, through the remuneration committee, annually evaluates his performance against specified key performance indicators. In addition, the chief executive's performance as a director is assessed by the chairman of the board in conjunction with the nomination committee. Following an assessment conducted in 2018, the chief executive was found to possess the requisite competence, qualifications and experience to carry out the duties of his role.

Group company secretary

Mr Andrew Johnston continued to serve in his capacity as group company secretary during the year under review. Mr Johnston holds the following qualifications: BA, LLB, FCIS PGDip in Environmental Law and a certificate in advanced corporate and securities law. He was a member of the Accounting and Auditing Task Force of The King Committee responsible for implementing the King Report on Corporate Governance for South Africa 2009. He is a qualified and admitted attorney and served as a senior executive and group company secretary of several large public listed companies in South Africa over the past 26 years. The appointment and removal of the group company secretary is a matter for the board as a whole.

Group company secretary responsibilities	
Guides	The board and committees (collectively and individually) on how their responsibilities should be discharged in the company's best interests.
Provides	Ongoing legal, secretarial and corporate governance support and advice to the board.
Ensures	That new directors receive an induction pack on joining the board with the requisite training in terms of their responsibilities as a board member.
Facilitates	Ongoing board training to ensure directors are aware of relevant legislation, codes or frameworks impacting the group.
Distributes	Board packs and the minutes of all the board and committee meetings and ensures that copies of the group's annual financial statements are distributed to relevant persons.
Certifies	That the group has filed the required returns and notices as per the Companies Act and complied with the JSE Listings Requirements.

In line with the JSE Listings Requirements, the board is satisfied that, following an assessment by the nomination committee, the group company secretary has the requisite competence, qualifications and

experience to carry out the duties of his role. The board believes that in each instance, the incumbent group company secretary has maintained an arm's-length relationship with the board and its directors.

ETHICAL LEADERSHIP

The board provides ethical leadership and directs the group based on the fundamental principles of integrity, transparency, honesty, accountability, fairness and responsibility. The group has several processes, policies, codes and controls in place and supports several initiatives to ensure a cohesive ethical culture is cascaded throughout the organisation.

Code of ethics

The group recognises the vested interest of all stakeholders in the manner its various businesses are conducted and is committed to ethical behaviour at all levels of the organisation. This code of ethics assists in fulfilling our responsibility to all stakeholders.

During 2018, Sun International relaunched its revised code of ethics booklet, which was delivered to each employee.

Sun Dreams has its own code of ethics booklet that is broadly aligned with Sun International's code of ethics booklet. In Nigeria, the TCN has its own code of ethics.

Ethics hotline

Greater awareness was created around the importance of whistleblowing and using the 24-hour anonymous ethics hotline. Trained operators respond to calls in all South Africa's official languages by guiding stakeholders through specific questions. Information is analysed and reported to a designated senior official in the group, who investigates the matter confidentially. There is also a guideline on how to report protected disclosures.

United Nations Global Compact

Sun International remains committed to embedding the 10 United Nations Global Compact (UNGC) Principles as part of its strategy, culture and day-to-day operations. These principles cover human rights, labour environment and anti-corruption.

Conflicts of interest

Directors are required to inform the board of any conflicts or potential conflicts of interest that they may have in relation to any area of business. Directors are required to recuse themselves from discussions or decisions on those matters where they have conflicts, or potential conflicts of interest, in terms of the Companies Act, board charter and separate policy.

Equal pay for work of equal value

Salaries are continually benchmarked to ensure a fair remuneration for all employees. The work around for EPWEV is an ongoing process. The EPWEV principles are also applied when appointing new employees and promoting existing employees.

Sustainable Development Goals (SDGs)

Sun International embraces the United Nations SDGs, and we endeavour to help achieve them through our operations and business strategies. Although Sun International is only formally aligning and assessing the relevant goals in 2019, we are working towards addressing various SDGs in our ongoing sustainability journey.

Group values

Our values represent an unwavering commitment to behaving in a consistent, positive manner every day, in everything we do.

- ▶ Team work
- ▶ The customer comes first
- ▶ Passion
- ▶ Professionalism

SunWay

Employees recognised their responsibilities, based on the SunWay culture programme, to uphold the principles that support the establishment of an ethical culture and abide by the code of ethics principles.

Organisation for economic cooperation and development

The group adheres to the guidelines for multinational enterprises regarding anti-corruption.

Insider trading and dealing in securities

The following policies are in place:

Policy of dealing with price-sensitive information.

This policy deals with the determination of price-sensitive information, the maintenance of confidentiality and prompt dissemination of such information in accordance with JSE Limited guidelines and group disclosure policy. This policy is applicable to all group employees.

Dealing in securities policy

This policy regulates the dealings in securities of Sun International by directors, the company secretary, directors of major subsidiaries, executive officers and other employees of the group in compliance with this policy, the JSE Listings Requirements and the Securities Services Act 36 of 2004.

This policy is applicable to all employees and directors who may be deemed to be insiders for the purposes of dealing in the company's securities. Furthermore, this policy is binding on the immediate family members of all persons deemed to be insiders and any persons who may have acquired insider information from an insider.

Responsible gambling

Being a responsible corporate citizen is part of the group's DNA and we fully support responsible gambling through the South African Responsible Gambling Foundation, the entity that supervises the National Responsible Gambling Programme (NRGP) in cooperation with the gambling industry operators and governmental regulators. The NRGF integrates education, research and treatment into one programme.

Through the group's CASA³ membership, R15.6 million was earmarked by CASA to provide free support to problem gamblers.

³ 2018 Survey of Casino Entertainment in South Africa.

BOARD PROCESSES

To operate effectively, the board and its committees conduct several processes and procedures that align to legislative requirements, King IV™ and best practice.

Board appointments and rotation of directors

Procedures for appointment to the board are formal, transparent and concern the whole board. The board is assisted in this process by the nomination committee, which has clear criteria for selecting board directors. In terms of the company's MoI, new directors appointed since the last AGM may only hold office as casual vacancies until the next AGM, at which time they will be required to retire and offer themselves for election.

In accordance with the company's MoI, one third of non-executive directors are required to retire at each AGM. If eligible, they may offer themselves up for election or re-election, as the case may be. The

directors who are to retire are: firstly, those who have been appointed to fill a casual vacancy; and secondly, those who have held their positions for the longest period since their last election or re-election.

If, at the date of the company AGM, any non-executive director has reached the age of 70 years or older and/or held office for an aggregate period of nine years since their first election or appointment, they shall retire at the AGM. If they are eligible, they may then offer themselves for election and/or re-election. Dr NN Gwagwa and Messrs PD Bacon and PL Campher retire from the board in accordance with clauses 25.6.1 and 25.17 of the company's Mol, while Messrs VP Khanyile, JA Mabuza, S Sithole and ZP Zatu retire from the board in accordance with clauses 25.5 and 25.17 of the company's Mol. The nomination committee reviewed the board composition against corporate governance and transformation requirements and recommended the election/re-election of these directors.

A brief CV of each director offering themselves for election/re-election is provided online as [Annexure B](#) to the annual statutory report.

Nomination and selection process for board appointments

The nomination committee is mandated by the board and its terms of reference to regularly review the composition of the board and its committees. If deemed necessary, the nomination committee makes recommendations to the board on its composition, any new appointments and board committee membership. The nomination committee reviews the annual employment equity results of the group and ensures succession planning for the board and committees.

Board induction

The chairman, in consultation with the group company secretary, is responsible for ensuring each director receives an induction on joining the board and the requisite training in terms of their responsibilities as a board member. During the induction process, each new non-executive director meets with key executive management to better understand the group's operations. The company furthermore conducts specific JSE Listings Requirements training for each new director to familiarise them with the regulations affecting listed companies and the directors meet with the company's sponsor, Investec. The directors have access to a directors' handbook that includes a quick reference to their duties and responsibilities.

Ongoing director training and development

Keeping up to date with key business developments within the group and industry is essential to enhancing the board's effectiveness. During 2018 this was achieved by:

- presentations from executives on matters of significance to the group
- planned investor relations events throughout the year, excluding during closed periods to engage with the major investors on their market views
- visits to different units within the group to view group operations
- regular briefings and updates on the regulatory environment, from external specialists and the company secretary.

Following the board's ongoing review of its effectiveness, the board is confident that all members have the knowledge, skills and experience to perform the functions required of a director of a listed company.

Succession planning

Succession planning, which involves identifying, developing and advancing future leaders and executives of the group, is an ongoing board responsibility and is carried out through the nomination committee. Detailed succession plans are presented annually to the nomination committee. The nomination committee reviews the composition of the board and all committees, and the committee members' readiness to succeed a committee chairman if the need arises. This also applies to the executive committee, prescribed officers and general managers of the units.

Board, directors and committee evaluations

The board, board chairman, deputy chairman and lead independent director, board committees and board members are evaluated every other year or more frequently, as required, on their performance in relation to their governance of economic, environmental and sustainability issues, and board and committee processes and procedures. The following assessments were conducted during the year under review: social and ethics committee, audit committee, risk committee, board, nomination committee, remuneration committee, external and internal audit and the head of GIA. Sun International remains cognisant that the performance of the board, and statutory and board committees is essential considering the increased focus on accountability, transparency and adding value.

Board meetings

A minimum of four board meetings are scheduled for each financial year. The board holds a fifth meeting in the form of its annual strategy meeting with the broader executive management team, to deliberate on the group's strategic direction and agree on the group's annual budget as proposed by management. The group's key strategic objectives are set at the strategy meeting and progress is reported at each board meeting. Additional board meetings are held on an *ad hoc* basis as required by the board.

BOARD COMMITTEES AND ATTENDANCE

The board and its committees have a symbiotic relationship that ensures knowledge is shared, and not siloed, across the committees. The board is authorised to form committees to assist in executing its duties, powers and authorities, and has one statutory committee, four board committees and one *ad hoc* committee.

The board is responsible for the implementation of the company's [strategic objectives](#). This is supported by committees that focus on specific areas within the business. The composition of the committees and committee member attendance during the year is tabled below.

Each committee comprises three or more members, the majority of whom are independent.

All committees operate in accordance with their terms of reference, which are reviewed and updated annually, where applicable, to ensure alignment with the latest developments in legislation, King IV™, the JSE Listings Requirements and the requirements of the business. Key members of senior management are invited to attend meetings as invitees and to provide input on matters for discussion.

Sun International's audit and social and ethics committees perform the same function for all Sun International's subsidiary companies, which in terms of the Companies Act would otherwise be required to have their own audit and social and ethics committees. This is subject to annual confirmation.

Each committee satisfied itself that it justified its responsibilities in accordance with its terms of reference during the year.

Audit committee

Committee member	Eligible to attend	Attended
Caroline Henry (Chairman) ^[1]	3	3/3
Graham Rosenthal ^[2]	1	1/1
Enrique Cibie	3	3/3
Leon Campher	3	3/3
Zimkhitha Zatu ^[3]	–	–
Peter Bacon	3	3/3

Invitees		
Anthony Leeming (CE) ^[†]	3	3/3
Catherine Nyathi ^[†]	3	3/3
Norman Basthdaw (CFO) ^[†]	3	3/3

¹ Ms Henry was appointed the chairman of audit committee effective 15 May 2018.

² Mr Rosenthal retired effective 12 May 2018.

³ Ms Zatu was appointed to the audit committee effective 23 November 2018.

Ms Bassa resigned effective 12 February 2018.

[†] Executive.

Purpose of the committee

- enhances the credibility of financial reporting
- ensures an effective control environment is maintained by supporting the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting
- reviews activities of the internal audit function and the external auditor
- oversees effective governance of the group's financial results.

Focus areas during 2018

- reviewed the group's capital and liquidity
- received frequent feedback on the Sun Dreams financial review and risk committee deliberations
- updated the terms of reference for the committee and drafted terms of reference for the financial risk and review committee in Latam
- continues to focus on compliance with terms of reference
- aligned the internal audit charter with international standards
- endorsed the revised integrated risk methodology – the risk committee chair provides feedback at each audit committee meeting
- significantly improved the internal audit function
- approved the non-audit related services provided by the company's external auditor PricewaterhouseCoopers (PwC)
- reviewed the competence of the chief financial officer, who is an executive director, and was satisfied with his expertise and experience
- reviewed the internal controls within the business and satisfied itself that there were no material breakdowns in systems and controls that would need to be highlighted to the board or shareholders and that the company has established appropriate financial procedures and those procedures are working effectively
- confirmed its status as the audit committee for the group and its subsidiaries
- satisfied itself as to the appointment and independence of the external auditor as per the requirements of the Companies Act and that the individual audit partner was an accredited auditor (as per the JSE Listings Requirements)
- obtained regular feedback and reports from the company's legal, compliance, audit and tax departments
- approved the auditor's terms of engagement and the audit fees to be paid to the auditor
- recommended the company's interim and audited annual financial statements to the board for approval and satisfied itself that the group will be a going concern for the following 12-month period.

Focus areas going forward

- further embedding Sun Dreams' governance structures with the South African operations
- further strengthening and creating synergies between the internal audit functions at Sun Dreams and Sun International
- continuously ensuring an integrated approach in relation to the risk and audit committees
- embedding combined assurance initiatives across the group
- implementing new accounting standards as they become effective.

Nomination committee

Committee member	Eligible to attend	Attended
Valli Moosa (Chairman)	3	3/3
Leon Campher	3	3/3
Dr Lulu Gwagwa	3	3/3
Jabu Mabuza ^[1]	–	–
Invitees		
Anthony Leeming (CE) ^[†]	3	3/3

¹ Mr Mabuza was appointed to the nomination committee effective 22 November 2018.

[†] Executive.

Purpose of the committee

- evaluates the skills requirements of the board, committees and executive management
- continuously evaluates the performance of the chairman, lead independent director, board committees and its members, and the group company secretary for recommendation to the board
- makes recommendations on board, committee and executive composition, succession planning and diversity
- considers the independence of directors and their correlating classification and thereafter makes recommendations to the board
- ensures that employment equity and race diversity is considered in all appointments and that the board's equity status is either maintained or improved
- confirms the appointment of employer-appointed trustees to the provident fund.

Focus areas during 2018

- recommended the appointment of additional independent non-executive directors to the main board
- assessed the competence of the company secretary who was found to be competent to fulfill his role to the board
- reviewed gender and race targets and ensured that these were addressed
- reviewed the performance of the non-executive directors and the audit committee members standing for re-election or reappointment in the following year and recommended the same to the board and shareholders
- assessed the independence of the non-executive directors
- satisfied itself that the mandate and terms of reference for the committee remain appropriate
- referred all appointments to the board, board committees and the Sun International Employee Share Trust
- reviewed feedback from Sun Dreams' remuneration and nominations committee
- satisfied itself regarding the succession plan for Sun Dreams' and Sun International's executive management, the group chairman, chief executive and chief financial officer

- reviewed the composition of the board committees and recommended changes to the membership to further strengthen the committees
- assessed the performance of the chairman, deputy chairman and the lead independent director.

Focus areas going forward

- succession planning for executive management and effectively managing the succession of the chairman
- ensuring the board improves its voluntary gender and race diversity targets across the group
- confirming the succession plan for the Sun Dreams chief executive
- possibly identifying a non-executive director with sector experience i.e. hospitality and gaming.

Risk committee

Committee member	Eligible to attend	Attended
Peter Bacon (Chairman)	3	3/3
Norman Basthdaw (chief financial officer) ^[†]	3	3/3
Dr Lulu Gwagwa	3	3/3
Anthony Leeming (chief executive) ^[†]	3	3/3
Graham Rosenthal ^[1]	1	1/1
Enrique Cibie	3	3/3
Caroline Henry	3	3/3
Graham Dempster ^[2]	2	0/2
Thabo Mosololi (chief operating officer) ^[†]	3	2/3
Verna Robson ^[†]	3	3/3
Zaine Miller ^[†]	3	3/3
Rob Collins ^[†]	3	3/3

¹ Mr Rosenthal resigned effective 15 May 2018.

² Mr Dempster was appointed to the risk committee effective 1 June 2018.

Ms Bassa resigned effective 12 February 2018.

In addition to the above, certain key members of senior management attend the risk committee meetings by invitation.

† Executive.

Purpose of the committee

- reviews the adequacy, effectiveness and integrity of the group's risk management and internal controls, and assists the board to discharge its functions in terms of the management, assurance and reporting of risks
- provides oversight of the IT governance function
- monitors and reviews stakeholder engagement with regard to assessing and dealing with stakeholder issues and concerns
- assesses the compliance environment in which the group operates
- reviews and satisfies itself regarding the group's insurance portfolio (South Africa and Latam).

Focus areas during 2018

- reviewed the revised risk methodology and ranking of risks that were implemented to assess group-wide risks
- monitored progress on the renewal of licences in Latam and South Africa, as well as GrandWest licensing exclusivity and the more onerous licence conditions in South Africa
- monitored sustainability risks impacting the group across the environment, health and safety and SED functions
- monitored the IT systems in place to address the increase in cyber crime and Sun Dreams' IT system alignment with South Africa's IT systems
- noted that the risk of cyber attacks is becoming more prevalent and considered the need for securing cyber insurance for the group
- the compliance manager continued to monitor and report on compliance issues throughout the group
- considered the insurance policies and practices for the group and reviewed the consolidated insurance cover adopted for the group incorporating Latam
- reviewed policies within the group to ensure that they are updated and align with best practice.

Focus areas going forward

- monitoring the group's key risks and ensuring adequate mitigation actions are in place to manage these risks
- continuing to monitor the licensing renewals and conditions in South Africa and Latam
- continuing to focus on the Latam IT assurance dashboard
- continuing to monitor all proposed legislation that could impact the group
- continuing to monitor the IT governance structure to ensure it addresses critical IT risk (IT governance project dashboard) and IT investments (the Sun International App). IT governance includes group business continuity, data governance and scoring, strategic vendor analysis, IT policies, cyber security threat, POPI and GDPR, key incidences management.

Social and ethics committee

The social and ethics committee is constituted as a statutory committee in respect of its statutory duties in terms of section 72(4) of the Companies Act read together with Regulation 43 of the Companies Act, and as a board committee in respect of its responsibilities prescribed by the board in its mandate and terms of reference. A separate [social and ethics report](#) is available online.

Committee member	Eligible to attend	Attended
Tumi Makgabo-Fiskerstrand (Chairman)	3	3/3
Valli Moosa	3	3/3
Graham Rosenthal ^[1]	1	1/1
Leon Campher	3	3/3
Caroline Henry ^[2]	2	2/2
Vusi Khanyile ^[3]	–	–
Invitees		
Anthony Leeming (CE) ^[1]	3	3/3
Norman Basthdaw (CFO) ^[1]	3	3/3
Andrew Johnston ^[1]	3	3/3
Jannette Horn ^[4]	3	3/3
Verna Robson ^[1]	3	3/3

- ¹ Mr Rosenthal resigned effective 15 May 2018.
- ² Ms Henry was appointed to the social and ethics committee effective 1 June 2018.
- ³ Mr Khanyile was appointed to the social and ethics committee effective 22 November 2018
- ⁴ Mrs Horn head of sustainability.

In addition to the above, certain key members of senior management attend the audit committee meeting by invitation.

† Executive.

Purpose of the committee

- monitors the group's social, transformation, economic and environmental performance and the social impact of its reputational risk
- reports to the board and the group's stakeholders on social, transformation, economic and environmental developments and progress
- oversees the group's ethical conduct and confirms that it carries out its responsibilities in accordance with section 72 and Regulation 43 of the Companies Act.

Focus areas during 2018

- reviewed the terms of reference and confirmed that this committee is appointed as the social and ethics committee for those subsidiaries of the group that score above 500 points in terms of Regulations 26(2) and 43(1)(c) of the Companies Act, as amended
- monitored the material matters arising from the group's ethics hotline
- monitored the company's employment equity progress in accordance with the group's employment equity plan and the company's B-BBEE results as issued by Empowerdex, the verification agency
- reviewed policies that were revised and issued to the group in relation to corruption, economic crime, gifts, tips and entertainment, and responsible gambling
- monitored the group's social, health and safety and environmental and transformation performance in line with relevant codes and legislation, and the principles set out in the UNGC, as well as the OECD recommendations regarding corruption
- reviewed Sun International's board diversity policy for recommendation and approval to the board
- reviewed the sustainability matters pertinent to the group, such as the water crisis in the Eastern and Western Cape, and zero-waste-to-landfill at certain operations
- monitored the projects undertaken in relation to SED and the spend by the group on sponsorships, donations and charitable givings
- reviewed reports issued in relation to consumer relations and adherence to consumer laws, and the group's marketing practices
- monitored Monticello's anti-money-laundering certification process
- reviewed the compliance function in Puerto Varas and Valdivia
- monitored regular feedback received from the ethics office.

Focus areas going forward

- monitoring the rollout of the ethics programme introduced during 2018 and creating further awareness of, and training employees on, ethics pursuant to the ethics survey
- Monitoring roll-out of the revised code of ethics and addressing the results of the ethics survey
- ensuring that all initiatives implemented align with the SunWay to further strengthen positive values and enhance ethical conduct throughout the group
- monitoring the group's social, transformation, economic and environmental performance
- engaging with stakeholders on the group's social, transformation, economic and environmental progress
- integrating the financial and non-financial aspects of the business to create a sustainable business strategy for the group
- monitoring results of the first round of OHASA audit results.

Remuneration committee

Committee member	Eligible to attend	Attended
Leon Campher (Chairman effective 1 January 2018)	4	4/4
Valli Moosa	4	4/4
Dr Lulu Gwagwa ^[1]	2	1/2
Enrique Cibie	4	4/4
Sam Sithole ^[2]	1	1/1
Jabu Mabuza ^[3]	–	–
Invitees		
Anthony Leeming (CE) ^[†]	4	4/4
Verna Robson†	4	4/4

¹ Dr Gwagwa was appointed to the remuneration committee effective 29 August 2018.

² Mr Sithole attended the meeting on 29 August 2018 as an invitee and was subsequently appointed to the remuneration committee effective 31 August 2018.

³ Mr Mabuza was appointed to the remuneration committee effective 22 November 2018.

Ms Bassa resigned effective 12 February 2018.

† Executive.

Purpose of the committee

- assists the board to discharge its responsibilities to ensure fair and responsible remuneration by the group
- reviews and recommends the group's remuneration policy and oversees its implementation
- oversees benefit schemes in the group such as pension, provident fund and medical aid
- reviews proposed changes to the short-term incentive scheme (STI) and the long-term share-based incentive plans.

Focus areas during 2018

- reviewed the group remuneration policy and practices, the annual STIs (executive bonus scheme) and the long-term share-based incentives following engagement with shareholders
- built on previous practices to allow for improved disclosure practices relating to remuneration
- monitored discussions with the group's bargaining council to lock in the wage increases for the next three years
- approved a separate remuneration policy for Sun Dreams, based on similar remuneration principles to those adopted by Sun International
- reviewed Sun Dreams' external benchmarking for senior managers and executives in Latam
- amended the share plan to align with the Companies Act and best governance practices.

Focus areas going forward

- continuing to improve annual disclosure in relation to remuneration practices
- improving engagement with shareholders in accordance with the principles enunciated by King IV™
- progressing the EPWEV exercise initiated by human resources
- reviewing the share incentive plan guidelines for use by group employees
- implementation of a new share incentive plan for key employees which addresses shareholder queries and suggestions.

Investment committee

Committee member	Eligible to attend	Attended
Graham Dempster (Chairman effective 1 January 2018)	7	7/7
Leon Campher ^[1]	7	5/7
Valli Moosa	7	7/7
Sam Sithole ^[2]	4	4/4
Jabu Mabuza ^[3]	1	1/1
Invitees		
Anthony Leeming (CE) ^[†]	7	7/7
Norman Basthdaw (CFO) ^[†]	7	6/7

¹ Mr Campher resigned as chairman of the investment committee effective 31 December 2017 but remained as an investment committee member.

² Mr Sithole appointed to the investment committee effective 20 June 2018.

³ Mr Mabuza appointed to the investment committee effective 22 November 2018.

Ms Bassa resigned effective 12 February 2018.

† Executive.

Purpose of the committee

- operates under a separate mandate of the board and is chaired by an independent non-executive director
- considers and evaluates, on an *ad hoc* basis, the viability of proposed investment opportunities (mergers and acquisitions), disposals and expansion projects for recommendation to the board for consideration and approval
- reviews and approves capex budget of the group
- regularly values the portfolio of group assets to see where returns on investment are being achieved.

Due to the nature of the price-sensitive information discussed during the investment committee meeting and which may not already be in the public domain, no details pertaining to the deliberation of this committee or focus areas are disclosed in this report.

IT GOVERNANCE

The board is responsible for overseeing IT governance within Sun International, which operates within its IT mandate that incorporates King IV™ IT governance requirements and is aligned with the group's strategic objectives. The board delegated the group's IT responsibilities to the IT governance committee, which reports to the risk committee.

Sun International's group chief information officer reports directly to the CE and is responsible for IT operations and IT strategy within the group.

The focus during 2018 included enhancing customer services, improving internal efficiencies, and integrating, automating and standardising systems and processes. We refine IT infrastructure and security continuously. Sun International's e-learning portal continued to contribute to developing and retaining IT skills within the group. The group is committed to ensuring business continuity and has a robust business continuity programme aligned to ISO 22301 and ISO 27031 standards. Good progress was made in aligning Latam's IT governance framework with the South African operations' IT governance framework.

Going forward, we will place emphasis on extracting relevant business intelligence to make informed strategic decisions around customer interaction and behaviour, IT resilience, information security, cyber security and upskilling employees around mobile application development and data security.

SUPPORTING SUSTAINABLE BUSINESS PRACTICES

The group is aware of its responsibility to be a good corporate citizen as it considers sustainability and the potential business impact on all stakeholders and the environment. Sustainability is interwoven into Sun International’s business strategy and decision-making process, from board and management level to our employees at each unit.

The achievement of the group’s key strategic imperatives is underpinned by the group’s sustainable business practices and is often an enabler by ensuring that a sound corporate reputation and the group’s brand are synonymous.

Two strategic objectives in particular, *our people and governance and sustainability*, ensure that sustainability remains at the heart of our business operations. The group’s sustainability agenda also influences three other strategic objectives: *improving our existing operations and our guest experiences, protecting and leveraging our existing asset portfolio*, and *growing our business into new areas and products*.

The group’s sustainability approach continues to evolve and includes, among others, measurable sustainability practices that engage all our stakeholders through relevant internal and external sustainability reporting, face-to-face community engagement, health, safety and environmental initiatives, and sustainability campaigns.

The board engaged the services of an external assurance provider to provide an independent assurance statement on the group’s sustainability reporting as advocated by King IV™. This external review is also beneficial in identifying those areas where there is room for improvement. Furthermore, the group continues to use the GRI Standard as the basis for its integrated sustainability reporting.

THE ACTS, REGULATIONS, FRAMEWORKS AND LISTINGS REQUIREMENTS THAT APPLY TO SUN INTERNATIONAL

Sun International conducts business in a highly regulated industry. We have identified our legal and regulatory universe, which we continuously monitor given the increased changes in law and the varied jurisdictions we operate in. Being a responsible corporate citizen is imperative for maintaining our casino licences and we provide a snapshot of our legal and regulatory universe below.

What we comply with	
JSE Listings Requirements	Sun International is a public company listed on the Johannesburg Stock Exchange and accordingly complies with the JSE Listings Requirements.
King IV Code on Corporate Governance for South Africa 2016 (King IV™)	King IV™ and its recommended practices are applied throughout the group as shown in our King IV™ application register that is available online. The board confirms that the group applied the 16 principles of King IV™ and that the spirit of King IV™ is preserved and embedded in the way the group operates.
Local and international legislation	Sun International is committed to complying with all relevant legislation and best practices in the jurisdictions in which it operates. The group identified the main areas of legislation that materially affect its operations and regularly engages with key regulators to make public comments and submissions on proposed new industry and other relevant legislation.
Licence conditions issued by the various gambling boards	The gaming industry is highly regulated and subject to significant probity and external regulatory monitoring both locally and internationally. In addition, the casino licence conditions contain their own requirements, which must be adhered to.

What we choose to comply with	
Carbon Disclosure Project (CDP) – water and energy	Sun International participates annually in the CDP.
International Integrated Reporting Council's (IIRC) <IR> Framework	Sun International applies the IIRC's <IR> Framework in compiling its integrated annual report.

KING IV™ APPLICATION REGISTER

It is the board’s responsibility to steer the group towards achieving our sustainability strategy. The board is aided by the group’s governance framework. The framework is based on mindful application of the principles and practices recommended by the King IV Code of Corporate Governance South Africa 2016 (King IV™^[1]). This culminates in stakeholder value creation. Below is a summary of how Sun International applied the principles, the outcomes thereof, and references to further information contained in our report.

PRINCIPLE 1: THE GOVERNING BODY SHOULD LEAD ETHICALLY AND EFFECTIVELY

Applications and explanations	Outcomes	Online reference
<p>Application: Ethics training is provided to all newly appointed directors through an induction programme. Directors are kept apprised of the group’s codes and policies. They attend various committee meetings of the board. This allows direct oversight of group operations. The delegated levels of authority and terms of reference relating to the committees are regularly reviewed. The board determines the strategic direction of the group in support of a sustainable business. It monitors management’s implementation and execution thereof. The group sustainability manager continued to enhance synergies across the group in relation to health, safety, the environment and socio-economic development (SED) initiatives.</p> <p>The nomination committee is responsible for identifying and recommending suitable appointments to the board to ensure effective governance groupwide.</p> <p>Explanation: Induction and ethics training ensures directors have the necessary competence and knowledge to execute their functions and responsibilities. Committee meeting attendance ensures oversight in delivering group objectives and executing delegated powers. Committee meeting attendance is greater than 95%. This is testament to the members’ commitment and purposeful oversight of the group’s activities. Attendance at the board and various committee meetings are:</p> <ul style="list-style-type: none"> • Board: 100% • Audit committee: 100% • Investment: 97.5% • Nomination committee: 100% • Remuneration committee: 95% • Risk committee: 100% • Social and ethics committee: 100% 	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Legitimacy and trust 	<ul style="list-style-type: none"> • Corporate governance report • Ethics declaration • Ongoing director training and development • Board committees and attendance • Guide to directors’ duties • SunWay project

PRINCIPLE 2: THE GOVERNING BODY SHOULD GOVERN THE ETHICS OF THE ORGANISATION IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

Applications and explanations	Outcomes	Online reference
<p>Application: The directors set the overall tone for ethical leadership of the board. The directors, together with the executive committee, are signatories to a declaration that lists their commitment to Sun International’s ethical principles. The code of ethics and policies were updated, and a dedicated ethics officer is assigned to overseeing ethics within the group. Contracts with third parties now substantially include a provision on adherence to Sun International’s code of ethics. A revised code of ethics and policy in relation to supplier conduct was issued in 2018. During 2018, an ethics survey was conducted across all South African units to determine Sun International’s ethical climate and to create an inclusive culture. The social and ethics committee ensures the group’s ethics are managed effectively. The group adopts a zero-tolerance approach to breaching ethical standards.</p> <p>Explanation: The board’s commitment to ethical practices sets the tone for the company’s ethical conduct. The adoption of revised policies and codes renewed the company’s commitment to an enhanced ethical culture, with clear expectations and outcomes for all stakeholders. Sun International’s anonymous tip-offs ethics hotline is managed by Deloitte.</p> <p>IBIS ESG Assurance (IBIS) assessed Sun International’s ethics and integrity-related policies, procedures, systems and controls as part of our annual independent third-party assurance audit on sustainability aspects. The review included interviews at a group level and visits to selected units, to assess adherence to Sun International’s relevant policies, procedures, systems and controls, and whether they meet reasonable expectations for monitoring and managing ethics and integrity at Sun International. No material issues were identified during the audit. For more detail, refer to IBIS ESG’s assurance statement.</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Legitimacy and trust 	<ul style="list-style-type: none"> • IBIS third-party assurance report • Code of ethics • Ethics declaration

PRINCIPLE 3: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

Applications and explanations	Outcomes	Online reference
<p>Application: Several initiatives ensure the workplace becomes more responsive to the needs of society and the environment in which the company operates. Compliance with relevant laws, including the Constitution of South Africa and the Bill of Rights is core. The SunWay project promotes enabling values and discourages disabling ones. Training was provided in regard to health, safety and environmental awareness.</p> <p>Several projects are in place across the group to develop small businesses, facilitate transformation and uplift local communities. The total spend on SED initiatives over the past year was R23.8 million (2017: R16 million) and applied mainly to projects related to education, sport, and arts and culture. The amount spent on supplier development and enterprise and supplier development (E&SD) was R46 million (2017: R34.5 million) and R10.2 million (2017: R9 million) respectively. The group supports corporate social investment (CSI) initiatives through sponsorships, donations and charitable givings.</p> <p>Explanation: The company identified three pillars for SED support: education, sports, and arts and culture, with an emphasis on education. These pillars align with the company’s vision of creating shared value for surrounding communities. Procurement processes have been reviewed to ensure there is true empowerment of small</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust 	<p>Governance and sustainability report</p> <ul style="list-style-type: none"> • Our people • Environment • Health and safety • Socio-economic development • Enterprise and supplier development

<p>companies, which ultimately contributes to the growth of the South African economy.</p> <p>The spend in the SED and E&SD areas exceeded the mandated targets. This is evidence of Sun International's commitment to the projects it endorses, thereby demonstrating its upliftment of communities and contribution towards transformation and economic growth.</p>		
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PRINCIPLE 4: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION'S CORE PURPOSE, ITS RISKS AND OPPORTUNITIES, STRATEGY, BUSINESS MODEL, PERFORMANCE AND SUSTAINABLE DEVELOPMENT ARE ALL INSEPARABLE ELEMENTS OF THE VALUE CREATION PROCESS

Applications and explanations	Outcomes	Online reference
<p>Application: The board convenes an annual strategy meeting to approve the strategy and goals for each financial year and measures performance against the targets established for the comparative year. Management is responsible for implementing this strategy to achieve the desired goals and to assess and respond to any issues that may impact the group's activities and outputs. The risk assessment and ranking methodology led by the executive team ensures that the board is apprised of the risks and opportunities facing the group and it takes an integrated approach to assessing risks and material matters. The sustainability committee assists with assessing and monitoring environmental, health and safety, and SED issues, internal and external, to the business. The audit committee and board consistently monitor the going-concern status of the group.</p> <p>Explanation: Sun International's strategy is discussed before the start of the financial year, following which an executive conference is held where senior and executive management are advised on the group's performance over the past year and the strategy for the upcoming year. The strategy implementation is included in the key performance areas for executives to ensure the effective execution of the group's objectives, and their individual performance is measured against the achievement of the company's objectives. Bonuses are linked to the execution and delivery of group performance to ensure that the correct behaviour is driven group-wide, ultimately creating value for all stakeholders.</p> <p>Strategy sessions are held by the executive committee during April/May, and at the units during July/September and by the full board during November.</p>	<ul style="list-style-type: none"> • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation 	<ul style="list-style-type: none"> • Strategic objectives • Annual statutory report

PRINCIPLE 5: THE GOVERNING BODY SHOULD ENSURE THAT REPORTS ISSUED BY THE ORGANISATION ENABLE STAKEHOLDERS TO MAKE INFORMED ASSESSMENTS OF THE ORGANISATION'S PERFORMANCE AND ITS SHORT, MEDIUM AND LONG-TERM PROSPECTS

Applications and explanations	Outcomes	Online reference
<p>Explanation: The regular tabling of reports at the various committee meetings ensures the board is aware of all developments across the group and can track progress against established targets in the short, medium and long term. Each committee chairperson provides feedback to the board. The chairman of the social and ethics committee reports back to shareholders at each annual general meeting of the company. This bottom-up approach is vital.</p> <p>The integrated annual report provides details on the operations and performance of the company over the past year and allows stakeholders to assess and gauge how value is created. This report sets out the group's highlights, challenges and future focus areas to provide stakeholders with a realistic view of the company.</p>	<ul style="list-style-type: none"> • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation 	<ul style="list-style-type: none"> • Corporate governance report • Investor presentations • Social and ethics report • Audit committee report

Engagement with investors takes place through roadshows and investor presentations, which are published on our website.	<ul style="list-style-type: none"> • Legitimacy and trust 	
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PRINCIPLE 6: THE GOVERNING BODY SHOULD SERVE AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE ORGANISATION

Applications and explanations	Outcomes	Online reference
<p>Application: A protocol guides the board in relation to obtaining external advice. The board charter guides the board in executing its duties and is revised periodically. A director's handbook guides directors on their duties under the Companies Act and King IV™. The group's memorandum of incorporation (Mol) aligns with several corporate governance practices.</p> <p>Explanation: The board charter sets out the board's expectations in relation to its duties towards the group, including in Nigeria and Latam. With various directors sitting on the different committees, there is first-hand oversight on the group's activities. The external advice protocol allows the board to understand what process to follow regarding obtaining external advice, and ensures the board obtains the necessary advice and expertise in the execution of and delivery of the group's objectives. Though the board remains ultimately responsible, the committees provide focused attention on areas to ensure initiatives and projects are properly assessed and implemented. The company secretary is pivotal in ensuring good corporate governance.</p> <p>The board is comfortable that it has fulfilled its responsibilities in accordance with its charter and is satisfied with the strategic direction set for the group. It appropriately manages its duty as custodian of corporate governance.</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Performing to strategic expectation • Legitimacy and trust 	<ul style="list-style-type: none"> • Corporate governance report

PRINCIPLE 7: THE GOVERNING BODY SHOULD COMPRISE THE APPROPRIATE BALANCE OF KNOWLEDGE, SKILLS, EXPERIENCE, DIVERSITY AND INDEPENDENCE FOR IT TO DISCHARGE ITS GOVERNANCE ROLE AND RESPONSIBILITIES OBJECTIVELY AND EFFECTIVELY

Applications and explanations	Outcomes	Online reference
<p>Application: The board consists of a diverse group of people in terms of gender, race, age, skills and experience. The race and gender targets for the board were reviewed to ensure that future appointments align with the group's policy on gender and race diversity, and the B-BBEE Codes. The board consists of executive, non-executive and independent directors. The chief executive and chief financial officer are executive board members. The board comprises more independent than executive or non-executive directors.</p> <p>Explanation: The board embraces diversity by improving gender and race representation. With the variety of board member qualifications, there is further assurance that the business is considered from different perspectives to provide a holistic review of the group's strategy. A brief and detailed CV of each director is available here. The board-approved diversity policy incorporates gender and race diversity as required by the JSE Listings Requirements. Members of committees are carefully selected, having regard to race, gender, skills and experience, and the provisions of the Companies Act, the JSE Listings Requirements and good corporate governance practices.</p> <p>The independence of directors is monitored in accordance with the JSE Listings Requirements. We believe that the board has the appropriate mix of knowledge, skills and experience, diversity and</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation 	<ul style="list-style-type: none"> • Corporate governance report • Board

<p>independence. The company secretary and chief financial officer are evaluated annually in terms of their skills, experience and expertise.</p> <p>The remuneration committee conducts annual evaluations of each executive director and prescribed officer.</p>		
	Target	Actual
Race	50% black directors	57%
Gender	30% female directors	29%

PRINCIPLE 8: THE GOVERNING BODY SHOULD ENSURE THAT ITS ARRANGEMENTS FOR DELEGATION WITHIN ITS OWN STRUCTURE PROMOTE INDEPENDENT JUDGEMENT, AND ASSIST WITH BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES

Applications and explanations	Outcomes	Online reference
<p>Application: The board has five standing committees: nomination, audit, risk, remuneration and social and ethics committees; and one <i>ad hoc</i> committee: the investment committee. Most committee members are independent non-executive directors. The executive committee has two sub-committees, the sustainability and IT governance committees. These committees comprise senior executives and management only. The board charter and composition of the committees are determined and approved by the board.</p> <p>Explanation: The committees are pertinent to overseeing the group's business and its core operations. The non-executive directors are included across the various committees, with many sitting on more than one committee to ensure that there is effective collaboration across the committees and an integrated approach is adopted in relation to the execution and evaluation of all strategic projects and plans. The committees regularly provide feedback to the board, which facilitates the execution of its responsibilities. The independent directors provide an objective assessment of the company's projects, plans and initiatives.</p> <p>The composition of the board committees contributes to effective collaboration, balanced distribution of power and the board's effectiveness in fulfilling its duties.</p> <p>There is a clearly defined delegation of authority matrix for all executives and senior managers of the group.</p>	<ul style="list-style-type: none"> Ethical and cohesive culture Effective control, compliance and accountability Performing to strategic expectation Legitimacy and trust 	<ul style="list-style-type: none"> Corporate governance report Governance framework Board and committees

PRINCIPLE 9: THE GOVERNING BODY SHOULD ENSURE THAT THE EVALUATION OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES, ITS CHAIR AND ITS INDIVIDUAL MEMBERS, SUPPORT CONTINUED IMPROVEMENT IN ITS PERFORMANCE AND EFFECTIVENESS

Applications and explanations	Outcomes	Online reference
<p>Application: The board chairman, the lead independent director, board members and the board committees are evaluated every other year, and by an independent third party every six years regarding their performance, processes and procedures. The members of the board are evaluated annually by the nomination committee, and the executive directors' performance is assessed by the remuneration committee and nomination committee by way of an annual performance review for purposes of awarding TCOE incentives and STIs. Non-executive directors are evaluated by the nomination committee annually to determine eligibility for election and re-election. The chief financial officer and company secretary are evaluated annually by the audit committee and board respectively.</p>	<ul style="list-style-type: none"> Ethical and cohesive culture Effective control, compliance and accountability Responsive and transparent 	<ul style="list-style-type: none"> Corporate governance report Chief executive and group company secretary evaluation Directors' and

<p>The following assessments were conducted during the year under review: social and ethics, audit, risk, nomination and remuneration committees; the board; external and internal auditors; and the head of GIA. No material concerns were raised.</p> <p>Explanation: The evaluations assess individual and committee performance against the specific terms of reference, the board charter and best governance practices. The nomination committee annually considers the competence of the group company secretary and the audit committee annually considers the competence of the chief financial officer. As recorded in the annual financial statements, the chief financial officer and the group company secretary were declared competent and have the necessary expertise and experiences to carry out their functions and duties on behalf of the company. Bonuses and remuneration of the executive directors are linked to their performance reviews.</p> <p>Sun International is cognisant that the performance of the board, statutory and board committees is essential considering the increased focus on accountability, transparency and adding value.</p>	<p>stakeholder engagement</p> <ul style="list-style-type: none"> ● Performing to strategic expectation ● Legitimacy and trust 	<p>committee evaluation</p> <ul style="list-style-type: none"> ● Nomination committee ● Audit committee report
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PRINCIPLE 10: THE GOVERNING BODY SHOULD ENSURE THAT THE APPOINTMENT OF, AND DELEGATION TO, MANAGEMENT CONTRIBUTE TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITY

Applications and explanations	Outcomes	Online reference
<p>Application: The chief executive was appointed by the board and the nomination committee considers executive succession planning. The chief executive's performance is evaluated annually by the chairman and the remuneration committee. The board annually reviews the delegation of authority to the chief executive, who in turn delegates authority to other executives and prescribed officers. Professional governance services are provided by the group company secretary, who is evaluated annually by the nomination committee and board. Following an assessment by the nomination committee, the group company secretary has the requisite competence, qualifications and experience to carry out his duties. The board has access to governance support and guidance at all times.</p> <p>Explanation: The nomination committee has the experience and skills required to ensure a balanced constitution of the board and is most suitably placed to evaluate the executive team's performance. The chief executive's delegation of authority to the executive committee ensures the delivery and implementation of the company's strategy. Sun International's board was significantly strengthened by the appointment of four non-executive directors, three of whom are independent. During 2018, the executive management team was restructured to include the property general managers of key units, to improve decision-making and enhance alignment with the group strategy.</p> <p>The nomination committee evaluates the board and company secretary. The chief executive evaluates other executives and prescribed officers. The remuneration committee evaluates the performance of executive directors and prescribed officers for TCOE and STIs. The audit committee reviews the chief financial officer and head of GIA.</p> <p>The board is comfortable and satisfied that the delegation of authority framework provides for effective exercise of authority and responsibilities.</p>	<ul style="list-style-type: none"> ● Ethical and cohesive culture ● Effective control, compliance and accountability ● Responsive and transparent stakeholder engagement ● Performing to strategic expectation ● Legitimacy and trust 	<ul style="list-style-type: none"> ● Corporate governance report ● Delegation of authority ● Board ● Executive management

PRINCIPLE 11: THE GOVERNING BODY SHOULD GOVERN RISK IN A WAY THAT SUPPORTS THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

Applications and explanations	Outcomes	Online reference
<p>Application: Sun International’s risk methodology and risk ranking system require each division, under the direction of their respective executive, to complete a risk assessment dashboard. The results are consolidated using a formula that categorises all risks in order of importance and details actions to mitigate the risks. This risk categorisation guides the group in relation to its business operations’ priorities going forward. The risk function is assisted by the audit and risk management committees.</p> <p>Explanation: An evaluation of risks group-wide ensure all risks and opportunities are identified and ranked, which informs the group’s material matters and strategy. The risk methodology ensures each executive is assigned responsibility for a specific area and that risks are managed and mitigated.</p> <p>The main three key risks identified in 2018:</p> <ul style="list-style-type: none"> • weak economic conditions • smoking legislation (South Africa and Latam) • erosion of market share due to EBT) and LPMs in catchment areas. 	<ul style="list-style-type: none"> • Effective control, compliance and accountability • Performing to strategic expectation • Responsive and transparent stakeholder engagement 	<ul style="list-style-type: none"> • Corporate governance report • Risk committee • Risk management

PRINCIPLE 12: THE GOVERNING BODY SHOULD GOVERN TECHNOLOGY AND INFORMATION IN A WAY THAT SUPPORTS THE ORGANISATION SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

Applications and explanations	Outcomes	Online reference
<p>Application: The executive committee constituted the IT governance committee as a sub-committee, with responsibility for monitoring, developing and communicating the processes for managing IT governance, information flows and technology across the group.</p> <p>The deliberations of the IT governance committee do not reduce the individual and collective responsibilities of the executive committee, risk committee members and board members regarding their fiduciary duties and responsibilities. They continue to exercise due care and judgement in accordance with their statutory obligations.</p> <p>The board has the ultimate responsibility for IT governance of the company, and the IT governance committee assists the risk committee and the board in fulfilling this responsibility.</p> <p>The company monitors the IT governance structure to ensure it addresses critical IT risks (IT governance project dashboard) and IT investments (the Sun International App). IT governance includes group business continuity, data governance and scoring, strategic vendor analysis, IT policies, cybersecurity threat (which is a key focus area), Protection of Personal Information (POPI), General Data Protection Regulation (GDPR), and key incidences management.</p> <p>Explanation: Through the IT governance sub-committee, operations report to the board, which ensures significant information and technology risks are identified with the mitigating controls. Effective controls are in place to address and mitigate any potential cyber threats, and an e-learning portal facilitates IT e-learning. Projects involving various areas of the business are</p>	<ul style="list-style-type: none"> • Effective control, compliance and accountability • Performing to strategic expectation • Responsive and transparent stakeholder engagement • Legitimacy and trust 	<ul style="list-style-type: none"> • Corporate governance report • IT governance committee • Cybersecurity • Customer data protection • Efficiency and optimisation of our processes • Protect and leverage our existing asset portfolio

monitored and overseen by the IT governance sub-committee. Progress is reported to the risk committee to ensure an integrated approach to monitoring and assessing IT risks within the business.		
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PRINCIPLE 13: THE GOVERNING BODY SHOULD GOVERN COMPLIANCE WITH APPLICABLE LAWS AND ADOPTED NON-BINDING RULES, CODES AND STANDARDS IN A WAY THAT SUPPORTS THE ORGANISATION BEING ETHICAL AND A GOOD CORPORATE CITIZEN

Applications and explanations	Outcomes	Online reference
<p>Application: The compliance function supports the wider sustainability objectives of the group. Policies are reviewed and revised as necessary. The policy revitalisation management sub-committee reviews, updates and consolidates group policies. The automated compliance portal will be fully rolled out during 2019.</p> <p>Employee access to material policies is monitored to ensure that all policies are brought to their attention. Policies are reviewed regularly to ensure compliance with latest developments and legislation.</p> <p>Explanation: The compliance function ensures all aspects of the business are covered. By monitoring policy access and review, the group ensures that employees keep abreast with latest developments and can address any evident gaps. The central policy portal prompts employees on any policy updates. A revised code of ethics was issued in 2018 with a campaign relating to creating awareness of the ethics hotline.</p> <p>There were no material or repeated regulatory penalties for the year under review.</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust 	<ul style="list-style-type: none"> • Corporate governance report • Chairman's message • Social and ethics committee • IT governance committee • Group's ethics hotline

PRINCIPLE 14: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION REMUNERATES FAIRLY, RESPONSIBLY AND TRANSPARENTLY TO PROMOTE THE ACHIEVEMENT OF STRATEGIC OBJECTIVES AND POSITIVE OUTCOMES IN THE SHORT, MEDIUM AND LONG TERM

Applications and explanations	Outcomes	Online reference
<p>Application: The remuneration committee reviews the remuneration policy of the group annually, which is approved by the board and tabled at the AGM for a non-binding shareholder advisory vote. The policy is published online as a part of the remuneration committee report.</p> <p>Explanation: The remuneration policy is reviewed annually to ensure that Sun International attracts top talent and returns value to shareholders in a fair, transparent and balanced manner. Remuneration is linked to performance to ensure executives and employees are motivated to achieve the company's strategic objectives and goals, and that their interests are aligned with those of shareholders.</p> <p>Sun International engages with its shareholders around its remuneration policy and procedures, which are disclosed in the 2018 remuneration policy and report. Changes were effected to Sun International and Latam policies during 2018.</p>	<ul style="list-style-type: none"> • Ethical and cohesive culture • Responsive and transparent stakeholder engagement • Legitimacy and trust 	<ul style="list-style-type: none"> • Remuneration report

PRINCIPLE 15: THE GOVERNING BODY SHOULD ENSURE THAT ASSURANCE SERVICES AND FUNCTIONS ENABLE AN EFFECTIVE CONTROL ENVIRONMENT, AND THAT THESE SUPPORT THE INTEGRITY OF INFORMATION FOR INTERNAL DECISION-MAKING AND OF THE ORGANISATION'S EXTERNAL REPORTS

Applications and explanations	Outcomes	Online reference
<p>Application: The board, in the statement of responsibility of directors, provides their independent assurance of the company's integrated annual report and confirms this to be an accurate reflection of the company to all stakeholders. An external independence assurance provider is appointed to review the sustainability aspects of the sustainability practices of the company, as well as ethics initiatives and external auditors assure the financial information.</p> <p>Explanation: The company follows a combined assurance model to ensure objectivity of all information provided to stakeholders. The board and its committees consist of persons from varied backgrounds with diverse skills and experience to ensure risks and opportunities are considered from various perspectives.</p>	<ul style="list-style-type: none"> • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust 	<ul style="list-style-type: none"> • Combined assurance model • Independent assurance statement

PRINCIPLE 16: IN THE EXECUTION OF ITS GOVERNANCE ROLE AND RESPONSIBILITIES, THE GOVERNING BODY SHOULD ADOPT A STAKEHOLDER-INCLUSIVE APPROACH THAT BALANCES THE NEEDS, INTERESTS AND EXPECTATIONS OF MATERIAL STAKEHOLDERS IN THE BEST INTERESTS OF THE ORGANISATION OVER TIME

Applications and explanations	Outcomes	Online reference
<p>Application: The risk committee reviews the stakeholder register regularly. The stakeholder register comprises, <i>inter alia</i>, the gambling boards, the communities, and shareholders. Engagement with stakeholders is undertaken throughout the year and material matters are reported to the board. The board is the custodian of Sun International's corporate governance framework.</p> <p>Explanation: Regular stakeholder engagement ensures the board is advised of all material issues that may impact the company. During 2018, the group's community engagement methodology was refreshed to ensure all community engagement and interventions align with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans. Specific executives are tasked with stakeholder engagement according to their executive responsibilities. A group SED specialist is responsible for targeted community engagement.</p> <p>Sun International does not subscribe to the shareholder-exclusive model but rather the stakeholder-inclusive model.</p>	<ul style="list-style-type: none"> • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust 	<ul style="list-style-type: none"> • Corporate governance report • Stakeholder engagement

SOCIAL AND ETHICS REPORT

Being a good corporate citizen is integral to how we manage our business and drive an ethical culture across the group. This includes ensuring customer, guest and employee health and safety; engaging with communities; providing opportunities for shared socio-economic value; protecting our environment; monitoring our transformation progress; and complying with relevant legislation and codes.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders

I am pleased to present the report of the Sun International social and ethics committee (the committee) for the year ended 31 December 2018. The purpose of this report is to inform our stakeholders on the discharge of our duties as set out in the Companies Act, and supplemented by the committee's terms of reference.

Sun International Limited (Sun International or the group) remains committed to ethical and responsible leadership. Our commitment is driven by the ethics declaration which the board and executive committee signed in 2018. The group's revised [code of ethics](#) (the code) commits management and employees to the highest ethical conduct and standards. The ethics survey indicated that management has a slightly higher level of ethical awareness than lower-level employees. Continued awareness campaigns and training are key to ensuring all employees understand how they can contribute to the group's integrity.

In the group's continued pursuit of ethical practices, the whistleblowing policy was aligned with Deloitte Tip-Offs Anonymous, who manages our ethics hotline. Training was provided to employees on the hotline, including general awareness of fraud and ethics. The revised fraud response policies have clear guidelines that have been disseminated throughout the group. Employees are continuously encouraged to report any criminal, illegal, discriminatory or other inappropriate behaviour without fear of occupational detriment. Employees who are aware of any crime or fraud can contact the hotline anonymously through the 24/7 toll-free number. The ethics officer oversees ethics within the organisation and receives regular feedback on any matters of concern. Employees can email a secure, private address with any ethics issues or concerns they may have. Concerns are handled on a strictly confidential basis between the ethics officer and the employee concerned. Closed sessions are held between the chairman of the social and ethics committee, and the ethics officer after each social and ethics meeting to discuss any material ethical issues reported throughout the group.

The committee performs the requisite statutory functions on behalf of all units and companies in the group, as it was appointed as the social and ethics committee for the entire group including those that score above 500 points in terms of Regulation 26(2) as contemplated in Regulation 43(1)(c) of the Companies Regulations, 2011. This ensures that practices across the group are consistent and aligned, and our ethical practices are applied irrespective of the jurisdiction in which we operate. Following the Sun Dreams merger in 2016, we continue to review Sun Dreams' operations and align their governance and system processes with our South African operations. Sun Dreams reports all relevant and material matters contemplated by Regulation 43 of the Companies Regulations, 2011 and those pertaining to Latam to the group social and ethics committee for review. This ensures that the group's social and ethics committee is positioned to oversee the group operations and consider all ethical material issues. In Nigeria the TCN has its own code of conduct and regularly reports any ethical issues to the TCN board. Further, the Sun International director: corporate services attends all committee meetings in Latam and chairs the nomination and governance committee in Nigeria in his capacity as a director of TCN, which further reinforces the group's governance structures and practices.

Composition, meetings and assessment

There were changes to the committee's composition during the year. Mr Graham Rosenthal retired as an independent non-executive director of the board effective 15 May 2018 and accordingly from the social and ethics committee. Effective 1 June 2018 and 22 November 2018, Ms Caroline Henry and Mr Vusi Khanyile

were respectively appointed to the social and ethics committee. Both are independent non-executive directors of the group.

Following these changes, the committee's composition included five non-executive directors as members, all of whom are independent. The committee met three times during the year, which was adequate to deal with various matters contemplated in the Companies Act and the committee's mandate and terms of reference. In addition, Sun International executives whose areas of discipline are covered by the committee are standing invitees to the committee and include the: chief executive; chief financial officer; chief operating officer; director: corporate services; director: human resources; director: GIA; and group sustainability manager. As per the mandate of the committee, the terms of reference were reviewed and approved, and we achieved a 100% [attendance](#).

Through the participation of stakeholders from various areas within the group, we are assured that appropriate feedback is provided relating to all matters. The mix of experience and expertise on the committee allows for robust debate on topics put forward to the committee. We are satisfied that initiatives undertaken by the group are adequately challenged when tabled at committee meetings.

Roles and responsibilities

The committee is required, among its other duties, to:

- monitor the social, economic, employment and environmental activities of the group and report to the board and stakeholders in terms of development and progress
- assist the board in assessing aspects of governance applicable to the committee's function and terms of reference
- ensure that Sun International remains a socially committed corporate citizen.

The committee's mandate, terms of reference and further details on the [committee's roles and responsibilities](#) are available online.

We operate in a highly regulated industry and our corporate credentials and socially responsible behaviour are critical for our licence to operate.

To guide us in this oversight role, we task management with implementing principles contained in relevant legislation, regulations and prescribed legal requirements or prevailing codes of best practice, with any matters involving SED. This includes the group's standing in terms of the goals and purpose of:

- the 10 principles set out in the UNGC Principles
- the OECD recommendations regarding anti-corruption
- the Employment Equity Act
- the B-BBEE Act
- the amended B-BBEE Codes of Good Practice.

Management discharges this duty by reporting to the committee on the group's:

- good corporate citizenship including the company's promotion of equality and the prevention of unfair discrimination
- implementation of its sustainable business strategy
- contribution to the development and upliftment of the communities it operates in
- environmental initiatives across all relevant areas
- health and safety initiatives
- consumer relationships
- marketing initiatives
- implementing the NRGF
- labour and employment including the company's standing in terms of the International Labour Organisation's Protocol on decent work and working conditions and our relationships with our employees
- contribution towards the educational and skills development of our employees.

These reports correlate with the committee's mandate and the areas mentioned above are reported at each meeting. The chairman of the committee provides regular feedback at board meetings in relation to the committee's activities and provides feedback to the shareholders at the AGM.

The group's sustainability committee, a sub-committee of group executive management, includes several senior and executive managers from relevant areas within the group. The committee met quarterly to discuss relevant sustainability matters – particularly environmental, health and safety, SED and E&SD matters. Any areas of concern are elevated to the social and ethics committee.

As part of the scope of our independent Sun International third-party assurance, [IBIS ESG Assurance](#) conducted a review of all sustainability aspects and an assessment of Sun International's ethics and integrity related policies, procedures, systems and controls. The review included interviews at a group level and during visits to selected units to assess adherence to Sun International's relevant policies, procedures, systems and controls and whether they meet reasonable expectations for the monitoring and management of, among others, ethics and integrity at Sun International. No material issues were identified during the assurance audit.

Salient matters of interest

Several matters dealt with by the committee during the period under review are highlighted as items of interest to our stakeholders.

While the company is no longer a member of the UNGC, the committee continues to review the group's standing and progress in accordance with the 10 principals of the UNGC and the OECD guidelines for multinational enterprises 2011 regarding anti-corruption. The committee concluded that the group substantially complied with the requirements of the UNGC principles, and that there were no material areas of concern. The company monitors compliance with its revised policies adopted in relation to bribery and corruption; gifts, entertainment and tips; and responsible gambling.

The SunWay culture was embedded within the group and continues to gain traction across the group. Most engagement initiatives rolled out incorporate the SunWay behaviours that reinforce the group's values. One such initiative was the mobile platform, SunTalk, which has approximately 5 300 registered employees and continues to improve employee engagement. The new affordable healthcare cover for approximately 5 000 employees in the bargaining unit was well received. During 2018, Sun International partnered with the Association for Savings and Investment South Africa (ASISA) Foundation to provide financial literacy training around debt and personal financial management. Over 1 300 employees attended the workshops during 2018, and this programme will continue in 2019. A coaching programme for senior and middle managers was introduced during 2018 to strengthen the manager's role as coach and mentor.

Transformation is a critical component of Sun International and its sustainable future. The committee monitors appointments, retirements and resignations to ensure we achieve a demographic workforce in line with our targets. During 2018, our overall black employee representation was 92.2%, exceeding the distribution of the national economically active population. Females make up 55.3% of our workforce across our South African operations, 95% of whom are black. The group exceeded its employment equity targets at all levels except middle management, and it achieved its targets for black (African, Coloured and Indian) females at all management levels. The board diversity targets, including gender and race, were monitored. We were encouraged with the board's progress against these targets, as it exceeded its black director target of 50% with 57% black representation. The board narrowly missed achieving its female director target of 30% with 29% female representation. The disability capacity building workshops and disability awareness days continue to remove the stigma and fear of victimisation experienced by employees with disabilities.

The group is progressing well on most elements of the B-BBEE scorecard. There was an improvement in most units' empowerment status, and Empowerdex rated Sun International as a Level 1 B-BBEE contributor in accordance with the Tourism Sector Codes as at 31 July 2018 (2017: Level 1). All our South African units except for Sun Slots, are measured in terms of the Tourism Sectoral Codes. Sun Slots, of which the group is now a majority shareholder, is measured in terms of the Generic Codes of Good Practice. The group was rated the sixth most-empowered South African company¹.

¹ <http://www.empowerdex.com/images/Documents/TheEmpowermentReportOctober2018.pdf>

During 2018, communities raised concerns about the inequality in certain areas where the group operates, with the main concern being around securing local procurement spend to provide socio-economic upliftment. Extensive community engagement was conducted to address these concerns and the group's supplier approach was refined to enhance shared value. A more inclusive community stakeholder approach will be rolled out to all South African units in 2019, to improve our assessment of community needs and concerns and provide suitable solutions, where feasible.

The group continues to make significant progress in the areas of procurement, [enterprise and supplier development development](#). We invested R46 million^[2] and R10.2 million in supplier development and enterprise development respectively during 2018. We introduced formal business development support and launched a tender bulletin board on the corporate website to attract a wide variety of suppliers. A new supplier code of conduct was issued in 2018, which requires our suppliers to adhere to minimum best practice standards of behaviour. Suppliers must subscribe to the group's code of ethics and provide the group assurance that they do not violate any human rights or circumvent legislation.

² Actual contributions invested, not the recognised values as per the B-BBEE Codes.

The group's SED strategy, which is premised on creating shared value, was instrumental in making a significant impact on the communities with whom we interact. Our units work diligently on projects within their surrounding communities. In 2018, R23.8 million was invested in making a difference in the lives of communities with a specific focus on sport, education and arts and culture.

Sun International's Hospitality Curriculum Development Programme, a public-private partnership with the DBE was handed over to the DBE in September 2018, with the content branded as Sun International. Approximately 5 000 students had registered on this programme at the time of handing it over to the DBE. We continue to participate in the Stop Hunger campaign, in celebration of Mandela Day, where approximately 320 000 meals were packed, which impacted over 1 200 children's lives by feeding them one nutritious meal, five times a week for an entire year. We remain committed to giving back to communities and being socially responsible. For more information refer to the [SED](#) section online.

Given the desire to behave in a socially responsible manner, we are firmly committed to the NRG, which remains globally regarded as a leading programme for promoting responsible gaming. The NRG creates awareness around the public initiatives undertaken in the industry, which include prevention, treatment and counselling initiatives, training for regulators and industry employees, research audits, and life skills programmes for schools. Management reports to each unit board and committee on its focused efforts in leveraging the NRG principles across its casino units. Management reports on matters such as crèche utilisation rates, which remain strictly monitored at all units, and on training employees in the different stages of NRG. These efforts are audited by GIA and the findings are reported to the committee. The National Gambling Bill (including its regulations) proposes the implementation of a national exclusions programme. The company, through the Casino Association of South Africa (CASA), engages with the National Gambling Board regarding the practical aspects of implementing the programme in its current form.

The group continues to make pleasing progress on environmental matters and explores innovative ways to address pressing issues facing the country such as: quality and availability of water; sustainable supply of energy and rising energy costs; as well as the increased concerns around the lack of certified waste facilities in South Africa. Sustainable water solutions were implemented at GrandWest and The Table Bay to address water scarcity during the recent drought. Ongoing research is being conducted to establish the most feasible approach for participating in energy efficiency projects to further reduce energy consumption. Our ZWTL initiative is gaining momentum, with the Wild Cost being certified as a ZWTL facility in January 2019, the first in the country to achieve a formal accreditation through the Green Buildings Council of South Africa.

The health and safety of our customers, guests and employees remains paramount. Across our South African units, we achieved a noteworthy reduction of 62% in lost-time injury frequency rates over a three-year period (2016 to 2018). We enhanced our health and safety control environment by implementing a compliance management platform to standardise our risk assessment, legal register and compliance management functions. The inaugural occupational health and safety reduction targets for our South African units were developed and will be monitored through our integrated SHE management system based on ISO 14001 and 45001 standards.

Regrettably, the group had one contractor fatality at Monticello during 2018. With the assistance of its labour department, the unit has implemented additional safety measures to improve controls over contractors and subcontractors.

There were no instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the committee's mandate during the year under review. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development. No environmental fines were levied and we had one request under the Promotion of Access to Information Act.

The committee will oversee the corporate citizenship of the group and ensure it continues to improve the already embedded principles of carrying out its actions as a responsible and ethical corporate citizen.



BLM Makgabo-Fiskerstrand

Chairman of the social and ethics committee

29 March 2019

SUN INTERNATIONAL LIMITED

(Incorporated in the Republic of South Africa)

Registration Number: 1967/007528/06

Share Code: SUI | ISIN: ZAE 000097580

(Sun International or the company)

suninternational.com

