

CHAIRMAN'S MESSAGE



JA Mabuza / Chairman

I am proud to present my first Sun International chairman's message and honoured to be entrusted with steering the group into the future. World-wide, corporates are facing many challenges, including economic headwinds, geopolitical risks, climate change and social unrest. Sun International continues to show a track record of resilience because we understand that when we work together, we are stronger.

The casino and hospitality industries are especially vulnerable at the moment: consumers face financial constraints in an industry that relies on discretionary spending, and the spread of COVID-19 has dampened tourism activity in all major markets worldwide. According to new estimates from PricewaterhouseCoopers, South Africa could lose R200 million in foreign currency spend and 1 000 jobs in tourism because of the outbreak. This amount assumes an estimated 15% decline in Chinese tourists to South Africa.

In South Africa the operating environment remains tenuous: investor confidence is low and the economic outlook is muted as the country faces high unemployment and debt levels, a constrained energy supply and other socio-economic challenges. But Sun International's inclusive stakeholder approach remains proactive, particularly as we navigate our way through heightened social and political unrest in certain areas where we operate. The board, through its various sub committees, is satisfied that management acts on stakeholder concerns in a timely and effective manner. Apart from our stakeholder engagement section, specific stakeholder concerns noted during 2019 are discussed in various sections of our integrated reporting including the remuneration report (equal pay for work of equal value), social and ethics report (local procurement opportunities) and risk management report (riots and protests in Chile).

The regulatory environment continues to pose challenges such as the proposed amendments to smoking legislation, the ongoing threat of increased gaming taxes, the erosion of market share due to Electronic Bingo Terminal (EBTs), Independent Site Operator (ISO) licences in catchment areas and potential challenges with the renewal of our SCJ licences in 2023. Tough economic times requires a balance between

innovative thinking and disciplined processes in managing regulatory challenges. The group continues to strive for this balance as discussed in the risk management report.

Despite this constrained trading environment, the group posted a solid set of financial results, with total income up 4% to R17.2 billion, driven mainly by good growth from key operations in South Africa and the inclusion of acquisitions made in Latam in 2018. These financial results are elaborated in the chief financial officer's review.

Operationally, the board is confident that the revised central office operating model will yield positive strategic outcomes – reducing debt, supporting operational excellence and encouraging a renewed focus on the customer so we achieve our purpose of creating lasting memories.

The average age of our iconic properties is 18 years, ranging from Maslow Time Square at two years old to Sun City, which recently celebrated its 40th year of operation. Arguably one of the group's most iconic properties, Sun City opened in 1979 and has hosted many memorable sporting and entertainment events. The group continues to refurbish and maintain its properties to guarantee they remain a destination of choice.

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Chairman's message continued

Collectively, the board continues to promote and drive an ethical culture group-wide. Sun International's business practices are underpinned by ethical principles that are embraced by the board, practised by the leadership team and cascaded down to our employees' group-wide through the SunWay ethos. We are unwavering in our zero-tolerance approach to unethical behaviour, including crime and corruption, at every level of the organisation.

The board continues to focus on reviewing the fundamentals of how we govern and how our structures enhance and unlock shareholder value. We made significant progress over the past three years aligning the governance structure of our Latam and African operations to those in South Africa. We continued applying the 16 King IV™ principles, which are detailed in our King IV™ application register.

Sun International recognises and embraces the benefits of a diverse board as this improves board effectiveness and differentiates us in the industry. Collectively, the board's diversity and vast industry experience creates an environment for healthy and productive discussions. At year end the board achieved 57% black representation, exceeding its 50% target but narrowly missing its female target of 30%, with an actual 29% female representation. The board also welcomed Mr Tapiwa Ngara, effective 16 September 2019, as an alternate director to Mr Sam Sithole and looks forward to his contribution. We also bid farewell to Mr Valli Moosa, effective 14 May 2019, whose board contribution during his tenure was invaluable. The group also maintained its B-BBEE Level 1 rating for the third consecutive year.

Sustainability remains a business imperative and the board is encouraged by the progress made with the group's inclusive sustainability approach. The long-term shared value for our business, employees, society and the environment is becoming more evident. Sun International invested R29 million in socio-economic development and corporate social investment, as well as R56.7 million towards enterprise and supplier development. A detailed review of our sustainability progress is included under various sections in this report: governance and sustainability, environment, health and safety, socio-economic development and enterprise and supplier development.

The board embraces the United Nations' Sustainable Development Goals (SDGs) and has prioritised six SDGs where the group has maximum impact. The social and ethics committee's remit was updated to monitor the group's progress against these six SDGs – please refer to governance and sustainability for the group's 2019 progress.



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We made good strategic progress during the year as detailed in the chief executive's review and the group's strategic objectives are still relevant. Some of the strategic imperatives for the group going forward are to continue to protect and leverage our existing property portfolio, through ongoing property refurbishments, and to monitor the renewal and exclusivity of our casino licences. We will continue to promote growth, albeit in a difficult economic climate, by investing in quality assets when opportunities present as well as deal with loss making units. Driving operational efficiencies, optimisation and quality of earnings as well as accelerating our balance sheet de-gearing also remain focus areas for the group. The board believes these strategic imperatives will strengthen the group as it faces tougher operating environment conditions.

While the economic outlook remains muted, it is often in these times that opportunities present themselves. I believe that Sun International has what it takes to succeed, namely dedicated leadership and employees with great strength and courage, as well as iconic properties that attract customers from all over the world.

I thank the board for their wise counsel and unwavering support. I am confident in management's ability to continue driving the group strategy forward, albeit in tough trading conditions. Thank you to all our patrons who retain Sun International as their destination of choice and continue to enjoy memorable experiences.

JA MABUZA
Chairman

31 March 2020