

MATERIAL MATTERS

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

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 alongside are the most material issues that impact on our day-to-day operating environment.

Key external factors



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 alongside.

Key stakeholders



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 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.

Top 10 risks

- Smoking legislation
- Weak economic conditions
- Erosion of market share due to EBTs and LPMs in catchment areas
- Increase in gaming taxes and levies
- Non-renewal or significant cost of SCJ licences renewal
- Increased demands from stakeholders (communities and local suppliers)
- Loss of GrandWest Casino licence exclusivity
- Ongoing changes in licence conditions
- Civil protests and riots
- Illegal gambling

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.

Strategic objectives



Material matters continued



MATERIALITY DETERMINATION PROCESS

Our materiality determination process, outlined below, remains dynamic and is reviewed by relevant governance bodies and updated annually. The material matters methodology incorporates the various elements detailed above, namely our operating environment, stakeholder engagement, risk management and strategy.





Material matters continued

2019 MATERIAL MATTERS

In 2019, certain material matters from 2018 have been consolidated under related material matters. These include: smoking legislation, high gearing levels, and expiring licences and GrandWest exclusivity. To achieve the group's strategic objectives and manage risks, our material matters are continuously monitored and mitigated by Sun International through its various risk and governance processes.

MANAGING OUR WAY THROUGH TOUGH ECONOMIC TIMES

Why this matter is considered material

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 also negatively impacts our profitability and our ability to continuously reduce debt levels and manage certain properties that have performed below expectations. The ongoing political and social challenges including the COVID-19 virus in South Africa remain a concern for the group.

Status since prior year



INCREASED

MITIGATING ACTIONS

- Geographic and alternative gaming diversification
- Improving efficiencies
- Prudently managing debt levels
- Continuous refurbishments of properties to attract and retain customers
- Strong cash flows

RELATED RISKS

- 2 Weak economic conditions
- 9 Civil protests and riots
- 10 Illegal gambling

STRATEGIC OBJECTIVES



Level of control

LOW

MANAGING OUR COMPLEX REGULATORY ENVIRONMENT

Why this matter is considered material

We operate in a highly regulated and complex environment. The group continues to focus on compliance requirements, ensuring we maintain our operational and social licence to operate. Specific regulatory requirements/amendments directly impacting our operations include:

- **Smoking legislation:** The proposed amendments to the smoking legislation, which will ban smoking in public areas and severely impact casino revenues.
- **Gaming taxes:** The possibility of increased taxes and more onerous licence conditions will all impact the group's profitability.
- **Alternative gaming:** The increased availability of alternative gaming and the encroachment of EBTs in our catchment areas remain a concern as our market share has eroded.
- **Carbon taxes:** The introduction of carbon taxes effective 1 June 2019 requires the group to ensure we remain compliant while at the same time implement initiatives that will continue to reduce the tax payable.

Status since prior year



INCREASED

MITIGATING ACTIONS

- Ongoing compliance monitoring
- Continuous engagements and relationship building with key stakeholders (gambling boards and industry bodies)

RELATED RISKS

- 1 Smoking legislation
- 3 Erosion of market share due to EBTs and LPMs in catchment areas
- 4 Increase in gaming taxes and levies
- 7 Loss of GrandWest Casino licence exclusivity
- 8 Ongoing changes in licence conditions
- 10 Illegal gambling

STRATEGIC OBJECTIVES



Level of control

LOW



Material matters continued

CAPITAL ALLOCATION¹

Why this matter is considered material

We continue to strategically allocate capital and carefully monitor underperforming investments, in line with the economic environment.

Status since prior year
◆
UNCHANGED

MITIGATING ACTIONS

- Quality acquisitions and capital investments
- Disciplined strategic investments
- Optimising debt levels

RELATED RISKS

2 Weak economic conditions

STRATEGIC OBJECTIVES



Level of control
MEDIUM

MANAGING RELATIONS WITH OUR KEY STAKEHOLDERS²

Why this matter is considered material

Proactive stakeholder engagement is important in understanding our 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 uplift, the communities in which we operate.

Status since prior year
▲
INCREASED

MITIGATING ACTIONS

- Ongoing transparent and effective stakeholder communication
- Focusing on being an employer of choice
- Uplifting communities through our supply chain
- Remain relevant and continue to improve our products and service offerings

RELATED RISKS

6 Increased demands from stakeholders (communities and local suppliers)

9 Civil protests and riots

STRATEGIC OBJECTIVES



Level of control
MEDIUM

IMPROVING OPERATING AND NATURAL RESOURCE EFFICIENCIES³

Why this matter is considered material

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

Status since prior year
▲
INCREASED

MITIGATING ACTIONS

- Improving operating efficiencies
- Investing and optimising IT systems
- Standardising policies and procedures
- Strategic procurement
- Implementing targeted solutions to reduce water and energy consumption
- Ongoing employee training and development

RELATED RISKS

2 Weak economic conditions

STRATEGIC OBJECTIVES



Level of control
MEDIUM

1 Previously named 'capital allocation and underperformance of our investments'.
2 Previously named 'managing relations with our key stakeholders and remaining relevant in the areas where we operate'.
3 Previously named 'reliability and sustainability of natural resources like energy and water'.



Material matters continued

RETAINING OUR OPERATING LICENCES

Why this matter is considered material

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.

Status since prior year



UNCHANGED

MITIGATING ACTIONS

Ongoing engagement and advocacy with regulators, particularly in the Western Cape and Latam

Economic bidding

Establishing effective partnerships

Ongoing engagement with gaming authorities

RELATED RISKS

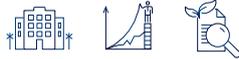
4 Increase in gaming taxes and levies

5 Non-renewal or significant cost of renewing SCJ licences

7 Loss of GrandWest Casino licence exclusivity

8 Ongoing changes in licence conditions

STRATEGIC OBJECTIVES



Level of control

MEDIUM

CUSTOMER ATTRACTION AND RETENTION

Why this matter is considered material

Our customers are critical to our sustainability. It is important that we provide products and services that continue to attract and retain their custom by providing excellent customer service, conducting ongoing property upgrades and refurbishments as part of creating memorable experiences.

Status since prior year



NEW MATERIAL MATTER

MITIGATING ACTIONS

Continuing to improve our customer value proposition through our loyalty programmes

Focusing on customer service

Ongoing property refurbishments and maintenance

Remaining relevant and continuing to improve our products and service offerings

RELATED RISKS

1 Smoking legislation

2 Weak economic conditions

STRATEGIC OBJECTIVES



Level of control

HIGH