

SOCIAL AND ETHICS REPORT



BLM Makgabo-Fiskerstrand /
Chairman of the social and ethics committee

Sun International remains committed to ethical and responsible leadership. Being a good corporate citizen includes driving an ethical culture group-wide; ensuring the health and safety of our customers and employees; engaging with local 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 Sun International social and ethics committee (the committee) report for the year ended 31 December 2019. 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.

Our commitment is driven by the board and executive committee approved ethics declaration, as well as the group's code of ethics (the code), which commits management and employees to the highest ethical conduct and standards. Ongoing awareness ensures all employees understand how to contribute to the group's ethical conduct, brand reputation and integrity. The group's whistleblowing and fraud response policies, which are disseminated group-wide, contain clear guidelines for reporting any criminal, illegal, discriminatory or other inappropriate behaviour without fear of occupational detriment. Employees can contact the Deloitte Tip Offs hotline anonymously through a 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 and private address with any ethics concern or dilemma, which will be handled confidentially. Closed sessions are held between the chairman of the social and ethics committee and the ethics officer after each social and ethics committee meeting to discuss any material ethical issues reported.

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 that our ethical practices are applied irrespective of the jurisdiction we operate in. 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 Sun International social and ethics committee for review. This positions the group's social and ethics committee to oversee the group operations and consider all ethical material issues. In Nigeria, 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.

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Social and ethics report continued

Composition, meetings and assessment

During the year under review there were changes to the social and ethics committee's composition. Effective 16 September, Mr Anthony Leeming was appointed as an additional committee member and Mr Valli Moosa who retired from the board effective 14 May 2019, is no longer a member of the social and ethics committee. Following these changes, the committee's composition included four non-executive directors as members, all of whom are independent, and one executive director as a member. 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 financial officer; chief operating officer; director: corporate services; director: human resources; director internal audit; and sustainability manager. As per the mandate of the committee, the terms of reference were reviewed and approved, and we achieved a 91% meeting attendance for the year under review.

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
- monitor the group's six prioritised sustainable development goals (SDGs).

The committee's mandate, terms of reference and further details on the committee's roles and responsibilities are available online at <https://corporate.suninternational.com/investors/investors-governance/committee-terms-of-reference/>

We operate in a highly regulated industry and our corporate credentials and socially responsible behaviour are critical in terms of 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. This includes the group's standing in terms of the goals and purpose of the:

- 10 principles set out in the UNGC Principles
- OECD recommendations regarding anti-corruption
- Employment Equity Act
- B-BBEE Act and amended B-BBEE Codes of Good Practice
- six SDGs prioritised by the group.

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 in which it operates
- environmental, health and safety and procurement initiatives across all relevant areas
- progress on the group's contribution towards the six prioritised SDGs
- consumer relationships and marketing initiatives
- implementing the National Responsible Gambling Programme (NRGP)
- 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. As chairman of the committee I also provide regular feedback at board meetings in relation to the committee's activities and provide feedback to the shareholders at the annual general meeting (AGM). The 2018 social and ethics report was tabled at the Sun International AGM held on 14 May 2019.

The group's sustainability committee, a sub-committee of group executive management, includes several senior and executive managers from relevant areas within the group. In 2019, the committee met quarterly to discuss relevant sustainability matters – particularly environmental, health and safety, socio-economic development (SED) and enterprise and supplier development (E&SD) matters. Any areas of concern identified at these meetings are elevated to the social and ethics committee.

As part of our independent assurance scope, IBIS ESG Assurance conducted a review of all sustainability aspects and also included a readiness assessment of Sun International's corporate social investment (CSI) practices, procedures, systems and controls. The review included interviews at a group level and a site visit to our unit that contributed the most to CSI. The assessment focused on the adherence to Sun International's relevant policies, procedures, systems and controls and whether they meet reasonable expectations for the monitoring, management and reporting of CSI at Sun International. No material issues were identified during the assurance audit.



Social and ethics report continued

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.

The committee continues to review the group's standing and progress in accordance with the 10 principles of the UNGC and the OECD recommendations 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 policies in relation to bribery and corruption; gifts, entertainment and tips; and responsible gambling.

The SunWay culture and employee value proposition (EVP) continues to gain traction across the group. All elements of SunWay have been incorporated in training interventions to reinforce the group-wide value system. The EVP continues to assist in attracting and retaining talented employees by delivering world-class employee benefits and a positive working environment. A group-wide culture survey based on the SunWay will be conducted in 2020 and reported on to shareholders in 2021.

Transformation is embedded in Sun International and is integral to its sustainability. The committee monitors appointments, retirements and resignations to ensure we achieve a demographic workforce in line with our targets. During 2019, our overall black employee representation was 93% (2018: 92%), exceeding the distribution of the national economically active population. Females make up 56% (2018: 55%) of our workforce across our South African operations, 95% (2018: 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 disability capacity building workshops and disability awareness days continue to remove the stigma and fear of victimisation experienced by employees with disabilities.

Sun International's board diversity policy recognises and embraces the benefits of having a diverse board, as increasing board diversity is essential in maintaining a competitive advantage. In accordance with the JSE Listings Requirements, the committee recommended a revised board diversity policy effective December 2019 that incorporates additional diversity elements such as skills and experience, regional and industry experience and age. This policy was approved by the board. Good progress was noted against the board's race and gender targets. In 2019, the board exceeded its black director target of 50% with 57% black representation, while it narrowly missed achieving the female director target of 30%, with 29% female representation.

In 2019, Sun International was externally rated as a Level 1 B-BBEE contributor in accordance with the Tourism Sector Codes as at 31 July 2019 (2018: Level 1). SunSlots was the only unit to be verified under the Generic Codes of Good Practice and achieved a Level 5 rating. The group was rated the sixth most-empowered South African company. Going forward, the committee will be monitoring the proposed changes to the Tourism Sector Code which is expected to be implemented in May 2020.

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Communities' concerns about inequality in certain operational areas remain an issue, especially around securing local procurement spend and local employment to provide socio-economic upliftment. Going forward, a procurement task team will be established to address the group's procurement strategy and better understand local communities' concerns as well as develop local businesses to become part of Sun International's supply chain and enhance shared value. This task team will constitute representatives from all units and progress will be monitored by the committee.

The group continues to make significant progress in the areas of procurement and enterprise and supplier development. Sun International invested R44.4 million² and R12.3 million in supplier development and enterprise development respectively during 2019. There were 15 beneficiaries supported through Sun International's formal business development support process and the online tender bulletin board provides prospective suppliers with sourcing opportunities to further enhance value sharing and economic upliftment. Sun International's supplier code of conduct ensures all suppliers adhere to minimum best practice ethical standards.

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 SED and CSI projects within their surrounding communities. A total of R25.4 million (2018: R23.7 million) was invested in making a difference in the lives of communities with a specific focus on education, sports, and arts and culture. In addition, the group also contributed R3.6 million towards various CSI initiatives including in-kind monetary donations (venues, accommodation, show tickets) and non-monetary donations (linen, cutlery, and furniture).

We continue to participate in the Stop Hunger campaign in celebration of Mandela Day, where over one million meals (2018: 738 000) were packed in 2019. Staff participation also increased to 2 562 compared to 1 989 in 2018. This project significantly impacted many children's lives by feeding them one nutritious meal, five times a week for an entire year. We remain committed to giving back to our communities and being socially responsible.

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

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



Social and ethics report continued

The group is committed to, and financially supports, the South African Responsible Gambling Foundation (SARGF), which remains globally regarded as a leading programme for promoting responsible gaming. The SARGF, through the NRGF, creates awareness around 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. Sun International reports progress on these NRGF principles across all gambling operations to relevant governance committees. In addition, reports on matters such as crèche utilisation rates, which remain strictly monitored at all units, and on training employees in the different stages of NRGF are also reported to relevant governance committees. Group internal audit is responsible for conducting various internal audits and reports its findings to the social and ethics committee. In 2019, the National Gambling Bill (including its regulations) proposed the implementation of a national exclusion programme. Sun International, through the Casino Association of South Africa (CASA), has engaged with the National Gambling Board regarding the practical aspects of implementing this programme in its current form. In addition, the Western Cape Gambling and Racing Board (WCGRB) may implement a pre-commitment system to further assist problem gamblers and to prevent the risk of persons from becoming problem gamblers. The WCGRB circulated a draft research report for comments to which Sun International has responded.

The group continues to make solid progress on environmental matters and explores innovative ways to address pressing issues facing the country. These include the quality and availability of water, sustainable supply of energy and rising energy costs, and the increased concerns around the lack of certified waste facilities in South Africa. Sun International continues to investigate sustainable water solutions. For example, a reverse osmosis plant is expected to be implemented at the Boardwalk in 2020. To further reduce energy consumption, an internal working group was established to determine the most feasible group-wide approach for participating in energy efficiency projects. Regarding waste initiatives, the group completed the transition of seven units to new waste recycling service providers that align with the group's zero-waste-to-landfill programme.

The health and safety of our customers and employees remains a key focus for the group. We are pleased to report that there were no fatalities for the year under review. Over the past four years (2016 to 2019) across our South African units, we achieved a cumulative reduction of 63% in lost-time injury frequency rates, however, we did not achieve our injury reduction targets set for 2019. Therefore the group conducted a review of its reduction target methodology taking account of prior trends, challenges facing units and industry leading indicators. This resulted in more realistic targets being developed for all South African units over the period 2020 to 2024. We continuously improve our health and safety control through proactive compliance management, utilising our electronic platform to manage our risk and compliance management functions.

Based on the committee's performance during the year, it is satisfied that it has fulfilled its mandate in terms of Regulations 43 of the Companies Regulations, 2011. There were no known 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 or repeated regulatory penalties, fines, censures or compliance orders. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.

During the year under review, Sun International received four separate applications in terms of the Promotion of Access to Information Act (PAIA). The group continued to respond to all applications in terms of the relevant provisions of this Act.

LOOKING AHEAD

Going forward, the committee will focus on:

- Overseeing 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
- Monitoring the proposed changes in the Companies Amendment Bill, 2018 as they pertain to the social and ethics committee
- Adopting the proposed JSE Listings Requirements amendments as they pertain to a social and ethics committee
- Ensuring that a statement is made in the financial statements confirming that the social and ethics committee is satisfied that it has fulfilled its mandate in terms of Regulation 43 of the Companies Regulations, 2011
- Considering, from a social perspective, that the group pays its employees fairly and responsibly in accordance with the equal pay for work of equal value principle

BLM MAKGABO-FISKERSTRAND

Chairman of the social and ethics committee

31 March 2020