



ENTERPRISE RISK MANAGEMENT

At Sun International, we recognise that our ability to manage our risks and opportunities, is key to business sustainability and delivering on our strategic objectives. The group's enterprise risk management (ERM) process focuses on identifying and minimising the impact of the key risks facing the business in the geographies and economic sectors in which the group operates.

ERM is a strategic tool that adds value to the group by aligning our strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties we face in protecting and creating value. By maintaining a defined level of risk management, risk governance and assurance, we can provide the business with the information it needs to effectively manage its risks, leverage its opportunities, and continually take the corrective action that will allow it to deliver on its business strategy and objectives.

RISK PHILOSOPHY

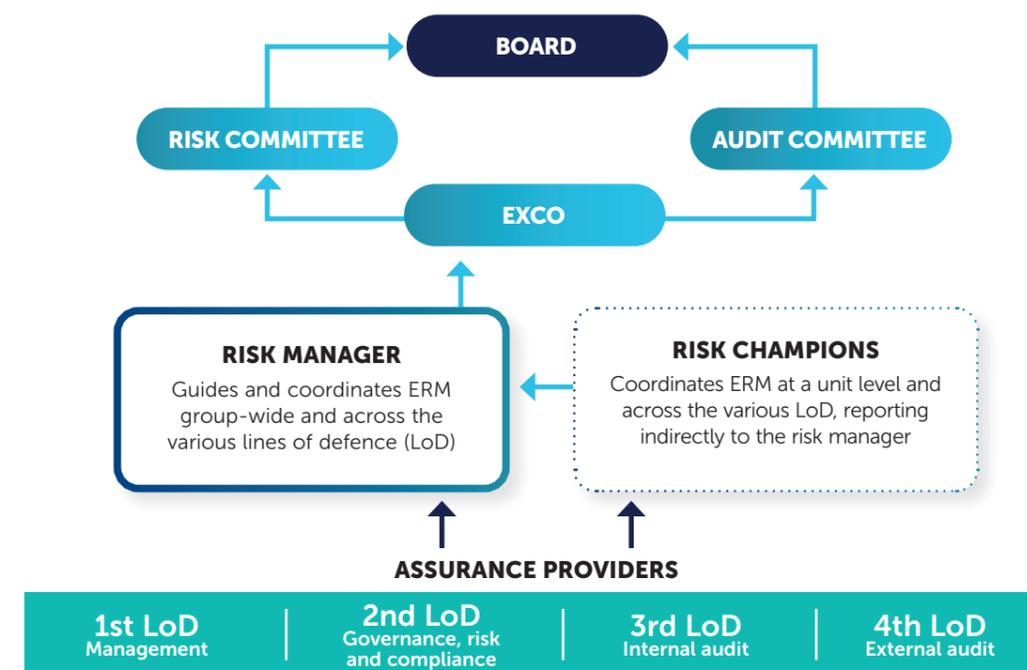
The group's risk philosophy is one of openness and transparency, built on the principles of integration, consultation, engagement, and evaluation against best practice. This philosophy embraces the volatile nature of risk and aims to ensure that management is aware of the internal or external threats and opportunities that could impact business performance. This ensures informed strategic decision making that drives business performance, creates value and prevents value erosion for all stakeholders.

Risk maturity

To ensure the realisation of the group's risk philosophy, an integrated ERM framework that is aligned to the ISO 31000:2018 standard for risk management was developed and approved in March 2023 by executive management (exco) and the board. The approved ERM framework and group risk maturity was benchmarked by an independent assurer against the ISO 31000:2018, Committee of Sponsoring Organisations standards for risk management, and other best practice guidelines. The outcomes of the assessment indicated that the group's risk maturity is well managed, and we continue to review and improve our risk management approach.

GOVERNANCE OF RISKS AND OPPORTUNITIES

Risk governance and combined assurance



The board is ultimately responsible for the governance of the group's risk management process and approving the group's risk appetite and tolerance levels. The board discharges its duties by mandating specific risk management duties and responsibilities to the group's risk committee, chief executive and exco, which includes ongoing oversight of the Sun International activities related to ERM. To execute our duties and responsibilities, management has committed to implementing ISO 31000 as the foundation for our risk management approach. The exco is collectively responsible for the compilation and continual review of the group's risk register, which is tabled at each risk committee meeting for discussion as well as ensuring that the risk management culture and process is effective, inclusive and embedded throughout the group.

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

Risk appetite and tolerance

The board approves the group risk appetite annually, based on an assessment of the various risks contained in the group risk register, and ensures that the group is positioned to achieve its strategic intent. The group's risk appetite is defined as the level of risk and risk combinations that the group is prepared to accept or tolerate, to create value and achieve its strategic objectives. A quantitative measurement is currently applied to measure risk appetite and tolerance. This process considers the impact and likelihood of a risk occurring, as well as the existing management actions and controls that mitigate a threat or leverage an opportunity. Where the residual risk of exposure exceeds the defined risk appetite, management intervention is required to mitigate or control these risks through appropriate and economically viable mitigating measures, failing which the risk should be avoided or eliminated where possible.

MANAGING OUR RISKS AND OPPORTUNITIES FOR SUSTAINABLE VALUE CREATION

The group's ERM framework (depicted below) enables an effective, standardised, structured, and comprehensive approach to risk management through integration, engagement, leadership and accountability.

ERM PURPOSE

Enhance business performance, create and protect value and prevent value erosion through an integrated approach.

ERM objectives

Establish a risk aware and responsible culture

Eliminate duplication of effort and improve ease of risk management process

Improve business performance through integration and data-driven decision making

Facilitate ERM collaboration, inclusion and ownership to meet stakeholders' needs

Enable integration of double materiality, improved transparency and disclosure

ERM PROCESS

1 COMMUNICATION AND CONSULTATION

The risk management process is collaborative in nature and involves engagement with key stakeholders across the various process steps.

2 ESTABLISHING THE CONTEXT

External and internal factors are considered by stakeholders to identify the current and emerging risks and opportunities in the operating environment.

3 RISK ASSESSMENT

All identified risks and opportunities are analysed and evaluated to determine their potential impact and likelihood. The potential impact is determined by considering the strategic, financial, reputational, regulatory, ESG and operational consequences and how it may impact our ability to achieve our strategic objectives. The effectiveness of existing control measures are then considered to determine the group's residual risk exposure, in relation to appetite and tolerance.

Risk identification

Risk analysis

Risk evaluation

4 RISK TREATMENT

The impact and residual risk exposure determines the risk treatment approach. Depending on the approach taken, a risk mitigation action plan, quarterly status updates, contingency plans and opportunities are defined for the risk.

5 MONITORING AND REVIEW

All risks are assigned to a risk owner who is responsible for implementing the mitigation measures and is held accountable for continual monitoring, mitigating where possible and reporting on progress. Prior to the final risk committee meeting for the year, the group's risk working committee conducts a full review of the risk register, risk ratings and mitigation measures, for presentation to the risk committee. The group's risk management process and the effectiveness of risk mitigation, implemented at a group and unit level, are reviewed by various assurance providers, as defined in the group's combined assurance framework.

COMBINED ASSURANCE FRAMEWORK

The group's combined assurance, ERM strategy and framework are integrated and aligned with the JSE Listings Requirements and King IV™ to provide optimal, cost-efficient and focused assurance coverage group-wide. The group's combined assurance model enables an effective internal control environment to enhance the degree of confidence and support the integrity of information used for both internal decision making and external reporting to stakeholders. The group's combined assurance approach is designed in such a way that the level of assurance required is dependent on the level of risk assessed, considering risk exposure, and risk appetite, and is implemented by various assurance providers.

Lines of defence (LoD)

1st LoD

Management includes all levels of management across the business, including exco and the chief executive.

Key responsibilities

- Conduct business in accordance with strategy, risk appetite and monitor key risk indicators (KRIs)
- Integrate risk management practices into daily management activities
- Report and escalate risks to Risk Champions, Risk Manager and risk owners

2nd LoD

Governance, risk and compliance are corporate functions, independent of the operations and include compliance, ESG, legal and other departments that provide a second line of defence and assurance to the board.

- Establish policies, procedures and plans to manage operational risks
- Monitor and communicate risks to the risk manager and relevant committees
- Provide functional risk management insight and guidance to the group

3rd LoD

Internal assurance incorporates internal assurance providers that provide objective assurance such as Group Internal Audit.

- Provide assurance on key business risks and processes
- Provide insights on control effectiveness to support the risk assessment process

4th LoD

External assurance incorporates external assurance providers, such as external auditors, other external parties and the board. These structures are largely independent of the operational activities of the company and provide assurance to the board.

- Provide independent assurance of the ERM and control processes

CONTINUAL IMPROVEMENT

Continual monitoring is performed to address any internal or external changes required to improve the ERM framework, its effectiveness, and how risk management is integrated group-wide.

RECORDING AND REPORTING

Throughout each step of the process, risk information is documented in various risk registers and reports, to ensure management and board oversight. This information is also presented to the board at each risk committee meeting and provides the board with relevant information to evaluate the strategic risks and opportunities that the group is exposed to and to assess the effectiveness of the group's risk management processes.

TOP 10 RISKS

The table below identifies the group's top 10 risks as at 14 March 2024. These risks are discussed in detail and include Sun International's level of control, key stakeholders impacted and the primary board committee(s) responsible for oversight.

⬅️ Constant
 ⬆️ Increased
 ⬇️ Decreased

Risk ranking and description	Residual risk	Change in ranking from 2022	2022 risk rating	Strategic objective	ESG materiality	Material themes	Lines of defence
R 1 Weak economic conditions	Extreme	⬅️	(2022: 1)	SO2 SO4 SO5	Financial performance	• Macroeconomic environment	1 2 3 4
R 2 Utility supply and efficiencies	Moderate	⬅️	(2022: 2)	SO2 SO4 SO5	Energy and water security	• Macroeconomic environment • Environment and social sustainability	1 2 3 4
R 3 Relocation of casino licence in the Western Cape	Moderate	⬆️	(2022: 4)	SO4 SO5	Financial performance	• Regulatory environment • Competitive dynamics	1
R 4 Cyber threats and information security	Within appetite	⬆️	(2022: 5)	SO1 SO3 SO4 SO5	Financial performance	• Customer centricity • Regulatory environment • Digital transformation • Corporate responsibility	1 2 3 4
R 5 Playtech implementation	Within appetite	⬆️	(2022: 6)	SO2 SO3 SO4 SO5	Product stewardship	• Customer centricity • Digital transformation • Corporate responsibility	1 2
R 6 Non-renewal of Boardwalk licence	Within appetite	New risk in top 10	(2022: 12)	SO1 SO4 SO5	Financial performance	• Regulatory environment	1
R 7 Smoking legislation	Within appetite	⬅️	(2022: 8)	SO3 SO4 SO5	Financial performance	• Customer centricity • Regulatory environment	1
R 8 Increase in gaming taxes and levies	Within appetite	⬆️	(2022: 17)	SO4 SO5	Financial performance	• Regulatory environment	1
R 9 Amendments to gaming legislation	Within appetite	⬆️	(2022: 19)	SO4 SO5	Compliance	• Regulatory environment	1
R 10 Political and civil unrest	Within appetite	⬇️	(2022: 3)	SO1 SO3 SO4 SO5	Financial performance	• Macroeconomic environment	1

Strategic objectives

SO1

People and culture

SO2

Operational excellence

SO3

Customer centricity

SO4

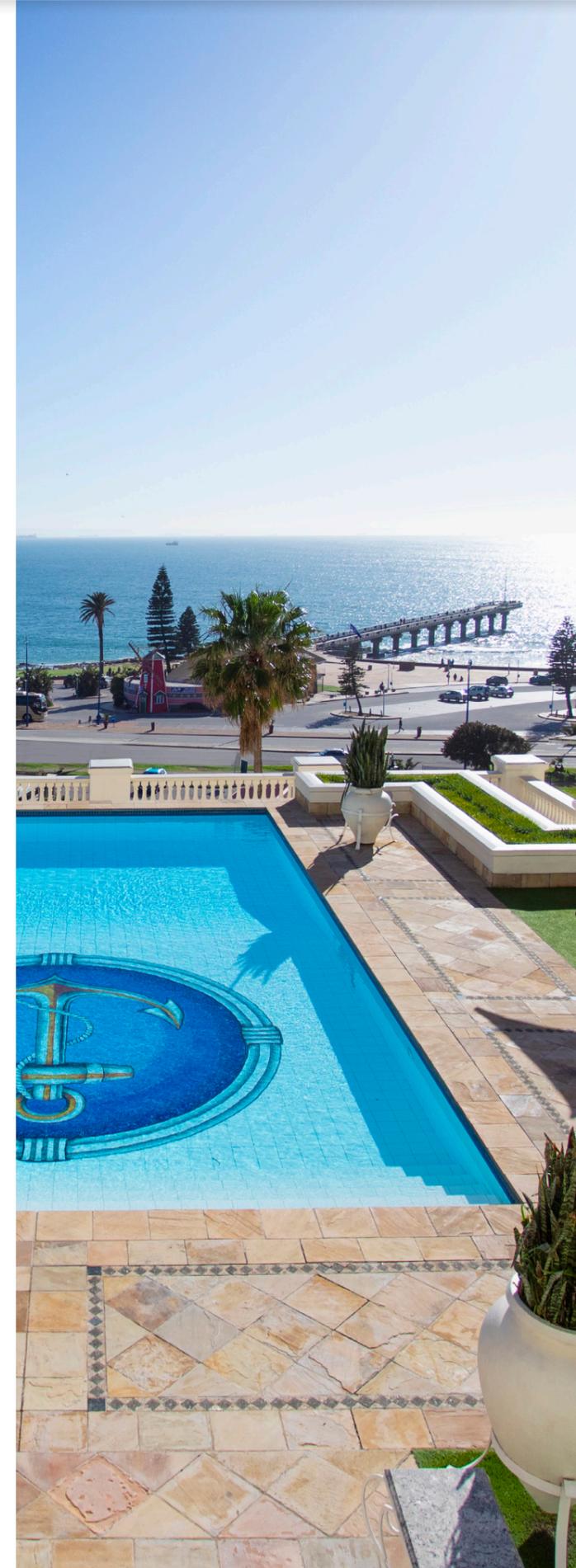
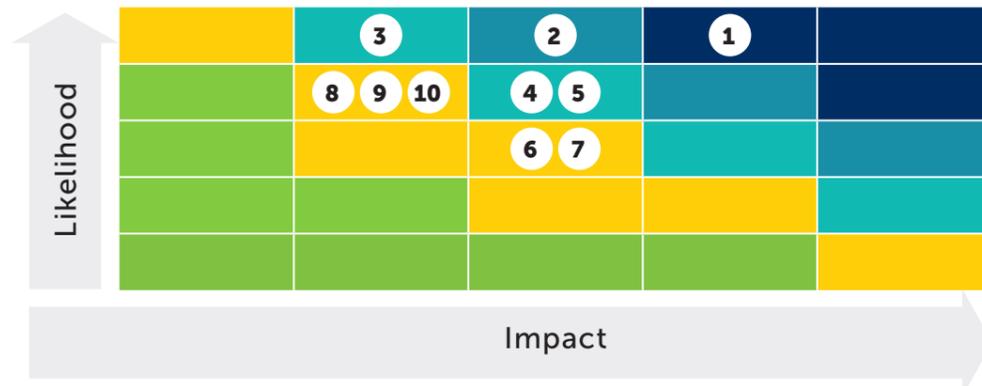
Maximise shareholder value

SO5

Environmental, social and governance (ESG)

Risk heat map

The risk heat map alongside depicts the group's risks in terms of severity and the likelihood of these impacting the group.



TOP 10 RISKS continued

RISK 1 Weak economic conditions (2022: 1)

DESCRIPTION

The macro-economic outlook remains under pressure. Key factors impacting the economic climate and growth include loadshedding, increased interest rates and inflation, higher fuel prices, socio-economic decline, transport bottlenecks which include the debilitating strike at Transnet's rails and port operations, and the deterioration of critical infrastructure.

MITIGATION

- Ongoing focus on improving operational and resource efficiencies as well as cost containment across the group.
- Ongoing strengthening of our balance sheet.
- Optimising capital allocation and capital expenditure.
- Focus on improving our customer experience and engagement through various initiatives.

OUTLOOK

- The weak economic climate is set to continue. Crime, corruption and unrest also remain a concern and continue to impact our local economy. South Africa's energy supply remains fragile with loadshedding set to continue in the foreseeable future. Possible unease leading up to the 2024 national elections has resulted in a weaker outlook for the rand exchange rate.

Risk category

Financial

Sun International's level of control

Limited

Primary board committee

Risk and audit committees

Key stakeholders

Shareholders and potential investors and employees

OPPORTUNITIES

- Implementing a new gaming system (Playtech) in a phased approach which will enhance our customer experience and drive efficiencies.

RISK 2 Utility supply and efficiencies (2022: 2)

DESCRIPTION

Water and electricity supply constraints persist due to natural disasters and municipal/state-owned entity failure to supply these resources. Ongoing loadshedding has created pressure on electricity supply and increased electricity tariffs, including the cost of diesel which are impacting operating costs. There is a stock and skills shortage pertaining to generator servicing and repairs as generator capacity is being stretched with increased loadshedding. There has been a noticeable change in Sun Slots customers' behaviour due to safety concerns around loadshedding. While drought conditions in the Eastern Cape have eased, water scarcity throughout South Africa remains a risk.

MITIGATION

- Sustainability awareness campaigns are being driven at a unit level.
- Water**
- All units have implemented bulk water meters to monitor incoming water consumption.
 - Ongoing water infrastructure maintenance is being done at various units.
 - A reverse osmosis plant at Boardwalk is fully operational and is being used for consumption in our hotel and casino, cooling towers, and for irrigation.
- Energy**
- A board-approved group renewable energy strategy and alternate energy plan to invest R150 million in green energy projects is in place. The 1.6 Megawatt Peak (MWp AC) solution atop the Sun Central roof went live in August 2023 and a 1MW battery storage solution was installed at The Maslow in February 2024.
 - All units have implemented bulk electricity meters to monitor electricity and high consumptive areas.
 - An approach for tracking generator diesel cost consumption and kWh is being implemented to ensure oversight of this cost impact.

OUTLOOK

- The group remains responsible in its energy and water resource usage and continues to implement its renewable energy strategy and ongoing sustainability awareness campaigns group-wide.

OPPORTUNITIES

- Identification of feasible renewable energy projects/solutions (solar and wheeling) that align with our renewable/alternate energy strategy. Borehole opportunities are being explored at Carnival City, Sun City and Sibaya.

Risk category

ESG

Sun International's level of control

Medium

Primary board committee

Risk committee, social and ethics committee

Key stakeholders

Shareholders and potential investors, employees, customers

RISK 3 Relocation of casino licence in the Western Cape (2022: 4)

DESCRIPTION

The Western Cape High court recently ruled in favour of Tsogo Sun and compelled the Western Cape Gambling and Racing Board (WCGRB) to consider an application for relocation. It however suspended its decision for one year for the WCGRB to enact a new regulatory regime, which will expressly allow the WCGRB to approve applications to relocate casinos in the Western Cape. The Western Cape Provincial Government applied for an extension to the one-year period to allow for all regulatory processes for the introduction of the new regime to be followed. Subsequently, Tsogo Sun brought an application before the WCGRB for the relocation of the Caledon Casino. The group objected to the relocation and has been invited to submit a procedural legal framework within which the public hearings will be heard.

MITIGATION

- Proactively engaging with the Western Cape Premier and national government to discuss relocation and the possibility of licence exclusivity.
- Substantive objections were made by the group against the relocation.

OUTLOOK

- Various applications and court rulings have been made between the WCGRB and Tsogo Sun and there is a likelihood of a public hearing process during 2024.

OPPORTUNITIES

- The Grand Hotel extension of 64 rooms was completed in December 2023, which will assist in our VIP customer strategy for both local and out of town customers.
- Further non-gaming opportunities are being explored to increase footfall to GrandWest.
- The casino floor is continually being refreshed in terms of product and the customer experience to remain a preferred casino and entertainment destination in the Western Cape.

Risk category

Financial

Sun International's level of control

Limited

Primary board committee

Risk committee

Key stakeholders

Gambling boards, provincial government, shareholders and potential investors



TOP 10 RISKS continued

RISK 4 Cyber threats and information security		(2022: 5)
<p>DESCRIPTION</p> <p>Increasing interconnectivity and 'commercialisation' of cybercrime are driving greater frequency and severity of cyber incidents, including data breaches and loss of data. Cyber threats to customer data, intellectual property and/or the defacing or disablement of critical services are leading to system unavailability and business disruption. Loss of data due to unauthorised disclosure, cyber-attacks perpetrated by ransomware, phishing and other malware attacks are also a risk. Lack of operational security management such as training and awareness, ineffective patch management, use of outdated and unsupported software, or inadequate web security could lead to system compromise and increased breaches. Mitigation measures are actively being implemented.</p>	<p>MITIGATION</p> <ul style="list-style-type: none"> A vulnerability management practice is in place to provide reporting, monitoring and execution of identified threats across the application and infrastructure landscape. Independent internal and external penetration testing has been conducted to understand current threats and vulnerabilities. An identity and access management project was implemented in 2023 to enhance our access governance processes. This included improved logical and privileged access management processes with additional multi-factor authentication tools to ensure we have visibility of appropriate access rights and manage the risk of unauthorised changes. Employee training and awareness, particularly in high-risk areas is ongoing. Our remote working security protocols to combat new threats has been enhanced. Privacy practices and controls to meet regulatory requirements have improved. Revised our cyber insurance cover to ensure appropriate first responder and ransomware conditions are met. 	<p>Risk category Strategic</p> <p>Sun International's level of control Medium</p> <p>Primary board committee Risk and audit committee</p> <p>Key stakeholders Employees, shareholders and potential investors</p>
<p>OUTLOOK</p> <ul style="list-style-type: none"> We are constantly assessing our threat landscape to ensure our information security management systems are effective and robust to deal with evolving threats. We continue to partner with various organisations to help with our detection and response capabilities of increasing ransomware threats in South Africa. We continue to enhance our employee awareness and communication regarding phishing attempts and business email compromise. Enhancing our cloud security controls as we investigate more digital technology solutions. 		

RISK 5 Playtech implementation		(2022: 6)
<p>DESCRIPTION</p> <p>The group is migrating its gaming platform Bally to Playtech in a phased approach. Risks associated with a project of this nature and scale include ensuring the functionality is fit for the Sun International business, that data is migrated from the existing platform accurately, regulatory compliance is obtained, and that it is deployed correctly with adequate service delivery. In addition, the group is also moving from Bede to Playtech IMS for SunBet and will build an omnichannel solution to seamlessly link the two.</p>	<p>MITIGATION</p> <ul style="list-style-type: none"> Playtech has strict project deadlines with penalties if any deadlines are not met. It will be rolled out in a phased approach (2025 and 2026) and will run in parallel with Bally during the roll-out. We will start with one casino and only roll it out to other casinos once we are satisfied that Playtech can support our business. A project team has been allocated from gambling, marketing, IT and business support to ensure that the project is delivered. This is underpinned by extensive project governance structures. SunBet has a separate project team working within the overall project structure to deliver on key areas of the IMS implementation. This project timetable is being reviewed due to delays in delivery of the casino system. 	<p>Risk category Strategic</p> <p>Sun International's level of control Medium</p> <p>Primary board committee Risk committee</p> <p>Key stakeholders Shareholders, gambling boards, customers, employees</p>
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Playtech affords the group a significant opportunity to enhance the customer experience through the optimisation of an omnichannel solution for all casino and SunBet customers. 	<p>OUTLOOK</p> <ul style="list-style-type: none"> A new project timetable will be finalised to ensure the delivery of a more functional and modern gaming platform to improve the business. The omnichannel solution between land-based casinos and SunBet will allow our customers to move between the two environments seamlessly using the same wallet and loyalty programme. 	

RISK 6 Non-renewal of Boardwalk licence		(2022: 12)
<p>DESCRIPTION</p> <p>The non-renewal of the Boardwalk Casino licence by the Eastern Cape Gambling and Betting Board.</p>	<p>MITIGATION</p> <ul style="list-style-type: none"> Our partner in the Boardwalk and Sun International has been in ongoing discussions with the Eastern Cape Provincial Government with regards to its licence. Sun International and its partners have agreed to the sale of Trust shares, which is currently before the gaming board for approval. 	<p>Risk category Strategic</p> <p>Sun International's level of control Medium</p> <p>Primary board committee Risk committee</p> <p>Key stakeholders Shareholders, gambling boards</p>
<p>OUTLOOK</p> <ul style="list-style-type: none"> We will continue to have ongoing negotiations with the Eastern Cape Gambling and Betting Board to retain our Boardwalk licence. 		

RISK 7 Smoking legislation		(2022: 8)
<p>DESCRIPTION</p> <p>The promulgation of the draft Control of Tobacco Products and Electronic Delivery System Bill, 2018 introduces a ban on smoking (including e-cigarettes) in public areas (both indoor and outdoor areas). This legislation will have a significant impact on group casino income and property infrastructure. Three public hearings were concluded in 2023 on the matter.</p>	<p>MITIGATION</p> <ul style="list-style-type: none"> We continue to engage with Casino Association of South Africa (CASA) and lobby with the gambling boards, trade unions and other affected corporates. Our attorneys, on behalf of all CASA members, drafted a submission to the committee setting out that the provisions of the Bill should be amended to include less restrictive measures. CASA will ensure that its members' objections are tabled. 	<p>Risk category Regulatory compliance</p> <p>Sun International's level of control Limited</p> <p>Primary board committee Risk committee</p> <p>Key stakeholders Employees, customers, health authorities and shareholders</p>
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Proactive internal investigations are underway to identify opportunities for casino floor optimisation and leveraging our omnichannel capabilities. 	<p>OUTLOOK</p> <ul style="list-style-type: none"> The group continues to lobby and coordinate efforts with other affected industries and provide comments where applicable. The group's legal department continues to monitor government gazettes and media statements. 	

TOP 10 RISKS continued

RISK 8 Increase in gaming taxes and levies (2022: 17)

DESCRIPTION

An increase in gaming taxes, levies and fees further erodes gaming revenues nationally.

The Gauteng, Western Cape, KwaZulu-Natal and North West provincial gaming boards have implemented and/or proposed increases to gaming taxes and levies.

OPPORTUNITIES

- The Constitutional Court confirmed the unconstitutionality of the North West Gambling Act. This allows the group to claim for overpayment in gaming taxes.

MITIGATION

- The group maintains a watching brief on national and provincial regulations and changes.
- We continue to engage through CASA and legal counsel to institute formal objections and appeals in respect of proposed amendments.

OUTLOOK

- The group continues to proactively engage more constructively with gaming boards regarding gaming taxes and levies.

Risk category

Financial

Sun International's level of control

Limited

Primary board committee

Risk committee

Key stakeholders

Shareholders, gaming boards, CASA and provincial government

RISK 9 Amendments to gaming related legislation (2022: 19)

DESCRIPTION

Government amends existing gambling laws or introduces new gambling laws that are and onerous on the group's businesses. Recent developments include introducing rules that obligate licensees to implement onerous internal controls and adhere to more onerous requirements for the responsible gambling slogan in the Western Cape. Amendments to gambling legislation have been proposed in North West, Northern Cape, Eastern Cape and KwaZulu-Natal. Amendments to rules surrounding the recovery of fees associated with routine compliance work have also been proposed in KwaZulu-Natal.

MITIGATION

- The group maintains a watching brief of proposed amendments to gaming legislation and responds through CASA in respect of gaming rules and legislation amendments.

OPPORTUNITIES

- The group continues to explore opportunities to license online casinos through existing casinos.

OUTLOOK

- The group continues to closely monitor proposed gaming legislation amendments.

Risk category

Regulatory

Sun International's level of control

Limited

Primary board committee

Risk committee

Key stakeholders

Investors and shareholders, regulators, government



RISK 10 Political and civil unrest (2022: 3)

DESCRIPTION

The rising fuel price, higher inflation, loadshedding, high unemployment, poor service delivery and political instability all make the country vulnerable to civil unrest. There is also an increase in tax on our Sun Slots properties and crime at site owners.

MITIGATION

- Increased security arrangements and business interruption plans at properties.
- Sun Slots incorporated safety training into their service offering.
- SASRIA insurance cover is in place but limited to R500 million.

OPPORTUNITIES

- A group security and surveillance manager has been appointed to co-ordinate security and surveillance efforts at all our properties.
- Engaging with security companies to obtain early warnings of potential riots.
- Improving community and stakeholder relationships.

OUTLOOK

- The group continues to closely monitor the socio-economic climate, as South Africa's economic inequality could lead to future political and civil unrest.

Risk category

Financial

Sun International's level of control

Limited

Primary board committee

Risk and audit committees

Key stakeholders

Employees, customers, shareholders, suppliers, communities