

Sun
International



2017 INTEGRATED
ANNUAL REPORT

Our vision

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

VISION, MISSION, VALUES AND STRATEGIC OBJECTIVES



- 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



Our mission

To create great memories for our guests, people and stakeholders

Our values

Our values represent an unwavering commitment to behaving in a consistent, positive manner every day, in everything we do

- Teamwork:** We treat each other with respect and work together to create great memorable experiences for all our stakeholders
- Customer first:** Our customer is at the heart of all we do and we exceed their expectations every time
- Passion:** We inspire each other with our positive attitude and energy as we strive to be the best
- Professionalism:** We use our skills and competence to provide the highest standard of work at all times

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UN Global Compact Report
Independent assurance statement

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ABOUT THIS REPORT

We are pleased to present **Sun International Limited's 2017 integrated annual report** to our stakeholders.

INTEGRATED ANNUAL REPORT PURPOSE

Sun International Limited reports in a holistic, transparent and integrated manner to assist our stakeholders in making more informed decisions about our business. We aim to provide our stakeholders with a focused and concise report that highlights both our successes and challenges during the period under review.

REPORT SCOPE AND BOUNDARY

This is our primary report to stakeholders and covers the financial period 1 January 2017 to 31 December 2017, following a change in our financial reporting from June to December, to align with our Chilean operations statutory requirements for a December year end. The report includes all Sun International's subsidiaries and operating units, locally and internationally. Our report is structured around our leadership reviews, 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 issues. In some cases, this includes the period up to the report's finalisation. Material issues are matters 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. In order to achieve our strategic objectives and manage our risks, these material issues are continuously monitored by Sun International and its board as the governing body. Further detail on our material issues is set out on page 18 and <http://ir2017.suninternational.com/our-deck-of-cards/>

DIRECTORS' APPROVAL

The board acknowledges its responsibility to ensure the integrity of information contained in the 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 integrated annual 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 2018.


Valli Moosa
Chairman
29 March 2018


Anthony Leeming
Chief executive
29 March 2018

REPORTING FRAMEWORKS

Our 2017 integrated annual report is primarily guided by the International Integrated Reporting Council's (IIRC) recommendations for integrated reporting (the <IR> framework). Our sustainability information contained in this report and online is guided by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. This report is also prepared in accordance with the JSE Limited Listings Requirements and the South African Companies Act, 71 of 2008. A register of our application of the King IV governance principles is available online at www.suninternational.com. Our group annual financial statements (AFS) follow International Financial Reporting Standards (IFRS).

ASSURANCE

	Standard/Code	Assurance provider
The financial information presented on pages 46 to 55 – extracted from the group's audited AFS	IFRS	PricewaterhouseCoopers Inc http://ir2017.suninternational.com/downloads/downloads/pdf/Sun_International_IAR2017_Group_AFS.pdf
Sustainability information ¹	GRI AA1000AS King IV	IRAS http://ir2017.suninternational.com/other-gaming-information/
B-BBEE information	Tourism Code	Empowerdex http://ir2017.suninternational.com/other-gaming-information/
Property risk audits	Internationally Recognised Code of Practice: NFPA and SANS Codes	Marsh Risk Consulting
Internal control functions		Group Internal Audit

¹ Sustainability information for the 2016 year was restated due to the change in the group's year end from June to December.

OPERATIONAL CONTEXT

South Africa continues to contribute the majority of group revenue at 70%, with Latam contributing 29% and Nigeria 1%. Gaming is the primary contributor to group revenue at 73%, alternate gaming contributes 7%, food and beverage 9%, rooms 8% and other revenues 3%.

REPORT VERSIONS

For the period under review, the group has produced limited print copies of the integrated annual report. The printed report is a summarised version of our full integrated annual report available at www.suninternational.com

REPORT FOOTPRINT



Sun International is committed to reducing its environmental footprint wherever possible. With additional information available online, the printed report remains a summary document. Going forward, the group will produce an online integrated annual report only.

SALIENT FEATURES



OUR NEW FORMULA FOR SUCCESS

To improve our business performance, we created our new formula for success that embraces our vision and values in line with our brand promise and strategic objectives.

  Further detail on our formula for success is set out on page 37 and online <http://ir2017.suninternational.com/our-game-plan/>

Top-line enablers = the positive attributes that engage our people, helping them achieve their full potential, while creating great, memorable experiences for our guests.

Bottom-line disablers = the negative points that we need to eliminate to achieve our vision of being an internationally recognised and respected gaming and hospitality group.



OUR DECK OF CARDS

CHAIRMAN'S MESSAGE



Valli Moosa
Chairman

At Sun International, **ethics is driven from the top** and filtered down **to all levels** of the organisation

Corporate South Africa and the international corporate community have been shaken by several corporate scandals involving breaches of good governance practices and ethical conduct. In this climate, it becomes all important to be hyper-vigilant and reinforce ethical values within the group. At Sun International, ethics is driven from the top and filtered down to all levels of the organisation. Sun International has embraced King IV (<http://ir2017.suninternational.com/rules-of-the-game/>), as it articulates principles the group has long upheld. As testament to our commitment to ethical leadership, the board of directors and executive committee signed an ethics declaration, cementing their pledge to steering the group in a direction that continuously upholds ethical conduct.



From a macroeconomic perspective, the global and local operating environment remains challenging. In South Africa, the economic slowdown was further exacerbated by heightened political uncertainty and Rand volatility. In an industry reliant on consumer discretionary spending and positive sentiment, group revenues came under pressure as consumers become more conservative. This tough climate has made it even more necessary to strengthen the group's balance sheet, contain costs and streamline operations to ensure that we operate as efficiently as possible. Further details on the group's financial performance and operating environment are included in the chief executive's review (page 26), chief financial officer's review (page 46) and the operating environment report (page 12).



Strategically, we are focused on building a strong presence in Latin America (Latam), improving and consolidating our operating performance in South Africa, exiting loss-making operations and strengthening our balance sheet. In 2017 we exited the International VIP Business, closed Fish River and Sun Nao and downscaled the Ocean Sun Casino operations. With the significant investments made over the past four years and the failure of some of these investments to meet expectations,

our debt and debt ratios have increased significantly. While we remain confident in the group's ability to generate strong free cash flows, we believe it prudent to strengthen the balance sheet. Consequently, we are looking to raise R1.5 billion through a rights offer.

Some of the key highlights in respect of our significant strategic projects include the opening of Time Square's casino and arena, with the casino opening six months ahead of the original opening date. Revenue has thus far been well behind expectations and we are focused on increasing our market share and managing costs. The Maslow Time Square Hotel is on track to formally open in April 2018 and will not disappoint our guests. Sun City's refurbishments were largely completed by the end of 2016 and the resort has shown a quick turnaround with revenue up 7% and EBITDAR up 22%. Our operations in Chile have had a mixed performance, with Monticello impacted by the tragic shooting and death of two staff members. A third staff fatality occurred at our Royal Swazi Sun property. Our deepest sympathy goes out to the families of the deceased employees.

We have made good progress in the Sun Dreams governance processes with the establishment of relevant board committees aligned to our South African operations.

The group remains passionate about its sustainability commitments and responsibilities to the communities within which it operates. Sun International proudly achieved a Level 1 B-BBEE status at a group level and was ranked the second most empowered company on the Johannesburg Stock Exchange. A new group diversity policy reinforces the company's commitment to maintain a diverse board of directors who can confidently lead the group. All properties continued efforts to further reduce their environmental footprint, and specific energy and water targets were approved for the group in 2017. In view of the water crisis in the Western Cape and Eastern Cape, GrandWest, Table Bay and



Meropa Casino – Limpopo

Boardwalk have significantly reduced their water usage and have contingency plans to prevent disruption from the current water crisis. In total, South African operations' water consumption reduced by 3% during the period under review. The Wild Coast Sun achieved zero-waste-to-landfill during 2017, and Sun City is looking to increase its local procurement in support of surrounding communities.

Over the past 18 months, there have been changes in senior management with the resignation of Graeme Stephens and the appointment of Anthony Leeming as the new chief executive as well as Norman Basthdaw's appointment as chief financial officer. It was encouraging to note the seamless transition in the management structure and the synergy between the board and management.

The group welcomed Graham Dempster as an independent non-executive director to the board effective 6 October 2017. Graham has over 35 years' experience in the local and international banking and financial services industry. He has also been appointed chairman of the investment committee, effective 1 January 2018. Nigel Matthews, Sun International's lead independent director, retired effective 31 December 2017 and was succeeded by Leon Campher as the new lead independent director and chairman of the group's remuneration committee on 1 January 2018. Graham Rosenthal, the current audit committee chairman announced that he will be retiring at the 2018 AGM and Caroline Henry will be succeeding him as the new audit committee chairman. Zarina Bassa resigned post year end on 12 February 2018. On behalf of the board, I welcome our new director and wish the outgoing directors well and thank them for their valuable contribution and roles played over many years.

In this challenging and sometimes uncertain environment, it is important that Sun International continually engages with its stakeholders, updating them on progress against the group's strategic objectives and listening to any specific issues that need to be addressed. Widespread management engagement took place during the year with key stakeholders such as employees, investors, shareholders, gambling boards and government to keep them informed of developments within the group. Of particular note was the active engagement around the revised short- and long-term remuneration incentives following the lack of shareholder support for the group's 2016 remuneration policy. The revised policy will be subjected to a non-binding advisory vote at the upcoming AGM and shareholders are referred to the annual statutory report (http://ir2017.suninternational.com/downloads/downloads/pdf/Sun_International_IAR2017_2017_annual_statutory_report.pdf) that discusses the changes considered based on shareholder feedback.

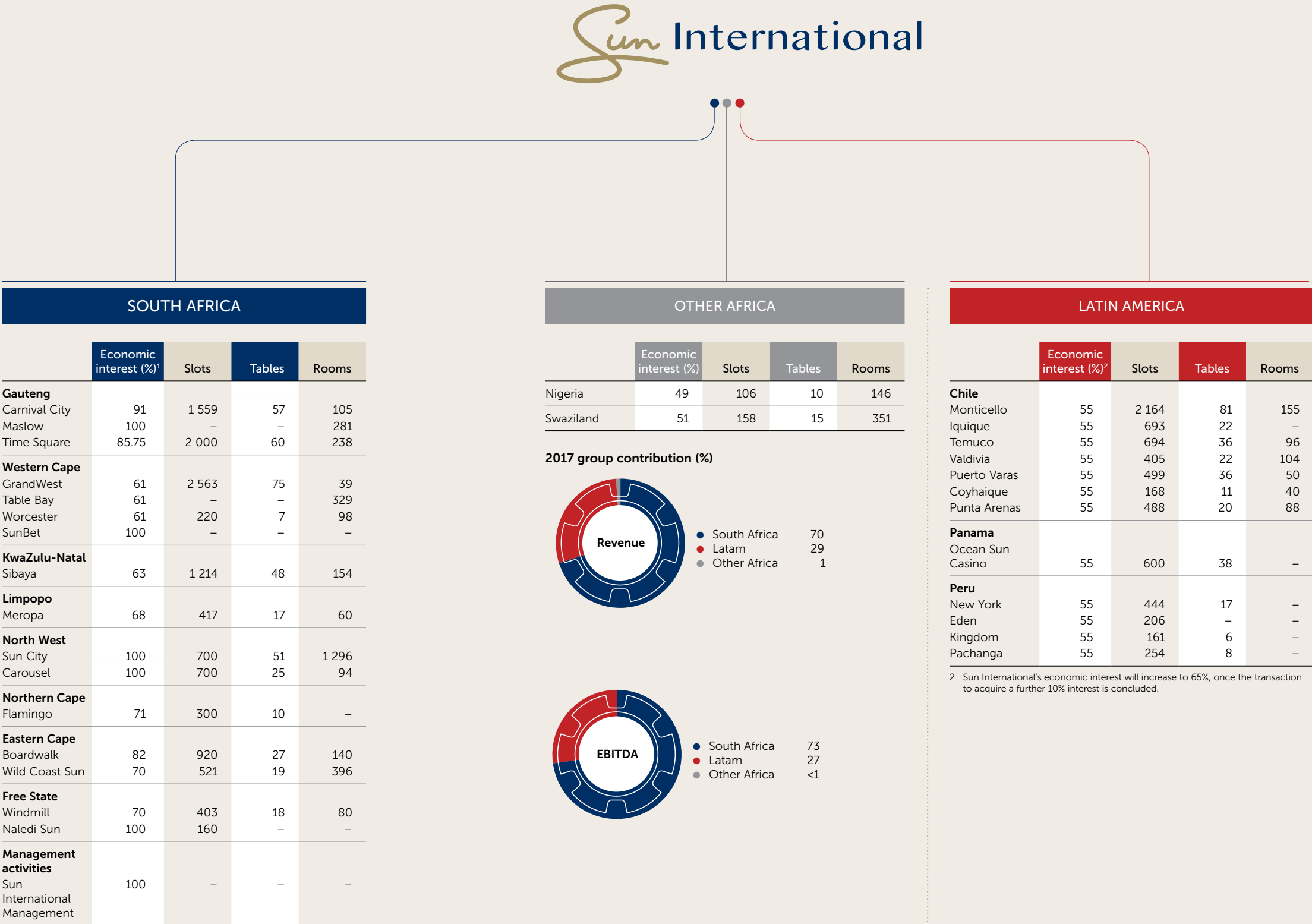


Finally, I would like to thank the board, management and our employees for their unwavering support, commitment and passion in these difficult times. I believe in the group's ability to emerge a stronger, more efficient and innovative group. Thank you to all our patrons, without whose support we would not be in business.

Valli Moosa
Chairman
29 March 2018

GROUP STRUCTURE







Sun International’s **group structure remained largely unchanged** from the prior reporting period. During the year under review the group closed Fish River, Sun Nao Casino, and transferred its Morula casino licence and **opened the new Time Square Casino** at Menlyn Maine.



1 Economic interest excludes the interest held by the SIEST.






2 Sun International’s economic interest will increase to 65%, once the transaction to acquire a further 10% interest is concluded.

GLOBAL PRESENCE

GROUP					
					
27	4 303	18 717	3 720	764	12 959
GAMING LICENCES (2016: 28)	ROOMS (2016: 4 147)	SLOTS (2016: 17 451)	LPMs ¹ (2016: 3 651)	TABLES (2016: 665)	EMPLOYEES (2016: 13 179)
					384 VACATION CLUB UNITS (2016: 382)

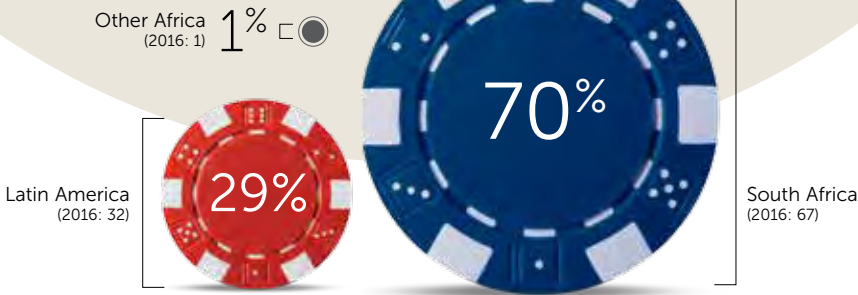
KEY GLOBAL PRESENCE STATISTICS

Sun International owns and operates casino, hotel and resort properties in South Africa, Nigeria, Swaziland and Latin America. Our casino operations contribute the largest share of group revenue.

				
12	533	6 776	325	4 167
(2016: 13)	(2016: 533)	(2016: 6 996)	(2016: 313)	(2016: 4 013)

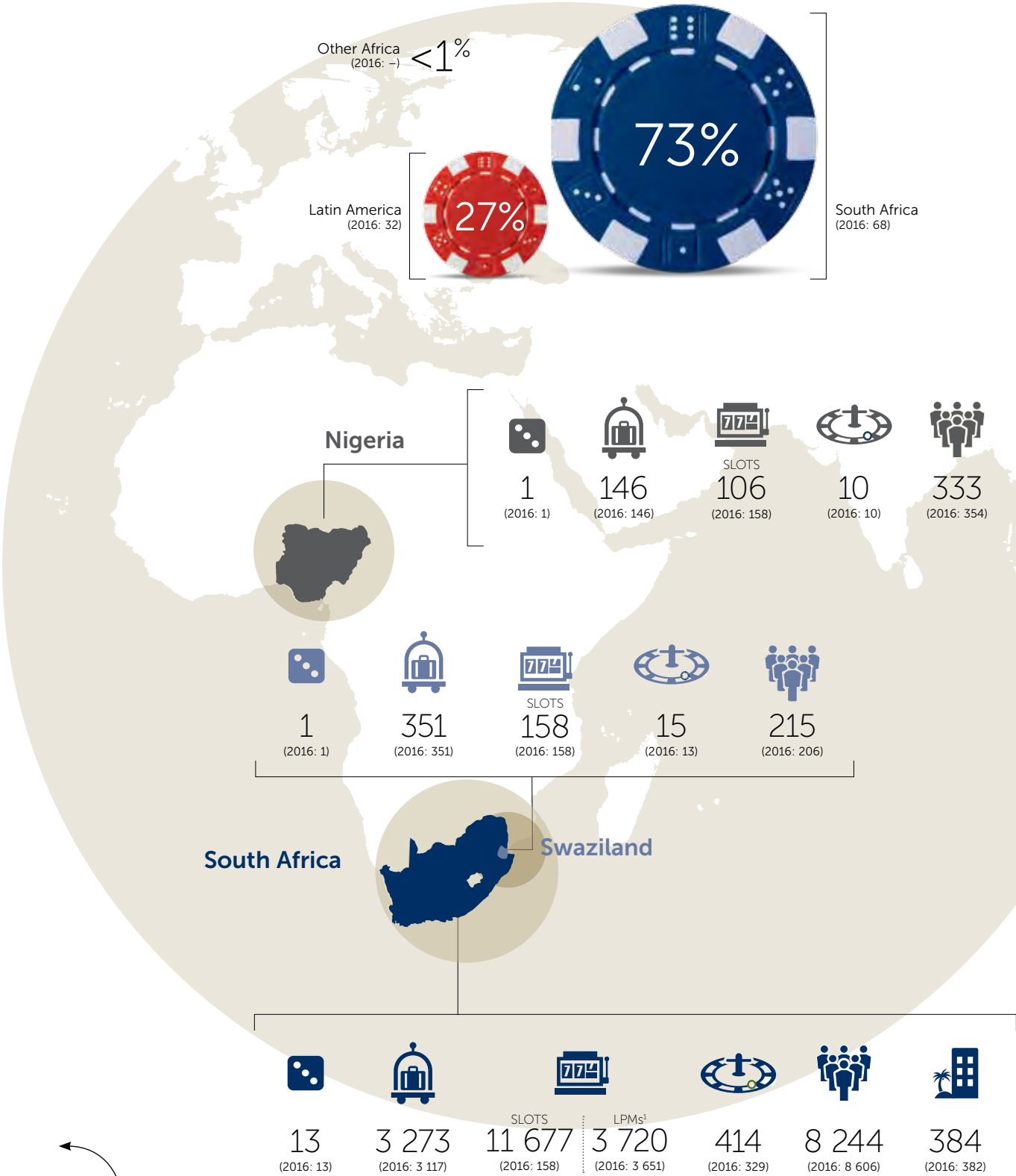
2017 GROUP CONTRIBUTION (%)

Revenue



1 Limited Payout Machines (LPMs)

2017 GROUP CONTRIBUTION (%) EBITDA



BUSINESS MODEL

Our business model requires utilising our inputs in the form of the six capitals, which through our business activities, culminate in outputs and outcomes that create value for our various stakeholders. Good corporate governance, sustainable business principles and risk management underpin our business model and provide the foundation on which we build and grow our business.

CAPITALS		
	FINANCIAL Our source of funds includes debt and equity which we use for business operations including running costs, property refurbishments and maintenance and strategic acquisitions.	12 959 group employees
	PRODUCTIVE 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 to unlock further shareholder value.	31 properties across South Africa, other Africa and Latam
	HUMAN Our people are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.	27 group gaming licences
	INTELLECTUAL Our intellectual capital includes our gaming licences, brand and know-how which provides our licence to operate and cultivates a wealth of management expertise and innovative IT.	food and beverage facilities 764 tables across the group
	SOCIAL AND RELATIONSHIP Our guests, shareholders, employees, communities, gambling boards, government and regulators are key stakeholders and we actively engage and manage these stakeholder relations to promote a shared value proposition.	4 303 rooms across the group
	NATURAL 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.	Debt and equity funding Respected brand and reputation 384 Vacation Club units Energy and water Active stakeholder engagement R16 million invested in socio-economic development Unused land within the group 18 717 Sun International slot machines 3 720 Limited payout machines (LPMs) in South Africa

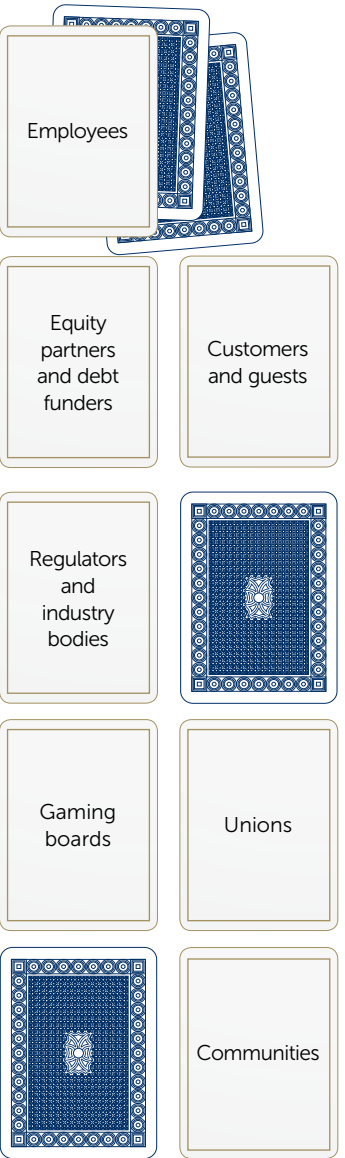
Business activities			Outputs		
We offer gaming, events and hospitality, food and beverage and entertainment to our guests through our casino, hotel and resort properties . We are leveraging our core assets, unused land, our track record, past experiences and management skills to take advantage of growth opportunities in emerging markets but at the same time we focus on leveraging our existing assets to provide our overall memorable guest experience. We are invested in alternate gaming such as the LPM industry and online sports betting.			Delivering memorable guest experiences that align with our vision of being a preferred internationally recognised and respected gaming, event and hospitality, food and beverage, and entertainment group.		
CAPITALS			CAPITALS		
	GAMING – tables, slots, online sports betting and LPMs Our gaming licences are the single most critical enabler allowing us to operate. Gaming contributes 73% of group revenue. We continuously evaluate our licence conditions to ensure they are relevant and are used optimally.	VISION, MISSION AND VALUES STRATEGIC OBJECTIVES STAKEHOLDER ENGAGEMENT	FINANCIAL	Revenues generated R15 609 million (2016: R13 884 million) Cash flows from internal operations R3 billion Dividends paid to minority shareholders R330 million (2016: R321 million)	Interest payments to debt funders R1 204 million (2016: R508 million) Government taxes including levies and VAT R3 654 million (2016: R3 152 million)
	HOTELS AND RESORTS The uniqueness of our properties and customer service skills of our employees are our key differentiators to offering an unforgettable experience for our guests, which keeps them choosing Sun International as a destination of choice. Our hotel operations also service our casino guests, particularly those situated at our casino properties.		PRODUCTIVE	Time Square development R1 594 million Sun City refurbishments R71 million	Meropa Hotel development R50 million Total capital expenditure R2 592 million
	FOOD AND BEVERAGE The group's food and beverage offers something for all food lovers – from fine dining to take-away options and everything in-between.		HUMAN	South African employee development spend R95 million (2016: R84 million) Employee remuneration R3 023 million (2016: R2 712 million)	Employee Share Trust distributions R22.4 million (2016: R25.0 million) Employee training interventions 4 249 (2016: 6 600)
	EVENTS AND CONFERENCING Most of our properties have the facilities and infrastructure to host world-class events and conferences, which drive footfall at properties and creates memorable experiences. Some of our flagship annual events include the Nedbank Golf Challenge, SunMet and Miss South Africa.		INTELLECTUAL	27 gaming licences (2016: 28)	
			SOCIAL AND RELATIONSHIP	Socio-economic development R15.9 million B-BBEE LEVEL Level 1 (2016: Level 2)	Enterprise and supplier development R43.5 million (2016: R30.2 million)
			NATURAL	Carbon emissions (Scope 1 and Scope 2) 268 632 CO ₂ e (2016: 290 570 CO ₂ e) Energy consumption 307 060 056 kWh (2016: 290 516 560 kWh)	Water consumption 5 340 041 kl (2016: 5 072 217 kl) Total waste recycled 3.7 tonnes (2016: 3.6 tonnes)

Value created through outcomes

Our business model culminates in specific outcomes that continue to create stakeholder value which has a far-reaching impact on the economy and society. These outcomes also align directly to our strategic objectives.

- 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

Stakeholders



OUTCOMES

- Creating memorable experiences** through our casinos and hotel resorts to encourage guests to return to our properties.
- Stimulating economies** through taxes and salaries paid.
- Creating opportunities for enterprise development** through our supply chain.
- Supporting South Africa's transformation goals.** Maintaining an ethical culture and well-governed organisation in our countries of representation.
- Uplifting communities** through our various social and economic development projects.
- Reducing the environmental impact** on natural resources.

CREATING VALUE AS A GAMBLING AND HOTEL INDUSTRY

The gambling industry remains a significant contributor in fostering economic growth and supporting over 64 000 jobs. The South African gambling industry is worth about R27 billion, up 4% on the comparative period¹ and is estimated to reach R28 billion by the end of 2018. Research² also predicts that the industry will grow at a compounded rate of over 5% during the next four years. Of this total revenue generated, the majority (66%) was generated from casinos, despite the 1.8% drop in gross gambling revenues year-on-year. The gross gambling revenue of LPMs increased by 14.1% to R2.7 million¹, largely due to the increase in active LPMs in all provinces. Sun International's casino revenues amounted to R11.5 billion, 11.4% up on the comparative period ending 31 December 2016.

The gaming industry's fiscal contribution in the form of various taxes and levies paid by the Casino Association of South Africa (CASA) members amounted to R5.9 billion² in the year ended 31 March 2017. Sun International's contribution to government during the year ending 31 December 2017 was R3 654 million (2016: R3,152 million).

The travel and tourism industry also forms an important part of South Africa's economy as it continues to attract domestic and foreign travellers. Although the weak economy has dampened domestic travellers' spend on leisure and entertainment, it has also encouraged some travellers to opt for domestic travel as the depreciating Rand makes foreign travel more expensive. Sun International's B-BBEE current rating was externally verified as a Level 1 contributor.

Good progress continues to be made in supporting B-BBEE with 36%³ of the 38 CASA members rated as Level 1 contributors based on the Tourism Sector Code.

As part of the industry's commitment to uplifting South African communities,

¹ Revenue reported in South Africa's National Gambling Board's annual report for the period ending 31 March 2017.
² CASA 2017 survey of casino entertainment in South Africa.
³ PricewaterhouseCoopers Gambling Outlook South Africa 2017 – 2021 report.

Peru²

Peru's economic growth gained momentum in the third quarter of 2017, underpinned by stronger domestic demand, particularly a turnaround in fixed investment. Public investment improved as key infrastructure projects restarted. Higher commodity prices also boosted private investment in the mining and hydrocarbon industries. With business confidence up towards the end of 2017, growth should pick up in 2018, buoyed by strong global demand for minerals and a ramp up in infrastructure spending. However, volatility in global commodity prices is always present and could impact growth.

REGULATORY ENVIRONMENT

The group monitors its dynamic regulatory environment through its legal and compliance departments in South Africa and Latam.

The National Gambling Board (NGB) oversees the regulation in South Africa's gaming industry. In addition, each province has its own gaming legislation. There are 40 authorised gaming licences in South Africa and 38 have been issued. Sun International has 13 of these licences in the eight provinces where it operates. We are also a member of The Casino Association of South Africa (CASA), which represents the interests of the country's legal casino gaming industry.

Following the move of one of the North West licences (Morula Sun) to Gauteng, the dti authorised a 41st licence in North West, which has been challenged by CASA as no socio-economic study was conducted to justify the additional licence and there is a concern that this may set a precedent for the granting of future licences.

In Chile The Superintendent of Casinos (SCJ) oversees 18 authorised casinos in 13 regions of the country, with another seven casinos operating under concession granted by certain municipalities. In terms of a new casino law, the licence for these casinos expired in December 2017 and the group is in the process of submitting bids for these licences, with the successful applicant to be named by mid 2018. The new licences will fall under the regulations of the SCJ.

Smoking legislation

New anti-smoking regulations to ban smoking in public places are expected to be published soon. The legislation aims to introduce several amendments to South African smoking laws, which could negatively impact casino revenues. CASA engaged with the Department of Health to determine if concessions could be granted to enable casinos to retain the current 25% smoking areas within casinos.

**PRIMARY GAMBLING
LEGISLATION****South Africa**

The National Gambling Act, 7 of 2004



Chile – The Law No 19.995

Colombia – The Law No 643

Peru – The Law No 27.153

Panama – The Law No 19 of 8 May 1947



Sun International is also in the process of implementing alternative non-tobacco smoking options, at certain South African casino properties beginning with Sun City and in Chile, we have increased the number of outdoor smoking decks.

Taxation legislation

The increased maximum marginal tax rate of 45% for individuals earning more than R1.5 million from the 2018 tax year as well as the increase in VAT, from 14% to 15%, are further factors that could negatively impact customer disposable income going forward. The increase in VAT will come as a direct increase in costs as we cannot pass on the increase to our gaming customers.

Financial Intelligence Centre Act

The amendments to the Financial Intelligence Centre Act (FICA) has placed onerous control requirements on the group for transactions under R5 000.

The FICA commenced in October 2017, however, the gambling industry will be operating within a transition period to allow for system changes and training of employees, among others. In the meantime, Sun International has designed and implemented its anti-money laundering and anti-corruption policies taking account of legislative changes.

Liquor legislation

The liquor licence conditions at Time Square have negatively impacted operating hours and revenue. The group recently received approval for extended trading hours from the Gauteng Liquor Board.

B-BBEE legislation

The group continues to embrace transformation and remains committed to continually improving its B-BBEE credentials in its South African operations. Sun International achieved a Level 1 B-BBEE status as at 31 July 2017.

**GAMING AND HOSPITALITY
ENVIRONMENT****Gaming**

South Africa's casino industry remains under pressure on the back of a struggling economy placing increased pressure on consumer disposable income. Despite these challenges, the gaming industry continues to contribute significantly to the economy through employment opportunities (direct and indirect) and boosting government tax revenues.

There was an increase in illegal and online gambling (currently prohibited in South Africa) resulting in negative socio-economic impacts. These include less collected taxes for national development and redundancies in casino jobs. Illegal gambling remains a concern and it was encouraging to note the ongoing support from CASA and the dti in combatting this, but more needs to be done in South Africa and Chile.

In 2017 the High Court of South Africa ruled that winnings obtained through illegal gambling will be forfeited.

The proliferation of Electronic Bingo Terminals (EBTs) continues to impact the casino market in South Africa. While the NGB is against the roll out of EBTs, certain provinces continue to issue licences or are looking to do so. Sun International is not opposed to EBTs, but we do object to having them licenced in the catchment areas of casinos where significant investments have been made in return for the casino licence.

The casino industry in Latam showed mixed results in 2017. Chile was impacted by the challenging economic climate and the tragic shooting in Monticello. In Peru,

1 IMF World Economic Outlook Update, January 2018.
2 The World Factbook.

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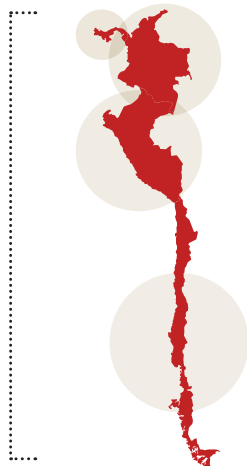


Chile – The Law No 19.995

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South Africa's casino industry remains under pressure on the back of a struggling economy placing increased pressure on consumer disposable income. Despite these challenges, the gaming industry continues to contribute significantly to the economy through employment opportunities (direct and indirect) and boosting government tax revenues.

There was an increase in illegal and online gambling (currently prohibited in South Africa) resulting in negative socio-economic impacts. These include less collected taxes for national development and redundancies in casino jobs. Illegal gambling remains a concern and it was encouraging to note the ongoing support from CASA and the dti in combatting this, but more needs to be done in South Africa and Chile.

In 2017 the High Court of South Africa ruled that winnings obtained through illegal gambling will be forfeited.

The proliferation of Electronic Bingo Terminals (EBTs) continues to impact the casino market in South Africa. While the NGB is against the roll out of EBTs, certain provinces continue to issue licences or are looking to do so. Sun International is not opposed to EBTs, but we do object to having them licenced in the catchment areas of casinos where significant investments have been made in return for the casino licence.

The casino industry in Latam showed mixed results in 2017. Chile was impacted by the challenging economic climate and the tragic shooting in Monticello. In Peru,

1 IMF World Economic Outlook Update, January 2018.
2 The World Factbook.

the industry stagnated as the economy continued to experience mining industry and political turmoil.

Online gambling is currently prohibited in Chile while it is opening up in other countries in the region.

Hospitality

The hospitality industry is particularly vulnerable to the ebbs and flows of economic conditions and increasing competition.

Rooms revenue makes up only 8% of Sun International's revenue, with most of the group's hotels primarily focused on serving our gaming customers. In South Africa, only Sun City, the Table Bay and The Maslow are focused on local and international business and leisure travellers. Once The Maslow Time Square Hotel formally opens in April 2018, the group will have an additional 238 rooms. In Chile the group has several hotels at its casino properties which serve both local travellers and VIP gaming customers.

TECHNOLOGY ENVIRONMENT

Technology is inherent in Sun International's business of gaming and hospitality. It assists in creating innovative 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 continue to provide invaluable customer data to track customer behaviour and interact with customers directly. Going forward, we will be adopting world-class online gaming software for our online sport betting offering, SunBet.

The threat of cyber attacks is also increasing. To address this threat, various technologies have been implemented groupwide to detect and block multiple levels of cyber threats.

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 Eastern Cape and Western Cape water crisis impacted three of our properties – Boardwalk, GrandWest and Table Bay. Management is looking at sustainable solutions to ensure our guests are not negatively impacted, including sinking additional boreholes and completing the construction of a purification plant. We follow a similar approach to reducing our environmental footprint in our Latam operations. Some of the initiatives include geothermal sources such as ground-source heat pumps and solar panels.

REGULATORY AND INDUSTRY BODIES

South Africa

- The National Gambling Board
- The Casino Association of South Africa
- The Department of Trade and Industry



Africa

40

Latam Chile

- 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



Latam

12

Total African casino licences

14	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 2017 Survey of Casino Entertainment in South Africa.

* Non-CASA member.

Total Sun International Latam licences

7	Chile
1	Panama
4	Peru

SOCIETAL ENVIRONMENT

Our casino properties, which to a large extent have exclusive rights in the areas where they operate, impact the surrounding communities. Many of our customers and employees come from these communities and play a meaningful role in community development through various enterprise and supplier development initiatives. 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 NRGP integrates education, research and treatment into one programme.



WINNERS KNOW WHEN TO STOP

A GAMBLING PROBLEM HURTS
Call Our Toll Free Counselling Line
0800 006 008
or SMS 076 675 0710

STAKEHOLDER ENGAGEMENT

We **actively engage with our stakeholders and value constructive feedback** as well as encourage the voicing of legitimate concerns and comments through the various communication channels that we make available.

STAKEHOLDER ENGAGEMENT APPROACH

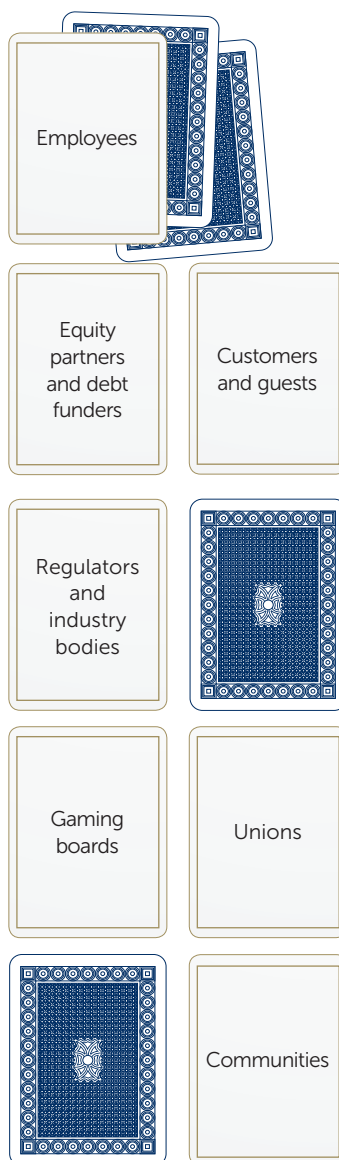
Every aspect of our business interacts with stakeholders and all our stakeholder relationships impact directly and indirectly on our business and its reputation. Our reputation or social and relationship capital has a direct impact on our financial capital, as it influences whether consumers decide to become our guests; whether suppliers want to be vendors; and whether government believes that we are complying with regulations, willing to give back to the community and driving 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 formal and informal meetings, results presentations and our annual general meetings. We also engage through our marketing efforts, advertising and communication through electronic media, newsletters and roadshows. We survey our guests and our employees with the aim of obtaining their feedback and responding to it. As testament to our open and transparent communication, we appointed a group community liaison officer in January 2018 to focus on community-related engagement.

ENGAGEMENT PROCESS

The group's stakeholder engagement process is depicted alongside. We annually assess our stakeholder universe based on their influence on the group and the group's influence on a particular stakeholder grouping. We identify any material issues that may exist and purposefully engage to resolve such issues or to build a better understanding of our stakeholders. The risk and social and ethics committees provide oversight of the group's stakeholder engagement and are responsible for keeping the board abreast on material matters arising.

Key stakeholders



Stakeholder engagement process



STAKEHOLDER ENGAGEMENT

Stakeholder	Method of engagement	Key stakeholder issues	Actions to address stakeholder issues	Link to material issue	Link to strategic objective
Communities	<ul style="list-style-type: none"> Direct engagement Corporate website Annual reporting Projects and initiatives 	<ul style="list-style-type: none"> Perception of community upliftment Limited procurement opportunities in the communities 	<ul style="list-style-type: none"> Appointed a dedicated group community liaison officer Ongoing supplier development in the communities we operate in Financial investment in socio-economic development initiatives 	<ul style="list-style-type: none"> Remaining relevant in the societies within which we operate Managing relations with our key stakeholders 	<ul style="list-style-type: none"> Governance and sustainability Our people
Customers and guests	<ul style="list-style-type: none"> SunMVG programme Interactions at properties Brand campaigns Direct marketing Guest feedback and experience measures Customer management strategy 	<ul style="list-style-type: none"> Customer segmentation Customer service Perception of value Discretionary spending under pressure 	<ul style="list-style-type: none"> Implemented a new customer satisfaction survey Enhanced business analytics to improve customer segmentation Ongoing learning and development programmes for employees to improve skills and customer service Ongoing customer surveys 	<ul style="list-style-type: none"> Remaining relevant in the societies within which we operate Managing relations with our key stakeholders Exploring and delivering on growth opportunities 	<ul style="list-style-type: none"> Improve our existing operations and guest experience Grow our business into new areas and products
Employees	<ul style="list-style-type: none"> Roadshows Employee engagement surveys Online communication Quarterly One Sun magazine Performance reviews Employee inductions 	<ul style="list-style-type: none"> Fair remuneration Learning and development Succession planning Talent management Transformation Performance management 	<ul style="list-style-type: none"> Rolled out the SunWay culture programme and employee value proposition Reviewed and updated the group remuneration policy to align with best practice and King IV Ensuring compliance with the tenets of 'equal pay for work of equal value' throughout our South African operations Ongoing learning and development initiatives Introduced a new talent acquisition strategy Finalised Sun International's talent management strategy 	<ul style="list-style-type: none"> Managing relations with our key stakeholders 	<ul style="list-style-type: none"> Our people Improve our existing operations and guest experience
Equity partners	<ul style="list-style-type: none"> Analyst presentations Shareholder meetings (AGM) Direct engagement with executives Annual and interim reporting Announcements Investor relations website 	<ul style="list-style-type: none"> Underperformance Capital allocation 	<ul style="list-style-type: none"> Debt strategy communicated to investors through presentations, direct engagements and annual and interim reporting Raising capital through a rights offer 	<ul style="list-style-type: none"> High gearing levels Exploring and delivering on growth opportunities 	<ul style="list-style-type: none"> Grow our business into new areas and products Protect and leverage our existing asset portfolio

Stakeholder	Method of engagement	Key stakeholder issues	Actions to address stakeholder issues	Link to material issue	Link to strategic objective
Debt funders	<ul style="list-style-type: none"> Analyst presentations Direct engagement with executives Annual and interim reporting Announcements Investor relations website 	<ul style="list-style-type: none"> Debt funding Debt ratios Underperformance Capital allocation 	<ul style="list-style-type: none"> Raising capital through a rights offer Debt strategy in place Engaging with the various lenders to renegotiate debt covenants 	<ul style="list-style-type: none"> High gearing levels Managing our way through tough economic conditions 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio
Gambling boards	<ul style="list-style-type: none"> Direct engagement Lobbying through industry body CASA Workshops Submissions and applications Onsite inspections 	<ul style="list-style-type: none"> Electronic Bingo Terminals (EBTs) licencing Licence conditions change requests 	<ul style="list-style-type: none"> Executives, together with group compliance continue to build relationships with all provincial gaming boards through regular interaction Site visits to key properties 	<ul style="list-style-type: none"> Managing relations with our key stakeholders Remaining relevant in the societies within which we operate 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio Governance and sustainability
Regulators	<ul style="list-style-type: none"> Direct engagement Lobbying through industry body CASA Workshops Submissions and applications Onsite inspections 	<ul style="list-style-type: none"> Compliance with relevant legislation, e.g. B-BBEE, labour, smoking and liquor 	<ul style="list-style-type: none"> Ongoing engagements with the regulators and industry bodies Continuous monitoring of changes to regulation directly impacting the group 	<ul style="list-style-type: none"> Managing our complex regulatory environment 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio Governance and sustainability
Unions	<ul style="list-style-type: none"> Direct engagement Workshops 	<ul style="list-style-type: none"> Fair remuneration Conditions of employment 	<ul style="list-style-type: none"> Regular engagement with union leaders and Sun International's chief executive updates them on the business Entered into a three-year wage agreement with SACCAWU Implemented medical aid for all employees 	<ul style="list-style-type: none"> Managing relations with our key stakeholders Remaining relevant in the societies within which we operate 	<ul style="list-style-type: none"> Our people Improve our existing operations and guest experience


MATERIAL ISSUES

We consider material issues as matters 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 issues also inform our business model, strategy and stakeholder engagement process. To achieve our strategic objectives and manage our risks, these material issues are continuously monitored by Sun International and its governing body.

MATERIALITY APPROACH

Our materiality determination process includes consultation and interaction with our stakeholders including employees, stakeholders, investors, government, regulators and industry bodies as well as the communities within which we operate. Additionally, we continue to monitor our external operating environment which includes factors beyond our control such as the economic and political climate, natural resources and regulations. Internal documentation, committee meeting minutes and strategies are also reviewed to

identify the most material issues discussed and addressed. Based on this review, stakeholder consultation and feedback as well as taking account of the group’s top risks and opportunities, our material issues are determined and discussed at the relevant governance committees including executive management, board, social and ethics, audit and risk. In addition, an external assurance provider performs a materiality review of our board and committee minutes to confirm Sun International’s material issues.

Our material issues are addressed through our strategic objectives, which are discussed in the chief executive’s review on page 26 and throughout our integrated annual report. 










The process of determining materiality (see below) is ongoing and evolves each year, thereby ensuring our material issues remain relevant.

MATERIALITY DETERMINATION PROCESS



MATERIAL ISSUES

The material issues tabled below were reviewed, refined and approved by the board as being relevant to the group for the year under review.

Material issue	Why this is considered material	Material issue status since prior year	Strategic objective	Reference to discussion in report
Managing our way through tough economic conditions	Our business depends on consumer spending at our properties. The prevailing tough global economic environment continues to place strain on consumers' disposable income, particularly discretionary spending on gaming and hospitality. This in turn negatively impacts our profitability. The ongoing political and social challenges in South Africa remain a concern for the group.		Improve our existing operations and our guest experience. Protect and leverage our existing asset portfolio.	Page 2, 12, 22, 26
High gearing levels¹	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.		Protect and leverage our existing asset portfolio.	Page 2, 23, 26, 53
Underperformance of our new investments and capital allocation¹	In this tough global economic environment, the group continues to carefully monitor the underperforming investments in Colombia, Panama and South Africa (Time Square).		Protect and leverage our existing asset portfolio.	Page 2, 23, 26
Expiring licences in Chile and GrandWest exclusivity¹	Our casino business is dependent on the renewal of licences and the exclusivity of licences. The group continues to monitor licence renewal bidding processes and changes in licence conditions that impact the business.		Protect and leverage our existing asset portfolio.	Page 22, 23, 28, 34
Exploring and delivering on growth opportunities	We continue to look for growth opportunities in Latam as well as using undeveloped land in South Africa to extract value.		Grow our business into new areas and products. Improve our existing operations and our guest experience.	Page 28
Managing our complex regulatory environment	We operate in a highly regulated and complex environment. The proposed amendments to the smoking legislation, the possibility of increased taxes and more onerous licence conditions will all impact the group's revenues. The group continues to focus on compliance requirements, ensuring we maintain our operational and social licence to operate.		Governance and sustainability.	Page 2, 13, 22, 23
Remaining relevant in the societies within which we operate	As most of our casino licences provide for exclusivity, we must remain mindful of the various communities within which we operate, to continuously provide services and products that support and remain relevant within these communities. The increased availability of alternate gaming and the encroachment of EBTs in our catchment areas remains a concern as our market share is eroded.		Governance and sustainability. Our people.	Page 13, 22, 28, 34
The water crisis impacting GrandWest, Table Bay and Boardwalk as well as high energy costs¹	The group remains cognisant of the water crisis in the Western and Eastern Cape and implemented various solutions to address the water crisis. External factors such as the proposed material energy cost increase and the financial crisis the supplier of energy is in, continue to create additional pressure on our business.		Protect and leverage our existing asset portfolio. Governance and sustainability.	Page 2, 14, 35, 41, 42
Managing relations with our key stakeholders	Proactive stakeholder engagement is imperative to ensure that we understand stakeholders' needs to achieve our strategic objectives, minimise our risks and optimise business opportunities.		Governance and sustainability. Improve our existing operations and our guest experience. Our people.	Page 3, 15, 16, 17

¹ New material issue.



Improved



Deteriorated



Remained the same

RISK MANAGEMENT

The **board is ultimately responsible for the governance of the group's risk management**, which includes the formulation of the group's risk appetite and setting and monitoring of risk tolerance. The board discharges its duties by mandating specific risk management duties and responsibilities to the group risk committee.

The group operates in a dynamic and challenging environment that includes risks and opportunities both locally and internationally. Sun International has a formal risk management process and governance structure (see page 21) with various management and board sub-committees responsible for identifying, reviewing and monitoring the group's risks.



RISK OVERVIEW

The group's management team is tasked with identifying the risks the group faces and each unit in South Africa, Africa and Latam has a unit-specific risk register, using the same methodology, which is compiled and consolidated bi-annually. 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 risks are also linked to the group's strategic objectives to understand the likelihood of the group achieving its long-term strategy. In addition, an annual risk workshop comprising the risk committee and relevant exco members is held to ensure the risk methodology is still relevant and that the group risks are representative of the group's risk universe. Exco remains collectively responsible for managing and reviewing the entire register prior to each risk committee meeting. The group considers its risks in terms of impact and likelihood of a risk materialising, together with the effectiveness of the mitigating controls, which results in a residual risk exposure. A residual risk rating is allocated to each risk as tabled on page 22.



The risk committee is tasked with assessing the risks related to any new business opportunities against its risk appetite and risk tolerance. The chairman of the risk committee reports to the board following each committee meeting in accordance with the committee's terms of reference. The committee's mandate also provides that material issues are reported to the group's audit committee to ensure the audit committee has appropriate insight into the group's key risks and opportunities and to 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 issue in terms of the factors shown alongside.

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

Risk management approach

To adopt a more integrated and concise risk methodology and ranking system, to implement across all units and countries, management revised the group's risk management approach. This revised risk methodology has enhanced our risk approach and quality of reporting. Due to the revised methodology, the group compiled a consolidated risk register where additional risks were introduced and certain risks were no longer considered material.

Group Internal Audit (GIA) reviews the group's risk management processes at group and at unit level. Its 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
- safeguarding of assets
- compliance with laws, regulations and controls.

Risk management governance structure

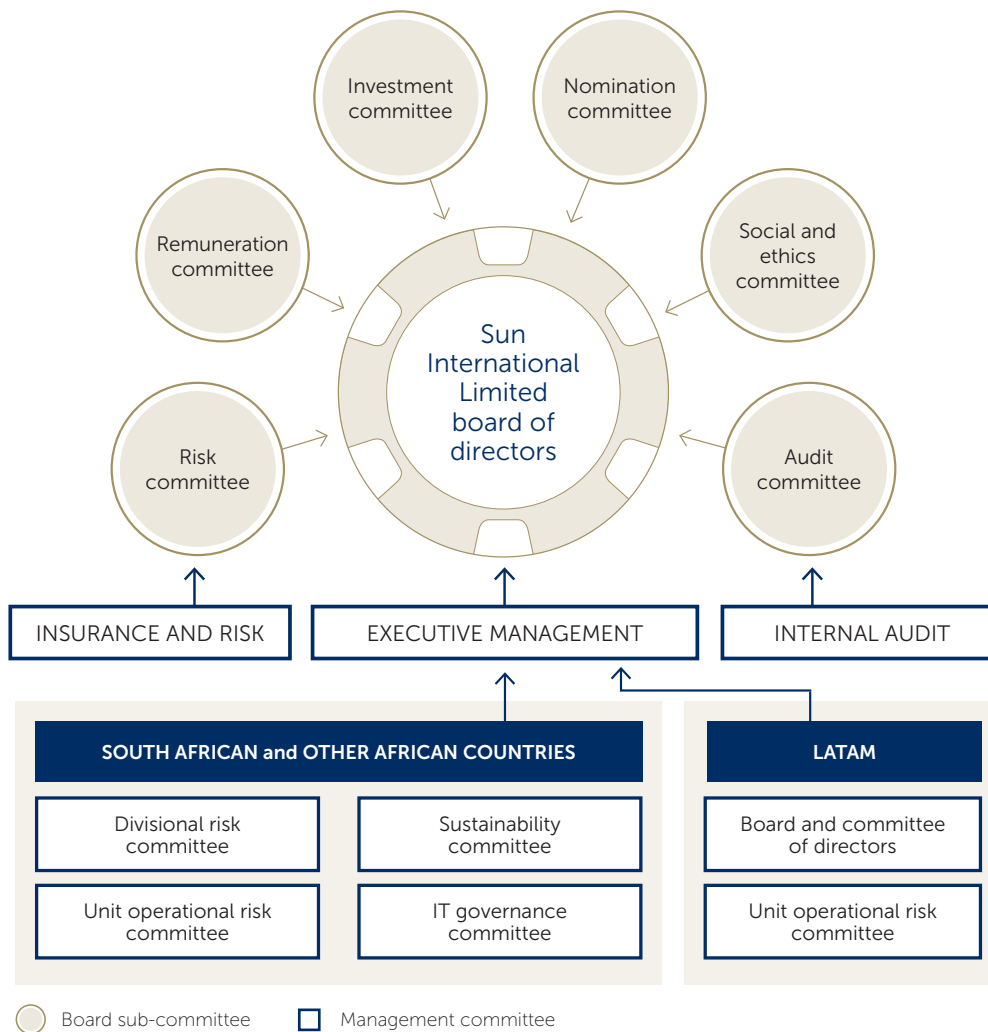
The risk governance structure on page 21 depicts the various management and board sub-committees responsible for the risk management process.



Factors considered by the board when assessing risk

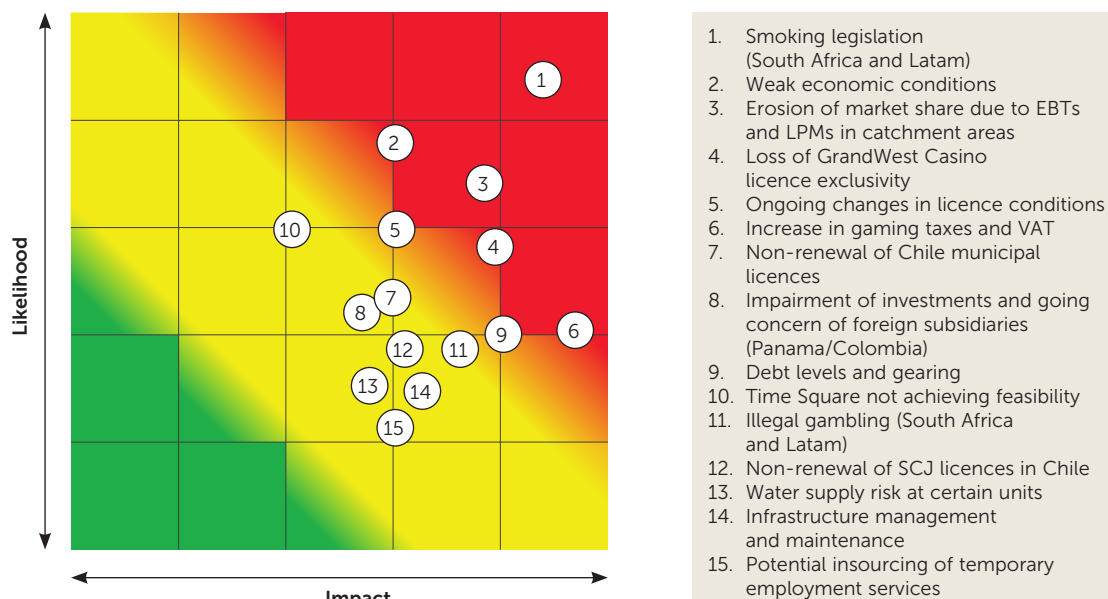
- possible economic impact on our business
- degree to which it affects us and our stakeholders
- extent to which it is likely to grow in significance and impact our business in the future
- business opportunities it presents
- strength and effectiveness of mitigating controls in place
- whether the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

SUN INTERNATIONAL'S RISK GOVERNANCE FRAMEWORK



RISK HEAT MAP

The risk heat map below depicts Sun International's top 15 risks in respect of likelihood and impacts.



GROUP RISKS

Based on the group's new methodology process, the following risks have been identified as the key risks facing the group, together with the mitigating controls in place and the links to our strategic objectives, stakeholders and material issues. The table below includes our top 10 risks for 2017 compared to the top 10 risks in 2016.

Risk No.	Risk	Ranking	Rating	Mitigating controls	Strategic objectives	Stakeholders	Material issue	Page reference
1	Smoking legislation (South Africa and Latam)	2017: 1 (2016: 4)	Serious	<ul style="list-style-type: none"> Legislative developments monitored by management Operational plans developed to address smoking legislation Rolling out alternative non-tobacco products at certain properties Additional smoking decks at Latam operations Industry monitoring and lobbying through CASA 	<ul style="list-style-type: none"> Governance and sustainability Improve our existing operations and guest experience 	<ul style="list-style-type: none"> Employees Customers Health authorities Shareholders 	<ul style="list-style-type: none"> Managing our complex regulatory environment 	13, 17, 19, 59
2	Weak economic conditions	2017: 2 (2016: 2 and 8)	Moderate	<ul style="list-style-type: none"> Cost containment Focusing on customer service and value offerings Establishing an efficiency and optimisation team Focusing on repairs and maintenance while carefully considering capital expenditure 	<ul style="list-style-type: none"> Improve our existing operations and guest experience 	<ul style="list-style-type: none"> Shareholders and potential investors Employees 	<ul style="list-style-type: none"> Managing our way through tough economic conditions 	2, 12, 19, 21, 26, 59
3	Erosion of market share due to EBTs and LPMs in catchment areas	2017: 3 (2016: 10)	Moderate	<ul style="list-style-type: none"> Lobbying through CASA Pursuing legal action in Eastern Cape and KwaZulu-Natal Exploring new digital offerings Monitoring and commenting on all draft provincial regulations 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Gambling boards Regulators Suppliers 	<ul style="list-style-type: none"> Managing our way through tough economic conditions 	13, 19, 21, 28, 34, 36
4	Loss of GrandWest Casino licence exclusivity	2017: 4 (2016: 3)	Moderate	<ul style="list-style-type: none"> Increasing focus on compliance and interaction with the Western Cape Gambling and Racing Board Considering feasibility of relocating the Worcester casino licence Cultivating positive relationships with key stakeholders Continuing to review and challenge legislation 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Gambling boards Provincial government Guests 	<ul style="list-style-type: none"> Expiring licences in Chile and GrandWest exclusivity 	19, 34
5	Ongoing changes in licence conditions	2017: 5 (2016: 1)	Moderate	<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 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Gambling boards Provincial government Shareholders 	<ul style="list-style-type: none"> Managing our complex regulatory environment 	17, 28

Risk No.	Risk	Ranking	Rating	Mitigating controls	Strategic objectives	Stakeholders	Material issue	Page reference
6	Increase in gaming taxes and VAT	2017: 6 (2016: 1)	Moderate	<ul style="list-style-type: none"> Lobbying and challenging proposed gaming tax legislation Monitoring CASA's progress on comments submitted to government on draft legislation 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Gambling boards Regulators 	<ul style="list-style-type: none"> Managing our complex regulatory environment 	13, 17, 19, 59
7	Non-renewal of Chile municipal licences	2017: 7 (2016: 3)	Within appetite	<ul style="list-style-type: none"> Submitted bids for renewal of existing two licences and three additional licences Limiting capital expenditure until licence renewal certainty 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Chilean municipalities 	<ul style="list-style-type: none"> Managing our complex regulatory environment 	13, 28
8	Impairment of investments and going concern of foreign subsidiaries (Panama/ Colombia)	2017: 8 (New)	Within appetite	<ul style="list-style-type: none"> Closed the Sun Nao Casino in Colombia Relocating slot machines to small casino facilities in Colombia Closed the 66th floor and VIP business and sold the 64th and 65th floor apartments in Panama Negotiating an early exit of the Colombia lease 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Employees 	<ul style="list-style-type: none"> Managing our way through tough economic conditions 	2, 28
9	Debt levels and gearing	2017: 9 (2016: New)	Within appetite	<ul style="list-style-type: none"> Looking to raise capital through a rights offer Preserving capital by reducing or deferring capital expenditure Managing working capital more effectively and efficiently Cost containment Suspending dividends to shareholders Closure of loss-making units Engaging with the various lenders to renegotiate debt covenant periods 	<ul style="list-style-type: none"> Protect and leverage our existing asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Debt funders 	<ul style="list-style-type: none"> High gearing levels 	2, 17, 26, 46, 53
10	Time Square not achieving feasibility	2017: 10 (2016: New)	Within appetite	<ul style="list-style-type: none"> Reconfiguring certain areas of the gaming floor Successfully opening of the casino and arena on time Driving SunMVG sign-ups Reviewing the current food and beverage offerings Continuing to focus on marketing of Time Square 	<ul style="list-style-type: none"> Protect and leverage our asset portfolio 	<ul style="list-style-type: none"> Shareholders and potential investors Gambling boards 	<ul style="list-style-type: none"> Underperformance of our new investments and capital allocation 	2, 26, 34, 35

OUR GAME PLAN

STRATEGIC OBJECTIVES

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



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 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.



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.



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 are the enablers of the group's ability to achieve its strategic objectives. Given the highly regulated and service-orientated industry we operate in, 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.



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.

SUN INTERNATIONAL

BRAND DIFFERENTIATORS

A strong brand with a proud legacy

The pioneers of gaming in South Africa

Industry leaders in the field of big events

Constantly demonstrating innovation in gaming

An international business

Significant contributors to the economies and communities in which we operate

A company with many iconic properties

CHIEF EXECUTIVE'S REVIEW



I am pleased to present my first chief executive's review. Having been part of this company for more than 18 years, **I am honoured to lead Sun International into the future** and I thank the board for placing their confidence in me.

Anthony Leeming
Chief executive

My review provides a summary of Sun International's position and performance in 2017 and our priorities for the year ahead. This review should be read in conjunction with the individual strategic objective sections on pages 30 to 45, which detail the progress against each strategic objective and our key priorities for 2018.



OVERVIEW

Over the past few years, the group has made significant investments including developing Ocean Sun Casino and the Sun Nao Casino in Latam, refurbishing Sun City and developing Time Square. While the refurbishment of Sun City and the acquisition of SunSlots have met expectations, the other developments have fallen well short, increasing the group's debt levels and debt ratios significantly. Over this period, economic growth in South Africa and Latam has slowed, political uncertainty has increased and social challenges, particularly in South Africa, are at an all-time high. Together, this has pressured consumer discretionary spending and slowed gaming revenue growth.

Given the challenging environment and high debt levels, we have shifted our focus, realigned our strategy and are committed to getting the basics right as well as operating as efficiently and optimally as possible. At the same time, we are increasing our efforts to deliver outstanding service and creating lasting memories for our guests. While there is much to be done, the change in focus has already paid dividends with a significantly improved comparative operating result in South Africa in the second half of 2017. Although we are facing several challenges, our business is resilient, cash generative and can adapt to the ever-changing environment.

KEY MESSAGES

Deteriorating economy impacting revenues and placing margins under pressure	Significant increase in group debt levels and debt ratios	Focused on customer service, operational efficiencies, reducing wasteful expenditure and getting the basics right	Time Square's casino and arena opened but revenues are well below expectations	Improved comparative operating result in South Africa in the second half of 2017	Increased shareholding in Sun Dreams from 54.5% to 64.66%

Sadly, we experienced a tragic shooting incident at our Monticello casino in Chile where two employees were killed, and four injured. After the shooting we increased our security measures and encouraged all employees to be extra aware of security threats and to raise the alarm when required. In a separate incident at Royal Swazi Sun, an employee was fatally injured while on duty. We have implemented measures to prevent such incidents from reoccurring. Our thoughts are with the families and colleagues of the three employees who lost their lives and the four Monticello employees who were injured in the shooting.

We made a number of changes to the executive management team. We welcomed Norman Basthadow as our new chief financial officer and Thabo Mosololi took over as chief operating officer from Rob Collins, who is now our group strategy and operations officer. I am confident that these structural changes will further strengthen the executive management team and reinforce our strategic progress.

STRATEGIC OBJECTIVES PROGRESS IN 2017 AND 2018 PRIORITIES

We continually evaluate our strategic objectives and are confident that our shift in focus and realignment within our strategic objectives will build a strong foundation that positions the group to deal with the current challenges and positions it for growth. Given the importance of our guests to the success of Sun International and the need to get the basics right, we discuss our strategic objective of 'Improve our existing operations and our guest experience' in two focus areas of 'Improve our guest experience' and 'Efficiency and optimisation of our processes'.

Improve our guest experience

Our customers are at the heart of all we do, and it is imperative that we continually improve existing operations to ensure we exceed their expectations and enhance the guest experience. As such, we implemented new customer survey

touchpoints, where customer feedback is promptly fed back to management and addressed. Customer satisfaction targets are also in place for 2018 to further improve our service levels. We also improved our SunMVG loyalty programme by offering early-bird discounts and increased benefits such as leisure points to keep customers engaged. New SunMVG sign-ups since the launch have been favourable.

To ensure we drive an all-embracing multifaceted guest focused behaviour, we launched our SunWay culture programme to encourage positive behaviours (known as enablers) and discourage counter-productive behaviours (disablers). Employees are encouraged to score the SunWay formula regularly and provide feedback on how we can improve (see pages 1 and 37 for detail on the SunWay formula for success).



To remain relevant to our guests and to encourage them to keep returning to our properties, we continually refurbish our hotels and casinos. During the year under review we refurbished Carnival City by improving the walkways, renovating the restrooms and introducing new retail tenants such as Candilicious, FoodFactory and RocoMamas. At Sun City, we refurbished the Welcome Centre at Sun Central; and at Sibaya, we introduced the new Rockwood Theatre. We also commenced a detailed review of all major plant and equipment at our properties to ensure they are well maintained. This will not only contain future capital expenditure, it will also ensure we improve our guests' experience and attract new customers.

Technology continues to play a vital role in enhancing our systems and improving customer service. Our Bally Business Data Intelligence system, implemented in the prior year, continues to improve our direct marketing initiatives to targeted customers and anticipate their needs. Additionally, we signed contracts with Bede and Kambi to adopt their world-class online gaming software for Sun International's online sport betting offering, SunBet.

Looking ahead

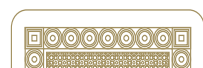
We look forward to the Maslow Time Square Hotel's formal opening in April 2018 and the continued success at our iconic property, Sun City.

To improve customer satisfaction and remain relevant to our guests, we are creating a single view of the customer by enhancing our customer relations management platform. This means we can learn the behaviours and preferences of each guest to expedite any complaints and requests. We will also revise our loyalty programme, SunMVG, to implement digital communication and improve benefit accessibility. VIP management is being decentralised back to properties to boost customer service and engagement.

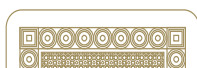
Following an overhaul of our marketing approach in 2017, the new centralised marketing approach integrates all projects into relevant properties to improve events and campaigns. We will also be insourcing a design team to improve marketing and property collateral as well as reduce costs.

Efficiency and optimisation of our processes

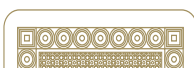
As part of getting back to basics, a lot of effort is going into optimising our processes through increasing discipline, driving efficiencies and integrating key systems. This includes a human capital management solution, Kronos, and advanced scheduling to improve workforce management and to optimise staffing and reduce overtime, which we commenced implementing in 2017. A new shared services centre for all Gauteng properties was introduced to streamline support services (finance and payroll), increase efficiencies and accuracies, and lower transaction costs. The bulk of the people in these support services merged to form a transaction hub that operates from head office. Regional positions of finance, human resources, marketing and IT were also consolidated in the Western Cape.



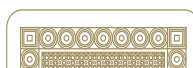
Closed our non-performing Fish River and Sun Nao Casino operations and suspended the International VIP gaming business at Sun City and at the Ocean Sun Casino



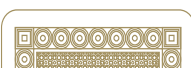
Submitted bids for expiring SCJ municipal licences in Chile



Expanded operations in Peru by acquiring 100% of Thunderbird Resorts Inc and Casinos Peruano S.A.



Rolled out our SunWay formula for success and employee value proposition groupwide to encourage a positive working culture, focusing on enabling behaviours



Good progress made in aligning Latam's governance structures with Sun International's governance structures

Looking ahead

We are establishing an efficiency and optimisation team to drive system optimisation, utilisation and integration; standardisation of our processes and enhanced information flow. Operating margins will also be critically assessed and benchmarked in order to set targets. We will conclude the Kronos and advance scheduling projects as well as bring additional properties into the shared services centre.

Protect and leverage our existing portfolio

The challenging economic environment, particularly in South Africa, put us under increased pressure to contain costs and make some tough decisions for the long-term success of our business. This meant closing Fish River at the end of November 2017 and submitting an application to the gaming board for the restructure of Boardwalk to address its operational performance. We finally settled the land claim with government for R75 million for the Fish River property and proceeds were received in February 2018. Positively, we received gaming board approval for the Boardwalk Mall development.

Retaining our municipal licences and winning others remains important to our casino operations in Chile. Sun Dreams submitted bids for both its municipal licences in Iquique and Puerto Varas in Chile and submitted bids for Coquimbo, Viña del Mar and Pucón.

Our new Time Square casino and arena were opened in April and November 2017 respectively. Casino revenues remain below expectations and increased effort is going into driving footfall and capturing markets we have not yet penetrated. Meropa's 60-room hotel opened in August 2017 and has been well received by our gaming and leisure guests.

Good progress was made with land developments at Carnival City, Carousel and Sibaya, which will further unlock value. We are in the process of drafting a partnership agreement with a construction company to develop Carnival City's undeveloped land to create a Carnival precinct.

Looking ahead

We will be submitting our bid for the licence renewal of the Wild Coast Sun, which is due in July 2018. Construction of the Boardwalk Mall will commence subject to tenant leasing and finance approval. In addition, Boardwalk will be restructured once we have approval of our LA10 application. Concerns remain around possible licencing of EBTs in KwaZulu-Natal that could also impact Sibaya and Wild Coast Sun's revenue.

The Western Cape Government gazetted draft legislation on 28 February 2018 to establish three zones for casinos in the Cape Metropole and to allow for the relocation of casino licences. This legislation includes: changes to the gaming tax tables and conditions for relocation, which includes additional taxes and fees; obligations to mitigate any negative impacts which relocating a casino may have on the area from where the casino relocates; and to provide economic opportunities for designated groups that reside in the area where the casino will relocate to. We are still assessing the draft legislation and will respond at the appropriate time. Management will also focus on settling the North West licence conditions which we have taken under review.

On the property front, the Maslow Time Square Hotel will be opened formally in April 2018 and we are looking to restructure the Carousel given the impact Time Square has had on its business. We will continue to pursue land development opportunities at Carousel, Carnival City and Sibaya.

Despite numerous interactions and legal interventions, the TCN shareholder dispute remains unresolved. A forensic audit has commenced which we expect will clear the path for discussions to reopen and for the group to exit this business.

Grow our business into new areas and products

Growing our business remains important, but with the challenges we are currently facing and the underperformance of some of our newer investments, our focus has shifted from a growth and investment phase to one of getting back to basics as elaborated on page 27, and addressing loss-making businesses. Therefore, we are carefully analysing capital allocation and managing our cash flow to reduce debt and improve our debt cover ratios.



Our International VIP gaming business continued to make losses due to a low win percentage, high costs and uncollected debts. Consequently, we suspended this business in April 2017. Due to the continued underperformance of the Ocean Sun Casino, its operations have been scaled down and the VIP business has been suspended while the Sun Nao Casino in Colombia, which has continued to incur losses, was closed in December 2017. We are in negotiations with the lessor of the Sun Nao Casino premises to early exit the lease.

The group concluded agreements to increase its stake in Sun Dreams during 2017 – from 54.5% to 64.66%. The implementation of this transaction is pending finalisation of an underwritten 10-year land issue which is expected to be finalised by the end of March 2018. In October 2017, Sun Dreams expanded operations in Peru through its acquisition of Thunderbird Resorts Inc and Casinos Peruanos S.A. that operate four gambling operations and includes immovable property. We also submitted bids for three municipal licences in Chile that are currently run by competitors.

Looking ahead

To expand our market and create growth opportunities, we will be investigating online sports betting opportunities in Latam, where good prospects exist for online gaming and sports betting. We will be concluding the Thunderbird Resorts acquisition and commencing development of successful municipal bids with the outcome of the municipal bidding process to be announced during June 2018.

Our people

Our people remain imperative to our business and we continued to invest in our employees' learning and development, with the aim of building casino and hospitality functional knowledge and skills. Of note was the partnership we entered into with the International Hotel School to open a gaming school that will offer tailored group learning and development initiatives.

We launched key projects to improve the organisation's culture and drive positive behaviour. For example, the SunWay culture programme has taken us on an exciting journey of self-reflection, which was sculpted into themes, each one with its unique icon (see page 1). The executive management team embarked on a countrywide roadshow to share the SunWay formula for success and update our people on our strategy, focus areas and challenges. We have a long way to travel on this journey but employee feedback and buy-in has been positive. We also developed our employee value proposition to attract and retain



talented staff (see page 38). Further, progress was made with our 'equal work for equal pay' analysis with the objective of removing disproportionate income differential levels over time.

Maintaining and strengthening positive relations with our union, SACCAWU, remains a top priority for Sun International. We entered into a three-year wage agreement with the union, which is important for reducing strike action and stabilising the workforce.

Looking ahead

We will institute focused management development through our wide array of learning and development initiatives to drive improved customer services as well as improving our performance management and change management processes.

Following the launch of our SunWay formula for success, focus will be on embedding this programme to ensure a positive culture change and more open and transparent employee engagement. Ethics will be a key focus to cultivate an ethical and fair culture throughout the group.

Governance and sustainability

On the governance front, there were a few changes to the board during the year under review as discussed in the chairman's message on page 2.

We value the support and guidance the outgoing directors provided over the years and wish them all the best in the future. I also look forward to working with our new director, who brings a wealth of experience and knowledge to the group.

Following feedback from shareholders on our remuneration practices and procedures, we revised the group remuneration practices to align with shareholder interests and best practice. Detail on the group's remuneration policy and implementation report is available online at <http://ir2017.suninternational.com/downloads/>

We commenced with the development of a group governance framework to support the King IV principles and good progress was made with integrating Sun Dreams' corporate governance structures with Sun International's governance structures. A dedicated group ethics office was established to reinforce our ethical culture.

The group's risk methodology and risk ranking were revised to create a more integrated and robust groupwide risk approach with enhanced executive accountability.



From a sustainability perspective, we formed a focused group sustainability hub incorporating occupational health and safety, environmental, socio-economic development and B-BBEE functions. Our new approach to sustainability will ensure better alignment with the group strategy and ensure that sustainability will be streamlined throughout the group.

Looking ahead

We will streamline the group structure and embed our holistic risk-based compliance programme. The sustainability strategy will be implemented and we will continue to promote and create awareness around ethics in the workplace, through training and other initiatives.

RIGHTS OFFER

Due to the difficult trading conditions and Time Square trading well behind expectations, the group renegotiated its South African debt covenant levels for June 2017 and December 2017. Although trading has improved marginally at Time Square and the group met its debt covenants at 31 December 2017, the board deemed it prudent to embark on a capital raise exercise to de-risk the balance sheet. Accordingly, the proceeds from the rights offer will be used to repay debt, creating headroom in relation to relevant debt covenants. A stronger balance sheet and capital structure will also afford management more operational freedom to focus on the back to basics strategy. In addition, the rights offer will reduce Sun International's interest charge as rates are based on Sun International's prevailing debt metrics.

FINANCIAL PERFORMANCE

Our group financial performance is detailed in the chief financial officer's review on page 46.



OUTLOOK

While the South African outlook has improved and the economy is showing signs of a recovery, we do not anticipate that it will be immediately felt in discretionary expenditure and in particular discretionary consumer spending on gaming. In response to disappointing revenue growth and the uncertain economic outlook, management has taken further steps to reduce the cost of doing business and continues to drive and implement its 'back to basics' strategy across the group with a specific focus on improving operating efficiencies and margins and improving the guest experience.

The closure of loss making entities such as Fish River, the International VIP Businesses (in South Africa and Panama) and the Sun Nao Casino will result in these losses no longer recurring. In addition, the interventions that have and are taking place in respect of the Ocean Sun Casino, the Boardwalk and the Carousel are expected to result in much improved performance from these operations.

The opening of the arena at Time Square in November 2017 and the formal opening of the hotel in April 2018 will increase footfall to the property with a commensurate increase in revenue and EBITDA. In addition, Sun City will continue to benefit from the significant refurbishment of the resort while The Table Bay Hotel is likely to come under some pressure from the stronger Rand and the water crisis facing the Western and Eastern Cape, which is deterring tourists from visiting Cape Town and Port Elizabeth.

The Chilean economy is showing signs of recovery, assisted by the recent change in government. Gaming revenues have stabilised and Monticello is starting to reflect revenue growth compared to the prior year. The addition of Thunderbird Resorts in Peru will contribute positively and we look forward to the outcome of the municipal licence bidding process, which could significantly change our position in Chile.

With the proceeds from the rights offer, we will settle debt and capitalise Time Square which will significantly reduce our interest cost.

APPRECIATION

I would like to extend my thanks to the board for their ongoing support and wise counsel during this challenging year. To my management team and all our employees, I fully appreciate that you are all working harder than ever in these tough times. Thank you for your valued contribution and I look forward to working with all of you, getting to know you better and to continue building on the Sun International legacy of delivering outstanding service and creating lasting memories for our customers.

Anthony Leeming
Chief executive
29 March 2018

STRATEGIC PERFORMANCE OVERVIEW

The information contained in the strategic performance overview section expands on the chief executive's review in accordance with Sun International's five strategic objectives. Given the importance of our guests to the group the first strategic objective: Improve our existing operations and our guest experience has been divided into two focus areas, namely 'Improve our guest experience' and 'Efficiency and optimisation of our processes' to distinguish our progress on and priorities for guests through process and system improvements.

Sun International's **five strategic objectives** are the foundation of how we operate our business as well as identify and manage risks and opportunities, based on our identified material issues.



- Page 31  **Improve our existing operations and our guest experience**
 - Improve our guest experience
 - Efficiency and optimisation of our processes
- Page 34  **Protect and leverage our existing asset portfolio**
- Page 36  **Grow our business into new areas and products**
- Page 37  **Our people**
- Page 39  **Governance and sustainability**
 - Health and safety
 - Environment
 - Socio-economic development
 - Enterprise and supplier development

The information contained in the strategic performance overview section expands on the chief executive's review in accordance with Sun International's five strategic objectives (depicted above). Given the importance of our guests to the group the first strategic objective has been divided into two focus areas, namely 'Improve our guest experience' and 'Efficiency and optimisation of our processes' to distinguish our progress on and priorities for guests through process and system improvements. Our governance and sustainability strategic objective is discussed in two sections of this report – the sustainability portfolios of the business, namely health and safety, environment, socio-economic development and enterprise and supplier development are discussed under the strategic performance overview, while Sun International's governance overview is on page 59 of this report with the detailed governance report available online. <http://ir2017.suninternational.com/rules-of-the-game/>





Improve our existing operations and our guest experience

IMPROVE OUR GUEST EXPERIENCE

In accordance with our mission of creating great memories for our guests, **we must remain relevant and continually offer our guests memorable experiences.** Our two greatest assets – our people and our properties – work tirelessly to place our guests first and at the core of our business, demonstrating how we walk the talk to crystallise our vision.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page reference
Customer service	• Implemented a new customer satisfaction survey.	↑	27, 31, 32
	• Rolled out the SunWay culture programme and new employee value proposition.	↑	28, 37
Property refurbishments	• Refurbishments completed at certain properties.	↑	27, 32
Ongoing property repairs and maintenance	• Maintenance schedules and priorities being developed for all properties.	→	27, 32
World-class gaming systems	• World-class online gaming systems in place.	→	27, 32

↑ Substantially achieved → In progress ↓ Limited progress

OVERVIEW

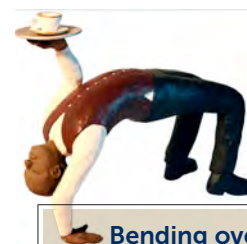
To create memorable experiences, we continually focus on improving customer service. During 2017 we introduced a new customer engagement system that enables enhanced customer feedback at various touchpoints including restaurants, check-ins and casino floors. This system not only provides more qualitative responses, it also provides immediate feedback to management who can take action if needed. Following a six-month property observation period, a customer satisfaction target score was set and will be actively monitored by management. The customer satisfaction score is also aligned to relevant employees' key performance indicators.

In line with our new SunWay success formula, the enabler '**Bending over Backwards**' builds on our corporate value of placing customers first. Customer service training was conducted at properties to improve our service offering and customer experience and empower staff in line with the group's new employee value proposition. Please refer to page 37 in this report for more

information. Sun International's customer relations management platform will be enhanced in 2018 to further enable a single view of the customer, which will give us greater insight into customer behaviour and preferences, and provide a management capability for customer complaints and requests. With these enhancements and continued customer service training, we anticipate improving our customer satisfaction scores in 2018.

Improving our guest experience required a critical review of how we drive a more disciplined approach across the organisation. To gain maximum benefit from our properties, particularly in off-peak times, we are finding new ways of driving footfall. For example, we rolled out our SunPark multipurpose conferencing facility to Carnival City, and Sibaya during 2017. Hosting events, festivals and conferences also offers cross-sell opportunities like banqueting, gaming and room nights.

During the year under review we focused on bedding down the significant work completed over the past four years to improve operations, drive footfall and



Bending over Backwards

✓	Put our customers first
✓	Live and breathe the CLEAR principles
✓	Use every opportunity to create great memories
✓	Exceed customer expectations by doing 'what's not my job'

increase revenues. The latest phase of Sun City refurbishments is complete, with the new Sun Central entertainment centre gaining traction in attracting individuals and corporates and increasing room revenue. Refurbishments at Carnival City included improved walkways, refurbished restrooms and the introduction of new retail tenants including Candilicious, FoodFactory and RocoMamas. At Sibaya, we opened the new Rockwood Theatre. The ageing infrastructure of our properties remains a risk to the group. To mitigate this risk, we are conducting a review of all plant and maintenance and will implement stringent maintenance schedules to avoid significant capital outlays in the future.

Sun International's online sports betting offering, SunBet, showed positive results, increasing 40% in new sign-ups (2016: 30%), 40% (2016: 58%) in active users and 27% (2016: 86%) in overall bets. This culminated in a 23% (2016: 37%) increase in gross gambling revenues. Customer service improvements included introducing a dedicated VIP support team, implementing state-of-the-art contact centre support software, and launching a Vegas-style sports betting video wall at Time Square. SunBet also leveraged off the Sun International brand by increasing sports presence at major sporting events such as the Nedbank Golf Challenge and the SunMet. SunBet will be migrating to a world-class international online gaming software during 2018.

The insourced food and beverage business has been bedded down, with revenues up 11.1% to R921 million (2016: R830 million). The new restaurants at our properties have enabled us to dovetail our food and beverage offering with the marketing initiatives of the gaming division, driving footfall and remaining relevant to our guests. The gross margin in the food and beverage business remains low and we are implementing the appropriate controls and procedures to improve the margin.

Our refreshed four-tier loyalty programme, SunMVG, was rolled out at the end of the comparative period. The focus during 2017 was on familiarising customers with the new rewards and benefits. This loyalty programme enables customers to earn both casino and leisure points when gambling, staying in our hotel rooms and dining at selected restaurants and bars. Tier credits earned can be spent across all Sun International hotels and casinos and customers enjoy a range of exciting benefits such as the new on-demand TV and movie streaming service launched in June 2017. Loyalty customers can register online, arrange to collect their cards as well as manage and



Wow and Sizzle

✓	Be the home of world-class entertainment
✓	Be content-obsessive by seeking out new, fresh experiences
✓	Partner with others to leverage great opportunities
✓	Wow the mind and mood by igniting the senses

update their loyalty profile. Looking ahead, our focus will remain on driving new sign-ups, delivering information to SunMVG cardholders through digital communication, enhancing the accessibility of benefits, rewards and special offers and creating a seamless customer experience at all touchpoints.

How we use our capitals to improve our existing operations and guest experience

Financial capital is deployed to refurbish and maintain our existing asset portfolio, to cover operating costs, to grow our business through strategic developments or acquisitions, and to invest in our employees who in turn provide a memorable guest experience.

Our **human capital** is the primary interface with our guests and our employees are the custodians of the memorable experience we strive to offer.

People are our brand ambassadors who we rely on to protect and appropriately represent our brand. Our stock of **intellectual capital** is represented by our wealth of management expertise, and our management team's ability to establish successful relationships.

Our guests are key stakeholders in our business. We strive not just to meet their expectations but to exceed them through using our **social and relationship capital**.

Looking ahead

- Improving customer satisfaction scores as well as improving and optimising guest communication
- Improving communications and our SunMVG loyalty programme based on customer feedback
- Migrating to new and improved systems and software for SunBet and SunSlots
- Insourcing a design team to improve marketing
- Assessing the effectiveness of direct marketing campaigns
- Focusing on scheduled property repairs and maintenance
- Decentralising VIP management back to properties
- Leveraging food and beverage opportunities at SunPark events as well as national events including SunMet, Miss South Africa and the Nedbank Golf Challenge



EFFICIENCY AND OPTIMISATION OF OUR PROCESSES

To leverage the significant investments made in our systems, **it is vital that we review our processes to optimise and gain efficiency.** This will not only help us contain and reduce our costs but will also ensure that we improve the quality of our information so that we can make better and more informed decisions, which will lead to an improved guest experience.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page reference
Human capital management	Implemented Kronos and advanced scheduling.		27, 28, 33
Integrating key IT systems	Scoping completed and system integration developed. Operational process still to be aligned.		27, 28, 33
Establish shared services centre	Established a centralised shared services centre for all Gauteng properties.		27, 33
Consolidating support services	Completed the consolidation of Western Cape regional positions.		27

Substantially achieved In progress Limited progress

OVERVIEW

Over the past few years, the group has made significant investments in new systems including our Enterprise Gaming System and our ERP system, IFS, for the back office. These and our other systems are world class and if used correctly can provide significant benefits to the group. At present, we have limited integration of key systems, inconsistent use of the various applications, work arounds and manual processes.

To assist in our human capital management we have started implementing Kronos and advanced scheduling, which will improve our scheduling, processing of payroll and reduce overtime costs.

Food and beverage embarked on a system standardisation and optimisation process, and developed 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. Integration of our Micros point of sale system with IFS is a key priority and will enhance control and stock management.

Our new shared services centre for all Gauteng properties, which operates out of head office, improved efficiencies by centralising the finance and payroll functions. The intention is to reduce the cost of the back-office processing and significantly improve the control over procurement and payment processing. With our units not having to focus on the back office, operational management can focus on our guests. The aim is to expand the shared services centre to other properties and provinces.

How we use our capitals to improve our existing operations and guest experience

Financial capital is deployed to invest in innovative IT and in our employees, who in turn provide a memorable guest experience.

Our **human capital** is critical to ensuring we operate efficiently and optimally.

Our stock of **intellectual capital** is represented by our wealth of management expertise, and our management team's ability to plan and implement processes and systems groupwide.

Looking ahead

- Establishing an efficiency and optimisation team
- Critically assessing margins and benchmarking
- Driving system utilisation and process standardisation
- Expanding shared services centres to other properties



Big savvy

	Think like entrepreneurs
	Use business intelligence to make the right decisions
	Grow the business into new areas with relevant innovation
	Become the home of the game changers
	Embrace rainmakers to create new opportunities



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 harvest the full potential of our portfolio, explore land development opportunities and continually review our offerings** to identify properties that need reinvestment and upgrading, and those that may no longer be core to our strategy.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page reference
Protecting our existing asset portfolio	Received gaming board approval for the Boardwalk Mall development.		28, 34
	Submitted an LA10 application to restructure Boardwalk.		28, 34
	Closed Fish River and settled the land claim with government.		28, 34
	Closed Sun Nao Casino in Colombia.		28
	Dispose of interest in Swaziland and Nigeria.		28
Gaming licence renewals	Submitted bids for municipal licences in Chile.		28, 35
New casino and arena openings	Opened Time Square arena and casino but revenues tracking below expectations.		26, 28, 34, 35
	Opened Meropa Hotel.		28, 35
Investigating undeveloped land opportunities at various properties	Progressed land developments at Carousel, Carnival City and Sibaya.		28, 35



Substantially achieved



In progress



Not achieved

OVERVIEW

The **Boardwalk** casino in Port Elizabeth continues to be negatively impacted by the roll out of EBTs, with an additional EBT outlet opened within its catchment area. We have challenged the award of the EBT licences on the basis that the granting of the licences is in breach of the exclusivity that Boardwalk paid for as part of our licencing bid commitments. The court processes are, however, frustratingly slow. To win back market share, we are planning to significantly increase the size of the shopping mall at Boardwalk. The group will only contribute its existing land and buildings as equity for which it will receive a 50% equity interest. Given the reduced revenue at Boardwalk, we submitted an LA10 application to the Eastern Cape Gambling and Betting Board to restructure the business. Public hearings are expected shortly following which we will go ahead with the restructure.

The Time Square construction project generated 10 000 jobs directly and indirectly and will positively impact Tshwane's economic and tourism growth.

We closed the **Fish River** operation in November 2017, following continued operational losses. Positively, we settled the Fish River land claim agreement with the government for R75 million. The proceeds were received in February 2018.

In Latam, Sun Dreams submitted bids for its two municipal licences, namely Iquique and Porta Varas and we expect to hear the outcome in June 2018. In South Africa, **GrandWest** exclusivity remains under threat as draft legislation from the Western Cape on the potential relocation of licences from the Western Cape to the Cape Metropole was released in February 2018.

During the year under review we enhanced our portfolio with the opening of Time Square's casino and the Meropa Hotel.

Time Square offers our customers impressive entertainment and food experiences, cutting-edge technology and inspiring designs. The opening was not without its challenges: initial footfall figures were below expectation, which in turn negatively impacted revenues, which are tracking well below expectation with a market share of only 13%. We are working hard to increase our market share through focused marketing initiatives and driving an increase in footfall to the precinct.



One team

✓	Collaboration and teamwork
✓	Sharing ideas and inspiring greatness
✓	Cooperate, support and set up others for success
✓	Think group, act local

We aim to grow Time Square's market share to 16% in 2018. The Maslow Time Square Hotel, which formally opens in April 2018, includes a conference centre that can host functions for up to 600 seated delegates to five-star standards and should encourage business, leisure and gaming customers. As part of the group's commitment to the environment, Time Square's external design blends in with the surrounding green design principles and overall aesthetics of the Menlyn Maine eco-precinct.

Meropa opened its 60-room Moroccan-style hotel in August 2017, with the hotel being well received by our guests.

Carnival City is one of our older properties and faced challenges as it lost market share to other casinos. Plans are under way to unlock the value of the unused land by developing a Carnival precinct and to attract more footfall to the property.

Sibaya's market share improved significantly during 2017 as more customers visited the property and enjoyed its offerings. We anticipate increased footfall in the area as a new university and apartments are to be built in the surrounding area. Sun International is also planning to enhance its entertainment offering by refurbishing

its Privé and restaurants. The challenge for Sibaya and Wild Coast Sun is around the possible licencing of EBTs in their catchment area. We are challenging the process and will remain abreast of these challenges.

The water crisis in the Eastern and Western Cape has impacted three of our properties; Boardwalk, GrandWest and Table Bay. Apart from intensified efforts to save and reuse water, Sun International is also exploring more permanent solutions to ensure our guest experience is not compromised. Some of these solutions include sinking additional boreholes and completing a purification plant at GrandWest. Alternative water sourcing options are being considered for Table Bay.

Monticello, in Chile, opened its new 4 100-seat arena and 1 500 m² smoking terrace in June 2017. This arena will be key to increasing visitation to Monticello and has already drawn large crowds with several events hosted. In addition to the bids submitted for the two municipal licences currently operated by Sun Dreams, bids were submitted for Pucon, Coquimbo and Vina del Mar with the adjudication expected in June 2018.

How we use our capitals to protect and leverage our existing asset portfolio

Financial capital is deployed to refurbish and maintain our existing asset portfolio, cover operating costs, and grow our business through strategic developments or acquisitions.

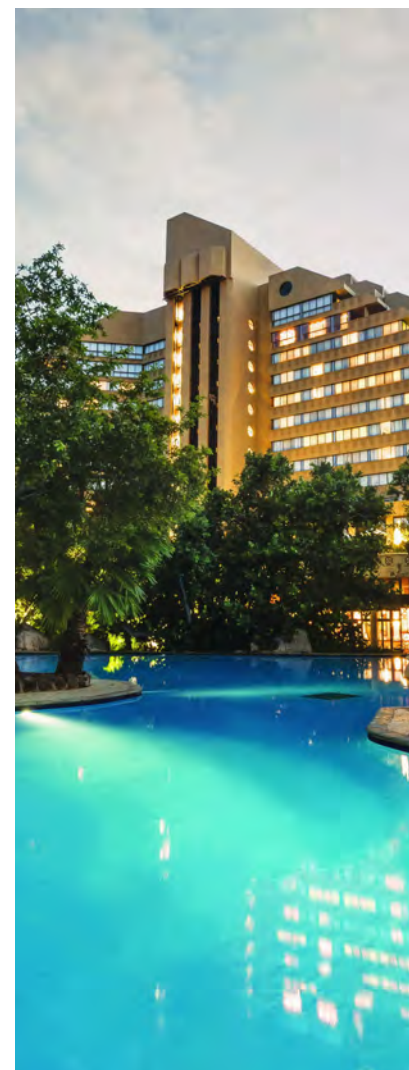
As a gaming, leisure and entertainment group our stock of **intellectual capital** is realised in the form of our gaming licences, which are the single most critical enablers of our ability to operate.

The bricks and mortar of our properties and unused land form our stock of **productive capital**. The uniqueness of our properties is a key differentiator for our business and we focus on protecting, leveraging and growing our asset base.

We aim to reduce the use of our **natural capital** and the impact on the environment by reducing consumption of water and energy resources. Plans are in place to increase waste recycling initiatives and partnerships.

Looking ahead

- Submitting our bid for the Wild Coast Sun licence renewal
- Restructuring the Carousel and pursuing land development opportunities at Carousel, Carnival City and Sibaya
- Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall
- Finalising North West licence conditions
- Protecting GrandWest from possible new competition
- Protecting GrandWest's exclusivity and settling the North West licence conditions
- Opening Maslow Time Square Hotel on time and within budget
- Managing the water crisis that is impacting our properties in the Western and Eastern Cape



Sun City



Grow our business into new areas and products

While the focus has shifted to strengthening our balance sheet and getting the basics right in South Africa, **we continue to seek opportunities** that either grow our core casino business or offer new products in Latam.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page reference
Exiting non-profitable operations	Suspended our International VIP gaming business at Sun City and Ocean Sun Casino.	↑	27, 28, 36
	Closed Sun Nao Casino in Colombia.	↑	27, 28, 36
Increasing interest in strategic acquisitions	Increased our interest in Sun Dreams from 54.5% to 64.66%, which is still subject to funding.	→	26, 28, 36
Exploring strategic growth opportunities	Acquired 100% interest in Thunderbird Resorts and Casinos Peruanos S.A. in Peru, subject only to final regulatory approval.	→	28, 36
	Submitted bids for three municipal licences currently held by competitors.	→	28, 36

Substantially achieved
 In progress
 Limited progress

OVERVIEW

Our International VIP gaming business at Sun City and Ocean Sun Casino was suspended in 2017, due primarily to high volatility and bad debts. The debt collection process has been slow to yield results, resulting in legal action against outstanding debtors. The local VIP management will be decentralised back to properties in 2018 to increase the focus on our guests.

The Sun Dreams merger has been bedded down and during 2017, the group agreed to increase its stake in Sun Dreams from 54.5% to 64.66% following the acquisition of 50% equity interest held by Entretenimientos Del Sur Limitada (EDS). This acquisition is now only subject to funding.

Sun Dreams also concluded a share purchase agreement with Thunderbird Resorts Inc and Casinos Peruanos S.A. Under this agreement, Sun Dreams acquired 100% of certain Peruvian companies that operate four gambling operations in Peru including immovable property where one of the casinos (Fiesta Casino) is located. This acquisition is an opportunity for Sun Dreams to strengthen its position in the Peruvian market and diversify its asset base in Latam.



3 720
active limited
payout machines

18 717
total slot
machines

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

SunSlots is part of the group's alternate gaming strategy. SunSlots holds six licences in four provinces: Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape.

We also increased our base of LPMs through SunSlot's by activating 616 new machines. This improved gross gambling revenue, which exceeded R1 billion for the first time. Additionally, Mpumalanga issued a 'request for application' for licences, which should generate renewed gambling activity. Sun International submitted 21 site applications, which equate to over 100 extra LPMs in the province. We also successfully migrated to a new Central Monitoring system at the end of 2017, which will provide enhanced operational reporting and business intelligence to improve business management.

How we use our capitals to grow our business into new areas and products

Financial capital is used to grow our business through strategic developments or acquisitions.

The bricks and mortar of our properties and unused land form our stock of **productive capital**. Growth in our productive capital requires the investment of financial capital, whether into our existing properties, new assets or new products.

Looking ahead

- Investigating online gaming and sports betting in Latam
- Concluding the Thunderbird acquisition and integrating operations
- Commencing development of successful municipal gaming licence bids



Our people

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

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page/online reference
Remuneration and benefits framework	Reintroduced our remuneration scales for our gaming departments. Transitioned to the Hay Job Evaluation methodology and developed organisational design methodologies and processes.		38 http://ir2017.suninternational.com/our-game-plan/
Remuneration and benefits framework	Rolled out the SunWay culture programme, our employee value proposition, and an interactive communications platform (SunTalk).		27, 28, 37 http://ir2017.suninternational.com/our-game-plan/
Union engagement	Ongoing training has been introduced and regular meetings held.		29, 38 http://ir2017.suninternational.com/our-game-plan/
Disability and black management representation	Phase one of the disability management awareness programme delivered and good progress made at junior and middle management levels regarding black representation.		38 http://ir2017.suninternational.com/our-game-plan/
Talent management	Talent management and learning and leadership development initiatives ongoing.		28, 38 http://ir2017.suninternational.com/our-game-plan/



Substantially achieved



In progress



Limited progress

OVERVIEW

At the end of the financial year, we had a total of 12 959 (2016: 13 179) employees across our operations, a decrease of 1.7% on the prior financial year. The decrease in headcount was mainly a result of the closure of Fish River, Morula Sun Casino and operations in Latam. The number of women in the group's employ remained constant at 51.5% even with the inclusion of Sun Dreams. There were 3 178 (2016: 2 969) terminations groupwide and group turnover was 24.1% of the total headcount (2016: 22.3%). This increase was mainly due to retrenchments at properties that were closed during the year under review.

To reinforce a positive culture that drives positive behaviours, we launched our SunWay culture programme and employee value proposition in South Africa. This launch followed the group's vision, mission and values introduction in the

prior years. The chief executive held roadshows across South Africa to reconnect the organisation following significant changes over the past few years. The SunWay formula for success (see alongside and on page 1) includes enablers that employees are encouraged to strive for as well as disablers, which include factors we must eradicate.

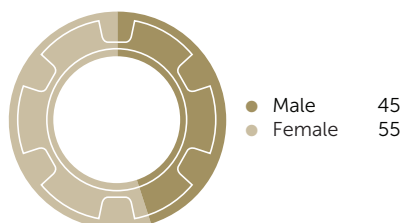
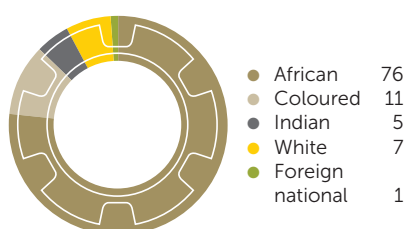


Employment equity

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

SunWay formula for success

Enablers	Disablers
Mutual respect	Passing the buck
Sun vibe	Inefficient processes
Champion our champions	Favouritism
Wow and sizzle	Communication gap
Bending over backwards	Absenteeism
Sun Heroes	Complacency
#BeCool	Silos
Top talent magnet	Waste
Big savvy	Distrust
Sharing the sun	Going nowhere slowly
Investing in our people	Repeating mistakes
One team	Wrong persons for the job
Courage to lead	Backstabbing

Workforce profile by gender (%)**Workforce profile by race (%)**

During the 2017 financial year, we established and adopted a property-specific, three-year employment equity plan that supports the group's strategic objectives and takes into account our transformation and talent management strategies, succession planning, talent attraction, career progression and retention. It also takes into account the demographics of the provinces where we operate. Each property is now positioned to set their own goals and objectives for employment equity, while meeting the provincial gaming board licencing criteria.

We maintained our overall black employee representation at 91.5% (2016: 91.0%), exceeding the distribution of the national economically active population. Black management employees make up 80% (2016: 78%) of the management team with 45% (2016: 46%) being women.

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

Employee and union relations

To improve the group's communication with employees, we introduced the SunTalk mobile communication platform. This enables all employees who own a cell phone to register and to receive communication from us, such as group messages or targeted communications to specific groups.

With 60.5% (2016: 62%) of our South African workforce (excludes SunSlots) being covered by collective agreements, it is imperative to maintain healthy relationships through meaningful engagements with the various unions. Engagement with South African unions improved during the 2017 financial year, especially on collective bargaining issues. This was mainly due to continuous engagement between senior management and the unions as well as shop steward training to ensure a better understanding of the business and changing operating environment. In addition, we entered into a three-year wage agreement with our South African recognised union (SACCAWU) which is applicable to South African operations excluding SunSlots.

During 2017 all employee relations policies were reviewed and implemented.

Talent management and employee development

Talent management and employee development are important in creating a high-performance culture and realising the business strategy. The group has various talent management projects explained in more detail at <http://ir2017.suninternational.com/our-game-plan/> that reinforce our commitment to ensuring we create a sustainable talent pipeline. 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 groupwide explained in more detail at <http://ir2017.suninternational.com/our-game-plan/>

**Remuneration and performance management**

The group remuneration policy was reviewed and updated to align with best practice and King IV. This included reviewing our short and long-term incentives to address concerns expressed by some shareholders. The annual increment review date was amended from 1 July to 1 March to align with our new financial year. An organisational design policy was introduced and the Hay Job Evaluation methodology replaced the legacy systems. We continue to participate in and take into account market remuneration surveys and align our pay decisions to the principles set out in our remuneration policy. We contracted an external service provider to guide us in complying with our 'equal pay for work of equal value' requirements per the employment equity legislation (as amended). The primary objective is to,

over time, remove any disproportionate income differentials. Some of the anomalies have been identified and will be addressed in the March 2018 increase process.

Reward is directly linked to performance at group, team and individual levels. By linking employee performance to business objectives through a key performance indicator (KPI) scorecard, we can more accurately measure, and provide feedback on, performance. The scorecard includes KPIs for managing and developing people and transformation, as these are vital areas of our business. Individual employment contracts include minimum requirements and standards for each role that employees must perform against.

How we use our capitals to invest and develop our employees across the group

Financial capital is used to invest in our employees training as well as fairly remunerate their performance.

Our **human capital** includes our employees who are the primary interface with our guests and are responsible for creating the memorable experience we strive to offer.

Looking ahead

- Embedding our succession management practices and integrated management strategy groupwide
- Continuing to focus on the development of leadership skills throughout our workforce and strengthening the manager's role as coach and mentor
- Aligning our employee remuneration following the 'equal pay for work of equal value' review
- Embedding the employee value proposition within the group and addressing challenges employees have identified
- Managing employee productivity to avoid unnecessary absenteeism costs
- Continuing to actively engage with employees and address concerns as they arise



Governance and sustainability

INTEGRATED SUSTAINABILITY

Sustainable business practices form an integral part of Sun International's culture, strategy and operations. A new integrated sustainability structure was established in 2017, incorporating the following portfolios: environmental, health and safety, socio-economic development, and B-BBEE with a sustainability focus on enterprise and supplier development. A group sustainability manager was appointed to formulate our sustainability strategy, monitor and report on this integrated sustainability structure to the relevant governance structures including

the: executive management, sustainability committee (established in 2017), social and ethics committee and the risk committee.

Specific KPIs and short, medium and long-term sustainability targets have been set and aligned with the overall group strategy. A group sustainability strategy is being developed and will be rolled out during 2018, to ensure that sustainability is streamlined across all units in the group, with a focus on cost saving, breaking down silos and integrating management systems and communication approaches.

The information that follows is a summary of our health and safety, environmental, socio-economic development and enterprise and supplier development portfolios. Detailed information on these portfolios are available online at <http://ir2017.suninternational.com/our-game-plan>. We encourage readers to visit our website for a better understanding of our sustainability highlights, challenges, approach, focus areas, progress during 2017, plans going forward and initiatives implemented during the year under review.



HEALTH AND SAFETY

Sun International takes a **holistic approach to occupational health and safety** through the integration of the health and safety strategy, into our newly established sustainability portfolio and other collaborative initiatives.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page/online reference
Embedding a group health and safety policy	The health and safety policy was updated, communicated and displayed at all local business units and on the Sun International website.		40 http://ir2017.suninternational.com/our-game-plan/
Aligning to ISO 45001 requirements	ISO 45001 was only released in March 2018. The management system will be integrated with environmental as a safety, health and environment (SHE) management system aligning to the requirements of both ISO 45001 and ISO 14001.		http://ir2017.suninternational.com/our-game-plan/
Health and safety incident reporting process	Safety incident reporting and monitoring process implemented across the group.		40 http://ir2017.suninternational.com/our-game-plan/
Implementing standardised data collection and reporting	Health and safety reporting processes, templates and procedures have been standardised.		http://ir2017.suninternational.com/our-game-plan/
Implementing an e-learning health and safety training platform	This project was placed on hold pending the integration of SHE into the new sustainability department. New SHE e-learning training is scheduled for development in 2018.		http://ir2017.suninternational.com/our-game-plan/



Substantially achieved



In progress



Limited progress

OVERVIEW

We recognise that we have an obligation to ensure a safe and healthy environment for our guests, employees (including contractors) and other stakeholders across the group, which currently operates in South Africa, Nigeria, Swaziland and Latam. The group also proactively works to improve health and safety performance by reporting against indicators that are standard international measures for reporting occupational health and safety performance.

Lost-time injury frequency rates

		South Africa		Africa		Latam	
		2017	2016	2017	2016	2017	2016
Fatal Injury Frequency Rate (FIFR) ¹	Rate	0.00	0.01	0.09	0.00	0.04	0.00
Lost Time Injury Frequency Rate (LTIFR) ²	Rate	1.27	2.61	0.00	0.22	4.27	1.30
Total Recordable Injury Frequency Rate (TRIFR) ³	Rate	3.35	5.95	191.04	2.65	11.22	2.43
Total Injury Frequency Rate (TIFR) ⁴	Rate	7.86	12.44	301.71	29.69	17.27	7.26

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 Lost Time Injuries (LTI), i.e. number of LTI's per 200 000 employee hours worked.

3 TRIFR is the determination of the frequency of all recordable Injuries (RIs) – inclusive of all fatalities, LTIs and medical treatment cases (MTCs) per 200 000 employee hours worked.

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

The LTIFR for FY2017 in South Africa, was 1.27 injuries per 200 000 hours worked (2016: 2.61), Africa, was 0.00 injuries per 200 000 hours worked (2016: 0.22), and Latam, was 4.27 injuries per 200 000 hours worked (2016: 1.30).

The frequency rate in South Africa reduced by 51%. This is primarily due to the improvement in reporting of person hours worked, applying the correct definitions to our injury classifications, and improved awareness in terms of health and safety within the company. While measures were implemented to improve contractor person hours worked and injury classifications, there is still room for improvement and additional controls and procedures will be implemented in 2018 to improve the accuracy of this information. Reduction targets have been set for our South African properties to achieve in 2018.

Reliable reporting by our Latam and African properties remains a challenge and will be investigated in 2018 to identify process improvement opportunities.

Governance and compliance

The group's health and safety policy can be viewed online at <http://ir2017.suninternational.com/downloads/>.

The policy was revised to align with the group sustainability strategy and policy, which details our commitment to improving our health and safety performance. Each South African property has an approved site-specific health and safety policy, which is reviewed annually and aligned with the group policy.

We developed SHE legal registers for our South African properties, which includes a legal library of all the SHE legislation Sun International must comply with. Our legal obligations are directly linked to our identified risks and impacts, to allow easy accessibility, reference and relevance. All international operations comply with relevant laws and regulations and have successfully implemented SHE standards and systems.

Medical surveillance is a requirement in terms of the Occupational Health and Safety Act, 85 of 1993 and its regulations. Increasing risk exposure and staffing pressures have resulted in a need to revise our medical surveillance processes and

adopt a group medical surveillance programme. As such, we have developed a medical surveillance programme for all our local units and we will be establishing our group's first health risk profile.

Fire and life safety audits were conducted at all local units in the reporting period. This helped us identify areas of concern and possible risks. Units have received detailed reports with the concerns and possible risks to be addressed. Detailed mitigation measures have been identified and are being implemented to reduce the risk and improve the health and safety of all our stakeholders.

Health and safety training

Sun International and its employees are responsible for protecting themselves and others from harm. All new employees in South Africa undergo basic health and safety awareness training as part of their induction. In 2017 employees and contractors participated in general health and safety awareness training, compliance training and specialised training.

Hygiene and food safety

Sun International monitors hygiene and food safety through an independent third party and SANAS-accredited laboratories. Sun International has shown an improvement in all aspects of its hygiene and food safety audits. In terms of our concessionaires, there is room for improvement in documentation control, however we are satisfied with the overall general compliance.

Legionnaires disease is a significant risk in the hospitality industry. Sun International monitors this risk through an independent third-party assessment and SANAS accredited laboratories. Sun International's Legionella Risk Index achieved 81% compliance across the group in the period under review, which is an improvement from the 80% in 2016. This indicates that we still have room for improvement in terms of improving legionella management and preventing legionella exposure to our stakeholders.

During the year under review 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 none of the units were impacted by these two diseases.

Communications and awareness strategy

A groupwide SHE communications and awareness strategy has been developed to ensure collaborative communication across all units within South Africa. The aim of this integrated strategy is to improve communications between units, improve collaboration and save costs, all of which aligns to the group's new formula for success. For more detail on our approach, strategy and project initiatives, refer to <http://ir2017.suninternational.com/our-game-plan/>



How we use our capitals to improve health and safety across the group

Financial capital is used to invest in relevant health and safety systems and training safety to monitor and report on the group's safety status.

Our **human capital** includes our health and safety specialists that ensure all properties comply with relevant legislation and attend relevant health and safety training.

Looking ahead

- Implementing a medical surveillance programme and a sustainability culture programme across our local operations
- Implementing an integrated SHE management system based on the ISO 45001 and ISO 14001 standards
- Implementing cross-unit SHE audits to improve awareness, share best practice and increase efficiencies
- Standardising the Latam and African properties incident reporting to the South African reporting system
- Improving communication and awareness within South Africa
- Enhancing our combined assurance process to ensure efficient compliance management
- Improving incident reporting and collection of contractor data within South Africa
- Improving emergency preparedness processes
- Developing a group fire standard



ENVIRONMENT

As a responsible company, **we recognise that we have an obligation to ensure we operate in an environmentally responsible and proactive manner.** This ensures a safe and pristine environment for our guests, employees and other stakeholders affected by our operations.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page/online reference
Finalising the Sun City landfill feasibility study in preparation for closure in 2019	A scoping exercise revealed that the landfill space was adequate until 2019 and not 2017 as originally anticipated. This extension was largely due to higher recycling recoveries and a decrease in waste generation volumes during the temporary closure of Sun City's entertainment centre.		http://ir2017.suninternational.com/our-game-plan/
Sun City's waste-to-energy project	A basic assessment report was submitted to the Department of Environmental Affairs for the proposed waste-to-energy project for Sun City. The process is currently being reviewed for final approval.		http://ir2017.suninternational.com/our-game-plan/
Implementing electricity and water metering groupwide	Electricity and water metering implementation was delayed so that improved technology could be built into our new environmental dashboard to allow for real-time monitoring.		42 http://ir2017.suninternational.com/our-game-plan/
Identifying reduction initiatives to further reduce water consumption	Numerous water initiatives implemented across properties resulted in a reduction in water consumption from the previous year.		42 http://ir2017.suninternational.com/our-game-plan/
Encouraging supply chain and concessionaire compliance to Sun International's group compliance	Sustainability elements are in the process of development for incorporation in our supply chain policies and our supplier onboarding process in 2018. Additional supplier workshops are planned to continue to work towards our WWF-SASSI objective of only procuring sustainable seafood.		43 http://ir2017.suninternational.com/our-game-plan/
Implementing environmentally-friendly initiatives at Time Square	Various environmentally-friendly initiatives were implemented at Time Square making this property the group's most green unit.		http://ir2017.suninternational.com/our-game-plan/



Substantially achieved



In progress



Limited progress

OVERVIEW

As part of the environmental strategy, we developed and implemented our first water and energy reduction targets along with our committed zero-waste-to-landfill target for all local units by 2020. Overall group reduction targets are 18% for water by 2020, and 15% for electricity by 2022.

To ensure our environmental strategy targets and commitments are monitored and achieved, the group will be developing an integrated SHE management system and training SHE representatives to conduct cross-unit internal audits across our South African operations, which allows for learning experiences, shared value and improving best practice at unit level. Formal SHE awareness campaigns will be held monthly at all units and a sustainability

culture programme is being developed to promote various SHE elements.

Environmental data is collected, consolidated and analysed monthly at all South African units and then captured on the new environmental platform, which provides groupwide visibility and ongoing monitoring against environmental targets. Going forward, the same procedure will be implemented at our Latam operations that currently reports environmental information to the group on an annual basis.

Water management

Water is a critical resource for our operations and remains a key focus area for each of our properties. Municipal water supply remains the largest source of overall

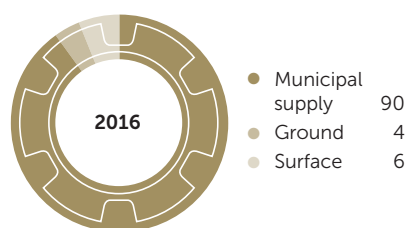
water withdrawals and accounts for 92% of the main water supply in South Africa. To reduce our overall water consumption, the group has committed to implement electronic water meters at all local units. This will allow the group to view real-time consumption and eliminate data capturing errors. Data will feed into our environmental dashboard that will flag anomalies and highlight possible water leaks and wastage.

During 2017, our water consumption data for South Africa was 3% less than in 2016. This was largely due to significant water consumption reductions and water saving initiatives in place, especially in the Western and Eastern Cape. In addition, we experienced improved data reporting in 2017, although data inaccuracies remain a problem at most of our units.

Group water source (%)



Group water source (%)



During the financial year, Cape Town and Port Elizabeth experienced their driest periods in recorded history. Cape Town was declared a disaster area, with severe water restrictions being imposed across the city. This water scarcity impacted three of our properties in the Western and Eastern Cape – GrandWest, Table Bay and Boardwalk. These properties have intensified efforts to save and reuse water, and investigate long-term solutions for alternative water sources. Together, these properties have reduced their net water consumption by more than 33% (from 35 666 /kl month to 23 816/kl month). Some of the long-term solutions include financing additional boreholes, constructing water treatment plants to treat enough water to operate the non-potable water aspects of their operations, and various other initiatives such as grey water

collection systems, water-wise plants and information posters and awareness material in our hotels. Boardwalk is investigating an alternative water source that, with minimal treatment, could see the unit drastically reducing its dependency on municipal water supply.

Waste management

The group reinforced its waste monitoring programme during 2017. Ongoing reporting and tracking of waste reduction and recycling initiatives will also allow Sun International to monitor year-on-year cost savings within the group. No significant spillage incidents were reported during 2017. With the exception of Sun City, which owns its own licenced landfill site, all non-hazardous waste is either recycled or disposed of at municipal landfill sites.

Waste – South Africa

	2017 (kgs)	%	2016 (kgs)	%
Total volume of non-hazardous waste to licenced landfill	3 916 575	(52)	4 954 760	(57)
Total volume of non-hazardous waste recycled	3 586 898	(47)	3 643 722	(42)
Total volume of hazardous waste to licenced landfill	24 145	(0.32)	26 776	(0.31)
Total volume of oils recycled	31 684	(0.42)	40 130	(0.46)
Total volume of hazardous waste recycled	16 087	(0.21)	12 742	(0.15)
Total waste for South Africa	7 575 389		8 678 129	

Note: The 2016 environmental data has been restated due to our year end changing from June to December.

During 2017, the total waste measured throughout our South African operations was 7 575 tonnes (2016: 8 678 tonnes), a 13% reduction compared to the previous year. Of the waste generated during the reporting period, 52% (2016: 57%) was disposed at landfill and 47% (2016: 42%) was recycled. The reduction in waste was largely attributable to improved recycling and benefiting measures, improved data reporting as well as the Wild Coast Sun achieving their zero-waste-to-landfill target in 2017.

In 2018, the group will be embarking on various waste management projects to standardise waste practices, operating procedures and data collection as well as to review and improve our current service level agreements with waste service providers.

Energy management

Our energy management focus is driven by reducing GHG emissions and our impact on the environment. The group continues to focus on reducing energy consumption by managing behaviour, improving efficiencies and implementing energy-saving initiatives.

During the year under review, all South African properties underwent energy audits to improve data collation and reporting processes, and identify further energy reduction initiatives. A new energy data management platform, including a data validation component, has been introduced as part of the environmental dashboard. Along with the planned implementation of real-time electricity meters at each local operation, these two initiatives will assist in eliminating incorrect data capturing and developing data with high levels of integrity, accuracy and traceability.

Total group emissions for Scope 1 for 2017 was 23 097 tonnes CO₂e (2016: 32 838 tonnes CO₂e). The decrease in the group Scope 1 CO₂e is due to no data being available for the Latam operations.

During 2017, the total amount of electricity (Scope 2) consumed by Sun International was 307 060 056 kWh (2016: 273 308 898 kWh), reflecting a 12% increase compared to the prior year. This was mainly due to the acquisition of Sun Dreams resulting in additional units in Latam in the comparative reporting period. Scope 2 emissions remain the largest contribution to total footprint at approximately 90%, followed by fossil fuels utilised for energy generation, at just under 4%.

The increase in fuels, used by generators to produce energy, can mainly be attributed to the reliance of Latam and African operations on this type of energy source.



	2017		% year- on-year change	2016*	
	kWh	Rand		kWh	Rand
Electricity purchased					
South Africa	239 352 621	234 849 928	(0.28)	238 696 073	224 481 411
Latam ¹	55 463 591	107 786 516	(89)	29 392 981	58 849 751
Africa (Nigeria and Swaziland)	12 243 844	18 005 624	(135)	5 219 844	7 185 398
Total	307 060 056	360 642 068	(12)	273 308 898	290 516 560

	2017		% year- on-year change	2016*	
	litres	Rand		litres	Rand
Direct: Fuel use for generator					
South Africa	68 035	840 913	(63)	184 512	2 020 406
Latam ¹	152 663	1 495 830	(971)	14 249	21 915
Africa (Nigeria and Swaziland)	2 444 939	17 734 298	(66)	1 471 778	9 860 913
Total	2 665 637	20 071 040	(60)	1 670 539	11 903 234

	2017		% year- on-year change	2016*	
	kgs	Rand		kgs	Rand
Direct: Liquefied Petroleum Gas					
South Africa	724 974	11 868 318	(32)	549 386	9 075 723
Latam ¹	783 928	8 126 890	(185)	275 429	2 642 345
Africa (Nigeria and Swaziland)	40 412	845 502	(66)	24 288	504 270
Total	1 549 314	20 840 710	(82)	849 103	12 222 338

¹ The comparative 2016 data does not include all Sun Dreams properties resulting in the material variances.

* 2016 environmental data has been restated due to our year end changing from June to December.

Biodiversity

In addition to our standard management measures to protect important biodiversity, many of our properties continue to monitor and support biodiversity initiatives in and around their operations.

As a principal partner of the WWF, Sun International continues to support efforts and initiatives identified by the WWF, one of which is the WWF-SASSI initiative. In 2017, Sun International achieved a 65% rating compared to the 72.5% in 2016. The decrease is mainly due to the group not meeting the commitments to purchase only green sustainable seafood species. The group has implemented various procurement processes and procedures to reduce and/or eliminate the purchasing of any red seafood species and aim to do the same with the orange seafood species, although this remains a challenge for the group.

For more information on our environmental strategy, approach, targets and project initiatives, refer to <http://ir2017.suninternational.com/our-game-plan/>



How we use our capitals to limit our environmental impact across the group

Financial capital is used to invest in relevant environmental initiatives, systems and training to continuously improve, monitor and report on the group's environmental performance.

We aim to reduce the use of our **natural capital** and the impact on our environment by reducing consumption of water and energy resources. Plans are in place to increase waste recycling initiatives and partnerships.

Our **human capital** includes our environmental specialists that ensure all properties comply with relevant legislation.






Looking ahead

- Implementing and training SHE professionals on the use and updating of the new environmental dashboard
- Training all SHE professionals to conduct cross-unit SHE audits at our local units
- Updating the environmental strategy to align with the group's new sustainability strategy
- Monitoring and achieving our South African environmental reduction targets for 2018
- Improving data quality throughout the group
- Developing and implementing our sustainability culture programme
- Improving health, safety and environmental awareness through training and initiatives

SOCIO-ECONOMIC DEVELOPMENT

Sun International's socio-economic development (SED) vision is to **deliver sustainable social development projects** that improve the lives of people in the communities we work in, for the better.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page/online reference
Uplifting communities through our focus areas	We continued to identify and implement relevant projects within our three focus areas of education, sport and arts and culture.		44 http://ir2017.suninternational.com/our-game-plan/
Developing and launching Sun International's Hospitality Curriculum Development Programme	Finalised the development of the learning material and launched Sun International's Hospitality Curriculum Development Programme in April 2017.		http://ir2017.suninternational.com/our-game-plan/
Maintaining B-BBEE target for SED	Maintained full SED points at all local units.		http://ir2017.suninternational.com/our-game-plan/
Formalising our SED strategic framework and policy	Draft framework and policy developed and will be implemented in 2018.		44 http://ir2017.suninternational.com/our-game-plan/
Improving data capturing and monitoring of SED projects	System was reviewed and updated but will only be implemented in 2018.		44 http://ir2017.suninternational.com/our-game-plan/

 Substantially achieved  In progress  Limited progress

OVERVIEW

Sun International invested R16 million in SED projects across all 15 local properties. In addition, the group invested in various corporate social investment initiatives including donations, sponsorships and charitable givings.

Creating value

Social capital investments are essential to our long-term business sustainability. We do not only create economic value in the communities we operate in, we aim to maximise the impact we have on the communities as well as our business. Our people play an active role in investing their personal time in social investment projects that resonate with them, from volunteering and mentoring bursary students to providing business advice and training.

Governance

A group SED strategic framework is being finalised to ensure all processes are streamlined across properties as well as providing guidance in respect of adherence to the various gaming licence conditions and group targets. This framework also guides applicable standards when approving projects, with approximately 70% of the SED spend allocated to group projects, and approximately 30% allocated to property specific projects. The revised SED policy aligns to the group's sustainable business strategy and demonstrates our commitment to social upliftment and

wealth creation for communities and stakeholders affected directly and indirectly by our operations. Both the framework and policy will be rolled out in 2018.

Furthermore, a stakeholder engagement framework, standard operating procedures and a stakeholder engagement plan is being developed, which will be aligned to the group's sustainable business strategy. This will ensure a unified stakeholder engagement approach groupwide to affirm our commitment to creating value for our stakeholders and that initiatives deliver a positive impact for the communities where we operate.

Focus areas

Our project focus areas are education, sports and arts and culture, with an emphasis on education as we believe this to be critical to assisting poverty alleviation. These were selected to unify the Sun International brand and meet the various gaming 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, while recognising the value of developing a sustainable model that connects our social investment to our core business strategy. For more detail on our approach, strategy and project initiatives, refer to <http://ir2017.suninternational.com/our-game-plan/> 

How we use our capitals to improve socio-economic development

Financial capital is invested in the group's project focus areas: education, sports and arts and culture.

Our **human capital** is the primary interface with our communities through our projects and volunteering programmes.

Our communities are key stakeholders as most of our properties are located in various communities. We use our **social and relationship capital** to actively engage with the communities to build and maintain relationships.

Looking ahead

- Encouraging more students to register on Sun International's Hospitality Curriculum Development Programme
- Continuing to create value through the group's SED focus areas – education, sports and arts and culture
- Following the progress of the five students studying in the United States
- Implementing the new SED and community and stakeholder engagement strategic framework and policy
- Improving the capturing of SED, CSI and licence conditions spend for reporting purposes



ENTERPRISE AND SUPPLIER DEVELOPMENT

The group creates and maintains an **efficient and equitable supply chain** aligned to our strategic objectives through a robust governance process.

2017 PROGRESS SCORECARD

2017 focus areas	Self-assessment on what we achieved		Page/online reference
Centralised supplier onboarding controls	The group deployed a centralised supplier onboarding portal, introducing a paperless, automated and seamless process for supplier listing and activation. This resulted in better management of new supplier compliance.		http://ir2017.suninternational.com/our-game-plan/
Valid B-BBEE certificates for onboarding	The group is now enforcing valid B-BBEE compliance as a mandatory requirement for (local) supplier onboarding.		http://ir2017.suninternational.com/our-game-plan/
Groupwide deactivation of non-compliant suppliers	Focus has shifted to managing the compliance of active suppliers within the supply chain. B-BBEE valid spend is more than 93%, and a significant number of non-compliant suppliers have been suspended pending receipt of updated documentation.		http://ir2017.suninternational.com/our-game-plan/
Automated supplier due diligence and compliance	The group is busy implementing a comprehensive supplier compliance management component to the supplier portal, introducing additional and automated compliance checks at the point of onboarding. Ongoing compliance management will also be conducted on active suppliers.		http://ir2017.suninternational.com/our-game-plan/
Standardisation of enterprise and supplier development (E&SD) funding through IFS	The group is working towards effective control over, and reporting of, E&SD funding through a formalised project process within the ERP system.		http://ir2017.suninternational.com/our-game-plan/
Review of existing projects against E&SD programme	A comprehensive review of existing beneficiaries highlighted several opportunities within existing projects and key focus areas for future projects. This is being incorporated into the strategy for 2018.		http://ir2017.suninternational.com/our-game-plan/



Substantially achieved



In progress



Limited progress

OVERVIEW

The group remains committed to creating opportunities for all suppliers, especially B-BBEE compliant small, medium and micro-sized enterprises (SMMEs).

Ethical conduct throughout our supply chain is imperative and the group requires its suppliers to commit to the highest standards of ethical conduct. Sun International has developed a supplier code of conduct based on recognised international standards, principles and best practices. All suppliers will be required to adhere to this new supplier code of conduct <http://ir2017.suninternational.com/downloads/> and our code of ethics <http://ir2017.suninternational.com/downloads/>. Suppliers are encouraged to follow specific requirements in respect of labour conditions, human rights and occupational health and safety, as well as demonstrate consideration in mitigating harmful environmental impacts.



Preferential procurement

Sun International's total measured procurement spend for the financial year exceeded R4.0 billion (2016: R5.6 billion), of which R3.7 billion was procured from over 2 800 verified B-BBEE compliant suppliers. This 93% valid spend compliance exceeds our target of 87%. Our 2020 goal is to reach and maintain 95%.

Supplier and enterprise development

Additional indicators, tabled below, have been introduced to our preferential procurement strategy, with the intention of achieving optimal compliance by 2020.

The group invested over R34.5 million (2016: R21.2 million) in supplier development, including early settlements substantially above the claimable value. Similar to 2016, Sun International invested an additional R9.0 million in enterprise development, supporting a pipeline of new business into the supply chain. This

investment represents over 11% (2016:2%) of net profit after tax, against the Tourism Code's requirement of 3.5% for the tourism sector.

Looking ahead

- Consolidating E&SD activities into a structured and consistent offering, ensuring we leverage opportunities to introduce additional efficiencies
- Supporting and enhancing the Sun International brand within our communities
- Positioning the E&SD function groupwide and implementing the 2020 strategy
- Finalising and implementing the fronting policy
- Focusing on effective reporting of E&SD funding
- Meeting our B-BBEE target for E&SD suppliers

CHIEF FINANCIAL OFFICER'S REVIEW

Highlights

Revenue up
12% to
R15.6bn

EBITDAR up
13% to
R4.3bn

EBITDA up
13% to
R4.0bn

DEBT OF
R15.0bn
of which R11.4 billion
attributable to the
South African
balance sheet.

Challenges

**Weakened
South African
economy**
impacted local
casino revenue
growth

**Trading at
Time Square**
well behind
expectations

**Cost of doing
business in**
South Africa

**Increasing
regulatory
pressures**

Norman Basthdaw
Chief financial officer

FINANCIAL REVIEW

For the year to 31 December 2017 our focus has shifted from an investment phase to one of getting 'back to basics'. This has entailed critically reviewing several aspects of our business, among others, increasing disciplines across the organisation, improving system utilisation and driving efficiencies. We have carefully analysed our capital allocation and

managed cash flow, which despite the disappointing performance, has enabled the group to grow free cash flow before expansion activities. A lot more still needs to be done but with the 'back to basics' approach, we will not only improve operating performance but most importantly, we will be able to improve our guest experience and ultimately grow revenue.



Significant investments over the past few years

Development of Time Square in Menlyn, Pretoria	Significant upgrades to Sun City	Acquisition of the minorities' interest in Monticello
Development of the Ocean Sun Casino in Panama and the Sun Nao Casino in Colombia	Merger with Sun Dreams in Chile	Increased our interest in Sun Dreams, the Latam merged entity, from 55% to 65%

The income statement below includes adjusted headline earnings adjustments.

R million	Year ended 31 December 2017	% movement	Pro forma 12 months 31 December 2016
Revenue	15 609	12	13 884
EBITDA	4 031	13	3 582
Adjusted operating profit	2 475	7	2 315
Foreign exchange loss	(82)	(332)	(19)
Net interest	(1 039)	(21)	(856)
Profit before tax	1 354	(6)	1 440
Tax	(597)	(28)	(468)
Profit after tax	757	(22)	972
Minorities	(397)	6	(423)
Attributable profit	360	(34)	549
Share of associates	2	(87)	15
Continued adjusted headline earnings	362	(36)	564
Discontinued operations	(52)	(30)	(40)
Adjusted headline earnings	310	(41)	524

For the year, group revenue increased by 12% to R15.6 billion, with the growth attributable to the inclusion of the results of Sun Dreams (from 1 June 2016), SunSlots (from 1 April 2016) and Time Square (from 1 April 2017).

Revenue generated by the comparable South African operations (excluding alternative gaming, International VIP Business, Time Square and Morula) was flat when compared to the prior year. Sibaya, Sun City, SunSlots and Table Bay produced encouraging results with growth in revenue and EBITDA.

The performance of the Latam operations has remained subdued. The Chilean operations, and in particular Monticello, were impacted by the shooting incident at half-year. Due to the continued underperformance of the Ocean Sun Casino, its operations have been scaled down and the International VIP Business closed while the Sun Nao Casino in Colombia, which has continued to incur losses, was closed in December 2017.

Group EBITDA increased by 13% from R3.6 billion to R4.0 billion. Through a focus on costs and efficiency, EBITDA generated on a comparable basis by the South African operations increased by 3%. Interest charges were well up on the prior year due to the inclusion of Sun Dreams for the full year and the borrowings relating to Time Square. Minorities' share of earnings has increased with the disposal of the 10% interest in SunWest and Golden Valley in April 2016 and the consolidation of Sun Dreams for the full year.

Adjusted headline earnings of R310 million are 41% below the prior year, with adjusted headline earnings per share down 41% to 298 cents.

HEADLINE AND ADJUSTED HEADLINE EARNINGS ADJUSTMENTS

The group has incurred a number of once-off or abnormal items that have been adjusted for in headline and adjusted headline earnings, the most significant of which are described on page 48.



Headline earnings adjustments include the following:

- profit on disposals of shares in subsidiaries of R27 million
- impairment of assets of R92 million
- fair value adjustment on a held-for-sale investment of R43 million.

Adjusted headline earnings adjustments include the following:

- an onerous lease contract provision in Colombia of R50 million relating to the Sun Nao Casino
- bid and transaction costs of R43 million relating to the Latam operations' municipal bids and Sun Dreams merger

- restructuring costs of R43 million relating to Sun Nao Casino, Morula and Fish River closures
- expensing of the remaining bid commitment of R20 million relating to the Fish River
- foreign exchange loss on intercompany loans of R27 million
- pre-opening expenses of R48 million
- interest of R22 million incurred up to the opening of the Time Square casino which related to the payment made to Peermont
- the straightlining of the Maslow and head office building lease expense of R20 million

- amortisation of R149 million of the Sun Dreams intangible assets raised as part of a purchase price adjustment
- an increase in the value of the Sun Dreams and Tsogo put options of R223 million
- tax on the above items of R102 million; and minorities' interest on the above items of R147 million.

DIVIDEND

Given the need to reduce the high debt levels, the board has decided not to declare a dividend for the year ended 31 December 2017.

REVENUE BY NATURE AND GEOGRAPHICAL SEGMENT

R million	South Africa		Latam		Nigeria		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Casinos	7 411	6 918	3 983	3 277	57	80	11 451	10 275
LPM	1 060	753	–	–	–	–	1 060	753
SunBet	49	40	–	–	–	–	49	40
Rooms	976	921	224	131	41	39	1 241	1 091
Food and beverage	921	828	368	404	41	38	1 330	1 270
Other	465	434	9	15	4	6	478	455
Total operating segments	10 882	9 894	4 584	3 827	143	163	15 609	13 884
International VIP Business	4	135	–	–	–	–	4	135
Group operations	10 886	10 029	4 584	3 827	143	163	15 613	14 019

South Africa continues to contribute the majority of group revenue at 70%, with Latam contributing 29% and Nigeria 1%. Gaming is the primary contributor to group revenue at 73%, alternate gaming contributes 7%, food and beverage 9%, rooms 8% and other revenues 3%.

The table below sets out the consolidated revenue, EBITDA and operating profit by geographical region and the reconciliation between operating profit as reflected in the statement of comprehensive income and the income statement above which includes headline and adjusted headline earnings adjustments.

R million	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
South Africa	10 882	9 894	2 926	2 622	1 926	1 784
Sun International comparable operations	8 908	8 888	2 495	2 411	1 739	1 630
Time Square (consolidated from 1 April 2017)	827	–	184	–	26	–
SunSlots (consolidated from 1 April 2016)	1 060	753	249	182	166	123
Morula	38	213	(4)	29	(5)	34
SunBet	49	40	2	–	–	(3)
Latam	4 584	3 827	1 097	964	571	574
Nigeria	143	163	8	(4)	(22)	(43)
Total operating segments	15 609	13 884	4 031	3 582	2 475	2 315
Headline and adjusted headline earnings adjustments impacting operating profit	–	–	–	–	(544)	(547)
Unadjusted group operating profit	15 609	13 884	4 031	3 582	1 931	1 768

SEGMENTAL REVIEW

The implementation of strategic initiatives makes the current period difficult to analyse and therefore a segmental review with the full comparable trading of Sun Dreams and SunSlots is provided. The review is based on actual historic performance as if the acquisitions had been implemented with effect from 1 January 2016. The segmental review throughout includes all headline and adjusted headline earnings adjustments.

The table below sets out the operating performance of the group's geographic segments.

R million	South Africa		Latam		Nigeria		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	10 882	9 894	4 584	4 794	143	163	15 609	14 851
EBITDA	2 926	2 622	1 097	1 271	8	(4)	4 031	3 889
Adjusted operating profit	1 926	1 784	590	837	(19)	(38)	2 497	2 583
PPA adjustment	–	–	(19)	(14)	(3)	(5)	(22)	(19)
Operating profit after PPA	1 926	1 784	571	823	(22)	(43)	2 475	2 564

South Africa

On a comparable basis, revenue for the first half of 2017 decreased by 1% while revenue grew by 2% in the second half, resulting in revenue remaining flat for the year. Comparable EBITDA for the first half of the year was down 9%. However, through a focus on costs and efficiencies, EBITDA in the second half of the year was up 15%, resulting in an increase in EBITDA of 3% for the year.

The group's core casino operations continued to be impacted by the current economic climate in South Africa, with comparable casino revenue down 1% while the hospitality operations performed well with 6% growth in rooms revenue and food and beverage revenue improving by 4%.

The International VIP Business struggled to achieve the required volumes to mitigate against volatility and we experienced legal challenges in collecting outstanding debts. Consequently, we suspended the International VIP Business operations in April 2017.

R million	Revenue			EBITDA			Operating profit		
	2017	%	2016	2017	%	2016	2017	%	2016
GrandWest	2 155	–	2 154	850	(2)	866	721	(2)	733
Sun City	1 831	7	1 708	318	58	201	115	>100	12
Vacation Club adjustment	(100)	26	(136)	(81)	28	(112)	(89)	25	(118)
Sibaya	1 269	10	1 157	439	16	378	385	22	315
Carnival City	980	(9)	1 074	254	(19)	314	162	(31)	235
Boardwalk	552	(6)	585	95	(14)	110	27	4	26
Wild Coast	481	2	473	93	4	89	46	28	36
Meropa	302	(7)	325	96	(18)	117	75	(22)	96
Windmill	255	(9)	279	79	(18)	96	57	(24)	75
Flamingo	172	(4)	180	47	(11)	53	33	(13)	38
Golden Valley	176	5	167	39	11	35	23	35	17
Carousel	246	(22)	315	28	(53)	60	10	(69)	32
Table Bay	354	6	333	89	19	75	70	19	59
The Maslow	148	1	147	(22)	(16)	(19)	(40)	7	(43)
Naledi	21	(13)	24	(7)	<(100)	(3)	(8)	(100)	(4)
Fish River	21	(19)	26	(21)	5	(22)	(23)	4	(24)
SunSlots	8 863	1	8 811	2 296	3	2 238	1 564	5	1 485
Time Square	1 060	41	753	249	37	182	166	35	123
Morula	827	100	–	184	100	–	26	100	–
SunBet	38	(82)	213	(4)	<(100)	29	(5)	<(100)	34
Management companies	49	23	40	2	100	–	–	100	(3)
Inter-company management fees	593	3	578	199	15	173	175	21	145
	(548)	(9)	(501)	–	–	–	–	–	–
	10 882	10	9 894	2 926	12	2 622	1 926	8	1 784



01 GrandWest (Western Cape)

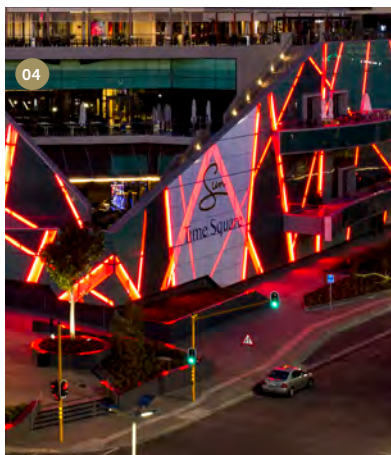
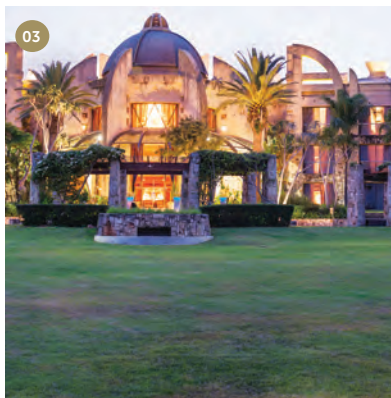
GrandWest's revenue remained flat at R2.2 billion while EBITDA decreased by 2%. Strong growth in tables' revenue was achieved while slots revenue came under pressure with a slowdown in top end play. Overall footfall was up, however average spend was down.

02 Sun City (North West)

Despite tough trading conditions, Sun City had an exceptional year benefiting from the extensive refurbishments completed in prior periods. Casino revenue increased by 11%, rooms revenue by 11% and food and beverage by 3%. Hotel occupancy increased from 68% to 72% assisted by the refurbished conference facility. The average room rate increased by 4%. EBITDAR (pre the vacation club adjustment) increased by 22% reflecting the focus on controlling costs. EBITDA (pre the vacation club adjustment) however increased by 58% as the temporary conference facility rental in 2016 of R57.8 million was no longer incurred.

03 Sibaya (KwaZulu-Natal)

Sibaya delivered pleasing results with revenue up 10% and EBITDA up 16%. The property continues to show growth in market share, which for the year was at 35.1%, up 1.6% on the prior year. The food and beverage offering and Privé will be upgraded in 2018.



04 Time Square (Gauteng)

Following a soft opening of the casino to the public on 1 April 2017, Time Square achieved total revenue of R827 million for the nine months of trading with R744 million derived from casino revenue and EBITDA of R184 million. The loss after tax and interest incurred was R345.2 million of which R296.0 million was attributable to the group.

The Gauteng gaming market grew strongly in the second half of the year and achieved growth of 4.4% for the year. Time Square captured approximately 13% share of the Gauteng market, which is below initial expectations. Recent trading has reflected growth in activity and visitation following the opening of the arena in November 2017 but unfortunately, due to a lower win ratio, the growth has not translated into revenue. With the formal opening of the hotel in April 2018, we anticipate growth in gaming revenue.

05 Carnival City (Gauteng)

Carnival City continued to deliver disappointing results with revenue and EBITDA down 9% and 19% respectively. However, the second half of the year showed a marked improvement compared to the first half with revenue down by 3% compared to the 14% decline in the first half. The improvement can partly be attributed to a refresh of the retail as well as food and beverage offering, walk ways and restrooms. Carnival City continues to focus on driving footfall through events and entertainment to counter the effects of lower average spend

06 Boardwalk (Eastern Cape)

Boardwalk's overall revenue decreased by 6% with casino revenue down by 5%. With the drop in revenue, EBITDA decreased by 14% from R110 million to R95 million. Of further concern is the opening of an EBT outlet in Uitenhage in September 2017, which will likely impact the Boardwalk's revenues further. An application to restructure the Boardwalk has been submitted to the Eastern Cape Gaming Board. The shopping mall development is progressing, having received gaming board approval and we have secured an anchor tenant for the premises. The Boardwalk's sole contribution to the development will be the inclusion of the existing retail and land in return for a 50% equity interest in a joint venture.

07 The Table Bay (Western Cape)

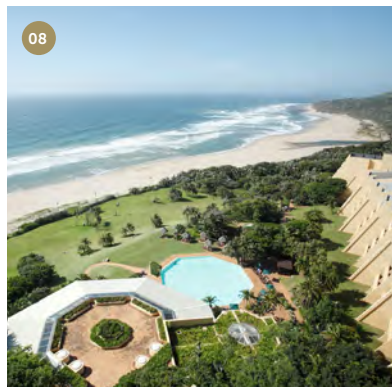
The Table Bay continues to perform well with revenue up 6% and EBITDA up 19%. Occupancy was down two percent to 75% while the average room rate increased by 9% resulting in a REVPAR growth of 7%. Our international mix increased by one percent to 82% of room revenue.



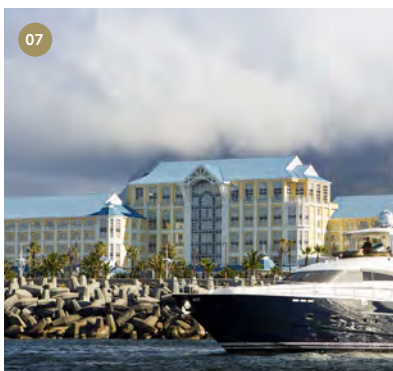
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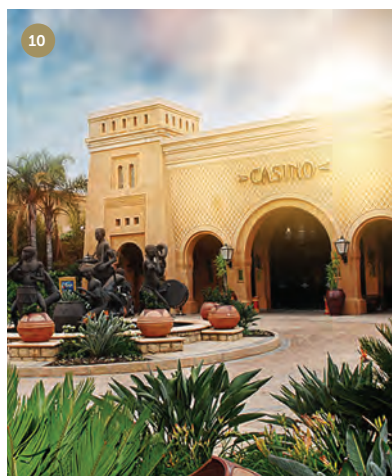
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07



09



10

10 Other Casinos

The other small urban casinos which include **Meropa** (Limpopo), **Windmill** (Free State), **Flamingo** (Northern Cape), **Carousel** (North West) and **Golden Valley** (Western Cape) were impacted by depressed trading conditions with aggregated revenue down 9% and aggregated EBITDA down 20%. A new 60-room hotel was opened at Meropa in July 2017.

SunSlots revenue exceeded R1 billion for the first time with an increase of 8% on the comparable prior year.

Management fees and related income of R593 million, was 3% higher than the prior year. EBITDA increased 15% to R199 million.



11

OTHER AFRICA

11 Nigeria

The trading conditions in Nigeria have not improved during the last six months and as a result revenue decreased by 12%. However an EBITDA of R10 million was achieved partly due to provision reversals.



12

08 Wild Coast

Wild Coast revenue and EBITDA increased by 2% and 4% respectively while maintaining the EBITDA margin. The casino licence expires in 2019 and the Eastern Cape Gambling and Betting Board has issued a request for proposal (RFP), which the company has responded to. We now await the final RFP to be issued.

09 The Maslow Hotel

The Maslow Hotel increased revenue by 1% due to higher occupancy, which was up from 70% to 72%. With the increased competition and a slowdown in business travel, the room rate was in line with the prior year.

12 LATAM

Sun International's Latam operations have been successfully integrated with those of Dreams. The table on page 52 includes the historic trading of Sun Dreams for the year ended 31 December 2016, with the conversion at the average exchange rate for the year ended 31 December 2017, to enable comparison in Rands.



Presentation of constant currency information and pre-acquisition adjustment

R million	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
Monticello	1 674	1 861	417	562	265	427
Dreams SCJ licences	1 532	1 547	586	590	551	559
Dreams municipal licences	834	853	303	319	256	270
Sun Chile office	9	–	8	–	8	–
Central Office	–	–	(132)	(170)	(277)	(254)
Chile operations	4 049	4 261	1 182	1 301	803	1 002
Ocean Sun	223	231	(80)	(38)	(162)	(121)
Sun Nao	35	40	(38)	(37)	(67)	(62)
Peru	277	262	33	45	(3)	4
Latam total	4 584	4 794	1 097	1 271	571	823
Constant currency adjustment	–	113	–	31	–	19
Pre-acquisition adjustment	–	(1 081)	–	(338)	–	(268)
	4 584	3 827	1 097	964	571	574



The 31 December 2016 segmental comparative pro forma results set out in the segmental tables relating to our Latam businesses have been translated at the 31 December 2017 average exchange rate of 48.7 Chilean Pesos (CLP) to the Rand (47.6 for 31 December 2016). The adjustment has been disclosed as a constant currency adjustment. The presentation of financial information on a constant currency basis and in relation to the pre-acquisition adjustment falls into the category of non-application of a specific IFRS requirement and is therefore regarded as pro forma information, per the JSE Listings Requirements.

The effective date of the merger with Sun Dreams was 1 June 2016. In order to present a meaningful comparative, the pre-acquisition adjustment includes the 5 months prior to the merger. The pro forma information has been prepared for illustrative purposes only and because of its nature, it may not fairly present the group's financial position, changes in equity, results of operations or cash flow. The pro forma information has been extracted from management accounts. Shareholders are further advised that the above information has not been reviewed or reported on by our auditors.

Overall, revenue from **Chile** decreased by 5% to CLP197 billion (R4.1 billion) while EBITDA decreased by 9% to CLP57 billion (R1.2 billion). Iquique, which is located in a copper mining region was impacted by strikes early in the year, while Monticello's revenue was down 10% with gaming revenue down 6%. The property was negatively impacted by the relocation of the toll road in September 2016 and the unfortunate shooting incident that took place in July 2017. In June 2017, Monticello opened a new smoking deck, a 4 000-seat arena and a new bar. However, due to the arena start-up costs, additional security measures being put in place post the shooting incident and an increase in marketing spend to attract guests back to the casino, EBITDA was down 26%.





13 Panama

The performance of the Panama operation continues to disappoint. Revenue decreased by 4% from R231 million to R223 million while the EBITDA loss increased from R38 million to R80 million due to bad debts and high marketing, promotion and tournament costs which did not drive the expected revenues. With the closure of the International VIP Business and the 66th floor casino, the cost structure has been reduced significantly.

14 Colombia

The Sun Nao Casino in Colombia continued to incur an EBITDAR loss and consequently the business was closed in December 2017. Some of the slot machines have been redeployed to smaller outlets in Cartagena with significantly less overhead costs and we are in negotiations to early exit the current property lease.

15 Peru

Revenue in Peru increased by 6% while EBITDA decreased from R45 million to R33 million due to higher promotional and marketing expenditure in the region.

GROUP BORROWINGS

Sun International's borrowings as at 31 December 2017 were R15.0 billion of which R11.4 billion can be attributable to the South African balance sheet. Group debt increased by approximately R480 million from 31 December 2016, due primarily to the capital expenditure at Time Square. The group's balance sheet remains resilient and the operations continue to generate strong cash flows. Following negotiations with the group's lenders, the debt covenant levels were adjusted and the group continues to trade within these levels.

The group has unutilised borrowing facilities of R730 million and available cash balances of R700 million.

R million	Total debt	Minorities share	Sun International
South Africa	11 424	1 373	10 051
SunWest	869	305	564
Afrisun Gauteng	580	31	549
Afrisun KZN	284	96	188
Emfuleni	610	91	519
Wild Coast	280	84	196
Meropa	131	38	93
Teemane	75	19	56
Windmill	102	27	75
Golden Valley	(11)	(4)	(7)
SunSlots	70	21	49
Time Square	4 669	665	4 004
Management and corporate	3 765	–	3 765
Nigeria	493	250	243
Shareholder loans	761	386	375
Sun International inter-company	(268)	(136)	(132)
Latam	3 078	1 031	2 047
Sun Dreams	2 267	1 031	1 236
Sun Chile	811	–	811
31 December 2017	14 995	2 654	12 341
31 December 2016	14 517	3 134	11 383

Debt covenants

The bank debt covenants per the funding agreements in South Africa and Chile at 31 December 2017 are set out below.

	South Africa		Chile	
	Covenant	Actual	Covenant	Actual
Debt to EBITDA	4.0x	3.7x	4.75x	2.8x
Interest cover	2.5x	3.3x	–	–

RIGHTS OFFER

Due to difficult trading conditions and Time Square producing disappointing results, the group renegotiated its South African debt covenant levels for June 2017 and December 2017. Although trading has improved marginally at Time Square and the group met its debt covenants at 31 December 2017, the board has deemed it prudent to embark on a capital raise exercise to de-risk the balance sheet. Accordingly, the proceeds from the rights offer will be used to repay debt, thereby creating headroom in relation to relevant debt covenants. A stronger balance sheet and capital structure will also afford management more operational freedom to focus on the back to basics strategy. In addition, the rights offer will reduce Sun International's interest charge as rates are based on Sun International's prevailing debt metrics.

CASH FLOW

The group continues to generate strong cash flow from operations, which has resulted in the group trading within the debt covenant levels.

CAPITAL EXPENDITURE

R million	Total
South African operations	
Expansionary	
Time Square	1 594
Meropa	50
Sun City	28
	1 672
Refurbishment and ongoing	
Sun City	71
GrandWest	128
Sibaya	81
SunSlots	95
Other	127
	502
Total South African capital expenditure	2 174
Latam operations	
Expansionary	230
Refurbishment and ongoing	178
Total Latam capital expenditure	408
Nigerian operations	
Expansionary	10
Total Nigerian capital expenditure	10
Total group capital expenditure	2 592

Project capital expenditure

Sun International has outstanding capital commitments of approximately R230 million to be incurred in 2018 to complete Time Square development.

UPDATE ON STRATEGIC INITIATIVES

The **Time Square** casino was completed and opened on 1 April 2017. The arena opened in November 2017 and the hotel will open in March. We believe that these facilities will have a significant impact on visitation to the property and an increase in casino revenue. To date, the cost of the development equals R4.2 billion.

The board of the **Tourist Company of Nigeria (TCN) – Federal Palace** has been reconstituted with the Securities Exchange Commission appointing two directors thereto. Deloitte has been mandated to investigate the shareholder disputes. Once the Deloitte investigation has been completed it will pave the way for Sun International to exit its investment in Nigeria.

Proposed acquisition by Sun International of 50% of Entretenimientos Del Sur Limitada's (EDS) equity interest in Sun Dreams and put options

Shareholders are referred to the announcements released by the company on SENS on 30 May 2017 and 15 November 2017 which provided details regarding Sun International's intention to increase its shareholding in Sun Dreams from approximately 55% to approximately 65%.

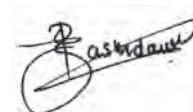
As part of the transaction, the put options previously exercisable by Nueva Inversiones Pacifico Sur Limitada and EDS on Sun International will fall away. The implementation of this transaction (which is now unconditional) is pending finalisation of an underwritten 10-year bond issue which is expected to be implemented by the end of March 2018, after which the put option liability and reserve will be derecognised from the balance sheet.

Peru acquisition

Sun Dreams has finalised an acquisition in Peru of Thunderbird Resorts, which comprises of 4 gambling operations generating EBITDA of US\$4.2 million. The purchase consideration is approximately US\$27 million and includes premises valued at US\$11 million. The acquisition presents an opportunity for Sun Dreams to strengthen its position in Peru and diversify its asset base in Latam. The proposed transaction is still awaiting the relevant gambling board approvals which are anticipated to be received in the near future.

INCREASE IN VAT RATE

The 1% increase in the VAT rate in South Africa will result in a direct cost for the business as the increase cannot be passed on to our gaming customers. The additional cost will equate to an approximate 5% increase in the VAT currently payable on gaming revenue. Based on the 2017 gaming revenue, this would have amounted to approximately R54 million from which corporate tax will be deducted.



Norman Basthdaw
Chief financial officer
29 March 2018



RULES OF THE GAME

BOARD OF DIRECTORS

MV (VALLI) MOOSA ⁶¹
Chairman
BSc (Mathematics, Physics)
 Appointed in 2005
 Appointed in 2009 as chairman of the board

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

COMMITTEES
 N I R M S

PL (LEON) CAMPHER ⁶⁹
Non-executive
BEcon
 Appointed in 2002

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

COMMITTEES
 I A N R M S

AM (ANTHONY) LEEMING ⁴⁸
Chief executive (CE)
BCom, BAcc, CA(SA)
 Appointed in 2013 (board)
 Appointed in 2017 (CE)

- Financial and corporate finance expertise
- Sound governance and IT experience
- Gaming and hospitality experience

COMMITTEES
 I T R

N (NORMAN) BASTHDAW ⁵⁰
Chief financial officer (CFO)
BCompt (Hons), CTA, CA(SA), MCom, Higher Diploma in Company Law
 Appointed in 2017

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

COMMITTEES
 I T R

PDS (PETER) BACON ⁷¹
Non-executive
FIH
 Appointed in 2013

- Extensive experience in hospitality and gaming
- Sound business experience

COMMITTEES
 R A

ZBM (ZARINA) BASSA ⁵³
Non-executive
BAcc, Dip Acc, CA(SA)
 Appointed in 2010
 Resigned 12 February 2018

- Financial technical expert
- Extensive experience in banking
- Sound business experience
- Business leader

COMMITTEES
 A I R M

E (ENRIQUE) CIBIE ⁶⁴
Non-executive
BA, CA (Pontificia Universidad Catolica de Chile), MBA (Stanford)
 Appointed in 2014

- Extensive international gaming experience
- Sound business experience

COMMITTEES
 A R M R

GW (GRAHAM) DEMPSTER ⁶²
Non-executive
BCom, CTA, CA(SA), AMP (Harvard)
 Appointed in 2017

- Extensive local and international experience in banking and finance
- Sound business experience

COMMITTEES
 I

- COMMITTEES
- A Audit
 - I Investment
 - IT IT governance
 - N Nomination
 - RM Remuneration
 - R Risk
 - S Social and ethics
 - Chairman



DR NN (LULU) GWAGWA ⁵⁸
Non-executive
BA, MTRP, MSc, PhD (London)
 Appointed in 2005

- Sound business experience

COMMITTEES
 N R

CM (CAROLINE) HENRY ⁵¹
Non-executive
CA(SA)
 Appointed in 2016

- Extensive experience in finance, treasury, debt capital markets and pension and provident funds
- Sound business experience

COMMITTEES
 A R

BLM (TUMI) MAKGABO-FISKERSTRAND ⁴³
Non-executive
BA (International Relations)
 Appointed in 2010

- Extensive experience in investment opportunities throughout the African continent
- Sound business and leadership experience
- Expertise in communications

COMMITTEES
 S

IN (NIGEL) MATTHEWS ⁷²
Lead independent director (LID)
MA (Oxon), MBA
 Appointed in 1996 (board)
 Appointed in July 2009 (LID)
 Retired 31 December 2017

- Environmental expertise
- Tourism expertise
- Sustainable development expertise

COMMITTEES
 RM I N R

DR (KHATI) MOKHOB0 ⁵²
Executive director
BCom, BAcc, ACMA, CA(SA)
 Appointed in 2016

- Financial and forensics expertise
- Sound new business development experience
- Gaming expertise

GR (GRAHAM) ROSENTHAL ⁷³
Non-executive
CA(SA)
 Appointed in 2002
 Retiring at 2018 AGM

- Expertise in finance
- Extensive experience in audit and business advisory

COMMITTEES
 A R S

EXECUTIVE LEADERSHIP

ANTHONY LEEMING ⁴⁸

Chief executive

BCom, BAcc, CA(SA)

- Financial and corporate finance expertise
- Sound governance and IT experience
- Gaming and hospitality experience



NORMAN BASTHDAW ⁵⁰

Chief financial officer

BCompt (Hons), CTA, CA(SA), MCom, Higher Diploma in Company Law

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



ANDREW JOHNSTON ⁵²

Director: corporate services and group company secretary

BA, LLB, FCIS, Post Graduate Diploma (Environmental Law)

- Legal, secretarial, compliance, sustainability and corporate governance experience
- Corporate finance and investor relations expertise
- Certified ethics officer



JAIME WILHELM ⁵¹

Chief executive – Sun Dreams S.A.

Business Administration and Economics, MBA

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



CLAUDIO TESSADA ⁴⁷

Chief financial officer – Sun Dreams S.A.

BA, MBA

- Financial and insurance experience
- Marketing experience
- Casino operations experience



THABO MOSOLOLI ⁴⁸

Chief operating officer

BCom Honours, CA(SA), EDP, MAP, Diploma in project management, International Business certificate

- Financial and corporate finance expertise
- Gaming and hospitality experience
- Internal audit and advisory services experience



ZAINE MILLER ⁵²

Group chief information officer

CIO certification, electrical engineering, electronics

- Information Technology (IT) expertise
- IT governance, IT operations and strategy experience
- Hospitality, gaming, ERP, eCommerce and integrated system architecture experience



CATHERINE NYATHI ³⁶

Chief audit executive

CA(SA), Post Graduate Diploma in Banking Law, Post Graduate (Honours) in Corporate Governance

- Extensive audit experience
- Governance, risk and compliance expertise
- Banking, insurance, gaming and hospitality experience



VERNA ROBSON ⁴⁶

Director: group human resources

BProc (Legal), Advanced Human Resource Management

- Labour relations experience
- Extensive human resources experience



ROB COLLINS ⁵⁶

Group strategy and operations officer

BCom (Legal), BCom Honours (Marketing), Higher Diploma Tax Law, Company Law

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

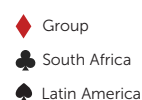


KHATI MOKHOBO ⁵²

Director: special projects

BCom, BAcc, ACMA, CA(SA)

- Financial and forensics expertise
- Sound new business development experience
- Gaming expertise



CORPORATE GOVERNANCE OVERVIEW

In the challenging environment we find ourselves in, good corporate governance is more important than ever, and **we continue to live by the pillars of integrity, responsibility, fairness, transparency, honesty and accountability to all stakeholders.** These pillars preserve the group's long-term sustainability, thereby delivering value to all stakeholders.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders

In the past 18 months, we have seen much change at Sun International, most notably in our senior management: chief executive Graeme Stephens resigned as chief executive effective 31 January 2017 and was replaced by Anthony Leeming on 1 February 2017. Norman Basthda was appointed chief financial officer on 24 March 2017, and Andrew Johnston was appointed director: corporate services and group company secretary effective 16 November 2016. In addition Leon Campher was appointed lead independent director and chairman of the remuneration committee and Graham Dempster was appointed chairman of the investment committee.

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

Sun International takes pride in the fact that its business practices remain underpinned by ethical principles embraced by the board, practiced by the leadership team and cascaded down to our employees groupwide. We are unwavering in our endeavours of zero tolerance for corruption at every level of the organisation. To reinforce the board's ethical leadership commitment, the board of directors and executive committee signed an ethical declaration, <http://ir2017.suninternational.com/rules-of-the-game/> and looking ahead we aim to highlight ethics in the organisation and encourage employees to commit to a similar ethical conduct declaration, which will build on the SunWay project that has been initiated around creating a positive culture within the organisation. We also engaged with Deloitte Tip-Offs Anonymous to manage the group's ethics hotline and going forward, greater

awareness will be created around the importance of using the ethics hotline. In addition, an ethics office has been created with a dedicated resource to assist with the awareness and upliftment of ethics within the organisation.

With the chief executive's directive of 'getting back to basics', the board is renewing its focus on reviewing the fundamentals of how we govern and how our structures enhance and unlock shareholder value. The board committee memberships were reviewed during the year to ensure an integrated approach that delivers on our strategic objectives. This integrated governance approach enables these committees to ensure that progress against the group's strategic objectives is monitored. We have also embraced King IV™; our application register provides details on how we have applied the 16 King IV™ principles <http://ir2017.suninternational.com/rules-of-the-game/>. The board is satisfied with the extent of the group's application of the principles set out in King IV™, the group's regulatory universe, and with the JSE Listings Requirements as articulated in this report.

During the year under review a revised integrated risk methodology and ranking system was adopted to more accurately identify and rank groupwide risks and opportunities in South Africa and Latam. Additionally, specific executives are accountable for managing, monitoring and reporting on identified risks and opportunities in their areas of expertise. A new sustainability committee was constituted to focus on environmental, health and safety, socio-economic development, enterprise and supplier development as well as ethics and monitor the group's progress against B-BBEE. Further, a policy revitalisation management sub-committee was established to review, update and consolidate group policies. Sun International also adopted a new memorandum of incorporation that aligns with current corporate governance best practices.

With the increase of cyber threats across our operating environment, the group's IT governance structures remain resilient

and responsive in their responsibility of securing the host of information stored across the various systems within the group.

Governance in Latam was a focus area and good progress was made where board committees have been established and their processes are being aligned to the South African operations. Going forward, the Latam committees will be reporting into the South African board committees so that the local operations can focus on the operational matters while material governance, risk and strategy issues are elevated to the group board. We acknowledge that there is still work to be done in this area to align governance practices with the rest of the group. The integration process has already commenced with the group company secretary attending all committee meetings of Sun Dreams.

The operating environment continues to pose new challenges as the threat of increased gaming taxes, proposed amendments to smoking legislation and the overall tougher economic times, requires innovative thinking along with disciplined processes. We continue striving to achieve that balance. The group experienced some operational challenges as the automated compliance portal has not been fully rolled out given some difficulties in implementation. However, management is focusing on completing this roll out. We continue to engage with the gaming boards with a view to simplifying our group corporate structure and we hope to bed down the simplified structure by the end of 2018.

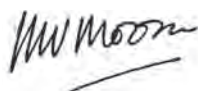
Looking ahead our key focus areas include:

- enhancing an ethical culture through acting on the results of a groupwide ethics survey
- embedding the policy revitalisation programme to guide the group and stakeholders with whom it engages
- 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 including systems, processes and risk management
- revisiting remuneration practices and procedures to closer align with shareholders interests following the concerns they have expressed.

We are satisfied that the group is meeting 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.



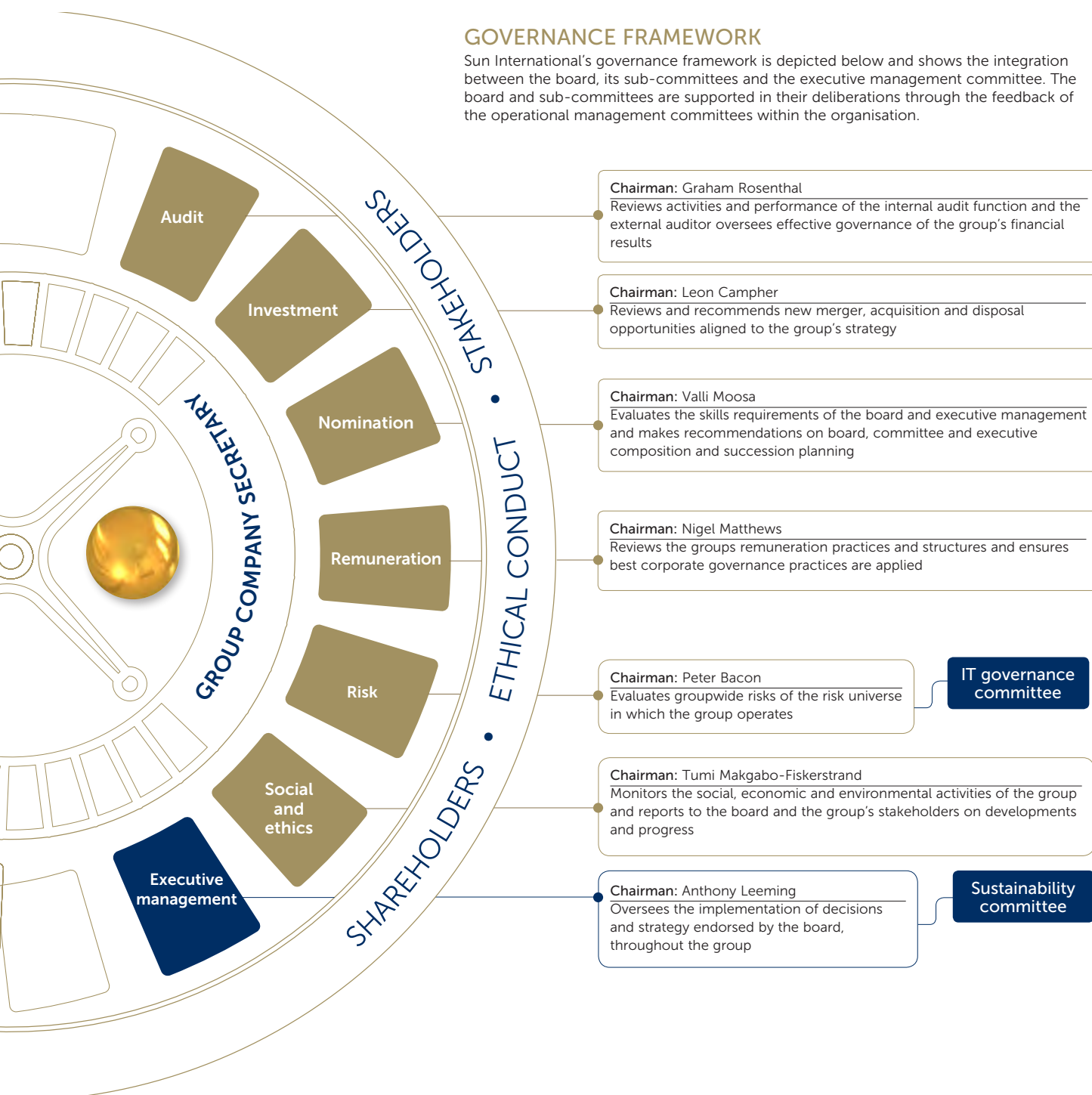
Valli Moosa
Chairman
29 March 2018

This governance overview report should be read in conjunction with the full governance report online <http://ir2017.suninternational.com/rules-of-the-game/> as well as 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.



GOVERNANCE FRAMEWORK

Sun International's governance framework is depicted below and shows the integration between the board, its sub-committees and the executive management committee. The board and sub-committees are supported in their deliberations through the feedback of the operational management committees within the organisation.



BOARD OVERVIEW

Sun International has a unitary board structure comprising a mix of executive and non-executive directors, the majority of whom are independent, non-executive directors. The non-executive directors have the necessary skills, qualifications and industry experience to provide judgment independent of management on material board issues. The board provides ethical leadership and directs the group based on the fundamental principles of

integrity, transparency, honesty, accountability, fairness and responsibility.

Board charter

The board's role is to exercise ethical leadership and sound judgment in directing Sun International to achieve sustainable growth in the best interests of its stakeholders. The board operates under the auspices of a board charter that sets out specific responsibilities to be collectively discharged by the board

members as well as the roles and responsibilities incumbent on the directors as individuals. This board charter is reviewed every other year or more frequently as may be required, to ensure its relevance and a copy is available online <http://ir2017.suninternational.com/downloads/>



The board is satisfied that it has fulfilled its responsibilities in accordance with the charter for the reporting period.

In terms of the board charter, the chairman and chief executive have separate responsibilities as tabled below.

Chairman's responsibilities	Chief executive's responsibilities
Setting the ethical tone of the company.	Setting the tone and providing ethical leadership and creating an ethical culture.
Providing overall leadership without limiting individual responsibility.	Developing and implementing the company strategy for board approval.
Participating in the identification and selection of board members.	Assisting the nomination committee with senior executive appointments.
Overseeing succession planning for the board and senior executives.	Developing business plans and budgets that support the company's long-term strategy.
Encouraging collegiality and candid debate.	Establishing an executive management structure to enable strategic execution.
Managing directors' conflicts of interests.	Monitoring and managing the day-to-day operational requirements of the company.
Acting as a link between the board and executive management.	Ensuring that the company applies best practice and complies with all relevant laws.
Ensuring the board fulfils a constructive role in the affairs of the company.	Maintaining personal awareness of business, economic and political trends that may affect the company.
Ensuring board effectiveness and assessing individual director performance.	Ensuring executive committee effectiveness by assessing top managements performance.
Ensuring that all directors are made aware of their responsibilities.	Ensuring the company assets are adequately maintained and protected.
Ensuring positive stakeholder relations are maintained.	Ensuring that comprehensive and appropriate internal control mechanisms are approved by the board to mitigate key risks.
Ensuring that decisions of the board are executed.	Ensuring that business practices and activities are in accordance with good corporate governance and ethical conduct.

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.

Board processes include:

- Board appointments and rotation of directors
- Nomination and selection process for board appointments
- Board induction
- Ongoing director training and development
- Independence
- Succession planning
- Conflicts of interest
- Board, directors and committee evaluations
- Board meetings

Detail on the board processes is available online <http://ir2017.suninternational.com/rules-of-the-game/>



Gender diversity policy

BOARD COMPOSITION (as at 31 December 2017)

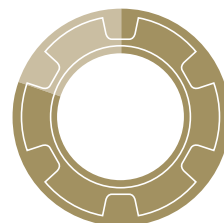
Gender



Ethnicity

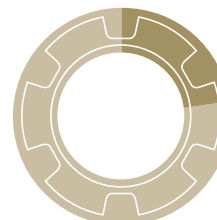


Independence



- Independent directors (8/13) 82%
- Non-independent directors (5/13) 18%

Executive and non-executive directors



- Executive directors (3/13) 23%
- Non-executive directors (10/13) 77%

Gender diversity policy

Sun International adopted a gender diversity policy during 2017 which is available online at <http://ir2017.suninternational.com/downloads/> and became effective on 1 January 2017 (gender). The race targets become effective from 1 June 2018 but have already been adopted: 50% of the board should be black and a minimum of 30% should be women. Factors considered in ensuring appropriate gender and race targets included: the current composition and expected changes in the board going forward, the B-BBEE Codes of Good Practice, the sectoral charter for the tourism industry, the gaming board licences and their respective requirements as well as the group's employment equity plan.



IT GOVERNANCE

The board is responsible for the oversight of 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 has

delegated the group's IT responsibilities to the IT governance committee which reports into the risk committee. Sun International's chief information officer reports directly to the chief executive and is responsible for IT operations and IT strategy within the group.

The focus during 2017 included enhancing customer services, improving internal efficiencies and refining IT infrastructure and security. Sun International's e-Learning portal was well received and contributed 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, emphasis will be placed on information security, system integration, automation and standardisation of processes.

SUPPORTING SUSTAINABLE BUSINESS PRACTICES

The group is aware of its responsibility towards being a good corporate citizen as it considers the sustainability of its business practices and its potential impact on all stakeholders and on the environment. The achievement of the group's key strategic imperatives is underpinned by the group's sustainable business practices and are often an enabler by ensuring that a sound corporate reputation and the group's brand are synonymous.


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 Global Reporting Initiative Framework 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 within which we operate. 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 of Governance (King IV™ Code)	King IV™ and its recommended practices are applied throughout the group as shown in our King IV™ application register that is available online at http://ir2017.suninternational.com/rules-of-the-game/  The board confirms that the group has 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 within which it operates. The group has 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 in which the group operates is highly regulated and is 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

The United Nations Global Compact Principles (UNGC) on human rights, labour environment and anti-corruption	Sun International remains committed to making the 10 UNGC Principles part of its strategy, culture and day-to-day operations of the group. An analysis in relation to the group's standing against these principles can be found on the group's website http://ir2017.suninternational.com/rules-of-the-game/ 
Carbon Disclosure Project (CDP) – water and energy	Sun International participates annually in the CDP.
Organisation for Economic Cooperation and Development	The group adheres to the guidelines for multinational enterprises regarding anti-corruption.
International <IR> Framework	Sun International applies the international integrated reporting framework in compiling its integrated annual report.

ADMINISTRATION

SUN INTERNATIONAL LIMITED

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

COMPANY SECRETARY AND REGISTERED OFFICE

Company Secretary: AG Johnston
6 Sandown Valley Crescent
Sandton
2196

(PO Box 784487, Sandton, 2146)

SPONSOR

Investec Bank Limited
(Registration number 1969/004763/06)
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

(PO Box 785700, Sandton, 2146)

AUDITORS

PricewaterhouseCoopers Inc
4 Lisbon Lane
Waterfall City
Jukskei View 2090
South Africa

Telephone +27 (0)11 797 4000
Telecopier +27 (0)11 797 5800

BANKERS

ABSA Bank Limited
First National Bank Limited
Investec Bank Limited
Nedbank Limited
Rand Merchant Bank (a division of FirstRand Bank Limited)
The Standard Bank of South Africa Limited

CORPORATE LAW ADVISOR

Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
1 Protea Place
Sandton
2196

Private Bag X40, Benmore, 2010

Telephone +27 (0)11 562 1000
Telefax +27 (0)11 562 1111

REGISTERED OFFICE

6 Sandown Valley Crescent
Sandton 2196, Gauteng
South Africa

Telephone +27 (0)11 780 7000
Telefax +27 (0)11 780 7716
website: www.suninternational.com

Postal address

PO Box 782121, Sandton 2146, Gauteng
South Africa

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

(PO Box 61051, Marshalltown, 2107)

RESERVATIONS AND NATIONAL SALES

Telephone +27 (0)11 780 7810

INVESTOR RELATIONS

Telephone +27 (0)11 780 7762
Email: 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.



suninternational.com