

Sun

Sun International



2022 INTEGRATED ANNUAL REPORT



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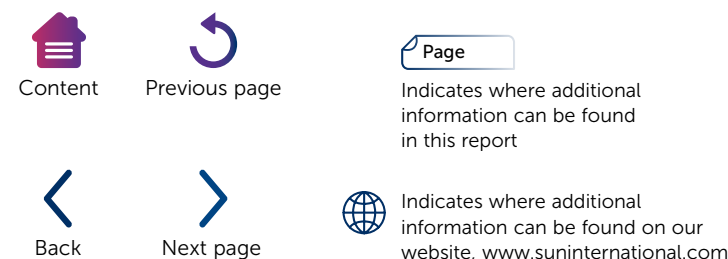
STAKEHOLDER FEEDBACK

We welcome stakeholders' feedback on our reporting, particularly regarding our suite of reports. Feedback can be sent to investor.relations@suninternational.com or group.sustainability@suninternational.com

REPORTING FOOTPRINT AND NAVIGATION

Sun International's integrated annual report (IAR) is interactive. The user experience is aided by a navigation bar and interlinking of pages and information, both within the report and to other reports and external sources. Navigation is further aided by the icons below. All reports are also available online for viewing or downloading, where the online report generator function further enhances the user experience.

Navigation tools

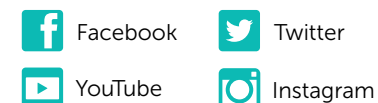


This report is best viewed in Adobe Acrobat for desktop, mobile or tablet*.

Click to download or update to the latest ADOBE ACROBAT READER

* Functionality may differ according to device and app version used.

Social media



Sun International's top six SDGs



Capitals



Strategic objectives



Key stakeholders



Top 10 risks¹



¹ Top 10 risks as at 10 March 2023.

DIRECTORS' APPROVAL

The board acknowledges its responsibility to ensure the IAR's information integrity, completeness as well as the reports' preparation in accordance with the International <IR> Framework (January 2021). The audit, risk and social and ethics committees were involved in the review and guidance of this year's IAR. The board is kept abreast of the reporting progress through various board committees' feedback and the audit committee recommends the IAR to the board for approval.

The board is of the opinion that the group's rigorous integrated reporting process includes relevant executive oversight of the report's content, its accuracy, relevance and transparency and that the report is presented in compliance with the <IR> Framework (January 2021). The IAR was approved by the board on 29 March 2023.

SAM SITHOLE

Chairman
31 March 2023

ANTHONY LEEMING

Chief executive
31 March 2023

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 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.

ABOUT THIS REPORT

Welcome to Sun International Limited's (Sun International) 2022 IAR.

REPORTING SCOPE, STRUCTURE AND BOUNDARY

Sun International reports in a holistic, transparent and integrated manner to assist our stakeholders to make informed decisions about our business. We aim to provide our stakeholders with a focused and balanced report that demonstrates our integrated thinking and our ability to create and preserve value, but also highlights the areas where we eroded value for the year under review. This report covers the financial period 1 January 2022 to 31 December 2022 and incorporates all Sun International's subsidiaries and operating units in the geographic locations where we operate – South Africa and Nigeria.

The tourism and entertainment industry has rebounded as lockdowns at various alert levels were lifted in 2022. Our integrated thinking, regular stakeholder engagement, risk and opportunity identification, capital resource prioritisation and the ability to take decisive action continue to stand the group in good stead. Our strategic progress, driven through our business model, continues to position the group for growth opportunities and value creation over the short, medium and long term.

This report is structured around our leadership overviews, operational overview, our strategic performance and outlook, our governance transparency and accountability, and our financial performance. The other suite of reports includes the group's and company's annual financial statements (AFS), statutory information as well as remuneration and our environmental, social and governance (ESG) information.

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Strategic objectives review Page 9

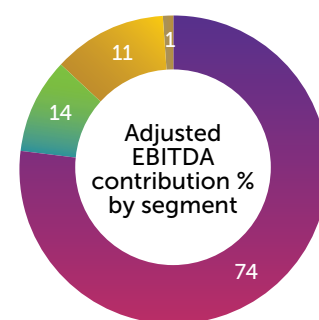
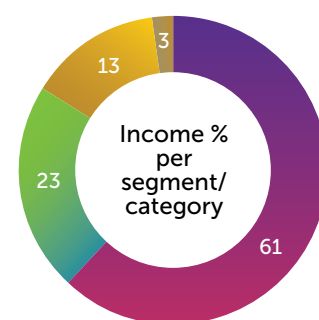
Operational reviews Page 12

Our business model Page 22

Our IAR's content covers the reporting period's most material matters and where applicable, content includes the period up to the report's finalisation on 31 March 2023. Sun International's material matters are topics that could substantively influence the assessment of providers of capital and other stakeholders regarding the group's ability to create, preserve and erode value over the short, medium and long term. The process of determining materiality, outlined in the materiality section of this report, involves reviewing and assessing our risks (strategic, financial, operational, ESG, reputational and regulatory), opportunities, the external environment, capital resources and stakeholder concerns. This process is dynamic and evolves annually to ensure our material matters remain relevant and enable the group to achieve its strategic objectives, vision and purpose.

Our South African operations are the group's single biggest income contributor and gaming remains the group's primary income generator.

Contribution to group income



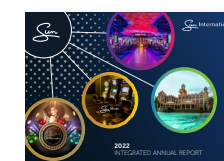
● Urban Casinos
 ● Resorts and Hotels
 ● Sun Slots
 ● SunBet

REPORTING SUITES AND REPORTING FRAMEWORKS

The group's suite of reports is guided by various frameworks, as depicted below. Our IAR is primarily guided by the International Financial Reporting Standards (IFRS) Foundation's Integrated Reporting and Connectivity Council's recommendations for integrated reporting (the <IR> Framework). Our AFS follow IFRS and are externally assured by Deloitte & Touche.

Certain sustainability information is externally assured by IBIS Consulting (link to assurance statement). A detailed register of our King IV™ application of governance principles is available online. The group also embraces the United Nations Sustainable Development Goals (SDGs), which encourage companies and individuals to take the necessary action to achieve the SDGs by 2030.

<https://corporate.suninternational.com/investors/investors-results-reports/>



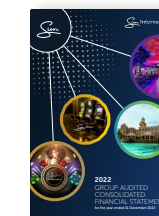
Integrated annual report



Environmental, social and governance report (ESG)



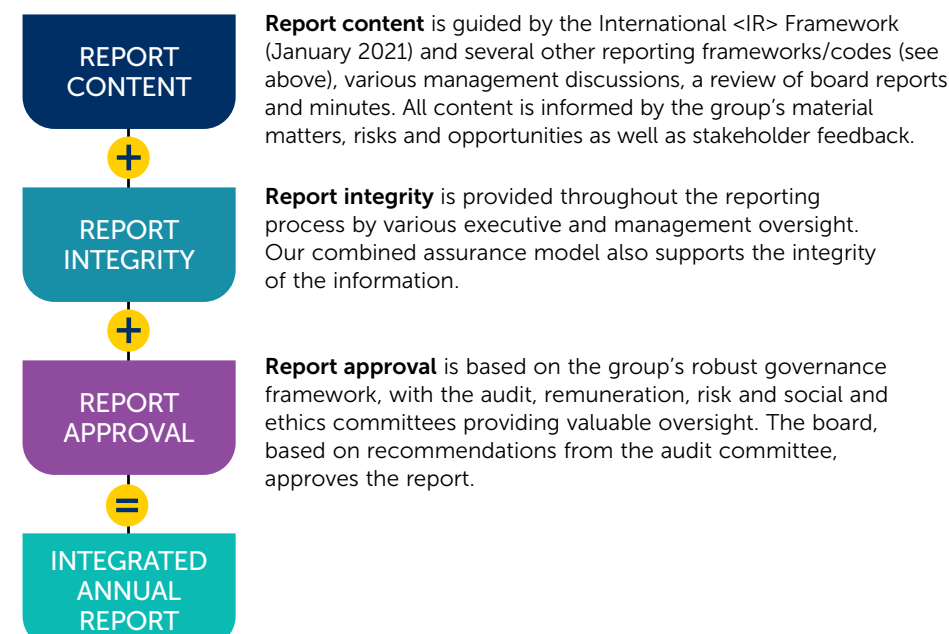
Annual statutory report



Group audited consolidated financial statements

	Integrated annual report	Environmental, social and governance report (ESG)	Annual statutory report	Group audited consolidated financial statements
International <IR> Framework	✓			
IFRS				✓
Companies Act	✓	✓	✓	✓
King IV™	✓	✓	✓	✓
JSE Listings Requirements (LR)	✓	✓	✓	✓
JSE Sustainability Disclosure Guidance		✓		
SDGs		✓		
Global Reporting Initiative (GRI)		✓		
AA1000AS		✓		

INTEGRATED REPORTING PROCESS



COMBINED ASSURANCE MODEL

Sun International's combined assurance strategy and framework ensures optimal, cost-efficient and integrated assurance coverage group-wide.

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Our hybrid top-down and bottom-up approach, which aligns with the King IV™ outcomes, ensures adequate assurance on key business risks and processes. This model also enables an effective internal control environment and supports the integrity of information that management, the board and other stakeholders use in decision-making.

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CHAIRMAN'S MESSAGE

SAM SITHOLE

Chairman

In my report last year, I indicated the sense of excitement on how well the group was positioned for the future. Despite the tough macro environment in 2022, the group has validated this assessment by delivering exceptional results for the year in all the key strategic areas of the business, leaving it well placed to become a consistent performer achieving superior returns for its stakeholders.

There were several notable highlights during the year. The group achieved an exceptional financial performance, despite the limitations of international tourism and operating under Covid-19 restrictions for the first half of the year. Sun City's turnaround both at EBITDA and service levels was impressive and there was significant investment in upgrades and refurbishments as well as excellent progress on the Sun City Vacation Club expansion strategy.

The investment in the group's online and sports betting business has yielded positive results as SunBet continues to grow rapidly in this fast-growing online gaming market, well ahead of its five-year strategic plan. SunBet's new top management has also provided a solid leadership foundation for us to keep growing.

In an industry where core skills are scarce, the group has retained its skills base through external hires and internal promotions. We remain underpinned by a strong, cohesive and dynamic management team that will take the business forward. The business is right-sized and well positioned for growth, evidenced by our margin improvements and market share gain in all provinces.

Enhancing our customer experience remains a key focus and good inroads were made during the year – evident in the material growth in our online market share (SunBet) and the positive feedback from the turnaround at Sun City. The Palace refurbishments included the addition of a spa and a complete makeover of the Salon Privé in the Sun City Hotel, with the Cascades upgrade commencing in 2023. Sun International's new chief marketing and sales officer has made positive headway in developing a new customer relationship management strategy, to boost our customer attraction and retention and enhance the customer experience.

Good feedback was received from investors around our business model, having right-sized the group and strategically positioned the four business segments (Urban Casinos, Resorts and Hotels, Sun Slots and SunBet). Going forward, the group's focus will be on capital allocation and how to maximise shareholder value through growth and dividends.

Some of our iconic properties celebrated milestones during the year – The Palace of the Lost City celebrated 30 years in November 2022, The Table Bay celebrated 25 years in May 2022, Flamingo and Meropa celebrated their 20th birthdays in March 2022 and Time Square celebrated five years in April 2022.

The group's success is in large part due to having the right people in the right roles, including confidence in management's ability to execute Sun International's strategy. The board composition also enables its strategic focus and having the calibre and experience of Nigel Payne has significantly boosted the group's SunBet strategy. Credit must go to Anthony Leeming and his team, who worked tirelessly during the challenging 2020/2021 operating environment. Their decisive leadership and dedication have resulted in the group reaching new heights with a clear strategy and strong balance sheet and has made Sun International an exciting place to work.

The board is satisfied that it continues to deliver on its strategy and that there are opportunities to optimise the group's portfolio to provide shareholder returns, through responsibly allocating capital. We acknowledge that the operating environment remains tough and there is a need for continued improvement, with no room for complacency. There will be a very disciplined approach towards our strategic choices and capital allocation decisions so that our stakeholders continue to enjoy superior returns.

Being in the gaming industry, it is important to promote ethical and responsible gambling to avoid customers becoming over-indebted. Being ethical and responsible is part of our DNA and the board takes this ethos seriously. Sun International fully supports responsible gambling through the South African National Responsible Gambling Programme (NRGP) by annually contributing to this programme and by promoting responsible gambling at all our gambling properties through various measures, including advertising, brochures, surveillance and security. All gaming employees receive responsible gambling training from the NRGP and we have also ensured this extends into the online space. Playtech, the new gaming system, will provide an integrated customer experience that will have tools embedded within to manage responsible gambling.

The group's ESG journey predates 2016 and continues to evolve rapidly as ESG reporting frameworks and best practice reporting trends increase and place pressure on corporates to demonstrate how they are being good corporate citizens as opposed to greenwashing. For Sun International, doing business sustainably is a competitive business necessity and our ongoing commitment to sustainability ensures we maintain our operational and social licence to operate. We integrate our business decisions and operate in line with our ESG strategy, to create long-term shared value and ultimately create lasting memories for all key stakeholders. ESG has become a standalone strategic agenda for the board going forward, and we look forward to more traction in this area.

To demonstrate our commitment to Sun International's ESG journey, we signed a R2.4 billion sustainability linked loan on 7 December 2022, the first in the South African hospitality sector. This loan aims to promote the achievement of key sustainability performance targets, to demonstrate Sun International's commitment to being a responsible corporate citizen and further cementing our position as an ESG leader in the South African travel and leisure industry. We have set ambitious

key performance indicators (KPIs) that align with our ENVIRO-AMBITION 2025 and enterprise and supplier development strategies, to address key environmental and social challenges within South Africa, including reducing airspace in landfills, securing electricity supply and local procurement, specifically to empower black women-owned businesses.

To objectively measure our ESG progress, we take part in various surveys by local and international rating agencies such as the FTSE Russell, CDP Climate Change reporting, S&P Global Corporate Sustainability Assessment and IRAS Sustainability Data Transparency Index (SDTI). IRAS, an independent integrated reporting and assurance services company, compiles an SDTI for JSE listed companies that focuses on environmental, social and governance information reported on in companies' integrated annual reports. For the second consecutive year, Sun International was rated the best ESG reporting company in the travel and leisure industry and was placed 17th overall out of 270 companies reviewed.

It is important that we have the right skills at board level to navigate the group, from a gaming and hospitality viewpoint as well as the business environment, which incorporates online and digitisation skills. As a board we pay tribute to Peter Bacon, who retired effective 31 March 2022, for his invaluable support and contribution during his tenure, particularly in the hospitality industry, a gap we are still looking to fill. Enrique Cibie retired effective 31 December 2022 as we exited our Latam investment, and we continue to engage with him on certain matters. Boitumelo Makgabo-Fiskerstrand retired from the board effective 10 May 2022. Both Enrique and Boitumelo were vital cogs of the Sun International board and added tremendous value during their tenure. We wish all three outgoing directors all the best in their new endeavours. Other skills gaps identified include general IT skills and going forward we will focus on identifying suitable candidates to fill these gaps. We welcomed Dawn Marole, who was appointed to the board effective 12 May 2022, and look forward to her invaluable contribution to the board.

Thinking ahead, we continue to look for new growth opportunities in the online and sports betting space, which will afford the group an opportunity to diversify the business geographically through our online product sets. As always, we relentlessly focus on enhancing the customer experience by optimising our portfolio, delivering memorable experiences for our guests and providing attractive returns to our shareholders.

Thank you to all our employees – the greatest assets of this group – who continue to show passion every day. To our management team, your stewardship remains exemplary and your decisive action has placed Sun International in a strong and exciting position, well poised for profitable growth. Thank you to our guests for returning to our properties and enjoying Sun International's hospitality and entertainment. Finally, to my fellow board members, thank you for your wisdom and unwavering support. I am confident in our collective ability to steer the group into the future.

We remain optimistic about the group's future and confident in our ability to continue creating value and lasting memories for our guests and customers.

SAM SITHOLE

Chairman

31 March 2023

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BOARD OF DIRECTORS

as at 31 December 2022

Board member	Title	Qualifications	Appointed	Committee memberships	Experience
S (SAM) SITHOLE (50)	Non-executive chairman	BAcc (Hons), CA(SA), ACA, CA(Z), PLD (Harvard Business School) Advanced Diploma in Banking (UJ)	2018	Chairman: Member:	<ul style="list-style-type: none"> Finance and investment industries expertise Sound business and leadership experience
GW (GRAHAM) DEMPSTER (67)	Lead independent non-executive	BCom, CTA, CA(SA), AMP (Harvard)	2017	Chairman: Member:	<ul style="list-style-type: none"> Banking and finance (local and international) Sound business and leadership experience
AM (ANTHONY) LEEMING (53)	Chief executive	BCom, BAcc, CA(SA)	2013	Chairman: Member:	<ul style="list-style-type: none"> Gaming and hospitality Financial and corporate finance Governance and IT
N (NORMAN) BASTHDOW (55)	Chief financial officer	BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)	2017	Member:	<ul style="list-style-type: none"> Corporate finance advisory and private equity External and internal audit Financial management expertise
E (ENRIQUE) CIBIE (69)	Independent non-executive	BA, CA (Pontificia Universidad Católica de Chile), MBA (Stanford)	2014	Member:	<ul style="list-style-type: none"> International gaming Sound business experience
CM (CAROLINE) HENRY (56)	Independent non-executive	BCom, BCompt (Hons), CA(SA)	2016	Chairman: Member:	<ul style="list-style-type: none"> Finance and investing experience Treasury, debt capital markets and retirement funds Sound business experience
SN (SINDISIWE) MABASO-KOYANA (53)	Independent non-executive	BCom (Hons), CA(SA)	2020	Chairman: Member:	<ul style="list-style-type: none"> Finance and investing expertise including private equity Sound business and leadership experience Auditing and risk management expertise
MLD (DAWN) MAROLE (62)	Independent non-executive	BCom (Accounting), MBA (North Eastern University, Boston)	2022	Member:	<ul style="list-style-type: none"> Finance and investing Financial regulation Sound business and leadership experience
TR (TAPIWA) NGARA (41)	Non-executive	BBusSc, PGDA (UCT), CA(SA), MBA (London Business School)	2019	Chairman: Member:	<ul style="list-style-type: none"> Finance and investing expertise Capital allocation expertise Sound business, investor relations and leadership experience
NT (NIGEL) PAYNE¹ (63)	Independent non-executive	Economics and Accounting (Hons), Executive MBA	2021	Member:	<ul style="list-style-type: none"> Global sport betting and alternate gaming expertise Sound business and leadership experience Group finance, business development and IT
Z (ZIMKHITHA) ZATU MOLOI (39)	Independent non-executive	BCom, HDipAcc, MSc Corporate Finance, CA(SA)	2018	Chairman: Member:	<ul style="list-style-type: none"> Expert in entrepreneurship and strategic insights Strong financial and operational expertise Consulting in commercial and business practices Sound governance, business and leadership experience Driving innovation in financial services

Total collective skills matrix



COMMITTEE MEMBERSHIP KEY:

- Social and ethics committee
- Nomination committee
- Audit committee
- Risk committee
- Remuneration committee
- Investment committee
- Executive committee

1 British

EXECUTIVE MANAGEMENT

	Title	Qualifications	Experience
ANTHONY LEEMING (53)	Chief executive	BCom, BAcc, CA(SA)	<ul style="list-style-type: none"> Gaming and hospitality Financial and corporate finance Governance and IT
NORMAN BASTHDOW (55)	Chief financial officer	BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)	<ul style="list-style-type: none"> Corporate finance advisory and private equity External and internal audit Financial management expertise
GRAHAM WOOD (53)	Chief operating officer: Resorts and Hospitality	BCom, BCompt (Hons), CA(SA)	<ul style="list-style-type: none"> Strategic leadership Commercial and operational expertise in the gaming, hospitality and tourism industry
ANDREW JOHNSTON (57)	Director: Corporate services and group company secretary	BA, LLB, FCIS, PGDip (Environmental Law), Certificate in Advanced Corporate Law and Securities Law	<ul style="list-style-type: none"> Legal, secretarial, compliance, sustainability and corporate and remuneration governance Corporate finance and investor relations Admitted attorney and certified ethics officer
VERNA ROBSON (51)	Director: Group human resources	BProc, Certificate in Advanced Human Resources Management, MBA Core	<ul style="list-style-type: none"> Management of labour risk Human resources Organisational restructure Management of B-BBEE compliance
MIKE WILSON (52)	Director: Business support management	BCom, BCom (Hons), PGDA, CA(SA)	<ul style="list-style-type: none"> Business finance Business process optimisation Project management Shared service centre
KHATI MOKHOBO (57)	Director: Strategic projects	BCom, BAcc, ACMA, CA(SA)	<ul style="list-style-type: none"> Financial management Forensic investigations New business development Commercial project execution Gaming and hospitality Stakeholder management
PRAGASEN PATHER (47)	Chief information officer	BCom: Business Management	<ul style="list-style-type: none"> IT strategy Information management and cyber security IT governance risk and compliance Business continuity management Project execution
BOTLHALE MADITSE (43)	Director: SIML Finance	BCom, BCom(Hons), CA(SA), MBA	<ul style="list-style-type: none"> Financial and corporate finance Shared services Auditing and risk management expertise Financial management Commercial expertise
HELEN STEWART (57)	Chief marketing and sales officer	PR and Communications Diploma (Wits), Business Coach, International Coaching Federation (ICF), EDP (Wits)	<ul style="list-style-type: none"> Marketing and brand strategist Digital marketing Social media strategy CRM and loyalty expertise Business coach and mentor
MUXE MAMBANA (37)	Director: Internal audit	BAcc, CA(SA), CIA, MBA	<ul style="list-style-type: none"> External and internal audit Financial management Forensics Corporate governance, risk and compliance Diverse industry experience



Please refer to the corporate website link for the detailed CVs of Sun International's general managers, who are all standing invitees: <https://corporate.suninternational.com/about/general-management/>

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CHIEF EXECUTIVE'S REVIEW

ANTHONY LEEMING
Chief executive

INTRODUCTION

Thanks are usually reserved for the closing of a chief executive's message, but this year I want to lead straight away with my deep gratitude to all the passionate and dedicated people who make a difference to this business every day. Despite the challenges of the environment we operate in, the resilience and forbearance of our people have ensured that we remain a thriving business that continues to make memorable experiences for our guests. Our new Sun Stars reward and recognition programme will shine a light on those who go above and beyond the call of duty.

On the back of an excellent performance in the first half of 2022, Sun International continued to deliver exceptional results in the second half of the year. Income for the year was up 44% from the prior year to R11.3 billion. Sustainable cost savings contributed to the South African adjusted EBITDA being up by 96% to R3.3 billion. Adjusted headline earnings improved from R110 million to earnings of R1.1 billion with adjusted headline earnings of 439 cents per share, up from 44 cents per share in the prior year. Sun International's performance reflects the quality of its operating businesses and disciplined execution on strategy, which continues to drive shareholder value.

Gaming income from casinos, Sun Slots and SunBet, which makes up 80% of group income, showed a significant recovery with income up 36%. The group was able to successfully defend and grow market share in all provinces, while income generated from Sun Slots recovered to pre-Covid-19 levels. SunBet generated record income during the year under review and is well on its way to achieving our aggressive growth targets for this business.

As a result of sustainable cost savings, the South African operations' adjusted EBITDA margin improved from 28.2% in 2019 to 29.7% in 2022. Without the impact of the net diesel costs of R53 million, due to loadshedding, the group would have achieved its targeted 30% adjusted EBITDA margin.

As at the end of 2022, the group acquired 22.6% of the issued share capital (equivalent to 24.7% of issued share capital net of accounting treasury shares) in Grand Parade Investments Limited (GPI) for R374 million. In addition, Sun International repurchased 1.9 million of its shares for R58 million. Even with these investments, the group is in a strong financial position with South African debt (excluding IFRS 16 lease liabilities) at R5.9 billion, down from R6.4 billion as at 31 December 2021 and debt to adjusted EBITDA at 1.84 times. As a result of the significantly improved financial position and strong cash generation, the group resumed dividend payments in 2022, with an interim cash dividend of 88 cents per share and a final cash dividend of 241 cents per share, bringing the total cash dividend to 329 cents per share for the year, which represents a dividend payout of 75% of adjusted headline earnings per share.

OVERVIEW

The 2022 calendar year was the first in which operations were largely unimpacted by trading restrictions since the onset of the Covid-19 pandemic. Sun International has emerged from this period a de-gearred, more focused and higher margin business, with a distinctive omnichannel customer proposition across urban casinos, Sun Slots, SunBet as well as the group's resorts and hotels, demonstrating resilience of earnings, attractive opportunities for growth, and strong cash generation to support consistent return of capital to shareholders going forward.

OPERATIONAL HIGHLIGHTS

Urban Casinos

Our urban casino strategy is anchored on three core focus areas namely customer acquisition and retention, customer experience and margin improvement. Income has proven resilient and is swiftly recovering from the effects of the pandemic. Overall, urban casino operations generated adjusted EBITDA of R2 445 million for the year under review, up 71% from R1 433 million in 2021, with adjusted EBITDA margin at 36.4% reflecting a 200-basis point improvement on 2019 margins.

Sun Slots

The Sun Slots business proved remarkably resilient, with a strong recovery in trading. It swiftly reactivated closed sites, resulting in 5 160 of the Limited Payout Machines (LPMs) being active for play during the year under review, and an increase of 508 machines relative to 2021. We continue to engage with the regulators to increase the roll out of LPMs to the 6 500 LPM positions that have been allocated. Sun Slots income increased 20% from R1 242 million to R1 491 million, with adjusted EBITDA up 17% from R313 million to R367 million for the year under review, notwithstanding the impact that escalated loadshedding had on LPM operations in the last quarter of the year.

SunBet

SunBet has continued its strong growth trajectory and remains an exciting prospect, with long-term transformational growth potential for the group. Overall, income was up 86% on the same period in 2021 with growth of 135% in the second half of the financial year. Active players on our rapidly expanding online sports betting and gaming platform continued to grow, with additional games being offered and the overall player experience being enhanced. SunBet offers the group significant and exciting growth potential and we continue to invest in people, systems and marketing to significantly increase our share of the fast-growing online gaming market.

At the end of the year under review we achieved substantial growth in our key performance indicators against 2021, which included:

Active players up
50%

Sports turnover up
23%

Deposits up
130%

Strategically, we continue to leverage the Sun International brand, presence and loyalty offering to attract and retain players while positioning SunBet to be the most trusted and responsible gaming operator in South Africa. In a highly commoditised online industry, our competitive advantage lies in our ability to add value to the offering through the wider Sun International group.

On 1 August 2022, the Western Cape Gaming and Racing Board licensed the operation of slots-styled games. Since then, average monthly revenue has more than doubled and continues to grow rapidly. Based on international precedents, we believe online slots has immense potential for SunBet, and supporting our omnichannel strategy between land-based and online gaming. With our award winning Most Valued Guest (MVG) loyalty programme, this will allow SunBet to attract high-value customers at a very attractive cost of acquisition. SunBet's growth has been entirely self-funding, and strategically we remain focused on scaling the business and capturing meaningful market share in this fast-growing business.

We are on a focused journey to grow our current operating market and launch into new markets. We have concluded a 70% investment in SunBet Africa Holdings, for a consideration of USD3.2 million (R52.4 million). This company has online sports betting and casino licences to operate in Ghana, Zambia and Kenya. We are in the early stages of rolling out the SunBet operating model and brand in these markets, which have attractive long-term growth potential.

Resorts and Hotels

Following a difficult start to the year with the closure of borders due to the Omicron Covid-19 variant, we have experienced a strong recovery in our resorts and hotels business. Domestic leisure, conferencing and sports and events revenues exceeded 2019 levels, while international leisure business recovered strongly in the second half of the year.

Total resorts and hotels income was up 65% on the prior year, to R2 571 million. Total revenue was in line with 2019 levels, while casino income exceeded 2019 as a result of us leveraging the Sun City Resort and Wild Coast Sun for the benefit of our MVG and SunBet customers. Overall, our resorts and hotels generated an adjusted EBITDA of R450 million, making a complete turnaround from the loss of R56 million in the prior year and adjusted EBITDA of R300 million in the 2019 year. The adjusted EBITDA margin of 17.5% reflects a substantial improvement from the adjusted EBITDA margin of 11.7% achieved in 2019 and represents meaningful progress towards achieving our margin targets.

Nigeria

Trading in the hospitality and casino segments of the Federal Palace remains subdued. We continue to engage with the relevant authorities to ensure that we can exit our investment in Nigeria.

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STRATEGY IN ACTION

Our group strategy continues to stand us in good stead and our strategic objectives (shown below) are focused on delivering value to our stakeholders, through our people.

Progress against these strategic objectives is detailed on [Page 9](#)

STRATEGIC OBJECTIVES

SO1

People and
culture

SO2

Operational
excellence

SO5

Environmental,
social and
governance (ESG)

SO3

Customer
centricity

SO4

Maximise
shareholder value

The heart of our business will always remain the same: looking after our people, who in turn look after our guests so that they have memorable experiences at our properties. During the year, we delivered some exciting strategic innovations and changes as discussed below.

The strategic expansion of the Sun Vacation Club development comprising 258 units at a cost of R850 million has commenced on a phased basis. The initial phase of 58 units (48 three-bedroom and 10 four-bedroom units) will cost R295 million, of which R45 million was incurred during the 2022 year with the balance to be incurred in 2023. Gross sales to end February 2023 of R39 million have been achieved, which are well ahead of our feasibility. The demand and success of this phase will inform the timing and rollout of the remainder of this expansion. The refurbishment of 323 rooms at The Palace at Sun City, and the addition of a spa, were completed in November 2022 at a total cost of R187 million, of which R133 million was incurred during 2022. Following the refurbishment we are achieving higher rates and occupancies.

Phase 1 of the Boardwalk Mall opened at the end of the first quarter of 2022 and the remaining components opened in the fourth quarter of 2022. The mall has enhanced the overall precinct, is fully let and driving footfall to the property.

In Cape Town, GrandWest is undergoing an exciting expansion where the hotel will be expanded from 39 keys to 103 keys at a cost of R125 million, of which R19 million was incurred during 2022. The opening is anticipated to be in the third quarter of 2023. The existing

39-room hotel achieves an occupancy of 99% and can only accommodate a limited number of our top-end customers. These additional rooms will ensure that we can fully implement our out-of-town strategy and offer an enhanced customer experience, which will impact positively on gaming income.

The bounce-back this year through tournaments and activations has been fantastic. Black Opal, Black Pearl, Slots Royale and the SunBet Poker Tour all highlighted Sun International as an industry leader in gaming. Outside the casino floor, we also hosted numerous successful events, including a memorable 40th Nedbank Golf Challenge and several live concerts with international performers, with an equally impressive line-up for 2023.

In the background, a lot of hard work is going into driving the transition from Bally to Playtech Neon, with Carnival City expected to go live in August 2023. I look forward to the difference this will make in creating improved marketing capability and more efficient processes for our people and our guests.

Having the right people with the correct skillsets in the right positions is critical in our industry, as skills are scarce. During the year, several new senior appointments were made to bolster our strategic leadership team, including a chief executive officer of SunBet, chief marketing and sales officer and a director of finance for Sun International Management Limited. We continue to upskill employees through our various learning and development programmes and manage talent and succession within the group.

Our ESG strategy aims to embed the principles of ESG across all facets of our business to ensure that we deliver sustained value creation. Our holistic ESG focus allows us to measure, monitor and evaluate our contribution towards minimising our impact on the natural and social environments within which we operate, while ensuring sustainable value creation for all our stakeholders. A key focus during 2022 and going forward will be implementing our renewable energy plan, to address ongoing loadshedding, significant electricity tariff increases and increased diesel costs to run our back-up generators.

BALANCE SHEET STRENGTH

Debt

In December 2022, we successfully concluded the refinancing of our group debt, achieving an extension of tenure and more favourable pricing, given significant strengthening of the group's balance sheet. A key aspect of the refinancing was the incorporation of three ESG related key performance indicators (KPIs), further demonstrating Sun International's commitment to being a responsible corporate citizen. The sustainability KPIs relate to increased procurement by Sun International, across its supply chain, from companies with black-women ownership of at least 30%, as well as the increased use of renewable energy in powering the group's operations, and increasing its recycling

of general and hazardous waste. Approximately 40% of our debt has these KPIs attached to their terms. These KPIs will be independently measured annually for the next four years and on achievement of these KPIs we will receive a pricing reduction. In the unlikely event that we do not achieve all of these KPIs there will be a small pricing increase.

Sun International is the first listed company in the gaming and leisure sector in South Africa to implement a sustainability linked debt-refinancing programme, demonstrating the group's commitment to leadership in ESG and responsible business practices within the sector.

The group is in a strong financial position, with group debt (excluding IFRS 16 lease liabilities) having reduced from R7.1 billion at 31 December 2021 to R6.6 billion at 31 December 2022. Our South African debt reduced from R6.4 billion at 31 December 2021 to R5.9 billion at 31 December 2022, after allocation of cash generated to capital expenditure, investments, share buy-backs and dividends. Our South African debt to adjusted EBITDA and interest cover of 1.84 times and 6.51 times respectively is well within our lenders' covenants of 3.25 times and 3.0 times respectively. Our statement of financial position is in a strong position with unutilised facilities of R2.5 billion. We continue to prioritise increasing free cash flows and disciplined capital allocation to maximise shareholder value within a set of fundamental capital allocation principles.

Sun International's dividend strategy is to provide its shareholders with an appropriate, sustainable payout over the long term. With the significantly lower debt levels and as the business returns to pre-pandemic levels, we anticipate that our debt to adjusted EBITDA ratio will continue to improve. This enabled the board to resume the payment of dividends for the first time since 2016 at our June 2022 interim reporting period.

Going forward the group will target a debt-to-adjusted EBITDA ratio, excluding acquisitions, of two times and a dividend pay-out ratio of 75% of adjusted headline earnings per share on a sustainable basis.

Share buy-back

Given the inherent value that the Sun International shares offer, the company embarked on a share buy-back programme during the last quarter of 2022. The company acquired and cancelled 1.9 million of its own shares at an average price of R31.14 per share for a total purchase consideration of R58 million. The board is committed to returning capital to its shareholders through dividends or share buy-backs, whilst remaining cognisant of the limited liquidity of Sun International shares.

REGULATORY ENVIRONMENT

We continually monitor our regulatory environment and engage proactively with the gambling boards on casino-related legislation to ensure we maintain our licence to operate. Online gaming legislation is increasing as this market continues to grow. Key legislation that will impact our business includes GrandWest's licence exclusivity, the proposed smoking legislation and ongoing changes in casino licence conditions.

Detail around how the group is addressing these regulatory matters is in the enterprise risk management section on

[Pages 29, 31](#)

OUTLOOK

The group's urban casino properties and LPM operations are demonstrating continued resilience despite the tough operating environment. SunBet is achieving record numbers in terms of revenue and all key indicators and will deliver another step change this year. Our resort and hotel properties have continued to perform exceptionally well, and we anticipate another good year from them in 2023.

Loadshedding is impacting our costs, with diesel expenses of between R12 million and R14 million being incurred per month, with an approximate 20% offset saving in electricity. We have accelerated our programme to explore all options around a comprehensive energy plan which will not only solve this challenge, but also achieve good returns on capital.

Our balance sheet remains strong and guided by our clearly laid out capital allocation framework. Going forward, we will continue to be disciplined with capital allocation, targeting a 2 times net debt to adjusted EBITDA and paying out 75% of adjusted headline earnings per share as dividends.

APPRECIATION

A special thanks to our chairman and our non-executive directors who provide unwavering support and guidance and have set the group on a clear and well-defined strategy. Thanks to my management team, employees and our suppliers who continue to live up to our purpose of creating great memories for our guests. I am excited about what the future holds for Sun International and look forward to a busy and rewarding year ahead.

ANTHONY LEEMING

Chief executive

31 March 2023

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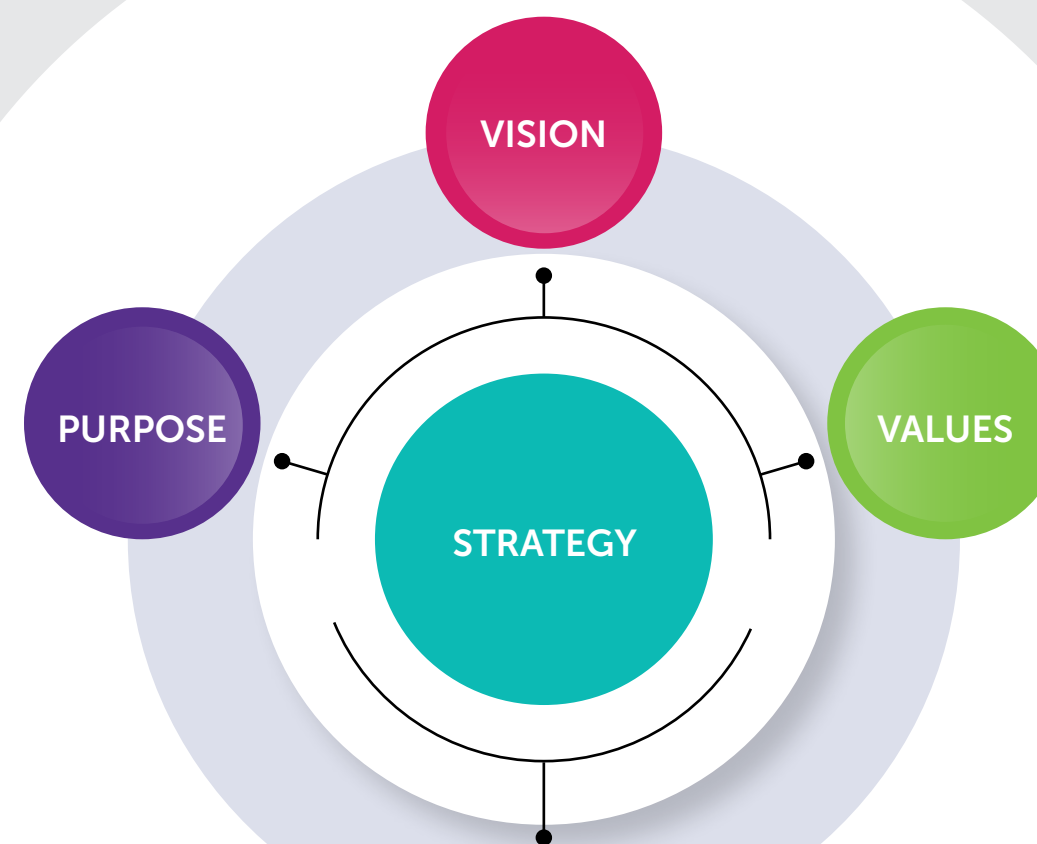
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OUR STRATEGY

OUR VISION, PURPOSE, VALUES AND STRATEGY

Our **vision** is to be an internationally recognised and respected gaming and hospitality group and our **purpose** of creating great memories for our guests, offering rewarding employment for our people, delivering shareholder returns and creating value for all our stakeholders including the communities we operate in, is at the **heart of our strategy**. Through our **values** of teamwork, customer first, passion and professionalism, we work in a consistent, positive manner in everything we do.

As a **responsible corporate citizen**, we aim to achieve our purpose by delivering an omnichannel service through four business segments, with our diversified product offering that is driven by our people, while being mindful of the external environment and the communities where we operate.



STRATEGIC OBJECTIVES



SO1
People and
culture



SO2
Operational
excellence



SO3
Customer
centricity



SO4
Maximise
shareholder
value



SO5
Environmental,
social and
governance (ESG)

UNIQUE ENABLERS

SKILLED AND PASSIONATE PEOPLE | ICONIC PROPERTIES | CUSTOMER EXCELLENCE |
WORLD-CLASS SYSTEMS | INNOVATIVE REWARDS PROGRAMME | OMNICHANNEL | INFORMATIVE CUSTOMER DATA

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KEY HIGHLIGHTS

SUSTAINABLE GROWTH

Group income recovered strongly

Record growth and profitability for SunBet ahead of the previously communicated 5-year plan

Strong Urban Casino market share gains in Gauteng and Kwazulu-Natal

PROFITABILITY

Urban Casino adjusted EBITDA margins up to 36.4% (2021: 30.4%)

Time Square continues its maturation with adjusted EBITDA at R507 million

Successful Sun City turnaround with adjusted EBITDA at R259 million

STRONG CASH FLOW

Adjusted EBITDA to free cash (post capex) conversion of 67%

Adjusted EBITDA to cash generated by operations conversion of 110%

Debt reduction on the back of increased profitability and disciplined capital allocation

Net debt to adjusted EBITDA below 2x long-term target

Group debt* reduced from R9.8 billion at 31 December 2018 to R6.6 billion at 31 December 2022

* Including consolidated Nigerian debt without recourse to South African balance sheet.

SHAREHOLDER RETURNS

Total dividends of R3.29 per share (75% pay-out ratio and a dividend yield of 10%)

R58 million in share buy backs (1.9 million shares) at an average price of R31.14 per share

RANKED 1ST IN OUR SECTOR AND 17TH IN THE ENTIRE JSE FOR ESG REPORTING



STRATEGIC OBJECTIVES REVIEW

Our key strategic enablers include our people and iconic properties. We are committed to creating great memories for our guests, maximising shareholder and stakeholder value and respecting the natural environment and critical resources. We achieve this by committing to operational excellence and we also strive to implement new products group-wide to remain relevant and enrich our customer experience.

STRATEGIC OBJECTIVES



People and culture



Operational excellence



Customer centricity



Maximise shareholder value



Environmental, social and governance (ESG)

SO1

People and culture

Our people are the means through which we deliver memorable experiences for our guests. To attract the right talent, we offer competitive remuneration and wellness programmes for our employees and their families. To retain and upskill our people we run training and development initiatives throughout the year, helping them grow their skills base and develop their careers in line with our transformation agenda.

ATTRACT



RETAIN



DIVERSITY AND CULTURE



EMPLOYER OF CHOICE



Detail on our people and culture is included in our ESG report <https://suninternational.onlinereport.co.za/2022/downloads/Environmental-Social-and-Governance-Report-2022.pdf>

SO2

Operational excellence

We continue to focus on operational excellence at all our properties through industry-leading systems and technologies, regular refurbishments and facility upgrades to our infrastructure, and allocating our capital in ways that enhance efficiencies and deliver improvement in our margins.

SYSTEMS



INFRASTRUCTURE



EFFICIENCIES



MARGIN IMPROVEMENT

Systems

Kronos scheduling system

We achieved our Kronos productivity-based scheduling rollout plan for 2022 and units are embracing this scheduling method. We continue to build historical data in Kronos to improve our predictive forecasting model. The use of Kronos to effectively roster schedules is industry leading. Training and knowledge-sharing throughout the group has yielded positive results. Our automation of hours from Kronos to payroll was completed and we continue to test and develop additional interfaces to enhance efficiencies. In 2023, our focus will be on reporting and strengthening our productivity ratios in line with business/market trends, which will provide a better customer experience.

Gaming

The project to replace our current Bally gaming system with Playtech continued during 2022 with the regulatory development work completed and sent for testing. Significant work was also done on designing and developing the functionality that Sun International requires to run its casinos. The project has an expected end date of Q4 2024. In addition, a project was started to implement the Playtech IMS system in the SunBet online environment and to build an omnichannel solution between the casino and online Playtech systems.

Infrastructure

With operations now back to normal trading, all maintenance departments are up and running. At Sun City, various projects were concluded, including Palace upgrades and rooms refurbishments, a new world-class spa and hair salon, an upgraded gym facility and work on the Crystal Court. At the Sun City Hotel, the mock-up for the refurbishment planned during 2023 to 2025 was completed. Continued focus is placed on ageing infrastructure across the resort. At Carnival City Hotel, the refurbishment of the hotel reception was completed before the 2022 festive season, which now concludes the full refurbishment of the hotel.

Sun City and Boardwalk's privé refurbishments were completed during the year and have been well received. Wild Coast Sun and Sibaya's privés are planned for Q1 2023. The proposed Boardwalk Mall development commenced in April 2021 as planned, with the first phase of the opening delayed until March 2022 due to lockdown. Both stages were completed and the Boardwalk Mall opened to the public on 22 September 2022. This Boardwalk Mall is a huge improvement, with notable increases in footfall.

Work on the GrandWest Hotel expansion has commenced, with a planned opening for October 2023. With the new extension completed, room inventory will increase from 39 to 103 rooms with some additional suites, a new spa, gym and pool area.

Further work planned at Sibaya includes the refurbishment and upgrade of the Sibaya Lodge's top floor rooms. A Royal Sibaya Hotel refurbishment is earmarked for Q3 to Q4 2023, which includes the reception and public areas. A further expansion of the smoking privé has also been earmarked for Q2 2023.

Further investigations linked to the harvesting of the natural spring water at Boardwalk were completed. We also appointed a supplier who completed the installation. We are awaiting the approval of a water use licence before the recovered water can be used for human consumption. While there were delays in implementing water solutions due to the lockdown impact, management continues to explore feasible sustainable water solutions at various units. This will ensure our guests are not negatively impacted due to service delivery constraints and potential water crises.



Details of proposed solutions are discussed in the environmental section of our ESG report <https://suninternational.onlinereport.co.za/2022/downloads/Environmental-Social-and-Governance-Report-2022.pdf>

Efficiencies

Our operating philosophy is based on containing costs, optimising capital, using the systems around us efficiently, and consistently applying standards and procedures. With business resuming to pre-pandemic levels, we were able to stress test the rationalised operational structures. This provided the units with the necessary reassurance that these new structures would stand up to peak trading levels and that they were embedded in the business.

The cost base for all units was further reviewed in 2021/22 to ensure margin protection and an efficient operating structure. Service providers that supported the business during the lockdown and pandemic period also had the benefit of gaining valuable insights, which enabled them to find mutually beneficial efficiencies in their operating models. In line with our procurement policy, expiring contracts have been put out to tender or renewed with efficiencies in mind.

The outsourced engineering function at Sun City realised intended operational efficiencies and improved preventative maintenance. Based on its success, this model is being considered as an alternative in certain other units. The IFS maintenance module is in the process of being rolled out at a few units. This system allows management to focus on critical, preventative and infrastructure maintenance, ensuring effective management and planning of maintenance and capital expenditure.

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SO3

Customer centricity

We leverage our customer-centric model, which is underpinned by a strong Sun International brand. We continue to enhance our digital capabilities across our business to enrich our omnichannel approach.

Our customer journey



As a business whose revenue model is directly linked to our customers' memorable experiences, we are focusing on proactively targeting our customers at the right place and time with rewards that encourage visitation to our properties. To drive a culture of excellent service, employee KPIs are measured against customer satisfaction scores. We are also pleased that our guests show excellent engagement with our MVG loyalty programme, using their rewards to return to our properties regularly.

Attracting our customers

Customer relationship marketing

We have begun a customer relationship management (CRM) strategy for our casinos that optimises the value of our customer data to drive incremental value. This strategy identifies patterns and behaviours that allow us to react quickly with relevant, time-based activations that encourage more visits and greater spend. It also identifies customer segments with noticeable shifts in gaming income, in specific areas, to drive and reward offers accordingly and increase gaming income. Key bespoke activations will be designed and executed to support the property needs, with a skilled CRM team ready to realign focus and implement the plan in 2023.

Serving our customers

Customer satisfaction

Customer sentiment is a key measure of our overall performance. Sunshare, our customer feedback platform, remains an integral port to engage with customers directly. We continuously monitor customer sentiment and strive to exceed customer expectations. During 2022, we closed out on an overall customer satisfaction rating of 79%, with our gaming satisfaction scores averaging 83% for the year. Our customer complaints, queries and compliments are qualitative and quantitative, helping determine our strengths and areas to work on where our service delivery could improve. Customer satisfaction scores are fundamental to our business and we continue to align these to relevant employees' KPIs to drive the correct behaviour.

Our refined customer survey implemented in 2021 is attracting increased engagement and improved data integrity has helped us reach more customers proactively. In 2022, we focused on maximising the engagement platform and enhancing reporting capabilities, to ensure the information recorded is succinct and streamlined to enrich our customer experiences.

We provide ongoing online customer service training and engagement to enhance our service offering and customer experience and to empower employees in line with the group's employee value proposition.

Omnichannel offering

Our omnichannel strategy forms part of our commitment to ensure that our customers can transact seamlessly and enjoy the benefits of both our land-based casinos, resorts and hotels and our online business SunBet. This strategy enables us to incorporate various methods of product offering and marketing initiatives into our various communication and marketing channels as well as the MVG loyalty programme. We can then profile each customer's behaviour and use this data to provide bespoke product offerings and promotions, thereby enhancing customer loyalty and retention as well as increasing the share of spend of casino customers.

Footfall

Footfall remained under pressure due to the varying government-imposed Covid-19 restrictions for the first half of 2022. We continued to drive strong direct marketing initiatives and activities to drive footfall to our properties, maximising opportunities to ensure customers knew about activations and could participate. Post Covid-19, we have seen a shift in product and player dynamics in the way that players behaved at devices. We saw an overall increase of 15% in visitation with a positive increase of spend per visit across the card tiers.

Our activation toolkit was further enriched with eight tournaments during 2022. The inaugural group-wide Slots Royale Tournament, with a total prize pool over R6 million for the duration of the tournament proved popular, with over 10 000 customers participating, while the Black Opal Baccarat Tournament enjoyed phenomenal customer and revenue success, while the Black Pearl Roulette Tournament returned and was highly rated by our customers, showing great gaming results against the 2020 tournament.

Sun International strives to deliver world-class events for its customers and continues to reinforce our positioning as the home of group-wide gaming tournaments. SunBet partnered with Monster Jam to add further excitement to our gaming floors, bringing poker tours to five of our properties – Time Square, Sun City, Sibaya, Boardwalk and ending at GrandWest. The proposed targets were exceeded as the tournaments progressed throughout the country. The calendar for 2023 is already set and we look forward to hosting these tournaments during the year.

Food and beverage

Freedom of movement, venue capacity constraints and the national curfew being lifted meant significant improvements in our trading conditions, with the biggest growth contributor being conferencing and hotel business group-wide as a result of continually reviewing our procurement strategy and supplier relationships, we minimised the global impact of the Russia/Ukraine crisis on our input costs and imports. Our gaming units continue to focus on adding value from a product and pricing perspective, with a focus on our privés and MVG programme. Due to the monitoring of our productivity ratios and advanced scheduling module, stock and variable cost management contributed to a significant increase in our profit, exceeding pre-Covid-19 numbers.

Retaining and growing our customer base

Sun MVG loyalty programme

Eighty-five percent of our customers rate Sun International's MVG loyalty programme as enjoyable and rewarding. The loyalty programme celebrated great success with over 600 000 members actively participating and reaping the rewards across all our products, services and offerings. This is evidenced by a 100% redemption of casino points, with leisure points ending at an overall redemption of 72%. The accommodation discounts performed exceptionally well with an increase of 39% in total revenue, translating into a total of 100 705 room night discounts, 23 000 more than 2021. More than 565 000 food and beverage discount transactions were processed in 2022.

MVG points expiry commenced in 2022 after been halted due to Covid-19 and we continued with the freeze on member status changes. Tier credits continue to accumulate, which is a good measurement for our customers to gauge their tier ranking and their associated benefits and rewards. During 2022, we welcomed over 101 000 new members to the loyalty programme.

The Sun International App enjoyed a 10% improvement on functionality, with a strong focus on customer experience and best practices. The App is positioned to be the primary channel of communication between the customer and Sun International, enabling our members to manage their loyalty journey from the palm of their hand. The uptake is tracking as expected and we are seeing a behaviour change, especially in direct bookings. The App development underway is focused on enhancing the transactional value for our customers, enabling them to engage for draw participation and reward redemptions. Our customers enjoy the information around events and on-floor promotions, while some patrons check their MVG points and the jackpots.



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SO4

Maximise shareholder value

Through disciplined capital allocations, we aim to unlock value at our properties and deliver returns for both our shareholders and the guests who frequent our hotels.

CAPITAL ALLOCATION



VALUE UNLOCKED



RETURN ON INVESTMENT

Capital allocation

Our capital allocation framework is based on a set of fundamental principles, as depicted below, that guide our choices and enable effective utilisation of capital. These principles are discussed in the chief financial officer's review.

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INVEST TO GROW AND PROTECT ASSETS

OPTIMISE DEBT LEVELS

MAXIMISE SHAREHOLDER RETURNS

SO5

ESG

The group's commitment to its environmental, social and governance responsibilities was unwavering. Good corporate governance and sustainability are important enablers in managing the group's reputation, making strategic progress, and creating and preserving stakeholder value. All of this is done to ensure we remain a sustainable business.

ENVIRONMENTAL



SOCIAL



GOVERNANCE



SUSTAINABLE BUSINESS

Environmental and social pillars

Our environmental pillar incorporates carbon emissions, electric energy, waste and water elements, as well as the manner in which we set targets and monitor progress. The social pillar includes progress around our people, health, safety and wellness and our enterprise and supplier development. Key outcomes regarding our environmental and social pillars are provided below.



ESG report <https://suninternational.onlinereport.co.za/2022/downloads/Environmental-Social-and-Governance-Report-2022.pdf>

Governance pillar

The group's corporate governance and sustainability approach embraces ethical practices that are responsive to stakeholders and the operating environment. Good corporate governance and sustainability are important enablers in managing the group's reputation, making strategic progress, and creating and preserving stakeholder value. It also ensures that we achieve our corporate governance outcomes (see alongside and below).

Ethical and cohesive culture

Effective control

Responsive and transparent stakeholder engagement

Performing to strategic expectations

Compliance and accountability

Legitimacy and trust

OUTCOMES IN 2022

ENVIRONMENTAL

↑ 5%¹

increase in energy usage
(2021: ↑ 14% increase)

↑ 5%¹

increase in water usage
(2021: ↑ 5% increase)

↑ 61%²

increase in waste generated
(2021: ↑ 41% increase)

↑ 19%³

increase in CO₂ emissions
(2021: ↑ 6% increase)

1 The group resumed 24/7 operations in 2022.

2 The increase in waste generated can be attributed to the return to 24/7 operations and an increase in additional events and conferencing at our properties.

3 Increase due to Scope 1 emissions specifically diesel consumed for generator use due to loadshedding.

SOCIAL

ENTERPRISE AND SUPPLIER DEVELOPMENT

R42.3 million

(2021: R30.7 million)

invested in supplier development

129 beneficiaries assisted
(2021: 78)

R12 million

(2021: R8.3 million)

committed to enterprise development

50 beneficiaries assisted (2021: 34)

HEALTH, SAFETY AND WELLNESS

Zero fatalities experienced across the group

Achieved a **90%** customer satisfaction score relating to health and safety perception

Improved overall training uptake by **43%** for employees

Incurred **zero** penalties, infringements or convictions from government, regulatory or local authorities

PEOPLE AND CULTURE

93.9% (2021: 92.2%) black employment in our South African operations including Sun Slots

33% (2021: 11%) female representation among Sun Internationals' top management excluding Sun Slots

Invested **R84 million** (2021: R52 million) in learning and development

SOCIO-ECONOMIC DEVELOPMENT (SED)

Invested **R27.6 million** (2021: R14 million) in SED

Invested **R5.3 million** (R13 million) in corporate social investment (CSI) in-kind donations

GOVERNANCE

10 board members

6 independent

4 female

6 ACI (African, Coloured and Indian)

Improved on the female exco representation

three females (30%)

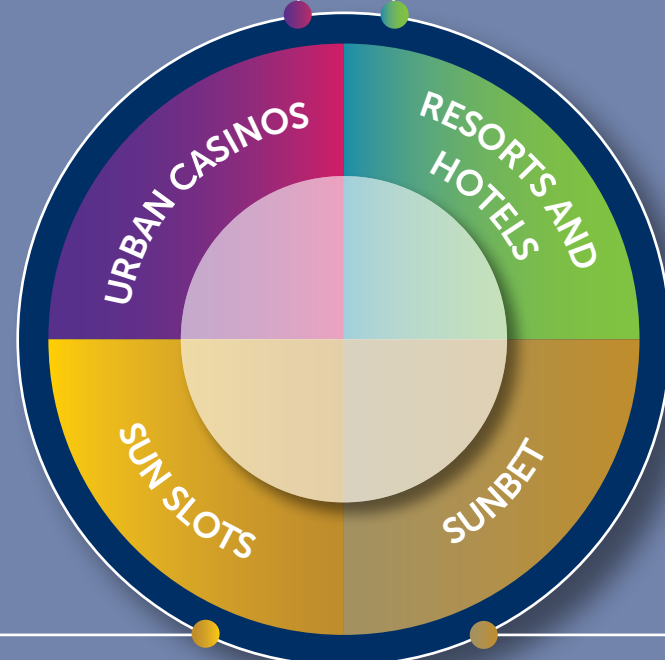
Contributed about **R8 million** towards the National Responsible Gambling Programme

OPERATIONAL REVIEWS

Our four businesses – **Urban Casinos, Resorts and Hotels, Sun Slots and SunBet** – are purposefully connected by our omnichannel strategy, and driven by our people, to seamlessly serve our customers. The group is stronger than ever, well positioned and well-equipped to maximise shareholder value.

- **Strategically** located operations across the country
- **Strong cash** generator for the group
- **Defending and growing** market share
- **Operations and margins** improved
- **Attractive** returns

- **Focused** portfolio of iconic South African properties
- **Property** improvements made
- **Improving** operations and margins
- **Enhanced** customer experience
- **Distinctive** customer experience



- **Superior service** offering
- **Strong relationships** held at quality sites
- **Well placed** for further growth in South Africa
- **Africa expansion** under trial

- **Premium** South African sports betting brand
- **New leadership** appointed to drive growth
- **Well positioned** to capitalise on strong online gambling growth
- **Leveraging** Sun International brand and presence
- **Complementing** but not cannibalising land-based operations

Urban Casinos

Our Urban Casinos are strategically located across South Africa and are a strong cash generator for the group. We continue to defend and grow our market share, improve operations and margins as well as keep our properties well maintained to meet our customers' expectations.

Geographic location

Gauteng

1. Time Square
2. Carnival City

Free State

3. Windmill

Limpopo

4. Meropa

KwaZulu-Natal

5. Sibaya

Eastern Cape

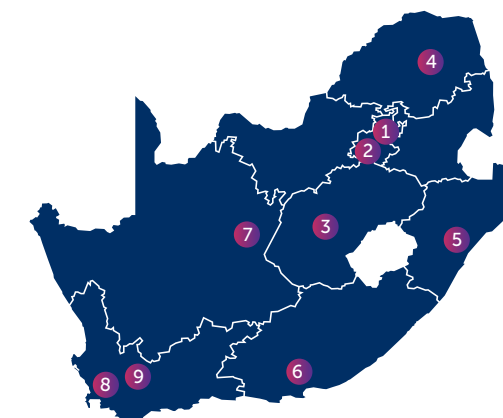
6. Boardwalk

Northern Cape

7. Flamingo

Western Cape

8. GrandWest
9. Golden Valley



Strategy

Our strategy is anchored on three core focus areas.

Customer acquisition and retention

Our improved use of data and analytics, combined with a selective focus on certain market segments, will allow us to remain competitive. We will focus on an enhanced customer relationship management programme which will focus on customer behaviour. The implementation of Playtech as our new casino management system will enhance the management of customer value and data analytics. Playtech will be implemented in SunBet as well as our urban casinos, again strengthening our omnichannel approach. The implementation of our Sun International App will also improve the effectiveness of our direct marketing.

Customer experience and VIP guests

Our omnichannel approach will allow us to reward our customers with special offers at other properties in the Sun International portfolio, utilising the MVG loyalty programme. This allows us to offer a seamless customer experience, behaviour-based rewards, offer group-wide promotions and provide an unparalleled VIP experience. This will enhance customer loyalty and increase the share of spend of casino customers.

Margin improvement

Our dedicated and focused VIP team will focus on the group spend and value of customers. We will continue to maintain our position as the home of casino tournaments and entertainment. We are also upgrading our casino privés, refurbishing our casino hotels and improving ageing gaming product to enhance our VIP customer experience.

We continue to right-size our operations and drive margin improvements to generate strong cash flow. This includes outsourcing non-profitable operations, replacing slot machines and other casino equipment, driving cost efficiencies, simplifying operational processes and implementing upgrades to systems and leveraging group technology platforms.

Growth and outlook

A continued focus on market share growth and margin improvement will ensure we continue to generate strong cash flow. A key group priority is to ensure properties are optimised and well maintained to meet the high standards promised to our customers. A focused customer relations management (CRM) plan will enhance customer loyalty through behaviour-based rewards, supported by an exciting promotions and entertainment plan and a world-class VIP experience.

PERFORMANCE OVERVIEW

Urban Casinos

Boardwalk

Income
R482 million
(2021: R398 million)

Adjusted EBITDA
R112 million
(2021: R50 million)



Slots
700
(2021: 763)

Tables
21
(2021: 26)

Rooms
140
(2021: 140)

Boardwalk repositioned itself with the revamp of the privé, completion of the Boardwalk Mall and the casino floor refurbishment. To address our water scarcity challenges, we completed our reverse osmosis water plant, where groundwater is harvested for use in irrigation and for the cooling towers. Our marketing and VIP guest reactivation strategy has also improved the unit's database and gaming performance. These developments grew the unit's market share to 41% compared to 39% in 2021. The good performance of the unit's food and beverage business was driven by banqueting, which benefited from demand for conferencing in 2022. The improvement in food and beverage profitability was pleasing. The unit will be leveraging the Boardwalk Mall footfall through MVG sign-ups and Sun Park activations in 2023.

Time Square

Income
R1 453 million
(2021: R1 027 million)

Adjusted EBITDA
R507 million
(2021: 274 million)



Slots
1 550
(2021: 1 721)

Tables
55
(2021: 60)

Rooms
238
(2021: 238)

Time Square had a positive start to 2022 following the lifting of the Covid-19 curfews and restrictions. Business returned to normal operating hours (24-hours) and this momentum ramped up in the second half of the year, with 2022 revenues finishing 11% above 2019. The casino market share was up 0.4 percentage points year-on-year to 16.6% (2021: 16.2%). Rooms and food and beverage achieved positive revenues and the SunBet Arena has been yielding monthly profits since opening the venue at full capacity. It was encouraging to see the return of international acts in the Arena. These trends are set to continue into 2023. Despite the additional costs relating to diesel consumption, due to loadshedding, the Time Square management team has improved margins, with EBITDAR recording a 12% improvement on 2019.

GrandWest

Income
R1 830 million
(2021: R1 335 million)

Adjusted EBITDA
R613 million
(2021: R399 million)



Slots
2 302
(2021: 2 008)

Tables
46
(2021: 82)

Rooms
39
(2021: 39)

GrandWest's performance, while showing growth on 2021, is still to recover to pre-pandemic levels as the Western Cape economy was impacted by a delayed recovery in the tourism market. Management continues to focus on an active marketing and promotions calendar to drive visitation and has been very active with socio-economic development initiatives to drive Sun International's brand reputation. GrandWest's exclusivity remains under threat following the publication of two new Bills in May 2020. These Bills provide for the relocation of an outlying casino licence to the new Helderberg zone. If enacted, GrandWest's exclusivity zone will be reduced from 75km to 25km. These Bills will also introduce a new exclusivity fee and casino operator fees. The GrandWest Hotel expansion plan has been approved and the project commenced in October 2022. This will increase our hotel room capacity by 64 rooms.

Carnival City

Income
R901 million
(2021: R693 million)

Adjusted EBITDA
R233 million
(2021: R138 million)



Slots
1 100
(2021: 1 400)

Tables
37
(2021: 43)

Rooms
105
(2021: 105)

Carnival City refurbished its main floor and leveraged the refurbished privé and hotel to support our VIP strategy, all of which was well received by our guests. Management continues to restructure the operation to improve operating margins. This unit is proceeding with its planned disposal of unused land for development purposes.

Sibaya

Income
R1 355 million
(2021: R954 million)

Adjusted EBITDA
R481 million
(2021: R302 million)



Slots
1 213
(2021: 1 287)

Tables
51
(2021: 50)

Rooms
154
(2021: 154)

Sibaya was impacted by floods in April 2022, but recovered soon after. We have increased our focus in VIP to host and strengthen relations, which translated into increased visitation and revenue growth from our high-value customers. Our marketing efforts were refreshed to ensure our activations have value offerings that generate the required returns. These initiatives on both sides of the customer database have ensured that we increase our market share. We noted an improvement in visitation from lower-tier card players as we traded out of the pandemic. The Sun Lounge and the main floor smoking casino areas were upgraded and reconfigured to ensure we provide a better gaming experience and maximise revenues from these areas. We have also upgraded our public areas and have placed increased focus on standards and service offerings. Our retail food and beverage facilities are being reviewed to ensure we remain relevant to our market. We have planned major refurbishments in 2023, including the privé lounge upgrade, refurbishments to the Royal Sibaya Hotel and the upper floor of the Sibaya Lodge.

PROPERTY BIRTHDAY CELEBRATIONS

Palace of the Lost City
30th birthday
(November 2022)

Flamingo
20th birthday
(March 2022)

Nedbank Golf Challenge
40th edition

Meropa
20th birthday
(March 2022)

The Table Bay Hotel
25th birthday
(May 2022)

Time Square
5th birthday
(April 2022)

Small urban casinos

These casinos include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape). The lifting of Covid-19 restrictions resulted in an increase in revenue and profits, despite the challenging economic trading environment where we operate. The average increase in revenue was 25.9% (2021: 20.8%) and adjusted EBITDA increased by 34.9% (2021: 52.4%). We continue to focus on the operating model to establish correct structures so that we manage these businesses effectively, to extract as much value as possible. Unit-specific initiatives and progress are discussed below.



Meropa

Meropa revitalised and enhanced its entertainment areas with indoor and outdoor stages to positively impact footfall. Going forward the impact of loadshedding will certainly erode margins due to diesel costs and repairs and maintenance of equipment, necessitated by outages, and additional plans to bring other operating outlets onto generators.



Flamingo

Flamingo's slots floor was right-sized from 300 to 250 slot machines and operating hours were reviewed to improve profitability. Tables drop was significantly affected by decreased visits from a VIP player. Food and beverage achieved positive revenue growth from 2021, largely due to increased conferencing and banqueting demand. Management continues to focus on operating efficiencies to improve operating margins.



Golden Valley

Golden Valley: Management filled critical vacancies, revitalised the landscaping in certain areas of the property, refurbished the Sun Bet sports bar and revamped the pool area. The unit aims to finalise the outsourcing of its food and beverage operation in 2023.



Windmill

Windmill: The casino reported gains in market share in the Free State. Focus on right-sizing the gaming product and attending to infrastructure-related maintenance has been well received by customers and will continue in 2023. Engagement with the third-party owners of the Windmill Lodge and retail area continues, with the intention to offer a better value proposition for our customers.

THE GRANDWEST GRAND HOTEL GETS GRANDER

Sun International expands popular GrandWest Hotel

This Cape Town casino and leisure complex is the largest in South Africa, therefore customer demand to stay at its existing hotel is high. However, for over 21 years the four-star boutique hotel has operated at a 99% occupancy with its 39 rooms booked long in advance.

The first phase of the new development will add an additional 64 rooms to the Grand Hotel, bringing the total to 103. The current Grand Hotel is a recreation of an older hotel that used to grace the corner of Adderley and Strand Street, originally built in 1894 and demolished in 1951. When the existing hotel was constructed, architects used a scaled down version of the first Grand Hotel's 100-year old plans.

To respect the existing architectural style, the design is based on developing two identical three-story wings, positioned symmetrically on either side of the existing entrance, which will remain largely unchanged. A new access road will give visitors direct access to the hotel. The two new wings will connect the existing hotel on the north and south corners. The new offering will include presidential suites, ordinary suites, double and twin rooms and interleading family rooms. A gym, spa and pool are proposed for the ground floor of the southern wing.

THE PALACE OF THE LOST CITY GETS A FACELIFT

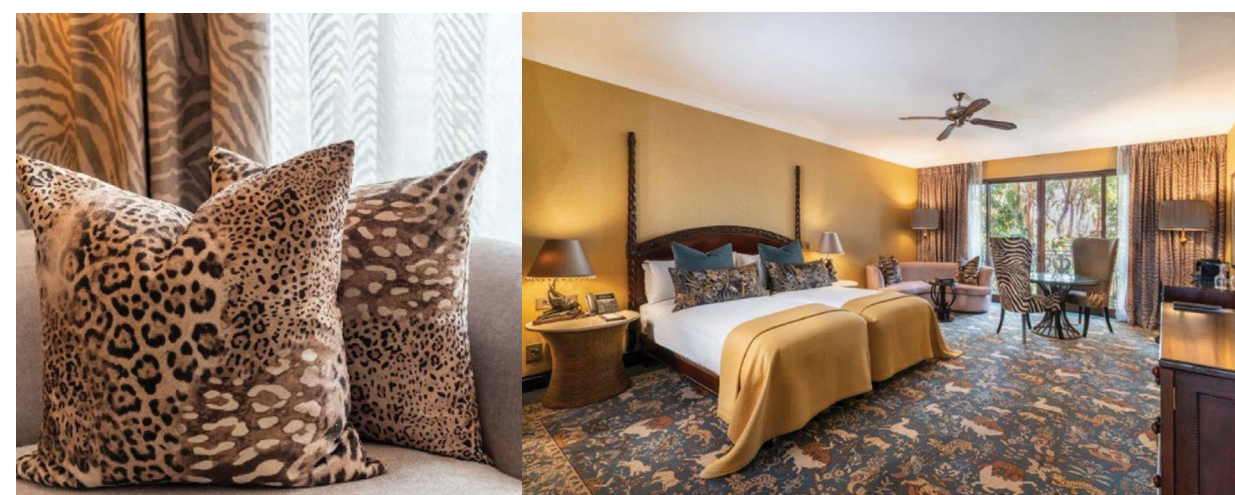
Interiors of legendary destination refreshed in keeping with original vision

Since inception almost 30 years ago, The Palace of the Lost City has enthralled guests from all over the globe. Now the legendary five-star hotel inside Sun City, designed by dreamers for thrill-seekers, has undergone a full décor refurbishment of all its 326 rooms and suites.

The African luxury themed bedrooms are mostly bespoke, with carpets, upholstery and curtains designed especially for The Palace. A Versace wallpaper cocoons the room in warm golden tones, setting a relaxed mood.

A mahogany tea and coffee station was added to each room. These were developed and designed locally along with standing lamps, which provide the feel of an African sculpture and add a luxurious ambience to each room.

The bathrooms were rebuilt in rainforest green marble, with new diagonally patterned porcelain tiles on the floor, calling out a synergy with the bedroom. New timber vanities and new sanitaryware and accessories in brushed bronze complete the look, along with new artwork by local artists Jenny Mallon and Sue Martin. The original mirrors above each vanity were retained.



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Resorts and Hotels

Our portfolio includes iconic resorts and hotels across South Africa. We continue to invest in regular property improvements resulting in ongoing improvement in operations and margins. This ensures we provide our customers with memorable experiences so that Sun International remains their destination of choice.

Geographic location

Gauteng

1. The Maslow Hotel

Western Cape

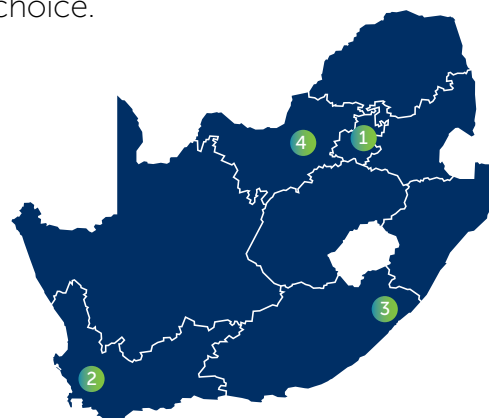
2. The Table Bay Hotel

Eastern Cape

3. Wild Coast Sun

North West

4. Sun City Resort



Market context

Our iconic properties continue to uphold the high standards synonymous with our brand. Having navigated challenges brought about by Covid-19, we observe varying degrees of recovery in the market segments we operate in. Domestic leisure has recovered well, with demand now exceeding 2019. International travel into South Africa has increased but is still lagging pre-pandemic levels. Corporate travel is also lagging at 70%-75% of 2019 levels. Conferencing has recovered well following the easing of restrictions. Pent-up demand has seen sports and events continuing to grow. The restructuring at all our resorts and hotels has yielded positive results, with impressive improvement in operating margins at all properties. The improvement in profitability and operating margin at Sun City Resort was particularly noteworthy. The investment in ongoing refurbishments at Sun City, Wild Coast Sun and The Table Bay Hotel has started to yield positive results. In October 2022, we launched new luxury timeshare villas (Lefika) at the Sun City Resort as part of the Sun Vacation Club offering.

Strategy

We aim to continue to position our resorts and hotels as best in class in all market segments we operate in. We will do this by continuing to invest in our product, through the refurbishment of our hotels, restaurants and public areas. We will commence with the refurbishment of the Sun City Hotel at Sun City Resort, complete the Lefika Villas timeshare units, enhance the sense of arrival at Wild Coast Sun as well as complete the new spa/gym and the upgrade of the 5th floor of the hotel. We continue to engage with the V&A Waterfront to secure a longer-term lease for The Table Bay Hotel.

We will continue with our Sun Stars employee engagement and recognition programme, complemented by a focused service skills training programme to enhance the customer experience at all our resorts and hotels.

Our marketing and sales efforts will focus on the Sun International brand proposition and the enhancements to our resorts brand identities and values.

Growth and outlook

We remain optimistic about an improvement in international demand into South Africa. Airlift capacity has increased to pre-pandemic levels, with Cape Town reporting an increase in airlift capacity compared to 2019. This increase in demand will improve overall room rate yields at both The Table Bay Hotel and at Sun City Resort. Conferencing and events demand is positive and the momentum in the last six months of 2022 looks set to continue into 2023. The same can be said for the local leisure market segment, which continues to drive weekend and public and school holiday demand. Both Sun City Resort and Wild Coast Sun will continue to attract casino customers as a core benefit of our MVG loyalty programme.

PERFORMANCE OVERVIEW

Resorts and Hotels

Sun City Resort

Income

R1 636 million

(2021: R1 074 million)

Adjusted EBITDA

R259 million

(2021: -R52 million)

Slots
600
(2021: 700)Tables
32
(2021: 51)Rooms
1 289
(2021: 1 299)

Sun City's full operational turnaround plan was successfully concluded in the first quarter of 2022, with conferencing business resuming to pre-pandemic levels. There was an increase in sporting events, giving the resort the opportunity to settle in the new operational structure. The resort was shielded to some extent from loadshedding, however the requirement to curtail demand resulted in a spend of over R4 million in diesel to run generators. Resort occupancy closed the year at 61% (2021: 42%) with an average room rate of R1 925 (2021: R1 684).

The Palace refurbishment, which commenced in 2021, was completed in time for the 40th Nedbank Golf Challenge and The Palace's 30th birthday celebrations. In addition, the Palace spa and gym was added to The Palace Hotel facilities. Ageing infrastructure at the resort, including the Valley of the Waves, was a focus in 2022. The outsourced maintenance model has proved successful and this model is being considered at other units. In 2023, we will commence with the refurbishment of the Sun City Hotel, which will span over a two-year period to minimise disruption to our guests. Our convention centre has been relaunched, with the focus on Meetings, Incentives, Conferences and Exhibitions (MICE), showing good results. The multi-purpose sporting facilities (rugby and soccer) will break ground early in 2023 and are earmarked to be completed in 2025.

Sun Vacation Club

The Sun City Sun Vacation Club continued to enjoy high average occupancy percentages of 76% during 2022 (2021: 73%), compared to the 2019 occupancy of 70%. Sun Vacation Club's third-phase development has begun with the launch of Lefika Villas in October 2022, and has been well received by the market, with pre-sales exceeding feasibility.

The Maslow Sandton

Income

R120 million

(2021: R53 million)

Adjusted EBITDA

R6 million

(2021: -R32 million)

Rooms
281
(2021: 281)

The Maslow Sandton: Occupancies increased by 30% comparatively, but was 7% behind 2019. The occupancy increase was due to a new airline contract, an improvement in corporate demand and an increase in conferencing. The Maslow Sandton improved its competitor set performance, which was encouraging. EBITDA recorded a substantial improvement on 2019 due to the re-alignment of the hotel staffing and cost structure, coupled with the improvement in revenue.

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The Table Bay Hotel

Income

R308 million

(2021: R126 million)

Adjusted EBITDA

R90 million

(2021: -R21 million)



Rooms

329

(2021: 329)

Following the impact of the Omicron variant in late 2021, 2022 had a slow start. However, from March 2022 onwards, international travel demand began to outpace local travel. Strategies implemented during Covid-19, coupled with the new staffing model, increased operational efficiencies which flowed through to EBITDA exceeding 2019.

The Table Bay Hotel celebrated its 25th birthday throughout 2022, showcasing 'The Best of the Best Address'. An extension of Siba the Restaurant was concluded in time for Easter, increasing seating capacity from 40 to 100 pax, celebrating one year of operation during October 2022. Camelot Spa was refurbished in time for summer. Sustainability and community upliftment was at the heart of The Table Bay Hotel's festive collaboration with the V&A Waterfront for the second year, with all décor handcrafted by local artisans, designers and illustrators.

Strategic priorities include securing a long-term lease extension from February 2025, which will support an exciting and substantial refurbishment of the hotel.

Wild Coast Sun

Income

R508 million

(2021: R426 million)

Adjusted EBITDA

R95 million

(2021: R49 million)



Slots

500

(2021: 550)



Tables

18

(2021: 18)



Rooms

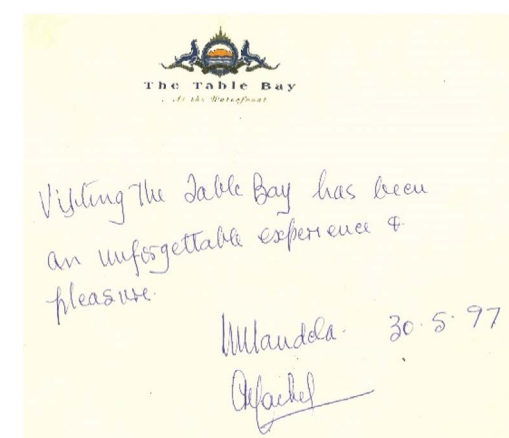
396

(2021: 396)

Wild Coast Sun was named winner of the Annual Luxury Lifestyle Awards Best Luxury Beach Resort in South Africa. Key developments during the year comprised various customer attractions including The Magic Company's R6.4 million indoor Skypark facility, a first in South Africa. We also opened two new franchised restaurants. Our in-house restaurant enjoyed a R5.5 million expansion and upgrade, which proved popular with our guests when it was opened in December 2022. A new convenience shop (The Palms) was opened for all visitors' daily essentials. We continue to explore the development of local SMMEs as well as local procurement and employment opportunities to improve the sustainability of the surrounding communities.

THE TABLE BAY HOTEL CELEBRATES 25 YEARS OF EXTRAORDINARY MEMORIES

Once a dockyard hotel and now the best address in Cape Town



30 May 1997

"An unforgettable experience and pleasure"

Nelson Mandela

Sun International's iconic Table Bay Hotel was officially opened by statesman Nelson Mandela on 30 May 1997. Since then the property has become an icon of elegance and luxury, acquiring a string of local and international accolades over the years for its service excellence and the warmth of its welcome.

The Table Bay Hotel was built at an angle, facing Table Mountain head-on. From the opposite angle the hotel offers equally beautiful unobstructed views across Table Bay, all the way to Robben Island and beyond.

The Table Bay Hotel embraces international five-star standards but always with a defining local twist. Its offering might be world-class, but the hotel remains authentically South African.

Just as its nautical architecture reflects its location in the heart of South Africa's oldest working harbour, so too, the hotel's interiors continue to echo the rich maritime history of Cape Town, the famous Tavern of the Seas that offered seafarers a safe and warm refuge from the elements.

The City of Cape Town's Mayoral Committee Member for Economic Growth, Alderman James Vos, also congratulated the hotel, stating that: "The Table Bay Hotel has exemplified the high standards, diversity and innovation of tourism and hospitality in Cape Town. It is no wonder that the hotel has time and again been voted one of the best luxury hotels in the world."



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Sun Slots owns and operates six route operator licences across four key provinces in South Africa. Through partnerships with various establishments such as bars, pubs, taverns, and sports betting outlets, Sun Slots makes limited payout machines (LPMs) available for public use and entertainment.

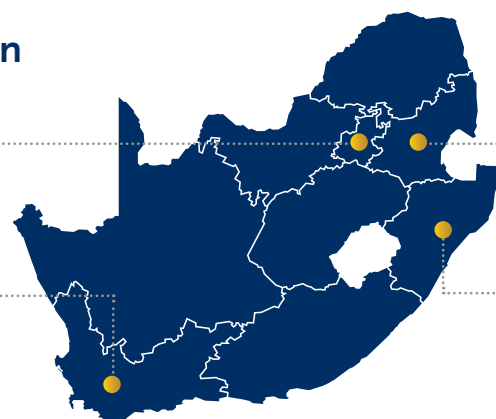
Geographic location

Gauteng

231 sites
1 388 LPMs

Western Cape

255 sites
1 161 LPMs



Mpumalanga

182 sites
802 LPMs

KwaZulu-Natal

338 sites
1 809 LPMs

Strategy

To achieve our strategy, we focus on four key areas, namely: rolling out LPMs and obtaining new licences, delivering superior service to site owners, driving operational excellence and pursuing growth opportunities. A substantial number of LPM applications were submitted and are awaiting processing by various gaming boards. Total machines licenced for 2022 amounted to 793 (2021: 387). Superior service levels continue to not only be the differentiator in the market for Sun Slots, but also translates directly into better quality sites and average gross gaming revenue (GGR). Machine uptime is a material focus when it comes to service and ensuring that LPMs are always available for game play.

Having identified certain challenges in the business, operational improvement plans are being implemented across the business, to attain the highest level of efficiencies and margin improvements. These include the automation of manual processes, and integration and streamlining of operations with existing resources.

Growth

We operate in four strategically selected South African provinces where we have a strong distribution network to maximise our return on investment. The growth of our business relies on a partnership strategy with carefully selected sites. There are 25 000 licenced LPMs in South Africa, with 15 058 active LPMs of which Sun Slots has 34% (5 160). We continue to grow this business and remain the preferred route operator in South Africa.

Our Africa expansion remains under consideration while we look for the right market and product in jurisdictions outside South Africa. While operations in East Africa have faced some challenges, pilot sites have been successfully activated in Zimbabwe and are being monitored for progress and improvements, before any further investments can be done. Besides the Africa expansion project underway, Sun Slots continues to explore new opportunities through responding to requests for proposals and requests for applications for other types of licences. These include EBTs and ISOs.

Outlook

- Continuing to engage with the regulator to accelerate growth in the number of LPMs in operations
- Improving operational efficiencies and margins
- Deploying value-added service offerings to sites
- Exploring new licence type opportunities – ISOs and EBTs
- Continuing with small-scale trials in selected countries for the Africa expansion programme

PERFORMANCE OVERVIEW

Sun Slots

Gross Gaming Revenue (GGR)
R1.5 billion
(2021: R1.2 billion)

EBITDA margin
24.6%
(2021: 25.2%)

Return on capex
35.3%
(2021: 30.8%)

LPM market share
51.2%
(2021: 50.4%)

LPMs
5 160
(2021: 4 652)



Sun Slots continued to show a strong recovery in 2022, post Covid-19, achieving income levels in excess of those recorded in 2021. Factors contributing to this positive growth are the business's strategy of first to market and LPM uptime through service excellence. With an emphasis on the speedy roll out of new licences, while extracting maximum value from existing sites, these results have been made possible through strong partnerships with site owners and co-operation with regulatory bodies.

The business performed well in achieving income of R1 491 million, which was 20% up on the prior year. Adjusted EBITDA reported at R367 million was also up 17% comparatively, which was achieved through stringent cost containment measures. This was achieved despite having experienced the highest incidents of loadshedding in recent years, under economic constraints. These results show a significant improvement when compared to 2021. Despite numerous forced site closures, LPM numbers grew by more than 10%, increasing the LPM market share owing to new site licence approvals and activations. The average GGR per machine per day also grew slightly to levels better than industry at R903, even though it was expected to decrease, given the high number of Type B applications that were rolled out in 2022. The low GGR dilution rate is testimony to the fact that better quality sites are being added to the Sun Slots network.

Operational efficiency

We are implementing effective solutions to drive our cost and operational efficiencies around four focus area discussed below.



DATA AND TECHNOLOGY

Sun Slots has commenced a full review of all current technology platforms. Identification of areas of digitisation in specific critical inefficient processes was the focus for 2022, with selected implementations to commence in 2023. Customer centricity is the priority when considering new technologies which would seek to enhance the customer experience, through a reduction in manually orientated processes.



PEOPLE

Sun Slots people are passionate about ensuring great service and punter entertainment, excelling in their roles and going above and beyond the call of duty to ensure that sites and punters experience our values through our service delivery. The business operates on a lean, but effective staff complement and encourages its people to continually develop, both professionally and personally. It is through the innovation and dedication of its people that the group continues to excel and grow.



PROCESSES

Key internal processes in respect of customer management have been reviewed and optimised to enhance the customer experience. The identified areas of improvement, namely site asset management and site compliance management, have been assessed and will be enhanced in the coming year.



REGULATION

In achieving the planned operational efficiencies, the business will ensure strictest compliance with regulatory requirements and licence conditions.

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SunBet

SunBet is the group's online betting and gaming division, comprising online sports betting, live dealer games and, since August 2022, online slots.

Strategy

SunBet aims to provide a first-class online betting and gaming experience to its customers. We strive to be the trusted and responsible gaming operator, adding value to our loyal customers through our premium service and offering.

Core to our strategy is the acquisition and retention of profitable, loyal customers. This is achieved through three key disciplines: effective marketing to new customers, the provision of a first-class gaming experience to our customers and providing outstanding service and added value to our loyal customers.

As an online business, SunBet aims to utilise its vast dataset to deliver targeted, efficient, data-driven marketing. Through smart data analytics, our marketing aims to drive efficiencies by presenting the right offer to the right segment of customers at the right time to both acquire and retain our customers.

We continue to work with some of the best global software suppliers to offer a suite of products that provides an exciting, premium gaming experience. A key element of the wider group strategy is integrating the online and physical casino assets through our omnichannel project that will deliver a unified wallet to all the Sun International customers, allowing seamless play both online and offline. We also aim to provide added value benefits to our customers' game play by using the group's hotel and casino properties. SunBet customers also enjoy the benefits of the group's extensive loyalty programme with benefits across the group portfolio. With these core principles in mind, we can deliver a first-class experience to our customers while gaining a reputation for excellence.

In addition to our core strategy of growing customers, SunBet will actively pursue market growth opportunities, either through technological development or geographical expansion. These strategic initiatives will position SunBet to capitalise on these fast-growing markets.

- In the first half of 2023, SunBet will upgrade its player management system to one operated by Playtech. The Playtech software will provide an enhanced customer experience and allow us to communicate much more effectively with our customers.
- On 1 September 2022, the group completed the acquisition of SunBet Africa Holdings (the Eazibet group), with online gaming licences in Ghana, Zambia and Kenya. Operational plans are also underway to establish and launch the SunBet brand across certain licensed markets across Africa.

Responsible gambling and maintaining the trust of our customers are vital strategies in the current market environment. In a highly regulated business, we aim to offer a first-class entertainment experience to our customers, while ensuring that this is done in a controlled and affordable manner. We have robust 'Know Your Customer' requirements, in line with national legislative requirements and control measures in place, to identify potential money laundering red flags.

Growth

The global online betting and gaming market has demonstrated substantial growth over the last 25 years. The local South African market has grown steadily over the past decade, with a significant acceleration in growth rates during the Covid-19 pandemic, as operators invest in growing customer bases and online/smartphone penetration and e-commerce trends increase. We expect this market to continue to exhibit high-growth characteristics both locally and across the continent into the foreseeable future.

SunBet offers a significant and exciting growth opportunity for the group and considerable focus has been placed on this business unit during the past year. With this in mind, we continue to invest in people, marketing and operations to significantly increase our share of this fast-growing market. In 2022 we appointed a new SunBet chief executive officer, Simon Gregory, who has significant international online gaming experience, to strategically grow our presence in this market.

The work undertaken in 2022 in terms of our people, our operational capabilities and our market position, along with current run rates within the SunBet business, give us full confidence to look forward to another year of strong growth from this business.

Outlook

We continue our strategy to grow the SunBet business in three directions:

- Focusing on organic growth of our existing South African business, through efficient and strategic customer acquisition and the retention of our valuable existing database. We will bring SunBet closer to the group's assets through our marketing efforts, and operationally through the omnichannel approach.
- Adding additional products to our portfolio as regulation permits. This may include a wider variety of the existing betting options currently available or new genres of games.
- Expanding across the African continent into regulated markets where we believe profitable returns can be achieved.

PERFORMANCE OVERVIEW

SunBet (online customers only)

Gross Gaming Revenue (GGR)

R411 million
(2021: R197 million)

Net Income*

R263 million
(2021: R136 million)



Unique active customers

109 122
(2021: 32 814)

New customer registration

171 550
(2021: 84 833)

First-time depositors

45 604
(2021: 16 232)

The primary driver of performance in any online gaming business is the number of active customers. New customer registrations increased by 102% while new customers who made their first deposit during the year increased by 181%. Unique active customer numbers in the year increased by 232% from 32 814 to 109 122. Most of these new customers were acquired in the latter part of the year, resulting from our expansive media campaign following the launch of online slots in August 2022. This has resulted in a significantly larger and more active customer base from which we can drive further value in 2023.

SunBet increased GGR (wagers placed less payouts) from its online players by 110% from R197 million in 2021 to R411 million in 2022, generating net income (GGR less bonuses and taxes) of R263 million (2021: R136 million). Growth was driven by a full year of revenue from Live Games, which increased GGR from R23.5 million (launched August 2021) to R114.2 million in 2022. In addition, the successful launch of online slots in August 2022 added a further R99.0 million of GGR in the year (2021: nil).

* GGR less gaming tax and bonuses.

Our presence and group structure

Operating environment

Business model

Stakeholder engagement

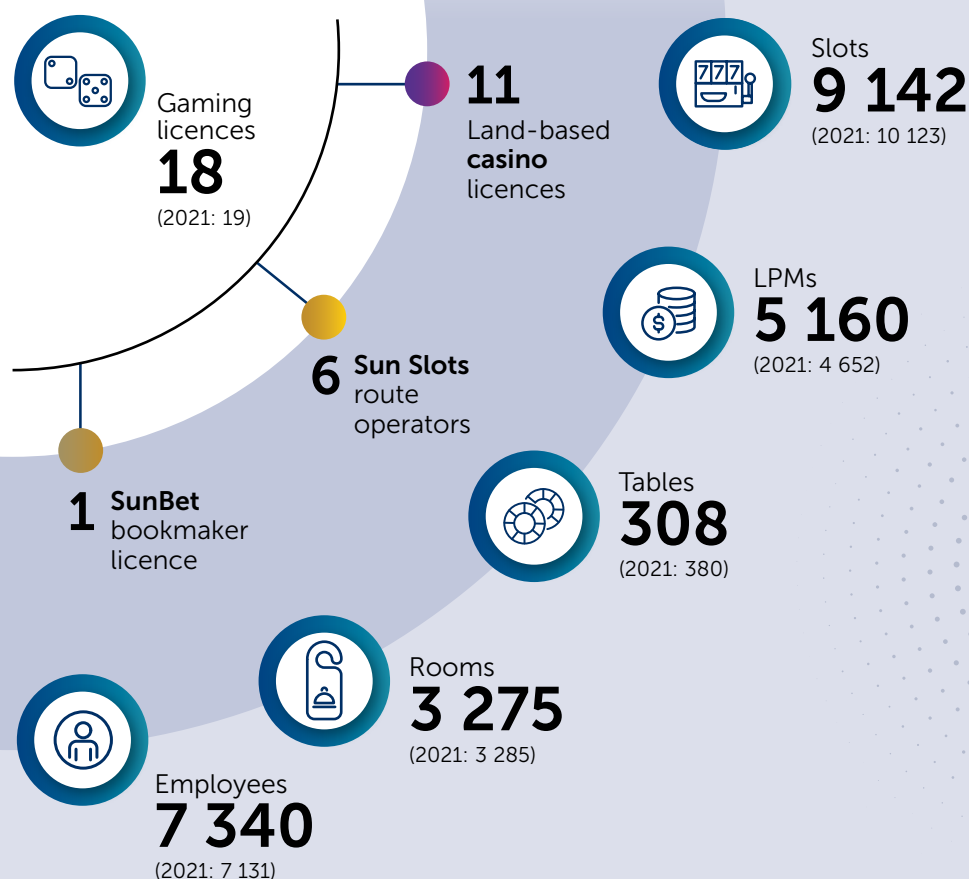
Material matters

Enterprise risk management

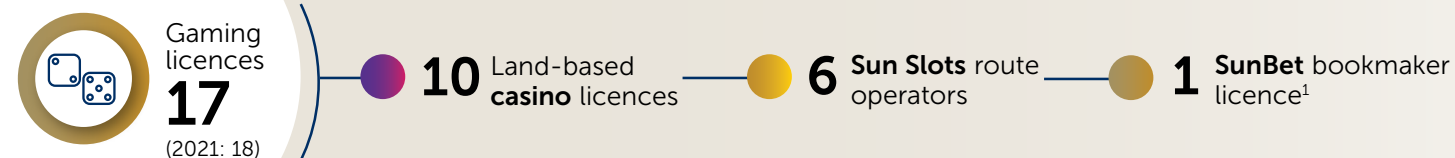
OUR PRESENCE AND GROUP STRUCTURE

Sun International is an international hotel, casino and entertainment company that has a presence in South Africa and Nigeria.

GROUP



SOUTH AFRICA



FINANCIAL

Property

	Economic interest (%) ²	Slots	LPMs	Tables	Rooms	Employees
Gauteng						
Carnival City	91	1 100	–	37	105	585
The Maslow Sandton	100	–	–	–	281	117
Time Square	82	1 550	–	55	238	781
Western Cape						
GrandWest	62	2 302	–	46	39	907
The Table Bay	62	–	–	–	329	291
Golden Valley	61	190	–	4	98	136
KwaZulu-Natal						
Sibaya	87	1 213	–	51	154	705
Limpopo						
Meropa	68	332	–	14	60	147
North West						
Sun City	100	600	–	32	1 289	1 785
Northern Cape						
Flamingo	71	250	–	7	–	114
Eastern Cape						
Boardwalk	76	700	–	21	140	398
Wild Coast Sun	50	500	–	18	396	394
Free State						
Windmill	70	350	–	18	–	130
Alternate gaming						
Sun Slots	70	–	5 160	–	–	238
SunBet	100	–	–	–	–	78
Management						
Sun International Management	100	–	–	–	–	341
Total		9 087	5 160	303	3 129	7 050

¹ The group has one SunBet bookmaker licence in South Africa, and three bookmaker licences internationally.

² Economic interest excludes the interest held by the Sun International Employee Share Trust (SIEST).

NIGERIA



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Business model

Stakeholder
engagement

Material matters

Enterprise risk
management

OPERATING ENVIRONMENT

Our operating environment continues to be influenced by external and internal factors that are not always under our control. Significant factors include the economy, South Africa's infrastructure, industry trends (gaming and hospitality) and regulations. This operating environment constantly informs and shapes our strategy as we adapt to these trends and navigate our way forward.

Key factors impacting our operating environment

Economy

South
Africa's
infrastructureGaming
industryHospitality
industry

Regulation

ECONOMY

Overview

In South Africa we continued to experience a tough economic environment. The IMF¹ is forecasting GDP growth of 1.2% and an expected inflation rate of 5.1% in 2023. Other factors exacerbating the tough economic environment include increased power outages, high unemployment levels, rising debt levels, failing infrastructure, inequality, corruption, international supply chain disruptions and low investor confidence.

Consumer confidence in general remains very low and is not conducive to growth in real consumer spending, resulting in less disposable income allocated to leisure and entertainment spend.

The global economy¹ also experienced a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, consequences of Russia's invasion of Ukraine, and the residue of the Covid-19 pandemic all weighed heavily on the economy.

Group response

We continue to put measures in place to drive income and ensure we provide excellent customer service through our products and experiences, so that our casinos, resorts and hotels remain a destination of choice. Customer engagement, ongoing investment in our properties, optimising cost structures and driving margins as well as managing our balance sheet position also remain a focus. Where feasible and aligned with our strategy, we continue to explore opportunities to expand across the African continent. Specific points to note include:

- ✓ Improved use of data and analytics grew market share in Gauteng, Eastern Cape, KwaZulu-Natal (KZN) and Western Cape.
- ✓ Concluded a 70% investment in a Mauritian company, which has online sports betting and casino licences to operate in Ghana, Zambia and Kenya.
- ✓ Explored renewable energy options to reduce reliance on energy supplier, with emphasis placed on full back-up generation to mitigate the effects of loadshedding.
- ✓ Reduced debt levels and managed unutilised facilities of R2.5 billion.

Outlook

We anticipate that the economic environment will remain challenging, however we remain optimistic that we are well placed to deal with these challenges.

Key facts

South Africa	2021	2022	2023
GDP	4.9%	2.6%	1.2%
Inflation	4.6%	6.7%	5.1%
Unemployment rate	34.3%	34.6%	35.6%

GDP and inflation source: IMF's World Economic Outlook October 2022 and January 2023.
1 World Economic Outlook: October 2022.

SOUTH AFRICA'S INFRASTRUCTURE

Overview

South Africa's infrastructure remains a challenge for businesses and consumers, with the most significant concern being the national power grid. During 2022, South Africa experienced over two hundred days of loadshedding, which severely impacted businesses and consumers. While our units have generators, the cost of diesel is having an impact on our margins and profitability.

Road infrastructure plays a critical role in South Africa's economy. It makes it possible to transport goods and services, but it also enables movement for people, enhancing productivity within the economy. Heavy rains across KwaZulu-Natal and the Eastern Cape in April 2022, as well as heavy rain in Gauteng in December 2022, led to extensive flash floods and landslides, causing severe damage to road infrastructure and properties. This resulted in the displacement of citizens and loss of life. Lack of infrastructure maintenance is the main reason for the infrastructure deterioration. Some of our properties were also impacted by these floods and the further deterioration of road infrastructure may negatively affect footfall at our properties.

South Africa is a water-scarce country, and the extended loadshedding is impacting the ability to pump water. The floods have also contaminated water sources, in KwaZulu-Natal and the Western Cape in particular. While the group has water solutions for certain of its properties, there is a necessity to look at investing in water solutions for all properties.

Group response

The group is in constant engagement with government to invest in roads, particularly regarding the Pilanesberg airport and the Pilanesberg Game Reserve at Sun City. We also continue to focus on solutions for energy and water as noted below.

- ✓ Renewable energy options are being explored to reduce reliance on energy suppliers, with emphasis placed on full back-up generation to mitigate effects of loadshedding.
- ✓ ENVIRO-AMBITION 2025 is in place to enable sustainable environmental management.
- ✓ A water solution is in place at Boardwalk Hotel – the unit installed a reverse osmosis plant in 2022, which can supply both the hotel and casino.
- ✓ Employees in KwaZulu-Natal affected by the floods received financial assistance from the group.

Outlook

South Africa's national power grid remains unstable as loadshedding is expected to persist during 2023, placing businesses and consumers under financial and social pressures.

We continue to responsibly manage our natural resources and our renewable energy plan has been prepared to reduce our reliance on the national power grid.

Key facts

18.65% electricity tariff increase granted by the National Energy Regulator of South Africa.

Damage to infrastructure in KwaZulu-Natal because of the April 2022 floods already exceeds **R1.1 billion**

Source: The South African Insurance Association.

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GAMING INDUSTRY

Overview

The industry is growing despite the poor economy, driven by online betting and limited payout machines (LPMs). New products and the online environment bring direct competition to traditional gambling establishments. Illegal gambling continues to be prevalent and is difficult to control, with law enforcement having limited impact.

Consumers' disposable income was also constrained due to financial uncertainty, high unemployment and other socio-economic factors.

Group response

We continue to invest in people, marketing and our omnichannel approach to increase our share of the fast-growing online gaming market. Our innovative gaming and marketing promotions, events and group gaming tournaments have contributed to a growth in casino market share. Further points to note:

- ✓ New online gaming products offered – Live Games and Slots.
- ✓ Rollout of Playtech Neon underway – expected to be fully implemented by end of 2024 and will significantly improve our customer relations management.
- ✓ SunBet entering new geographies in Africa – the group concluded a 70% investment in a Mauritian company, which has online sports betting and casino licences to operate in Ghana, Zambia and Kenya.
- ✓ SunBet's new chief executive officer has significant international online gaming experience.
- ✓ Sun Slots continued to operate at levels higher than those reported in pre-Covid-19 times and is well positioned for further growth in South Africa.

Outlook

Our casinos continue to generate significant revenue and cash flow. We expect them to further recover from the impact of Covid-19. We anticipate that SunBet will grow strongly as it increases its share of the online gaming market.

Trends

The betting industry generates 45% of total industry GGR, casinos (40%), LPM (11%) and bingo (4%).

The gambling industry collected R3.2 billion in taxes/levies in FY2021/22, matching the pre-pandemic levels of FY2019/20.

The betting industry grew by 21.3% between FY2018/19 and FY2019/20, by 21.2% in FY2020/21 and by 45.8% in FY2021/22, generating GGR of R15.5 billion.

Source: National Gambling Board South Africa: National Gambling Statistics FY2021/22.

HOSPITALITY INDUSTRY

Impact in 2022

South Africa's domestic travel has returned to almost pre-pandemic levels, with an increase in conferencing demand as Covid-19 restrictions were lifted. Domestic air travel constraints have however impacted this upward trend. There was a strong improvement in international travel and tourism. We anticipate that this will continue in 2023 with a significant increase in airlift to the country being announced. The sporting and entertainment events industry is also gaining momentum.

Globally, inflation pressures and the war in Ukraine are affecting global travel demand, while the lifting of travel restrictions in China is seeing a resurgence in travel from these markets.

Transient corporate travel has still not recovered to pre-pandemic levels, due to hybrid work arrangements in many industries.

Group response

The group continues to invest in property upgrades and refurbishments, as well as product offerings, to ensure we attract and retain our customers. We are capitalising on an increase in conferencing demand and local leisure travel through focused sales efforts. We continue to leverage our resorts and hotels for MVG and VIP customers. There is also a strong focus on sports and events at resort properties. Specific points to note:

- ✓ The Sun City Sun Vacation Club was expanded. The luxury villa development (Lefika) was launched in October 2022, with 58 luxury villas planned for 2023.
- ✓ An improved product offering at Wild Coast Sun with new restaurants and attractions.
- ✓ The Palace refurbishment, with the addition of a spa, was completed.

Outlook

Our hotels remain well placed to host all guests (local and international) and ensure safe and memorable experiences. The increased airlift to South Africa and Cape Town in particular is expected to exceed 2019 levels in 2023, which should boost international travel and tourism.

A planned refurbishment of the Sun City Hotel will commence in 2023. We will complete the 58-unit Lefika Villas project and we are exploring the opportunity to build a further 190 to 200 Vacation Club units at Sun City.

Trends

South Africa is becoming more aggressive in bidding for MICE (meetings, incentives, conferences and exhibitions) business, supporting growth in international tourism.

Online travel sites are allowing visitors to become more price conscious, which will dampen the average daily room rate growth.

The growing tendency toward valuing experiences over possessions, particularly by millennials, will benefit the hospitality industry in Africa.

Source: PwC Hospitality outlook: 2019–2023: South Africa – Nigeria – Mauritius – Kenya – Tanzania, www.pwc.co.za/outlook.

REGULATION

Overview

The group operates in a dynamic regulatory environment. Critical legislation impacting our business is listed below and the group's response is detailed under the enterprise risk management section on page 26.

Smoking legislation (page 31): The Draft Control of Tobacco Products and Electronic Delivery Systems Bill 2018.

Ongoing changes in casino licence conditions (page 31).

GrandWest exclusivity (page 29): The Western Cape Twentieth and Twenty-First Gambling and Racing Amendment Bills.

Outlook

Sun International continues to monitor regulatory developments, engage relevant regulatory bodies and mitigate, where possible, relevant legislative risks.

Key facts

The Department of Trade and Industry (dti) authorises the issuing of casino licences. In 2015 the dti increased the number of South African casino licences from 40 to 41, which is under appeal.

The National Gambling Board (NGB) oversees the regulation of South Africa's gaming industry.

41 authorised casino licences in South Africa.

39 have been issued.

Each province has its own gaming legislation and provincial licensing authority.

BUSINESS MODEL

Our four businesses operate in a dynamic environment and we use the six capital resources throughout our business activities in a balanced manner. This results in outputs and outcomes that either lead to value creation, preservation or erosion over time. Our business model is underpinned by the group's robust governance and enterprise risk management processes, and influenced by various internal and external factors.

CLICK TO SEE THE CAPITALS AND STAKEHOLDER ICONS



INPUTS

We use the six capital resources interchangeably and appreciate that there are trade-offs between them. These trade-offs are carefully considered to preserve shareholder value.

FC Our source of funds includes debt and equity, which we allocate to our business operations, including running costs, property refurbishments and maintenance and strategic acquisitions.

PC Our unique properties form the bricks and mortar where our business activities are carried out to ensure we offer our guests a memorable experience. Our unused land also creates opportunities for development.

SC Our guests, shareholders, employees, communities, gambling boards, government and regulators are key stakeholders, and we actively engage and manage these stakeholder relationships to build trust and promote a shared value proposition.

HC Our people are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.

IC Our intellectual capital includes our gaming licences, innovation, brand and know-how, which provides our licence to operate and cultivates a wealth of management expertise and innovative IT.

NC Our business activities depend on natural resources, particularly land, water and energy. Some of our properties are in pristine environments rich in biodiversity, which we protect and preserve.

BUSINESS ACTIVITIES AND OUTPUTS

Our business activities draw on the various capital resource inputs and convert these into our activities and outputs – gaming and hospitality, which are supported by various support functions including marketing, brand standards, finance, IT, customer experience, HR and governance. Our business support functions also lead innovation and technology, to optimise the use of digitisation and technology in our customer-centric environment and to enable our omnichannel strategy.

Internal and external factors influencing our business model and our ability to create stakeholder value:

- Customer feedback and data analytics
- Digital systems
- Regulation
- Industry trends
- ESG
- Material matters
- Infrastructure

Gaming

Our gaming licences are the most critical enabler allowing us to operate and fulfil our purpose and vision. We continuously review and evaluate our licence conditions to ensure we fully comply and maintain our licence to operate. Our gaming includes urban casinos (tables and slots), Sun Slots (limited payout machines) and SunBet (online sports betting).



Hospitality

Our unique resorts and hotels, their pristine locations and superior offerings are some of the key differentiating factors that keep our guests choosing Sun International's resorts and hotels as a destination of choice. The group's food and beverage offering provides something for all food lovers. Most of our properties have the facilities and infrastructure to host world-class events and conferences, which drives footfall at properties and creates memorable experiences.



OUTCOMES

Our business model culminates in specific stakeholder outcomes that have far-reaching impacts on the economies and societies where we operate. We strive to create stakeholder value and manage capital trade-offs responsibly.

FC	R3.3 billion adjusted EBITDA (2021: R1.7 billion)	Value created
	R1 085 million adjusted attributable profit (2021: R117 million)	Value created
	Strong cash flow generation	Value created
PC	R1 042 million capital expenditure (2021: R586 million)	Value preserved
	Ongoing refurbishments at properties	Value preserved
SC	R42.3 million invested in supplier development (2021: R30.7 million)	Value created
	R12 million committed to enterprise development (2021: R8.3 million)	Value created
	R27.6 million invested in SED (2021: R14 million)	Value created
	R5.3 million invested in CSI in-kind donations (2021: R13.1 million)	Value created
	Significant tax contribution	Value created
HC	Training and development – R84 million (2021: R52 million)	Value created
	Employee remuneration – R2.1 billion (2021: R1.7 billion)	Value preserved
	93.9% black employees (2021: 92.2%)	Value preserved
IC	18 gaming licences (2021: 19)	Value preserved
	11 Land-based casino licences (2021: 12)	Value preserved
	6 Sun Slots route operators (2021: 6)	Value preserved
	1 SunBet bookmaker licence (2021: 1)	Value preserved
NC	Strong brand to attract customers to iconic properties	Value preserved
	5% increase in electric energy usage (2021: 14%)	Value eroded
	5% increase in water usage (2021: 5%)	Value eroded
	41% increase in waste generated (2021: 4%)	Value eroded
	19% increase in CO ₂ emissions (2021: 6%)	Value eroded
	12 of our 14 properties implemented water metering in 2022	Value preserved

While capital trade-offs are unavoidable, we ensure that these trade-offs are carefully considered and managed in our stakeholder value creation.

Sun International has a strong cash-generating business which positively impacts its financial capital. The availability of financial capital is dependent on the current operating environment and is deployed in an appropriate and balanced manner across various other capitals, depending on the financial need, to grow and enhance our four business segments. Our financial capital is also deployed to human capital (employee training), productive capital (property refurbishments) and intellectual capital (systems, brand and gaming licences).

Chief financial officer's report
Page 32

To continually attract and retain customers (key stakeholder) and enhance our productive capital, it is essential that we allocate financial capital to ongoing property refurbishments and maintenance. This in turn results in increased footfall and customer activity, which leads to an increase in cash generation (financial capital).

Our strategy
Page 7

The group's operations impact various stakeholders and fostering positive stakeholder relationships has a positive impact across most capitals, as trust is built with stakeholders. Our properties are located close to communities who also benefit from employment and supply chain opportunities, which further nurtures positive stakeholder relationships.

Social and ethics report*
ESG report*

Human capital attraction and retention is a challenge in the gaming and hospitality industry, as these specific skills are scarce. It is therefore critical that we invest financial capital in our human capital through employee development, health and wellness programmes, community volunteering and competitive remuneration, to provide a work environment that is conducive to employees providing our customers with memorable experiences. Through these investments we also strive to be an employer of choice within the marketplace.

Social and ethics report*
Remuneration report*
People and culture*

Our gaming licences provide us with our licence to operate and generate cash (financial capital) and our world-class IT platforms and systems provide the infrastructure to ensure our customers choose Sun International as their choice destination. Significant financial capital is deployed to these critical enablers to ensure that we remain relevant to our customers and ensure the group's long-term sustainability.

Chief executive's review
Page 5
Our strategy
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Some of our iconic properties (productive capital) are located in pristine natural environments and all our properties are dependent on natural resources (water, energy and land). We use these resources responsibly and deploy financial capital to invest in alternative energy sources and water solutions due to the fragility of our national energy provider, and water scarcity in South Africa. These investments ensure our customers choose Sun International as their destination of choice to enjoy memorable experiences.

Social and ethics report*
Environmental*

Operating environment game changers: Regulation / Industry and gaming bodies / IT advancements / Society

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STAKEHOLDER ENGAGEMENT

Stakeholder relationships impact directly and indirectly on our business and reputation. Sun International encourages constructive stakeholder feedback through the group's various communication channels. Our stakeholder engagement approach ensures that we continue to create and sustain stakeholder value in our operating environment.

STAKEHOLDER ENGAGEMENT APPROACH

Our group-wide stakeholder engagement approach allows for ongoing key stakeholder engagement in an open and transparent manner. Achieving our five strategic objectives depends on our ability to proactively engage with and respond to our stakeholders. Our various engagement methods include online and face-to-face interactions, formal and informal communication platforms, social media, results presentations, reports, and our annual general meeting. We also engage through our marketing campaigns, digital platforms, advertising, electronic media, newsletters, events and roadshows. We conduct regular surveys among our guests and employees, with the aim of continually improving service delivery, guest experience and employee satisfaction.

ENGAGEMENT PROCESS

We annually assess our stakeholder universe based on stakeholder influence, legitimacy and the urgency of their concerns. This engagement process allows us to identify any material concerns and opportunities that may exist, and to purposefully engage to resolve and build on these matters and acquire a better understanding of our stakeholders' needs. The risk, remuneration and social and ethics committees provide oversight of the group's stakeholder engagement and are responsible for keeping the board abreast of material matters arising.



Focused engagement within the communities in which we operate is particularly important, as most of our properties are situated within or close to surrounding communities. Stakeholder concerns and demands, particularly from communities and local suppliers, continues to increase as the socio-economic environment weakens. Cultivating positive relationships with these stakeholders ensures that Sun International strives to offer shared value and sustainable socio-economic development (SED) opportunities.

* <https://suninternational.onlinereport.co.za/2022/downloads/Environmental-Social-and-Governance-Report-2022.pdf>

Key stakeholders



Communities



Gambling boards



Employees



Regulators and industry bodies



Customers and guests



Equity partners and debt funders



Partners and suppliers



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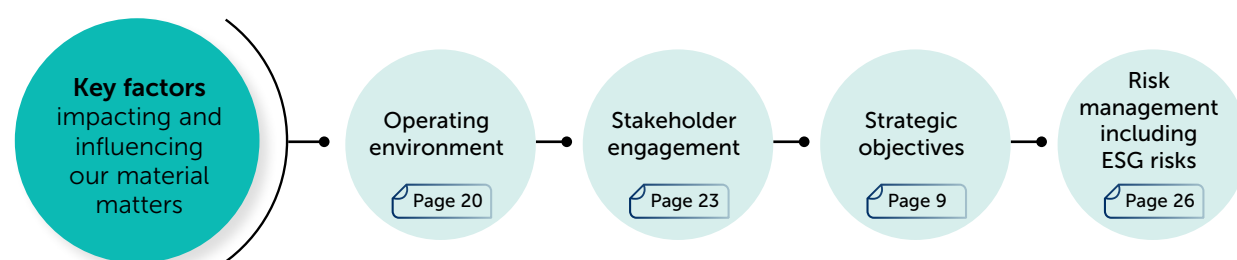
Material matters

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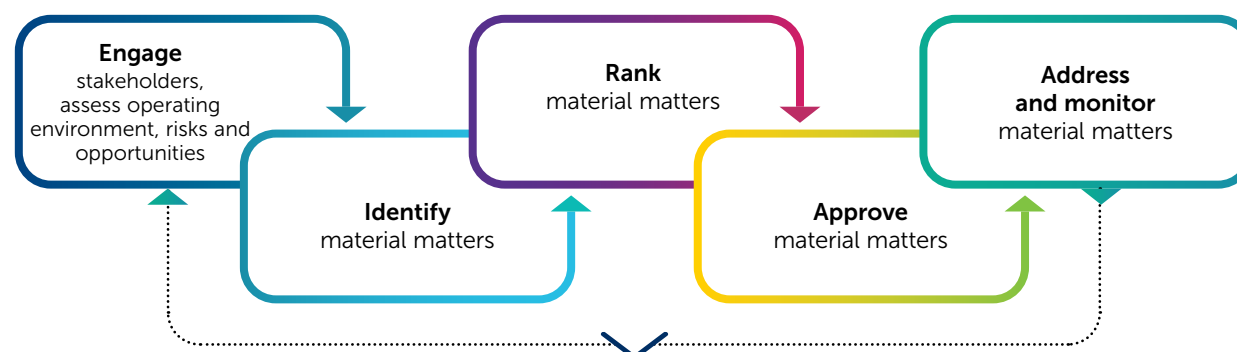
MATERIAL MATTERS

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

Through the group's material matters determination process, all matters are assessed annually to ensure that they remain relevant to our business strategy and operations. During 2022, the matters listed below were determined to be the most material to the group, including the addition of our evolving regulatory environment. A sustainability materiality assessment was conducted by an external provider as part of the group's evolving ESG journey. This sustainability materiality assessment identified the group's critical ESG risks, which have a significant impact on the company's business performance.



Material matters determination process

CHANGE IN MATERIAL
MATTER SEVERITY:

Unchanged



Increased



Decreased

MATERIAL MATTERS UNPACKED

Managing through tough economic conditions

LEVEL OF CONTROL: Low

MM1

Why this matter is considered material

Our business depends on consumer spending and guests staying at our properties. The prevailing tough South African economic environment continues to impact our profitability, debt levels, capital investments, and strains consumers' disposable income, particularly discretionary spending on gaming and hospitality.

Related risks

R 1 R 3
R 5 R 10

Capital resources impacted

FC PC HC SC

Related strategic objectives

SO1 SO2 SO3 SO4 SO5

Socio-economic and political challenges

LEVEL OF CONTROL: Medium

MM2

Why this matter is considered material

Socio-economic challenges are increasing, impacting lives and livelihoods and highlighting inequalities prevalent in society. At Sun International we continue to experience stakeholder demands, specifically from our communities and supply chains in respect of job creation, local procurement opportunities and community upliftment. In South Africa the socio-economic and political challenges we faced during 2022 included inequality, high unemployment, extreme weather (floods and heat waves) and civil unrest.

Related risks

R 1 R 2
R 3 R 10

Capital resources impacted

PC HC SC

Related strategic objectives

SO1 SO2 SO3 SO4 SO5

Customer attraction and retention

LEVEL OF CONTROL: High

MM3

Why this matter is considered material

Our customers and guests are among our most important stakeholders and are critical to our sustainability. It is important that we provide products and services that continue to attract and retain their patronage by providing excellent customer service, diversified entertainment opportunities and world-class facilities, in line with our vision of creating memorable experiences.

Related risks

R 1 R 2 R 3 R 5
R 6 R 7 R 8 R 10

Capital resources impacted

FC HC SC

Related strategic objectives

SO1 SO3 SO4 SO5

CLICK TO SEE
EXPLANATION OF ICONS

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Embracing ESG principles

LEVEL OF CONTROL: Medium

MM 4

Why this matter is considered material

ESG analysis and focused reporting is a growing trend globally. Climate change is one component of ESG, namely environmental, and has a huge impact on our livelihoods, our health, and our future. In South Africa, water resources are limited and electricity costs continue to increase significantly and the reliability of our energy supplier remains fragile, as evidenced by unprecedented loadshedding during 2022 and into 2023. Sun International is dependent on these energy and water resources to operate and provide world-class facilities to its customers and guests. As a good corporate citizen, it is important that we demonstrate how we are playing our part to provide decent working conditions that include health, safety and wellbeing, quality education, equality and community upliftment. These environmental and social elements are all underpinned by the group's robust governance framework.

Related risks

R 1 R 2 R 3
R 8 R 10

Capital resources impacted

HC NC SC PC

Related strategic objectives

SO1 SO2 SO3
SO4 SO5

Managing stakeholders' growing needs

LEVEL OF CONTROL: High

MM 7

Why this matter is considered material

Managing the growing needs of stakeholders is critical to our sustainability. We operate in a highly regulated and complex environment, and it is important that we maintain our operational and social licence to operate. The group continues to focus on adherence to critical legislation impacting our business including smoking legislation, ongoing changes in casino licence conditions and licensing exclusivity requirements. The health, safety and wellbeing of all our key stakeholders have always been a priority for the group, but following the pandemic, a new emphasis has been placed on the importance of creating a safe environment for our key stakeholders.

Related risks

R 1 R 3
R 10

Capital resources impacted

FC HC SC

Related strategic objectives

SO1 SO3 SO5

Managing human capital and the evolving world of work

LEVEL OF CONTROL: High

MM 5

Why this matter is considered material

The group's unique casino and hotel business requires critical skills to grow the business in an ever-changing operating environment. Globalisation and virtual operating environments make it attractive for people to constantly seek new job opportunities globally. While competitive remuneration is an important retention tool, employees' focus is shifting to a healthy work-life balance that incorporates flexibility, transformation (inclusivity, diversity and equality) succession, development, retention and an empowering working environment.

Related risks

R 1 R 3
R 10

Capital resources impacted

FC HC SC

Related strategic objectives

SO1 SO2 SO3 SO5

Evolving regulatory environment

LEVEL OF CONTROL: Medium

MM 8

Why this matter is considered material

We operate in a highly regulated and complex environment. The group continues to focus on compliance requirements, ensuring we maintain our operational and social licence to operate. Specific regulatory requirements/amendments directly impacting our operations include the proposed amendments to smoking legislation, which will ban smoking in public areas and severely impact casino income. Ongoing changes in casino licence conditions all impact the group's profitability.

Related risks

R 1 R 4
R 8 R 9

Capital resources impacted

FC HC SC

Related strategic objectives

SO1 SO2 SO3 SO4 SO5

Operating in an evolving digital environment

LEVEL OF CONTROL: Medium

MM 6

Why this matter is considered material

Consumer needs are constantly shifting and evolving in this digital era we operate in. Sun International embraces these changes and is constantly looking to integrate digital and information technology in all areas of its business. This ensures that we continue to innovate (Playtech, guest booking platform and the Sun App), transform and challenge the status quo. This results in an enhanced customer value proposition as well as creating opportunities for new customers and providing a secure platform that mitigates cyber risk.

Related risks

R 1
R 5

Capital resources impacted

FC IC

Related strategic objectives

SO1 SO2 SO3 SO4



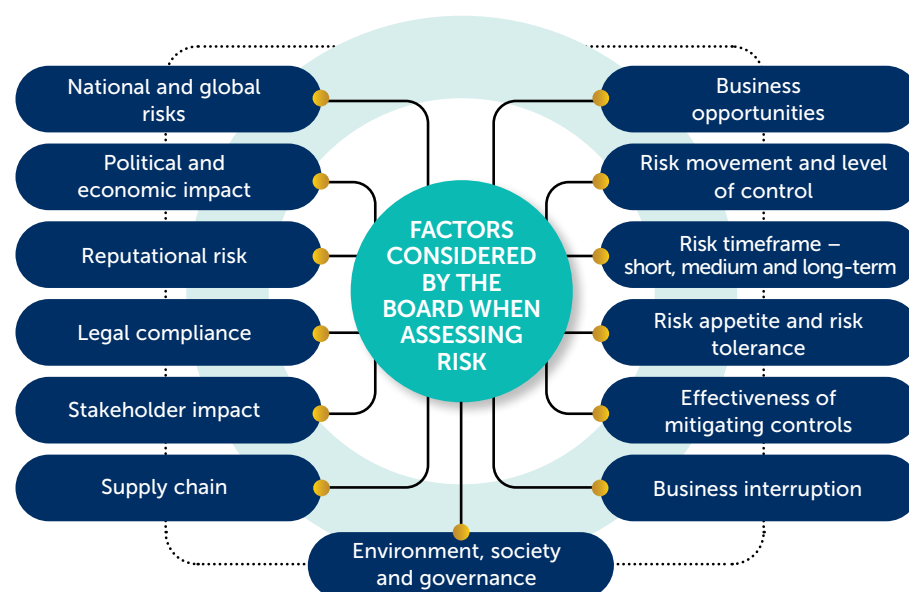
CLICK TO SEE EXPLANATION OF ICONS

ENTERPRISE RISK MANAGEMENT

Sun International's enterprise risk management (ERM) process focuses on identifying and minimising the impact of the key strategic, operational, financial, reputational, ESG, and regulatory risks facing the business in the geographies and economic sectors in which the group operates.

RISK APPROACH AND OVERSIGHT

The risk management process encompasses activities which are, from a risk perspective, value accretive as well as those activities which could potentially lead to value depreciation. The scope of the risk process includes the consideration of internal and external factors (see below) which could impact on the successful implementation of the group's strategy with a focus on the operating environment, industry trends, material matters, threats, opportunities, and stakeholder engagement.



The board is ultimately responsible for the governance of the group's risk management process and approving the group's risk appetite and tolerance levels. The board discharges its duties by mandating specific risk management duties and responsibilities to the group's risk committee and the group's chief executive and executive management (exco) team. The executive management are collectively responsible for the compilation and continuous review of the group's risk register, which is tabled at each risk committee meeting for discussion as well as ensuring that the risk management process is inclusive and embedded throughout the group.

The group considers its risks in terms of the potential impact and likelihood of an identified threat or opportunity occurring and its resultant impact on the group, resulting in each risk being allocated an inherent risk rating. The potential impact is currently determined by considering the strategic, financial, reputational, regulatory, ESG and operational impact a risk could have on

the group, while the likelihood is rated on a scale ranging from a remote to a definite possibility.

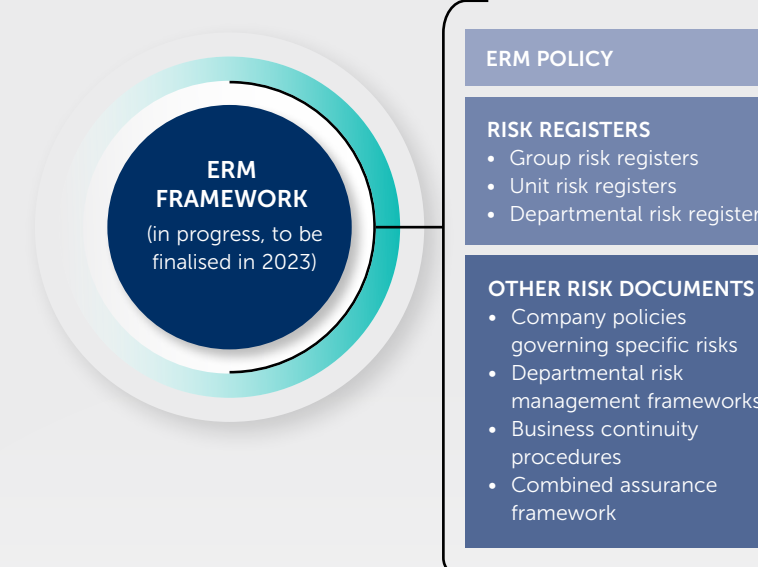
Each inherent risk is considered along with the effectiveness of mitigating controls, which results in a residual risk exposure. A residual risk rating is allocated to each risk with a detailed risk mitigation action plan, quarterly status updates, contingency plans and opportunities, to minimise or prevent the risk. Each risk is assigned to a specific risk owner who is responsible for implementing the mitigation measures and is held accountable for continually monitoring, mitigating where possible and reporting on progress. Prior to the final risk committee meeting for the year, the group's risk working committee, conducts a full review of the risk register, risk ratings and mitigation measures, for presentation to the risk committee. The group's risk management process and the effectiveness of risk mitigation, implemented at a group and unit level, are reviewed by various providers, as defined in the group's combined assurance framework.

Enterprise risk management going forward

Enterprise risk management framework and strategy

Enterprise risk management framework:

During 2022, Sun International conducted an independent review of the maturity of its risk management approach and methodology, to ensure its effectiveness and alignment with industry best practice. This review resulted in the need to develop an ERM framework and adopt the ISO 31000: 2018 standard for risk management. The integrated ERM framework will outline the organisations approach to risk management in a standardised, structured, and comprehensive manner to ensure consistent and comparable results, that can be aggregated and used to inform strategic decision making. It also considers the changing nature of risk and how risks can be anticipated, detected, acknowledged, and responded to in an appropriate and timely manner; how stakeholders should be engaged to ensure that all views, knowledge, and perceptions of stakeholders are considered, and that information pertaining to risk management such as historical, current, and future expectations are clearly communicated.



Enterprise risk management strategy:

In conjunction with the ERM framework, an ERM strategy will also be formulated to align with Sun International's omnichannel strategy, which incorporates the group's four business divisions: **Urban Casinos, Hotels and Resorts, SunBet and Sun Slots.** Sun International's ERM strategy will aim to streamline the risk management process for all business divisions, employees, and integrate into all business processes and operational activities to enable the achievement of the group's omnichannel strategy. Specific ERM objectives will also be identified and used as the basis for defining ERM implementation plans group-wide.



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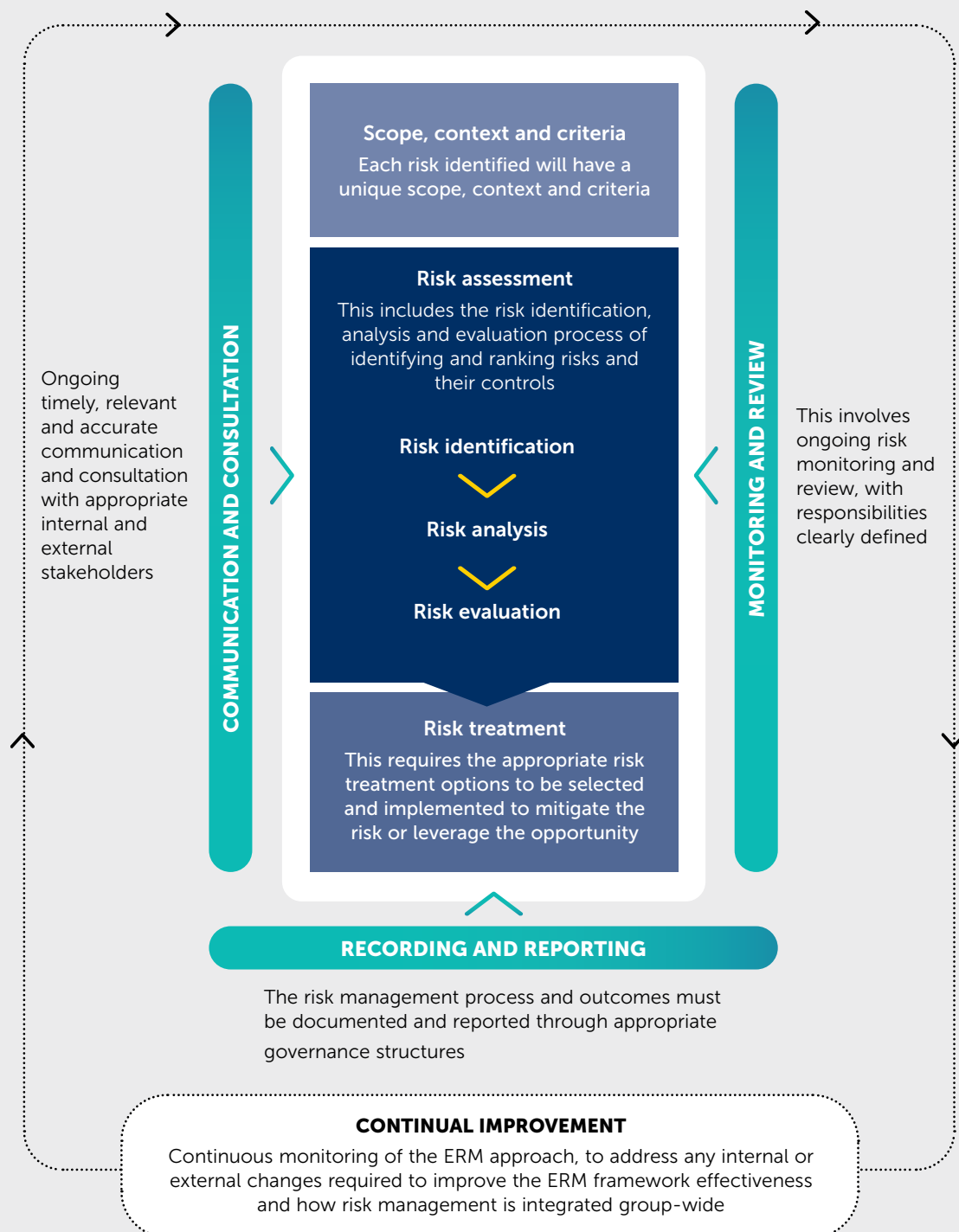
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ENTERPRISE RISK MANAGEMENT GOING FORWARD continued

ERM process

By aligning to the ISO 31000: 2018 standard for risk management, Sun International's ERM process will be aligned to the following process flow:



RISK GOVERNANCE

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

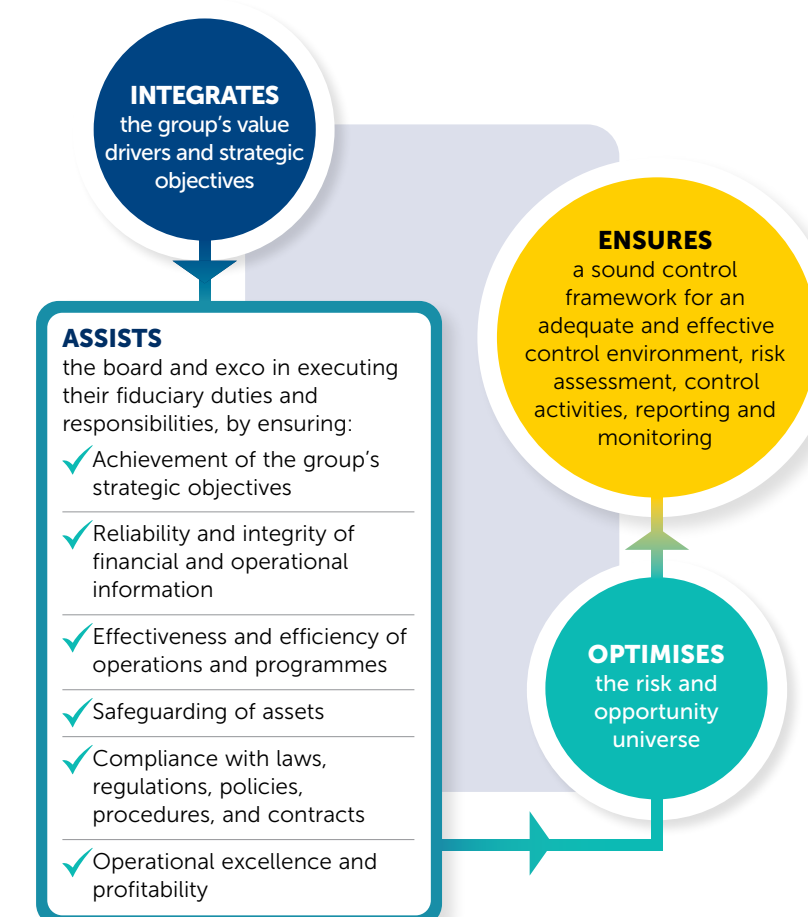


COMBINED ASSURANCE MODEL

Philosophy and approach

Sun International's combined assurance strategy and framework ensures **optimal, cost-efficient and focused assurance coverage group-wide**. Our hybrid top-down and bottom-up approach, which aligns with the JSE Listings Requirements and King IV™ outcomes, ensures adequate assurance on key business risks and processes, and is integrated with Sun International's ERM approach. This combined assurance approach ensures that assurance services and functions **enable an effective control environment, support the integrity of information for internal decision making, and support the organisation's external reporting integrity**.

The group's combined assurance framework



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Material matters

Enterprise risk management

Roles and responsibilities

Board, Management and Sub-committees
Fiduciary responsibilities and oversight

Risk Manager
Guides and coordinates the ERM function across the group and the various lines of defence

Risk Champions
Coordinate ERM at a unit level and across the various lines of defence, reporting indirectly to the Risk Manager

Lines of defence (LoD)

1st LoD

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

2nd LoD

Support functions
are corporate functions, independent from the operations – includes compliance, ESG, legal and other departments that perform key functions to provide a second line of defence and assurance to the board.

3rd LoD

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

4th LoD

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

Key responsibilities

1st LoD

Conduct business in accordance with strategy, risk appetite and monitor key risk indicators (KRIs)

Integrate risk management practices into daily management activities

Report and escalate risks to Risk Champions, Risk Manager and risk owners

2nd LoD

Establish policies, procedures and plans to manage functional risks

Monitor and communicate risks to the Risk Manager and relevant committees

Provide functional risk management insight and guidance to the group

3rd LoD

Provide assurance on key business risks and processes

Provide insights on control effectiveness to support the risk assessment process

4th LoD

Provide independent assurance of the ERM and control processes

TOP 10 RISKS

The risk table below identifies the group's top 10 risks as at 10 March 2023. These risks are discussed in detail and include Sun International's level of control, key stakeholders impacted and the primary board committee(s) responsible for oversight. For the year under review five risks moved into the group's top 10 risks, namely risk 2 (utility supply and efficiencies), risk 6 (Playtech implementation), risk 7 (unsuccessful implementation of online strategy), risk 9 (ongoing changes in licence conditions), and risk 10 (economic and other serious crimes). The following risks moved out of the top 10 but still form part of the group's risk universe: Coronavirus (Covid-19), increase in gaming taxes and levies, the hospitality and tourism industry recovery and its impact on hotels and resorts, increased demands from stakeholders (minority shareholders, communities and suppliers) and the erosion of market share due to other forms of gambling.

Risk ranking	Risk description	Residual risk	2021 risk rating	Strategic objective
1	Weak economic conditions	Extreme	◀ (2021: 1)	SO2 SO4
2	Utility supply and efficiencies	Serious	▲ (2021: 15)	SO2 SO4 SO5
3	Political and civil unrest	Serious	◀ (2021: 3)	SO1 SO3 SO4 SO5
4	Relocation of casino licence in the Western Cape	Moderate	▲ (2021: 11)	SO4
5	Cyber threats and information security	Within appetite	▲ (2021: 7)	SO4
6	Playtech implementation	Within appetite	▲ (2021: 28)	SO2 SO3
7	Unsuccessful implementation of online strategy	Within appetite	▲ (2021: 21)	SO2 SO4
8	Smoking legislation	Within appetite	▼ (2021: 4)	SO3 SO5
9	Ongoing changes in casino licence conditions	Within appetite	▲ (2021: 13)	SO4 SO5
10	Economic and other serious crimes	Within appetite	▲ (2021: 30)	SO1 SO3 SO4

◀ Constant ▲ Increased ▼ Decreased

SO1

People and culture

SO2

Operational excellence

SO3

Customer centricity

SO4

Maximise shareholder value

SO5

Environmental, social and governance (ESG)

Required level of assurance in respect of group risks

The group's combined assurance provides a view and opinion over the adequacy and operational effectiveness of key controls in relation to material risks. Successful assurance enhances the degree of confidence that the control environment is functioning optimally, to mitigate material risks and promote the achievement of group-wide objectives. Sun International's combined assurance is designed such that the level of assurance required is dependent on the level of risk assessed, considering inherent risk and risk appetite. The assurance quality provided by the various assurance providers depends on factors such as nature, timing,

and extent of assurance activities as well as the assurance provider's level of independence, skill and qualifications. Sun International's assurance strategy is tailored so that the higher the level of risk, the higher the level of assurance required.

The audit committee and senior management ensure that both external and internal assurance providers appointed have the appropriate experience, skills and follow an acceptable assurance approach. This is achieved through periodic assessment of the assurance providers to establish both assurance coverage and assurance quality.

Our presence and group structure

Operating environment

Business model

Stakeholder engagement

Material matters

Enterprise risk management

RISK 1 Weak economic conditions

(2021: 1)

DESCRIPTION

The macro-economic outlook remains under pressure. Key factors impacting the economic climate include increased loadshedding, the debilitating strike at Transnet's rails and port operations and the deterioration of critical infrastructure continues to impact economic growth.

MITIGATION

- Focus on improving our customer experience and engagement through the following initiatives:
 - Sun International mobile App for both our leisure and casino customers.
 - An online booking engine to drive an increase in direct bookings and improve the customer booking experience.
 - Implementing a new gaming system (Playtech), in a phased approach, which will enhance our customer experience and drive efficiencies – system to be fully implemented in 2024.
- Investigating and fast-tracking sustainability solutions for water, energy and waste.
- Ongoing focus on improving operational and resource efficiencies as well as cost containment across the group.
- Ongoing strengthening of our balance sheet.
- Optimising capital allocation and capital expenditure.

Risk category
Financial

Sun International's level of control
Limited

Primary board committee
Risk and audit committees

Key stakeholders
Shareholders, potential investors and employees

OUTLOOK

- The weak economic climate is set to continue with high-energy costs, supply chain interruptions and failing infrastructure persisting, which all impact growth opportunities. Crime, corruption and unrest also remain a concern and continue to impact our economy. South Africa's energy supplier remains fragile with loadshedding set to continue going forward.

RISK 2 Utility supply and efficiencies

(2021: 15)

DESCRIPTION

Water and electricity supply constraints persist due to natural disasters and municipal/state-owned entity failure to supply these resources. Increased loadshedding has created pressure on electricity supply and increased electricity tariffs will impact operating costs. There is also a stock and skills shortages pertaining to generator servicing and repairs as generator capacity is being stretched with increased loadshedding. There has been a noticeable change in Sun Slots punters behaviour when travelling to site operators due to the increased loadshedding, due to safety concerns. Drought conditions in the Eastern Cape have also worsened and water scarcity throughout South Africa remains a risk.

MITIGATION

- A group renewable energy strategy was prepared and presented to the board and an alternate energy plan has been formulated.
- Battery storage alternatives are being explored to reduce dependency on costly generator usage.
- A standardised approach for tracking generator diesel cost consumption and kWh will be implemented to ensure clear oversight of this cost impact.
- All units will implement bulk water and electricity meters to monitor incoming water, electricity and high consumptive areas.
- Ongoing water infrastructure maintenance is being done at various units.
- Boardwalk's reverse osmosis plant was completed in 2022.
- A sustainable linked loan funding package has been completed with lenders which creates alignment with ESG targets.
- Sustainability awareness campaigns are now being driven at a unit level.

Risk category
ESG

Sun International's level of control
Limited

Primary board committee
Risk committee, social and ethics committee

Key stakeholders
Shareholders and potential investors, employees, customers

OUTLOOK

- The group remains responsible in its energy and water resource usage and continues to implement its renewable energy strategy and ongoing sustainability awareness campaigns group-wide.
- Ongoing monitoring of the group's targets set for the sustainable linked loan funding will continue.

RISK 3 Political and civil unrest

(2021: 3)

DESCRIPTION

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

MITIGATION

- Increased security arrangements and business interruption plans at properties.
- Sun Slots has incorporated safety training into its service offering.
- SASRIA insurance cover is in place but limited to R500 million.
- Engaging with security companies to obtain early warnings of potential riots.
- Improving community and stakeholder relationships.

OUTLOOK

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

Risk category
Financial

Sun International's level of control
Limited

Primary board committee
Risk and audit committees

Key stakeholders
Employees, customers, shareholders, suppliers, communities

RISK 4 Relocation of casino licence in the Western Cape

(2021: 11)

DESCRIPTION

The Western Cape High court recently ruled in favour of Tsogo Sun and compelled the Western Cape Gambling and Racing Board (WCGRB) to consider an application for relocation. It however suspended its decision for one year for the WCGRB to enact a new regulatory regime, which will expressly allow the WCGRB Board to approve applications to relocate casinos in the Western Cape. The Western Cape Provincial Government applied for an extension to the one-year period to allow for all regulatory processes for the introduction of the new regime to be followed.

MITIGATION

- Proactively engaging with the Western Cape Premier and national government to discuss relocation and the possibility of licence exclusivity.

OUTLOOK

- The weak economy will reduce the likelihood of a relocation given the financial viability of such a move.
- While there has been various applications and court rulings made on this front between the WCGRB and Tsogo Sun, no material changes have occurred.

Risk category
Financial

Sun International's level of control
Limited

Primary board committee
Risk committee

Key stakeholders
Gambling boards, provincial government, shareholders and potential investors

Our presence and group structure

Operating environment

Business model

Stakeholder engagement

Material matters

Enterprise risk management

RISK 5 Cyber threats and information security

(2021: 7)

DESCRIPTION

Increasing interconnectivity, globalisation and 'commercialisation' of cybercrime are driving greater frequency and severity of cyber incidents, including data breaches and loss of data. Cyber threats to customer data, intellectual property and/or the defacing or disablement of critical services are leading to system unavailability and business disruption. Loss of data due to unauthorised disclosure, cyber-attacks perpetrated by ransomware, phishing and other malware attacks are also a risk. Lack of operational security management (user training of awareness, ineffective patch management, use of outdated and unsupported software, inadequate web security) could lead to system compromise and increased breaches and mitigation measures are actively being worked on.

MITIGATION

- Established a security training and awareness communication strategy to enhance our people defence.
- Enhanced our remote working security protocols to combat new threats.
- Enhanced security monitoring tools to help establish a holistic security operations capability.
- Established a vulnerability management practice to provide reporting, monitoring and execution of identified threats across the application and infrastructure landscape.
- Conducting independent internal and external penetration testing to understand current threats and vulnerabilities.
- Logical and privileged access management processes have been enhanced to ensure we have visibility of appropriate access rights and manage the risk of unauthorised changes.
- A cyber insurance policy is in place to help minimise risk exposure.
- We have recently engaged with a managed outsource security partner to create a 24/7 operation centre and enhance our endpoint detection and response capability.
- Completed an exco crisis simulation exercise to improve our response plans and ensure relevant playbooks are created.

OUTLOOK

- We are constantly assessing our threat landscape to ensure our information security management systems are effective and robust to deal with evolving threats.
- Ransomware has been an increasing threat in South Africa, and we have partnered with various organisations to help with our detection and response capabilities.
- Phishing attempts and business email compromise are the primary attack type, and our focus area is to enhance our awareness and communication to employees.
- As we look at more digital technology solutions, we have also enhanced our cloud security controls.

Risk category
Strategic

Sun International's level of control
Medium

Primary board committee
Risk committee

Key stakeholders
Employees, shareholders and potential investors

RISK 6 Playtech implementation

(2021: 28)

DESCRIPTION

The group is migrating its gaming platform Bally to Playtech in a phased approach. Risks associated with a project of this nature and scale includes ensuring the functionality is fit for the Sun International business, that data is migrated from the existing platform, regulatory compliance is obtained, and that it is deployed correctly with adequate service delivery. In addition, the group is also moving from Bede to Playtech IMS for SunBet and will build an omnichannel solution to seamlessly link the two.

MITIGATION

- Playtech will be rolled out in a phased approach (2023 and 2024) and it will run in parallel with Bally during the roll out. We will start with one casino and only roll it out to other casinos once we are satisfied that Playtech can support our business.
- There is a project team allocated from gambling, marketing, IT and business support to ensure that the project is delivered. This is underpinned with extensive project governance structures.
- Playtech has strict project deadlines with penalties if any deadlines are not met.
- For SunBet there is a separate project team working within the overall project structure to deliver on key areas of the IMS implementation.

OUTLOOK

- While implementations of this nature are challenging it will result in us having a more functional and modern gaming platform to improve the business.
- The omnichannel solution between land-based casinos and online gaming will allow our customers to move between the two environments seamlessly using the same wallet.

Risk category
Strategic

Sun International's level of control
Medium

Primary board committee
Risk committee

Key stakeholders
Shareholders, gambling boards, customers, employees

RISK 7 Unsuccessful implementation of online strategy

(2021: 21)

DESCRIPTION

Online gaming, following legalisation by the dti, could gain a significant portion of the gambling market share. Sun International has developed an online strategy to tap into this market, therefore the risk to Sun International is its inability to execute its online strategy.

MITIGATION

- Sun International has assessed its role in this market segment and implemented its board-approved online gambling strategy.
- An execution strategy for Africa is underway – software has been scoped and operational plans are underway.
- Playtech configuration and migration is underway – this will provide a platform to take the business forward and integrate into its omnichannel strategy.
- A Northern Cape and North West Licence are being looked at.

OUTLOOK

- Sun International continues to pursue market share growth and investigate the availability of new products following regulatory permission.

Risk category
Strategic

Sun International's level of control
Medium

Primary board committee
Risk committee

Key stakeholders
Shareholders, gambling boards

Our presence and
group structure

Operating
environment

Business model

Stakeholder
engagement

Material matters

Enterprise risk
management

RISK 8 Smoking legislation

(2021: 4)

DESCRIPTION

South Africa's draft Control of Tobacco Products and Electronic Delivery System Bill, 2018 was published in May 2018 and includes a ban on smoking (including e-cigarettes) in public areas (both indoor and outdoor areas). The Bill was tabled on 9 December 2022 and will proceed through the National Assembly and National Council of Provinces before the President approves this Bill. This legislation will have a significant impact on group casino income and property infrastructure.

RISK MITIGATION

- We continue to engage with CASA and lobby with the gambling boards, trade unions and other affected corporates.

OUTLOOK

- The group continues to lobby and coordinate efforts with other affected industries.
- The group's legal department continues to monitor government gazettes and media statements.

Risk category
Regulatory
compliance

**Sun International's
level of control**
Limited

**Primary board
committee**
Risk committee

Key stakeholders
Employees,
customers, health
authorities and
shareholders

RISK 9 Ongoing changes in casino licence conditions

(2021: 13)

DESCRIPTION

Regulators may issue more onerous conditions of licence which impact the group's licence to operate, compliance and profitability.

RISK MITIGATION

- Finalised the Sun City gaming licence conditions.
- Concluded long outstanding gambling board issues with the Eastern Cape Gambling Board (ECGB) regarding Emfuleni.
- Ongoing lobbying with the Eastern Cape Member of the Executive Council regarding the Emfuleni licence renewal.
- Ongoing discussions around the trust shareholding in Emfuleni resorts.
- Pursue the ECGB to finalise the Transun draft TSA agreement.

OUTLOOK

- Sun International continues to monitor any changes in casino licence conditions and proactively engages with the gambling boards.

Risk category
Regulatory
compliance

**Sun International's
level of control**
Limited

**Primary board
committee**
Risk committee

Key stakeholders
Shareholders,
gambling boards,
communities and
suppliers

RISK 10 Economic and other serious crimes

(2021: 30)

DESCRIPTION

Given the effects of Covid-19 on the economy, an increase in unemployment and pressures on disposable income, the risk of armed robberies and crime has increased. Political unrest increases the security risk at all our properties and the uptick in high-net-worth customers emigrating is a concern. The failure to detect fraud and corruption and implement mitigating internal controls is a key focus.

MITIGATION

- Continuous focus on internal and external audit findings to improve the internal control environment and mitigate against fraud risk.
- All units' security departments are increasing awareness and measures to mitigate the increased risk of armed robberies, cash-in-transit heists, vehicle thefts and hijackings, and political unrest.
- The group issued its Sun International Anti-Money Laundering, Anti-Terrorist and Proliferation Financing statement.

OUTLOOK

- Investigate new technologies and artificial intelligence opportunities to improve internal control.

Risk category
ESG

**Sun International's
level of control**
Low

**Primary board
committee**
Board and risk
committee

Key stakeholders
Employees,
shareholders and
potential investors,
regulator





CHIEF FINANCIAL OFFICER'S REVIEW

NORMAN BASTHDAW
Chief financial officer

KEY FINANCIAL HIGHLIGHTS

Group income

▲ **44%**
to R11.3 billion

Group adjusted EBITDA

▲ **96%**
to R3.3 billion

Group adjusted EBITDA margin

▲ at **29.3%**
from 27.8% in 2019

Adjusted headline earnings
cents per share (cps)

▲ at **439** cps
from 44 cps

Total South Africa debt
(excluding lease liabilities)

▼ **R488** million
from R5.9 billion
(1.8x debt: EBITDA)

Total dividend declared

▲ **329** cps
with final dividend for the year at
241 cps, 75% pay-out of AHEPS

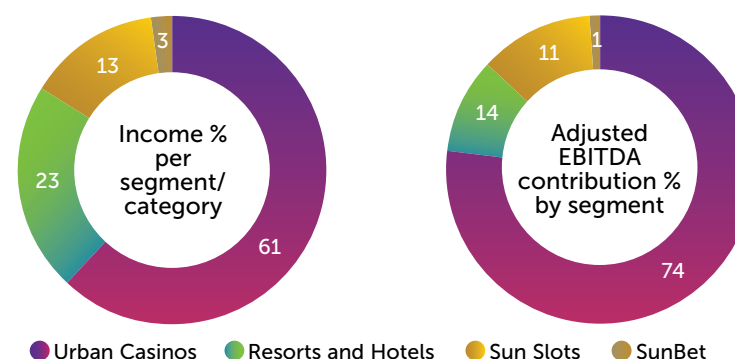
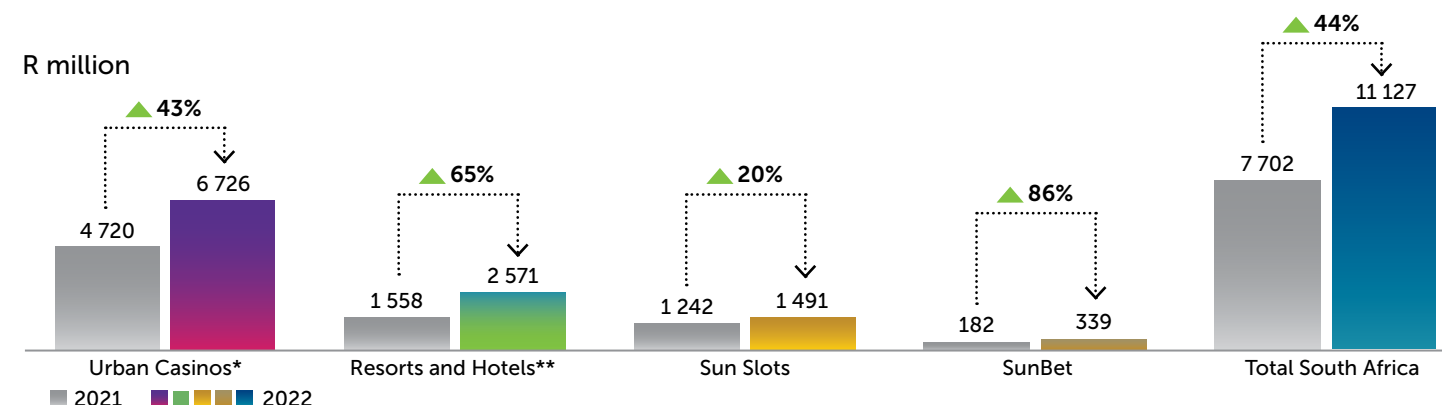
Looking back on 2022, the world has experienced significant challenges and upheavals. Few industries have been untouched by the Russia-Ukraine war and its impact on fuel prices, inflation, food security, supply chain delays and travel. Locally, loadshedding, water issues and continued uncertainty have only added to consumer purchasing pressures and household disposable income. South Africa's economy continues to struggle with muted growth projections. The business environment remains tough, however, even in this challenging environment, Sun International has achieved exceptional financial results.

OVERVIEW

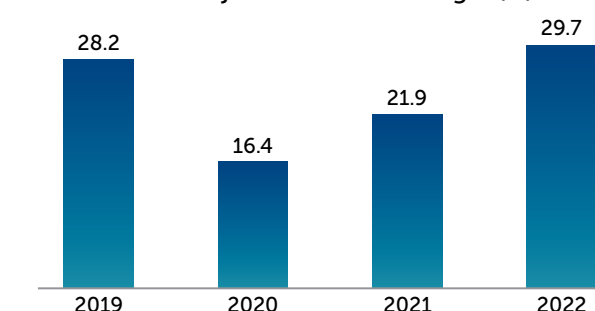
The twelve-month period ended 31 December 2022 reflects strong income growth of 44%. Group adjusted EBITDA was up 96% to R3.3 billion and adjusted EBITDA margin was up 29.3% from 27.8% in 2019.

As a result of sustainable cost savings, the South African operations' adjusted EBITDA margin improved from 28.2% in 2019 to 29.7% in 2022. Without the impact of the net diesel costs of R53 million, due to loadshedding, the group would have achieved its targeted 30% adjusted EBITDA margin.

SEGMENTAL HIGHLIGHTS



South Africa adjusted EBITDA margin (%)



* Urban casino operations comprise of GrandWest, Sibaya, Time Square, Carnival City, Boardwalk, Meropa, Windmill, Flamingo, Golden Valley and management companies.

** Resorts and hotels operations comprise of Sun City, Wild Coast Sun, The Table Bay Hotel and The Maslow Sandton.

FINANCIAL PERFORMANCE OVERVIEW

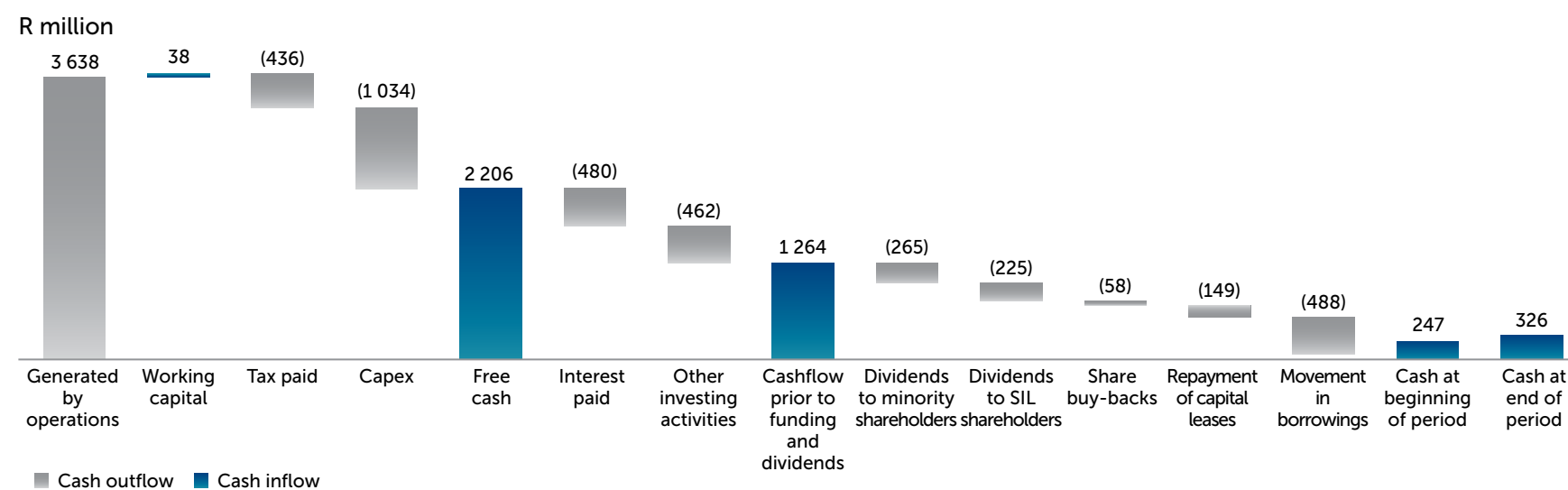
for the year ended 31 December 2022

R million	31 December 2022	%	31 December 2021
Income	11 274	44	7 812
Adjusted EBITDA	3 306	96	1 685
Depreciation and amortisation	(828)	4	(863)
Adjusted operating profit	2 478	>100	822
Foreign exchange losses	(1)	50	(2)
Net interest	(495)	12	(564)
Net external interest	(469)	13	(538)
Profit relating to the interest rate swaps	56	(5)	59
IFRS 16 interest	(82)	4	(85)
Adjusted profit before tax	1 982	>100	256
Taxation	(628)	<(100)	(66)
Adjusted profit after tax	1 354	>100	190
Minorities	(270)	<(100)	(73)
Adjusted attributable profit	1 084	>100	117
Share of associates	1	100	–
Continuing group adjusted headline earnings	1 085	>100	117
Discontinued headline loss	–	(100)	(7)
Group adjusted headline earnings	1 085	>100	110
Adjusted headline earnings adjustments	(526)	<(100)	155
Group headline earnings	559	>100	265
Headline earnings adjustments	(4)	(100)	(2)
Group basic earnings	555	>100	263

Chief financial
officer's review

Segmental review

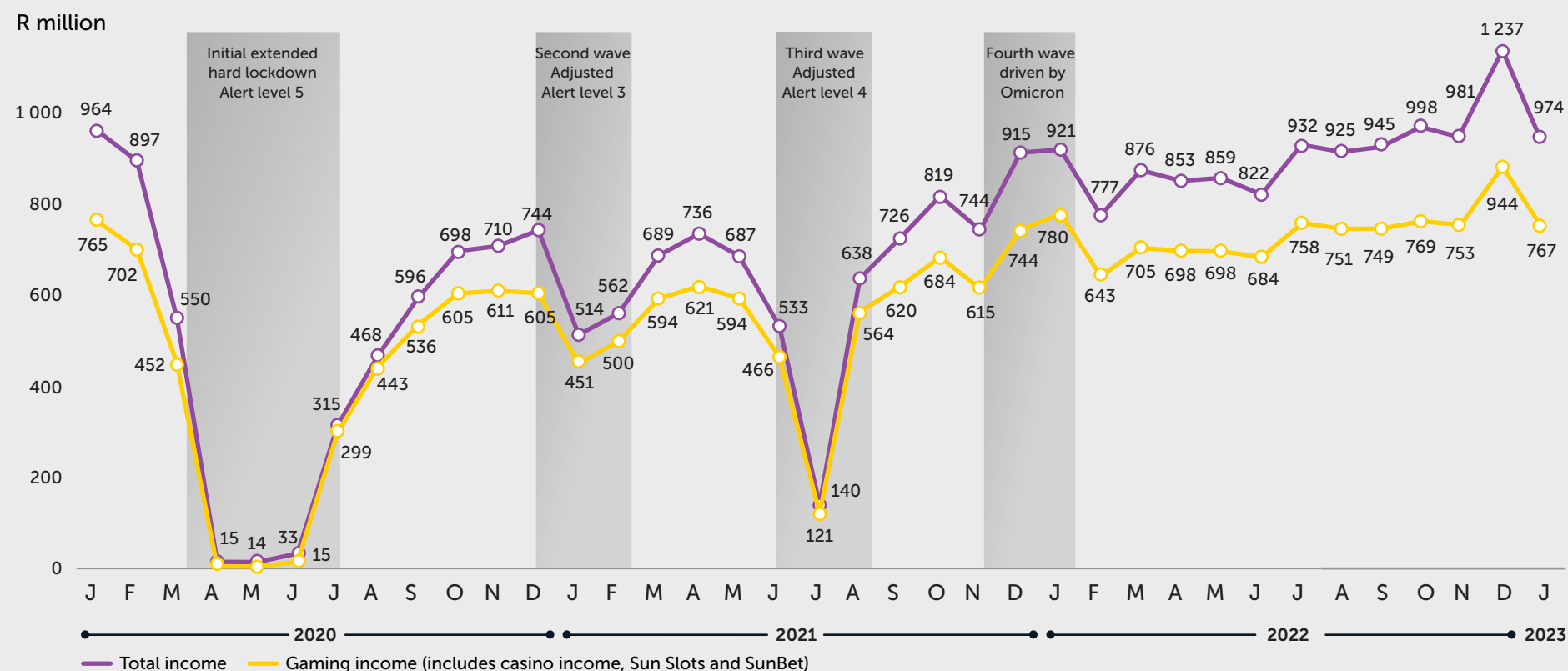
Cash flow



Cash generated from operations after working capital, tax and capex was R2.2 billion. Our interest costs were lower as a result of lower debt and interest at a lower margin. Our interest rate hedges came to an end during September 2022. We achieved adjusted EBITDA to free cash (post-capex) conversion of 67%. Debt reduction was on the back of increased profitability and disciplined capital allocation. Considering our interim and final dividends totalling R863 million and share buy-backs of R58 million, capital repaid to shareholders amounts to R920 million.

South African income trend

The graph shows how income recovered strongly post each Covid-19 wave, with improved margins.



Headline and adjusted headline earnings adjustments

Adjusted headline earnings improved from R110 million to earnings of R1.1 billion, with adjusted headline earnings of 439 cents per share up from 44 cents per share, in the prior year. Sun International's performance reflects the quality of its operating businesses and disciplined execution on strategy, which continues to drive shareholder value.

The group has incurred certain once-off or unusual items that have been adjusted for in adjusted headline earnings in the 2022 year under review. The most significant of these are described below.

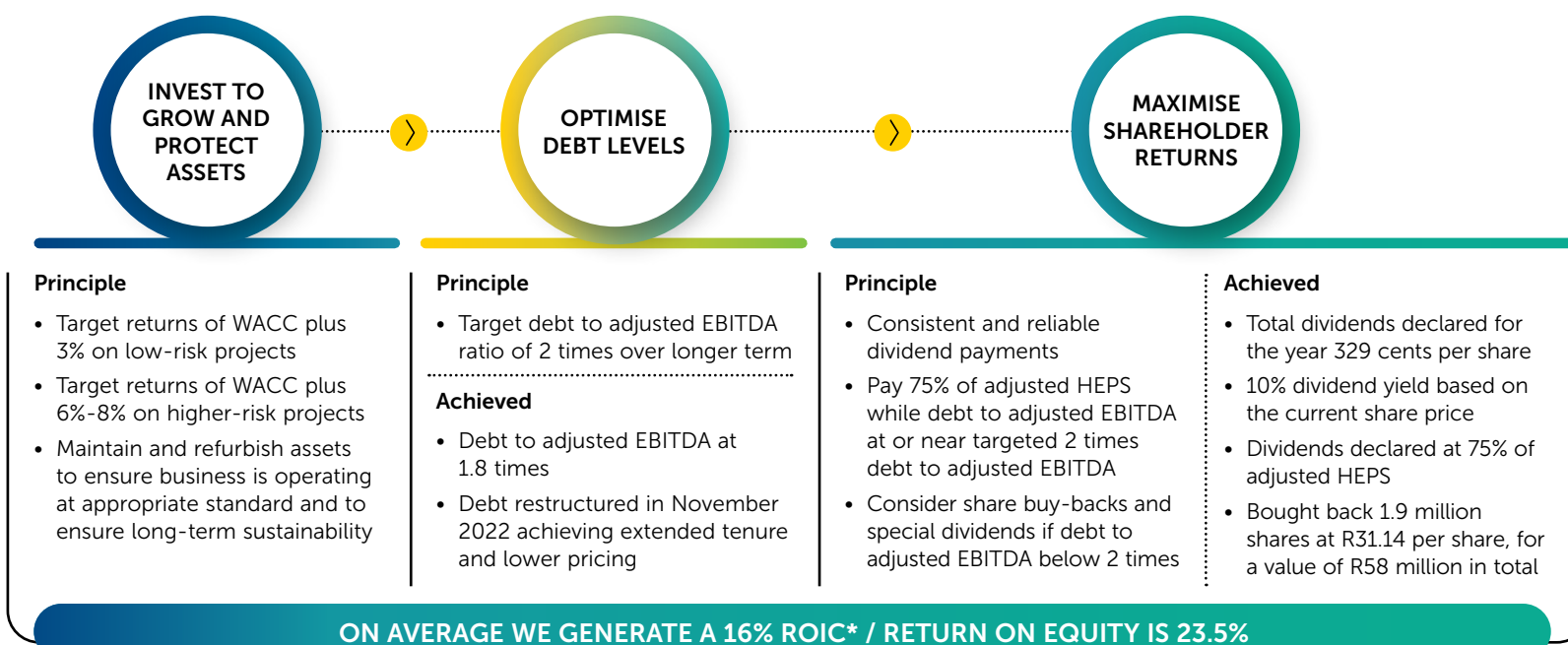
Foreign exchange and net monetary losses of R71 million relating to the loan between Sun International Limited and Nigeria.

A change in the estimated redemption value of the SunWest put option liability of R510 million.

BALANCE SHEET AND CAPITAL ALLOCATION

We have established a set of fundamental principles that guide our choices and enable effective utilisation of capital as depicted below.

Capital allocation



*ROIC = Net operating profit after tax divided by invested capital at book value. Invested capital at book value = book value of net asset value (excluding put option) plus net debt.

In line with the company's stated strategic objective of increasing its equity interest in its portfolio of South African operations, where there are minority interests, the following was concluded during the year:

At the end of 2022, Sun International (South Africa) Limited (SISA), a wholly owned subsidiary of Sun International, acquired 22.6% of the issued share capital (equivalent to 24.7% of issued share capital net of accounting treasury shares) in Grand Parade Investments Limited (GPI), a company listed on the Johannesburg Stock Exchange. Since year end Sun International has increased its shareholding to 22.7% of the issued share capital (equivalent to 24.8% of issued share capital net of accounting treasury shares) for an average purchase consideration of R3.51 per GPI ordinary share, being R374 million in aggregate (purchase price).

At present, Sun International, through its wholly owned subsidiary, SISA, holds, inter alia, a 70% equity interest in Sun Slots (RF) Proprietary Limited (Sun Slots), a 61.59% equity interest in SunWest International Proprietary Limited (SunWest) and a 61.40% equity interest in Worcester Casino Proprietary Limited (Worcester). Grand Casino Investments Proprietary Limited, a wholly owned subsidiary of GPI, holds a 30% equity interest in Sun Slots and 15.10% equity interest in SunWest, whilst GPI owns 15.10% equity interest in Worcester.

Terms have been agreed to whereby SISA would acquire the minority shareholders 14.25% interest in Time Square and dispose of certain identified portions of land, surplus to Time Square requirements, and register a servitude of certain Time Square parking bays as one indivisible transaction. The transaction is subject to conditions precedent as set out in the SENS announcement dated 8 August 2022, with Sun International expecting to receive a net amount of R73 million once the transaction becomes unconditional. The minority shareholder has requested an extension for conclusion of the transaction, as they work to fulfil their conditions precedent to the transaction.

Subsequent to the disposal of our interest in Sun Dreams S.A. in October 2020, we continue to monitor progress around future earnouts, which formed part of the transaction. The earnouts relate to the renewal of four of Sun Dreams S.A.'s SCJ licences by 31 December 2024 (CLP10.6 billion earnout (R209 million)) and these licences achieving at least their 2019 adjusted EBITDAR in the first full year following renewal of these licences (CLP31.8 billion earnout (R627 million)). On 5 August 2022 the SCJ announced that the four licences will be renewed. We have engaged with Sun Dreams S.A. around the payment of the first earnout of CLP10.6 billion (R209 million) and although the parties acknowledge the obligation to make this payment, they are contending the timing of the payment based on a technical interpretation of when the renewed licence becomes effective.

Share buy-back

Given the inherent value that the Sun International shares offer, the company embarked on a share buy-back programme during the last quarter of 2022. The company acquired and cancelled 1.9 million of its own shares at an average price of R31.14 per share for a total purchase consideration of R58 million. The board is committed to returning capital to its shareholders through dividends or share buy-backs, whilst remaining cognisant of the limited liquidity of Sun International shares.

Group debt

In December 2022, we successfully concluded the refinance of our group debt, achieving an extension of tenure and more favourable pricing. A key aspect of the refinancing was the incorporation of three ESG-related key performance indicators (KPIs), further demonstrating Sun International's commitment to being a responsible corporate citizen. The sustainability KPIs relate to:

- Increased procurement by Sun International, across its supply chain, from companies with black-women ownership of at least 30%.
- Increased use of renewable energy in powering the group's operations.
- Increasing the group's general and hazardous waste recycling.

Approximately 40% of our debt has these KPIs attached to its terms. These KPIs will be independently measured on an annual basis, for the next four years, and on achievement of these KPIs we will receive a pricing reduction. In the unlikely event that we do not achieve all these KPIs there will be a small pricing increase.

Sun International is the first listed company in the gaming and leisure sector in South Africa to implement a sustainability linked debt-refinancing programme, demonstrating our group's commitment to leadership in ESG and responsible business practices within the sector.

Overall group debt (excluding IFRS 16 lease liabilities) reduced from R7.1 billion at 31 December 2021 to R6.6 billion at 31 December 2022. Our South African debt reduced from R6.4 billion at 31 December 2021 to R5.9 billion at 31 December 2022, after allocation of cash generated to capital expenditure, investments,

share buy-backs and dividends. Our South African debt to adjusted EBITDA and interest cover of 1.84 times and 6.51 times respectively are well within our lenders' covenants of 3.25 times and 3.0 times respectively. Our statement of financial position is in a strong position, with unutilised facilities of R2.5 billion. We continue to prioritise increasing free cash flows and disciplined capital allocation to maximise shareholder value within a set of fundamental capital allocation principles.

✓
50.1%

Decrease in group debt between December 2019 and December 2022

1.84x

(December 2022)

South African debt to adjusted EBITDA | Bank covenant: 3.25x

6.51x

(December 2022)

South African interest cover | Bank covenant: 3.0x

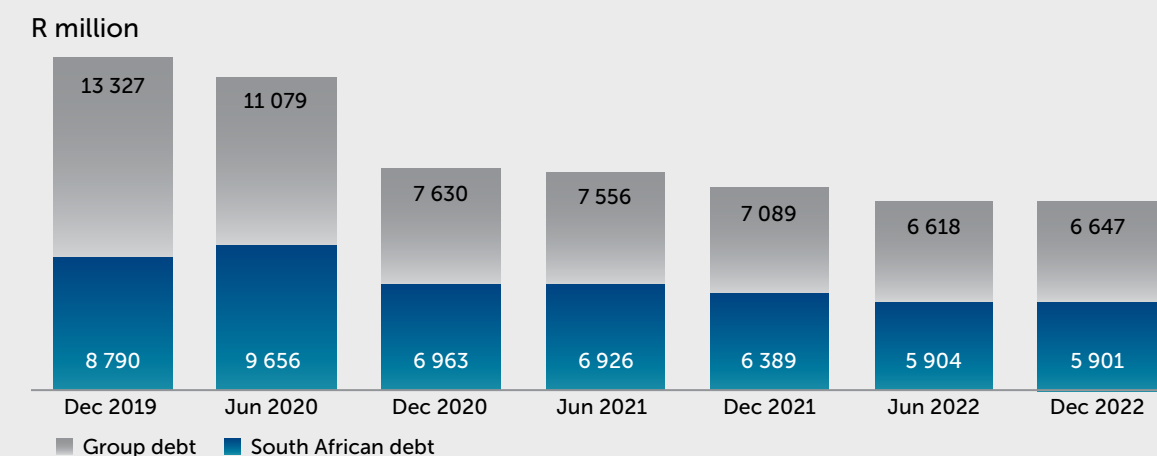
R2.5 bn

(December 2022)

Available liquidity

We are proud of our ongoing successes in substantially decreasing our debt levels.

Group and South African debt (excluding IFRS 16 lease liabilities)

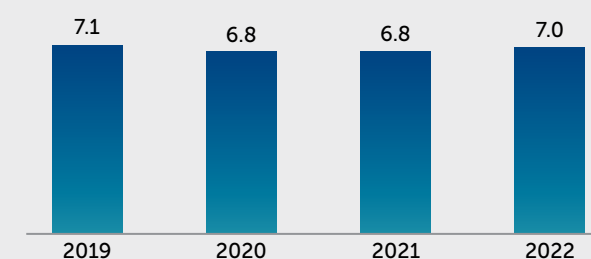


BALANCE SHEET AND CAPITAL ALLOCATION continued

Capital expenditure

Investment into several of our strategic priorities is critical in sustaining and growing our business and ultimately maximising shareholder returns.

Ongoing and major refurbishment capex as a % of income



Relates to South Africa

EXPANSIONARY

R255 million spent on

GrandWest Hotel: **R19 million**

Sun City Vacation Club Phase 3: **R45 million**

Sun Slots: **R92 million**

Boardwalk Mall Company: **R99 million**

ONGOING AND MAJOR REFURBISHMENT

R168 million spent on major refurbishment

Sun City, The Palace: **R149 million**

GrandWest Electrical: **R12 million**

Boardwalk: **R7 million**

R611 million spent on ongoing capex

DIVIDEND

As a result of the significantly improved financial position and strong cash generation, the group resumed dividend payments in 2022, with an interim cash dividend of 88 cents per share and a final cash dividend of 241 cents per share, bringing the total cash dividend to 329 cents per share for the year, which represents a dividend payout of 75% of adjusted headline earnings per share.

OUTLOOK

Our balance sheet remains strong and is guided by our clearly laid out capital allocation framework. Going forward, we will continue to be disciplined with capital allocation, targeting a 2 times net debt to adjusted EBITDA and paying out 75% of adjusted headline earnings per share as dividends.

NORMAN BASTHDAW

Chief financial officer

31 March 2023



Chief financial
officer's review

Segmental review

SEGMENTAL REVIEW

The group's urban casino operations contributed the majority of group income (60%) and adjusted EBITDA (74%) in 2022. Following the group's cost optimisation initiatives identified and implemented over the past two years, our adjusted EBITDA margins have shown a marked improvement. SunBet and Sun Slots continued its strong growth trajectory and remains an exciting prospect for the group.

SUMMARY SEGMENTAL INCOME ANALYSIS

for the year ended 31 December 2022

R million	Net gaming wins								Revenue from contracts with customers								Total income	
	Net gaming wins		Tables		Slots		Sun Slots and SunBet [§]		Total revenue		Rooms		Food and beverage		Other**		Total income	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
South African operations																		
GrandWest	1 751	1 243	275	138	1 476	1 105	–	–	79	92	2	1	48	20	29	71	1 830	1 335
Time Square	1 273	896	380	204	893	692	–	–	180	131	42	19	94	43	44	69	1 453	1 027
Sibaya	1 289	875	335	171	954	704	–	–	66	79	8	8	38	16	20	55	1 355	954
Carnival City	848	612	185	103	663	509	–	–	53	81	7	5	23	14	23	62	901	693
Boardwalk [#]	397	305	49	45	348	260	–	–	85	93	24	16	49	24	12	54	482	398
Meropa	227	173	32	19	195	154	–	–	10	58	7	5	–	9	3	44	237	231
Windmill	195	151	23	14	172	137	–	–	9	34	–	–	8	4	1	30	204	185
Flamingo	114	93	10	3	104	90	–	–	10	20	–	–	10	5	–	15	124	113
Golden Valley	114	101	6	7	108	94	–	–	19	33	9	6	9	7	1	20	133	134
Management companies	–	–	–	–	–	–	–	–	399	283	–	–	–	–	399	283	399	283
Intercompany management fees	–	–	–	–	–	–	–	–	(390)	(296)	–	–	–	–	(390)	(296)	(390)	(296)
Other operating segments	–	–	–	–	–	–	–	–	9	3	–	–	–	1	9	2	9	3
Carousel and Sun Carousel	–	–	–	–	–	–	–	–	1	11	–	–	–	–	1	11	1	11
Sun City	516	402	139	88	377	314	–	–	1 120	672	9	219	375	186	302	267	1 636	1 074
Wild Coast Sun	384	301	50	35	334	266	–	–	124	125	443	24	52	31	38	70	508	426
The Table Bay Hotel	–	–	–	–	–	–	–	–	308	126	34	74	65	29	4	23	308	126
The Maslow Sandton	–	–	–	–	–	–	–	–	120	53	239	27	51	21	3	5	120	53
Sun Slots	1 491	1 242	–	–	–	–	1 491	1 242	15	50	66	–	–	–	15	50	1 506	1 292
SunBet	336	181	–	–	–	–	336	181	3	1	–	–	–	–	3	1	399	182
Total South African operations	8 935	6 575	1 484	827	5 624	4 325	1 827	1 423	2 220	1 649	881	404	822	410	517	835	11 155	8 224
Nigeria and other^{^^}	62	57	14	9	48	48	–	–	85	53	46	28	36	21	3	4	147	110
Total group operations	8 997	6 632	1 498	836	5 672	4 373	1 827	1 423	2 305	1 702	927	432	858	431	520	839	11 302	8 334

R million	31 December 2022	31 December 2021
**Other:		
Revenue within the scope of IFRS 15		
Timeshare income	122	108
Other income**	192	94
Other income excluded from the scope of IFRS 15 (rental and concessionaire income [^])	178	115
Other income excluded from the scope of IFRS 15 (insurance receipts)	28	522
Total	520	839

** Other income includes conferencing and entertainment revenue, management fees income, membership revenue, merchandise revenue and entrance fee revenue.

Time share income was separately shown out of Other income to provide additional detail.

[^] Concessionaire income is based on an agreed percentage of that concessionaire's turnover.

[#] Boardwalk includes Boardwalk Mall.

^{^^} Nigeria and other include Sun Chile, Sun Latam and SunBet Africa Holdings which are aggregated as they represent less than 2% of group revenue.

^{\$} These two entities are no longer referred to as Alternate Gaming as they are LPM and online activities.

CORPORATE DATA AND ADMINISTRATION

COMPANY SECRETARY AND REGISTERED OFFICE

Company secretary:

AG Johnston
6 Sandown Valley Crescent
Sandton
2196
(PO Box 784487, Sandton 2146)

SUN INTERNATIONAL LIMITED

**Incorporated in the Republic of
South Africa**

Registration number: 1967/007528/06

JSE share code: SUI

ISIN: ZAE000097580

LEI: 378900835F180983C60

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Registration number: 1969/004763/06

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CAPITAL LENDERS

Banks

- ABSA Bank Limited
- Investec Bank Limited
- Nedbank Limited
- FirstRand Bank Limited
- Standard Bank of South Africa Limited

Institutions

- Sanlam

Transactional bankers

- Nedbank Limited
- Standard Bank of South Africa Limited
- ABSA Bank Limited
- Investec Bank Limited

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Cliffe Dekker Hofmeyr Inc.

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SUN INTERNATIONAL LIMITED

(Incorporated in the
Republic of South Africa)

Registration number:
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("Sun International" or "the company")

www.suninternational.com



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