I am pleased to present the report of the Sun International social and ethics committee for the financial year ended 30 June 2016, the purpose of which is to inform our many stakeholders on the discharge of our duties as set out in the Companies Act, 2008 and supplemented by the committee’s terms of reference.

The year has been busier than usual as the group acquired and disposed of businesses with a consequent impact on employees. The group also re-launched its employee engagement survey this year, the first after its Section 189 process which was concluded in the early part of 2015. We continued to make a significant impact with our socio-economic projects with our flagship projects during the year being the highly successful 2016 Sun International CEO SleepOut and our international partnership with Stop Hunger in the Follow the Sun Campaign.

The committee also performs the requisite statutory functions on behalf of all subsidiaries and companies within the group and reports to these boards, in terms of the execution of its statutory mandate. This ensures that practices across the group are universal and that our ethical practices are applied irrespective of the jurisdiction within which we operate. We are yet to have oversight over the Sun Dreams business in terms of its corporate social responsibility practices given that the merger has only recently been concluded. However, a high level overview of their practices reflect a business that has several related initiatives already on the go especially in the area of responsible gaming. We intend reporting more comprehensively on Sun Dreams in our next report however the management team are already working closely with Sun Dreams to introduce relevant processes and initiatives and the committee will be providing guidance in this regard.

Composition, meetings and assessment
The committee comprising of myself as chairman, Messrs PL Campher, MV Moosa and GR Rosenthal met three times during the 2016 financial year and the frequency of meetings was once again adequate to deal with the various matters that have arisen during the year.

The committee’s composition includes four non-executive directors as members, three of whom are independent non-executive directors. In addition, those Sun International executives, whose areas of discipline are covered by the committee are standing invitees to the committee and includes: the chief executive, chief financial officer, chief operating officer, director: corporate services and legal, director of human resources; director: legal affairs, director: group internal audit, the group socio-economic development manager and group environmental manager.

The committee conducted an internal evaluation of its effectiveness for the 2016 year, following an external assessment conducted the year before. The results of the evaluation reflected that the committee was functioning effectively in the discharge of its duties and there were no areas of concern indicated.

Roles and responsibilities
The committee is required amongst its other duties to:

- Monitor the social, economic, employment and environmental activities of the group and report to the board and the group’s stakeholders in terms of developments and progress;
- Assist the board in assessing aspects of governance, applicable to the committee’s function and terms of reference; and
- Ensure that Sun International remains a socially committed corporate citizen.

The committee’s terms of reference further detail the committee’s roles and responsibilities and is available on the group’s corporate website for review.
At each committee meeting we receive updates and reports on the following aspects which correlate to the committee’s mandate:

- Anti-corruption initiatives;
- Legislative compliance;
- Ethics related matters such as supporting policies;
- Group internal audit reports on areas such as the group’s compliance with health and safety requirements and responsible gambling audits;
- Human resources developments with a particular focus on employment equity and transformation;
- Safety, health and employee wellness;
- Incidents of transgression of the group’s disciplinary code;
- The group’s code of ethics;
- Environmental stewardship and climate change;
- Social economic development;
- Stakeholder engagement; and
- Responsible Gambling.

All of the various initiatives in these areas support the spirit of the group’s code of ethics and embeds a culture of respect and ethical behaviour. We operate in a highly regulated industry and our corporate credentials and socially responsible behaviour are critical to our licence to operate.

In order to guide us in this oversight role, we task management to implement principles contained in relevant legislation, regulations and prescribed legal requirements or prevailing codes of best practice, with regard to matters relating to: Socio-economic development, including the group’s standing in terms of the goals and purpose of the 10 principles set out in the United Nations Global Compact Principles (“UNGC Principles”), the Organisation for Economic Cooperation and Development (OECD) recommendations regarding anti-corruption; the Employment Equity Act; the Broad-Based Black Economic Empowerment (“B-BBEE”) Codes of Good Practice. Management discharge this duty by reporting to the committee on the group’s:

- Good corporate citizenship including the company’s promotion of equality and the prevention of unfair discrimination;
- Contribution to the development of the communities in which it operates;
- Environmental initiatives across all relevant areas;
- Health and safety initiatives;
- Impact of its activities, products and services;
- Consumer relationships;
- Implementation of the National Responsible Gambling Programme;
- Internal audit verification in relation to matters within the committee’s mandate;
- Labour and employment including the company’s standing in terms of the International Labour Organisation’s Protocol on decent work and working conditions and our relationships with our employees; and
- Contribution toward the educational and skills development of our employees.

**Salient matters of interest**

Several matters that were dealt with by the committee are highlighted as items of interest to our stakeholders:

The committee reviewed the group’s standing and progress in accordance with the goals and purposes of the 10 principles set out in the UNGC Principles and the Organisation for Economic Co-operation and Development guidelines for multinational enterprises 2011 regarding anti-corruption. The committee concluded that the group either complied with or exceeded the requirements of the UNGC Principles, and that there were no material areas of concern. An analysis of the group’s standing with reference to the UNGC Principles has been provided for stakeholders who wish to review the group’s standing in further detail.

The group re-launched its employee engagement survey in South Africa – the first after the conclusion of the Section 189 process. A pleasing response rate was achieved however there were areas for improvement raised in the survey that require further analysis and actioning by management. An engaged and effective workforce are instrumental in delivering the group’s strategic objectives and management are focused on ensuring that its staff feel and live the group values.

To that end the group rolled out a values campaign and workshop with every employee being afforded the opportunity to contribute towards the selection of property and group appropriate values. This led to the final selection of core common values across the group, with one unique value being selected for each property by its employees. The group also brought on additional employees through the insourcing of food and beverage opportunities and these employees have been well inducted to the group including being immersed in brand, values and mission workshops.

The group has also explored seeking alternative benefits for our staff with a specific view of improving living standards. The group offers assistance with bursaries and provides a well-established Wellness programme that provides an array of employee benefits. In addition to this management launched a financial assistance scheme that is aimed primarily at employees that have fallen prey to micro-lenders. The scheme, which is underwritten by the group allows employees to secure a loan from Nedbank at a total lower cost of borrowing (given the group security) in order to pay off the expensive microloans and consolidate their debt position.

The group has made pleasing progress with its transformation efforts and has improved on most elements of the B-BBEE scorecard. In November 2015, the casino industry was directed to measure its scorecard in terms of the Tourism Sector Codes to the extent that there was an adjoining hotel on property. Accordingly all of our South African properties with the exception of the Table Bay; the Maslow and our online business – Sun Bet are now measured in terms of the Tourism Codes. GPI Slots, of which the group is now a majority shareholder is also excluded from the Tourism Codes and these entities are measured in terms of the Generic Code.
The group’s B-BBEE management committee, which is comprised of stream leaders from each of the pillars underpinning the B-BBEE codes have made good progress in terms of addressing the requirements under the Tourism Code. The group has made significant progress in the areas of procurement, supplier development and enterprise development. We have also partnered on various initiatives such as the Township Entrepreneurs Awards to help encourage the growth of small to medium black businesses.

The committee is satisfied that the group’s B-BBEE rating as verified by Empowerdex, an external accredited verification agency, has been determined at Level two contributor status. In our efforts though to continuously improve, management are revising the group’s transformation strategy and will roll-out an enhanced strategy in this regard during the course of the new financial year. The emphasis of the committee’s focus this year is on employment equity, given the national imperative to progress employment equity initiatives. The group has made good progress in this regard with 56% of the group’s top management being African, Coloured and Indian and 22% of this number being women executives.

The group’s socioeconomic development strategy which is premised on the basis of Creating Shared Value has been instrumental in making a significant impact on the lives of many in South Africa. Our properties each work tirelessly on projects within their surrounding communities and in total expended over R31 million in making a fundamental difference in society. On a group level, we launched two successful national initiatives. Once again we were title sponsors to the CEO SleepOut. We reported last year on the first event of its kind in South Africa, which raised just over R26 million – the single biggest amount raised for charity in one night. It was with some trepidation that we launched the 2016 Sun International CEO SleepOut, as we were not sure whether the C-suite would be willing to wander into the cold streets for a second time. The 2016 event was held on the Nelson Mandela Bridge and the C-suite remained as committed as the prior year with the event raising just over R31 million. As announced at the event, the 2017 Sun International CEO SleepOut will be held on Robben Island, Cape Town – we hope to see you there.

We also partnered nationally and internationally with Stop Hunger in the Follow the Sun campaign in celebration of Mandela Day, which we turned into Mandela week. More than 10 million meals were packed across eight countries. Sufficient meals are delivered to selected crèches and schools in order to feed the children for 365 days of the year. Next year, we aim to pack even more meals across the globe as we Follow the Sun. We remain committed as a business to give back to communities and to be socially responsible.

Given the desire to remain socially responsible, we also remain firmly committed to the National Responsible Gambling Programme (“NRGP”), which remains well regarded globally as a leading programme to promote responsible gaming. The NRGP creates awareness of the public initiatives undertaken in the industry which include, amongst others, prevention, treatment and counselling initiatives, training for regulators and industry employees, research audits and life-skills programmes for schools. In addition, management reports to each of the subsidiary boards as well as to the committee on its own focused efforts in leveraging the NRGP principles across all of its casino properties. Management reports on matters such as crèche utilisation rates which remain strictly monitored at all properties, as well as on the training of all staff in terms of the different stages of NRGP training. These efforts are audited by the group’s internal audit department and the findings are reported to the committee.

The group continues to make progress on environmental and related sustainability matters. The group’s climate change strategy is in full implementation and we continue to investigate green technology particularly for new developments or during the refurbishments of our existing properties. The group’s partnership with the National Business Initiative (“NBI”) and its participation on the NBI’s PSE (Energy programme), continues with various initiatives being implemented. Water is of course a significant concern particularly given the recent drought conditions. Water shortages have been experienced at several properties and while the group has short-term solutions in place, management are focused on seeking more sustainable solutions that support the conservation of water.

Conclusion

Sun International continues to meet its environmental, social and governance responsibilities. Its performance in this regard resulted in it once again qualifying as a constituent of the FTSE/JSE Responsible Investment Index. We are confident that the group can sustain its commitment to social and economic development, fair labour practices, environmental responsibility and good corporate citizenship.

There has been no material non-compliance with legislation or regulations or non-adherence with codes of best practice in terms of the areas within the committee’s mandate during the year under review. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.

Corporate governance and sustainability remains a pillar of the group’s strategy and forms part of the key performance indicators of each employee’s performance contract. At a management level, performance against these principles directly impacts the manager’s bonus achieved for the year.

The committee will continue to oversee the corporate citizenship of the group. In addition to the statutory tasks set out for oversight, we have tasked management to ensure that Sun International retains its position as a desired place at which to work; an attractive investment for shareholders; and a responsible partner to all stakeholders.

BLM Makgabo-Fiskerstrand
Chairperson of the social and ethics committee
14 October 2016