

# SOCIAL AND ETHICS REPORT

Being a good corporate citizen is integral to how we manage our business and drive an ethical culture across the group. This includes ensuring customer, guest and employee health and safety; engaging with communities; providing opportunities for shared socio-economic value; protecting our environment; monitoring our transformation progress; and complying with relevant legislation and codes.

## MESSAGE FROM THE CHAIRMAN

### Dear stakeholders

I am pleased to present the report of the Sun International social and ethics committee (the committee) for the year ended 31 December 2018. The purpose of this report is to inform our stakeholders on the discharge of our duties as set out in the Companies Act, and supplemented by the committee's terms of reference.

Sun International Limited (Sun International or the group) remains committed to ethical and responsible leadership. Our commitment is driven by the ethics declaration which the board and executive committee signed in 2018. The group's revised [code of ethics](#) (the code) commits management and employees to the highest ethical conduct and standards. The ethics survey indicated that management has a slightly higher level of ethical awareness than lower-level employees. Continued awareness campaigns and training are key to ensuring all employees understand how they can contribute to the group's integrity.

In the group's continued pursuit of ethical practices, the whistleblowing policy was aligned with Deloitte Tip-Offs Anonymous, who manages our ethics hotline. Training was provided to employees on the hotline, including general awareness of fraud and ethics. The revised fraud response policies have clear guidelines that have been disseminated throughout the group. Employees are continuously encouraged to report any criminal, illegal, discriminatory or other inappropriate behaviour without fear of occupational detriment. Employees who are aware of any crime or fraud can contact the hotline anonymously through the 24/7 toll-free number. The ethics officer oversees ethics within the organisation and receives regular feedback on any matters of concern. Employees can email a secure, private address with any ethics issues or concerns they may have. Concerns are handled on a strictly confidential basis between the ethics officer and the employee concerned. Closed sessions are held between the chairman of the social and ethics committee, and the ethics officer after each social and ethics meeting to discuss any material ethical issues reported throughout the group.

The committee performs the requisite statutory functions on behalf of all units and companies in the group, as it was appointed as the social and ethics committee for the entire group including those that score above 500 points in terms of Regulation 26(2) as contemplated in Regulation 43(1)(c) of the Companies Regulations, 2011. This ensures that practices across the group are consistent and aligned, and our ethical practices are applied irrespective of the jurisdiction in which we operate. Following the Sun Dreams merger in 2016, we continue to review Sun Dreams' operations and align their governance and system processes with our South African operations. Sun Dreams reports all relevant and material matters contemplated by Regulation 43 of the Companies Regulations, 2011 and those pertaining to Latam to the group social and ethics committee for review. This ensures that the group's social and ethics committee is positioned to oversee the group operations and consider all ethical material issues. In Nigeria the TCN has its own code of conduct and regularly reports any ethical issues to the TCN board. Further, the Sun International director: corporate services attends all committee meetings in Latam and chairs the nomination and governance committee in Nigeria in his capacity as a director of TCN, which further reinforces the group's governance structures and practices.

### Composition, meetings and assessment

There were changes to the committee's composition during the year. Mr Graham Rosenthal retired as an independent non-executive director of the board effective 15 May 2018 and accordingly from the social and ethics committee. Effective 1 June 2018 and 22 November 2018, Ms Caroline Henry and Mr Vusi Khanyile

were respectively appointed to the social and ethics committee. Both are independent non-executive directors of the group.

Following these changes, the committee's composition included five non-executive directors as members, all of whom are independent. The committee met three times during the year, which was adequate to deal with various matters contemplated in the Companies Act and the committee's mandate and terms of reference. In addition, Sun International executives whose areas of discipline are covered by the committee are standing invitees to the committee and include the: chief executive; chief financial officer; chief operating officer; director: corporate services; director: human resources; director: GIA; and group sustainability manager. As per the mandate of the committee, the terms of reference were reviewed and approved, and we achieved a 100% [attendance](#).

Through the participation of stakeholders from various areas within the group, we are assured that appropriate feedback is provided relating to all matters. The mix of experience and expertise on the committee allows for robust debate on topics put forward to the committee. We are satisfied that initiatives undertaken by the group are adequately challenged when tabled at committee meetings.

### **Roles and responsibilities**

The committee is required, among its other duties, to:

- monitor the social, economic, employment and environmental activities of the group and report to the board and stakeholders in terms of development and progress
- assist the board in assessing aspects of governance applicable to the committee's function and terms of reference
- ensure that Sun International remains a socially committed corporate citizen.

The committee's mandate, terms of reference and further details on the [committee's roles and responsibilities](#) are available online.

We operate in a highly regulated industry and our corporate credentials and socially responsible behaviour are critical for our licence to operate.

To guide us in this oversight role, we task management with implementing principles contained in relevant legislation, regulations and prescribed legal requirements or prevailing codes of best practice, with any matters involving SED. This includes the group's standing in terms of the goals and purpose of:

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

Management discharges this duty by reporting to the committee on the group's:

- good corporate citizenship including the company's promotion of equality and the prevention of unfair discrimination
- implementation of its sustainable business strategy
- contribution to the development and upliftment of the communities it operates in
- environmental initiatives across all relevant areas
- health and safety initiatives
- consumer relationships
- marketing initiatives
- implementing the NRGF
- labour and employment including the company's standing in terms of the International Labour Organisation's Protocol on decent work and working conditions and our relationships with our employees
- contribution towards the educational and skills development of our employees.

These reports correlate with the committee's mandate and the areas mentioned above are reported at each meeting. The chairman of the committee provides regular feedback at board meetings in relation to the committee's activities and provides feedback to the shareholders at the AGM.

The group's sustainability committee, a sub-committee of group executive management, includes several senior and executive managers from relevant areas within the group. The committee met quarterly to discuss relevant sustainability matters – particularly environmental, health and safety, SED and E&SD matters. Any areas of concern are elevated to the social and ethics committee.

As part of the scope of our independent Sun International third-party assurance, [IBIS ESG Assurance](#) conducted a review of all sustainability aspects and an assessment of Sun International's ethics and integrity related policies, procedures, systems and controls. The review included interviews at a group level and during visits to selected units to assess adherence to Sun International's relevant policies, procedures, systems and controls and whether they meet reasonable expectations for the monitoring and management of, among others, ethics and integrity at Sun International. No material issues were identified during the assurance audit.

### **Salient matters of interest**

Several matters dealt with by the committee during the period under review are highlighted as items of interest to our stakeholders.

While the company is no longer a member of the UNGC, the committee continues to review the group's standing and progress in accordance with the 10 principals of the UNGC and the OECD guidelines for multinational enterprises 2011 regarding anti-corruption. The committee concluded that the group substantially complied with the requirements of the UNGC principles, and that there were no material areas of concern. The company monitors compliance with its revised policies adopted in relation to bribery and corruption; gifts, entertainment and tips; and responsible gambling.

The SunWay culture was embedded within the group and continues to gain traction across the group. Most engagement initiatives rolled out incorporate the SunWay behaviours that reinforce the group's values. One such initiative was the mobile platform, SunTalk, which has approximately 5 300 registered employees and continues to improve employee engagement. The new affordable healthcare cover for approximately 5 000 employees in the bargaining unit was well received. During 2018, Sun International partnered with the Association for Savings and Investment South Africa (ASISA) Foundation to provide financial literacy training around debt and personal financial management. Over 1 300 employees attended the workshops during 2018, and this programme will continue in 2019. A coaching programme for senior and middle managers was introduced during 2018 to strengthen the manager's role as coach and mentor.

Transformation is a critical component of Sun International and its sustainable future. The committee monitors appointments, retirements and resignations to ensure we achieve a demographic workforce in line with our targets. During 2018, our overall black employee representation was 92.2%, exceeding the distribution of the national economically active population. Females make up 55.3% of our workforce across our South African operations, 95% of whom are black. The group exceeded its employment equity targets at all levels except middle management, and it achieved its targets for black (African, Coloured and Indian) females at all management levels. The board diversity targets, including gender and race, were monitored. We were encouraged with the board's progress against these targets, as it exceeded its black director target of 50% with 57% black representation. The board narrowly missed achieving its female director target of 30% with 29% female representation. The disability capacity building workshops and disability awareness days continue to remove the stigma and fear of victimisation experienced by employees with disabilities.

The group is progressing well on most elements of the B-BBEE scorecard. There was an improvement in most units' empowerment status, and Empowerdex rated Sun International as a Level 1 B-BBEE contributor in accordance with the Tourism Sector Codes as at 31 July 2018 (2017: Level 1). All our South African units except for Sun Slots, are measured in terms of the Tourism Sectoral Codes. Sun Slots, of which the group is now a majority shareholder, is measured in terms of the Generic Codes of Good Practice. The group was rated the sixth most-empowered South African company<sup>1</sup>.

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

During 2018, communities raised concerns about the inequality in certain areas where the group operates, with the main concern being around securing local procurement spend to provide socio-economic upliftment. Extensive community engagement was conducted to address these concerns and the group's supplier approach was refined to enhance shared value. A more inclusive community stakeholder approach will be rolled out to all South African units in 2019, to improve our assessment of community needs and concerns and provide suitable solutions, where feasible.

The group continues to make significant progress in the areas of procurement, [enterprise and supplier development development](#). We invested R46 million<sup>[2]</sup> and R10.2 million in supplier development and enterprise development respectively during 2018. We introduced formal business development support and launched a tender bulletin board on the corporate website to attract a wide variety of suppliers. A new supplier code of conduct was issued in 2018, which requires our suppliers to adhere to minimum best practice standards of behaviour. Suppliers must subscribe to the group's code of ethics and provide the group assurance that they do not violate any human rights or circumvent legislation.

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

The group's SED strategy, which is premised on creating shared value, was instrumental in making a significant impact on the communities with whom we interact. Our units work diligently on projects within their surrounding communities. In 2018, R23.8 million was invested in making a difference in the lives of communities with a specific focus on sport, education and arts and culture.

Sun International's Hospitality Curriculum Development Programme, a public-private partnership with the DBE was handed over to the DBE in September 2018, with the content branded as Sun International. Approximately 5 000 students had registered on this programme at the time of handing it over to the DBE. We continue to participate in the Stop Hunger campaign, in celebration of Mandela Day, where approximately 320 000 meals were packed, which impacted over 1 200 children's lives by feeding them one nutritious meal, five times a week for an entire year. We remain committed to giving back to communities and being socially responsible. For more information refer to the [SED](#) section online.

Given the desire to behave in a socially responsible manner, we are firmly committed to the NRGF, which remains globally regarded as a leading programme for promoting responsible gaming. The NRGF creates awareness around the public initiatives undertaken in the industry, which include prevention, treatment and counselling initiatives, training for regulators and industry employees, research audits, and life skills programmes for schools. Management reports to each unit board and committee on its focused efforts in leveraging the NRGF principles across its casino units. Management reports on matters such as crèche utilisation rates, which remain strictly monitored at all units, and on training employees in the different stages of NRGF. These efforts are audited by GIA and the findings are reported to the committee. The National Gambling Bill (including its regulations) proposes the implementation of a national exclusions programme. The company, through the Casino Association of South Africa (CASA), engages with the National Gambling Board regarding the practical aspects of implementing the programme in its current form.

The group continues to make pleasing progress on environmental matters and explores innovative ways to address pressing issues facing the country such as: quality and availability of water; sustainable supply of energy and rising energy costs; as well as the increased concerns around the lack of certified waste facilities in South Africa. Sustainable water solutions were implemented at GrandWest and The Table Bay to address water scarcity during the recent drought. Ongoing research is being conducted to establish the most feasible approach for participating in energy efficiency projects to further reduce energy consumption. Our ZWTL initiative is gaining momentum, with the Wild Cost being certified as a ZWTL facility in January 2019, the first in the country to achieve a formal accreditation through the Green Buildings Council of South Africa.

The health and safety of our customers, guests and employees remains paramount. Across our South African units, we achieved a noteworthy reduction of 62% in lost-time injury frequency rates over a three-year period (2016 to 2018). We enhanced our health and safety control environment by implementing a compliance management platform to standardise our risk assessment, legal register and compliance management functions. The inaugural occupational health and safety reduction targets for our South African units were developed and will be monitored through our integrated SHE management system based on ISO 14001 and 45001 standards.

Regrettably, the group had one contractor fatality at Monticello during 2018. With the assistance of its labour department, the unit has implemented additional safety measures to improve controls over contractors and subcontractors.

There were no instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the committee's mandate during the year under review. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development. No environmental fines were levied and we had one request under the Promotion of Access to Information Act.

The committee will oversee the corporate citizenship of the group and ensure it continues to improve the already embedded principles of carrying out its actions as a responsible and ethical corporate citizen.



**BLM Makgabo-Fiskerstrand**

*Chairman of the social and ethics committee*

29 March 2019