

CHAIRMAN'S MESSAGE



Although the local operating environment remains challenging, we share the improvement in investor confidence due to several positive factors in South Africa, including the change in the political climate and the tough stance taken by President Cyril Ramaphosa on fraud and corruption. Consumers remain under severe financial pressure, which continues to impact the group's revenues, in an industry reliant on consumer discretionary spend.

Collectively, the board continues to drive ethics from the top and maintains its zero-tolerance approach towards unethical conduct. An ethics survey was conducted across all South African units early in 2018 to determine Sun International's ethical climate and to create an inclusive culture. Sun International's code of ethics was relaunched to reinforce the ethical culture across the business. Employees signed an ethics declaration, based on the new SunWay culture, in support of the group's [vision and values](#). Sun Dreams has its own code of ethics which is broadly aligned with Sun International's.

A key business highlight was the conclusion of an equity capital raise of R1.6 billion through a rights offer finalised in June 2018. The rights offer was significantly oversubscribed, which indicates shareholder confidence in the company and its strategy. Funds from the rights offer were used against debt settlement. These funds de-risked the group's balance sheet, following material balance sheet leveraging over the past five years for various capital projects, the biggest of which is Maslow Time Square. Debt ratios also improved, and the board remains confident in the group's ability to generate free cash flows, reduce debt and further strengthen the balance sheet.

The board is satisfied with the group's operational and [financial](#) performance in this tough trading environment, and it commends management on a job well done. The board believes that management has a clear and consistent grasp of the group's strategy, which remains unchanged. During 2018, the group made solid progress towards achieving the group's strategic objectives.

The group remains passionate about its sustainability commitments. Sun International adopted a more inclusive approach towards driving sustainability across the business in terms of creating long-term shared value for our business, employees, society and the environment. We made headway in implementing [sustainable solutions](#) to address the water scarcity that impacted our properties in the Western Cape and Eastern Cape early in 2018. We continue to investigate additional sustainable water and energy solutions to provide our guests with memorable experiences at our iconic properties. Our zero-waste-to-landfill initiative is gaining traction, with Wild Coast Sun being the first facility to achieve zero-waste-to-landfill certification by the Green Building Council of South Africa. The group continues to implement various sustainability awareness campaigns.

Transparent and honest stakeholder relations are important for Sun International, as several of our properties are located in poor communities. The main community concern during the year related to securing local procurement spend to provide socio-economic upliftment. To address this, Sun International refined its approach towards local economic development, procurement and enterprise and supplier development, and increased local procurement spend. Local procurement targets were established and we developed a more inclusive community stakeholder approach that involves assessing various community economic and social aspects, as well as the collective needs of these communities to create shared value.

The appointments of four new non-executive directors – [Messrs Sam Sithole](#), [Jabu Mabuza](#) and [Vusi Khanyile](#), and [Ms Zimkhitha Zatu](#) – have significantly strengthened the board and filled two vacant positions. Mr Jabu Mabuza was appointed deputy chairman of the board. The board looks forward to these new directors' contribution to the group. The board also thanks Ms Zarina Bassa and Mr Graham Rosenthal, who resigned from the board, for their valuable contributions as members of the board. Mr Khati Mokhobo stepped down as an executive director, but retains his executive responsibilities.

While the board did not meet its diversity target of 30% female directors (actual 29%), it exceeded the target of 50% black directors with 57% black representation. We made solid progress during the year towards maintaining an appropriate board composition regarding knowledge, skills, experience, diversity and independence.

The impact of the subdued local and global economy means trading is expected to remain under pressure. However, we are encouraged by trading at some of our strategic projects in South Africa and in Latam. The group will continue to focus on maximising efficiencies, reducing debt levels and improving our debt covenants.

In closing, and as I retire on 14 May 2019, I would like to thank the board and management for their unwavering support over my 14-year tenure at Sun International. I am and continue to be inspired by management and am confident in their ability to drive the group strategy forward, albeit in tough trading conditions. To my successor, Jabu Mabuza, I wish you the best as you embark on your journey of steering the group into the future. Thank you to all our patrons, without whose support we would not be where we are today.



Valli Moosa
Chairman
29 March 2019