

ENTERPRISE AND SUPPLIER DEVELOPMENT

E&SD remains a key focus for the group, and we continue to identify and invest in local procurement opportunities. The group further creates and maintains an efficient and equitable supply chain aligned to our strategic objectives through a robust governance process.

HIGHLIGHTS

- Invested R46 million in supplier development
- Invested R10.2 million in enterprise development
- Improved efficiencies and streamlined processes, including:
 - introducing formal BDS into our beneficiary programmes
 - enhancing automated compliance management processes to ensure good corporate governance within the group's supply chain
 - launching a tender bulletin board on the corporate website to attract a wider variety of responses to our various sourcing opportunities for suppliers
 - reducing active non-compliant suppliers through stringent controls over existing and new supplier management, with procurement spend being redistributed within our supply chain, in accordance with the requirements of our preferential procurement strategy.

CHALLENGES

- Continuing to entrench internal operational efficiencies and the principles of the E&SD programme
- Shifting the E&SD reporting focus from compliance to a broader social and economic impact
- Implementing E&SD effectively with limited operational resources, capacity and knowledge base

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Consolidating E&SD activities into a structured and consistent offering, ensuring we leverage opportunities to introduce additional efficiencies.	Enhanced internal processes, resulting in improved reporting efficiencies. Introduced an E&SD programme group-wide with a formal BDS successfully rolled out at one unit. The BDS will be rolled out to other units in 2019.	Limited progress
Supporting and enhancing the Sun International brand within our communities.	Introduced a tender bulletin board to proactively engage with suppliers in surrounding communities to expose them to our supply chain processes.	In progress
Positioning the E&SD function group-wide and entrenching the 2020 strategy.	Ongoing.	In progress
Finalising and implementing the fronting policy.	Defined a fronting process within the draft compliance management standard operating procedure, that will be implemented in early 2019. Created a task team to review existing and new fronting incidents.	Achieved
Focusing on effective reporting of E&SD funding.	Achieved greater use of IFS projects to record and monitor ESD loan funding, resulting in greater visibility in the loan recovery process.	Achieved
Meeting our B-BBEE target for E&SD suppliers.	Significant spend redistribution at group level, benefited and enabled existing, new and SMME businesses. Focus on achieving B-BBEE targets at unit level.	Achieved

KEY PERFORMANCE INDICATORS

	Spend 2018 R million	Spend 2017 R million	B-BBEE score achieved 2018 Points/(%)	B-BBEE score achieved 2017 Points/(%)
Preferential procurement	3 306	4 010.8	100	24.90 (99%)
Supplier development	46	34.5	100	11.00 (100%)
Enterprise development	10.2	9.0	100	6.00 (100%)
Total points out of a possible 44.00 (40 + 4 bonus points)	40	n/a	100	41.91 (100%)

PERFORMANCE OVERVIEW

The group remains committed to creating opportunities for all suppliers, especially B-BBEE compliant SMMEs. Ethical conduct throughout our supply chain is imperative, and we require our suppliers to commit to the highest standards of ethical conduct. Sun International's **supplier code of conduct** (is based on recognised international standards, principles and best practices. All suppliers are required to adhere to this code, which also complies with the **group's code of ethics**. Suppliers are encouraged to follow specific requirements in respect of labour conditions, human rights and occupational health and safety, and demonstrate consideration in mitigating harmful environmental impacts.

Preferential procurement

Sun International's total measured procurement spend for the financial year exceeded R3.3 billion (2017: R4.0 billion), of which R3.04 billion was procured from over 3 000 verified B-BBEE-compliant suppliers. This 92% valid spend compliance was below the group target of 95% for 2018. Our 2020 goal is to reach and maintain 95%.

The group prefers to engage suppliers that support our objectives and meet our optimum B-BBEE standard: black-owned with a level 3 rating or better. 41% of group spend met this optimum requirement, exceeding our 40% target for 2018. Our 2020 goal is to reach and maintain 50%.

Black-owned SMME spend of 35% (2017: 14%) was achieved, exceeding our 20% target. We intend to increase our annual target to 30% by 2020.

Stringent B-BBEE compliance controls are implemented throughout the year, including suspending a significant number of non-compliant suppliers. These controls positively impacted the transformation of our supply chain when measured against internal indicators (defined below), and were introduced as part of our preferential procurement strategy towards achieving optimal compliance by 2020.

Category	Target by 2020	Achieved in 2018	Achieved in 2017
Black-owned spend	60%	45%	33%
Black female spend	30%	19%	13%
Level 1 to 3	80%	63%	64%
Optimum spend ^[2]	50%	41%	31%
SMMEs	60%	35%	27%
Valid B-BBEE spend	95%	92%	88%

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

Sourcing and supplier onboarding process within Sun International

Although sourcing suppliers is commercially driven, we remain committed to economic transformation in South Africa by adopting the B-BBEE framework that encourages black SMME participation. We give preference to commercially competitive suppliers who meet our optimum B-BBEE compliance standard. All potential suppliers are required to register on the [Sun International supplier database](#) for inclusion in any sourcing opportunity. Sourcing opportunities are also advertised on our corporate website.

Onboarding process

The graphic below depicts Sun International's onboarding process.



Preference will be given to commercially competitive suppliers who demonstrate optimum Sun International B-BBEE compliance.



Enterprise and supplier development

Sun International's E&SD strategy remains a group priority, emphasising responsible corporate citizenship and a commitment to the environment, community, and economy. These objectives drive our supplier sourcing and create opportunities for small businesses to enter our supply chain.

The group's E&SD programme identifies and assists businesses at our various properties through capital funding or other business development services, with the goal of:

- fostering sustainable business growth, creating jobs, and adding economic value
- supporting the development of black-owned SMMEs
- offering consistent and structured application of E&SD projects
- focusing on the sustainability of our beneficiary organisations
- supporting South Africa's National Development Plan 2030
- supporting strategic category management plans
- achieving meaningful value through effective use of funding.

Through process efficiencies and our commitment to E&SD the group invested R46 million (2017: R34.5 million) in supplier development, including early settlements substantially above the claimable value. An additional R10.2 million (2017: R9 million) was invested in enterprise development, supporting a pipeline of new business into the supply chain. This investment represents 18.75% (2017: 11%) of net profit after tax, against the Tourism Code's requirement of 3.5% for the tourism sector.

Sun International's E&SD beneficiaries per category

Sun International believes that the endorsement of a small business by a corporate organisation goes a long way in supporting access to markets, creating job opportunities and uplifting local and regional communities. The group is proud to endorse our E&SD suppliers on our corporate website: corporate.suninternational.com

70 E&SD BENEFICIARIES

- 1 Casino and gaming
- 1 Fixtures, fitting and equipment
- 7 Food and beverage
- 1 IT supplies and services
- 13 Maintenance services
- 8 Marketing services
- 5 Operating equipment and supplies
- 32 Professional services
- 1 Travel service
- 1 Retail services

LOOKING AHEAD

- ▶ Formalising the group's E&SD committee
- ▶ Introducing an automated e-sourcing portal
- ▶ Conducting compliance management on Sun Internationals active supplier database and actioning outcomes accordingly
- ▶ Continuing to entrench BDS across all units, including the conclusion of a formal BDS provider sourcing process
- ▶ Formalising the compliance management standard operating procedure
- ▶ Enhancing the business intelligence reporting capabilities.

E&SD INITIATIVES

For more detail on the various E&SD initiatives refer to:

- <https://www.suninternational.com/stories/>
- <https://www.suninternational.com/stories/people/> (Sun International Beneficiaries – Get to Know our Entrepreneurs)