

# Chairman's review



*Valli Moosa*

Valli Moosa  
Chairman

Three years ago, the board ushered in a new management team to develop and implement a strategy that would constitute a step change. I am pleased to report that we are now well on our way into the execution of the final lap of the strategy, which we believe will bring about meaningful growth.

Over the past two years the group has worked diligently to build efficiencies and grow the business – but there is little we can do about the global economic decline and its impact on the group's operations and guests, particularly in South Africa where the effects of the weak rand and prolonged drought have pushed up prices of goods and services. All these factors have both a positive and negative impact on Sun International. In South Africa, the weak rand is positive for the tourism industry, making it more affordable for international guests to travel; however, with disposable income under pressure we are experiencing limited growth in casino

revenue while certain costs are increasing. Good growth from Monticello and the relatively stronger Chilean economy has partially offset the lacklustre South African results.

Furthermore, the tougher economic operating environment is also clouded with uncertainty in respect of political and social challenges. It's at times like this that a company's values are truly tested and at Sun International we pride ourselves with the fact that our business practices remain underpinned by high ethical principles that are embraced by the board, practiced by the leadership team and cascaded down to our employees groupwide – we are unwavering in our position of practicing zero tolerance to corruption at every level in the organisation. In addition, we remain committed to the highest standards of corporate governance and compliance, not only with the letter of the law but also the spirit of the law. This enables the group to continue creating stakeholder



value and to consistently provide our stakeholders with transparent information through various mediums, including group results presentations and integrated reporting.

Our employees are also vital in ensuring that we live the group's vision and values. It was encouraging to note the positive feedback received following the chief executive's values roadshows and to get the feedback from the employee engagement surveys carried out, which enable management to tap into employee concerns and ideas.

These surveys provide key insights on where we as an organisation can further improve and build on our successes. Going forward, the board will be kept abreast of progress in addressing employee feedback through the social and ethics committee.

Interacting with our many stakeholders remains important in achieving the



The Table Bay, Cape Town

group's strategic objectives. Widespread management engagement took place during the year with key stakeholders such as investors, shareholders, regulators and government to keep them informed of the developments within the group. Following the submission of our 2015 remuneration policy for shareholder endorsement where we received a vote of only 69% in favour, the remuneration committee and management engaged extensively with shareholders to understand and address aspects of the policy that concerned them and this has resulted in certain changes to the group's remuneration policy as set out in this report on page 64.

A significant highlight during this financial year was the successful merger of our Latin American portfolio with the assets of Dreams SA, which culminated in the creation of the largest gaming company in Latin America. This merger will create opportunities for further growth in South

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America, and the ability to take on larger projects, which bodes well for the sustainability of our business into the future. The board will oversee the successful integration of the merger, from a governance, operational and cultural perspective. Other highlights include good progress on key projects such as the construction of Time Square, which is the most important initiative currently being undertaken by the group. The project remains on track to open in 2017 and should not only better balance our South African portfolio but should ensure meaningful growth for the next few years. The ongoing substantial makeover of Sun City is almost complete and the revitalised property will once again establish Sun City as the premier conferencing destination in South Africa, which should drive repeat visitations and encourage new guests to visit our most iconic property. Additional organisational changes include the disposal of our non-core assets in Africa. In the case of Nigeria we have decided to

exit the country due to the unfriendly climate for business – the process to exit has been initiated but may take some time as we seek to get a reasonable value for the investment that we have made.

The group secured funding for all the projects in progress and it has refinanced all debt facilities in both South Africa and Latin America. The group is currently operating well within its debt covenants.

 Further detail on this debt restructure is available in the chief financial officer's review on page 48.

Being financially sustainable enables us as a group to promote social responsibility by giving back to society and the environment. Through Sun International's creating shared value strategy the group supported certain educational, arts and cultural and heritage initiatives – including A Day in the Life of a Chef, the Inspired Stages mentorship programmes and our support of the global Stop Hunger Now movement. The 2016 CEO SleepOut was another highlight in our calendar, providing an opportunity for chief executive officers throughout South Africa to raise awareness of the poorest in society and raise funds for education, which is essential in the fight against poverty alleviation. The environmental strategy also continued to make good progress, including the measuring and reducing of our carbon footprint. We remain committed to procuring marine life that is SASSI approved.

 Further detail on the group's social responsibility progress can be accessed on our website at <http://ir.suninternational.com>.

As a board we are confident in our ability to provide direction to the group going forward given the wide array of skills, knowledge and experience. The annual board evaluation confirmed that the board is functioning effectively. Notwithstanding this confirmation, we further boosted the independent non-executive board's skills by appointing Mr Nigel Morisson, an internationally experienced gaming director with extensive knowledge in international VIP gaming and Ms Caroline Henry who has over 20 years of experience in the finance sector. We also welcomed our new executive director of special projects, Mr Khati Mokhobo, who has been instrumental in overseeing the Time Square project development. These directors' skills and experience will add significant value to the group.

On behalf of the board, I extend my thanks to Ms Louisa Mojela who, having served on the Sun International board for more than 12 years, will retire at the forthcoming annual general meeting by way of rotation in terms of the company's Memorandum of Incorporation. Ms Mojela has indicated that she is unavailable for re-election and accordingly will retire at the 2016 annual general meeting. We extend our appreciation to Ms Mojela for her many years of dedicated tenure and valuable contributions.

Ms Chantel Reddiar has resigned as company secretary of Sun International, with effect from 5 September 2016 and the board thanks her for her commitment and dedicated service, not only as company secretary, but in other roles within the company.

Mr Anthony Leeming, the chief financial officer of Sun International will act in the capacity of interim company secretary from 5 September 2016 to 15 November 2016. Mr Andrew Johnston has been appointed as the group company secretary of Sun International with effect from 16 November 2016.

Mr Johnston is a qualified and admitted attorney having served as a senior executive and group company secretary of several large public listed companies in South Africa over the past 25 years. He holds the BA, LLB, FCIS and Postgraduate Diploma in Environmental Law qualifications and was a member of the Accounting and Auditing Task Force of The King Committee responsible for implementing the third King Report on Corporate Governance for South Africa. In addition to the foregoing Mr Johnston serves as a member of the CRISA Committee, is chairman of the JSE Company Secretary Forum and is a member of The International Corporate Governance Network (ICGN) Remuneration Committee.

I would like to thank the board, management and our employees for their continued passion and commitment in the achievement of our strategic objectives. I appreciate that we face challenging economic environments both in South Africa and Latin America, but I believe in the group's ability to continue growing and innovating, thereby creating stakeholder value.

**Valli Moosa**  
Chairman

14 October 2016





Carnival City, Brakpan