

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 December 2022

Dear stakeholders

I am pleased to present the report of the Sun International Limited ("group") audit committee ("the committee") for the year ended 31 December 2022. The committee assists the board in fulfilling its responsibilities regarding the group's corporate and financial reporting, internal controls, risk management, as well as assessing the independence and effectiveness of the external auditors. This is supplemented with the statutory duties set out in the Companies Act 71 of 2008, as amended (Companies Act). The committee performs the requisite statutory functions on behalf of all subsidiaries within the group and reports to these subsidiary boards confirming the performance of its duties each year.

Main objective: Exercising independent judgement and assisting the board in discharging its duties

Committee purpose: • enhances the credibility of financial reporting • ensures an effective control environment is maintained by supporting the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting • reviews activities of the internal audit function and the external auditor • oversees effective governance of the group's financial results

Key role and responsibilities to achieve main objective/purpose:		
Financial statements	Independence, skills and expertise of the external auditors	Internal control and internal audit
Financial accounting and reporting developments	Combined assurance	Legal, regulatory and compliance
External reporting		Risk management and IT



Compliance with relevant statutory requirements and codes in performing keys roles and responsibilities:		
South African Companies Act	JSE Listings Requirements	King Report on Corporate Governance for South Africa, 2016 ("King IV™1 ")
International Financial Reporting Standards ("IFRS")	Institute of Internal Auditors ("IIA")	

Composition, meetings and evaluations

The committee comprises of three independent non-executive directors and meets at least three times a year, as per the committee's mandate and terms of reference. The Sun International chief executive, chief financial officer, chief operating officer, director of internal audit, the external auditor and other responsible heads of department (group tax manager and group finance manager) attend meetings by invitation. The committee chairman engages regularly with management on material matters and the external auditors have direct access to the committee.

Members	March 2022	August 2022	November 22
Peter Bacon ¹	1	–	–
Enrique Cibie ²	1	1	1
Caroline Henry (chairman)	1	1	1
Sindi Mabaso-Koyana	1	1	1
Zimkhitha Zatu Moloji	1	–	1
Right of attendance			
Anthony Leeming (CE) [†]	1	1	–
Muxe Mambana [†]	1	1	1
Norman Basthdaw (CFO) [†]	1	1	1
Graham Wood (COO) ^{3†}	–	1	1

1 Shareholders were advised on 22 November 2021 that in accordance with paragraph 3.59 of the JSE Listings Requirements, Peter Bacon decided that he would retire from Sun International's board effective 31 March 2022, and is no longer a member of the audit committee.

2 Shareholders were advised on 22 November 2022 that in accordance with paragraph 3.59 of the JSE Listings Requirements, Enrique Cibie decided that he would retire from Sun International's board effective 31 December 2022, and is no longer a member of the audit committee.

3 With effect from 25 August 2022, Graham Wood attends audit committee meetings by right of attendance.

† Executive

REPORT OF THE AUDIT COMMITTEE continued

The committee members have the necessary financial literacy, skills and experience to discharge their duties effectively. The committee's terms of reference prescribe that, as part of the board's review of the committee's performance and effectiveness, that the committee's activities and effectiveness should be assessed periodically by self-evaluation. The last internal self-evaluation was conducted towards the end of 2022, and reflected the committee was performing its functions effectively, with limited areas for improvement. The director of internal audit as well as the internal audit team are sufficiently independent of the activities they audit. Internal Audit have sufficient resources to satisfy their terms of reference and to adequately deliver the services outlined in its internal audit plan within the time frames identified. The next internal self-evaluation will take place at the end of 2024.

The nomination committee and board recommended the re-election of Caroline Henry, Sindi Mabaso-Koyana and Zimkhitha Zatu Moloi as members of the Sun International audit committee at the AGM to be held on 9 May 2023.

Key role and responsibilities

The committee has executed its duties and responsibilities pursuant to section 94 of the Companies Act and its responsibilities as set out in paragraph 3.84(g) of the JSE Listings Requirements and in keeping with the recommendations of King IV™. This is in addition to the supplementary responsibilities prescribed by our mandate and terms of reference, as approved by the board. Our key areas of responsibility are tabled below, together with the relevant compliance codes, legislation and standards. Looking ahead, the focus areas of the committee are included in the corporate governance report.

Financial statements and accounting policies

The committee assessed the group and company accounting policies and the group and company annual financial statements for the year ended 31 December 2022. The chief executive and chief financial officer's responsibility statement confirm that the company and the group's annual financial statements are a complete and an accurate reflection of the group's financial performance as well as confirmation that adequate and effective internal controls are in place. To the extent that there are internal control deficiencies, adequate steps have been taken to remedy these deficiencies.

The committee oversaw the group's integrated reporting process and assessed the disclosures made to all stakeholders, which included the annual financial statements for the year under review. The committee continues to review reports presented by the JSE regarding its proactive monitoring process.

The committee satisfied itself as to the establishment of appropriate financial reporting procedures and that those procedures are operating. This included consideration of all entities included in the consolidated group IFRS financial statements, to ensure that the audit committee has access to all the financial information of Sun International to allow Sun International to effectively prepare and report on company and the group's annual financial statements.

The committee recommended the audited company and group annual financial statements to the board for approval, which the board subsequently approved, these annual financial statements will be presented to shareholders at the AGM to be held on 9 May 2023.

The committee confirmed that no reportable irregularities were identified and reported by the external auditors for the financial year ended 31 December 2022 in terms of the Auditing Profession Act 26 of 2005.

At the committee meetings held during August 2022 and November 2022, the committee considered the reports of the external auditor and internal audit. It concluded that there was no reason to believe that any material breaches of financial reporting procedures occurred group-wide that warranted the attention of the board or shareholders.

External audit – appointment, independence, fees and services

The committee is responsible for determining that the external audit firm and designated individual auditor have the necessary independence, experience, qualifications and skills, and that the audit fees and non-audit fees are reviewed and approved.

In accordance with the Independent Regulatory Board for Auditors' ("IRBA") rule regarding mandatory audit firm rotation, the audit committee recommended and the board endorsed the proposed appointment of Deloitte & Touche to replace PricewaterhouseCoopers Inc. ("PwC") as the new external auditor of Sun International for the financial year commencing on 1 January 2022, with Ms Carmeni Naidoo Bester as the designated individual auditor.

In considering Deloitte & Touche's re-appointment FY2023, the audit committee (following consultations with Deloitte & Touche in this regard) had received and satisfied itself regarding the required information detailed in paragraph 22.15(h) of the JSE Listings Requirements in their assessment of the suitability for the appointment of Deloitte & Touche and the designated audit partner for the financial year commencing on 1 January 2023.

The committee is satisfied that Deloitte & Touche is independent, which review included the extent of non-audit work undertaken by Deloitte & Touche for the group for the year ended 31 December 2022 and compliance with criteria relating to independence or conflicts of interest, as prescribed by IRBA and other international bodies. The requisite assurance was also sought and provided by Deloitte & Touche, that internal governance processes within the audit firm support and demonstrate its claim to independence. A formal policy governs the process whereby Deloitte & Touche is considered for non-audit services. The audit committee determines the nature and extent of non-audit services that Deloitte & Touche can provide and pre-approves all permitted non-audit assignments by Deloitte & Touche.

The re-appointment of Deloitte & Touche will be put to the shareholders of Sun International at the AGM scheduled for 9 May 2023.

The committee, in consultation with executive management, agreed to the terms of the 31 December 2022 Deloitte & Touche audit engagement letter, the audit plan and budgeted audit fees. Refer to note 4 in the annual financial statements disclosing audit fees and fees for non-audit services.

REPORT OF THE AUDIT COMMITTEE continued

Significant accounting matters
<p>Tax and deferred tax asset assessment</p> <p>There was a review of the tax status of the group.</p> <p>IAS 12.34 allows for a deferred tax asset to be recognised for an unused tax loss carry forward or unused tax credit, only if it is considered probable that there would be sufficient future taxable profit against which the loss or credit carry forward can be utilised. At every reporting period, management assess the recoverability of deferred tax assets recognised associated with past and current assessed losses. At year end management performed this assessment. The group recognised the majority of the deferred tax assets relating to the 2022 year's losses. Refer to the independent auditor's report for a detailed description of the key audit matters.</p>
<p>SunWest put option liability valuation</p> <p>In terms of the restructure agreements of the group's Western Cape assets, a put option has been given to Tsogo Sun in the event that any party acquires 35% or more of the issued ordinary shares of Sun International, triggering a change of control of the company. The Western Cape assets include Worcester and SunWest. In terms of the put option, Tsogo Sun may elect to put its equity interests (20%) in the Western Cape assets to Sun International. Sun International can elect to either settle the put by the issue of Sun International shares or in cash. A liability has been raised of R974 million (31 December 2021: R464 million) in this regard. The adjustment of R510 million is recorded in profit and loss. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times adjusted EBITDA multiple valuation of the Western Cape assets, less net debt, times the 20% shareholding which Tsogo Sun holds. The procedures performed on the key audit matters noted above have been discussed and agreed with management and presented to the audit committee. The audit committee has satisfied itself that the procedures performed are adequate and appropriate.</p>
<p>Governance of risk</p> <p>During the period under review, the risk committee chairman attended committee meetings as an ex-officio member, while the committee's chairman is a standing member of the risk committee. This provides the audit committee with oversight of the group's risk management function, including the risks relating to operational, financial reporting, fraud, internal control, information technology ("IT") governance and compliance, among others.</p>
<p>Combined assurance</p> <p>Sun International's combined assurance strategy and framework objective is to ensure optimal, cost-efficient and focused assurance coverage across the group. Our hybrid top-down and bottom-up approach ensures adequate assurance on key business risks and processes is obtained.</p> <p>The group's four lines of defence model is used as a basis for risk management, governance and oversight structures to obtain assurance at various levels group-wide. The group's combined assurance model is robustly evaluated by management, the risk committee and the audit committee during the year. Sun International's combined assurance framework provides comfort to the board that adequate assurance is provided for the mitigation of key risks across the group.</p> <p>Successful assurance enhances the degree of confidence that the control environment is functioning effectively, to mitigate material risks and promote the achievement of group-wide objectives. The group's combined assurance model is designed such that the level of assurance required is dependent on the level of risk assessed, taking into account inherent risk and risk appetite. The assurance quality provided by the various assurance providers depends on factors such as nature, timing and extent of assurance activities as well as the assurance provider's level of independence, skill and qualifications. Sun International's assurance strategy is tailored so that the higher the level of risk, the higher the level of assurance required.</p> <p>Refer to combined assurance lines of defence in the risk management section.</p>
<p>Group Internal Audit ("GIA") – independence, effectiveness, adequate resources</p> <p>The committee is mandated to ensure that the internal audit function is independent, properly resourced and effective. The independence and resources of GIA are evaluated annually by the committee. The effectiveness of GIA is assessed by the committee every two years and will take place again during 2024. External independent quality assurance reviews on internal audit work are performed every five years; GIA achieved the highest rating of "Generally Conforms" at the latest review performed in July 2021.</p> <p>The purpose, authority and responsibilities of GIA are formally defined in an internal audit charter, which is reviewed and approved by the committee annually. GIA is designed to maintain an appropriate degree of independence from management, to render impartial and unbiased judgements in performing its services. GIA evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none">■ Achievement of the organisation's strategic objectives;■ Reliability and integrity of financial and operational information;■ Effectiveness and efficiency of operations and programmes;■ Safeguarding of assets; and■ Compliance with laws, regulations, policies, procedures and contracts. <p>The director of internal audit is accountable to the audit committee chairman and reports administratively to the chief executive and the chief financial officer of Sun International. GIA is functionally independent from the activities audited and the day-to-day internal control processes of the organisation. GIA provides management and the committee with independent evaluations and examinations of the group's activities and resultant business risks.</p> <p>The director of internal audit reports at audit and risk committee meetings and has unrestricted access to the chairmen of these committees, with whom he meets independently of management several times during the year. The appointment or dismissal of the director of internal audit requires consensus from the audit committee. The internal audit director also attends the social and ethics committee meetings to provide feedback on audits and investigations considered relevant to the social and ethics committee's work.</p>

REPORT OF THE AUDIT COMMITTEE continued

Internal financial controls

The board of directors is responsible for the group's internal financial controls systems. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the audited consolidated annual financial statements.

The systems safeguard, verify and maintain accountability of group assets, as well as detect and minimise significant fraud, potential liability, loss and material misstatement while complying with the applicable laws and regulations. The board tasked the committee to oversee the testing of the group's internal financial controls.

The committee confirms that GIA has adequately tested the group's internal financial controls to provide the board with positive assurance on the key areas of the group's internal financial controls.

The committee is of the opinion, having received the written assurance provided by GIA, that the group's systems of internal financial controls, in all key material aspects, are effective and provide reasonable assurance that the financial records may be relied upon for the preparation of the audited consolidated annual financial statements. The committee has noted the reclassifications and a prior period error in the financial statements of the group which have no impact on the current or past earnings of the group. The committee has received assurance from management that adequate controls have been put in place to prevent reoccurrences of this matter. Appropriate steps have been taken to remedy the deficiencies in operational design and effectiveness of internal financial controls.

Internal controls

The controls throughout the group concentrate on all risk areas the group is exposed to. These risk areas are closely monitored by management and subject to GIA and other assurance providers reviews in line with the group's combined assurance framework. GIA is of the opinion that the group's internal controls, governance and risk management processes are adequately designed and effectively implemented to support the achievement of the group's strategic objectives.

Evaluation of the expertise and experience of the chief financial officer and the finance function

The committee satisfied itself that the expertise and experience of the chief financial officer, Norman Basthdaw, is appropriate. The committee also satisfied itself that the expertise and resources within the finance function are appropriate, as is the experience of the senior members engaged to perform the financial responsibilities within the group. Management is focused on ensuring adequate capacity and appropriate succession.

Going concern

Based on the results of the committee's assessment of the going concern, the committee believes that no material uncertainties existed to impact the group's going concern and was comfortable in recommending to the board that the group will be a going concern for the next financial year, and that the going concern basis of accounting was appropriately applied.

Conclusion

The committee, having fulfilled its responsibilities, has recommended the audited group and company annual financial statements for the year ended 31 December 2022, for approval by the board of directors.

CM HENRY
Chairman

10 March 2023