CITY LODGE HOTEL GROUP

Integrated Report 2020



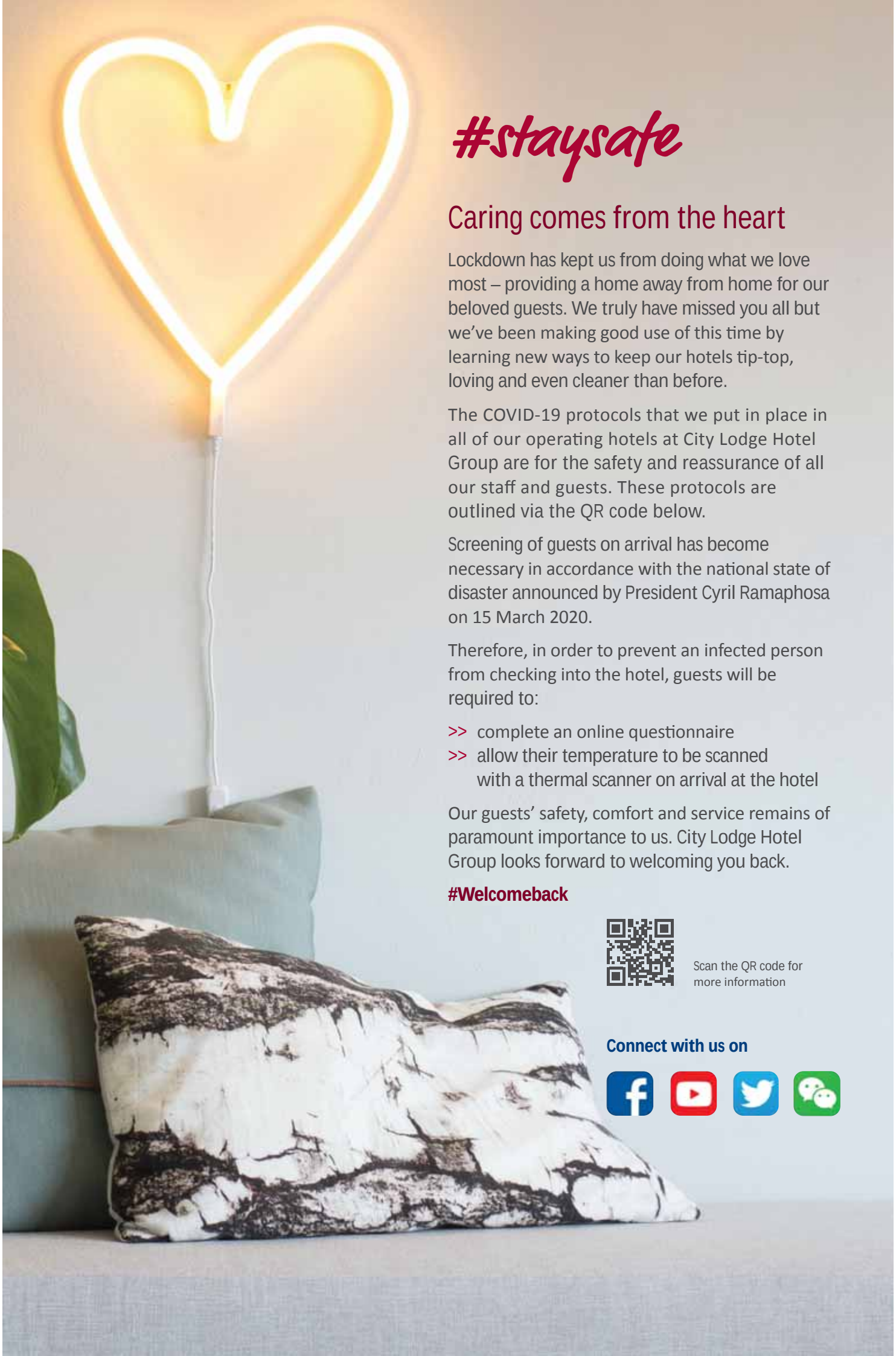












#staysafe

Caring comes from the heart

Lockdown has kept us from doing what we love most – providing a home away from home for our beloved guests. We truly have missed you all but we've been making good use of this time by learning new ways to keep our hotels tip-top, loving and even cleaner than before.

The COVID-19 protocols that we put in place in all of our operating hotels at City Lodge Hotel Group are for the safety and reassurance of all our staff and guests. These protocols are outlined via the QR code below.

Screening of guests on arrival has become necessary in accordance with the national state of disaster announced by President Cyril Ramaphosa on 15 March 2020.

Therefore, in order to prevent an infected person from checking into the hotel, guests will be required to:

>> complete an online questionnaire
>> allow their temperature to be scanned with a thermal scanner on arrival at the hotel

Our guests' safety, comfort and service remains of paramount importance to us. City Lodge Hotel Group looks forward to welcoming you back.

#Welcomeback

Scan the QR code for more information

Connect with us on

CONTENTS

About this report 1

2020 AT A GLANCE 2

RESPONDING TO COVID-19 3

GROUP AT A GLANCE

Who we are 5
Vision and values 6
Operating footprint 8
Group structure 9
Operating environment 10
Key relationships 12
Business model 14

LEADERSHIP REVIEW

Who governs us 16
Who leads us 18
Top of mind issues: Leadership Q&A 20

STRATEGIC REVIEW

Key risks and opportunities 26
Material issues 28
Strategy at a glance 29
Our strategy in practice 30
– Operating in a COVID-19 environment 30
– Brand identity 31
– Consolidation 32
– Transformation 33
– Environmental sustainability 34
– Information technology 35

PERFORMANCE

FINANCIAL REVIEW 36
BRAND REVIEWS 42
– Fairview 44
– Courtyard Hotel 46
– City Lodge Hotel 48
– Town Lodge 50
– Road Lodge 52
SUSTAINABILITY REVIEW 54
– Financial and manufactured capital 55
– Natural capital 57
– Intellectual capital 59
– Human capital 63
– Social and relationship capital 66

GOVERNANCE

CORPORATE GOVERNANCE REPORT 68
REMUNERATION REPORT 84
– Part 1 – Background Statement 84
– Part 2 – Overview of the Remuneration Philosophy and Policy 85
– Part 3 – Implementation Report 94
SOCIAL AND ETHICS COMMITTEE REPORT 101

FINANCIAL STATEMENTS

Annual financial statements 104
Shareholders' analysis 159
Notice of annual general meeting 161
Form of proxy 169
Administration IBC


FAIRVIEW
A CITY LODGE GROUP HOTEL
COURTYARD
HOTEL
CITY LODGE
HOTEL
TOWN LODGE
BY CITY LODGE HOTELS
ROAD LODGE
BY CITY LODGE HOTELS
Safe travels
approved by
WORLD TRAVEL & TOURISM COUNCIL
CITY LODGE HOTEL GROUP

ABOUT THIS REPORT

This Integrated Report (IR) of the City Lodge Hotel Group (CLHG or the group) represents the concerted effort by the group to offer its stakeholders a clear and comprehensive account of the actions, decisions, strategy, operations and performance of City Lodge Hotel Group for the period 1 July 2019 to 30 June 2020. It also provides insights into the plans and strategic direction of our group for the coming financial year and into the foreseeable future.

In keeping with our commitment to full transparency and honest communication with all its stakeholders, this report is guided and informed by the following global best practice standards and guidelines in terms of integrated and financial reporting:

- International Integrated Reporting Council Integrated Reporting Framework (IIRF)
- Companies Act, 71 of 2008, as amended (Companies Act)
- Johannesburg Stock Exchange (JSE) Listings Requirements
- The King Report on Corporate Governance, 2016 (King IV™*)
- International Financial Reporting Standards (IFRS)
- SAICA Financial Reporting Guides
- Financial Reporting Pronouncements

Integrated reporting

This is the 10th consecutive year in which the group has published an IR. Despite our ongoing efforts to align our report with the very best in international IR reporting standards, we acknowledge that the dynamic business environment and constantly evolving IR principles mean that integrated reporting will always be a work in progress, or an ongoing journey, rather than a destination.

That said, this report represents our concerted effort to further refine our reporting and build on the solid IR foundations we have established over the past decade. To this end, the content of this IR has been developed in consultation with all our stakeholders, as well as with the extensive inputs of various reporting experts.

In keeping with the format of last year's report, this IR delivers a view of the year under review according to the six capitals that our group leverages to deliver value to its stakeholders. We believe this approach not only ensures our compliance with the latest IR standards, but also makes for a more user-friendly document.

We are committed to improving this IR and value any feedback and suggestions from its readers. Please email your comments or suggestions to Dhanisha Nathoo at **DNathoo@clhg.com**.

Scope and boundary

City Lodge Hotel Group's IR is compiled annually and released at least 15 business days prior to its annual general meeting (AGM). This report covers the financial year from 1 July 2019 to 30 June 2020. The previous IR was published in 2019 and covered the period 1 July 2018 to 30 June 2019. There are no restatements from the prior year.

This 2020 report covers all of the group's operations across its 62 hotels situated in South Africa, Botswana, Kenya, Namibia, Tanzania and Mozambique. These hotels fall under five hotel brands, namely Fairview Hotel, Courtyard Hotel, City Lodge Hotel, Town Lodge and Road Lodge. Three of the five Courtyard Hotels are fully owned by the group and the other two are proportionally consolidated.

While this report contains information that will be of value to all City Lodge Hotel Group's stakeholders, it is primarily aimed at supporting the financial capital allocation assessments of financial capital providers. It includes the consolidated and separate annual financial statements of the group.

Statement by the board of directors

Based on the recommendations of the external auditors, KPMG Inc., the group's audit committee provides assurance on the annual financial statements.

The board acknowledges its responsibility to ensure the integrity of the IR and has applied its mind as such. As a board, we believe that it addresses all material issues honestly, and presents the integrated performance of the organisation and its impacts in line with the principles set out in the IIRF.

The IR has been prepared in line with best practice and the recommendations of King IV™.

It was approved by the board on 12 November 2020 and is signed on its behalf by:

A C Widegger
Chief executive officer

B T Ngcuka
Non-executive chairman

Forward looking statements

Certain information contained in this report may constitute 'forward looking statements'. These may involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the group and its subsidiaries to be materially different from the future results, performance or achievements stated or implied.

The group has no obligation to publicly update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have also not been reviewed or reported on by the group's auditors.

Report navigation

Further reading is available elsewhere in this report

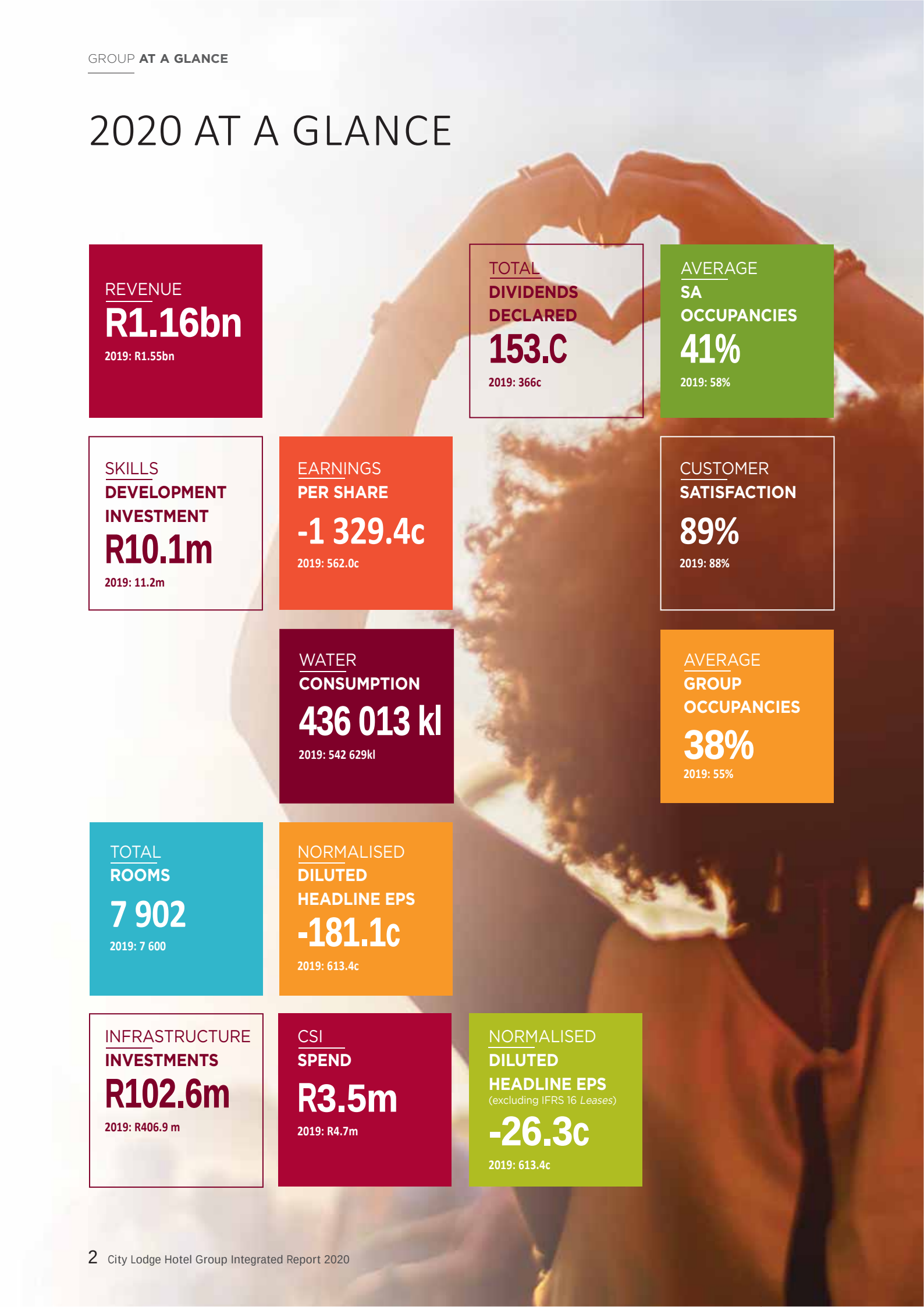
More information is available on the website www.clhg.com.

AFS

Please refer to the Annual Financial Statements within this report

* *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

2020 AT A GLANCE



REVENUE
R1.16bn
2019: R1.55bn

TOTAL
DIVIDENDS DECLARED
153.0c
2019: 366c

AVERAGE
SA OCCUPANCIES
41%
2019: 58%

SKILLS
DEVELOPMENT INVESTMENT
R10.1m
2019: 11.2m

EARNINGS
PER SHARE
-1 329.4c
2019: 562.0c

CUSTOMER
SATISFACTION
89%
2019: 88%

WATER
CONSUMPTION
436 013 kl
2019: 542 629kl

AVERAGE
GROUP OCCUPANCIES
38%
2019: 55%

TOTAL
ROOMS
7 902
2019: 7 600

NORMALISED
DILUTED HEADLINE EPS
-181.1c
2019: 613.4c

INFRASTRUCTURE
INVESTMENTS
R102.6m
2019: R406.9 m

CSI
SPEND
R3.5m
2019: R4.7m

NORMALISED
DILUTED HEADLINE EPS
(excluding IFRS 16 *Leases*)
-26.3c
2019: 613.4c

RESPONDING TO COVID-19

The COVID-19 pandemic has significantly impacted the global economy and strained the hospitality industry due to travel restrictions and containment and mitigation directives, resulting in closed businesses, guest cancellations and significantly reduced travel around the world, including South Africa, the group's primary country of operation, and the other countries in Africa where the group operates.

On 27 March 2020, South Africa commenced strict lockdown protocols to minimise the spread of COVID-19. Among the large number of lockdown protocols, the national government announced local and international travel restrictions, movement limitations and industry closures, dealing a blow to the hospitality industry. This temporary suspension of services affected all of CLHG's operations.

The impact of the COVID-19 pandemic and the resulting lockdowns and the travel restrictions implemented in most countries across the world will have a prolonged impact on the recovery of the hospitality industry. These world-wide changes have forced CLHG to be innovative as we plan for a sustainable future in the post COVID-19 era. This calls for repackaging our hotel services to make them safer, cleaner and more attractive to guests.

In responding to the global pandemic, CLHG reacted rapidly to ensure the safety of our employees and guests.

The COVID Rapid Response Team (CRR) was introduced soon after the first COVID-19 case arrived in South Africa on 5 March 2020. The CRR Team is made up of the Executive and Senior Management and was established as a rapid response group of individuals in order to ensure a proactive approach to the fast changing environment and impact of the COVID-19 pandemic.

We implemented crisis management plans and survival strategies. These included instituting protocols for running quarantine hotels; implementing international hygiene standards; minimising touch points by using QR codes, rather than pen and paper; and educating our people to keep them safe.

The group has opened a large number of its hotels at the time of printing the IR and is ready to reopen any of its remaining temporarily suspended hotels on short notice. With lockdown measures easing, we are delighted to welcome back our business travellers and domestic and international leisure guests. Our high standards of hygiene, quality, and service remain intact and enhanced.

Delivering service excellence during lockdown

PRE-LOCKDOWN

Educating staff and guests on coronavirus safety

Before COVID-19 reached South Africa on 5 March 2020, CLHG launched a coronavirus education drive to inform staff and guests how to stay safe. It included disseminating an easy-to-understand guide that ensured the message was quickly and easily understood.

This educated staff about what the virus is, ways in which it is transmitted, symptoms to look out for, response protocols in the event of detection, and daily measures to prevent the contamination and spread of the virus in personal, operational and guests spaces.

HARD LOCKDOWN

Accommodating essential workers and quarantined travellers

During level 5 and 4 lockdown from 26 March to 1 June 2020, four of the group's hotels remained open on a limited basis providing quarantine facilities to repatriated citizens, and hotels providing support to government authorities and essential and critical business continuity services.

Staff and guests were screened daily for elevated temperatures and other symptoms. The group immediately implemented strict COVID-19 cleaning and operating practices, as determined by the Department of Health and other experts in the field.

At those hotels which served as quarantine facilities, the Department of Health appointed resident nurses, with doctors visiting on a specific schedule. A member of the South Africa Police Service (SAPS) was always present to ensure strict compliance to the rules of quarantine and lockdown. The Departments of Public Works and Tourism and provincial bodies dealing in disaster management were also involved.

EASING LOCKDOWN

Gradually opening for business

During lockdown levels 5 and 4, we prepared our hotels to open ready for a new COVID-19 world. As of 1 June 2020, we started opening hotels in a phased response to business traveller demand as South Africa moved to level 3 of the lockdown.

We capitalised on the time while the majority of our hotels were temporarily locked down to innovate the guest experience in preparation for re-opening for the COVID-19 era. This includes the introduction of a 'low touch, high care' approach to guest interactions. We offer a more streamlined, minimal contact check-in and check-out process, while minimising the need to touch menus, paypoints and other ancillary items. We introduced creative meal offerings to provide comfort and safety while our guests enjoy their meal in their rooms or communal spaces.

Guests complete a screening questionnaire either online prior to arrival, or at the screening station on arrival. All guests have their temperature taken on arrival and thereafter can progress to reception to complete check-in. Reception desks have protective screens which prevent face to face contact, keeping both our staff and guests safe.

The introduction of QR codes has made it possible for the reception at all our hotels to be contactable via guests' mobile devices, using our state-of-the-art WiFi facilities to minimise touch points. While buffet dining was suspended, we encouraged a 'stay in your room' culture. As lockdown restrictions eased, we reopened our restaurants on a socially distanced basis. Breakfast is served in all our hotels, with the introduction of individually portioned cold offerings including an "on the go" Mzansi Box, beautifully presented, wrapped and portioned. Hot breakfast is served from the cook-out behind perspex screens that protect both the guest and chef during service.

Pizza to go is a new offering which can be eaten in guests' rooms, providing the guest with quick meal options in an era where social distancing and limited gatherings are the order of the day. Sanitising stations are accessible throughout the hotel, while room cleaning protocols have been adapted to minimise contact.

Not all the group's hotels have reopened at the same time. We initially earmarked specific hotels in key locations where larger numbers of business travellers may reasonably be expected. Hotels are reopened based on demand assessed through guest inquiries, bookings on our booking platforms, or through sales team projections.

RESPONDING TO COVID-19 CONTINUED

Keeping our people safe

CLHG has stringent, multi-disciplinary measures in place to keep the front- and back-of-house clean and safe, including:

- A COVID-19 rapid response team constantly monitoring the operating environment and keeping abreast of all pandemic related developments
- Health screenings for both guests and staff entering our hotels
- Social distancing signage and enforcement of best practices by hotel management
- Specialised deep cleaning with a leading polycide chemical
- Strict room cleaning policies to eliminate cross-contamination between rooms
- Individually packaged food service to ensure guests receive a tasty meal with limited risk
- Linen and towels washed on the hottest wash cycle at 80°C to kill any potential viral matter
- Personal protection equipment, such as face masks, gloves and aprons, worn by staff at all times, as appropriate. Guests must wear face masks in public areas at all times
- Ongoing training to keep our staff informed and well-versed in best practices
- Periodic independent COVID-19 risk assessment audits by Food Consulting Services (FCS)
- Accreditation by the WTTC Safe Travels and TBCSA.

As always, people come first, whether they are staff or guests.

We implemented stringent safety and hygiene protocols in line with the World Health Organization's recommendations.

A recent COVID-19 risk assessment audit of City Lodge Hotel Bryanston – carried out by independent company Food Consulting Services (FCS) – reported a 98% score on hygiene and 100% on the microbiological index.

Ensuring our long-term sustainability

CLHG's revenues were substantially impacted when almost all our hotels in South Africa and across the continent were forced to cease operations as a result of the pandemic.

In response, we implemented several proactive cost containment measures to improve resilience during this period of operational weakness and minimise the impact on the group's liquidity. These include freezing all uncommitted capital expenditure, culling variable costs, and reducing fixed costs.

With the continued support of our shareholders, CLHG successfully raised proceeds of R1,2 billion through a fully subscribed rights offer which closed on 21 August 2020. The rights offer serves to support the group's long-term viability and continued growth during the uncertainty arising from COVID-19 pandemic.

Safe travels

approved by

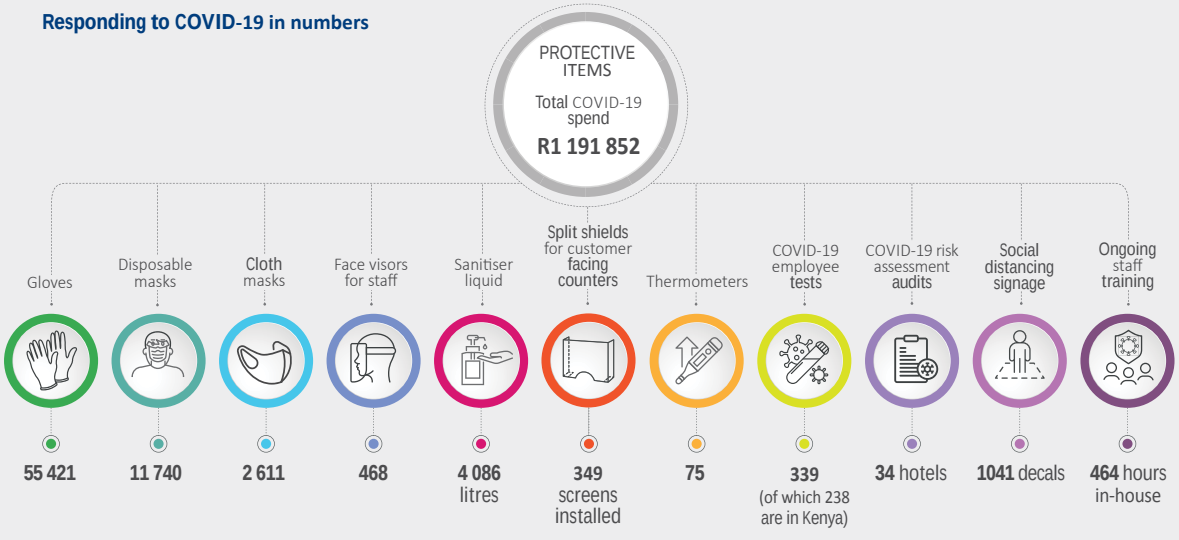
WORLD TRAVEL & TOURISM COUNCIL

CITY LODGE HOTEL GROUP

Internationally approved hygienic practices

The World Travel & Tourism Council (WTTC) issued the City Lodge Hotel Group its 'safe travels' stamp of approval for international hygiene standard.

Responding to COVID-19 in numbers



Total purchases and expenditure for the period April to August 2020. More information on the group's safety protocols is available on the website ***www.clhg.com****.*

WHO WE ARE

A rich history of growing by delighting our guests

In August 1985, when Swiss-born Hans Enderle opened the first City Lodge Hotel in Randburg (now called City Lodge Hotel Bryanston) with the financial backing of the Mine Pension Funds, the young hotelier had high hopes that he would succeed in changing the face of the hotel industry in South Africa with its selected services hotels. Little did he know that just over three decades later, his vision would be more than realised and that this first City Lodge Hotel would be the beginning of a truly exceptional hospitality industry success story.

From the moment that the doors of the first City Lodge Hotel opened, the emphasis has always been on providing a 'Tip-top, Loving and Clean' stay through our top-quality accommodation with a homely ambience and friendly service. These qualities remain hallmarks of every hotel in the group to this day and are the foundation on which it has achieved such stellar heights of success.

After pioneering the quality, selected services hotel concept in South Africa, the group was incorporated in July 1986 and has since grown steadily and significantly by expanding, enhancing and diversifying its offering to meet the changing needs of travellers.

This diversification began in earnest in 1990 with the establishment of the second-tier Town Lodge concept, which quickly grew in popularity.

On 18 November 1992, the group listed on the Johannesburg Stock Exchange and three years later, in 1995, it acquired a 50% interest in the companies associated with the upmarket Courtyard Suite Hotel chain. In the same year, it also opened its first Road Lodge, aimed at delivering the same accommodation and service excellence for which the group had become famous to the budget-conscious traveller.

On the group's 10th anniversary in August 1995, the City Lodge 10th Anniversary Employees Share Trust was launched, which effectively made all employees shareholders.

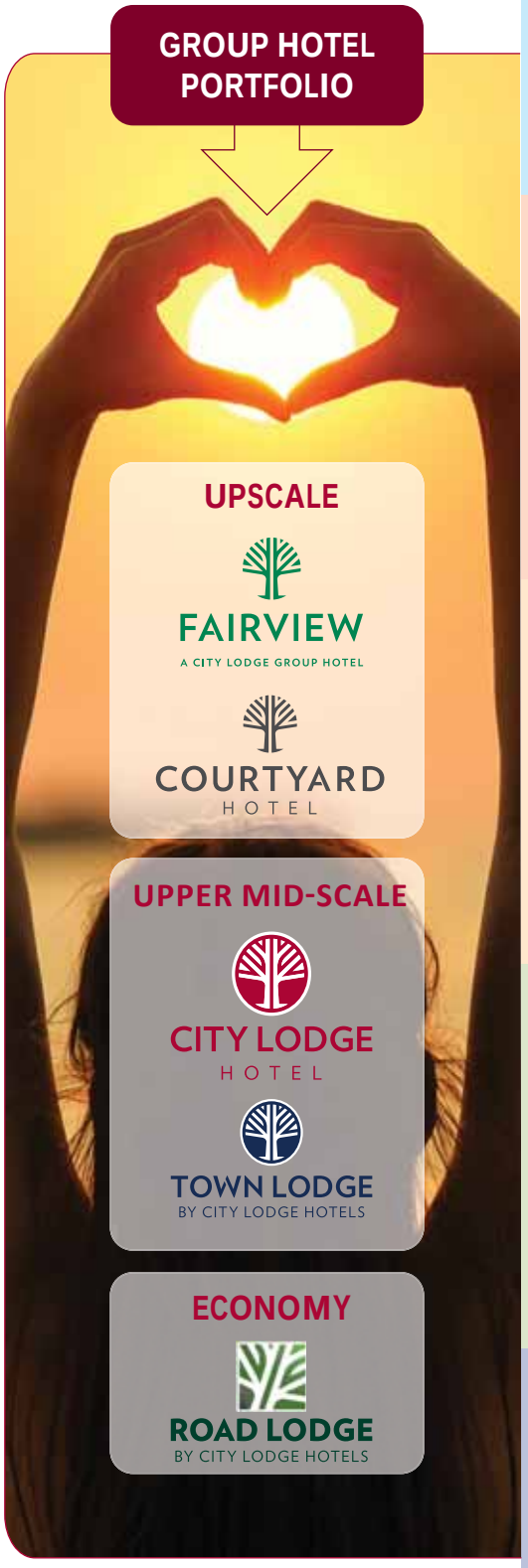
In 2012, the group acquired a 50% interest in two hotels in Nairobi, Kenya, and it has since taken full ownership of the Fairview Hotel and Town Lodge, Upper Hill, Nairobi. Town Lodge Gaborone in Botswana became the first new hotel developed by the group outside of South Africa.

In 2014, the outstanding 50% in the Courtyard Joint Venture was acquired from HPF Properties Proprietary Limited.

From 2017, the group continued with its strategy to develop its own properties outside of South Africa with the establishment of the Town Lodge Windhoek, in Namibia, the City Lodge Hotel at Two Rivers Mall in Nairobi, Kenya, in early 2018 and the City Lodge Hotel Dar es Salaam, in Tanzania, in late 2018. City Lodge Hotel Maputo in Mozambique partially opened three floors (68 rooms) in February 2020.

City Lodge ranks among the 200 largest hotel chains in the world according to Hotels Magazine (August 2019). The Group's upscale brands include Fairview Hotel and Courtyard Hotel; the upper mid-scale brands include City Lodge Hotel and Town Lodge and its economy brand is Road Lodge.

As at 30 June 2020, the group operated 62 hotels, of which 52 are directly owned by the group.



VISION AND VALUES

VISION-BASED.

VALUES-DRIVEN.

PURPOSE-LED.

- We care for our guests, for one another and for the communities in which we live
- We care for families, especially the children who will represent us in the future and build on our legacy by the way they live

#safetravels



VISION >

We will be recognised as the preferred sub-Saharan African hotel group

The City Lodge Hotel Group's

CREDO >

The secret to our success?

WE SERVE >

We are ordinary people. Every day we accomplish extraordinary things, as **'people caring for people.'**

- We care about being hospitable, and about the safety and wellbeing of our guests
- We care for our shareholders, not only because of the hard-earned money they invest in our company, but also for the trust they have placed in us
- We care for our people, and value their worth and contribution to our business
- We care for our suppliers, who we respect and trust to provide us with goods and services of the highest quality



Through dedicated leadership, teamwork and kindness, we will demonstrate our consistent commitment to delivering caring service with style and grace. We will constantly enhance our guests' experience through our passionate people, ongoing innovation and leading-edge technology. Our integrity, values and investment in our people and hotels will provide exceptional returns to stakeholders and ensure continued, sustainable growth. Through acts of kindness we will make a positive difference to our guests, our colleagues, our communities and our environment.



Our credo is the outward expression of the inner character of City Lodge Hotels. It represents the collective qualities, both mental and moral, that distinguish us in our marketplace. While our hotels are constructed from bricks and mortar, it is our people, and the relationships they build with other people, that provide the real strength that allows us to grow and prosper.

Ultimately, our purpose is to care – for our countries, for the property of our guests, for our company, and for our environment, which we have a responsibility to preserve for future generations. Above all, we care for people.

This caring heart is embodied in the emotional connection we have with others and which makes us genuinely concerned for their wellbeing, happiness and success.



Our leadership position in the African hospitality sector was not achieved by accident or through good fortune. We are leaders because we are committed to serving others. We strive at all times to understand, support and empathise with our people and to partner with them to ensure they constantly grow, develop and achieve their full potential.

Through our commitment to caring and serving, we are building resilient, empowered and successful communities – not only the communities in which we operate, but also a global community of satisfied guests who choose to return to us again and again. They are served by a hospitality industry community to which we actively contribute and impart skills so that guests enjoy the best experiences with us.

In the end, our success is born out of understanding that we are just ordinary people striving to accomplish extraordinary things. As people caring for people, we will achieve our vision and deliver on our purpose.

Every hotel *says* it is committed to service excellence, but as a group **we live that promise**.

Thanks to the **passion, care and commitment** of our **highly motivated and dedicated staff**, all our hotels have attracted many thousands of loyal business and leisure guests, all of whom trust us to delight them with **consistently superior experiences**.

It's what we have done for three and a half decades and what we will always continue to do.

In this we will not fail. We care too much!

OPERATING FOOTPRINT

Brand overview

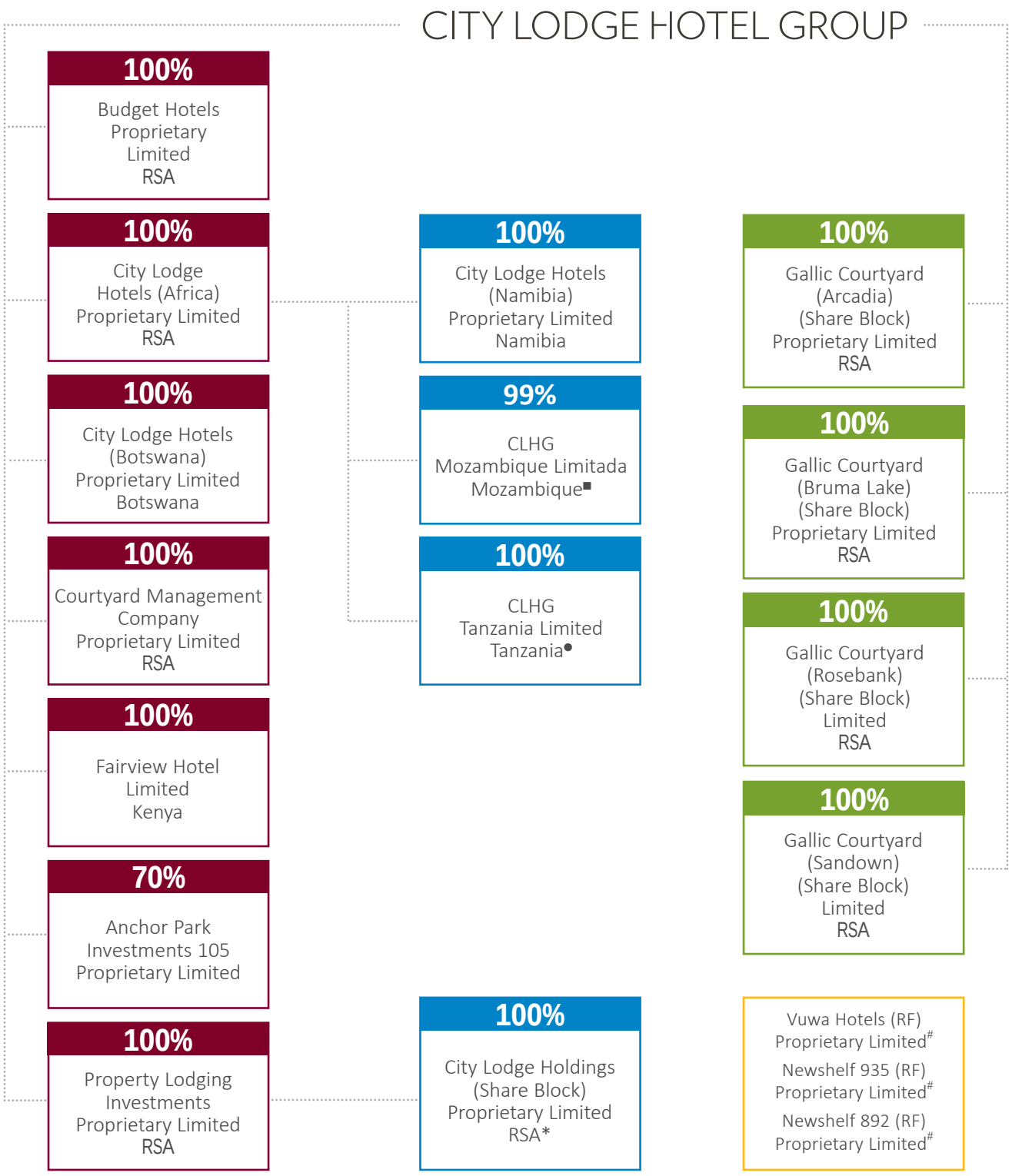
FAIRVIEW A CITY LODGE GROUP HOTEL	COURTYARD HOTEL	CITY LODGE HOTEL	TOWN LODGE BY CITY LODGE HOTELS	ROAD LODGE BY CITY LODGE HOTELS
1 hotel **127** rooms	**5** hotels **381** rooms	**20** hotels **3 531** rooms	**14** hotels **1 804** rooms	**22** hotels **2 059** rooms



Geographic spread of rooms

>>	Gauteng	46.4%	>>	North West	2.3%
>>	Western Cape	11.7%	>>	Tanzania	1.9%
>>	KwaZulu-Natal	11.1%	>>	Namibia	1.9%
>>	Eastern Cape	9.0%	>>	Mozambique	1.9%
>>	Kenya	4.8%	>>	Botswana	1.3%
>>	Free State	2.8%	>>	Limpopo	1.3%
>>	Mpumalanga	2.5%	>>	Northern Cape	1.1%

GROUP STRUCTURE



* *A subsidiary of Property Lodging Investments Proprietary Limited.*
● *City Lodge Hotels Limited owns 0.01%.*
■ *City Lodge Hotels Limited owns 1%.*
City Lodge has guaranteed the funding of these BEE entities, resulting in their incorporation into the company and group results. City Lodge does not hold a direct interest in these entities.

OPERATING ENVIRONMENT

We are operating in challenging times. Since the beginning of 2019, several factors were placing pressure on the African and global economy, including the tourism industry, followed by the arrival of the COVID-19 pandemic. The travel and hospitality industry was among those hardest hit. In South Africa, our largest market, the national government responded with a lockdown that brought local and international tourism to a grinding halt. Other African countries, including those in which we operate, soon followed with similar measures.

However, CLHG remains agile and alert. We are proactively monitoring and managing the effects of the operating environment on our business.

Macro-economic factors: before and after the start of the COVID-19 pandemic

Before COVID-19

Prior to the COVID-19 outbreak, our focus was on the macro economy. As South Africa is the group's primary country of operation, with 55 of our 62 hotels operating in the country, it remains our greatest focus area.

At a macro level, South Africa has faced several challenges. The Zondo Commission was investigating corruption that allegedly stretched to the very top of national government, and these investigations are continuing. Intermittent electricity supply due to load shedding also posed challenges. This led to a gross domestic product (GDP) contraction of -0.8% and -1.4% respectively in the third and fourth quarters of 2019, followed by another -2% in the first quarter of 2020. These factors contributed to low business and consumer confidence through the year, which was compounded by the Moody's ratings agency downgrade of South Africa to 'Junk' status in late March. As a business, we were already seeing a decline in our occupancy numbers and average room rates, making trading conditions inauspicious.

CLHG is adept at trading through tough times due to our business model of being a value for money hotel establishment with a variety of one to four-star facilities priced for different classes of traveller. However, we are facing an unprecedented industry landscape now. Good value for money could not protect us from the impacts of the industry shut-down in the initial stages of the pandemic and lockdown.

The impact of the COVID-19 pandemic

The COVID-19 pandemic has significantly impacted the global economy and strained the hospitality industry. Travel restrictions, along with other pandemic containment and mitigation directives, resulted in closed businesses, guest cancellations, and significantly reduced travel around the world. This includes South Africa and the other countries where the Group operates (Botswana, Kenya, Mozambique, Namibia and Tanzania).

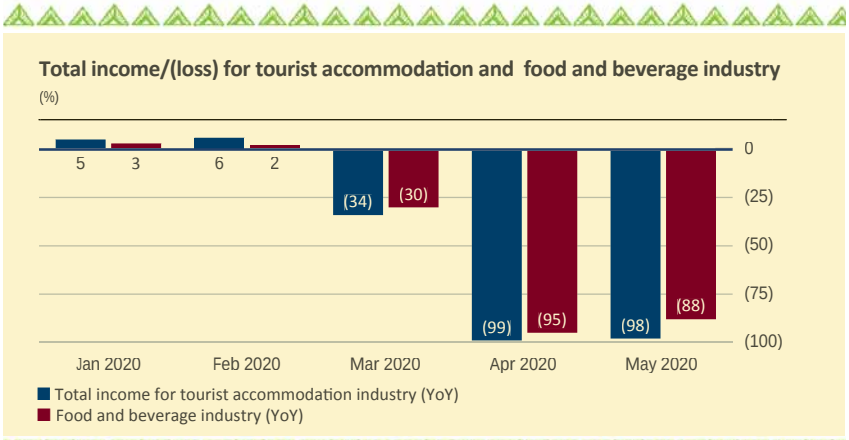


In **South Africa**, a national state of disaster was declared by the government on 15 March 2020. On 23 March 2020, President Cyril Ramaphosa and Health Minister Zweli Mkhize announced strict lockdown protocols commencing on 27 March 2020 to minimise the spread of COVID-19. This included the closure of all shops and businesses. Only essential services could continue operating, such as pharmacies, laboratories, banks, the JSE, supermarkets, petrol stations and healthcare providers. Similar stringent lockdown protocols were implemented shortly thereafter in the other African countries where the group operates. Since the beginning of lockdown measures, South Africa has been on a COVID-19 Risk Adjusted Strategy, which is a gradual phased reopening plan. At the writing of this report, South Africa was on Alert Level 1.

The pandemic and associated restrictions has had severe repercussions for the South African tourism industry.

The impact of restrictions on the movement of people and business, also showed up in domestic tourism numbers. Income from accommodation fell 99% during the first full month of the lockdown and has yet to recover. The crash in food and beverage sales began to ease from May as restaurants opened for delivery, followed by limited trading.

At the commencement of lockdown on the 27 March, all of the group's 62 hotels were temporarily closed to the public in accordance with government protocols, though four hotels in South Africa remained open on a limited basis. The open hotels provided support to



Source: *https://www.bloomberg.com/news/articles/2020-08-09/charts-that-show-how-virus-lockdowns-have-hit-african-tourism*

government authorities and essential and critical business continuity services. They also offered other enabling services in the form of quarantine facilities, staff accommodation and housing for international tourists unable to return to their home countries. Reopened hotels have been operating at reduced 'stay safe' room rates. The group's hotels remain ready and flexible to open at short notice based on guest demand, while ensuring strict adherence to our industry-leading hygiene and safety protocols to ensure the safety and wellbeing of our guests and staff. We have an ongoing phased opening of hotels with the target of 45 hotels open by the end of the calendar year and the remainder in the first quarter of 2021.

Other tourism and travel trends

We continually review how guests search for accommodation. The current environment poses a challenge, given that guests are rate sensitive, and therefore often trawl the online booking options in order to derive the best possible rate. The competitor set is prone to price wars and, therefore, four and five-star brands are dumping their rates, which poses a challenge for the group to hold rate power. Traditionally known for the best price in the range, but now we are sometimes seen as being less competitive in rates.

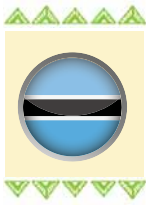
We did well in terms of government and corporate business from our online travel sources. The increase in direct bookings from our website gives us a better chance of improving our profit margins.

There were, however, many new market entrants, even in outlying areas. There is certainly an over-supply of hotel rooms in areas such as Sandton, which places the entire industry under pressure.

We are pleased to have grown our food and beverage business. We did this through our #Cafe offering, which has become a significant lunch and dinner offering over and above breakfast. In future we will drive this eat-in aspect as part of a greater emphasis on selling in-house. This strategy unlocks an exceptional opportunity to grow revenue through our own products.

In terms of industry legislation, the South African Tourism Amendment Bill (also known as the Airbnb Bill) has been published and is under public comment. The Airbnb Bill seeks to regulate 'short-term rentals', which include "the renting or leasing on a temporary basis, for reward, of a dwelling or part thereof to a visitor". If passed, the Airbnb Bill would empower South Africa's Tourism Minister to set certain thresholds regarding short-term rentals. CLHG expects that the Airbnb Bill, if passed, will serve to limit and discourage competition from providers of alternative lodging solutions. This will allow the group and other traditional hotel brands to regain market share.

Beyond South Africa



Botswana is our oldest external market. Our Botswana Town Lodge is situated close to the airport in Gaborone and serves the domestic corporate market, as well as government. It is a focused Town Lodge brand with superb bed and breakfast, run and operated by a local staff complement. While this Town Lodge performs well from Mondays to Thursdays, its weekend occupancy tends to be lower. Our access to Botswana's corporate market is a strength.



In Windhoek, **Namibia**, we recently opened a new generation Town Lodge. For guest convenience it is located next to a shopping centre and does what Town Lodge does best: great accommodation and good breakfast. As in Gaborone, our Town Lodge mainly services the corporate market during the week, but fortunately also attracts steady leisure clientele from Namibia's healthy tourism industry.



City Lodge Maputo (in **Mozambique**) was more challenging to launch than anticipated. After encountering several building and development delays, the hotel opened just as the COVID-19 pandemic spread to Southern Africa. Although this new venue has been slow out of the starting blocks, we foresee its future growth being driven by domestic and international business and leisure travel.



In East Africa, we acquired full ownership of Fairview in **Kenya** in 2014. It was already well-established and well run. The Kenyans have experienced terrorist attacks in the past, which dulled the tourist industry. However, Fairview is situated opposite the Israeli embassy, which is very secure. This hotel has historically maintained a robust performance, based on its beautiful gardens and traditional appeal.

City Lodge Hotel Two Rivers opened in early 2018 mainly servicing the NGOs, embassies and other business travellers in the area. Occupancy performance has been below expectations.



In December 2018, CLHG commenced trading in **Tanzania** by opening the City Lodge Hotel Dar es Salaam, a newly constructed 148 room hotel in late 2018, featuring the modern touches and convenience that business travellers and tourists require.

This air-conditioned, modern hotel is strategically located in Dar es Salaam's Ilala district, which is the country's most significant commercial and governmental hub.

Bookings through 2019 were more sluggish than anticipated and COVID-19 temporarily halted all operations in early 2020. Fortunately the Tanzanian government has lifted almost all COVID-19 restrictions and tourism appears to be regaining impetus.

The competitive environment

The African hotel market is fragmented and highly competitive, with the group facing competition from various sources. Firstly, we face competition from other hotel groups in our markets, including various international hotel groups that are exhibiting a growing interest in developing and expanding their respective offerings throughout Africa. Given the comparatively smaller size of the African market to other international travel destinations, increasing over-supply remains a risk. Coupled with the globally uncertain macro-economic landscape, the result is continued pressure on occupancies.

In addition, the rapid development of the digital consumer landscape is an undeniable trend. It has given potential hotel guests immediate access to a wide variety of third-party booking agencies and online travel intermediaries that focus on competitive pricing. Furthermore, alternative lodging solutions, such as peer-to-peer, short-term home rental companies and serviced apartments, have all intensified the competition for travellers in Africa.

KEY RELATIONSHIPS

Engaging with our stakeholders and understanding their requirements and concerns is critical to helping our company identify its most material issues.

STAKEHOLDER	WHAT IS IMPORTANT TO THEM
Guests	• Quality product offering • Recognised loyalty • Efficiency in dealing with us • Consistent service levels • Value for money • Listening to their needs
Employees	• Job security • Fair remuneration • Performance management • Engagement • Career pathing • Safe working conditions • On-the-job coaching and training
Government	• Tax revenues • Compliance with legislation • Advancing transformation • Job creation • Investment in country • Supporting communities • Reduction in consumption of natural resources
Shareholders	• Corporate governance and ethical leadership • Growth and expansion opportunities • Level of gearing • Return on investment • Dividends
Suppliers	• Stability of supply and timely payment • BEE performance • Fair treatment
Communities	• Sponsorships • Bursaries and leadership • Investment in disadvantaged communities • Volunteer days • Responsible consumption
The media	• Honest transparent communication

HOW WE ENGAGE

- ✓ ***Guest questionnaires***
- ✓ ***Social media sites***
- ✓ ***Formal market research***
- ✓ ***Newsletters and publications***
- ✓ ***Employee surveys***
- ✓ ***Open-door policy on investor relations***
- ✓ ***Face-to-face encounters***
- ✓ ***Regular analyst and shareholders' meetings with chief executive officer and chief financial officer***
- ✓ ***Annual general meeting***
- ✓ ***Integrated report***
- ✓ ***Participation in industry bodies and initiatives***
- ✓ ***Public relations***



Information gathered as part of our various stakeholder engagement processes, feeds directly into decision-making, and drives our business strategy.



HOW WE ADDRESS STAKEHOLDER INTERESTS

- Direct guest engagement with hotel management and staff
- Client liaison with corporate and travel industry customers
- Research market trends and pricing
- Provide rewards for guest loyalty
- Guest preferences noted for regulars
- Rigorous refurbishment programmes

- Staff meetings
- Performance appraisals
- Employment equity forums
- Labour union meetings
- Mentoring
- Formal and informal training programmes
- Regular maintenance and assessments of Occupational Health and Safety Standards

- Industry forums
- Commenting on proposed legislation
- Input to consultation processes
- Monitoring and focusing on natural resource consumption
- Participation by the COO as Chair of the Transformation Tourism Council of South Africa and board member of South African Tourism and members of the Exco in Industry Forums

- In-depth feasibilities for investment decisions
- Engagement through investor roadshows and one-on-one meetings
- Operate according to the highest corporate governance standards
- Provide attractive returns on investment
- Capital efficiency
- Consistently generate sustainable profits

- Build lasting relationships
- Open and honest engagement
- Maintain regular payment within agreed terms

- Active citizenship
- Participation in community forums
- Maintain policies for responsible consumption and ethical practices

- Regular press releases and commentary
- Provide access to organisational leadership
- Dedicated public relations function

BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL

We use a combination of debt and equity funding for business operations, including running costs, property refurbishments, maintenance and strategic acquisitions:

- Operating cash flow
- Debt funding
- Equity funding

MANUFACTURED CAPITAL

Our bricks-and-mortar properties, where our business is conducted and guests enjoy unforgettable experiences:

- 62 hotels
- 7 902 rooms
- Furnishings, décor, hospitality and catering equipment
- Technology

INTELLECTUAL CAPITAL

Our intellectual capital includes our brands, supported by a wealth of in-house industry knowledge:

- Strong brand reputation
- Operating systems
- Policies and procedures
- Trademarks

ACTIVITIES

CLHG'S BUSINESS ACTIVITIES ARE GUIDED BY OUR VISION AND VALUES

Refer to pages 6 and 7 for a detailed breakdown

BUSINESS ACTIVITIES AND PROCESSES

Seek hotel opportunities

- Identifying new locations for hotels, or find existing properties needing fresh vision and management

Develop or refurbish hotels

- Build new hotels or refurbish and maintain existing hotels

Operate hotels

- Own/lease and manage hotels in accordance with strategy for each brand

Perform hotelier operations and functions

- Facilities management
- Food and beverages
- Customer relations
- Marketing and sales
- Corporate governance
- Human resources (HR)
- Information technology (IT)

STRATEGY AND RESOURCE ALLOCATION

- Brand identity
- Consolidation
- Africa expansion
- Transformation
- Environmental sustainability
- Information technology

CLHG'S BUSINESS ACTIVITIES ARE UNDERPINNED BY SOUND CORPORATE GOVERNANCE PRACTICES

Refer to pages 68 to 83 for the detailed governance report

HUMAN CAPITAL

Our people are the primary interface with our guests and custodians of the CLHG guest experience:

- Permanent employees
- Part-time employees
- Formal and on-the-job training

SOCIAL AND RELATIONSHIP CAPITAL

Our relationships with guests, stakeholders, employees, communities, government and regulators:

- Proactive relationship with stakeholders to promote a shared value proposition built on our brands
- WOW programme for service excellence
- Prioritising stakeholder groups for targeted interactions
- Corporate social investment (CSI) initiatives

NATURAL CAPITAL

Our business activities depend on natural resources, particularly:

- electricity
- water
- land



OUTPUTS

- **Operating profit**

R106.9m

- **Dividends per share**

153c

- **Group occupancy rate 38%**
- **South Africa occupancy rate 41%**
- **Two new hotels opened during FY20**
- **Refurbishments to the value of R4 m**
- **Improved Wi-Fi offering and refreshed website**
- **Hotel accommodation**
- **Conferencing**
- **Restaurants**
- **Bars**

- **Business intelligence and innovation**
- **Effective sales and marketing**
- **Operating efficiencies**
- **Quality value offerings**
- **Awards**

- **Excellent service and hospitality**
- **Health and safety**
- **Employment equity**
- **Broad-based black economic empowerment (transformation)**

- **Average customer satisfaction score of 89% (2019: 88%)**
- **Enterprise and supplier development**
- **Socio-economic development**
- **CSI spend of R3.5 million**

- **Reduced carbon footprint**
- **Water consumption (436 013 kℓ)**
- **Energy consumption (23.7 million kWh)**
- **Renewable energy generated (1.6 million kWh)**
- **Plastic-free amenities rollout**

OUTCOMES

- Cash flows
- Return on capital employed
- Investment returns
- Expanding geographic footprint
- Significant tax contribution
- Economic benefits to communities and organisations, vendors and suppliers

Refer to the joint leadership message on page 20

- Maintained high standards of product quality through rigorous refurbishment strategy
- Investment to expand operations – Town Lodge Umhlanga opened in October 2019 and City Lodge Hotel Maputo opened three floors in February 2020.
- Technology and process upgrades to improve guest and employee experiences
- Refreshed offerings maintain competitive advantages
- Roll-out of solar power generation capabilities at 25 hotels

Refer to the manufactured capital review on page 55

- Resource efficiencies – people, costs and systems
- In-house innovation, accelerated through WOW programme
- Ability to create competitive offerings in response to changing industry demands

Refer to the intellectual capital review on page 59

- Qualified, experienced and motivated workforce
- Employees are engaged and developed in line with a high-performance environment
- Employee wellness offerings were enhanced
- Transformation and employment equity planning continued on schedule

Refer to the human capital review on page 63

- Strong brands and solid reputation
- The trust and respect of our stakeholders
- Customer value and satisfaction
- Brand loyalty
- Creating opportunities for local enterprise development
- Delivery of long-term value for communities
- Social licence to trade

Refer to the social and relationship capital review on page 66

- Enhanced levels of environmental awareness across group
- Reduction in scarce resources (e.g. water) used
- Management of activities that cause carbon emissions
- Environmental impacts on energy consumption, water consumption, waste generated and recycled

Refer to the natural capital review on page 57

WHO GOVERNS US



BULELANI NGCUKA 66



FRANK KILBOURN 59



ANDREW WIDEGGER 54



DEON HUYSAMER 57

Our custodians of governance

The board members accept responsibility as the custodians of corporate governance within the group and are therefore accountable to stakeholders for provision of value-enabling governance. The board is constituted in terms of the company's Memorandum of Incorporation (MoI) and in line with King IV. The majority of the board are independent non-executive directors who bring diversity to board deliberations and create sustained value by constructively challenging management.



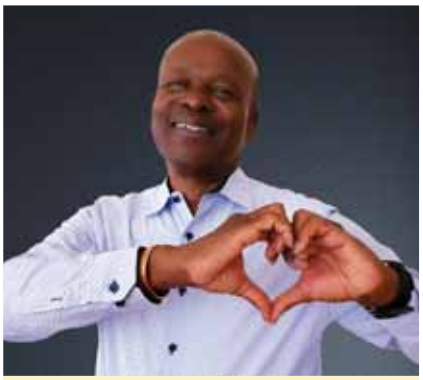
SIZAKELE MARUTLULLE 51



NDUMI MEDUPE 49



STUART MORRIS 74



VINCENT RAGUE 67



LINDIWE SIDDO 53



DHANISHA NATHOO 42

CHAIRMAN

BULELANI NGCUKA 66

BProc, LLB, MA (Webster University, Geneva, Switzerland)

Appointed to the board in 2008

Skills and expertise
Legal and general business expertise

Serves on the boards of the following companies:
CSG Holdings Limited (chairman)

Other:
Vuwa Investments Proprietary Limited
Menzies Aviation (South Africa) Proprietary Limited
Amadlelo Agri Proprietary Limited
BetterGroup Limited
Leapfrog Property Group Proprietary Limited

Committee member: ✢

LEAD INDEPENDENT

FRANK KILBOURN 59

BCom, LLB, BA Honours (Philosophy, cum laude), HDip (Tax), LLM

Appointed to the board in 1996

Skills and expertise
Areas of expertise include legal, finance, corporate finance, private equity, venture capital, empowerment, investment, mining and tourism

Serves on the boards of the following companies:
Bright Resources Investments Proprietary Limited
Manganese Metal Company Proprietary Limited
Strauss & Co (executive chairman)

Committee member: ✢ ✪ ✪

ANDREW WIDEGGER 54

Chartered Accountant (SA)

Appointed to the board in 1994

Skills and expertise
Areas of expertise include accounting, finance and management, property development and operations within the hotel industry

Committee member: ✱ ❖ ✦ ✶ ■ ●

DEON HUYSAMER 57

BA LLB

Appointed to the board in 2015

Skills and expertise
Areas of expertise include legal, management, management consulting, corporate finance, investment analysis, stockbroking, wealth management, tourism and nature conservation

Serves on the boards of the following companies:
The MAD Leadership Foundation
Eco Children NPC (chairman)
Klaserie Private Nature Reserve (chairman)

Committee member: ✪ ✦ ✪

SIZAKELE MARUTLULLE 51

MA (Sociology)

Appointed to the board in 2016

Skills and expertise
Areas of expertise include brand strategy, business strategy, leadership, operations, diversity, management, tourism, financial services and enterprise growth

Committee member: ❖ ✪

NDUMI MEDUPE 49

Chartered Accountant (SA)

Appointed to the board in 2006

Skills and expertise
Areas of expertise include audit, risk, governance and financial management

Committee member: ✪ ✦ ✪

STUART MORRIS 74

BCom, Chartered Accountant (SA)

Appointed to the board in 2006

Skills and expertise
Areas of expertise include strategy, finance, audit, risk, accounting, tax, compliance, human resources and general management

Serves on the boards of the following entities:
Rolex Watch (South Africa) Proprietary Limited
Epoch Two Trust

Committee member: ✪ ✢ ✦ ✪

VINCENT RAGUE 67

BA Honours (Economics and Statistics)

Appointed to the board in 2016

Skills and expertise
Areas of expertise include banking, investment, project and corporate finance

Serves on the boards of the following companies:
Catalyst Principal Partners: Financial Sector Deepening Africa
Pan-Africa Infrastructure Development Funds
Jambojet
MTN

Committee member: ✦ ✪ ✲

LINDIWE SIDDO 53

Dip (Hotel Management), BSc (Penn State University)

Appointed to the board in 2018

Skills and expertise
Areas of expertise include management, transformation and operations within the hotel industry

Serves on the following tourism boards:
South African Tourism
Tourism Charter Council (chairman)

Committee member: ✱ ❖ ✶

DHANISHA NATHOO 42

Chartered Accountant (SA)

Appointed to the board in 2020

Skills and expertise
Areas of expertise include accounting, finance, management, real estate finance, business operations and banking

Committee member: ✱ ✦ ■ ✶

Key:
- ✪ Member of audit committee
- ✱ Member of executive committee
- ✢ Member of remuneration and nominations committee
- ❖ Member of social and ethics committee
- ✦ Member of risk committee
- ✶ Executive director
- ✪ Independent non-executive
- ■ By invitation – audit committee
- ● By invitation – remuneration and nomination committee
- ✲ Kenyan

WHO LEADS US



ANDREW WIDEGGER 54

CHIEF EXECUTIVE OFFICER
Chartered Accountant (SA)

27 years with the company

Committee member: ✱ ❖ ■ ● ✦



DHANISHA NATHOO 42

CHIEF FINANCIAL OFFICER
Chartered Accountant (SA)

Seven months with the company

Committee member: ✱ ✦ ■

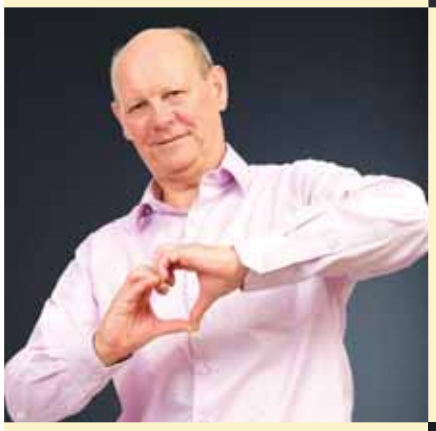


LINDIWE SIDDO 53

CHIEF OPERATING OFFICER
Dip (Hotel Management),
BSc (Penn State University)

Five years with the company

Committee member: ✱ ❖



NAYNESH PARBHOO 47

DIVISIONAL DIRECTOR financial
Chartered Accountant (SA)

22 years with the company

Committee member: ✱



PATRICK TATE 64

DIVISIONAL DIRECTOR operations
Dip (Hotel Management)

32 years with the company

Committee member: ✱



NEDA SMITH 49

DIVISIONAL DIRECTOR information technology
BSc Computer Science, CCIE

Three years with the company

Committee member: ✱



« **MARCEL KOBILSKI** 56

DIVISIONAL DIRECTOR
human resources
Dip (Hospitality Management), BBA

24 years with the company

Committee member: ✱ ✦



ROSS PHINN 49 »

DIVISIONAL DIRECTOR
operations
Dip (Hotel Management)

23 years with the company

Committee member: ✱



» **MELANIE VAN HEERDEN** 44

GROUP COMPANY SECRETARY
BCom LLB

15 years with the company

Committee member: ✱



ZUKI JANTJIES 49 »

DIVISIONAL DIRECTOR
sales and marketing
HNDip Business and Finance (Nottingham Trent University), BA Honours (Business Studies)

Three years with the company

Committee member: ✱



» **TONY BALABANOFF** 60

DIVISIONAL DIRECTOR
operations
BTech (Hospitality Management), Advanced Management Programme (Cornell)

34 years with the company

Committee member: ✱

Key:

✱ Member of executive committee
❖ Member of social and ethics committee
✦ Member of risk committee
✶ Executive director
■ By invitation – audit committee
● By invitation – remuneration and nomination committee

TOP OF MIND ISSUES: LEADERSHIP Q&A



Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

Lindiwe Siddo
Chief operating officer

Dhanisha Nathoo
Chief financial officer

>> In this interview, the CLHG leadership team, comprising Bulelani Ngcuka (chairman), Andrew Widegger (CEO), Lindiwe Siddo (COO) and Dhanisha Nathoo (CFO) share their insights on the 2020 financial year and how the group is energetically working towards long-term sustainability. <<

The subject on everyone's minds: COVID-19.

The tourism and travel industry took a major blow. What was the impact of COVID-19 on operations and performance?

In the latter half of 2019 the group's occupancy levels slipped by 4%, largely due to the moribund South African economy that was already entering recession before the pandemic arrived. During 2019, the board and executives had taken major steps to restructure the group for low occupancies and take full advantage of the likely economic cycle upswing.

In early 2020 occupancy levels stabilised and our management forecasting showed that the group may have commenced the early stages of that long-awaited upswing.

Our optimism proved short-lived as gathering alarm about a fast-spreading coronavirus began dampening travel plans around the world. Occupancies slid from 53% in the first half of March to 17% in the second half following President Ramaphosa's announcement of a National State of Disaster on 15 March 2020.

South Africa's 'hard' level 5 lockdown, commencing on 27 March 2020, closed all but four of the group's hotels. These four hotels accommodated government authorities and essential and critical business continuity services. They also provided quarantine facilities on a limited basis to repatriated citizens.

COVID-19 lockdowns have decimated the travel and tourism industry, in Africa and across the world. Many hospitality-related businesses, including airlines, hotels and restaurants, have shut their doors or

The R1.2 billion rights offer will enable the group to trade back to profitability, while settling the BEE liabilities and a portion of the interest-bearing borrowings.

introduced mass retrenchments. The South African air travel industry came to an almost complete standstill, with South African Airways (SAA) and Comair/Kulula entering business rescue and grounding their fleets. Business travel ceased almost entirely, and the peak mid-year holiday season never left the ground.

With lockdown and travel restrictions easing considerably from August 2020, we look forward to gradually reopening all our hotels and a reviving occupancy rate. Many families are keen to get out of the house after lockdown, especially as the weather warms into a glorious African summer. The fast-approaching December holiday period should deliver a welcome resurgence of demand, especially in the coastal regions.

The reopening of international borders and travel should help stimulate and enable the long road to recovery of the travel and hospitality sectors. CLHG anticipates that it will reach breakeven earnings before interest, taxation, depreciation and amortisation (EBITDA) levels in the second quarter of 2021, with steady increases in occupancies as travel improves following the easing of lockdown measures.

CLHG's existing cash facilities and the R1.2 billion rights offer, which was fully subscribed, ensures at least a year's grace for the group to trade back into profitability. The board intends to use the net proceeds of the rights offer to repay a portion of amounts owing under its secured facilities, retain on deposit an amount equal to, and set aside for the settlement of, the company's guarantee of the black economic empowerment (BEE) interest-bearing borrowings and the BEE preference shares and accrued dividends liability to settlement date. This cash will improve liquidity and ensure that the group is well positioned from a working capital perspective to fully resume operations as COVID-19 lockdown measures are relaxed. These proceeds will support the working capital requirements until the group reaches breakeven.

The pandemic has two major impacts: health and economy.

How did CLHG respond to mitigate the health risks of COVID-19?

CLHG was unexpectedly thrust into the frontline against COVID-19 shortly before the lockdown in South Africa was announced. At that point, we found out that a guest was COVID-19 positive and had to be immediately quarantined in the hotel. This event prompted the group to quickly form a COVID-19 rapid response team and institute protocols that later formed the basis of industry standards for South African hospitality.

We developed the initial protocols for quarantine and essential worker accommodation facilities in collaboration with organisations such as the Tourism Business Council of South Africa (TBCSA), Federated Hospitality Association of South Africa (Fedhasa), Association of Southern African Travel Agents (ASATA) and Southern Africa Tourism Services Association (SATSA).

Based on our 'people first' philosophy, these rigorous protocols were also instituted for guests, employees and service providers.

As soon as a staff member feels ill or shows any COVID-19 symptoms, we may send the employee home to self-isolate or to take a test, depending on our assessment. Employee screening is intensive, and we have a full track-and-trace process for those who test positive. We encourage our employees to schedule regular outdoor breaks to take a walk and lower their masks at a safe distance. We take care that every staff member is supported through this pandemic. Central office employees now work from home.

Since we could not always physically interact with employees, our human resources department developed online training on safety protocols. We also introduced regular 'How to keep safe' messaging via SMS. Our Rate-Us questionnaire now includes aspects of our COVID-19 protocols. City Lodge achieved an exemplary guest satisfaction level of 93% in July 2020.

We have received many letters of thanks and appreciation from our quarantined guests. Our humanity has been tested to the hilt and we will re-emerge stronger than ever as Africans, South Africans and fellow travellers.

How did CLHG mitigate the financial effects of COVID-19?

Shortly after the lockdown was announced we introduced proactive cost containment measures to minimise the adverse financial impact of the lockdown of our operations. Key initiatives were: a freeze on all uncommitted capital expenditure, suspension of certain large key contracts and rental relief negotiated with our landlords.

TOP OF MIND ISSUES: LEADERSHIP Q&A CONTINUED

To date we have not retrenched any employees. However, to manage the cash burn, we reduced salaries by 50% for all employees who were not able to work remotely, for the period April to August, followed by an increase to 60% of salaries for September and October. We continue to review salaries on an ongoing basis. The group continues to contribute 100% of its portion of medical aid together with the risk benefit portion of the retirement funds. We are also assisting with applications for revised Unemployment Insurance Fund (UIF) benefits. These measures are unfortunate but necessary. We intend ending these measures when occupancies return to sustainable levels.

We engaged promptly with our funders to secure short-term liquidity, while also implementing a rights offer to support medium-term working capital requirements and ensure that the group can meet its obligations. This rights offer, which closed on 21 August 2020, raised R1.2 billion. It was extremely well supported by our shareholders and fully subscribed. We are delighted and inspired by the implicit trust that shareholders have placed in our ability to manage CLHG back to profitability.

Now that the board and executives can focus single-mindedly on restructuring CLHG for a future no one had envisaged a year ago, we are taking the bold and necessary steps to justify raising this capital.

Performance at a glance

How did CLHG perform during FY2020?

The impact of the COVID-19 pandemic on the group's business and results of operations increased steadily in magnitude and severity following South Africa's strict lockdown protocols enforced from 27 March 2020. Similar lockdown protocols were adopted shortly thereafter in the other African countries where the group operates.

Average occupancies for the group in the 12 months to 30 June 2020, declined from 55% in the previous financial year to 38%. In South Africa, occupancies decreased from 58% in the previous financial year to 41%. The group incurred a net loss of R486.6 million. This was primarily due to exceptional losses of R344.6 million, net of tax, related to the impairment of property, plant and equipment, along with right-of-use assets of some hotels. Other causes of the loss were impairment of deferred tax assets of R47.1 million, together with our initial recognition of IFRS 16 *Leases* interest expense and depreciation net of previously recognised lease expenses of R67.4 million, net of tax. This is the first time that the group has recognised impairments to its hotels. This outcome was driven by our assessment of the negative impact of COVID-19 on forecast cash flows generated by the underlying hotel, along with increased risk assessments that had a material impact on discount rates applied across the portfolio.

Although our results show resilience under the circumstances, CLHG has been profoundly impacted by the COVID-19 pandemic and the short-term performance will continue to be challenging, with break-even only expected in the second quarter of 2021.

Looking beyond South Africa, our Botswana performance was stable, and Namibia continues to improve, albeit from a low base. Kenya was disappointing as market supply in our category expanded ahead of demand, while Tanzania continues to struggle, particularly with the unexpected move of government, a key market segment, from Dar es Salaam to Dodoma, the capital city. Mozambique is too early to forecast, although we are fairly optimistic, given our competitive rates and growing business and leisure activity in Maputo.

Our expansion into the rest of Africa will be complete when the remaining floors in City Lodge Hotel Maputo have been completed. We will henceforth concentrate our efforts on managing each of our hotels into contributing positively to the bottom line. The board and executive team will evaluate each underperforming asset for possible disposal or realigning with its markets.

Peering through the chaos: what's next for City Lodge Hotel Group?

With the group's financial stability secured for the near future, what are the primary risks to be managed?

COVID-19 cuts across all our existing risks and is our most material matter at this time. It magnifies existing challenges such as oversupply, discounting, and stagnant economic conditions. Uncertainty is a major factor. We simply do not know yet what future lockdowns will look like, or when and how international borders will reopen, which airlines may return to the skies, or how the 'new normal' will evolve. All these factors make future planning more complex than ever.

These risks and uncertainties are playing out against the long-term effects of COVID-19 on global society and its macro-economic wellbeing.

Competition in the hospitality industry will be fiercer than ever until weaker competitors bow out, which compels us to continue enhancing the CLHG appeal to current and potential guests.

We will restore and grow occupancy levels by refocusing and evolving our services to recognise our guests' enhanced hygiene needs in a post-COVID-19 world. This requires being innovative in our guest offerings and maintaining and refurbishing our hotels to continue to offer best value, while building relationships with key corporate accounts and business travellers. CLHG is aggressively leveraging technology to build internal efficiencies and a broader marketing reach, particularly through online applications and travel intermediaries.



3 CUSTOMER PROMISES

WE'RE PROUD TO OFFER YOU GREAT VALUE.

QUALITY

We listen and act on your feedback. Our teams and the partners we work with are always looking to improve to make your next holiday even better.

WE'RE HERE TO HELP YOU AT ANY TIME.

SERVICE

We'll be there whenever you need us. Our teams are available 24/7.

We are here to make you happy and we promise to put you at the heart of everything we do.

WE'VE GOT EVERYTHING COVERED.

RELIABILITY

We care. You can trust us to always be open and honest with you.

We always give you all the information you need to make your time away stress-free.

Fixed costs are a major challenge in a low occupancy environment, with the group exposed to above-inflationary increases in administered costs such as utilities and property rates. We are actively renegotiating all contracts where possible.

What are CLHG's real opportunities at this time and how are you leveraging them?

Until recently, CLHG's pricing strategy was based on a standard rate across-the-board, regardless of demand or season. Shortly before the COVID-19 pandemic commenced in South Africa, we commenced investigating a Best Available Rate model further enhanced by demand forecasting using artificial intelligence (AI) predictive analysis. We are currently piloting this new model, which will offer the best rates possible through a tiered pricing model. This major advancement in our pricing strategy will be a differentiator as hospitality reopens to a 'new normal' travel market.

We are also examining ways to boost our spend per customer. For every guest, there are opportunities to up-sell some of our offerings. For example, our food and beverage offering will extend as we introduce additional concepts such as eat-in offer, craft beers, and cocktail menus. We can offer our commercial spaces as hygienic and comparatively safe places for guests to work, meet and socialise.

Over the past year we redoubled our marketing drive to include a dedicated sales force wielding a well-articulated strategy. We partnered with a wider spread of online travel agents and listed on the popular Bookings.com and LekkeSlaap.co.za platforms.

CLHG is also automating the entire guest experience from start to finish, from the initial capturing of guest profiles to optimised direct booking engines leading to one-click check-in functionalities. Our 'Guest 2.0' strategy will guide every single stage of the customer journey. In so doing, we are creating a seamless guest experience that travellers will return to time and again.

We are leveraging technology by introducing a new City Lodge App and refreshing our website to drive online bookings. The App offers upgraded functionality for online check-in by enabling guests to download their IDs to their online profiles, tick the terms and conditions, and merely collect their keys on arrival. This added convenience reduces unnecessary physical touchpoints during this COVID-19 reality.

The modern-day traveller expects fast and unlimited internet, which prompted us to roll out a significantly improved WiFi and broadband capacity across most of the group's hotels.

TOP OF MIND ISSUES: LEADERSHIP Q&A CONTINUED

In March 2020, the CLHG became the 35th company to list on South Africa's A2X exchange. This secondary listing provides a lower cost entry into CLHG shares and is intended to attract fresh capital and new investors.

An opportunity presented by the pandemic that we will approach with much caution is the potential acquisition of distressed assets. We may acquire land for future development if market prices in targeted locales fall sufficiently. Other than the completion of the Courtyard Hotel Waterfall City, the board does not foresee developing any further new hotels in the near future, but could secure well-priced land for future expansion.

Walking the corporate citizenship talk

Internal transformation is a pillar of the CLHG strategy and we are realistically aiming to achieve a Level 4 broad-based black economic empowerment (BBBEE) accreditation. The group has made steady progress in all BBBEE requirements but has fallen back on the equity rating due to our underperforming share price. Resolving this issue will be a critical focus area in the months ahead, as our current BBBEE debt arrangement must be settled by 31 January 2021. A portion of the proceeds from the rights offer is held on deposit for the BBBEE debt settlement.

Our strong commitment to combating climate change and environmental responsibility remains unwavering, as we successfully completed solar installations at 25 of our hotels following the initial single hotel pilot. These installations have immediately generated utility expense benefits and are expected to generate sufficient power to be paid off within four years of normal trading operations. We are currently conducting feasibility studies on future solar power rollouts.

We are also delighted to finally eliminate single-use plastics used in bathroom amenities across all hotels in the group, with the introduction of our new Zero Bar bathroom amenities range launched in July.

2020: A once-in-a-century year

We want to thank all those who remained committed to CLHG through this challenging time. Our employees remain steadfast and resolute to always giving the best of themselves to our guests and the group, even during this adverse time. Our employees navigated the uncertainty of supporting quarantine guests following their repatriation home to South Africa and worked outside their regular responsibilities. For example, general managers and front desk personnel cleaned rooms, performed landscaping and even did the odd bit of routine maintenance, despite not being paid their full salaries. Our COVID-19 rapid response team has worked tirelessly and reacted swiftly and appropriately to any regulatory changes.

We appreciate our shareholders, who, even while realising significant reductions in their investment value, have shown their commitment to the group through a fully subscribed rights offer, and their continued support of management.

The partnerships presented by our suppliers and vendors have given us hope that as a community we will get through this pandemic. They have procured PPE for the entire group at short notice and helped us with swift supply deliveries to ensure that we remain flexible to reopen hotels at short notice. Many have contributed financially to the cost containment measures by allowing us to suspend or reduce services procured as we halted most of our trading operations.

Amidst all the chaos and uncertainty of the COVID-19 pandemic, the strength and tenacity of the human spirit has risen like a phoenix from the ashes. Adversity has brought out the best in our people, our shareholders and our partners. We remain grateful to the City Lodge family we have grown over the past 35 years.

City Lodge will survive the COVID-19 pandemic. Our new rates model is industry leading and our hotels with enhanced hygiene protocols are ready to welcome returning and new guests. The rights offer has secured our survival and placed us in a position of strength as the hotel business evolves to meet the demands of a 'shaken and stirred' new world.

B T Ngcuka
Non-executive chairman

A C Widegger
Chief executive officer

L G Siddo
Chief operating officer

D Nathoo
Chief financial officer

LinkedIn
Link to City Lodge's LinkedIn profile:
http://www.linkedin.com/company/citylodge

Link to City Lodge's Facebook page:
http://www.facebook.com/company/citylodge



Life as a quarantined GM

For the last 35 years, the City Lodge Hotel Group has operated on the firm belief in the principal of TLC 'Tip-top, Loving and Clean'.







However, after the national state of disaster was pronounced, all this changed. Every citizen returning to the country had to undergo mandatory quarantine in a facility determined by government.

City Lodge Hotel Group in solidarity with the government and the fight against the spread of COVID-19, made certain hotels available for quarantine purposes. The new principal became TLCSS 'Tip-top, Loving, Clean, Screen and Sanitise'.

New quarantine specific hotel protocols were introduced to ensure the general mental and physical wellness of each individual. All employees and guests lived in a 'quarantine bubble' tested by the Department of Health on arrival and screened daily by nursing staff throughout their stay. Every quarantine hotel also had a hotel security presence, as well as perimeter security in the form of SAPS.

Before hotels were ready to welcome quarantine guests, all surfaces were treated with surface defence standard treatment. This product protected and sanitised all touch points for up to 90 days.

Room cleaning involved the use of newly introduced chemicals, with the World Health Organization (WHO) recommended concentration of sanitiser and cleaning properties. Laundry procedures were also adjusted to include a chemical and heat treatment that killed any potential viral matter.

All employees were required to use personal protective equipment (PPE) during the cleaning and laundry process. All discarded PPE was placed in a sturdy plastic bag and disposed of in a designated sanitised bin.

To further provide for our quarantine guest's physical wellbeing, City Lodge Hotel Group had outsourced meals delivered to the hotels fully prepared and packaged. These meals for breakfast, lunch and dinner were monitored daily for presentation, nutrition, variety and any individual specific dietary requirements.

However, perhaps the most important aspect of managing a quarantine facility was to ensure that the repatriated RSA citizens did not feel like 'inmates' but rather guests.

As hoteliers, our first response to a guest's request is generally yes, but due to government regulations, the team now had to generally say no. Therefore, the team worked tirelessly to ensure that mental wellbeing stayed top of mind in every interaction and that quarantine guests were not too adversely affected by the strict regulations.

Daily meetings and information sessions via social media were held. Guests, according to a schedule, were allowed to leave their rooms daily to exercise outside in the fresh air. A fitness corner, available at reception had a number of prescribed exercises that guests could do in their rooms. Laundry was done by the hotel to ensure the guests had ample clean clothing. WiFi was reconfigured and improved upon, to ensure hassle-free streaming. An in-hotel shop was introduced, so that quarantine guests had easy access to some South African favourites. The team ensured that items such as biltong, cold drinks, potato chips and chocolates were available.

Comforting guests and going the extra mile was a daily occurrence, with regular stories of employees organising favourite magazines, home comforts and ensuring birthdays were celebrated.

Our quarantined guests soon realised that they were not only quarantined in a safe and secure environment, but also supported by compassionate hotel employees, who made them feel welcomed. We delivered not just a service, but comfort and security during a very uncertain time for many.

As evidenced by numerous positive responses, City Lodge Hotel Group's quarantine hotels managed to achieve the fine balance of being a strict COVID-19 facility, but still treating South African citizens with dignity and respect.

Dean Samouilhan
General Manager
City Lodge Hotel GrandWest

UNDER THE CIRCUMSTANCES WE FELT SAFE AND PAMPERED, FETTLED AND CARED FOR. AMAZING!
– ANDREW AND SOLEDAD CARTER

WORDS ARE NOT ENOUGH TO RELATE THE SINCERE WARMTH AND GRATITUDE I FEEL TOWARD YOU AND YOUR TEAM MR VON WILLIGH.
– MAGGIE LLOYD

THANK YOU ONCE AGAIN FOR THE OUTSTANDING CARE I HAVE RECEIVED AS YOUR GUEST.
– ETHEL JOHNSON

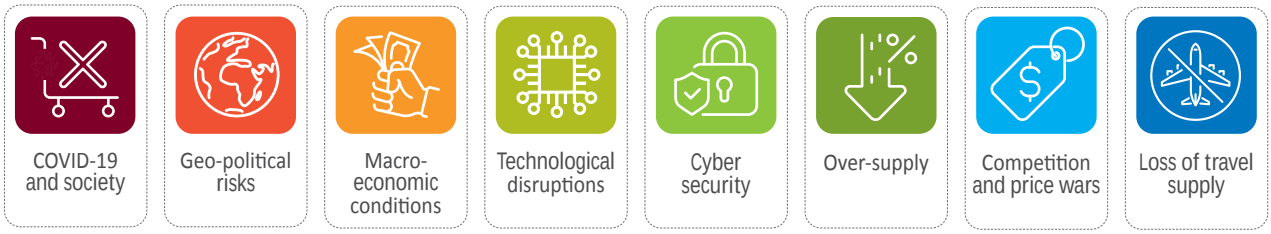


KEY RISKS AND OPPORTUNITIES

RISKS OVERVIEW 2020

COVID-19 RISKS EXTENDING ACROSS ALL EXISTING RISKS

We are in the midst of a historic pandemic event that will change many aspects of our world. There are, and will continue to be, major impacts to the global economy, geopolitics and our societies. It is clear that these global impacts and risks are highly interdependent and are changing the current and future global risk landscape. During extraordinary challenges and uncertainty, CLHG constantly manages all existing and emerging risks against the evolving consequences of the pandemic.



Most risks that may significantly impact CLHG's sustainability originate from the external environment. While these external risk factors are largely beyond our control, we constantly monitor and take steps to manage their actual or potential impacts.

Where we can play a role – such as in regulatory processes that may impact on hospitality and/or tourism as a whole – we do participate energetically and purposefully. Needless to say, planning and forecasting is extremely difficult without knowing how the post-lockdown environment will impact our markets and consumer behaviour with consumer spend likely to shrink.

Our key external risks, over which we have relatively little control, include the following:

COVID-19 and society. The COVID-19 pandemic has led to travel restrictions, border closures, business suspension and closures, quarantines, isolation and social distancing measures. These factors have significantly reduced global travel and consumer demand for hotels.

Although the hospitality sector is an inherently social business, consumer behaviours are already changing. CLHG has implemented enhanced hygiene and safety protocols for guests and employees, but an outbreak of infection could expose the group to reputational harm or increased litigation.

Geo-political risks. Until the advent of COVID-19 our geo-political risk focus was largely on Africa, but the global scale of the pandemic has since become the dominating scenario. COVID-19's aftermath, however, is likely to amplify many of the economic and political strains already evident before this global event.

Macro-economic conditions. Economic insecurity typically goes hand-in-hand with geo-political uncertainty, which is becoming evident in the wake of COVID-19. South Africa, where the bulk of CLHG hotels are situated, is likely to enter a deep recession, while our other African markets will also be hard-hit. How our market economies will emerge from this crisis is unpredictable, but the inevitable consequence is reduced accommodation bookings in the near and medium term.

Technological disruption. We are most aware that digital disruption can and will change the way the hospitality sector operates. The use of video-conferencing during the COVID-19 lockdown, as a cost-efficient and effective mode of communication and remote management, is a risk to business travel. We have embraced technology as a competitive differentiator to keep the group on the right side of disruption. That decision is proving wise, as COVID-19 has accelerated digital connectivity as a societal must-have.

Cyber security. Client data is an immensely valuable asset to the modern business, with hotels being no exception. We accept our responsibility to protect the information that guests share with us, as well as safeguard our own technology systems from the risk of cyber fraud or other forms of technological crime.

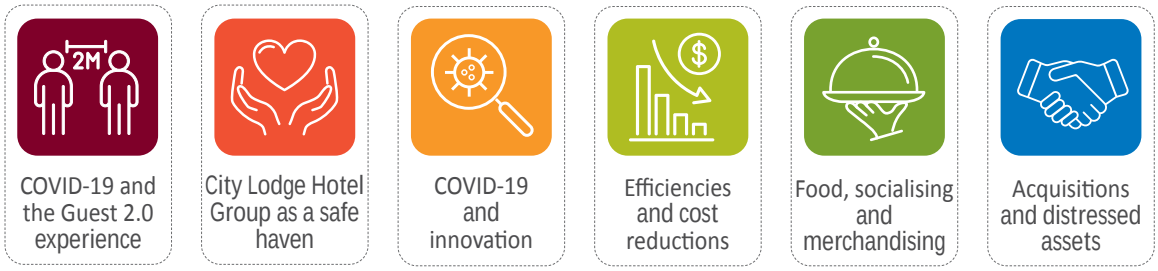
Over-supply. COVID-19 has disrupted the already skewed supply versus demand balance in our markets, so that current supply – on paper – is considerably higher than demand. This picture will change steadily as weaker competitors fall out of the market. Room rates and occupancy levels will remain weak until the supply and demand ratio rebalances in response.

Competition and price wars. The hospitality industry was harder hit by the COVID-19 pandemic than most other economic sectors. Those competitors that weathered the lockdowns are in competition to retain or gain their shares in a sharply reduced market.

The group's primary competitors are other hotel chains and independent hotels. The competitive landscape includes other types of businesses, such as web-based booking channels and short-term lets of private property.

Loss of travel supply. The leading airlines in South Africa, SAA and Comair Limited (operators of British Airways and Kulula.com), are already in the process of business rescue. This impacts domestic and international travel by reducing flight options for business and leisure travelers.

OPPORTUNITIES OVERVIEW



COVID-19 and the Guest 2.0 experience. The COVID-19 pandemic is disastrous for hotel chains such as CLHG and has irreversibly changed the face of the hospitality industry. As the world slowly emerges from lockdown and people start travelling and booking accommodation again, their expectations will be different.

The opportunity for CLHG and our competitors is to identify and provide the adjusted hotel experiences that post-COVID-19 guests would expect. We are hard at work creating a 'Guest 2.0' experience to retain and grow our market share.

City Lodge Hotel Group as a safe haven. Due to volunteering certain hotels for quarantine and essential services accommodation, the group was at the forefront of developing comprehensive safety and hygiene protocols to ensure all guests can be assured of a safe stay.

As a result, CLHG was the first hotel group in South Africa to receive World Travel & Tourism Council (WTTC) 'Safe Travels' stamp of approval. In an unsafe world, the CLHG hotels stand out from the guest houses, Airbnbs and bed and breakfasts (B&Bs) as reputable and reliable safe havens.

COVID-19 and innovation. Before COVID-19 struck, we were already driving major technological shifts within the group as a competitive disruptor in our markets. The pandemic has resulted in market-leading technology being a key differentiator for future viability. Besides introducing the Best Available Rate methodology, we have invested steadily in Lodgix, our bespoke hotel management platform that includes a highly effective guest interaction and relationship system. Lodgix will enable the group to swiftly capitalise on the shifting demands of guests as the COVID-19 environment evolves.

Efficiencies and cost reductions. The economic difficulties of recent years have been amplified by COVID-19, bringing a fresh urgency to uncovering efficiencies that reduce costs without negatively impacting the customer experience. By far the most significant efficiency introduced in this period was our new revenue management model (Best Available Rate), which flexibly improves room pricing for CLHG and our guests in accordance with demand.

Our recent WOW campaign was also instrumental in enabling staff members to suggest efficiencies and cost cutting, based on their hands-on experiences in their working roles. We continuously seek ways to reduce our consumption of natural and scarce resources, particularly water and electricity, as evidenced by the introduction and installation of solar panel installations at 25 of the group's hotels.

Food, socialising and merchandising. Until recently the group had not viewed food and beverage as a distinct revenue stream, but we have since recognised its robust potential and are rolling out new menu options, in particular through our in-house #Cafe platform.

Pandemic or not, people naturally want to socialise and CLHG offers collective spaces of various sizes, at differentiated levels of furnishing, to suit a broad range of needs. Our recently introduced business intelligence and analytics capacity will guide how we adapt to the socialising demands of our markets.

Each of the CLHG portfolio brands has attracted a distinct following, which has prompted the group to test the potentially lucrative selling of branded merchandise. Although COVID-19 has disrupted the initial roll-out, we hope to start testing the market when our data analyses suggest the time is right.

Acquisitions and distressed assets. Any further expansion into Africa has been placed on hold while we evaluate how COVID-19 will impact the hospitality industry in the near and medium term.

Nevertheless, exceptional opportunities do arrive in times of crisis. The board will examine these within the constraints of our current and highly conservative risk appetite.

MATERIAL ISSUES

Our operations, sustainability and success are informed and influenced by a range of internal and external factors, as well as the concerns raised by our stakeholders. To determine those influences that are materially significant to our group, we follow a rigorous and ongoing assessment process, which includes extensive engagement with all our stakeholder groups. These identified material issues are then ranked in terms of importance and potential impact and used to inform the CLHG's strategy.

Remaining viable in the COVID-19 operating environment

- Phased reopening of hotels based on demand
- Creating safe and trusted hospitality environments through hygiene audits and global accreditation
- Innovative new products and guest offerings to support the COVID-19 challenges
- Reinventing our food and beverage options as an expanded revenue stream
- Brand expansion though marketing campaigns targeting domestic leisure market
- Flexible pricing based on artificial intelligence and predictive models
- Expansion into new online booking channels

Establishing financial sustainability in the short term

- Completion of a R1.2 billion rights offer
- Cost containment measures to limit the cash burn
- Temporary reduction in salaries during lockdown
- Freeze on uncommitted capital expenditure
- Waiver of debt covenants for 30 June 2020 and December 2020
- Managing continued debt facility availability with our funders
- Resolve the BEE special purpose vehicle (SPV) debt settlement prior to expiry on 31 January 2021
- Review turnaround strategies and potential disposals of historically under performing hotels.

Ringing in the changes – preparing CLHG for the 'new normal'

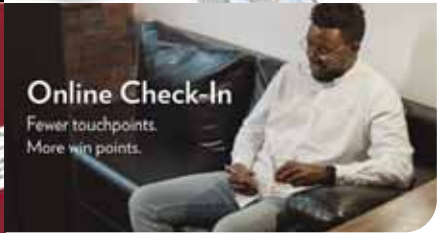
- Digital innovation to support the new Guest 2.0 contactless experience
- Reconfiguring public spaces in hotels
- Refreshing our brands and adopting innovative marketing strategies
- Eliminating single-use plastics and offering branded merchandise and amenities
- Continuing our drive to reduce our impact on natural resources, including the further roll-out of solar installations at our premises





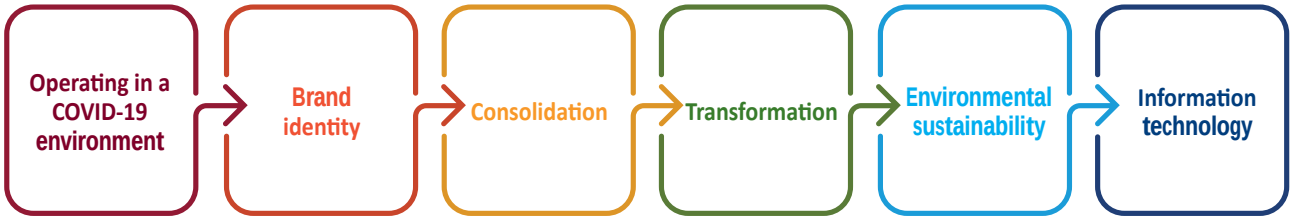






STRATEGY AT A GLANCE

Our group is driven by an integrated strategy engineered around the six key focus areas and strategic enablers of:



While these strategic components are discussed separately in this reporting section, we view these as interconnected and interdependent drivers of our business.

Given the fluid environment in which we operate, and the material issues influencing our operations and performance, these integrated strategic components are the ballast that stabilises our 'ship' and the rudder steering it towards realising our business vision – often through choppy waters.

Our overall strategy has largely remained consistent in recent years, but is being re-evaluated for the post-COVID-19 era.

Looking ahead

The COVID-19 pandemic has prompted the board and executive management to commit to:

- conduct a strategic review of the group's portfolio to **identify turnaround or disposal opportunities**. Our expansion strategy outside of South Africa will conclude for the medium term, following completion of City Lodge Hotel Maputo
- adapt the group's business model to **retain profitability**, initially by pursuing enhanced food and beverage opportunities, retail opportunities and on-site power generation
- **embrace technology** across the group to increase revenue and lower operating and other costs. Specific programmes include:
  - the addition of new local and international online **booking channels**
  - leveraging our in-house **property management system** for further technological advancement
  - relaunching the **loyalty programme** and expanding our strategic partnerships
- utilise artificial intelligence (AI) to improve **demand prediction** and inform **pricing strategy**
- enhance the group's brands to **gain market share** from smaller, independent competitors
- continue **refurbishing and modernising** the group's hotels
- consider opportunities to **acquire distressed competitor assets** without placing further pressure on the group's working capital requirements.



OUR STRATEGY IN PRACTICE



Operating in a COVID-19 environment

The COVID-19 lockdown compelled CLHG to cease operations at all but four of our 55 South African hotels on 27 March 2020. Our seven hotels outside South Africa were in lockdown soon after, resulting in a complete halt in revenue for some weeks.

We have reopened our hotels in a phased response to traveller demand as African countries have eased their lockdown conditions. We are continuously monitoring developments as the pandemic evolves, with our responses tailored to the safety of our clients and employees.

Challenges and opportunities

Maintaining a great guest experience

The impact of COVID-19 presents many challenges for the hotel industry, with opportunities available for those that can adapt to changing consumer behaviour. Guest satisfaction is the key to continued success and remains the most important part of any hotel's existence.

As consumers emerge from their restricted existence during and after COVID-19, their experience and adjustment to the new normal will influence what they expect from a hotel booking. Guests will want to be certain that their safety and comfort are maintained.

As more people leave their homes to resume their work and travel commitments, we want them to know that staying at a CLHG hotel assures a safe accommodation experience. We pioneered stringent safety and hygiene protocols, helped define the industry protocols, and were pleased to have these further benchmarked against international standards as approved by the WTTC.

Specific initiatives to uphold guest satisfaction include:

- Setting expectations and outlining safety procedures as bookings are made
- Communicating with guests prior to arrival to avoid confusion
- Erecting screens at reception to prevent direct face-to-face contact
- Implementing constant training to ensure that employees understand the importance of hygiene protocols and their responsibilities for keeping guests and colleagues safe
- Guiding guests and employees by posting signage and instructions throughout the hotel
- Minimising touch points by removing paper products from rooms, and introducing QR codes, which guests can use to download relevant information e.g. menus, cleaning protocols, review links etc.
- Launching the enhanced CLHG App which gives guests the opportunity to make online reservations, checking in on-line and completing all the pre-screening ahead of time, so the guest only needs to collect the room card on arrival at the hotel.
- Shifting guest-staff interactions to digital channels by giving guests the option of communicating through WhatsApp and SMS
- Limiting contact between longer staying guests and employees by changing bed linen less frequently, or allowing guests to make their own beds
- Modifying buffets to avoid shared utensils and making single portions available. Introduction of the 'Mzanzi breakfast on-the-go box' and our 'eat-in' offerings for guests to dine in their rooms, to encourage a 'stay in your room' culture
- Closely monitoring feedback related to COVID-19 for ongoing improvements to the guest experience

COVID-19 safety protocols

At present, CLHG COVID-19 protocols include, but are not limited to:

- **Screening guests** on arrival
- **Educating staff** on COVID-19 and group responses to the pandemic
- Rolling out **staff hand sanitisers** (alcohol based) in back-of-house areas and front-of-house guest areas
- Placing **guest hand sanitisers** (alcohol based) within easy reach of guests in public areas of the hotel with notices encouraging regular use
- **Reinforcing personal hygiene** continuously
- **Regular routine cleaning** of public areas
- Placing **sanitisers for security officers** at our hotel entrances
- Issuing **protective wear** such as protective gloves, aprons and face masks to housekeeping and on-duty public area personnel
- **Avoiding close contact** with anyone who is coughing, sneezing and feverish. Anyone showing symptoms of respiratory illness needs to be reported to the hotel's general manager for further action
- Replacing the **breakfast buffet** with individually portioned buffet options and hot breakfast served from behind a perspex screen in order to protect employees and guests alike
- **Pizza to go**, is a new offering which can be eaten in guests' rooms, providing the guest with quick meal options in an era of social distancing

Delivering safe and healthy meals

We remain hoteliers, even during the lockdown, and want to ensure that our guests are comfortable, happy and safe. Each of our brands offers an in-house breakfast, which has been adapted to be either served in an 'on-the-go' box, with an emphasis on quality, or at socially distanced tables at our restaurants

Our regular kitchen hygiene audits were expanded, with a dedicated third-party company undertaking COVID-19 audits for our operating hotels. The latest COVID-19 risk assessment audit scores for 34 of our operating hotels resulted in an average of 95% on the hygiene score and 91% on the microbiological index.

Agile response planning

When the threat of the COVID-19 pandemic became apparent, the group immediately

created a COVID-19 rapid response team to analyse the pandemic from every angle. They conducted an impact analysis and scenario planning, with a strong focus on the safety of our employees. We also implemented social distancing measures and are continually educating our employees about safety protocols.

Every COVID-19 case is treated with protocols similar to disaster management, where the COVID-19 rapid response team activates track-and-trace and isolation measures. Staff were divided into A, B, and C teams that were kept strictly separate to limit the spread of the disease and ensure business continuity if a staff member should test positive. This enables us to quarantine an entire team if necessary, without a major effect on operations. This strategy has proved effective.

How employees behave outside of work is also a focus area. We screen employees thoroughly as each shift commences. We ask our employees to quarantine if they have attended big events or funerals to ensure that the workplace remains safe.

Financial integrity

The restricted operational and economic environment arising from the COVID-19 pandemic has severely impacted the group's revenue.

To meet City Lodge's liquidity, working capital and expense requirements, management implemented liquidity and capital measures that include:

- an underwritten, renounceable rights offer of R1.2 billion
- temporary suspension of non-essential expenses
- reductions in payroll and related costs through temporary salary reductions
- suspension of all non-essential or uncommitted capital expenditures
- implementation of an enhanced debt collection initiative
- temporary suspension of dividend payments
- obtainment of rent deferral or other rental relief on the group's leased properties
- temporary suspension of certain large key contracts and fixed service contracts

If necessary, CLHG may consider additional measures, such as selective asset disposal and sale-and-leaseback transactions.

Proceeds from the rights issue will enable CLHG to repay some of its corporate debt and cover the group's BEE funding arrangements. The rights issue also provides sufficient working capital to fund its cash flow shortfall, and a flexible capital structure to position the group for future growth.



Braud identity

Strategic objective: To continue embedding our refreshed brands and realise growing benefits from an individual brand marketing strategy

The group offers a variety of distinct hotel brands that enable us to provide each type of traveller exactly the experience they want, within their available budget. Unfortunately, a historic lack of clear product differentiation in our markets has blurred these product lines and our brand identities. Ongoing education and brand positioning have become prioritised in our overall marketing mix.

The group has developed a standalone marketing strategy and personality for each brand.

Based on a four-star select service model, the Courtyard Hotel offering attracts guests who appreciate the brand's 'clubby' manor house feel and garden ambience. Courtyard Hotel now offers a full a la carte menu that has been well received. The 168-room Courtyard Hotel Waterfall City currently under construction will launch a wholly revamped Courtyard Hotel brand.

The City Lodge Hotel brand is well-established in the upper midscale hospitality market category and is a highly popular working week venue for business travellers. Leisure travellers are attracted by weekend promotions, our great locations and targeted campaigning.

Our Town Lodge brand hotels have recently undergone refurbishments to reflect a modern, connected and welcoming environment. These feature shared working spaces, good connectivity and great WiFi. The Town Lodge brand caters to a younger, millennial guest who values socialised working spaces and good connectivity. Our social media strategy has shown good success, especially in light of marketing budget cuts.

The Road Lodge brand has gained good traction, providing affordable yet quality accommodation across South Africa. The brand offers basic services, which offers a hospitality solution for guests with simple needs and a lower budget. The Road Lodge brand caters largely to budget-conscious business travellers who are self-employed or who are employed by smaller corporates. The brand is also popular for family travel and school or sports group trips.

In Kenya, the group is fine-tuning the Fairview Hotel brand and its operations, including marketing more actively to South Africans and positioning Fairview Hotel as a first-choice conferencing, events and wedding venue.

Opportunities and challenges

Growing our food and beverage offering

Being a trusted brand that has always offered a great breakfast, we are now expanding our food and beverage offering. Our #Cafe product has grown overall revenue significantly. Lunch and dinner are now an important aspect of the City Lodge Hotel brand experience. While we do not serve dinners at Town Lodge, we are busy developing a new light bar snacks menu and we have a new self-service food vending pilot. We have also recently launched an 'eat-in' pizza offering available at all of the CLHG brands. Guests can also enjoy meals from a selection of trusted third-party suppliers without leaving the safety of the hotel. We will continue growing our food and beverage revenue as an adjacent income stream to room rates.

OUR STRATEGY IN PRACTICE CONTINUED

Sales and marketing

CLHG's marketing strategy is designed to drive loyalty and community, while meeting specific hotel operational needs. Each brand marketing team applies data analytics to support the marketing needs of their hotels.

Prior to the COVID-19 pandemic, our marketing team targeted key market groups, particularly travel agents, tour groups and third-party hotel booking platforms, to retain and grow our market share despite intense competition. One initiative was to extend bookings for business travellers who wished to stay the weekend. Another was to introduce weekend rates, which quickly became popular. One of the 2019 Town Lodge radio adverts won several of the most prestigious local and international awards in the creative industry. These included gold, silver, and bronze at the Cannes Lions International Festival of Creativity; several gold awards at the Loeries; and several gold awards at the Pendoring Awards.

When the COVID-19 pandemic and subsequent lockdown began, the initial closure of our hotels prompted the group to suspend all paid advertising. Digital platforms and social media have been the group's primary distribution channels for providing guests, customers, and members with current information on various group hotels and distinct brand experiences. We will drive these initiatives vigorously as COVID-19 restrictions ease. The group's 'safe' stamp of approval from the WTTC is highlighted in our current marketing strategy.

The CLHG loyalty programme and digital platforms are also key components of building loyalty and driving revenue. Our loyalty programme deepens relationships with members to drive repeat stays through tailored services and experiences for the most loyal guests. We are currently planning to implement a reinvigorated loyalty programme offering, which also includes leveraging our recently developed mobile app.

Driving online bookings

We have been working hard to drive more direct bookings through our own website, which enables the group to offer our guests better rates while improving our own margins.

Besides the CLHG website, online bookings are promoted via five platforms:

- Booking.com
- LekkeSlaap.co.za
- Expedia.com
- Agoda.com
- Safarinow.com

Our online bookings, including both the third-party sites and the group's website, started declining early in the year when international travel decreased due to COVID-19.

Embedding success through the WOW campaign

While rooms and facilities obviously play a big part in creating positive guest experiences, the main drivers of these experiences are, and always will be, our employees. Based on this understanding, we created and implemented our WOW service excellence programme to encourage the utmost thought, respect and care for our guests. WOW invites innovative thinking and creative ideas from our employees in how to delight our guests and make their jobs easier. Participating employees are rewarded for their WOW contributions through an in-house smartphone app.

The WOW programme is already delivering exceptional results. Highlights for the past financial year include:

- Implementing water fountains at central locations within our hotels, as municipal water quality declines in some areas. This water is magnesium enriched and treated through reverse osmosis; it also tastes great. Guests are delighted with the fountains, which also reduce the volumes of bottled water consumed in our hotels
- Greatly reducing single-use plastics in our hotels through the release of a plastic-free amenity range. Instead of little bottles of shampoo, we provide a shampoo bar, along with bamboo toothbrushes and shower caps made from corn starch.

We are confident that the WOW programme will continue evolving into a key strategic driver of our sustainable growth.



Consolidation

Strategic objective: To consolidate and expand our position

South Africa

Construction at Courtyard Hotel Waterfall City has resumed following lockdown and is progressing well. We anticipate a four-month delay compared to original pre-COVID-19 estimates, with an anticipated opening of all 168 rooms in March/April 2021.The roll-out of solar power generation capabilities at 25 of the group's hotels was completed during the first half of the year. These systems will generate sufficient energy to supply approximately 30% of individual hotels' energy demands and will lower the group's total energy consumption from non-renewable sources by approximately 10%, further reducing its overall carbon footprint.

Southern Africa

The 148-room City Lodge Hotel Maputo was partially opened in February 2020. The completion of the remaining rooms has been put on hold due to the impact of lockdown on trading operations.

On completion of Courtyard Hotel Waterfall City and City Lodge Hotel Maputo, the group will offer 8 070 rooms at 63 hotels.

Prior to the outbreak of COVID-19, we refurbished Road Lodge Rivonia and Road Lodge Southgate. Additional refurbishment has been put on hold due to the impact of COVID-19 on liquidity.

Challenges and opportunities

Partial opening of City Lodge Hotel Maputo

The construction of City Lodge Hotel Maputo (Mozambique) experienced significant delays, primarily due to contractor cash flow constraints. The hotel opened its first 68 rooms in February 2020, with a further 54 rooms becoming available in March 2020, before trading operations were suspended due to a national lockdown in response to the COVID-19 pandemic. We look forward to reopening and completing the construction of the remaining rooms on resumption of trading and accommodating our long-awaited guests.

Following completion of City Lodge Hotel Maputo, our African expansion programme will end for the medium term. We will focus on building on our existing hotels and brands, as COVID-19 requires us to re-evaluate our turnaround strategies. This will be a key focus in the year ahead.

Occupancy and market share

In the digital age, guests are mainly looking for accommodation online. The guest experience starts there, and our offering is usually listed alongside our competitors, with price being a major deciding factor. Several new market entrants in all our operating areas have led to an over-supply in the market, especially in high-density areas. While we previously maintained the best price in the range, the new over-supply challenges this position, especially for our City Lodge and Town Lodge brands.

However, this trend is less pronounced in outlying areas and towns where we still provide the best service and rate for many government, corporate, and leisure travellers.

Demand prediction and pricing strategy

The group's performance depends on its ability to generate revenue by maintaining or improving occupancy at an optimal price. We are currently operating in an exceptionally low occupancy environment that is shifting the competition toward pricing and promotions. Coupled with the discounting already prevalent throughout the hospitality industry, pricing cuts exert downward pressure on the group's revenue and profitability.

The group is making a fundamental shift from fixed room rates to a Best Available Rate philosophy which will yield the right price according to demand. In simple terms, yield management is a strategy based on selling to the right customer, at the right time, for the right price.

We are introducing an AI function to improve demand prediction and inform our pricing strategy.



Transformation

Strategic objective: To continue transforming the group in line with the BBBEE Codes of Good Practice

Given the vast numbers of employment opportunities created by the hotel industry during the normal trading era, transformation has a vital role to play in developing the societies where we operate. For our group, the people we employ are integral to our ability to deliver on our brand promise and delight our guests. As such we are committed to empowering, upskilling and developing our employees to maximise their potential and ensure they can take advantage of every opportunity to further their careers.

Although transformation and empowerment targets for the hotel industry are higher than many other industries, we have never viewed transformation as purely a compliance issue. We see it as a moral obligation to make a real and lasting difference to the lives and futures of our staff, our industry and our country. We also recognise that transformation is a business imperative. Our staff demographics should match those of our guests. Therefore, the group will transform itself in line with how our markets are steadily transforming.

In line with this understanding, we continue to make real progress in our transformation efforts. We have had no gender or race-based income disparity in our organisation since 1985 and we are absolutely committed to equal opportunities and advancing opportunities for women in our business and the hotel industry as a whole. As a result, more than 40% of our general managers today are women and we continue focusing on increasing this percentage.

We also continue to focus on training and developing future executives across all race and gender groups to ensure we have a well-established succession plan and a deep pool of leadership talent to facilitate our continued brand and market share growth. As part of our commitment to an inclusive culture and environment, we encourage and welcome innovation and input from our staff.

We have also prioritised enterprise development and work closely with our

OUR STRATEGY IN PRACTICE CONTINUED

suppliers to ensure a positive impact on the transformation of our entire supply chain. The group is committed to ongoing supplier education and development and provides ongoing guidance and transformation inputs into our partner businesses.

These commitments to transformation have resulted in CLHG retaining a BBBEE level 4 scorecard rating of 90.45, until September 2021, compared to 91.34 in the prior year.

Challenges and opportunities

We made good progress on all pillars of transformation excepting equity ownership, which was hampered by the falling share price. The general scarcity of skilled candidates from designated groups at senior and management levels is also slowing our transformation efforts.

To address this issue sustainably, we are developing our own talent pipeline of skilled and experienced individuals to lead our transformed organisation into the future. The group's accelerated development and deployment programme (ADDP), linked with individualised employee development, is our primary tool for developing our people.

Driving transformation through training and development

We currently have 76 employees registered on various City and Guilds courses, as well as 90 hotel school students gaining work experience at our hotels. During this period, the group offered learnership opportunities to 10 disabled or unemployed learners in partnership with the South African Disability Development Trust.

Societal transformation – SMME support

Our sustainability as a business is wholly dependent on the sustainability of the societies and environments in which we operate. Healthy, thriving societies underpin healthy, thriving businesses. Helping to transform and empower our communities is both a moral obligation and a business imperative.

Much of our societal support takes the form of targeted social investment.

We deliberately focus our social investment efforts on the initiatives and people who can be realistically enabled to prosper and grow.

Our social beneficiaries presently include a training provider, a furniture manufacturer, a transport provider and a fresh food supplier. These beneficiaries not only receive financial support and business guidance from us – they have also become part of the group's supply chain.



Environmental responsibility

Strategic objective: To be a leader within the hospitality sector in environmentally sustainable business practices

Solar energy

In the past financial year, we completed 25 solar energy installations, at a total investment of approximately R20 million. As each of these installations will generate 30% of their hotel's total energy and lower the group's overall energy consumption from non-renewable sources by approximately 10%, we foresee that the costs saved during normal trading operations will cover the investment in less than four years.

Reduced plastic usage

We are driven to eliminate single-use plastics throughout our operations.

We reduced the need for bottled water by introducing new water filter stations that provide magnesium-enriched water to our guests at no cost.

Together with our South African supplier, The Bespoke Amenities Company (TBAC), we launched an all-new range of bathroom amenities to reduce the amount of plastic used in our hotel rooms. All products are now packaged in Forest Stewardship Council certified cardboard packaging that is completely recyclable.

The Zero Bars are a waterless solution, and reduce the carbon footprint of the supply chain, as previously the liquid products meant trucking water around the country.

As stock of the existing amenities runs down in hotels, these are being replaced with the new environmentally friendly range.

Challenges and opportunities

In the year ahead we aim to maintain and, where possible, further reduce energy consumption on a per-room-sold basis. We acknowledge that we need to find more ways to reduce overall consumption in the hotels during periods of low occupancy, especially until the COVID-19 pandemic subsides.

Our water-saving initiatives will continue reducing our per-room-sold water consumption. We are investigating options for grey water reuse and seeking additional water sources in water scarce regions.

As occupancies increase from current COVID-19 levels, we will prioritise initiatives for managing and reducing waste.

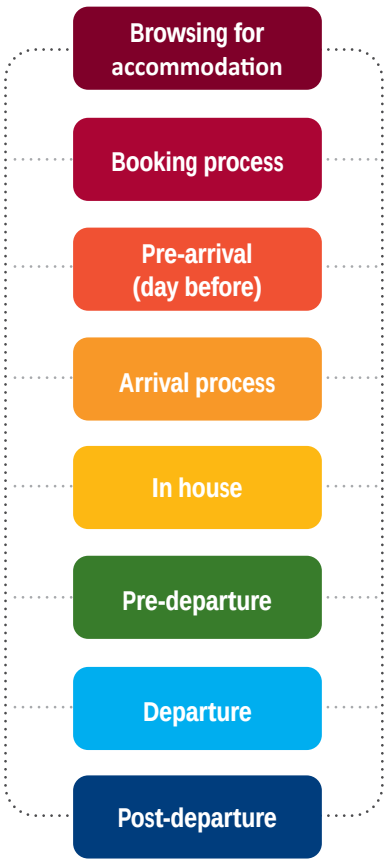


Information technology

Strategic objective: To maintain and implement an innovative technology platform

The Guest 2.0 experience

To take our guests' experience to a new level, we mapped out every step of the guest journey:



Each step in the guest journey has been analysed to determine how we can streamline and improve the guest experience.

The process begins with the guest searching for accommodation, usually online. We therefore redesigned our website by updating the hotel page layout, adding attractive new images, and showcasing local attractions. We also included new payment options, such as SnapScan, to ease the booking process. From the early stages of the COVID-19 pandemic, we added a pop-up on our home page to direct guests to more information about how we keep them safe and provide information about which hotels are open.

To enhance the guest experience, we are thrilled with the third iteration of our new City Lodge mobile application. This application features increased functionality, including an option for online guest check-in so that guests can simply collect their key card on arrival. It also features information about room service, food menus, and local attractions.

Taking advantage of these digital opportunities is more important than ever during and after the COVID-19 pandemic. Since March 2020, we have focused on reducing physical touch points to protect our guests and staff. One initiative was to introduce online forms and QR codes to minimise paper usage and the resultant health risk. Our COVID-19 screening process also takes place electronically rather than in the form of paper-based surveys.

During the past year, we upgraded our IT infrastructure in all our hotels to achieve a premium connectivity experience for our guests. The new WiFi solution also reduces monthly expenditure and gives us more flexibility around levels of service. Where available, we provide our guests with free and uncapped fibre. The group experienced some delays in the roll-out of the new WiFi due to COVID-19 lockdown restrictions, but all upgrades are due for completion by the end of 2020.

Boosting our operational performance

When lockdown was announced, we moved our entire central office to remote working conditions, to ensure safety and continuity of service. The migration of central office team members from being office bound to working remotely was seamless, with the necessary IT tools in place to support productivity and efficiency.

We are leveraging predictive analytics and machine learning to inform our pricing decisions. Our new business intelligence (BI) tool helps to analyse key clients, track new business and personalise offerings for guests, corporate clients and agents. It also reviews historic, environmental and industry data. Although we are still integrating the BI tool into our operations, we will leverage its advantages as the travel industry gets back on its feet.

Cyber security

Data security and cyber threats are high on the global agenda, following data breaches at high-profile companies. The hospitality industry has not been exempt. Although we already had industry-standard security features in place, during this financial year we invested additional time and resources to strengthen our security posture. A group-wide cyber security awareness programme was launched to continually prioritise data security and implement specific responses to potential incidents.



SEVEN-YEAR FINANCIAL REVIEW

The information provided in this seven-year financial review is considered to include pro forma financial information under the Listings Requirements. It is prepared for the purpose of presenting the group's sustainable earnings history and is for illustrative purposes only. This information is the responsibility of the company's directors. Due to its nature, the information provided may not fairly present the financial position, changes in equity or results of operations or cash flows. The reporting accountant has provided assurance on the pro forma information and the reports are available for inspection at the issuer's registered office.

					Normalised					
R'm	Reported 2020	Normalised adjustments*	Normalised IFRS 16 adjustments*	Normalised (ex IFRS 16) 2020	2019	2018	2017	2016	2015	2014
Consolidated normalised statements of profit and loss										
Revenue	**1 159.3**	–	–	**1 159.3**	1 548.0	1 498.4	1 520.4	1 493.2	1 303.1	1 062.8
EBITDA	**330.4**	14.4	(116.2)	**228.6**	489.7	588.0	616.4	624.8	547.1	438.2
Depreciation and amortisation	**(131.1)**	–	–	**(131.1)**	(117.5)	(105.2)	(102.8)	(96.4)	(86.4)	(78.4)
Depreciation – right-of-use assets	**(92.3)**	–	92.3	**–**	–	–	–	–	–	–
Operating profit	**107.0**	14.4	(23.9)	**97.5**	372.2	482.8	513.6	528.4	460.7	359.8
Impairment loss	**(488.4)**	–	–	**(488.4)**	–	–	–	–	–	–
Net interest (expense)/income	**(201.3)**	52.4	117.2	**(31.7)**	(2.4)	(1.9)	(12.6)	(16.4)	(6.2)	3.3
Investment in joint venture	**–**	–	–	**–**	–	–	–	–	60.0	44.7
Income from joint ventures	**–**	–	–	**–**	–	–	–	–	1.6	21.3
(Loss)/profit before taxation	**(582.7)**	66.8	93.3	**(422.6)**	369.8	480.9	501.0	512.0	516.1	429.1
Taxation	**96.1**	(3.5)	(25.9)	**66.7**	(102.5)	(132.8)	(139.0)	(138.2)	(123.6)	(102.2)
(Loss)/profit for the year	**(486.6)**	63.3	67.4	**(355.9)**	267.3	348.1	362.0	373.8	392.5	326.9
Determination of normalised headline earnings										
(Loss)/profit for the year	**(486.6)**	63.3	67.4	**(355.9)**	267.3	348.1	362.0	373.8	392.5	326.9
Fair value gain on remeasurement of investment in joint venture	**–**	–	–	**–**	–	–	–	–	(60.0)	(44.7)
Gain on bargain purchase	**–**	–	–	**–**	–	–	–	–	–	(0.6)
Profit on sale of equipment	**–**	–	–	**–**	(0.2)	(21.9)	0.3	(0.2)	(0.7)	–
Impairment of property, plant and equipment and right-of-use assets	**488.4**	–	–	**488.4**	–	–	–	–	–	–
Taxation effect	**(143.9)**	–	–	**(143.9)**	–	4.9	(0.1)	0.1	0.3	–
Normalised headline earnings (ex IFRS 16 *Leases)*	**(142.1)**	63.3	67.4	**(11.4)**	267.1	331.1	362.2	373.7	332.1	281.6
Number of shares for normalised EPS calculations*										
Undiluted weighted average	**36 606**	–	–	**36 606**	36 556	36 543	36 448	36 309	36 229	35 936
BEE shares treated as treasury shares	**–**	6 390	–	**6 390**	6 390	6 390	6 390	6 390	6 390	6 390
10th anniversary employees' share trust treated as treasury shares	**–**	507	–	**507**	506	509	509	527	549	549
Normalised undiluted weighted average	**36 606**	6 897	–	**43 503**	43 452	43 442	43 347	43 226	43 168	42 875
Restricted share plan	**–**	–	–	**–**	86	86	88	84	38	221
Share appreciation rights	**–**	–	–	**–**	–	–	12	51	373	508
Share options	**–**	–	–	**–**	–	–	–	93	115	185
Normalised diluted weighted average shares in issue	**36 606**	6 897	–	**43 503**	43 538	43 528	43 447	43 454	43 694	43 789

** Refer to page 40 for more detailed information on the normalised adjustments.*

R'm	Reported 2020	Norm-alised adjust-ments*	Norm-alised 2020	Normalised 2019	2018	2017	2016	2015	2014
Consolidated normalised statements of financial position									
Assets									
Non-current assets	**3 617.3**	20.5	**3 637.8**	2 751.4	2 385.0	2 010.9	1 929.4	1 809.2	1 535.7
Property, plant and equipment	**2 509.8**	–	**2 509.8**	2 630.4	2 285.4	1 917.0	1 844.1	1 740.2	1 453.8
Right-of-use assets	**985.0**	–	**985.0**						
Intangible assets and goodwill	**57.4**	–	**57.4**	55.4	54.7	50.5	45.6	32.6	15.3
Investments and loans	**0.8**	34.0	**34.8**	34.8	34.2	34.2	34.0	31.7	63.0
Other investments	**7.9**	–	**7.9**	13.0	–	–	–	–	–
Deferred taxation	**56.4**	(13.5)	**42.9**	17.8	10.7	9.2	5.7	4.7	3.6
Current assets	**241.1**	47.0	**288.1**	335.0	362.7	394.8	305.2	221.1	175.7
Total assets	**3 858.4**	67.5	**3 925.9**	3 086.4	2 747.7	2 405.7	2 234.6	2 030.3	1 711.4
Equity									
Total shareholders' funds	**568.3**	883.6	**1 451.9**	1 948.0	1 868.9	1 711.5	1 607.7	1 439.8	1 238.1
Share capital and premium	**179.5**	–	**179.5**	179.5	179.5	179.4	168.0	164.0	158.3
Incentive scheme shares	**(514.4)**	504.8	**(9.6)**	(13.3)	(20.3)	(22.0)	(19.5)	(11.0)	(22.1)
Reserves	**903.2**	378.8	**1 282.0**	1 781.8	1 709.7	1 554.1	1 459.2	1 286.8	1 101.9
Liabilities									
Non-current liabilities	**2 260.1**	(14.7)	**2 245.4**	924.5	701.4	549.0	497.9	470.7	376.2
Interest-bearing borrowings	**750.0**	–	**750.0**	660.0	450.0	320.0	270.0	250.0	185.0
BEE interest-bearing borrowings	**–**	–	**–**	–	–	–	–	–	–
BEE preference shares	**–**	–	**–**	–	–	–	–	–	–
BEE shareholder's loan	**–**	–	**–**	–	–	–	–	–	–
BEE B preference dividend actual	**–**	–	**–**	–	–	–	–	–	–
Lease liability	**1 376.1**	–	**1 376.1**	–	–	–	–	–	–
Other non-current liabilities	**–**	–	**–**	78.9	86.3	89.6	102.2	113.4	105.9
Deferred taxation	**134.0**	(14.7)	**119.3**	185.6	165.1	139.4	125.7	107.3	85.3
Current liabilities	**1 030.0**	(801.4)	**228.6**	213.9	177.4	145.2	129.0	119.8	97.1
Total equity and liabilities	**3 858.4**	67.5	**3 925.9**	3 086.4	2 747.7	2 405.7	2 234.6	2 030.3	1 711.4

** Refer to page 40 for more detailed information on the normalised adjustments.*

SEVEN-YEAR FINANCIAL REVIEW CONTINUED

		2020	2019	2018	2017	2016	2015	2014
Ordinary share performance								
Normalised shares in issue	000	**43 574**	43 574	43 574	43 572	43 407	43 347	43 221
Normalised weighted average shares in issue	000	**43 503**	43 452	43 442	43 347	43 226	43 168	42 875
Normalised earnings per share	cents	**(818.1)**	615.2	801.3	835.1	864.8	909.2	762.4
Normalised headline earnings per share	cents	**(181.1)**	614.6	762.1	835.5	864.5	769.2	656.8
Normalised diluted headline earnings per share	cents	**(181.1)**	613.4	760.6	833.6	859.9	759.9	643.1
Normalised diluted headline earnings per share (excluding IFRS 16 *Leases*)	cents	**(26.3)**	613.4	760.6	833.6	859.9	759.9	643.1
Dividends per share	cents	**153.0**	366.0	454.0	500.0	517.0	460.0	391.0
Normalised dividend cover	times	**(0.2)**	1.7	1.7	1.7	1.7	1.7	1.7
Normalised net asset value per share	cents	**3 332**	4 471	4 289	3 928	3 704	3 322	2 865
Normalised tangible asset value per share	cents	**8 878**	6 956	6 180	5 405	5 043	4 609	3 924
Profitability and liquidity (normalised)								
EBITDA margin	%	**19.7**	31.6	39.2	40.5	41.9	42.0	41.2
EBITDAR margin	%	**29.7**	39.1	46.3	46.8	47.5	47.7	48.0
Operating margin	%	**8.4**	24.0	32.0	33.8	35.4	35.4	33.9
Effective tax rate	%	**(15.8)**	27.7	27.2	27.7	27.0	24.0	23.8
Return on equity	%	**(0.7)**	14.0	18.5	21.8	24.5	24.8	24.6
Interest-bearing debt to equity	%	**54.9**	33.9	24.1	18.7	16.8	17.4	14.9
Current ratio	1	**1.3**	1.6	2.0	2.7	2.4	1.9	1.8
Stock exchange performance								
Market price per ordinary share								
– Closing	Rand	**23.75**	102.71	141.82	140.13	155.52	138.99	127.00
– Highest	Rand	**117.23**	156.99	178.50	175.99	173.00	159.00	143.01
– Lowest	Rand	**16.79**	97.00	114.96	132.01	129.00	112.01	107.33
Total market capitalisation	R'm	**1 035**	4 475	6 180	6 106	6 751	6 025	5 489
Normalised fully diluted closing price-earnings multiple	times	**(13.1)**	16.7	18.7	16.8	18.1	18.3	19.8
Volume traded								
– Ordinary shares	000	**37 071**	12 139	17 795	10 251	9 217	14 162	9 397
Other								
Number of hotels at year-end		**62**	60	59	57	57	55	54
Number of rooms at year-end		**7 902**	7 600	7 391	7 072	7 072	6 834	6 685
Group average occupancy	%	**38**	55	59	63	66	67	63
South Africa average occupancy	%	**41**	58	61	63	66	67	63

Definitions of the pro forma financial information

These measures, which are used by the group to assess the financial performance of the group, are not defined by IFRS.

Normalised shares in issue
Basic number of shares at the end of the year adjusted for the BEE shares and 10th Anniversary Employee Share Trust shares treated as treasury shares.

Normalised weighted average number of shares in issue
Normalised weighted average number of shares used to calculate EPS is the weighted average number of shares over the period adjusted for treasury shares.

Normalised earnings
Normalised earnings is (loss)/profit for the year adjusted for transactions relating to the BEE entities, the 10th Anniversary Employee Share Trust transaction charges and dividend withholding tax (DWT), IFRS 2 *Share-based Payment* share-based payment charge for the 10th Anniversary Employee Share Trust and pre-opening expenses write-off net of tax.

Normalised earnings excluding IFRS 16 *Leases*
Normalised earnings before the effect of the implementation of IFRS 16 *Leases*.

Normalised earnings per share
Normalised earnings per share is defined as normalised earnings for the year divided by the normalised weighted average number of shares in issue.

Normalised headline earnings
Headline earnings adjusted for transactions relating to BEE entities, the 10th Anniversary Employee Share Trust transaction charges and dividend withholding tax (DWT), IFRS 2 *Share-based Payment* charge for the 10th Anniversary Employee Share Trust, pre-opening expenses write-off net of tax and other recurring items on income and expense.

Normalised headline earnings excluding IFRS 16 *Leases*
Normalised headline earnings before the effect of the implementation of IFRS 16 *Leases*.

Normalised headline earnings per share
Normalised headline earnings divided by the normalised weighted average number of ordinary shares in issue for the period.

Normalised headline earnings excluding IFRS 16 *Leases* per share
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* divided by the weighted average number of ordinary shares in issue.

Normalised diluted headline earnings per share
Normalised headline earnings divided by the normalised weighted average number of ordinary shares in issue for the period, and any outstanding share options in issue.

Normalised diluted headline earnings excluding IFRS 16 *Leases* per share
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* divided by the normalised weighted average number of ordinary shares in issue for the period for diluted EPS calculation.

Normalised dividend cover
Normalised diluted headline earnings per share divided by dividends declared per share.

Normalised net asset value per share
Normalised equity divided by the normalised shares in issue at year-end.

Normalised tangible asset value per share
Normalised assets excluding intangible assets and goodwill divided by the normalised shares in issue at year-end.

Normalised EBITDA
Normalised earnings before interest, taxation, depreciation and amortisation.

Normalised EBITDA margin
Normalised EBITDA expressed as a percentage of revenue.

Normalised EBITDAR
Normalised earnings before interest, taxation, depreciation, amortisation and rental.

Normalised EBITDAR margin
Normalised EBITDAR expressed as a percentage of revenue.

Normalised operating margin
Normalised operating profit expressed as a percentage of revenue.

Normalised effective tax rate
Taxation per normalised statement of profit or loss expressed a percentage of normalised profit before taxation..

Normalised return on average normalised equity
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* attributable to ordinary shareholders expressed as a percentage of the average normalised equity.

Normalised interest-bearing debt (excluding IFRS 16 *Leases*) to normalised equity
Interest-bearing borrowings excluding lease liabilities related to implementation of IFRS 16 *Leases*, expressed as percentage of normalised equity.

Normalised interest-bearing debt (excluding IFRS 16 *Leases*)
Interest-bearing borrowings excluding lease liabilities and BEE liabilities and including bank overdraft.

Normalised equity
Capital and reserves adjusted for the effects of transactions relating to the BEE entities as well as the related deferred tax, pre-opening expenses (net of tax), IFRS 2 share-based payment charge for the 10th Anniversary Employee Share Trust, transactions that are of a non-recurring/non-core nature.

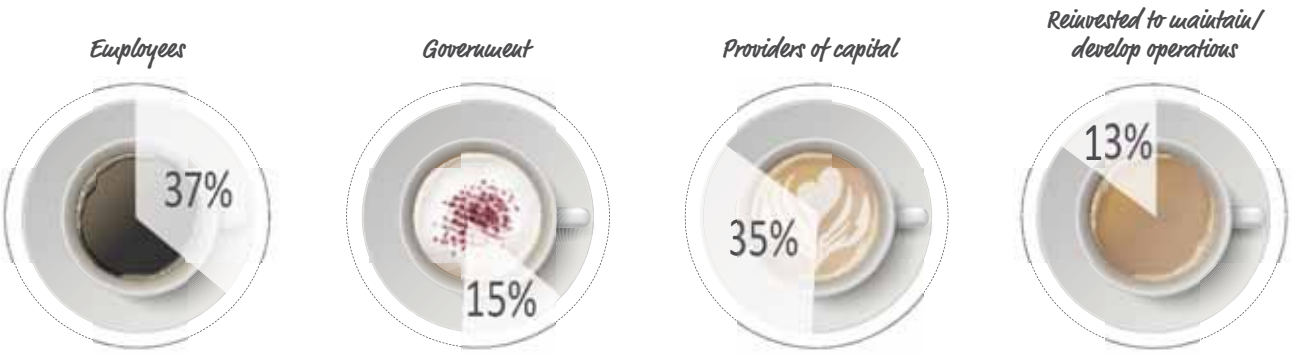
Current ratio
Normalised current assets divided by normalised current liabilities.

SEVEN-YEAR FINANCIAL REVIEW CONTINUED

Pro forma financial information reconciliations

	R000	GROUP 2020	2019
1	**Normalised shares in issue ('000s)**		
	Shares in issue	**36 677**	36 677
	BEE shares treated as treasury shares	**6 390**	6 390
	10th Anniversary Employee Share Trust shares treated as treasury shares	**507**	507
	Normalised shares in issue	**43 574**	43 574
2	**Normalised headline earnings reconciliation**		
	Headline earnings	**(142 082)**	205 334
	BEE transaction charges	**288**	352
	BEE interest on interest-bearing borrowings	**4 060**	4 187
	Preference dividends paid/payable by the BEE entities	**48 369**	51 005
	10th Anniversary Employee Share Trust transaction charges and DWT	**(37)**	(43)
	IFRS 2 share-based payment charge for the 10th Anniversary Employee Share Trust	**2 925**	4 148
	Reversal of impairment of other investment in Chase Bank Kenya (net of tax)	**–**	(9 403)
	Pre-opening expenses write-off (net of tax)	**7 688**	11 487
	Normalised headline earnings	**(78 789)**	267 067
	Net effect on adoption of IFRS 16 *Leases*	**67 358**	–
	Lease expense previously included in operating costs	**(116 202)**	–
	Depreciation – leases	**92 302**	–
	Interest expense – leases	**117 214**	–
	Taxation effect	**(25 956)**	–
	Normalised headline earnings excluding IFRS 16 *Leases*	**(11 431)**	267 067
3	**Normalised headline earnings per share (cents)**		
	– undiluted	**(181.1)**	614.6
	– fully diluted	**(181.1)**	613.4
	– undiluted excluding IFRS 16 *Leases*	**(26.3)**	614.6
	– fully diluted excluding IFRS 16 *Leases*	**(26.3)**	613.4
4	**Normalised interest-bearing debt (excluding IFRS 16 *Leases*) (R000)**		
	Interest-bearing borrowings	**750 000**	660 000
	Bank overdraft	**47 438**	–
	Normalised interest-bearing debt (excluding IFRS 16 *Leases*)	**797 438**	660 000
5	**Normalised equity reconciliation (R000)**		
	Reported total shareholders' funds	**568 316**	1 106 701
	BEE and 10th Anniversary Employee Share Trust treasury shares	**504 729**	504 729
	Fair value of BEE – retained earnings	**342 982**	308 797
	Fair value of 10th Anniversary Employee Share Trust – retained earnings	**14 577**	14 232
	Kenya CGT reversal – retained earnings	**15 561**	15 561
	Chase Bank impairment – retained earnings	**7 383**	7 383
	Pre-opening expenses (net of tax) retained earnings	**25 253**	17 565
	Other equity – BEE – other reserves	**(26 941)**	(26 941)
	Normalised equity	**1 451 860**	1 948 027

VALUE ADDED STATEMENT



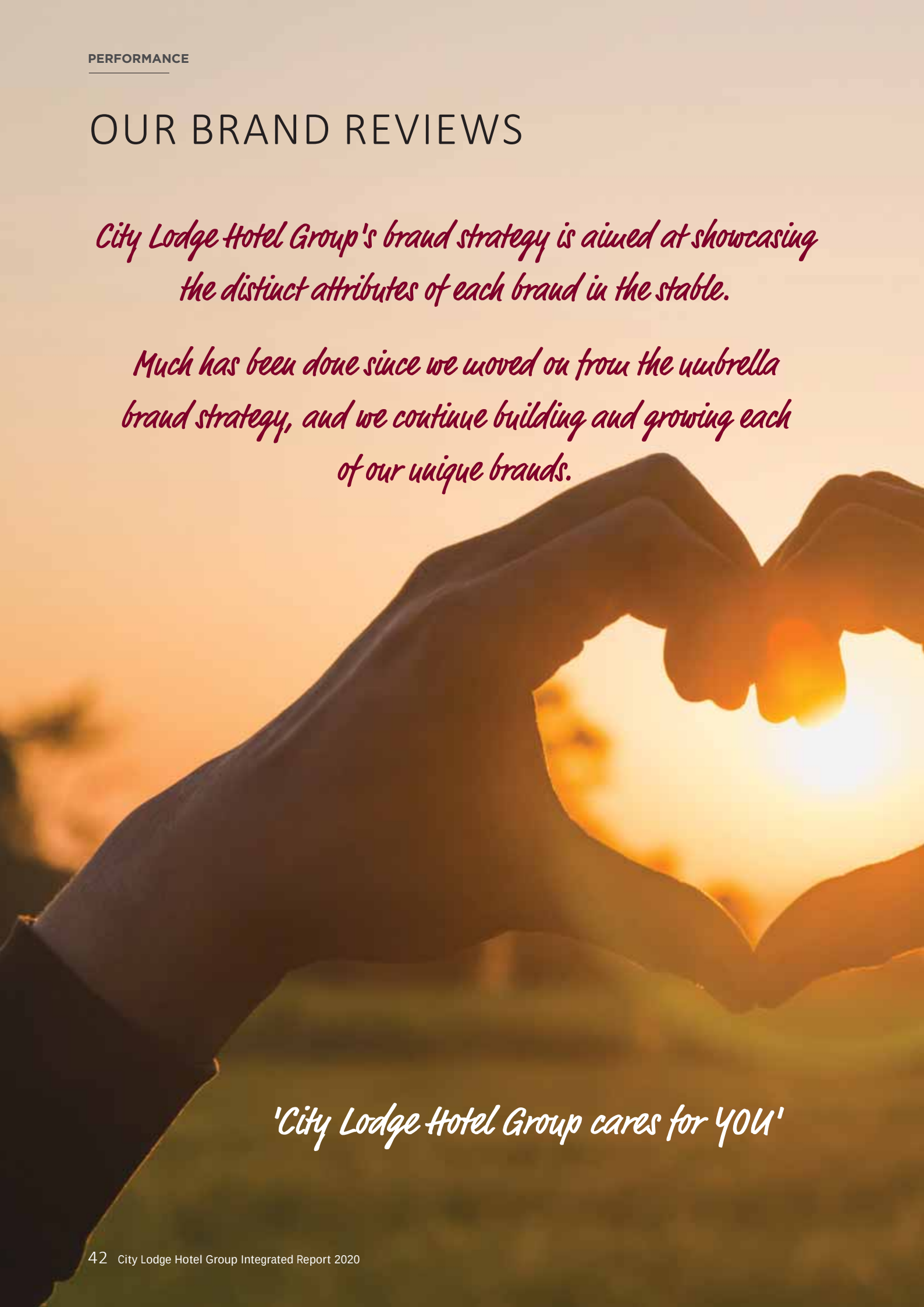
	GROUP			
R000	**2020**	**%**	**2019**	**%**
Revenue[1]	**1 333 483**		1 780 508	
Paid to suppliers for materials and services[1]	**(446 616)**		(731 875)	
Value added by operations	**886 867**		1 048 633	
Interest income	**2 914**		2 233	
Total wealth created	**889 781**	**100**	1 050 866	100
Distributed as follows:				
Salaries, wages and all related benefits[2]				
– direct	**284 358**		291 343	
– indirect	**41 833**		51 474	
	326 191	**37**	342 817	33
Government				
Taxes[3]	**78 518**		275 647	
Rates	**55 681**		49 633	
	134 199	**15**	325 280	31
Providers of capital				
Dividends to ordinary shareholders	**108 214**		160 100	
Interest on borrowings	**204 212**		59 842	
	312 426	**35**	219 942	21
Reinvested to maintain/develop operations				
Depreciation and impairments	**711 811**		117 471	
Accumulated profit	**(594 846)**		45 356	
	116 965	**13**	162 827	15
Total wealth distributed	**889 781**	**100**	1 050 866	100
Headcount – direct	**1 488**		1 490	
Headcount – indirect	**–**		538	
Total headcount	**1 488**		2 028	

[1] *Including value added taxation (VAT).*
[2] *Excluding employee taxes.*
[3] *Includes income taxation, deferred taxation, employee taxes and net VAT.*

OUR BRAND REVIEWS

City Lodge Hotel Group's brand strategy is aimed at showcasing the distinct attributes of each brand in the stable.

Much has been done since we moved on from the umbrella brand strategy, and we continue building and growing each of our unique brands.




FAIRVIEW
A CITY LODGE GROUP HOTEL
Comfort where you need it most
COURTYARD
HOTEL
Designed to impress
CITY LODGE
HOTEL
Comfort in the little things
TOWN LODGE
BY CITY LODGE HOTELS
A little extra can mean a lot
ROAD LODGE
BY CITY LODGE HOTELS
Basically brilliant

Comfort where you need it most

(exclusive to Kenya)











FAIRVIEW

A CITY LODGE GROUP HOTEL

OUR BRAND REVIEWS CONTINUED

The Fairview is a garden oasis of tranquillity in the vibrant, bustling Upper Hill suburb of Kenya, Nairobi, sought after by discerning travellers as the perfect East African venue to relax or do business.

The group initially acquired a 50% interest in the Fairview Hotel in 2012 and purchased the remaining 50% ownership in 2014. Acquiring the Fairview announced the group's entry into East Africa's fast-growing hospitality market, bringing us face to face with the nuances of this exciting opportunity. It was also a rare opportunity to introduce an iconic property to the CLHG portfolio. Operating this one-of-a-kind hotel destination with its unique reputation provides a benchmark of excellence for the entire group.

In the past, leisure and business travel to Kenya was troubled by the terrorist attacks on the Dusit Hotel complex in January 2019, and Kenya's turbulent politics. Fairview is situated across from the Israeli embassy, which makes it more secure, and the hotel's performance remains robust, with beautiful gardens and traditional appeal.

At present the group is fine-tuning the Fairview brand and its operations. This includes marketing more actively to South Africans and positioning Fairview as a first-choice conferencing, events and wedding venue.

Current location

- **Nairobi, Kenya**

Our response to the COVID-19 pandemic

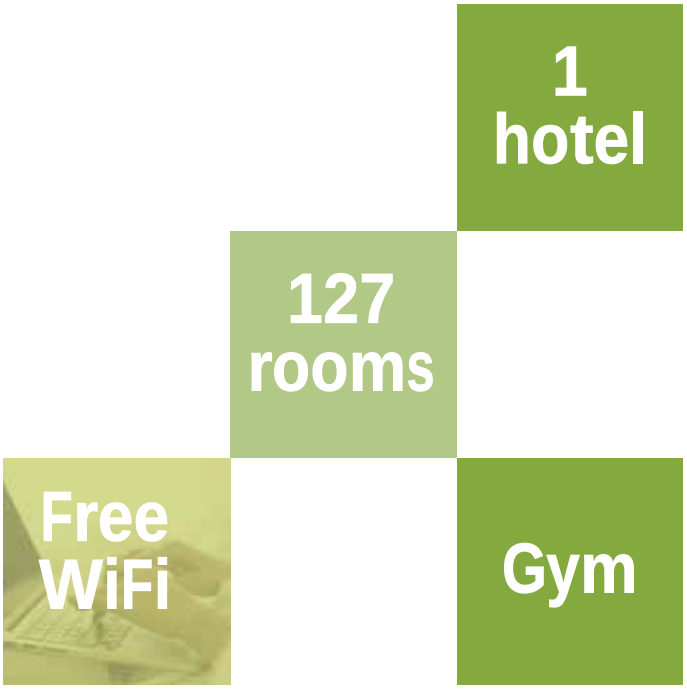
Our response to the pandemic was driven by the Kenyan government's requirements. All staff members were tested for COVID-19 prior to reopening of the hotel. We acquired a licence from the Kenyan tourism department which enabled us to trade officially. Kenya has opened its borders and is receiving international and regional flights albeit on significantly reduced schedules. Fairview's restaurants are open and attract a few day visitors.

Our rooms

- ✓ Spacious rooms with various-sized beds
- ✓ Television with satellite TV
- ✓ Bathrooms with bath and/or separate showers
- ✓ Irons and ironing boards
- ✓ Tea and coffee-making facilities
- ✓ Electronic safes large enough to accommodate a guest's laptop
- ✓ Desks with lighting and plugs for easy connectivity

Our services

- ✓ Gym
- ✓ Boardrooms and conference facilities
- ✓ Convenient location
- ✓ Full English and continental breakfast daily
- ✓ 24-hour reception and check-in
- ✓ Sundowner bar
- ✓ Several on-site restaurants and cafés
- ✓ Same-day laundry and dry-cleaning service
- ✓ Sparkling swimming pool
- ✓ Free and convenient parking
- ✓ Free WiFi



Designed to impress











COURTYARD
HOTEL

OUR BRAND REVIEWS CONTINUED

Our Courtyard Hotel brand merges the feel of traditional hotels in magnificent buildings with modern conveniences and touches. These include WiFi, access to boardrooms and offices, as well as a personal shopping service.

The Courtyard Hotel brand primarily serves business and upscale leisure travellers. Based on a four-star select service model, our Courtyard Hotel offering attracts guests who appreciate its clubby manor house feel and sprawling garden ambience. International visitors tend to stay longer than local guests, probably because doing business from the room or lounge – and touring – is so convenient.

The hotels of the Courtyard Hotel brand have recently undergone refurbishments to meet international guest expectations and remain aligned with upscale hospitality standards in terms of services and safety. Business travel expectations are changing rapidly, which has prompted us to refresh our service offering. Along with in-room connectivity and entertainment upgrades, we have introduced high-end coffee machines and in-room clothes ironing boards. We also implemented fitness rooms and an a la carte lunch and dinner menu.

Solo female travellers are a fast-growing hospitality trend, requiring heightened security and women-friendly touches to bolster the Courtyard's appeal as a safe and welcoming haven.

Construction of our first 'new concept' Courtyard Hotel Waterfall City in Gauteng is currently in progress. This hotel is expected to include 160 rooms (with eight suites), meeting rooms (including a conference facility with 100 seats), a swimming pool, a gym, and a rooftop bar/function area. Completion of initial rooms was originally targeted for November 2020, however, construction was halted due to COVID-19. Construction has resumed and is expected to be completed in or around March 2021.

Current locations

- **Johannesburg** (Eastgate, Rosebank, Sandton)
- **Port Elizabeth**
- **Tshwane** (Arcadia)

Future locations

- **Johannesburg** (Waterfall City)

Our rooms

- ✓ Studio, one and two-bedroom luxury air-conditioned rooms
- ✓ Well-appointed bathroom(s)
- ✓ Fully equipped kitchenette
- ✓ Personal electronic safe in each room (large enough to accommodate guests' laptops)
- ✓ International direct-dial telephone
- ✓ Television with M-Net and selected DStv channels
- ✓ Cotton-rich percale linen
- ✓ Tea and coffee-making facilities

Our services

- ✓ Intimate lounge area
- ✓ Club lounge lunch and evening a la carte meal offering
- ✓ 24-hour enhanced security
- ✓ Free, secure parking just metres from the door
- ✓ An elegant boardroom for guest use
- ✓ Personal use of guest office
- ✓ Sparkling pool in landscaped garden setting
- ✓ Full English, continental and light breakfast daily
- ✓ In-room dining by arrangement with local restaurants
- ✓ Same-day laundry and dry-cleaning service
- ✓ 24-hour launderette
- ✓ Personalised food shopping service
- ✓ Complimentary WiFi



Comfort in the little things











CITY LODGE
HOTEL

OUR BRAND REVIEWS CONTINUED

The little things can turn a good stay into an unforgettable experience. Our City Lodge Hotel brand is well entrenched in its market category.

The brand is becoming known and sought-after across Africa: we recently opened new hotel locations in Maputo, Mozambique (February 2020); Dar es Salaam, Tanzania (2019); and Nairobi, Kenya (2018).

The City Lodge Hotels are particularly popular during the week among business travellers, with leisure travellers staying on weekends as a result of weekend promotions and targeted campaigning.

City Lodge Hotel continued adding fun and relaxation elements to our brand by extending the in-house #Cafe menu across all dietary requirements, from vegan to banting.

Current locations

- **South Africa:**
  - **Bloemfontein**
  - **Cape Town** (GrandWest, Pinelands, V&A Waterfront)
  - **Durban** (Central, Umhlanga Ridge)
  - **Johannesburg** (Airport – Barbara Road, Bryanston, Fourways, Newtown, OR Tambo Airport, Sandton – Katherine Street, Sandton – Morningside, Waterfall City)
  - **Port Elizabeth**
  - **Tshwane** (Hatfield, Lynnwood)
- **Nairobi, Kenya**
- **Dar es Salaam, Tanzania**
- **Maputo, Mozambique**

Our response to the COVID-19 pandemic

In the larger South African metropoles where City Lodge is located, the most well-known City Lodge Hotel in the area remained functional during the stricter lockdown levels. We were therefore able to service our traditional business market, as well as transiting travellers and essential service workers responding to South Africa's COVID-19 lockdown. Government's COVID-19 regulations and protocols were implemented at all our hotels.

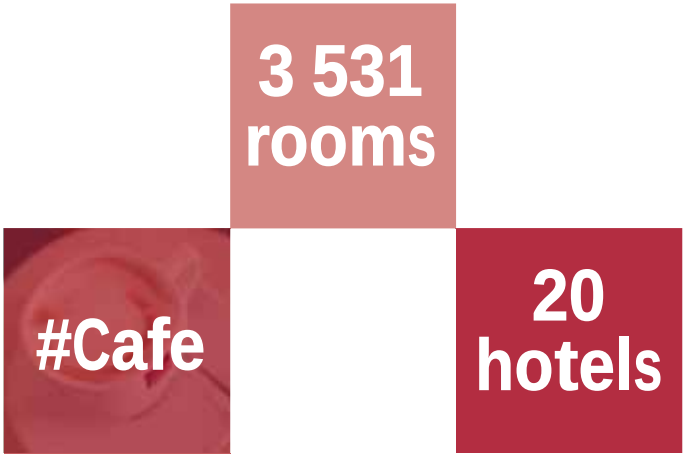
The new City Lodge Maputo, in Mozambique, proved to be a difficult build, with many unexpected building and development challenges. The COVID-19 lockdown closed it a month after opening, but we foresee steady future growth driven by domestic and international business linked to Mozambique's gas fields.

Our rooms

- ✓ Spacious air-conditioned rooms with queen-sized beds or twin beds
- ✓ Television with M-Net and selected DStv channels
- ✓ Bathroom with bath and separate shower
- ✓ Tea and coffee-making facilities
- ✓ Rooms with sleeper-sofa available at selected hotels on request
- ✓ Electronic safes large enough to accommodate a guest's laptop
- ✓ Desks with lighting and plugs for easy connectivity
- ✓ Plush duvets with cotton-rich percale linen

Our services

- ✓ #Cafe restaurant and Sundowner bar
- ✓ Fitness room
- ✓ Boardroom
- ✓ Convenient locations, close to major travel routes
- ✓ Full English, continental and light breakfast daily
- ✓ 24-hour reception and check-in
- ✓ 24-hour vending machines stocked with snacks and cold beverage items
- ✓ Same-day laundry and dry-cleaning service
- ✓ Sparkling swimming pool
- ✓ Free and convenient parking
- ✓ Uncapped free WiFi



A little extra can mean a lot











TOWN LODGE
BY CITY LODGE HOTELS

OUR BRAND REVIEWS CONTINUED

You needn't pay a lot to get a little more in your life. Town Lodge is the perfect solution for those who don't want to break the bank, but still like a little extra with their stays. Town Lodge guests are more price-aware and may take a smaller room to save money.

The Town Lodge brand caters to a younger, millennial guest who values socialised working spaces and good connectivity. The Town Lodge brand hotels have recently undergone refurbishments to reflect a modern, connected and welcoming environment. These feature generous shared working spaces, good connectivity and WiFi, within an ambience of natural fabrics and textures. Recent Town Lodge hotel launches include a new hotel in Umhlanga (South Africa), which opened in October 2019.

Current locations

- **South Africa:**
  - **Bellville**
  - **George**
  - **Johannesburg** (OR Tambo Airport, Midrand, Roodepoort, Sandton – Grayston Drive)
  - **Mbombela**
  - **Polokwane**
  - **Port Elizabeth**
  - **Tshwane** (Menlo Park)
  - **Umhlanga**
- **Gaborone, Botswana**
- **Nairobi, Kenya**
- **Windhoek, Namibia**

Our rooms

- ✓ Spacious air-conditioned rooms with double or twin beds
- ✓ Television with M-Net and selected DStv channels
- ✓ Interleading family rooms available
- ✓ En suite bathroom with shower
- ✓ Tea and coffee-making facilities
- ✓ Desks with lighting and plugs for easy connectivity
- ✓ Electronic safes large enough to accommodate a guest's laptop
- ✓ Plush duvets with cotton-rich percale linen

Our services

- ✓ Convenient locations, close to major routes
- ✓ Free, easy and secure parking
- ✓ 24-hour reception and check-in
- ✓ Full English, continental and light breakfast daily
- ✓ Sundowner bar
- ✓ 24-hour vending machine for snacks and beverages
- ✓ Same-day laundry and dry-cleaning service
- ✓ Fast, reliable, and free WiFi



Basically brilliant











ROAD LODGE
BY CITY LODGE HOTELS

OUR BRAND REVIEWS CONTINUED

Sometimes people need places to stay with no frills, no fluff and no fuss. The Road Lodge brand seeks to provide affordable stays across South Africa by providing guests with basic services only. This offering allows guests to keep costs low while offering a hospitality solution for those with simple needs and a lower budget.

The Road Lodge brand caters largely to budget-conscious business travellers who are self-employed or who are employed by smaller corporates. The brand is also popular for family travel and school or sports group trips.

Despite the challenges of COVID-19, our occupancy rate has remained encouraging. Road Lodge was the best performing CLHG brand during the pandemic. The mining industry for the most part continued operating during the COVID-19 lockdown, generating a substantial uptake of our value-for-money offering. Companies are also keeping their blue-collar workers close to work and off public transport to minimise risk. We have a reputation for clean hotels, making companies more comfortable with Road Lodge accommodation than less formal guesthouses.

Road Lodge rooms are compact but not squashed, featuring crisper, new look linen on the beds, with blanket protectors rather than the traditional bedspreads. Each room offers tea and coffee, with light breakfasts served according to a rotating menu basis so that regular guests can stay up to four days without repeats.

Current locations

- **Bloemfontein Airport**
- **Cape Town** (N1 City, Cape Town International Airport)
- **Centurion**
- **Durban** (Central, Umhlanga Ridge)
- **East London**
- **Johannesburg** (Carnival City, Germiston, Isando, OR Tambo Airport, Randburg, Rivonia, Southgate)
- **Kimberley**
- **Mbombela**
- **Pietermaritzburg**
- **Port Elizabeth** (Port Elizabeth Airport, Summerstrand)
- **Potchefstroom**
- **Richards Bay**
- **Rustenburg**

Our rooms

- ✓ Rooms with double or twin beds, with single sleeper chair available in selected rooms
- ✓ Fully air-conditioned rooms
- ✓ Television with M-Net and selected DStv channels
- ✓ Working desks
- ✓ En suite bathrooms with shower, toilet and hand basin

Our services

- ✓ A light breakfast is available daily
- ✓ 24-hour vending machines stocked with snacks and beverages
- ✓ Ample free and secure parking
- ✓ 24-hour reception service and check-in
- ✓ Free WiFi



SUSTAINABILITY REVIEW

Our approach to sustainability

The six capitals

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

NATURAL CAPITAL

INTELLECTUAL CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

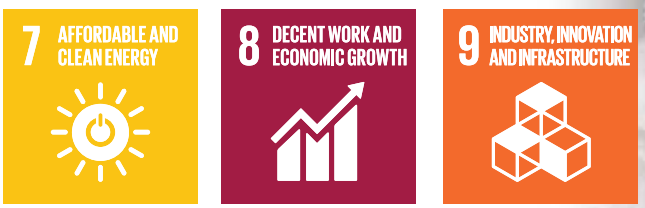
To maintain and grow a sustainable business for the future, we deployed our various capitals to drive and generate superior returns for our stakeholders. We allocate and mix our capital inputs in line with strategy and operational procedures to deliver specific outputs, including products and services. The outputs from leveraging our capital inputs create value for stakeholders and result in certain outcomes, which may be positive or negative, depending on the context. These are reported on in the narrative on the capitals.

The United Nations Sustainable Development Goals (UN SDGs)

UN SDGs set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. CLHG is committed to playing its role in the attainment of these goals.



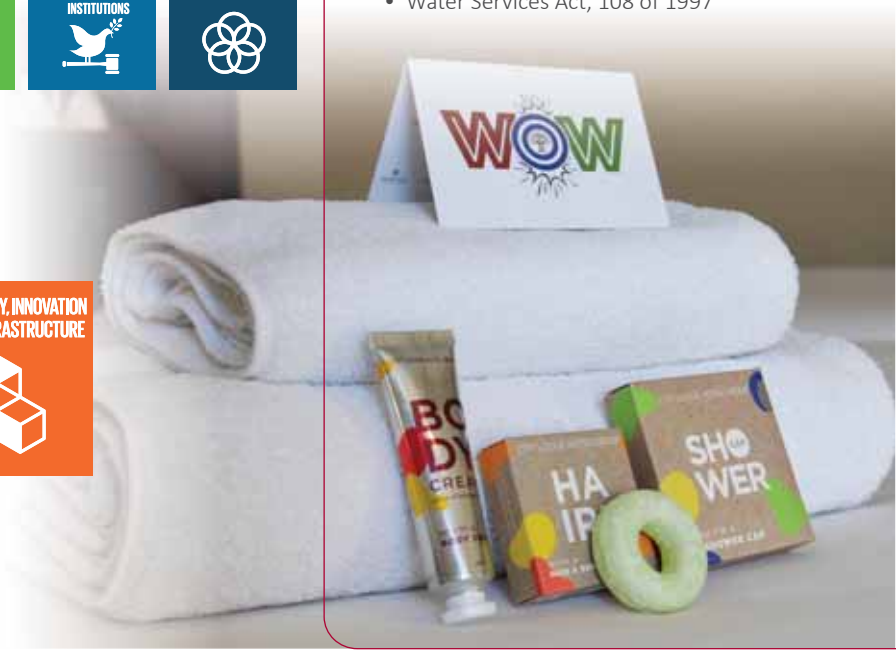
The group continues to monitor itself against principles 7, 8 and 9 of the UN Global Compact with regard to its environmental sustainability and responsibility.



Environmental-related statutory compliance

The group complies with the following South African legislation relevant to environmental sustainability:

- Atmospheric Pollution Prevention Act, 45 of 1965
- Environment Conservation Act, 73 of 1989
- National Environmental Management Act, 107 of 1998
- National Water Act, 36 of 1998
- Occupational Health and Safety Act, 85 of 1993
- Water Services Act, 108 of 1997



FINANCIAL AND MANUFACTURED CAPITAL

Occupancy performance

The group's performance depends on its ability to generate revenue by maintaining or improving occupancy at its 62 hotels. The COVID-19 pandemic and its unprecedented impact have significantly reduced global travel and consumer demand for hotels, resulting in a material slowdown in global commercial activity across the hospitality and travel industries.

As a result, CLHG achieved an average occupancy of 38% for the period compared to 55% in the previous year. In South Africa, occupancies decreased to 41% (2019: 58%). As South Africa progresses through the COVID-19 Risk Adjusted Strategy implemented by national government, more CLHG hotels have undergone a phased reopening to provide accommodation to authorised business and essential services guests. Reopened hotels continue to operate on a reduced basis, with limited occupancy.

At present, approximately 70% of our guests are business travellers, with 12% to 15% being government travellers. Given the impact of COVID-19, the weak economy, and continued low business confidence levels, business travel remains under pressure, while leisure travel is negatively affected by the climbing unemployment rate.

	30 June 2020	30 June 2019	30 June 2018
Average group occupancies	**38%**	55%	59%
Average South African occupancies	**41%**	58%	61%

These unprecedented times and the slow economic recovery will continue to be extremely challenging in the year ahead. Our pricing must be sufficiently flexible should occupancies continue to decline due to the COVID-19 pandemic and other macro-economic factors. We will continue to respond to the market dynamics brought about by the impact of the COVID-19 pandemic. Given that local and domestic travel shall be a significant component of our market, value-added rates and promotional packages will be the order of the day for travellers with a lower discretionary income.

The group also faces competition from international hotel groups developing and expanding their offerings throughout Africa. Given the comparatively smaller size of the African market to other international travel destinations, increasing over-supply is a risk.



International competitors may have access to greater commercial, financial and marketing resources and more efficient technology platforms. They could potentially expand and improve their presence in the region in ways which could adversely affect our ability to maintain or increase our own market share. Any of these factors could have a material adverse effect on the group's occupancy rates.

Average daily rates (ADR)

Achieved room rates improved by 2.2% (2019: 3.5%). ADR decreased in the last quarter as, although certain hotels remained open to provide essential services or quarantine facilities, these were at discounted room rates.

CLHG's operating expenses and other costs may increase and, given the effect of COVID-19 on consumer demand, may be unable to recover costs through room rate or ancillary increases.

As discussed elsewhere in this report, we introduced a new rates management philosophy to optimise revenue.

Expanding our footprint

As at 30 June 2020, the group operated 62 hotels spread across five brands, 52 of which are directly owned by the group.

SUSTAINABILITY REVIEW CONTINUED

Brand	Number of hotels	Location	Future development
Fairview Hotel	1	Kenya	
Courtyard Hotel	5	South Africa	168-room hotel in Waterfall City, due to open in March/ April 2020.
City Lodge Hotel	20	South Africa, Tanzania, Kenya	
Town Lodge	14	South Africa, Botswana, Kenya	
Road Lodge	22	South Africa	90-room hotel earmarked for Polokwane

We had forged ahead with our expansion strategy prior to COVID-19, with the 154-room Town Lodge Umhlanga (our 55th hotel in South Africa) becoming fully operational in October 2019.

We also expanded into Mozambique by constructing the 148-room City Lodge Hotel Maputo, which proved a challenge. Completion of the hotel was delayed due to contractor-related delays and disputes. The hotel eventually opened three floors in February 2020, shortly before the pandemic halted trading at the end of March. A further 54 rooms were completed in March 2020. Further construction was temporarily halted due to the impact of lockdown on trading operations. During this brief period of operation, the hotel was positively received due to its prime, central location. When normal operations resume, we expect consistent demand from business travellers, especially from those involved in Mozambique's fast-growing gas and oil industry.

Construction at Courtyard Hotel Waterfall City has resumed following lockdown and is progressing well. We project a four-month delay compared to original pre-COVID 19 estimates, with an anticipated opening of all 168 rooms in March/April 2021.

In light of the COVID-19 pandemic, all the group's non-essential capital expenditures have been temporarily suspended.

Keeping our hotels in great shape

Over the years, CLHG has followed a stringent refurbishment programme to maintain the highest quality standard. We upgraded some of our hotels prior to the pandemic. As at 30 June 2020, this investment amounted to R4 million expended primarily on soft refurbishment works at Road Lodge Rivonia and Road Lodge Southgate (South Africa), and the replacement of sundry furniture, fittings and equipment at other hotels. We also invested in solar energy at several hotels and upgraded our WiFi infrastructure throughout the portfolio of hotels. The group invested R49 million into new developments, in particular the construction of the new Town Lodge Umhlanga (South Africa), and City Lodge Hotel Maputo.

As at 30 June 2020, the board had authorised a total of R127.4 million for maintenance and expansion capital items, of which R66.4 million has been contracted.



NATURAL CAPITAL

Environmental sustainability

Being environmentally responsible is entrenched in the CLHG ethos. Over the years the group has implemented policies, practices and targets to mitigate our impact on the environment. We continually analyse, manage and monitor environmental impact across our brands.

At every opportunity, we encourage our stakeholders to join us on our sustainability journey.

We are always looking for ways to reduce our impact on the environment. After a successful pilot test at Road Lodge Centurion, we completed the installation of solar power generation at a further 24 hotels throughout the group. Magnesium enriched water from hydration stations is being rolled out in each hotel to reduce the volume of bottled water used and the resulting single-use plastic waste. Guests can purchase aluminium bottles – or top up their own bottles – with filtered water. We have also eliminated all plastics from our range of guest bathroom amenities with the implementation of our new Zero Bar range.

The group did not conduct a formal carbon footprint measurement this year. However, we are confident that with significant reductions in absolute electricity and water use; less waste generated and sent to landfill; and less business travel, our total carbon dioxide equivalent (CO_2e) would have shown a favourable decline when compared to the prior period.

Specific sustainability focus areas

Energy consumption

Our hotels and supporting infrastructure primarily use electricity generated by the national energy providers in the countries where we operate. As power outages, or 'blackouts', are relatively common across Africa, all our hotels are installed with backup diesel generators.

The bulk of the group's energy consumption results from water heating, air-conditioning, lighting, and laundry operations. As these functions generate 80% to 90% of our carbon footprint, mitigating their effects remains a key focus area. Our total energy consumption for the period was 23.7 million kWh (2019: 28.5 million kWh).

Sustainable energy management programmes at each hotel enables a focus on operational and technical efficiencies. Our absolute energy consumption across all our hotels decreased by 17% (2019: 0.4%). Due to the COVID-19 pandemic and the associated lockdown, all hotels were forced to close for varying periods of time from the end of March up until the end of the reporting period. Even when closed for guests and not selling rooms, the hotels still consume electricity. This has an adverse effect on the energy consumption per occupied room, which increased by 19%.

Electricity consumption (per occupied room and per available room) and the resultant per room costs were:

Brand		**kWh per occupied room 2020**	kWh per occupied room 2019		**Cost per occupied room R 2020**	Cost per occupied room R 2019		**kWh per available room 2020**	kWh per available room 2019		**Cost per available room R 2020**	Cost per available room R 2019
Courtyard	↑	**35.1**	31.9	↑	**70.58**	58.08	↓	**10.5**	13.2	↓	**21.04**	24.01
City Lodge	↑	**22.6**	19.8	↑	**36.71**	30.52	↓	**8.7**	10.8	↓	**15.35**	17.62
Town Lodge	↑	**22.9**	17.1	↑	**43.65**	30.88	↓	**7.5**	8.9	↓	**14.66**	15.20
Road Lodge	↑	**15.0**	12.4	↑	**32.40**	25.57	↓	**6.8**	8.8	↓	**14.71**	16.74

Renewable energy

The installation of solar power generation at 25 hotels was completed during the second half of 2019.

Our solar installations have produced 1.6 million kWh during the period. This helped us to reduce the total amount of energy purchased from national energy providers by 22% when compared to the same period last year.

During the lockdown period, we generated 12% more solar energy than being used during the daytime, which unfortunately cannot be shared or sold yet. A total of 202 176 kWh of unusable solar energy was generated that could be sold into national grids in future.

Water consumption

Reducing water consumption remains a joint effort between our hotels, staff, and guests. Never before was this more evident than during the recent severe drought conditions experienced in South Africa's Western Cape. Although this crisis is over for now, the water saving practices we learned have remained across the group.

Proactive guest behaviour helped reduce water consumption and we continue to encourage water discipline without minimising the guest experience.

Our new and refurbished hotels reduced the number of rooms with baths to approximately 60% of the total complement. We also installed low-flow showerheads and taps, while evaluating other ways to reduce overall water consumption.

SUSTAINABILITY REVIEW CONTINUED

All water for guest and operational use is drawn from municipal supplies, excepting our Kenyan hotels, where most of the water is supplied by boreholes. In isolated instances in South Africa, we use borehole water for watering hotel grounds.

The total water consumption for the period was 436 013 kℓ (2019: 542 629 kℓ), which shows a 106 616 kℓ (20%) decrease from the prior period.

As with electricity consumption, water consumption was significantly reduced by the COVID-19 lockdowns and hotel closures.

Brand		**kℓ per occupied room 2020**	kℓ per occupied room 2019		**Cost per occupied room R 2020**	Cost per occupied room R 2019		**kℓ per available room 2020**	kℓ per available room 2019		**Cost per available room R 2020**	Cost per available room R 2019
Courtyard	↑	**1.14**	0.84	↑	**37.10**	28.89	↓	**0.34**	0.35	↓	**11.06**	11.94
City Lodge	↑	**0.35**	0.32	↑	**13.30**	10.71	↓	**0.13**	0.17	↓	**5.56**	6.18
Town Lodge	↑	**0.37**	0.34	↑	**12.79**	10.31	↓	**0.12**	0.18	↓	**4.30**	5.08
Road Lodge	↑	**0.32**	0.26	↑	**8.66**	7.20	↓	**0.14**	0.18	↓	**3.93**	4.71

We are also responsible for managing water quality at our properties, which is achieved by using biodegradable chemicals and products, installing grease traps, and implementing saltwater chlorinators for swimming pools.

Waste and recycling

The volume of solid waste generated by our hotels is relatively low compared to full-service hotels. Nevertheless, we leverage existing opportunities to recycle paper, glass, plastics, aluminium and steel cans. Waste is mostly prepared for recycling on our premises to minimise the volumes sent to landfills. We continue seeking cost-effective solutions to further reduce our waste-to-landfill.

Water filling stations for guests

CLHG properties offer guests the option of using aluminium refillable water bottles, which can be topped up for free, from magnesium enriched, filtered water dispensers throughout the hotel. Guests responded positively to these environmentally friendly water options.

Plastic-free amenities roll-out

During the international Plastic Free July®, CLHG, together with our South African supplier, The Bespoke Amenities Company (TBAC), launched an all-new range of bathroom amenities that reduces the amount of plastic used in our hotel rooms. These are available across all five hotel brands. This is a first for a South African hotel group and among the first in the world.

All products are now packaged in FSC certified cardboard packaging that is completely recyclable. The Zero Bars, produced by TBAC, also reduce the carbon footprint of the supply chain by significantly reducing the volumes of water trucked to hotels.

As stocks of the existing amenities run down at our hotels, these are replaced by the new environmentally friendly range.

Compliance

No environmental accidents occurred during the year, nor were any environmental-related fines imposed upon the group.

Our goals for the year ahead

In the year ahead we aim to maintain and further reduce energy consumption where possible on a per-room-sold basis. We acknowledge needing to find more ways to reduce overall consumption in our hotels during periods of low occupancy, especially until the COVID-19 pandemic subsides.

We are continuing our initiatives to reduce our per-room-sold water consumption and finding additional sources of water for hotels in water-scarce regions. These include investigating options for grey water reuse and water conservation in general.



INTELLECTUAL CAPITAL

Sales and marketing – aligning with what hotel guests want

To compete sustainably, CLHG must constantly differentiate its brands, publicise the quality and value of our offerings, and maintain a strong base of satisfied guests who regard our hotels as their 'home away from home'.

Braud identity

Our sales and marketing department manages vital intellectual capital aspects, such as maintaining a positive brand reputation, constant innovation, and leveraging client feedback to improve operating efficiencies.

We differentiate our brands to accommodate every type of traveller and budget.

Fairview Hotel	Comfort where you need it and created to be a traveller's oasis
Courtyard Hotels	Designed to impress, with superior and impeccable style
City Lodge Hotels	'Comfort in the little things' that deliver more than expected
Town Lodge	A little extra can mean a lot, as this brand targets millennials and more technologically connected guests
Road Lodge	Basically brilliant where value, value, value is the name of the game

Our marketing position

We are in a low-occupancy environment within a highly competitive sector, which makes the current 'market pie' exceedingly small. The rates we offered to customers during the tighter levels of lockdown were much lower than budgeted, while room costs have increased due to PPE and additional COVID-19 cleaning protocols. We have put in place a pricing strategy to strike a balance between affordability for guests while ensuring we adequately cover our costs.

To contain costs, we suspended all paid advertising and rely on public relations and social media channels for brand exposure. We have embraced the 'new normal' of participating in webinars and virtual events to ensure that the group receives online exposure.

We continue to position ourselves as a market leader and spread the message that our hotels remain safe and clean places to stay and work. A reputable, independent service provider continues to conduct risk assessment audits on our properties to ensure our COVID-19 protocols are effective. The fact that we were one of the first in the country to be awarded an internationally recognised 'Safe travels' stamp by the WTTC assures our guests that they will be safe with us.

Pricing and revenue strategy

During the first half of the financial year, we focused on retaining and growing CLHG's share of the market, despite increasing competition. As part of this strategy, we recruited an experienced revenue manager who is introducing alternative pricing strategies. In previous years, CLHG offered one rate regardless of seasonality or demand. We are now introducing the Best Available Rate (BAR) philosophy, which ensures that we offer our rooms at the right price relative to supply and demand. This will be an advantage for our customers, while driving increased revenue for CLHG during times of intense market competition or heightened demand periods.



There is a distinct trend for customers to pursue lower rates and higher value. This was apparent even before COVID-19, as consumers tightened their belts in an already strained South African economy. Prior to the lockdown, the group's room rate increases in South Africa were below inflation as a result of the group's increased capacity, our competitors' discounted rates and promotions, and pressure on business and consumer travel budgets. By adopting the BAR methodology, we are well positioned to offer the best rate possible at any given time. Post COVID-19, our dynamic rates will improve forecasting and allow the group to identify opportunities within each market segment. The COVID-19 pandemic has led us to reset and prepare CLHG for the future.

We have also focused on improving our leisure travel revenue by introducing a weekend special rate. Our brands are a first choice for business travellers, opening the door to enticing these customers to extend their stay for a leisurely weekend. Our special weekend rates proved popular until COVID-19 put a temporary end to leisure travel. We expect the return of our weekend special rate to increase in popularity.

Weekend bookings are notably higher at our Road Lodge hotels, which offer a great 'no frills', value-for-money solution during tough economic times.

Monitoring and building our brands

We recognise that, in the digital age, any journey starts with browsing for accommodation online. We therefore optimised online booking options through our own website and listings with online travel agencies (OTAs). The addition of online booking platforms such as Lekkeslaap.co.za and Booking.com

SUSTAINABILITY REVIEW CONTINUED

during the year helped expand brand reach across both local and international markets. We intend strengthening these partner relationships as we rebuild our future.

Road Lodges are now bookable via global distribution systems (GDS) Galileo, Amadeus and Sabre, which streamline hotel bookings for travel agents.

Travellers often require assurance that booking online for African destinations is safe. For this reason, we boost our presence on platforms such as TripAdvisor by encouraging guests to leave reviews. We regularly monitor these reviews and Rate-Us, our internal guest feedback, quality assurance system, to keep abreast of guest feedback. Each review is individually responded to and their outcomes analysed monthly to identify potentially recurring trends and improve our delivery of service excellence.

Our refreshed and relaunched website, **www.clhg.com**, has made online bookings far simpler and more seamless for guests. The website includes a highly secure payment gateway that can accept payments from across the world. Securing a room directly through our website or via our hotels, offers a financial advantage to guests. However, we highly value the relationship we have with our travel management partners because they reach a broad range of travellers, including corporate, government, group and package tour bookings. We continue to pay 10% commission to agents who book CLHG accommodation for their clients.



The group continues to meet industry benchmarks in terms of in-room amenities and cleanliness, friendliness and professionalism, safety and security and location and convenience. However, we recognise the need to respond faster to technologies being adopted by guests. In the current financial year, we updated our in-room TV and WiFi offerings and launched the CLHG mobile application.

CLHG is well placed to be the first choice for safe accommodation as travel restrictions ease. Our well-known strict hygiene protocols and contactless solutions – from check-in to check-out – are an advantage during times of heightened safety awareness.

Marketing and selling our brands

To ensure the profitability of our brands, we implement various marketing and stakeholder relations initiatives.

We continually explore ways to enhance the value proposition offered to regular guests through the CLHG Rewards programme. Similarly, the Corporate Club is an exclusively online offering for businesses and their employees to earn and redeem CLHG Rewards points.

Targeted outdoor and radio advertising continues to play a significant role in our marketing strategy. During the year, a country-wide radio and online campaign raised awareness of special deals available within the group, including the half-price special offering. These campaigns were well received and for the first time we won a global advertising award for a radio campaign.

We will continue to drive engagement, brand awareness and bookings by using compelling content, and growing the group's Instagram presence and Twitter engagement. Our #CLHGExplore campaign is a case in point, highlighting the great locations of CLHG hotels by sharing points of interest and activities close to these properties.

Building and developing relationships with travel management companies and corporate clients is important. We take every opportunity to participate in client workshops and travel days to boost awareness of our hotel brands. We also create opportunities for relationship building through sales activations with our travel agent partners, as well as client appreciation functions, which enable us to thank them for their business personally. In addition, we have marketing partnerships with various companies such as airlines, car rentals, retail, banks, financial services and similar, to offer value for their clients.

Interacting with our guests

Our social media presence is constantly growing as more people use channels such as Facebook, Twitter, Instagram and LinkedIn to communicate with us. Guests share their experiences, suggest improvements, enter competitions, and thank individual staff members for their great service. All of this feedback provides invaluable insight.

While we focused on Facebook and Twitter early on, we are driving our Instagram presence to reach younger generations. Our website and social media presence was amplified by introducing professional search engine optimisation (SEO) to our online content.

WOW innovations

The WOW portal produced several implementable ideas from employees across the group. Specific WOW ideas actioned across the group include Spekboom décor for hotels and a concept for the retail section of CLHG. Outdoor gyms pilot was launched just before lockdown commenced at Town Lodge Johannesburg Airport prior to COVID-19. We also implemented filtered water stations at 31 CLHG hotels, with further roll-outs planned to all South African hotels in 2021, to reduce the amount of water sold in individual plastic bottles, which has proved enormously popular.

Our new Zero Bar sustainable amenities range evolved through an idea received on the WOW portal. The amenities are all low-packaging, plastic-free toiletries which can be taken home after our guest's stay. We tested them extensively to ensure that the products are both user- and environmentally friendly. The range is Proudly South African.

Leveraging technology

Our focus on innovation and technology was a priority well before COVID-19 shifted the way communities work and interact. The group is constantly on the lookout for technologies that will enhance guest experiences. When lockdown commenced, all central office employees migrated to remote working conditions. This process was fairly seamless, as we have always accessed our applications via a secure cloud-based Citrix environment.

During the past year, we upgraded the IT infrastructure at all our hotels to achieve consistent connectivity, improved security, more flexibility and reduce our IT operating costs. The network infrastructure layer was improved and WiFi solutions replaced. This project is 95% complete and all the upgrades should be complete by the end of 2020, taking into account the delays due o COVID-19. Upgrading the WiFi solution at 58 hotels is a considerable achievement in the post COVID-19 world as remote, reliable and effective connectivity becomes paramount to both business and leisure lifestyles.

We also improved our security systems and launched the third iteration of the City Lodge App.

New WiFi offering

Fast and reliable WiFi is essential to online-driven business, for the group and our guests alike. To improve reliability, we are deploying a new CLHG owned WiFi solution that gives us more flexibility and reduces our monthly expenditure for this service.

This WiFi system is also optimised for internal use for all group and guest activities. By taking advantage of WiFi-enabled technology, for example, waiters will be able to use a handheld phone or tablet with preinstalled software to facilitate smooth, paperless ordering.



The improved WiFi solution also gives us more flexibility with the services deployed for each brand and guest. Members of our CLHG Rewards programme automatically have a better experience than non-Rewards programme guests. In addition, we can monetise the WiFi service by allowing non-hotel guests to purchase additional WiFi time when using our restaurants or communal spaces.

The CLHG mobile App

Our City Lodge mobile App enables guests to make online reservations, post on social media, access CLHG Rewards, and find out about local attractions. The App will be enhanced to allow for voice calls through our enhanced WiFi solution, although this is currently in a testing phase.

We recently launched our online check-in functionality on our website and it is now also available on our App.

Reducing physical touchpoints

To ensure the safety of our guests and employees, we are utilising technology to reduce physical touchpoints in our hotels. We deployed online forms and QR codes to reduce the use of paper. COVID-19 screening documents for both guests and staff are presented electronically to minimise paper touchpoints.

We also provide a single information QR-code brochure in rooms that enables guests to download all the necessary information and functionality for their stay. For example, our restaurant menu is available online via a QR code. Menu options can be ordered from the comfort of a guest's room and collected at reception. We have also digitalised registration cards.

SUSTAINABILITY REVIEW CONTINUED

Guests are able to use WhatsApp to communicate with the hotel's reception through the in-house WiFi, who can remain in contact with them on WhatsApp after they check out. Guests can also use WhatsApp to make bookings or ask questions.

The group's website was redesigned to enhance usability. We also installed an interface between our website, App and the Lodgix Property Management System (Lodgix). This enables our guests to manage their own data easily. Our redeveloped website features heightened security and handles alternative payment methodologies such as SnapScan. The payment gateway does not retain credit card payment details, which limits the amount of personal data stored in our systems. User data is protected behind layered firewalls.

The COVID-19 pandemic has expedited our progression toward paper-free check-in and check-out processes and guest facilities.

Business Intelligence (BI) capability

Within the group we introduced a new BI tool, Qliksense, to improve decision-making and hotel and guest management through guest data analysis. Our sales team has leveraged the BI tool for tracking new business and personalising offerings for guests, corporate clients, and agencies.

We are also trialling a new AI tool at five of our hotels, with a view to roll-out the tool to all hotels on a phased basis. The tool aggregates and analyses CLHG historical performance data and external environmental data and provides predictive analysis of future demand and trends. Gathering relevant industry data, including flight and car rental data, allows us to better predict occupancy and demand and thereby enables us to forecast revenue more precisely. This tool will complement the introduction of Best Available Rate demand methodology and pricing, currently being developed.

The Guest 2.0 experience

To take our guests' experience to a new level, we mapped out every step of the guest journey lifecycle, from browsing for accommodation, booking, arrival, departure and post-departure. We analysed each of these steps to determine how we can streamline and improve the guest experience.

The process begins with the guest searching for accommodation, usually online. We therefore redesigned our website by updating the hotel page layout, adding attractive new images, and showcasing local attractions. Other enhancements to the guest journey include new payment options, such as SnapScan, to ease the booking process. As our guests navigate these uncertain times, we believe that clear communication to guests can help alleviate the stress of travelling and providing reassurance of what to expect on arrival and during their stay. We added a pop-up on our home page to direct guests to more information about how we keep them safe and which hotels are open.

Our new CLHG mobile App features increased functionality, including an online check-in which enables that guests only need to collect their key cards on arrival. It also features information about room service, food menus, and local attractions.

Cyber security

Data security and cyber threats are high on the global agenda, following several high-profile data breaches. The hospitality industry has not been exempt, and although we already had industry-standard security features in place, we invested additional time and resources to strengthen our security posture during this year. A group-wide cyber security awareness programme was launched to continually prioritise data security and implement specific responses to potential incidents.



HUMAN CAPITAL





As a quality hotel provider, how our people perform is the most important contributor to our ongoing success. CLHG participates in 'Investors in People', a UK-based organisation that provides a methodology for analysing a company's ability to engage its workforce and achieve its objectives through its people. We have been accredited at the 'Developed Performance Level', which impartially demonstrates our ongoing commitment towards growing and empowering our people.

We direct our human resource (HR) efforts into three focal areas:

Leading | **Supporting** | **Improving**

LEADING

City Lodge leaders guide their teams according to five imperatives:

- Lead by example
- Innovate and own their businesses
- Empower people to engage and act
- Inspire a shared vision
- Encourage the heart

Our leaders are primarily developed within the group, therefore, attracting and retaining top talent is crucial to developing a sustainable pipeline of leaders for the future. Our approach is evidently working, as the group's employee turnover rate of 5.5% is significantly lower than the industry average.

Year	Voluntary turnover	Involuntary turnover	% of total headcount
2015/16	62	43	8.71
2016/17	60	37	8.69
2017/18	74	19	7.88
2018/19	69	33	8.48
2019/20	**41**	**22**	**5.52**

The group talent officer is primarily responsible for attracting, developing and retaining high-calibre people. All employees are appraised annually and those showing leadership or specialist potential are placed on specific development paths. We prioritise previously disadvantaged individuals in accordance with our employment equity and transformation goals.

SUPPORTING

Employee engagement

CLHG conducts both in-house and independent employee engagement surveys to measure key aspects of employee experiences.

The staff share scheme annually rewards all who qualify and are employed by CLHG for a year or longer. The reward may be distributed as a dividend pay-out, or a combination of a share redistribution and dividend pay-out, depending on the group's performance.

Employees also have access to an independent wellness programme offering:

- free counselling for trauma and mental health
- debt counselling and protection issues
- retirement planning.

Employee and industrial relations

CLHG currently has a recognition agreement with the South African Commercial, Catering and Allied Workers Union (SACCAWU) trade union, which represents 15% of total employees and 16.9% of those occupying positions within the defined bargaining unit. No days were lost due to industrial action during the period.

To facilitate communication and collaboration, from time to time we send managers and union shop stewards to 'high performance people' refreshers on group policies and procedures.

Health and safety

Although CLHG's properties are not inherently threatening in any way, we take all necessary measures to ensure the safety of our guests and employees. Each hotel has an established health and safety committee, with appointed responsible persons in terms of the Occupational Health and Safety Act.

Employees are encouraged to attend scheduled wellness days to check medical statistics such as weight, BMI, blood pressure, blood tests for cholesterol and HIV and eye and ear tests. An aerobic workout is included to encourage the joy of exercise.

CLHG readily complied with the strict lockdown measures to curb the spread of the virus in South Africa and across the territories in which we operate. This involved the halting of operations in the majority of our hotels and at our central office. However, as the lockdown has eased and hotels have reopened, we have ensured strict implementation and adherence to all protocols. This includes the protocols required by the South African Department of Health and the Department of Labour to combat the threat of the spread of COVID-19 in the workplace.

Measures taken so far include the provision of personal protective equipment, sanitising materials and methodologies, daily physical screening, contact tracing and the introduction of screens on our front desks and food and beverage service areas. The group's protocols are extremely thorough and in fact form a significant part of the hospitality industry protocols adopted by the industry and presented to government.

The group's adherence to health and safety practices is reviewed as part of the internal audit process. We also ensure that our service providers adhere strictly to CLHG health and safety requirements. All our hotels are required to maintain hygiene that meets or exceeds compliance with Hazard Analysis of Critical Control Points (HACCP) legislation.

During the year, seven minor health and safety issues were reported (2019: 30). These were resolved without further action being required.

SUSTAINABILITY REVIEW CONTINUED

Transformation

Each year up to 10 talented black candidates are selected for accelerated development within our succession planning programme. Several of CLHG's current general managers are graduates of this programme.

The following comparative table, in accordance with the Employment Equity Act, displays the company's South African operations' employee profile as at 30 June 2019 and 2020:

		Male				Female				Foreign nationals		
Occupational level	**Year**	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**Total**
Top management	2019			1	6	2	1		1			11
	2020			**1**	**5**	**2**	**1**	**1**	**1**			**11**
Senior management	2019	6	5		32	3	1		20			67
	2020	**6**	**5**		**32**	**3**	**1**		**22**			**69**
Middle management	2019	8	2	2	12	21	6	2	15		1	69
	2020	**8**	**2**	**2**	**11**	**29**	**7**	**3**	**15**		**1**	**78**
Junior management	2019	46	12	1	20	108	20	2	12		1	222
	2020	**52**	**11**	**4**	**18**	**110**	**21**	**3**	**12**		**2**	**233**
Discretionary decision-making	2019	97	17	3	10	183	32	10	53	1	1	407
	2020	**114**	**16**	**4**	**12**	**193**	**29**	**8**	**48**	**1**		**425**
Defined decision-making	2019	118	9		5	170	32			2		336
	2020	**121**	**10**		**5**	**186**	**28**			**2**		**352**
Total permanent	2019	275	45	7	85	487	92	14	101	3	3	1 112
	2020	**301**	**44**	**11**	**83**	**523**	**87**	**15**	**98**	**3**	**3**	**1 168**
Non-permanent	2019	20		1		51	2	1	2			77
	2020	**9**		**1**		**11**		**1**	**1**	**2**	**1**	**26**
Grand total	2019	295	45	8	85	538	94	15	103	3	3	1 189
	2020	**310**	**44**	**12**	**83**	**534**	**87**	**16**	**99**	**5**	**4**	**1 194**

IMPROVING

Service excellence WOW

We continually review our definitions of service excellence as client expectations evolve.



We accordingly introduced a group-wide WOW programme to 'wow' all our stakeholders – from suppliers, to guests, to shareholders. A major thrust of this programme is to motivate employees from all levels and business functions to think up ideas for wowing guests. All ideas received were unfiltered and thoroughly evaluated. We were delighted to receive suggestions that will improve services, save money and hopefully resolve a number of niggles.

Employees participating in the WOW portal and programme are awarded points that can be redeemed for airtime, shopping, eating out and various retail options.

Training and development

Employee development is presently focused on three primary areas:

- Compliance: health and safety, hygiene, first aid, firefighting, POPI Act and employee accreditation in line with job responsibilities
- Industry skills: bespoke property management system training, in-house procedures
- Career development: hospitality management skills and knowledge obtained through reputed institutions.

Skills development committee

This standing committee meets at least bi-annually and includes:

- the divisional director of HR
- the group's skills development facilitator
- a union representative and regional shop stewards
- staff members from different levels and backgrounds elected by their constituencies.

The skills development committee is mandated to deal with skills development issues and assist in determining the group's skills requirements.

The group's registered skills development facilitator submits a workplace skills plan annually and reports on training achieved against that plan, assisted by a training coordinator.

A total of 32 employees were promoted in the group during the year, of whom 59% were female.

	2019/2020	**2018/2019**
African	**23**	25
Coloured	**1**	5
Indian	**1**	–
White	**7**	7
Total	**32**	37

The following table is aligned with the reporting period for the Sector Education and Training Authority, which utilises a January to December calendar year.

	1 January 2019 to 31 December 2019	1 January 2018 to 31 December 2018	1 January 2017 to 31 December 2017	1 January 2016 to 31 December 2016
% of total payroll spent on training	**3.53**	4.00	3.75	3.94
% of total payroll spent on training previously disadvantaged employees	**2.13**	3.66	3.40	3.23
Total number of interventions attended by all employees	**14 870**	15 244	15 631	11 320
Total number of interventions attended by black employees	**13 498**	13 819	14 209	10 041
Total number of interventions attended by black female employees	**8 859**	9 055	9 494	6 441
Total spend on training and development	**R10.1 million**	R11.2 million	R10.5 million	R9.7 million

Training and development highlights:

- Work-integrated learning for 90 hotel school students from hotel schools across South Africa to gain practical experience in the group's hotels. This programme allowed students to gain experience, while the group assessed their potential as future employees. Unfortunately these activities were curtailed from April 2020 due to the closure of the hotels and the disruption to the academic year.
- City and Guilds qualifications: Permanent employees may attend these programmes to earn internationally recognised qualification. A total of 76 employees wrote and passed their City and Guilds exams during the first half of the financial year, with a further 73 employees enrolled during the second half.
- Learnership opportunities to employed and unemployed individuals, as well as learnerships to disabled learners in partnership with the South African Disability Development Trust. We are currently hosting 10 previously unemployed and disabled learners.
- Placement of six unemployed youths from the Youth Employment Service (YES) Programme, which is an initiative sponsored by the President of South Africa. The youths were placed at Town Lodge Umhlanga for a year to acquire skills and experience, which they can use in future vocations. City Lodge also registered these placements for learnerships in Food and Beverage service, ensuring they complete their experience at CLHG with a National Qualification.

Broad-based black economic empowerment (BBBEE)

Over the past few years South Africa's BBBEE landscape has changed considerably. Our BEE committee keeps CLHG abreast of the latest developments and identifies key focus areas for the future.

The group maintained an overall Level 4 BBBEE contributor rating under the amended Tourism Sector Codes during the year. Our scorecard has remained largely consistent with the prior year and, similar to last year, the ownership net value score did not meet the sub-minimum requirement, resulting in a Level 4 rather than Level 3 accreditation.

CLHG's transformation steering committee has prioritised management control, skills development and supplier and enterprise development initiatives.

CLHG investment enabled our fresh produce suppliers to purchase farmland north of Johannesburg and commence small-scale farming. Funds were deployed to fence the property and build a pack house, cold storage facilities and hydroponic growing tunnels. We also connected these farmers to our other suppliers. Some of our suppliers provided additional funding for the developing farmers to increase their lands and vegetable production.

BBBEE ownership

Our BBBEE scheme was implemented in 2008 and its termination date extended to 2021.

Scorecard element	Weighting	2019/20	Score 2018/19
Ownership*Δ	27.00	**17.68**	16.90
Management control	19.00	**13.49**	13.71
Skills development*	20.00	**17.69**	17.84
Enterprise and supplier development*	40.00	**34.35**	34.89
Socio-economic development	5.00	**7.24**	8.00
Total BBBEE score	111.00	**90.45**	91.34

** Priority element.*

Δ Sub-minimum score not achieved, resulting in a one level penalty to overall rating.

CLHG is currently 22.50% black owned, with 11.59% being held by black women The current scorecard expires in September 2021.

SUSTAINABILITY REVIEW CONTINUED

SOCIAL AND RELATIONSHIP CAPITAL

Maintaining key relationships

While our hotels are constructed with bricks and mortar, our people, and the relationships they build with others, are the foundation upon which we grow and prosper. CLHG therefore adopts an inclusive approach towards creating long-term shared value for our shareholders, guests, employees, suppliers, and the communities in which we operate.

We actively engage with our key stakeholders and value their constructive feedback. Our various methods of engagement include, among others, face-to-face interactions, formal and informal communication platforms, results presentations, reports and our annual general meetings. We also engage through our marketing campaigns, advertising, electronic media, newsletters and roadshows. CLHG regularly conducts surveys among our guests and employees with the aim of continually improving service delivery, guest experience and employee satisfaction. During the reporting period, we obtained positive and constructive employee feedback via the WOW App, with appropriate individual responses given to each contribution.

Stakeholder feedback is discussed regularly at board meetings and ties into strategic decision-making where relevant. The social and ethics committee provides oversight of the group's stakeholder engagement and is responsible for keeping the board abreast of arising material matters.

Guest feedback, typically operational in nature, is included in reports to Exco for its members to consider. Any material or recurring aspects are discussed and addressed by our operations team.

Further information regarding our stakeholder relationships is available throughout this report:

Addressing stakeholders' interests	Stakeholder engagement table, pages 12 and 13
Interacting with our guests	Intellectual capital, page 59
Employee engagement	Human capital, page 63

Continuously making a difference

Corporate social investment (CSI) initiatives

CLHG runs an extensive corporate social responsibility programme aimed at helping people and the environment. Some are directed nationally by head office, while many others are managed regionally by each hotel general manager to benefit their local community. Over the past year, R3.5 million was donated to our various CSI initiatives.

Group initiatives

Guests booking to stay at any of the 62 CLHG hotels may choose a charity from our website and, on booking, a percentage is donated to the charity on behalf of our guests. We contribute R5 for every reservation made to the charity chosen. Our charity partners are Food and Trees for Africa and Hospice Palliative Care Association of South Africa. In addition, we run the Cuppa for CANSA initiative in our Road Lodge brand to support the CANSA Foundation.

While the group does not fundraise for charities directly, other than for our e-CSI and Cuppa for CANSA programmes, we utilise our hotel rooms and facilities as products or prizes for raising charitable funds.

Hotel initiatives

Each of our hotels adopts a local cause meaningful to their staff and partners. They will raise funds, refurbish buildings and generally assist with fulfilling specific needs of the selected cause. Hotels typically choose beneficiaries with which they or their staff already have a relationship. We encourage our people to spend time with our charities instead of simply writing out a cheque. CSI spend is budgeted in line with hotel performance and the BBBEE scorecard target of 1% of net profit after tax (which the group typically exceeds).

Sheets and towels that remain usable, but are no longer up to display standards, are donated to children's homes, hospitals and hospices.

Enterprise and supplier development

We assisted several businesses to grow and create much-needed employment opportunities through our innovative supplier development and support programmes. The group's preferential procurement framework continues to be a catalyst



for identifying enterprise and supplier development beneficiaries. The assistance we offer includes loans, human resource capacity, and coaching.

Following the support received last year, our fresh produce suppliers purchased farmland north of Johannesburg and commenced small-scale farming operations. During the reporting period, we increased our loan to Urban Grown by R1 million to help expand their crops.

During the year, the group contributed in excess of R1.5 million in financial support to enterprise development (ED) beneficiaries and we continued identifying new, black-owned small, medium and micro-enterprises (SMMEs) for the supply chain. Our total managed procurement spend for the 2019 assessment was R642.8 million, with 75% being spent on BBBEE compliant suppliers, of which 13.4% was spent with qualifying small enterprises and 10.5% spent with exempt micro-enterprises.

Guest satisfaction

The group has established a strong base of loyal guests over the past 35 years. We strongly believe that the CLHG offering is truly differentiated by passionate people delivering kind and caring services to our guests.

Guest comments are received internally by email at info@clhg.com, and online through the Rate-Us guest questionnaire. External sources are posts on channels such as Hellopeter.com, TripAdvisor, Facebook and Twitter. All matters are attended to as soon as possible.

The Rate-Us questionnaire received approximately 14 400 responses during the year, yielding an average customer satisfaction score of 89% (2019: 88%). Using this instant feedback mechanism, our guests share their experiences directly, allowing us to give them more of what they want and address any concerns they may have. Concerns are generally operational in nature and handled at hotel level in accordance with established process and protocol. Most compliments received are for exceptional service and friendly staff.

We track market perception via regular brand tracking surveys and by monitoring brand sentiment across social media on a monthly basis.

Awards

Although achieving guest satisfaction is our primary reward, we do appreciate being acknowledged by other service providers. The 2020 TripAdvisor Travellers' Choice (previously known as the Certificate of Excellence) for CLHG are:

- City Lodge Hotel Lynnwood
- City Lodge Hotel Two Rivers
- Courtyard Hotel Port Elizabeth
- Fairview Hotel

The group was also nominated for the Sunday Times 'Gen Next' award in the category 'Coolest Hotel Group'.

CLHG marketing awards – 2019/2020

Cannes

The Cannes Lions International Festival of Creativity is a global event for those working in creative communications, advertising, and related fields. It is considered the largest gathering of the advertising and creative communications industry. This year, we were awarded Gold, Silver, and Bronze Lions for our RADIO advertising campaigns.

One Show Awards

The One Show is arguably the most prestigious advertising, design and digital marketing award show in the world. This year, we achieved an array of awards for our isiZulu and English advertising.

D&AD Awards 2020

Design and Art Direction (D&AD) is a British educational charity which exists to promote excellence in design and advertising. It is most famous for its annual awards, the D&AD Pencils. During this year, we achieved three Wood Pencils for our Zulu radio advertising.

Loeries

As Africa and the Middle East's premier award for excellence in the advertising and brand communication industry, winning a Loerie Award is the highest accolade for creativity and innovation across our region. At the 2019 Loeries Awards event, the group won a coveted Grand Prix award and several Campaign Craft Gold awards.

Creative Circle

The Creative Circle is a non-profit organisation dedicated to promoting creativity as a business resource and maintaining high levels of creativity in the South African advertising industry. CLHG won first place for our radio advertising and second place for print.

Pendoring Awards

The Pendoring Advertising Awards are 25 years old this year – a truly unique initiative that celebrates 10 of South Africa's indigenous languages. In 2019, we were awarded a Grand Prix and three Campaign Craft Golds for our radio and audio campaigns.



CORPORATE GOVERNANCE REPORT

Governance framework and statement of compliance

Efforts to ensure that the group is managed in an efficient, responsible and ethical manner, in the interests of its stakeholders, is ongoing. Governance influences how the group's objectives are set and achieved, how risk is monitored and assessed and performance is optimised and in so doing plays a critical role in delivering sustainable value for shareholders.

The board is the focal point for and custodian of the group's corporate governance system and is ultimately accountable and responsible for the performance and affairs of the company. It strives to continually enhance the group's governance system, recognising that the achievement of a long-term sustainable business depends on stable, well-functioning and well-governed social, economic and governance practices.

The group's governance framework has been designed to promote a positive ethical culture and ensure compliance with applicable laws, regulations, non-binding rules, standards and frameworks and codes of best practice, including:

- King IV™
- JSE Listings Requirements
- South African Companies Act
- International Integrated Reporting Framework, taking the size, nature and complexity of its operations into account.

By carrying out its responsibilities within a framework of policies, procedures, controls and powers of execution, the board ensures that governance objectives are properly implemented, managed, reviewed and adjusted to ensure they are appropriately aligned and enable it to identify areas that need to be addressed, further entrenched or improved upon, where necessary.

The board, committees and management are responsible for embedding practices into the group's businesses, consistent with these principles.

Initiatives undertaken to enhance the governance framework during the reporting period, and which will remain areas of focus for the foreseeable future, included:

- enhancing the group governance framework
- reviewing the board and committee's charters to ensure they remain aligned with the principles and recommendations contained in King IV™
- enhancing disclosures in the IR, particularly around remuneration
- reviewing the remuneration philosophy and policy to ensure that it remains relevant and aligned with best practice
- ongoing efforts to address King IV™ gaps identified as requiring improvement
- continuing advancement of the group's ethics management, particularly in terms of ethics awareness
- Protection of Personal Information Act (PoPI Act) and General Data Protection Regulation (GDPR) compliance readiness, which includes privacy awareness and prioritisation, privacy risk assessment and road map design and planning, privacy policy formation and implementation against a documented privacy execution plan.

The principles and recommended practices contained in King IV™ are reviewed annually and recorded in a register, which is available on the group's website at **www.clhg.com** (Stakeholder Relations/King IV™ Governance Register), demonstrating the group's implementation of the appropriate governance practices.

The board is satisfied that the company has satisfactorily applied the principles and recommended practices of King IV™ as are appropriate to its business.

Ethical leadership

The group:

- conducts its business within the framework of applicable laws, regulations, non-binding rules and recognised codes of good practice
- is committed to conducting its business ethically, which it has achieved through the adoption of certain values and principles, including personal integrity and fair play, while building a sustainable company that recognises the short and long-term impact of its activities on the economy, society and environment within which it operates. The board provides effective leadership based on a principled foundation and is ultimately accountable for the group's ethics. Management is, in turn, responsible for formulating and implementing a well-designed ethics management process.

The code of ethics and business conduct (the code), which applies to all directors and employees, is available on the group's website, **www.clhg.com**, and raises awareness around ethics by providing clear guidelines on what are considered acceptable values and behaviour to guide day-to-day decision-making. Although the explicit values describe the core of ethical behaviour, they are not exhaustive of all the ethical norms that guide the behaviour.

The code is communicated to all employees during their induction. In addition to accepting the code, all employees undertake to declare conflicts of interest and gifts received.

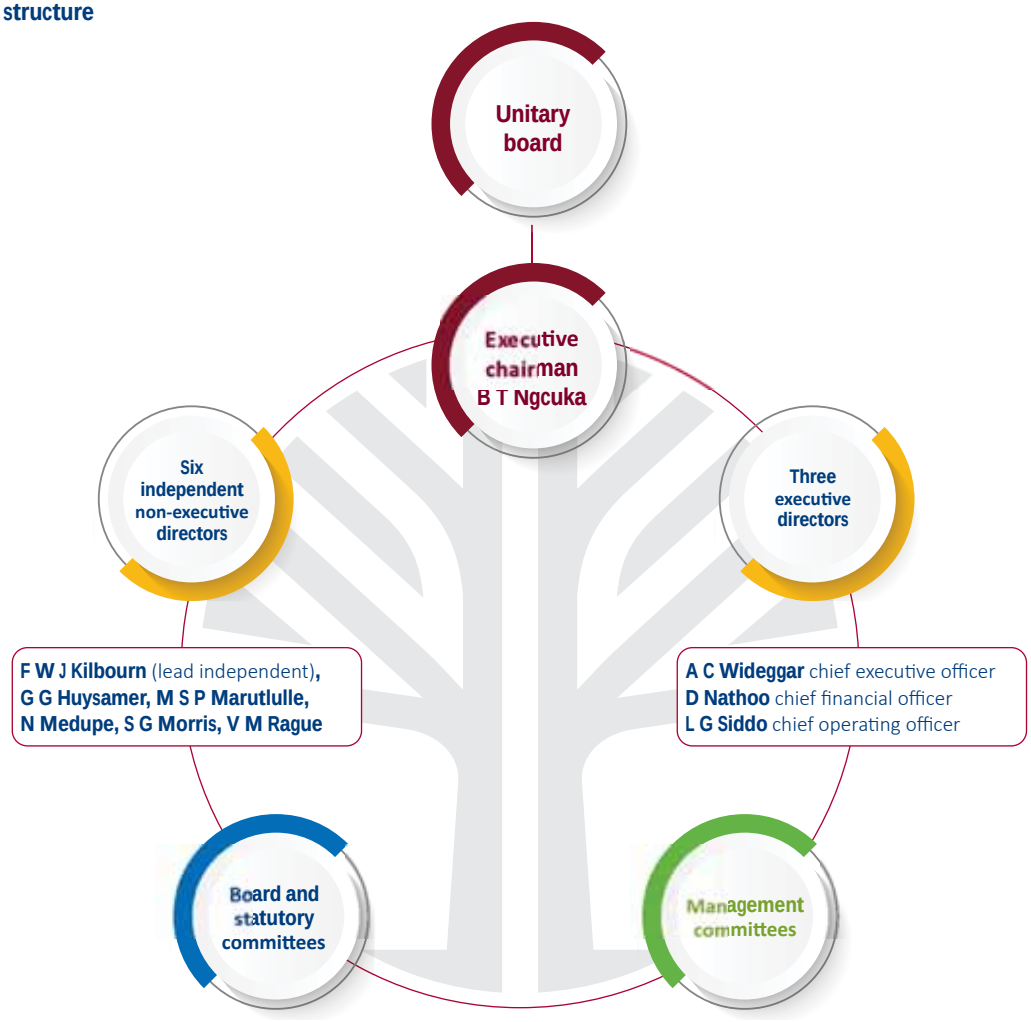
The group applies a zero-tolerance approach to violations of the code and responds to contraventions by taking the necessary action, which can include disciplinary, civil and/or criminal action, as well as effecting improvements to the control environment.

In addition to the internal reporting mechanisms in place, there is an independently operated whistleblower alert line, managed by Whistle Blower Proprietary Limited, through which stakeholders can anonymously and confidentially report purported unethical or corrupt behaviour. The service, details of which can be found on the group's website, **www.clhg.com**, is available seven days a week, 24 hours a day. All reported incidents are investigated and, where appropriate, action is taken.

In total, 12 calls were logged during the year under review, four of which were duplicates in that they related to the same issue at a specific hotel.

All calls were investigated, and the majority were found to be internal grievances and were dealt with in accordance with the group's internal grievance procedure. Of the remaining calls, none indicated a material breach in the required standard of ethical behaviour.

Governance structure



Audit (statutory and board)
S G Morris (chairman), F W J Kilbourn, G G Huysamer, N Medupe

Risk (board)
N Medupe (chairman), G G Huysamer, S G Morris, D Nathoo, V M Rague, A C Widegger, M S Kobilski (divisional director)

Remuneration and nominations (board)
F W J Kilbourn (chairman), S G Morris, B T Ngcuka

Social and ethics (statutory and board)
M S P Marutlulle (chairman), L G Siddo, A C Widegger

Executive Committee (Exco)
Chaired by chief executive officer

Management Development and Succession Committee (Mandasco)
Chaired by chief executive officer

Transformation committee
Chaired by chief operating officer

Environmental sustainability steering committee

CORPORATE GOVERNANCE REPORT

CONTINUED

The board retains full and effective control of the group and is ultimately accountable and responsible for its performance. This includes responsibility for reviewing and guiding corporate strategy through the establishment of key policies and objectives, understanding the key risks faced by the group, determining the risk appetite, tolerance and preferences of the group and the processes in operation to mitigate these. The board has overall responsibility for the management of the group and for maximising shareholder value.

Assisting the board in carrying out its duties, promoting continued good governance and providing in-depth focus in specific areas, are the various board, executive and management committees depicted in the governance structure on the preceding page. Each committee operates in accordance with board-approved terms of reference, which define their roles and responsibilities, comprises appropriately skilled members, allows for senior management participation and has access to specialist advice when considered necessary. Terms of reference are reviewed periodically and updated where necessary to ensure they are aligned with current best practice, as well as internal, market, legislative and regulatory requirements and, with the exception of the management committees, is chaired by an independent non-executive director.

Various informal committees may be established for the purpose of gathering of information, agreeing on and tracking actions, and where necessary, escalating findings or recommendations to decision-making forums.

The board

The board operates in accordance with a formally approved charter that, in addition to setting out the processes and practices that have been adopted to assist it in the effective discharge of its responsibilities, defines the roles and responsibilities of the board and its directors, as well as its composition and ensures that board activities conform to sound corporate governance principles and comply with applicable legislation. It also sets out the division of responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision-making. No changes were effected to the charter during the year under review.

All board members are aware of their collective, as well as individual, responsibilities.

In carrying out their duties, directors are required to:

- act in good faith and for a proper purpose, exercise due care and skill in the best interests of the company and its stakeholders
- avoid conflicts of interest
- conduct themselves according to the highest standard of personal and professional integrity and set the standard for ethical conduct and promote ethical behaviour and compliance with all applicable laws and adopted non-binding rules, codes and standards
- act within any limitations imposed by the board on its activities
- exhibit characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

The board conducts its chartered responsibilities through workplans set to timelines.

Primary areas of focus include monitoring, reviewing and implementing matters of a strategic, financial, non-financial (including governance, compliance, ethics, sustainability and social responsibility) and operational nature.

The board takes the lead in guiding the group's strategic direction, ethics, governance processes, operating, financial, as well as non-financial performance.

Each group operating subsidiary company is governed by a board of directors established in accordance with the laws of the country in which it operates, which meet as required. Certain members of Exco serve as directors on these boards and report to the board on their activities at each meeting.

Composition

The board may, in accordance with the memorandum of incorporation (MoI), comprise a minimum of four directors and a maximum of 12 directors, the majority of whom must be non-executive directors (NEDs). The majority of the NEDs must be independent, as defined in King IV™. The board currently comprises 10 members, six of whom are independent and three of whom are executive.

The chief executive officer (CEO), chief financial officer (CFO) and chief operating officer (COO) serve as the executive directors (EDs) on the board.

Each of the NEDs are individuals of high calibre, with sound credibility, who possess the requisite knowledge, skills and experience to make a meaningful contribution to and ensure the effective leadership of the company. All directors participate actively in board deliberations and decision-making processes.

Alastair Dooley resigned as CFO, member of the board and risk committee on 9 March 2020 and was replaced by Dhanisha Nathoo in all of these roles.

Independence

Independence of long-serving NEDs is reviewed annually to ensure that they can continue to be classified as independent.

The process of gauging independence includes, in addition to participation at meetings, an assessment of the director's independence of behaviour and judgement and whether there is an interest, involvement, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making and the ability to act independently.

Part of the process requires disclosure by each director of external associations and/or relationships. At its most recent assessment, the board concluded that:

- the chairman, Bulelani Ngcuka, is not considered independent due to his substantial interest in one of the group's BEE shareholders

- Frank Kilbourn, Stuart Morris and Ndumi Medupe continue to contribute to board deliberations in a manner that is objective, meaningful and unbiased and that their independence in character and judgement is in no way affected or impaired by their tenure on the board or, in the case of Mr Morris, age, and there is no interest, involvement, position, association, relationship or circumstance that is likely to, or could appear to, affect their independence. Having regard to the impact of the COVID-19 pandemic on the group and the commitment, insight and contributions made by these individuals to the decisions taken to ensure the sustainability of the group, there is no doubt as to the value added by them, not only as a result of their individual knowledge and expertise, but also due to their intimate knowledge of the business of the company and the industry which it forms part of. Furthermore, considering the cyclical and specialist nature of the tourism industry, requiring directors to resign after nine years is not only impractical, but not in shareholders' best interests, particularly during this period of recovery for the company.

Appointment, rotation and retirement

The policy on selection and appointment of directors to the board and gender diversity sets out the process around the selection and recommendation of candidates for appointment to the board, which is formal and transparent and a matter for the board as a whole, assisted where appropriate by the remuneration and nominations committee (Remcom). Appointments are made on merit against objective criteria, having regard to suitability for the role, board balance and composition, required mix of skills, background, knowledge, experience and expertise required and taking independence, diversity and gender into account. All potential board appointees are subject to a fit and proper test, in accordance with the JSE Listings Requirements, and all appointments are subject to shareholder approval.

NEDs have no fixed term of appointment or service contract. In accordance with the group's MoI, at least one-third of the NEDs retire by rotation at the group's annual general meeting. The directors so retiring may, if eligible, offer themselves for re-election.

EDs are full-time salaried employees engaged on the group's standard terms and conditions of employment, which may be terminated on three months' notice. Termination of an ED's employment contract will result in resignation from the board and its committees.

EDs do not receive fees for their services as a director on the board or member of the board and statutory committees and do not retire by rotation at the annual general meeting.

Newly appointed directors retire at the first annual general meeting following their appointment and make themselves available for re-appointment by shareholders.

The retirement age for a NED is 70 years, subject to review at the discretion of the board, and 65 years for an ED.

Despite having reached retirement age, the board wishes to continue to avail itself of the services of Mr Morris, as he continues to be a valuable member who contributes meaningfully to board and committee deliberations and on the basis that his independence, which is reviewed annually, continues.

The group acknowledges the importance of diversity as a contributor to board effectiveness and supports the principles and objectives of diversity at board level. While no voluntary targets have been set, Remcom considers race and diversity and the promotion thereof on an annual basis. Currently, the board comprises six (60%) persons of colour, four (40%) of whom are female.

The strong representation of tourism industry expertise and experience blends well with the diversity of experience in other areas and serves to strengthen the board's collective business acumen.

As such, the board is satisfied that it possesses the appropriate mix of knowledge, skills, experience, diversity and independence to discharge its responsibilities.

Where a vacancy arises, or there is a requirement for an additional board appointment, consideration will be given to recommending for appointment a person of colour and/or female, on the basis that suitable candidates are available and with due regard to the mix of skills and experience currently represented and required.

Having considered the suitability of the directors retiring by rotation and being available for re-election, the board has resolved to put the directors, whose brief curricula vitae are set out on pages 16 and 17, forward to shareholders for re-election.

Board leadership

Responsibility for running the board and for running the group's business are two critical functions. To ensure effective governance, the roles of the chairman and CEO are distinct from one another. Separation of these roles ensures a clear division of responsibilities, which is necessary to ensure a balance of power and authority, so that no one individual has unfettered powers of decision-making.

Chairman of the board and lead independent director (LID)

The chairman is responsible for setting the ethical tone for the company, ensuring the integrity and effectiveness of the board's governance processes, acting as the link between the board and management and providing leadership and vision in a manner that serves to enhance shareholder value and ensure the long-term sustainability of the company. The chairman's responsibilities are as detailed in the board charter.

Where the elected chairman is not considered to be independent, the board, in line with the recommendations of King IV™ and the JSE Listings Requirements, will appoint a LID to strengthen independence on the board and provide leadership and advice in matters where there may be an actual or perceived conflict of interest. The LID's responsibilities are as detailed in the board charter.

CORPORATE GOVERNANCE REPORT

CONTINUED

The chairman and LID are elected annually.

The board is comfortable that Messrs Ngcuka and Kilbourn are able to effectively carry out their respective duties and has accordingly re-elected them as chairman and LID for the ensuing year.

CEO

The CEO is appointed by the board and serves as the link between management and the board, ensuring the group's day-to-day business affairs are effectively managed.

The CEO's responsibilities are as detailed in the board charter and his job description and includes, inter alia:

- implementation of the board-approved strategies, objectives and decisions within the framework of the delegated authorities, values, operational planning and policies of the company
- developing and recommending the annual business plan and budget
- monitoring and reporting on company performance
- ensuring key management roles are occupied by individuals with the necessary competence and authority and that the functions are appropriately resourced
- serving as the link between management and the board.

Board meetings and procedures

Meeting dates are established in advance of each calendar year. The board works to a formal agenda prepared by the company secretary, in consultation with the chairman. Board packs containing the meeting agenda and relevant supporting documentation are circulated in advance of each meeting to allow sufficient time for preparation.

Where a director is not able to attend a meeting, he/she informs the chairman of the board or relevant committee, as well as the company secretary of this, together with the reason for his/her absence.

Directors may, when they are unable to attend in person, participate electronically via video and/or teleconferencing facilities and, where appropriate, make submissions on matters to be tabled for discussion, which submissions are recorded at the meeting. Decisions taken between scheduled board meetings, as provided for in the group's MoI, are tabled for noting at the subsequent board meeting.

Details of the type and number of meetings held during the year under review, as well as individual director attendance, are set out in the table below.

Board and committee meeting schedule and attendance

	Board	AGM	AC	R&NC	RC	SEC	Ad hoc – Rights offer and BEE sub-committee
Number of meetings	**5**	**1**	**3**	**3**	**3**	**2**	**11**
A W Dooley	3[+]	1[+]	2*[+]	–	2[+]	–	1[+]
G G Huysamer	5	1	3	–	3	–	11
F W J Kilbourn	5	1	3	3	3	–	11
N Medupe	5	1	3	–	3	–	–
B T Ngcuka	5	1	–	3	–	–	–
M S P Marutlulle	4[Δ]	0[Δ]	–	–	–	2	–
S G Morris	5	1	3	3	3	–	11
V M Rague	5	1	–	–	3	–	–
K I M Shongwe	1[+]	0[+]	–	–	1[+]	0[+]	–
L G Siddo	5	1	–	–	–	2	–
A C Widegger	5	1	3*	3*	3	2	11*
D Nathoo	2[#]	0[#]	1*[#]	–	1[#]	–	10*[#]

* *By invitation*
– *Not a member*
[Δ] *Apologies*
[+] *Resigned*
[#] *Appointed 9 March*

Meeting dates

14 August 2019
7 November 2019
19 February 2020
25 March 2020
20 May 2020

Annual general meeting date

7 November 2019

Induction and ongoing training and development

To assist them in the effective discharge of their responsibilities, directors are afforded the benefit of an induction programme tailored to their individual needs and aimed at broadening their understanding of the company and the business environment within which it operates.

The company shares the responsibility of ensuring directors are equipped with the necessary skills to effectively carry out their duties and, when it is deemed appropriate, directors can avail themselves of continuing professional development programmes.

Succession plan

The board:

- is responsible for its own succession planning and aims to balance the fresh perspectives from new members with the experience and knowledge of those with longer tenure
- annually reviews the succession plans in place for the EDs and other senior executives.

Information and communication

Directors have:

- access to the advice and services of the company secretary and may, where necessary, and in accordance with the board-approved policy, seek independent professional advice at the group's expense
- unrestricted access to all company information and senior management to assist them in the discharge of their duties and responsibilities.

Group strategy

Strategy, risk, performance and sustainability are inseparable. The board assumes responsibility for:

- formulating, developing and adopting the group's strategic plans and providing effective leadership and oversight of performance against targets and objectives
- satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management
- ensuring that the strategy will result in sustainable outcomes
- considering sustainability as a business opportunity that guides strategic formulation
- monitoring management in implementing board plans and strategies.

Progress on the implementation and achievement of the group's strategic objectives is monitored on an ongoing basis and is reported at each meeting of the board and Exco. COVID-19 and the resultant lockdown interrupted the implementation of certain strategic objectives and resulted in an ongoing review and adjustment, where appropriate, of the current objectives, to see the company through the current situation and the medium to long term.

Evaluation of the board, chairman, CEO and company secretary

Board effectiveness is regularly assessed by way of a self-assessment. Where a director's performance is not considered satisfactory, the board will not recommend him/her for re-election.

The board is satisfied that it operates effectively, is suitably constituted, possesses the appropriate skills, experience and expertise and that it has discharged its responsibilities as detailed in the board charter and annual work plan.

The chairman

The LID assesses the performance and leadership of the chairman in an informal manner.

The CEO

The chairman of the board, in consultation with the NEDs, assesses the performance of the CEO.

Company secretary

The appointment and removal of the company secretary is a matter for the board as a whole.

The group company secretary ensures statutory and legal compliance, as well as adherence to the JSE Listings Requirements and relevant governance principles. She is responsible for guiding the board in discharging its responsibilities, assumes responsibility for administering the proceedings and affairs of the board, monitors directors' dealings in securities, ensures adherence to closed periods, communicates with stakeholders and liaises with the group's transfer secretary and sponsor.

Melanie van Heerden is an admitted attorney, notary and conveyancer, holding BCom and LLB degrees, with 18 years' post-qualification experience. Her academic and professional qualifications were externally verified prior to appointment.

In accordance with both the JSE Listings Requirements and King IV™, the performance and independence of the company secretary is evaluated annually. The board, while evaluating her performance and interactions with the directors individually and the board as a whole, concluded that Mrs van Heerden is suitably qualified and experienced and is satisfied that she demonstrates the requisite competence to continue to hold the office of group company secretary. The board is furthermore satisfied that the arrangements in place for providing corporate governance services are effective.

CORPORATE GOVERNANCE REPORT

CONTINUED

Board, statutory and management committees

A number of board, statutory and management committees have been established to assist with the balance of power and the execution of the board's responsibilities, as well as facilitate efficient decision-making and promote independent judgement.

Delegation in no way relieves the board from discharging its duties and it remains ultimately accountable for the performance and affairs of the company. The delegated responsibility and the powers, limits and authorities attached to board committees are determined and approved by the board, from time to time.

Each committee, with the exception of the management committees, is chaired by an independent NED who reports on the activities and recommendations made by the committee at the board meeting immediately following the committee meeting. Minutes of all board and statutory committee meetings, save for Remcom, are tabled for noting by the board. The group company secretary serves as secretary for all the committees.

Additional meetings may be convened when necessary to address urgent matters falling within the committee's scope of responsibility. No such meetings were held during the year.

The board regularly assesses the composition of the committees to ensure that each possesses the appropriate balance of skills, knowledge and experience, as well as the need for additional committees, to assist it in carrying out its duties and meeting its statutory and other legal requirements. The following changes in committee composition took place during the year under review:

- Sizakele Marutlulle was appointed as member and chairman of the social and ethics committee (SEC)
- Keith Shongwe resigned as member and chairman of the SEC
- Alastair Dooley resigned as member of the risk committee
- Dhanisha Nathoo was appointed as a member of the risk committee.

As with the board, the effectiveness of each committee is considered at regular intervals and entails a self-assessment. Any areas identified as requiring improvement are considered and the appropriate measures put in place.

The board is satisfied that each committee operates effectively and has discharged the responsibilities detailed in their respective terms of reference, at the intervals indicated in the annual work plan.

The chairmen of the respective committees attend the annual general meeting to respond to any questions shareholders may raise with regard to matters falling within their respective committee mandates.

The CEO chairs the Exco and Mandasco, which have been established to assist him in the discharge of the responsibilities delegated to him by the board.

The board has four standing committees – audit, Remcom, risk and SEC.

Audit committee

The audit committee is a statutory committee whose members are appointed annually by the shareholders and which also serves as the audit committee for the group subsidiary companies. Members are elected annually in accordance with the Companies Act and King IV™ by shareholders, on the recommendation of the board. It assists the board in the discharge of its statutory duties, as well as other duties assigned to it by the board.

The committee meets at least three times a year and comprises four members, all of whom are independent NEDs who are financially literate and have the necessary business and financial acumen to carry out the committee's responsibilities. The CEO, CFO, lead external audit partner and internal audit partner attend committee meetings by invitation, but do not vote on any matters tabled for discussion.

Its responsibilities include:

- safeguarding the group's assets, the operation of systems, control processes and the preparation of accurate financial reports and statements in compliance with relevant legal requirements and accounting standards
- evaluating the adequacy and efficiency of internal control systems, accounting practices and information, as well as the auditing thereof
- considering the internal and external audit process and accounting principles and policies
- ensuring the independence of the external and internal audit functions
- preparing materially accurate financial reporting information and statements in compliance with applicable legal and regulatory requirements and accounting standards
- ensuring legislative and regulatory compliance, as well as compliance with applicable codes.

The internal and external auditors have unrestricted access to the committee through the chairman.

Meetings and activities

The three meetings held during the year focused on:

- examining and reviewing reports to shareholders, including financial and sustainability reports
- reviewing the annual financial statements, interim reports, accompanying reports to shareholders, preliminary results announcement and any other announcement regarding the group's results or other financial information to be made public, prior to submission and approval by the board
- reviewing the internal control structures, including financial control, accounting systems and reporting

- considering and satisfying itself that the company has established appropriate financial reporting procedures and that these procedures are operating effectively, as required by paragraph 3.84(g)(ii) of the JSE Listings Requirements
- nominating the registered auditor, including the lead audit partner, having executed its responsibilities as set out in paragraph 3.84(g) of the JSE Listings Requirements
- reviewing and approving the scope of work, the external audit budget and nature and extent of non-audit services
- monitoring and supervising the effectiveness of the internal audit function, including the performance of the internal audit partner
- ensuring that the roles and functions of external and internal audit are sufficiently clarified and coordinated
- reviewing and approving the annual internal audit plan and fee, and receiving internal audit's written assessment of operational controls
- receiving reports and noting the minutes from the risk committee with regard to the policy and plan for risk management and its implementation
- overseeing the implementation of the IT governance framework and ensuring that it aligns with the group's performance and sustainability objectives
- monitoring and evaluating significant IT investments and expenditure
- ensuring that IT forms an integral part of the group's risk management process and that information assets are managed effectively
- overseeing financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting and IT risks as they relate to financial reporting
- pre-approving and monitoring the extent of non-audit services provided, which for the year under review represented 22% (2019: 29%) of the total audit fee paid
- monitoring revenue recognition and valuation of property, plant and equipment, specifically impairment losses and the resultant impact on the going concern assertion, which had been highlighted as key audit matters
- monitoring legislative and regulatory compliance and compliance with governance codes and accounting standards (local and international)
- considering and approving the material issues facing the company, against which reporting will take place
- approving the annual work plan against which the agenda for committee meetings will be prepared and monitoring progress against it
- considering and satisfying itself as to the independence of the external auditors and determining that the reporting accountant is accredited in accordance with the provisions of the JSE Listings Requirements.

The external and internal auditors and representatives from senior management meet at least annually with the committee independently of one another to report back and discuss any issues relevant to the audit process. During its meeting with management, the committee, in addition to discussing issues relevant to the audit, considered the quality and effectiveness of the external audit function and concluded that it was satisfied with the performance and level of services rendered by the external auditor.

On the basis that the auditor does not function in the role of management, does not audit its own work or serve in an advocacy role for the company, the committee concluded that the non-audit work performed did not impair the independence of the auditors.

Furthermore, notwithstanding that KPMG has served as the group's auditors since 1986, the committee is satisfied that KPMG has acted with unimpaired independence.

The board, on the recommendation of the audit committee, has therefore nominated KPMG for reappointment as the group's registered auditor for the ensuing year, with Dwight Thompson, who has served as the group's engagement partner for three years, as the engagement partner at the forthcoming annual general meeting.

Both the external and internal audit partners attend the annual general meeting to respond to any questions shareholders may raise.

Remcom

Remcom comprises three NEDs, including the chairman and the LID. The LID serves as chairman of the committee. The CEO attends meetings by invitation, but does not have a vote on matters to be decided upon nor does he participate in the decision-making process relevant to his remuneration.

The chairman of the board drives the nomination process and leads the nomination portion of meetings.

The committee assists the board in discharging its responsibilities for:

- ensuring the board and its committees are appropriately constituted by:
  - identifying and evaluating individuals qualified to become board and committee members and ensuring their appointment through a formal and transparent process
  - ensuring that the appropriate succession plans are in place
- developing the group's remuneration policy and setting the direction for how remuneration should be approached and addressed on an organisation-wide basis and specifically at an executive and senior management level to ensure that they are fairly and responsibly remunerated.

CORPORATE GOVERNANCE REPORT

CONTINUED

Remcom is responsible for:

- ensuring that the directors and executives are fairly and responsibly remunerated and that the disclosure in respect thereof is accurate and transparent. Remcom does this by overseeing the implementation of remuneration policies in relation to NEDs, EDS and other senior executives and reviewing the outcomes of the implementation of these policies and evaluating whether they promote the achievement of the group's strategic objectives and encourage individual performance. Where circumstances necessitate, Remcom will recommend the necessary improvements to the board
- reviewing other remuneration-related matters, as the board may from time to time direct
- considering the appropriate composition, in terms of size, mix, knowledge and experience for the board and its committees
- ensuring there is a formal process in place for the appointment of directors
- ensuring that induction and ongoing training and development of directors takes place
- ensuring that formal succession plans for the board, CEO and senior executives are in place.

Meetings and activities

The committee met three times during the year and focused on:

- enhancing remuneration disclosure by taking the principles and recommended practices of King IV™ into account
- reviewing Exco's remuneration packages in accordance with the group's approved remuneration policy, which included mandating a third-party service provider to conduct a benchmarking exercise and assist in the formulation of a recommendation to the board
- determining, following review of associated performance criteria, the vesting or lapsing of short-term and long-term incentive awards
- considering the succession plans in place for the board, EDs, Exco and senior management and approving the group's organisational structure, as well as executive structure and reporting lines
- receiving and approving the committee's annual work plan against which the agenda for committee meetings is prepared to ensure that the committee attends to all matters falling within its mandate
- determining, with reference to the labour cost containment measures implemented at operational level as a result of the impact of COVID-19, NEDs' fees for recommendation to the board and subsequent approval by shareholders
- determining, in light of the impact of COVID-19 on the business and its ongoing sustainability, the labour cost containment contingency measures that needed to be put in place, including
  - implementation of salary reductions, at general staff, as well as executive level
  - placing a moratorium on the award of short-term incentives for the second six months for those who are measured bi-annually, as well as on annual awards for those who are measured annually
  - implementation of a zero percent salary increase across the board on 1 August 2020
- considering directors retiring by rotation and formulating a recommendation to the board, subject to them making themselves available for re-election
- reviewing the contribution of long-serving directors and confirming their ongoing ability to contribute to board deliberations in a manner that is objective, meaningful and unbiased
- reviewing, with reference to the definition of prescribed officers and the effect on those falling within the definition in terms of the Companies Act, King IV™ and the JSE Listings Requirements, the group's classification and recommending to the board that only the CEO, CFO and COO, and not the full Exco, fell within the ambit of the definition and various requirements relating to, inter alia, the associated duties and responsibilities, as well as disclosure requirements
- commencing investigation into the merits, and associated requirements, of introducing malus and clawback clauses in executive remuneration schemes given recent high profile cases of fraud, misrepresentations and/or material errors and to align the interests of management with shareholders, despite being of the view that the nature of the business was not one which was open to manipulation of financial or other information for purposes of determining whether a bonus is payable.
- reviewing the group's remuneration policy and report for tabling at the annual general meeting of the company by way of separate non-binding advisory votes.

Details on how Remcom discharged its responsibilities can be found in the remuneration report on pages 84 to 100.

Risk committee

Risk appetite and tolerance are fundamental concepts setting the context for determining the group's strategic objectives and are informed by the group's risk culture and details the risks the group can or is prepared to take and which are to be avoided.

The board determines the group's risk appetite and tolerance levels, while management assumes responsibility for implementing and monitoring the processes of risk management and for the integration thereof into the day-to-day activities of the company.

The group's enterprise risk management process encompasses the review, identification, quantification, prioritisation, response to and monitoring of the consequences of both internal and external risks and also accounts for new and emerging risks and opportunities. It also promotes ownership of risk areas and accountability for risk management. Risk and control procedures are developed, and enhanced upon, on an ongoing basis to improve risk identification, assessment and monitoring. Risks are assessed in terms of potential impact and likelihood. Inherent risk is determined with reference to an evaluation of impact and probability and its significance to the business, while residual risk is determined with reference to the mitigating strategies in place.

The committee meets at least three times a year and is responsible for ensuring that the company has implemented an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and determining the group's risk appetite and tolerance levels.

Four of the seven members are independent NEDs, and the remaining members are Exco representatives. All members have the necessary risk management skills and experience required to discharge the committee's responsibilities.

The chairman of the board is not a member of the committee.

Role and responsibilities

The risk committee assists the board in discharging its responsibilities associated with risk management by reviewing the effectiveness of the processes and procedures adopted by management in relation to identifying, evaluating, documenting, managing, monitoring and reporting on risks and the assurance provided thereon.

It is the committee's responsibility to ensure that an effective policy and plan for risk management, that will enhance the group's ability to achieve its strategic objectives, has been implemented.

Responsibilities include:

- overseeing the development of a policy and plan for enterprise risk management in the form of an enterprise risk register (ERR) (taking market risk, credit risk, liquidity risk, operational risk and commercial risk into account) and annually reviewing and recommending its approval to the board
- continually monitoring the implementation of the policy and plan through risk management systems and processes
- evaluating the nature and extent of the risks that the company is willing to take to achieve its strategic objectives and making recommendations to the board concerning the levels of tolerance and risk appetite and monitoring that risks are managed within these levels, as approved by the board
- reviewing the nature, extent and parameters of the group's risk/reward strategy in terms of risk appetite and tolerance relative to reward, as well as the limit of potential loss which the company can accept and ensuring that risks are quantified where practicable
- reviewing and approving the scope of work of the risk management function, the systems and/or research required and planned activities, and satisfying itself that the function is sufficiently resourced to provide adequate assurance to the committee and specifically that appropriate resources are directed towards areas of high risk
- monitoring that management creates and maintains an effective internal control and risk management environment and that risk is properly identified, managed and monitored
- monitoring and reviewing the implementation and execution of risk management within the business on an ongoing basis
- reviewing the effectiveness and efficiency of the enterprise risk management (ERM) system and being assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate company policies
- regularly receiving a register of the group's key risks and potential material risk exposures;
- reporting to the board any material changes to and/or divergence from the risk profile of the company
- considering the deliberations of management, the SEC, audit committee, as well as the board to ensure appropriate consideration of key risks facing the company
- periodically reviewing insurance and other risk transfer arrangements and considering the adequacy of the coverage in place
- expressing the committee's formal opinion on the effectiveness of the system and process of risk management, including instances where the determined tolerance levels have been exceeded or deviated from materially in the Integrated Report
- considering internal audit's statement regarding the adequacy, effectiveness and efficiency of internal controls, governance and risk management
- reviewing the impact that significant litigation could have on the group
- reviewing reporting concerning risk management for inclusion in the IR for timeliness, comprehensiveness and relevance
- reviewing and approving of the combined assurance model
- liaising closely with the audit committee to exchange information relevant to risk, financial control and reporting
- overseeing the distribution of the risk management plan throughout the company and its integration in the day-to-day activities of the company
- monitoring the implementation of operational and corporate risk management plans
- considering the need to receive periodic independent assurance on the effectiveness of risk management
- reviewing the risks within the combined assurance model and ensuring coordination with the audit committee, which is ultimately responsible for combined assurance
- reviewing the compliance monitoring plans and policies and determining whether adequate and effective controls are in place to ensure regulatory compliance.

Key focus areas include the management, rather than elimination, of risk, and ensuring comprehensive, timely and relevant disclosure with regard to risks facing the company as no risk management system or combined assurance provided can give absolute certainty that the risks the company faces are fully understood and can be avoided. While the committee assumes responsibility for overseeing the risk management programme

CORPORATE GOVERNANCE REPORT

CONTINUED

in place for the group, management is responsible for identifying and evaluating strategic and operational risks and opportunities, putting the necessary mitigating strategies in place, allocating responsibility, formulation of a risk management plan and monitoring compliance against the plan. Exco supports the committee in discharging its responsibilities.

Meetings and activities

Three meetings were held during the year with particular focus being given to:

- the far-reaching risk presented by the COVID-19 pandemic, specifically the responses to and strategies put in place to mitigate the impact on the company and its operations, not only during the crisis, but beyond
- confirming its satisfaction with the effectiveness of the risk management system and processes in place and that the risks facing the company are being addressed appropriately
- receiving the CEO's report on the status with regard to the group's key risks
- considering the governance, legal and compliance reports, incorporating calls to the whistleblower alertline
- considering uninsured and uninsurable risks and adequacy of cover
- annual review of the committee's terms of reference to ensure alignment with King IV™
- investigating and securing appropriate cyber incident cover
- approving the committee's annual work plan against which meeting agendas are prepared.

In light of the fact that the overall risk landscape will have changed during and post-COVID-19, the annual review of the ERR was deferred beyond the current financial year when it is anticipated that the effect of the pandemic will have stabilised somewhat.

The material issues on pages 26 to 28 provide further detail on the material risks the company faces.

Managing the changes in the risk environment particularly insofar as they relate to cyber security, data privacy, sustainability, legal compliance and communicable, contagious and infectious diseases will continue to be areas of focus going forward.

The committee confirms its satisfaction that the group's risks are being managed appropriately and is comfortable with the risk management processes adopted by management.

Social and ethics committee (SEC)

The SEC is a statutory committee of the board responsible for monitoring compliance with relevant social, ethical and legal requirements, as well as best practice codes, organisational ethics, social and economic development, responsible corporate citizenship, environmental sustainability and stakeholder relationships, and as a board committee in respect of the responsibilities delegated to it by the board.

The SEC meets twice a year and comprises three members, an independent non-executive chair and two of whom are EDs.

The report detailing how the SEC has discharged its responsibilities in this regard appears on pages 101 to 102.

Ad hoc committee – BEE and rights offer committee

The BEE and rights offer committee was an ad hoc committee mandated by the board to consider options and make recommendations relating to the:

- the BEE transaction, which is due for redemption by 31 January 2021, as well as the consequences of the unwind for the 3 BEE SPVs and the company, and future BEE considerations
- various liquidity and capital measures, specifically the rights offer, including the timing, size and pricing thereof, given the significant impact of COVID-19 and the nationwide lockdown on the group's cash flow and ability to service its ongoing obligations.

The committee comprised three independent NEDs, Messrs Huysamer, Kilbourn and Morris with Mr Widegger and Ms Nathoo attending meetings as invitees.

A total of 11 meetings were held between December 2019 and June 2020.

Management committees

Exco

Exco is the most senior executive decision-making body within the group and assists the CEO in the implementation of strategies and policies adopted by the board, managing the group's day-to-day operations, as well as its overall performance and discharging the obligations delegated to the CEO by the board.

Exco comprises 11 members, is chaired by the CEO and meets at least quarterly.

Dhanisha Nathoo was appointed as CFO and member of Exco

with effect from 9 March 2020 following the resignation of Alastair Dooley.

Exco is specifically responsible for:
- implementing strategies and policies adopted by the board
- managing the day-to-day activities of the company
- prioritising and allocating the group's capital, technical and human resources
- establishing best management practices and functional standards
- appointing senior management and monitoring the performance of senior management
- maintaining a group-wide system of internal control to manage all group risks to support the board in discharging its responsibility in respect of the effective management of the risks associated with the group's operations and, in so doing, supporting the creation and preservation of shareholder wealth
- maintaining a group-wide legal compliance structure
- setting the appropriate ethical tone and creating an ethical environment
- developing and implementing business plans, policies, procedures and budgets, as approved by the board
- monitoring the group's operational and financial performance
- developing and implementing transformation initiatives
- developing and implementing corporate responsibility initiatives, including sustainability
- identifying, managing and developing talent
- managing the internal control environment and preparing reports for presentation to the audit committee
- maintaining the integrity of management information and financial reporting systems
- developing company policy guidelines, including the code.

Exco met formally on three occasions during the year. The pronouncement of strict lockdown protocols commencing 27 March 2020 to minimise the spread of COVID-19 in South Africa, including the closure of all shops and businesses (except for pharmacies, laboratories, banks, the JSE, supermarkets, petrol stations and healthcare providers) and similarly strict lockdown protocols implemented in the other African countries where the group operates, resulted in the temporary closure of the group's 62 hotels. In response and with a view to navigating the company through the challenges presented by the lockdown Exco was reconstituted as the COVID Rapid Response Team (CRRT) to include the general managers: operations and head of property and development. The CRRT met eight times between March and June 2020 to specifically:
- run scenarios covering both national state of disaster and national state of emergency and the associated consequences for the group
- address team health and safety, with specific focus on employees, as well as guests to ensure peace of mind when returning to the group's hotels
- monitor and review business strength, with particular focus on:
  - management and maintenance of hotels where operations were suspended temporarily
  - operations, covering preparation for resumption of operations, protocols, staffing requirements and refreshed food and beverage offerings
  - sales and marketing and a revised room rate strategy
  - IT support to the employees working remotely, to the hotels as and when they came online as government implemented its COVID-19 risk adjusted strategy and in preparation for less contact operations
- monitor the group's financial resilience, specifically the measures implemented in respect of cost containment and liquidity constraints
- consider execution clarity, aimed at timely and transparent communication
- monitor recovery and revival and the associated preparations for the opening of the economy and the group's hotels and beyond the lockdown.

Management Development and Succession Committee (Mandasco)

Mandasco meets at least quarterly and comprises nine members, including the CEO, who serves as chairman, the COO and divisional directors and general managers: operations, divisional director: HR and group talent manager.

The committee is responsible for ensuring that:
- effective management development practices that align with the group's business needs and human capital requirements are in place
- the group's employment equity and transformation objectives are advanced through the attraction and retention of the appropriate level of talent
- a suitable succession pool and talent pipeline is maintained.

The various programmes in place saw the following appointments being made during the year under review:
- General manager: one succession pool candidate
- Assistant general manager: four ADDP candidates and four succession pool candidates.

Governance processes

CORPORATE GOVERNANCE REPORT

CONTINUED

Combined assurance

The group, in its implementation of combined assurance, has identified a number of roleplayers who, when taken as a whole, enable an effective control environment, support the integrity of information used for internal decision-making and support the integrity of the group's external reports.

The key differentiating factor between these roleplayers is their levels of independence from the group's operational activities and the company itself.

The various lines of defence distinguish between:
- functions that own and manage risks as part of their day-to-day activities
- functions that oversee risks and provide robust challenge to the management teams
- functions that provide independent assurance.

First line of defence	Second line of defence	Third line of defence	Fourth line of defence
Management – including strategy development and implementation, performance measurement, risk management, company control and monitoring of compliance to laws and regulations	Corporate (specialist) functions and management committee oversight – the risk and compliance management structures of the company, such as risk management, compliance officers, occupational health and safety, legal services and internal control units	Independent assurance – made up of internal audit, IT audit, forensic audit (reactive), external audit and occasionally external regulators, sustainability and environmental auditors, actuaries as is appropriate to the company. These structures are largely independent of the operational activities of the company and provide assurance to the board	Oversight structures – made up of the overarching oversight structures in the company, including the board and its oversight committees such as audit, risk, SEC and Remcom

Risk management system

Risk management is an integral part of management processes. The group's effectiveness is enhanced when risk management is part of the culture and is embedded in its daily practices and business processes. Risk management focuses on the relationship between risk and its impact on achieving objectives.

The group's risk management system includes the establishment of various policies, strategies, processes, procedures and tools for identifying, measuring, monitoring, managing and reporting all material risks and opportunities to which the group is exposed. The ERM framework sets out the key principles that guide the implementation of risk and capital management at all levels. It provides the necessary foundations and organisational arrangements for managing risk within the group by promoting ownership of risk areas and accountability for risk management, and illustrates how risk management should be embedded in all business units to ensure effective risk management strategies are integrated in all work contexts.

Internal control system

The internal control system acts as an enabler for the delivery of effective governance and to demonstrate that adequate internal controls are in place and operating satisfactorily.

The group's internal control system outlines the various elements influencing and contributing to a sound internal control environment to ensure adequate control over operations, compliance and financial reporting.

It has been designed to assist the board, Exco and senior management and provides reasonable assurance from a control perspective that the business is being operated consistently within the:
- strategy and risk appetite set
- agreed business objectives
- agreed policies and processes
- laws and regulations.

Internal audit

The internal audit function provides independent, objective assurance to the board in respect of the effectiveness of its governance, risk management and internal controls. The function, which is outsourced, complies with the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics, and operates within approved terms of reference. It follows a risk-based approach, evaluating significant business, strategic and control risks, and the internal audit plan is informed by the strategy and risks of the group. This assists management in the development and

implementation of effective internal controls and in ensuring the adequacy of controls to address the risk of material misstatement of financial results.

The head of internal audit reports functionally to the audit committee and administratively to the CFO. Internal audit has unrestricted access to the CEO, CFO, as well as the chairman of the audit committee.

Audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, with hotels being audited roughly once every three years, unless circumstances dictate otherwise. Reports are presented at each audit committee meeting and are prepared in accordance with a defined set of audit criteria which highlight audit area ratings per hotel and summarise internal audit activities. Corrective action is taken where significant internal control weaknesses are identified and follow-up audits may be conducted if deemed necessary.

Based on the results of the 17 internal audit reviews completed during the year, which yielded an average score of 93% (2019: 90%), the internal audit function and the audit committee concluded that the overall operational internal control effectiveness is excellent.

The audit committee reviews the effectiveness of the internal audit function to ensure that adequate, objective internal audit assurance standards and procedures exist and annually approves the internal audit plan and budget for the ensuing year.

Where mandated by the audit committee, internal audit carries out special assignments. No such assignments were undertaken during the year under review. The committee has, however, commissioned a cyber security assessment aimed at providing the company with:

- a current state assessment of its cyber security programme, including organisational structure, processes and supporting technology
- an understanding of the existing cyber security maturity programme
- executive level reporting, as well as recommendations for improvement for the 2021 financial year.

The audit committee:

- having confirmed the quality and effectiveness of the internal audit processes and taking cognisance of management's views, concluded that the internal audit function operates effectively
- upon assessing the independence of the internal audit function has with reference to, inter alia, the IRBA Code of Professional Conduct requirements 290.192-290.195 and 290.197, concluded that, notwithstanding KPMG acting as internal and external auditors to the company and taking the ratio of fees between non-audit services and audit services into account, it is satisfied that the independence of the function has not been compromised.

Non-audit services

The policy for the provision of non-audit services by external audit provides guidelines on the audit, audit-related, tax and other non-audit services that the external auditor may and may not provide.

All non-audit services performed by the external auditor must be pre-approved by the audit committee in order to ensure that the provision of such services does not impair the external auditor's independence.

Dealing in securities and insider trading

The company has a board-approved policy on dealing in company securities, which requires prior written clearance before dealing in company shares.

Dealing in company shares must be approved as follows:

- directors and the group company secretary – by the chairman
- the chairman – by any other designated director, but preferably the LID.

All dealings in securities are effected through the office of the group company secretary and published via the group's sponsor on the JSE's Stock Exchange News Service.

The company has the following closed periods:

- from the end of the interim and annual reporting periods until the day following the announcement of the group's results for the relevant period
- any period when the company is trading under a cautionary announcement or is negotiating a major transaction and an announcement relating thereto is imminent, during which time no director, the group company secretary or prescribed officers may deal in company shares.

Conflicts of interest and other directorships

Declaration of interests in contracts and other companies, and details of other directorships, is a standing item on the board and Exco agenda in addition to making an annual written declaration in this regard.

Directors are required to recuse themselves from discussions on those matters where they are, or may potentially be, conflicted after they have provided any material information relating to the matter.

EDs may, with the chairman's permission, having due regard to whether the appointment may conflict with the business of the company and/or have a negative impact on their ability to effectively meet their responsibilities, accept external board appointments.

CORPORATE GOVERNANCE REPORT

CONTINUED

While no limitations are imposed on the number of other appointments directors may accept, they are required to engage with the chairman with regard to their external appointments in order to ensure that acceptance of the additional appointments will not impact their ability to devote sufficient time to the company.

The chairman of the board is satisfied that the NEDs have devoted the requisite amount of time to discharge their responsibilities to the company and that no director has a material interest in any contract entered into by the company.

Anti-bribery and corruption

The group's zero-tolerance approach to all forms of bribery and corruption applies to all business relationships and requires everyone to work against corruption in all its forms, including extortion and bribery.

The giving and receiving of bribes and facilitation of payments, as well as the making of political donations are strictly forbidden.

The stringent procedures prescribed by these policies are implemented throughout the group and the group-wide monitoring process requires a register of gifts, including hospitality, to be kept by the group company secretary.

In compliance with section 159 of the Companies Act, the company has established and maintains a system to receive whistleblowing disclosures. All reports are investigated and dealt with confidentially. Availability of the system is published on the group's website at **www.clhg.com**. The Whistleblower Alertline, which is operated by an independent third party, enables internal and external stakeholders to report any suspected activity anonymously.

Compliance

The group recognises the critical role that compliance plays in both the governance and sustainability of its business. Compliance is accordingly built into the fabric of its governance frameworks and structures.

The company has a strong culture of compliance and is committed to conducting its business in accordance with applicable laws, rules and regulations, as well as codes and standards that have been adopted by the group.

The governance and compliance function monitors and assesses compliance with, and the impact of, applicable laws and regulations on the business. Governance developments are monitored on an ongoing basis to ensure adherence to local regulatory requirements.

Compliance and compliance risks are monitored and tracked by the governance and compliance function and management. The board, through the SEC and risk committee, monitors compliance and compliance risks by means of committee reports. Where required, external experts are engaged to assist and advise.

The board is informed of regulatory changes, non-binding standards and codes that may have an impact on the group.

Areas of focus during the year included:

- PoPI and GDPR readiness, training and awareness, including
  - completion of a privacy risk assessment and documentation of a privacy execution plan against various privacy workstreams and with specific deliverables including
    - setting up required governance structures for privacy
    - aligning business practices with the required controls to align with privacy
    - awareness and communication around protecting information
    - embedding mechanisms to give effect to individual rights for privacy
    - physical and technical controls for security
    - managing third parties who process personal information on the group's behalf
  - cyber security enhancements covering, inter alia:
    - securing of information and infrastructure through, inter alia, threat and vulnerability management, as well as access and asset management
    - ongoing monitoring of IT environment
    - ongoing security awareness campaigns
    - business continuity planning
- ongoing maintenance of the regulatory universe, including ongoing identification and compliance monitoring, which includes, inter alia, the review of legislation, its impact on the company, the associated compliance requirements, implementation of policies and procedures based on applicable laws and regulations and creating awareness.

Planned areas of focus for the forthcoming year include:

- meeting privacy execution plan deliverables
- compliance training in identified areas
- ongoing maintenance of the regulatory universe
- effecting improvements to the legal compliance framework with reference to emerging risks and reviewing and updating existing policies.

Information technology (IT)
IT is integrated into the business and is an important enabler both in the enhancement and advancement of the group's objectives and position as a leader in its field.

The board is ultimately responsible for IT governance (ITG) and the strategic alignment of IT with the group's performance and achievement of its strategic objectives. It has delegated responsibility to implement the ITG framework to management under the oversight of the audit committee where ITG is a standing item on the audit committee agenda.

IT policies and procedures cover, inter alia, the use and safeguarding of the group's information and IT systems, use of social media, disaster recovery plans, as well as the regular updating and improvement of IT technology.

The divisional director: IT, who reports directly to the CFO, is responsible for IT operations within the group, specifically the implementation of business-focused IT strategies and ensuring proper system security, data integrity and business continuity.

She is furthermore responsible for consolidating feedback relating to the performance of IT within the company, so that reactive or proactive steps may be taken to ensure that the company derives the maximum value from IT, while at the same time managing its risks and ensuring that the IT function is focused on IT investment initiatives, internal engagement to promote collaborative IT planning and the promotion of IT effectively to capitalise on economies of scale across the group.

Areas of focus included:
- Roll-out of the new WiFi and WAN infrastructure to give the group more flexibility and control of the technologies it deploys
- launching of the new CLHG app
- continued investment into technology platforms with a view to stabilising the current environment
- consolidating BI tools into one platform with capabilities of predictive analysis in the future
- introduction of enhanced technology services for guests and staff.

Future focus areas include:
- refining and enhancing the CLHG app
- identifying and migration from paper based processes to digital based processes
- leveraging off the BI tools implemented to predict future trends and provide rich data analysis
- implementation of a Best Available Rate (BAR) rates engine for our property management system.

The board is satisfied that ITG is being addressed appropriately and is suitably aligned to the achievement of the group's objectives and that the systems of internal control over IT are adequate and effective and that there has not been a material breakdown in the functioning of the internal control systems during the year under review.

Litigation
The group is, in the ordinary course of business, subject to legal proceedings, which for a number of reasons, including risks and uncertainties, cannot be reliably predicted.

It is not, and has not during the year under review, been involved in any legal or arbitration proceedings that will or may have a material effect on the operations or financial position of the company, nor are there any such known proceedings pending.

Sponsor
The group's sponsor, Nedbank Corporate and Investment Banking, advises the board on compliance with the JSE Listings Requirements.

Stakeholder engagement
The group is committed to the timeous and transparent reporting of relevant matters to its stakeholders as required by the Companies Act, the JSE Listings Requirements and best practice guidelines, recognising that its long-term sustainability objectives are supported through engaging with stakeholders to address matters of mutual interest. Continuous engagement with key stakeholders takes place to promote the achievement of the group's business objectives and support economically, socially and environmentally sustainable practices. The group aims to treat all its stakeholders fairly and strives to enhance and develop services and communication channels to meet their expectations.

The board, as ultimate custodian of stakeholder relations, has delegated responsibility for proactively dealing with the group's various stakeholders to the executive and divisional directors, group company secretary, hotels and outsourced public relations function.

Various methods of engagement have been adopted and include face-to-face meetings, results presentations with major institutional shareholders after the release of results, hosting investor and analyst sessions, the annual general meeting, engaging with the broader stakeholder community through its marketing efforts, advertising via various social media platforms, directly with guests via guest questionnaires and with local communities through various corporate social initiatives.

General investor interaction during closed periods is limited to discussions on strategy and/or historical, publicly available information.

REMUNERATION REPORT

PART 1 – BACKGROUND STATEMENT

Dear shareholders

I am pleased to present the report for the remuneration and nominations committee (Remcom) for the financial year ended 30 June 2020, highlighting the key issues considered during this period. The Remcom has considered the recommendations provided in King IV™ as well as the JSE Listings Requirements, and has incorporated a number of the recommended practices in this report.

As we implement the principles and recommended practices of King IV™, we are comfortable that many aspects of the group's remuneration policy are aligned with the spirit of King IV™.

This remuneration report conforms to the reporting structure recommended in King IV™ and is presented in three parts, namely:

- Part 1: background statement
- Part 2: an overview of the remuneration policy
- Part 3: the implementation of the policy for the 12 months from 1 July 2019 to 30 June 2020.

We believe it will provide sufficient clarity on how the group's remuneration policy informs actual pay and awards received by the executive directors (EDs), prescribed officers and senior management and how it supports the group's strategy to attract and retain talent.

Remcom contracted the services of 21st Century Pay Solutions (21st Century) to assess and benchmark ED and prescribed officer remuneration, and is of the view that, in rendering the service, 21st Century is independent and objective.

Prior to COVID-19 and resultant lockdown, the group's performance was credible, despite constrained consumer spending, challenging trading conditions, including subdued government travel, political uncertainty, negative investor sentiment, given the current political and economic climate, depressed business confidence, drought, competitor activity marked by increased supply and aggressive discounting and union demands.

Key areas of focus and decisions taken during the reporting period included:

- Annual review of the remuneration policy
- Annual review of the Remcom terms of reference to ensure alignment with King IV™
- Approved a zero percent increase in respect of all employees in light of the financial and operational impact of COVID-19
- Assessed the achievement of criteria for short-term incentive payments and approved bonus payments, where applicable, prior to the national state of disaster declared on 15 March 2020
- Tested the achievement of the 2017 Share Appreciation Rights (SAR) performance conditions, which were not met and accordingly lapsed, it being noted that this was the third consecutive year that the SAR had not vested
- Approved the vesting of the 2017 Restricted Share Plan (RSP)
- Recommendations for non-executive director (NED) fees and the fees for board sub-committees, prior to recommending to the board and then to shareholders for approval, taking full cogniscance of the impact of COVID-19 on the group's business and the labour and other cost containment measures put in place
- Formalised a board succession plan
- Reviewed the succession plans in place for the board, including EDs and Exco, as well as executive structure and reporting lines
- Reviewed and approved the remuneration report for inclusion in the Integrated Report.

Post-year-end, the committee considered the impact of the rights offer in relation to the company's various incentive plans. The full impact of any adjustment that may be considered necessary will be reported in the 2021 report.

There have been no deviations from, and no substantial changes effected to, the remuneration policy since it was last presented. We, however, continue our efforts to enhance our reporting, specifically in respect of disclosure of certain pay elements.

Future areas of focus:

- Continue reviewing remuneration practices with a view to ensuring that employees are fairly, equitably and responsibly remunerated and that the critical skills required to deliver on the group's strategic objectives and promote positive outcomes over the short, medium and long term, are retained
- Engaging with shareholders on remuneration
- Benchmarking the remuneration policy against best practice
- Reviewing of the short and long-term incentive schemes for relevance. The company has commenced the process of reviewing the variable element of pay, but wishes to fully appreciate the impact of, among other things, COVID-19 before it effects any changes.

In alignment with a value creation and pay for performance culture, the company places a greater emphasis on variable pay for EDs and Exco, which the Remcom monitors on a continuous basis.

The committee remains committed to remunerating its employees fairly and responsibly.

The group acknowledges the principle of fair and responsible executive remuneration and is sensitive to the wage differential between executive and lower-income employees, acknowledging that the gap between the remuneration of executives and lower-level employees requires attention. In recognition of the differential, the Remcom has embarked on a programme where over the past several years, the percentage increase awarded to the lower paid employees was higher than that awarded to the highest paid, save for certain exceptions where packages were found to be lagging the market or following a change in responsibilities. The group's minimum wage is approximately 2.2 times more than the statutory minimum for the industry. The top 10% of the organisation earns approximately 15 times more than the bottom 10% (compared to national figures reported in 2015, where the top 10% of full-time South African employees took home, on average, 82 times more than the

bottom 10%, with the average earnings for white workers more than three times higher than for African workers (Isaacs, 2016)).

In an effort to find a balance between the interests of executives and shareholders, a significant portion of their pay is at risk and subject to stretching performance conditions. To ensure the incentives serve their purpose, the committee will commission a review thereof during 2021 and shareholders will be consulted, where appropriate.

That said, and taking into account the challenges the industry faces, the committee recognises that in order to ensure a focused drive to meeting shareholder expectations, the group's top talent must be presented with a competitive value proposition in terms of total remuneration.

We are conscious of the importance of employee wellbeing in the workplace and consistently and continuously assess and review the remuneration policies, including benefits, in place to ensure the company is offering the best benefits, bearing affordability in mind.

At the annual general meeting (AGM) held on 7 November 2019, 97.14% and 99.17% of shareholders, represented or present, voted in favour of the remuneration policy and implementation report, respectively.

In compliance with King IV™ and the JSE Listings Requirements, the remuneration policy and the implementation report respectively are set out in parts 2 and 3 and will be tabled at the forthcoming AGM, scheduled for 11 December 2020, for separate non-binding advisory votes. In the event that the remuneration policy and/or implementation report are voted against by 25% or more of the voting rights exercised, we will undertake to engage with our shareholders in order to determine how to address their legitimate and reasonable concerns.

In conclusion, the Remcom is of the view that:

- it has discharged its obligations as detailed in its terms of reference responsibly and that the principles advocated by King IV™, the Companies Act and the JSE Listings Requirements, as well as the remuneration policy have been applied
- the remuneration policy and its implementation are appropriately aligned with the group's strategic objectives and stakeholder interests
- the principles adopted are appropriate for guiding its decisions to fairly and responsibly remunerate EDs and prescribed officers.

Assessed against King IV™ and the JSE Listings Requirements, the Remcom is satisfied with remuneration compliance.



F W J Kilbourn
Chairman of the remuneration committee
12 November 2020

PART 2 – OVERVIEW OF THE REMUNERATION PHILOSOPHY AND POLICY

This report details the activities of the Remcom and provides an overview of the group's philosophy, principles and approach with regard to remuneration, specifically highlighting remuneration applicable to EDs, Exco and NEDs, as well as its implementation during the year. The remuneration policy will be put forward to shareholders in order to obtain a non-binding vote at the next AGM. The full remuneration policy is available online at **www.clhg.com**.

Governance and the role of the Remcom

The Remcom is responsible for overseeing the governance of remuneration matters. It is specifically responsible for ensuring that the company remunerates its EDs and senior executives fairly and responsibly, and that the remuneration policies in place serve the group's long-term interests.

In discharging its responsibility, Remcom reviews the remuneration policy and its implementation on an annual basis. Remcom also considers management's recommendations, and in turn makes recommendations to the board on the fees payable to the NEDs, which recommendations are subject to shareholder approval.

Specifics with regard to the composition, role and responsibilities of the Remcom, activities undertaken during the year and the remuneration policy are disclosed on page 75 to 76.

Remuneration policy

Reward philosophy and strategy statement

The group's policy is to pay its staff at a market rate comparable to similar roles within the market. On the basis that the ED and Exco's guaranteed package is benchmarked across industries, with reference to size and turnover, and in order to attract scarce and critical skills to implement the group's strategy and retain high-calibre individuals at this level, the company aims to set its guaranteed pay at the upper quartile. In respect of the remaining employees, the company aims to pay between the mean and upper quartile within a normal distribution range of the relevant industry (hotels and hospitality).

CLHG is committed to developing, implementing and upholding total reward strategies and practices which:

- are fair and responsible and consistent with, and aligned to, the vision, mission, values and business objectives of the company and to promote the achievement thereof
- pursue the best interests of the company, its shareholders and its internal and external stakeholder base
- offer an appropriate mix of fixed remuneration and variable remuneration, which includes short- term and long-term incentives
- are market-related
- are driven by, and show a commitment to, rewarding performance, integrity and quality innovation
- offer competitive benefits

REMUNERATION REPORT CONTINUED

- articulate a distinctive value proposition for current and prospective employees.

Total reward strategy

The total reward strategy is aimed at:

- providing an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired business results
- adhering to legal, ethical and best practice standards, and reflecting good corporate governance and citizenship by complying with and exceeding industry and statutory minimum standards
- aligning reward practices with business strategy through a process of analysis, thereby ensuring that they serve the business practices.

Remuneration structure

The various components of remuneration applicable to South African employees are as follows:

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Application
Fixed Total guaranteed package (TGP) (monthly salary, retirement funding based on pensionable salary, medical aid, death and disability cover)	The basis of the group's ability to attract and retain the required skills. Reflects the individual's role and position.	Annually – 1 August to 31 July	Reviewed annually, having regard to the approved increase mandate, benchmark data received from independent remuneration consultants, where applicable, macroeconomic factors, inflation, affordability, scarcity of skills, complexity of role, experience and performance.	Payment takes place monthly and comprises a mix of cash salary as well as compulsory and discretionary benefits.	• Employees below manager level*/** • General managers* • Senior and head office management* • Exco • ED
Variable ***Short-term incentive*** Performance appraisal linked (PAL) bonus	Drive a 'pay for performance' culture and reward the achievement of business objectives.	Bi-annually – 1 July to 31 December and 1 January to 30 June	To create a performance culture and reward employees for achieving strong annual results when compared against predetermined targets and, in so doing, aligning employee focus and shareholder experience.	Cash settlement capped at a percentage of TGP depending on individual's role. The standard payout level is generally expressed as a percentage of salary and then moderated by the performance score.	• Assistant general managers • General managers • Senior and head office managers The merit of putting a qualifying employee forward for participation is debated between the divisional director of operations or head of division and the chief executive officer (CEO), and once reviewed by the external auditors, qualifying candidates are recommended to Remcom for approval.

** 13th cheque over and above base pay and benefits.*

*** Employees' share ownership opportunities exist through the 10th Anniversary Employees' Share Trust and Injabulo Staff Trusts, subject to qualification criteria being met.*

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Application
Variable ***Short-term incentive*** Executive committee performance management scheme (ECPMS)	Drive a 'pay for performance' culture and reward the achievement of business objectives and in so doing aligns employee focus with shareholder expectations while simultaneously promoting retention through share ownership.	Financial measure: Bi-annually – 1 July to 31 December and 1 January to 30 June Non-financial measure: Annually – 1 July to 30 June	Financial targets (65% weighting) are measured bi-annually with reference to the group average achieved for PAL. Non-financial measures (35% weighting) comprise individual key performance areas (KPA), which in turn have reference to the group's strategic objectives. Targets for measuring the achievement of the non-financial performance criteria are individually tailored and are predetermined prior to the commencement of an incentive period, in consultation with the CEO. Achievement of these targets incrementally trigger awards. A point scale of 0 to 7 points per KPA is utilised to measure achievement against each set and agreed KPA: • Below target threshold: 0 points • Target threshold: 1 point • On-target: 5 points • Stretch target: 7 points	Financial measure: February and August Non-financial measure: August	• Exco

REMUNERATION REPORT CONTINUED

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Application
Variable ***Short-term incentive*** Executive director incentive scheme (EDIS)	Drive a 'pay for performance' culture and reward the achievement of business objectives and in so doing aligns employee focus with shareholder expectations while simultaneously promoting retention through share ownership.	Annually – 1 July to 30 June	Financial drivers (65% weighting) comprise the weighting assigned to the group pool drivers, namely normalised group EBITDA (70%) and normalised fully diluted HEPS (30%) with the percentage threshold performance scale reflecting a bonus rating of 75% if the percentage target achieved is 85% for EBITDA and 90% for HEPS. The percentage target performance scale will reflect a bonus rating of 100% if the percentage target achieved is 100% for both EBITDA and HEPS. The stretch performance scale will reflect a bonus rating of: • 175% if the percentage target achieved is: – 110% for EBITDA – 115% for HEPS. • 250% if the percentage target achieved is: – 115% for EBITDA – 130% for HEPS. Non-financial measures (35% weighting) include, but are not limited to, the achievement of, alternatively progress made towards the achievement of, strategic objectives, group performance against peers/ competitors, increase in profit, completing projects within budget and/or prior to deadline and other key performance drivers of the business, e.g. return on equity (ROE). Scale used in evaluating achievement: • Threshold target percentage achieved = 80% of each driver • On-target percentage achieved = 100% of each driver • Stretch target percentage achieved = 120% of each driver.	August	• EDs

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Application
Variable ***Long-term incentive*** (RSP and SAR)	Aligns employee interests with shareholders' interests.	Annual awards with three-year vesting periods and subject to vesting conditions being met.	RSP: earning of a bonus in the preceding financial year. SAR: achievement of threshold or target performance conditions, measured over a three-year period and vesting only to the extent performance conditions are met.	Settlement takes place as directed by the participant.	RSP: • General managers • Senior management • Head office management • Exco • ED SAR: • Senior management • Exco • ED

Re-pricing, regranting and backdating of awards are prohibited. No awards are allocated or exercised during closed periods.

Bonus tables

The bonus achievable for each of the STI schemes are reflected in the tables below:

Bonus achievable percentage – PAL

Scale (total PAL score of 100%)	General managers – bonus % – half-yearly annual salary	Head office and senior management – bonus % – half-yearly
65% – 69%	5	Group average up to a maximum of 40%
70% – 74%	10	
75% – 79%	17.5	
80% – 84%	25	
85% – 89%	32.5	
90% – 95%+	40	

Bonus achievable – ECPMS

Overall PAL scale	Bonus % of half-annual TGP	Exco – bonus %
65% – 68% 69% – 72%	10 12.5	Financial element (65% of TGP): measured bi-annually with reference to the PAL group average
73% – 76%	16.25	Non-financial element (35% of TGP): measured annually
77% – 80%	24.5	
+80%	32.5	Total STI capped at 50%

Table explanation:

- If the group achieves an average PAL score below 65% then the payout percentage is 0% of 50% TGP
- If the group achieves an average 65% to 68% PAL score for the relevant six-month period then the payout percentage is 10% of 50% of TGP
- If the group achieves an average 69% to 72% PAL score for the relevant six-month period then the payout percentage is 12.5% of 50% of TGP
- If the group achieves an average 73% to 76% PAL score for the relevant six-month period then the payout percentage is 16.25% of 50% of TGP
- If the group achieves an average 77% to 80% PAL score for the relevant six-month period then the payout percentage is 24.5% of 50% of TGP
- If the group achieves an average 80% PAL score or greater for the relevant six-month period then the payout percentage is 32.5% of 50% of TGP

REMUNERATION REPORT CONTINUED

Bonus achievable – EDIS – CEO, CFO and COO

- Financial element (65% of TGP) achievement of HEPS (30%) and EBITDA (70%)
- Non-financial element (35% of TGP) comprises strategic objectives and other key performance drivers
- Measured annually
- Bonus capped at 100% of TGP for CFO and COO and 120% of TGP for CEO

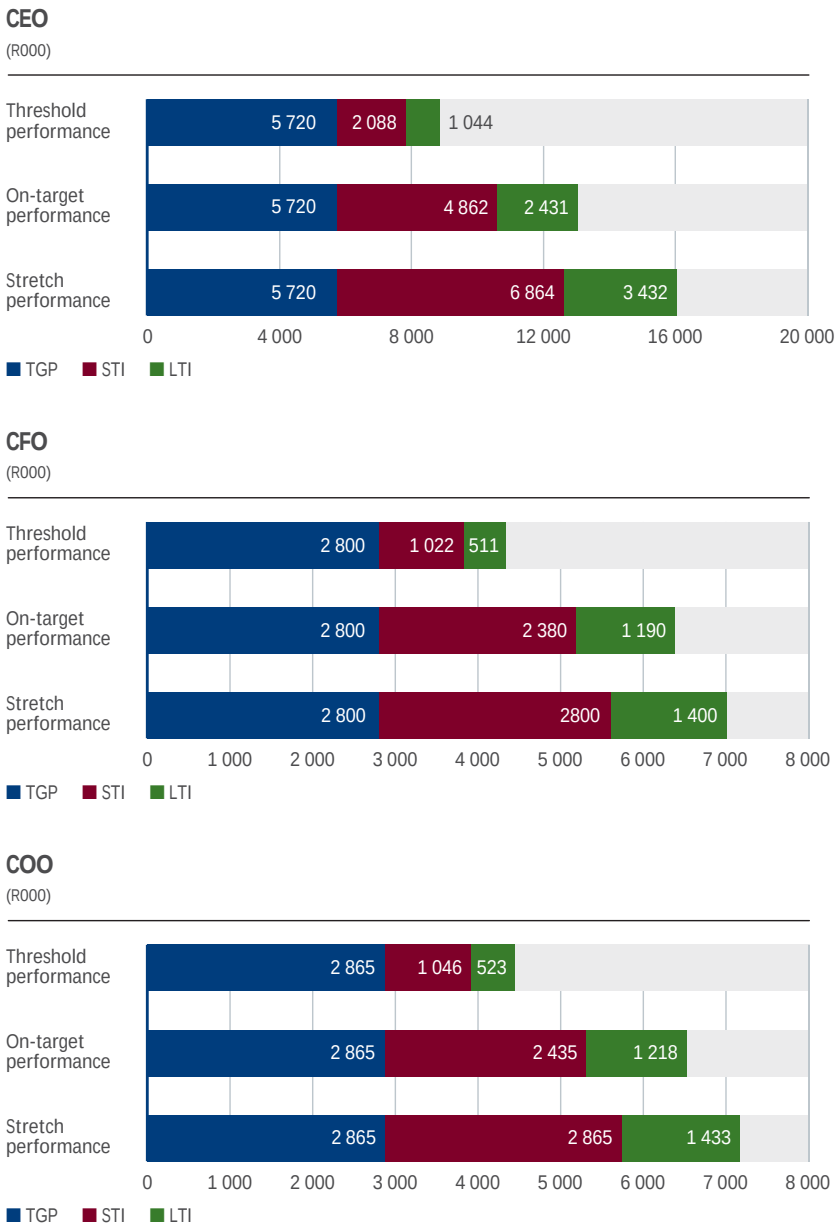
Long-term incentive (LTI)

	SAR Scheme	RSP
Description	Participants receive a conditional right to receive shares in the company, equal to the difference between the exercise price and the grant price multiplied by the number of SAR awards exercised.	Participants will receive a full share and become a shareholder on the award date, but subject to forfeiture in the event that the employee leaves the employment of the company within a specified period. These shares entitle participants to share in dividends and to exercise voting rights. However, the participant cannot sell or encumber the shares prior to vesting.
Purpose	To attract, retain and incentivise employees.	To attract, retain and incentivise employees. To provide selected employees with the opportunity of receiving shares in the company. The RSP was initially used as a retention mechanism or as a tool to attract prospective employees, but is now being used as a tool to incentivise and retain employees.
Eligibility	ED Exco Senior management	ED Exco Senior management Head office management General managers
Company limit	The aggregate number of shares which may be allocated under the SAR and RSP at any time may not exceed 2 997 074 shares. This limit excludes shares purchased in the market and shares forfeited.	
Individual limit	The maximum number of shares which may be allocated to any one individual in respect of unvested SAR and RSP awards may not exceed 428 154 shares.	
Settlement method	The rules of the LTI plans cater for the following: • Market purchase of shares • Issue/subscription of new shares However, the group's preference is to settle all awards under the SAR and RSP from a market purchase of shares. The rules of the RSP have been drafted more broadly to also include the use of treasury shares as a settlement method. As a fall-back provision, the employee may be paid cash in lieu of shares (SAR).	
Termination of employment	Participants terminating employment prior to the vesting date of a particular award will be classified as a good or bad leaver. Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro rata portion of all unvested awards will vest on the date of termination of employment. The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse. In the case of the SAR Scheme, all vested awards should be exercised within six months from the date of termination of employment.	

	SAR Scheme	RSP
Change of control	In the case of a change of control, a pro rata portion of all unvested awards will vest on the date of change of control. The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met and are to be exercised within a period determined by Remcom.	
Variation in share capital	In the event of a variation in share capital, the participants will continue to participate in the various long-term incentive (LTI) plans. Remcom may, however, where the group's value has been materially affected, make an adjustment to the number of awards to give a participant an equivalent fair value of the equity capital as to which he/she would have been entitled prior to the event.	
Allocation methodology	Annual, subject to the discretion of the Remcom. SAR awards = (SAR face value % of TGP x TGP)/grant price.	Restricted shares: ad hoc, as determined by Remcom. Bonus shares: annually, subject to the discretion of Remcom and subject to the earning of a cash bonus as measured against the defined performance criteria of the STI. Value of bonus shares = bonus match % x total annual bonus. Bonus shares = (individual value of bonus/total bonus) x number of bonus shares acquired.
Grant price	The volume weighted average share price for the 10 business days prior to the date of grant.	N/A
Vesting period	Three years	Three years
Lapse period	Seven years	N/A
Performance conditions	Growth in normalised, fully diluted HEPS. Two HEPS targets will be set: • Threshold – consumer price index (CPI) over the three-year performance period • Target – CPI +2 percentage points per annum over the three-year performance period. 25% will vest if threshold performance is achieved and 100% will vest if target performance is achieved. Linear vesting will occur between the threshold and the target.	The earning of a short-term incentive (STI), which is subject to defined performance criteria, is the proxy for participation. No other performance conditions, save for continued employment, are imposed.

REMUNERATION REPORT CONTINUED

Package design for executive directors, the group's prescribed officers



Due to the leveraged nature of the SAR and the difficulty in predicting the value thereof, it has been excluded from the LTI component.

Employee share ownership – City Lodge 10th Anniversary Employees' Share Trust (10th Anniversary Trust) and Injabulo Staff Share Scheme (Injabulo Trust)

All employees not participating in the group's LTI plans and who, at the relevant date, being the first day of the month following that during which the company pays its final dividend, have been in the full-time employ of the company for at least 12 months, are eligible to participate in the 10th Anniversary Trust and, when it unwinds, the Injabulo Trust.

10th Anniversary Trust

The 10th Anniversary Trust holds approximately 1.16% of the group's issued share capital, which was acquired through an interest-free loan from the company, the details of which can be found in the directors' report.

The Injabulo Trust

The Injabulo Trust was established with the implementation of the group's black economic empowerment transaction whereby the Vuwa SPV and the University of Johannesburg School for Tourism and Hospitality, together with the Staff Trust SPV acquired 15% of the group's issued share capital. The Injabulo Trust is the sole shareholder of the Staff Trust SPV, which holds 5.87% of the group's issued share capital. The note on page 136 provides more information in this regard.

Subject to the provisions of the respective trust deeds, including, inter alia, funding arrangements, beneficiaries are entitled to the following:

- a proportion of all dividends received
- a proportion of the growth in the value of the shares held, distributed in the form of shares.

No income and/or growth distributions will be made under the Injabulo Trust until the loan in respect of the shares held by the Staff Trust SPV has been repaid in full.

Service contracts and notice periods

There are no contractual arrangements applicable to the appointments and termination of the EDs or Exco.

All employees are issued with a letter of appointment detailing their remuneration as well as notice period, which is one month for all staff, except for general managers, head office managers and heads of departments where two months' notice applies and Exco and EDs where three months' notice applies.

Regarding the ED and Exco:

- no sign on, retention or restraint payments are made, save for in exceptional circumstances
- on early termination of employment,
  - there is no automatic entitlement to:
    - bonus
    - share-based payments
  - good leavers will be entitled to:
    - leave pay
    - pro-rated vesting of LTIs, if applicable.

Non-executive directors' remuneration

Appointment and term

The appointment of directors is a matter for the board as a whole, assisted where appropriate by Remcom, and subject at all times to the approval of shareholders.

Board appointments are governed by the Companies Act, JSE Listings Requirements, policy on the appointment to the board and gender diversity and the group's MoI, which provide for at least one-third of the NEDs to retire by rotation at the group's AGM. The directors so retiring may, if eligible, offer themselves for re-election. Termination of office may occur at retirement age, or alternatively will occur if a director is prohibited by law from being a director, fails to be re-elected, is found to be guilty of misconduct or fails to attend meetings without good reason, or poor performance.

NEDs do not have service contracts, but are issued with letters of appointment detailing, among other things, their responsibilities.

They do not participate in the group's STI and LTI schemes.

Fees and basis of remuneration

Fees payable to the NEDs are reviewed annually and are not linked to the group's share price or performance.

In recognition of their ongoing responsibilities and contribution outside of meetings, as well as historically good meeting attendance, NEDs receive an annual fee, not a base fee and fee per meeting attended. The same applies to sub-committees, with a premium being paid to the chairmen. The fee paid to the chairman of the board is inclusive of all board and committee attendances as well as other responsibilities across the group.

Exceptional circumstances may present themselves which merit the establishment of an ad hoc sub-committee of the board to investigate and advise the full board on a matter and justify payment of fees in addition to those paid to NEDs for their services. In compliance with the Companies Act, the company would, without the prior approval of shareholders, not be able to remunerate the members of such ad hoc committee for the extraordinary services rendered. Accordingly provision is made for payment of such fees.

The fee structure is as far as possible aligned with the market, taking cognisance of the size and market capitalisation of the various companies included in the sample considered when determining fees payable, as well as macro-economic factors, consumer price index (CSI), the financial position of the company and additional responsibilities placed on board members by new legislation and corporate governance principles.

Based on management's recommendations, Remcom and in turn the board review and propose NED fees to shareholders at the AGM. Fees are:

- paid quarterly, in arrears, in cash
- pro-rated in line with the period served in the case of appointments or resignations during a financial year.

The fee structure, as approved by shareholders, remains in place for the financial year.

Expenses

Travel, hotel and other expenses reasonably and necessarily incurred on company business is covered by the company, subject to production of the appropriate supporting documentation in accordance with the travel policy.

Premiums for directors' and officers' insurance cover are also paid by the company.

REMUNERATION REPORT CONTINUED

PART 3 – IMPLEMENTATION REPORT

Guaranteed pay review and increases

Guaranteed pay is reviewed annually taking the approved increase mandate, macro-economic factors and performance into account. Mandated increases take effect on 1 August.

Exco members are formally graded using the 21st Century Pay Solutions Execumeasure system (Execumeasure), as well as in terms of the Paterson grading model in an effort to ensure effective benchmarking.

The annual review of Exco's fixed remuneration, which takes place between May and July, is benchmarked to the market. In carrying out its mandate to promote fair and responsible remuneration, Remcom engaged the services of 21st Century to report on market increase trends and organisations' responses to COVID-19.

The board, having considered Remcom's recommendation, taking current circumstances, benchmark data received from 21st Century and affordability into consideration agreed to a 0% increase for all staff, with effect from 1 August 2020.

Achievement of STI outcomes

PAL bonus

Hotel performance averaged at 62.50% and 0%, respectively, for the first measurement period, the second period not having been measured due to lockdown and the resultant closure of the group's hotels. This translated into a group average payout of 4.27% of half-annual salary for the first six months, reflective of the already challenging operating conditions.

ECPMS

No STIs were payable to the Exco under the circumstances, notwithstanding that certain KPAs may have been met.

EDIS

No STIs were payable to the EDs under the circumstances, notwithstanding that certain KPAs may have been met.

LTIs

Granted and awarded

There have been no changes to policies regarding SAR and RSP. The details of the allocations made during the financial year are set out as follows:

SAR Scheme

Annual awards are made with reference to the face value of the award and determined using the below formula:

- TGP x set multiple = number of SARs to be allocated
- 228 608 awards were granted to 14 participants in September 2019.

The following performance conditions were imposed:

Performance conditions

Threshold performance condition average annual percentage growth in normalised fully diluted HEPS (as reported in the published annual financial statements for the year ended 30 June 2019, being 613.40 cents) over a three-year period exceeds the average annual growth in the CPI per annum over the same three-year period.

Target performance condition average annual percentage growth in normalised fully diluted HEPS (as reported in the published annual financial statements for the year ended 30 June 2019, being 613.40 cents) over a three-year period exceeds the average annual growth in CPI +2 percentage points per annum over the same three-year period.

RSP

The RSP operates in conjunction with the STI. There are no performance criteria other than the earning of a cash bonus as measured against the defined performance criteria of the STI and continued employment with the company.

In total, 33 847 shares were allocated to 60 participants during the financial year.

Employee share ownership – 10th Anniversary Share Trust

In total, 944 employees received a cash distribution of R1 567.80 from the 10th Anniversary Trust during the reporting period (2019: 949 employees received a cash distribution amounting to R1 900 and growth distribution of three shares).

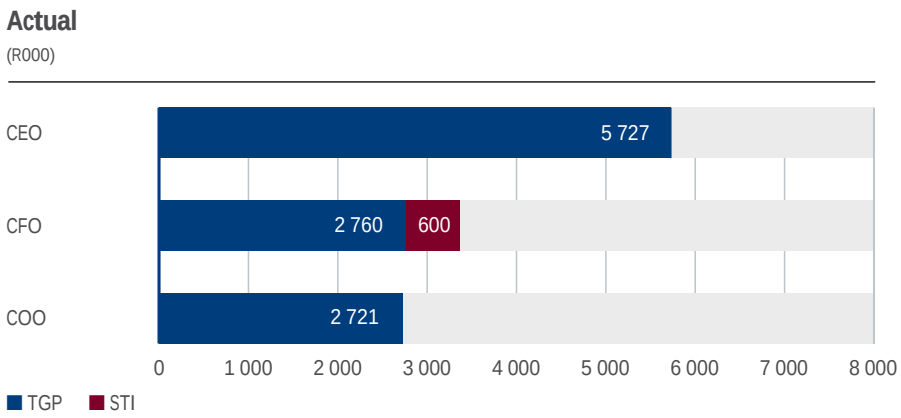
LTI vesting outcomes

Vesting of 2017 SAR Award

Following the non-achievement of the performance conditions imposed in respect of the 2017 grant, as confirmed by the Remcom, the 2017 SAR award did not vest.

Total remuneration outcomes

The composition of remuneration outcomes during the 2020 financial year for the executive directors (prescribed officers) are represented graphically below.



CFO remuneration aggregates the remuneration of the current and former CFOs for the year.

Termination of office payments

No termination payments were made during the year.

Details of remuneration paid

The remuneration of executive directors of the group for the past two financial years is displayed in the following tables in note 21.

Details of remuneration paid

	2019						
R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	LTI reflected[1,2]	Total single figure of remuneration
A W Dooley	2 325	669	226	243	3 463	335	3 798
L G Siddo	2 301	505	8	241	3 055	253	3 308
A C Widegger	4 722	1 351	34	756	6 863	676	7 539
	9 348	2 525	268	1 240	13 381	1 264	14 645

[1] The SARs granted on 1 September 2016 with performance period ended on 30 June 2019 are included in the LTIP reflected for 2019 at the intrinsic value of Rnil per share based on 0% of the awards vesting.

[2] The value of the bonus shares awarded in 2019 on the basis of performance for the 2019 financial year is reflected in the 2019 single figure of remuneration.

	2020						
R000	Basic salary	Performance and other bonus[3]	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	LTI reflected[4,5]	Total single figure of remuneration
A W Dooley (resigned 9 March 2020)	**1 778**	**–**	**21**	**181**	**1 980**	**–**	**1 980**
L G Siddo	**2 497**	**–**	**9**	**215**	**2 721**	**–**	**2 721**
D Nathoo (appointed 9 March 2020)	**763**	**600**	**17**	**–**	**1 380**	**–**	**1 380**
A C Widegger	**5 054**	**–**	**32**	**641**	**5 727**	**–**	**5 727**
	10 092	**600**	**79**	**1 037**	**11 808**	**–**	**11 808**

[3] Bonus relates to signing on bonus on appointment as chief financial officer.

[4] The SARs granted on 1 September 2017 with performance period ended on 30 June 2020 are included in the LTIP reflected for 2020 at the intrinsic value of Rnil per share based on 0% of the awards vesting.

[5] The value of the bonus shares awarded in 2020 on the basis of performance for the 2020 financial year is reflected in the 2020 single figure of remuneration.

REMUNERATION REPORT CONTINUED

Schedule of unvested awards and cash flow on settlement

	2019						
Name	Opening number on 1 July 2018 Number of awards	Granted during 2019 Number of awards	Forfeited/ lapsed during 2019 Number of awards	Exercised/ settled during 2019 Number of awards	Closing number on 30 June 2019 Number of awards	Cash value during the year[8] ZAR	Closing estimated fair value at 30 June 2019 [8,9,10,11,12,13,14,15,16] ZAR
Executive director							
A C Widegger							
Share appreciation rights[5]							
01/09/2012	62 110	–	–	–	62 110	–	1 212 666
01/09/2013	26 136	–	–	–	26 136	–	–
01/09/2014	27 359	–	–	–	27 359	–	–
01/09/2015[6]	25 207	–	(25 207)	–	–	–	–
01/09/2016[7]	23 633	–	–	–	23 633	–	–
01/09/2017	30 245	–	–	–	30 245	–	299 980
01/09/2018		45 360	–	–	45 360	–	899 791
01/09/2019							
Restricted share plan – bonus shares[5]							
04/09/2015	9 016	–	–	(9 016)	–	1 208 234	–
04/09/2016	7 902	–	–	–	7 902	33 979	831 168
15/09/2017	4 882	–	–	–	4 882	20 993	513 511
14/09/2018		2 509	–	–	2 509	5 746	263 908
18/09/2019							
Total						1 268 952	4 021 024

[5] *Vesting will be assessed three years from the grant of the awards.*
[6] *The SARs granted on 1 September 2015 lapsed during the 2019 financial year due to the performance conditions not being met.*
[7] *The SARS grants on 1 September 2016 lapsed during the 2020 financial year due to performance conditions not being met.*
[8] *The cash value received includes the value participants receive on the vesting/exercise of awards as well as dividends received on outstanding awards.*
[9] *The SARs granted on 1 September 2012 are included at an intrinsic value of R19.52 per instrument which includes an estimate of 100% of performance conditions being met.*
[10] *The SARs granted on 1 September 2013 are included at an intrinsic value of Rnil per instrument which includes an estimate of 100% of performance conditions being met.*
[11] *The SARs granted on 1 September 2014 are included at an intrinsic value of Rnil per instrument which includes an estimate of 100% of performance conditions being met.*
[12] *The SARs granted on 1 September 2015 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.*
[13] *The SARs granted on 1 September 2016 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.*
[14] *The SARs granted on 1 September 2017 are included at an estimated fair value based on an indicative valuation at R9.92 per instrument which includes an estimate of 50% of performance conditions being met.*
[15] *The SARs granted on 1 September 2018 are included at an estimated fair value based on an indicative valuation of R19.84 per instrument which includes an estimate of 100% of performance conditions being met.*
[16] *The restricted bonus shares granted in 2016, 2017 and 2018 are included at the 20-day VWAP of R105.18 at year-end and an estimated 100% vesting.*

2020					
Granted during 2020 Number of awards	Forfeited/ lapsed during 2020 Number of awards	Exercised/ settled during 2020 Number of awards	Closing number on 30 June 2020 Number of awards	Cash value during the year[8] ZAR	Closing estimated fair value at 30 June 2020 [17,18,19,20,21,22,23,24] ZAR
–	(62 110)	–	–	–	–
–	–	–	26 136	–	–
–	–	–	27 359	–	–
–	–	–	–	–	–
–	(23 633)	–	–	–	–
–	–	–	30 245	–	–
–	–	–	45 360	–	39 314
39 324	–	–	39 324	–	153 040
–	–	–	–	–	–
–	–	(7 902)	–	658 790	–
–	–	–	4 882	14 158	129 669
–	–	–	2 509	7 276	66 640
7 204	–	–	7 204	11 022	191 334
				691 246	579 997

[17] *The SARs granted on 1 September 2013 are included at an intrinsic value of Rnil per instrument which includes an estimate of 100% of performance conditions being met.*

[18] *The SARs granted on 1 September 2014 are included at an intrinsic value of Rnil per instrument which includes an estimate of 100% of performance conditions being met.*

[19] *The SARs granted on 1 September 2015 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.*

[20] *The SARs granted on 1 September 2016 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.*

[21] *The SARs granted on 1 September 2017 are included at an intrinsic value of Rnil per instrument which includes an estimate on 0% performance conditions being met.*

[22] *The SARs granted on 1 September 2018 are included at an estimated fair value based on an indicative valuation at R0.87 per instrument which includes an estimate of 50% of performance conditions being met.*

[23] *The SARs granted on 1 September 2019 are included at an estimated fair value based on an indicative valuation at R3.89 per instrument which includes an estimate of 100% of performance conditions being met.*

[24] *The restricted bonus shares granted in 2017, 2018 and 2019 are included at the 20-day VWAP of R26.56 at year-end and an estimated 100% vesting.*

REMUNERATION REPORT CONTINUED

Schedule of unvested awards and cash flow on settlement continued

	2019						
Name	Opening number on 1 July 2018 Number of awards	Granted during 2019 Number of awards	Forfeited/ lapsed during 2019 Number of awards	Exercised/ settled during 2019 Number of awards	Closing number on 30 June 2019 Number of awards	Cash value during the year[8] ZAR	Closing estimated fair value at 30 June 2019 [9,10,11,12,13,14,15,16] ZAR
Executive director							
A Dooley – Resigned 9 March 2020							
Share appreciation rights[5]							
01/09/2015[6]	4 552	–	(4 552)	–	–	–	–
01/09/2016[7]	4 268	–	–	–	4 268	–	–
01/09/2017	5 642	–	–	–	5 462	–	54 174
01/09/2018		18 720	–	–	18 720	–	371 342
01/09/2019							
Restricted share plan – bonus shares[5]							
04/09/2015	1 824	–	–	(1 824)	–	244 434	–
05/09/2016	1 085	–	–	–	1 085	4 666	114 125
15/09/2017	1 661	–	–	–	1 661	7 142	174 711
14/09/2018		1 392	–	–	1 392	3 188	146 417
18/09/2019							
Total						259 430	860 769
Executive director							
L G Siddo							
Share appreciation rights[5]							
01/09/2016[7]	8 136	–	–	–	8 136	–	–
01/09/2017	5 535	–	–	–	5 535	–	54 898
01/09/2018	–	18 360	–	–	18 360	–	364 201
01/09/2018							
Restricted share plan – bonus shares[5]							
05/09/2016	595	–	–	–	595	2 559	62 585
15/09/2017	957	–	–	–	957	4 115	100 662
14/09/2018		693	–	–	693	1 587	72 893
18/09/2019							
Total						8 261	655 239

2020					
Granted during 2020 Number of awards	Forfeited/ lapsed during 2020 Number of awards	Exercised/ settled during 2020 Number of awards	Closing number on 30 June 2020 Number of awards	Cash value during the year[8] ZAR	Closing estimated fair value at 30 June 2020 [16,17,18,19,20,21,22,23] ZAR
–	–	–	–	–	–
–	(4 268)	–	–	–	–
–	(5 462)	–	–	–	–
–	(18 720)	–	–	–	–
20 074	(20 074)	–	–	–	–
–	–	–	–	–	–
–	–	(1 085)	–	90 456	–
–	(1 661)	–	–	–	–
–	(1 392)	–	–	–	–
3 568	(3 568)	–	–	–	–
				90 456	–
–	(8 136)	–	–	–	–
–	–	–	5 535	–	–
–	–	–	18 360	–	15 913
19 696	–	–	19 696	–	76 654
–	–	(595)	–	49 605	–
–	–	–	957	2 775	25 418
–	–	–	693	2 010	18 406
2 693	–	–	2 693	4 120	71 529
				58 510	207 920

REMUNERATION REPORT CONTINUED

Non-executive directors

(Refer to special resolution number 1 in the notice of AGM, detailing NED fees.)

The fees currently paid, as approved by shareholders at the AGM held on 7 November 2019, together with the proposed fees for the 2021 financial year, reflecting no increase in fees payable, are detailed hereunder.

	1 July 2019 per annum (R)	1 July 2020 per annum* (R)	(%)
Chairman	1 060 000	**1 060 000**	**0.0**
Lead independent director	343 000	**343 000**	**0.0**
Services as a director	262 000	**262 000**	**0.0**
Chairman of audit committee	184 000	**184 000**	**0.0**
Other audit committee members	84 500	**84 500**	**0.0**
Chairman of remuneration and nominations committee	162 000	**162 000**	**0.0**
Other remuneration and nominations committee members	73 000	**73 000**	**0.0**
Chairman of risk committee	126 000	**126 000**	**0.0**
Other risk committee members	57 500	**57 500**	**0.0**
Chairman of social and ethics committee	83 000	**83 000**	**0.0**
Ad hoc committee	2 100 per hour capped at 40 000	**2 100 per hour capped at 60 000**	**0.0**
	2 435 000	**2 435 000**	**0.0**

** The proposed fees exclude VAT, which is authorised to be paid in addition to the above fees to qualifying non-executive directors.*

Stakeholder engagement

The company received and addressed a few remuneration-related queries prior to the 2019 AGM. These related to:

- Reappointment of KPMG as external auditor;
- Board composition – specifically tenure and its impact on independence and the subsequent effect on the composition of the audit committee;
- Remuneration – implementation of remuneration policy
  - ED STI
  - Criteria, including details of the non-financial criteria and their targets and reason for increase on prior year bonus to EDs
  - LTI – rationale behind the threshold and target performance conditions for the SAR awards
- Ad hoc/temporary committee – rationale for appointment and associated fee payable, outside of the existing standing committees

On the basis that the remuneration policy was endorsed by 97.14% of shareholders at the 2019 AGM, no further engagement was undertaken.

Statement of compliance

Remcom, having considered the principles and guidelines detailed in the remuneration policy, is satisfied that:

- there has been no material deviation in the application of the policy during the year under review
- any adjustments that have had to be effected as a result of COVID-19 have been in line with the policy framework, and having reviewed the report, including details relating to ED emoluments, confirms its inclusion in the Integrated Report.

Voting on implementation report

This report is subject to an advisory non-binding vote by shareholders at the 2020 AGM scheduled for 11 December 2020. Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 3 of this report.

Approval of remuneration report by the board of directors

This remuneration report was approved by the board of directors of City Lodge Hotels Limited on 12 November 2020.

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee (SEC), a formal committee operating in accordance with a board-approved mandate, assists the board with monitoring, developing, reviewing and improving the group's social, ethical and sustainability practices. In addition to its statutory responsibilities, the board assumes responsibility for ensuring that the group's ethics are effectively managed, which it does through exercising ethical leadership, integrity and judgement in directing the company. Employees are in turn expected to act in a manner that upholds the group's values as contained in the group's code of ethics and business conduct (the code). The code details the standards of behaviour expected of employees and is provided to employees at the commencement of their employment with the company.

This report outlines how the SEC has discharged its responsibilities as set out in section 72 of the Companies Act and regulation 43 of the Companies Regulations 2011 issued in terms of the Companies Act and its terms of reference, which was reviewed during the year to ensure alignment with King IV™. Attendance of members at committee meetings is reflected on page 72 of the corporate governance report. Fees paid to members as well as the proposed fees for 2020/2021 are set out on page 100 of the remuneration report. Progress in regard to matters falling within the committee's mandate are covered on pages 54 to 67 and 78.

Composition

The three-member committee comprises the chairman, an independent non-executive director, and two EDs. While the committee complies with the Companies Act's requirements regarding its constitution, it does not meet the King IV™ recommendation for a majority of the committee members to be non-executive directors. Ms Marutlulle was appointed as a member and chairman of the committee during the year under review. The board remains comfortable with the current membership and its ability to effectively discharge its responsibilities and sees no need for a change in composition at this point, given current circumstances.

The group company secretary and representatives from the various functions responsible for managing the subject matter falling within the remit of the SEC assist the committee in the discharge of its responsibilities.

Role and responsibilities

The committee is primarily responsible for ensuring the group is and remains a responsible corporate citizen and engages in sustainable business practices. Its role and responsibilities, which cover the group's South African operations, include:

- compliance
- social and economic development
- good corporate citizenship
- issues around the environment, health and public safety including the impact of the group's activities and services
- consumer relationships
- management of the group's ethics
- labour and employment, including transformation
- reporting annually to shareholders on matters falling within the scope of its responsibilities.

Meetings and activities

The primary focus of the two meetings held during the year was to consider:

- Socio-economic development, including the group's standing in terms of:
  - **The 10 principles set out in the United Nations Global Compact Principles**
    The group has adopted the 10 principles and monitors and reports on compliance with human rights, labour, anti-corruption and environmental matters, despite not being a signatory to the compact.
  - **Human rights**
    The group remains committed to protecting and upholding human rights as far as it is able to exercise control over such. It subscribes to and supports 'the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism', a compact between members of the international tourism industry that deals with the awareness of its staff with regard to issues and circumstances prevalent in the practices of human trafficking and child sex tourism.

    The group is not complicit in human rights abuses. It does not vet its suppliers in this regard on the basis that it does not believe doing so is necessary in the context of its operations and profile of suppliers.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

- **Freedom of association**
  The group recognises the right to freedom of association, as well as the right to collective bargaining, and continues to recognise and bargain with the South African Commercial, Catering and Allied Workers Union. All staff (up to supervisory level) in the deemed 'bargaining unit' may belong to the union from a bargaining perspective. While any other level of staff member may belong to the union, they are not covered by any bargaining gains made by the union.
- **Forced or compulsory labour**
  The group supports the elimination of all forms of forced or compulsory labour and has no exposure to such practices. Suppliers are not vetted in this regard as the group is of the opinion that this is not necessary in the context of its operations and the profile of its suppliers.
- **Abolition of child labour**
  The group demonstrates its support for the abolition of child labour by ensuring that no minors are employed. It is a condition of employment that all employees provide proof of age upon commencement of employment.
- **The Organisation for Economic Co-operation and Development's recommendations regarding corruption**
  Activities associated with good corporate citizenship, including the group's positioning and efforts with regard to promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution towards community development in the areas within which the company operates and record of sponsorship, donations and charitable giving.

  In this regard it is to be noted that:
  - no material or repeated penalties, sanctions and/or fines for contraventions of, or non-compliance with, statutory obligations were imposed on the company or its directors for failure to comply with any legislative or regulatory requirement
  - no compliance inspections were carried out by environmental regulators nor were any findings of non-compliance with environmental laws or criminal sanctions for non-compliance imposed on the company
  - no political donations were made during the year
  - no requests for information under the Promotion of Access to Information Act were received during the year under review.

For details on sponsorships, donations and charitable giving refer to page 66.

- Reviewing its terms of reference to ensure they remain aligned with King IV™, legislation and best practice.
- The group's labour and employment practices, including its standing in terms of the International Labour Organization Protocol on decent work and working conditions, and its employment relationships and contribution toward employee educational development.
- Progress made with regard to transformation, taking the Employment Equity and BBBEE Acts into account. The company, in its most recent verification, achieved level 4 BBBEE recognition.
- The group's compliance with applicable legislation, regulation and Codes of Good Practice.
- Environmental sustainability practices, in particular three of the UN Global Compact Principles relating to supporting a precautionary approach to environmental challenges and supporting greater environmentally friendly technologies.
- Consumer relationships, including advertising and public relations and stakeholder engagement. It is specifically noted that no complaints were lodged with the Consumer Tribunal or the Advertising Standards Authority (ASA).
- Consumer relations and service excellence, through the WOW service excellence and employee recognition programme.

Efforts will continue to be directed towards enhancing reporting in respect of corporate citizenship and implementation of employee-centric initiatives, including:

- the code, particularly whistleblower and business abuse awareness and training in order that ethical behaviour remains top of mind at all times
- ongoing training initiatives aimed at delivering sustainable value.

The SEC is of the view that the group takes its environmental, social and governance responsibilities seriously and that appropriate policies, plans and programmes have been put in place to contribute to social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

Furthermore, no incidents or acts indicating a material breach in the required standard of ethical behaviour were reported to the committee during the period under review nor were any instances of substantive non-compliance with legislation and regulation or non-adherence to codes of best practice.

Based on its monitoring activities, the SEC has no reason to believe that any such non-compliance or non-adherence has occurred and that the group is addressing the matters required to be monitored as detailed in its mandate in the appropriate manner and that it has effectively discharged its responsibilities.



M S P Marutlulle
Chairman of the social and ethics committee

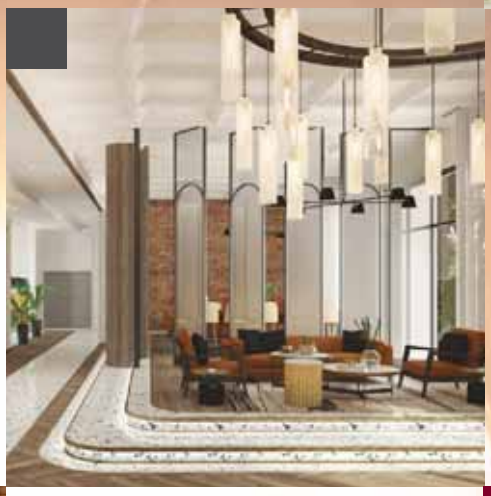
12 November 2020

On our

35th anniversary

we officially welcome Courtyard Hotel Waterfall City and City Lodge Hotel Maputo to the CLHG family.





- Courtyard Hotel Waterfall City
- City Lodge Hotel Maputo





