

NOTICE OF ANNUAL GENERAL MEETING

CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06
Share code: CLH ISIN: ZAE000117792
(the company)

Notice is hereby given that the thirty-fourth annual general meeting of shareholders of City Lodge Hotels Limited ("AGM") will be held electronically on Friday, 11 December 2020 at 10:00 for purposes of dealing with the following business and considering and, if deemed fit, passing with or without modification, the resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (Companies Act) and the JSE Listings Requirements.

IMPORTANT DATES, PROXIES AND VOTING

In terms of section 59(1)(a) the directors have determined the following record dates for the purposes of determining which City Lodge shareholders are entitled to receive notice, participate in and vote:

- receive notice of the annual general meeting (AGM): Friday, 6 November 2020
- last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 1 December 2020
- participate in and vote at the AGM: Friday, 4 December 2020

Last date for lodging forms of proxy with transfer secretary, Wednesday, 9 December 2020 (refer note 4 on page 170).

AGM to be held at 10:00 on Friday, 11 December 2020.

Results of the AGM will be announced on SENS on Friday, 11 December 2020.

In terms of section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents (ID), driver's licences and passports.

Shareholders who have not dematerialised their shares (certificated shareholders), or who have dematerialised their shares with 'own name' registration, and who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder. It is requested that proxy forms be forwarded so as to reach the transfer secretaries by no later than 48 (forty-eight) hours before the commencement of the AGM. If shareholders who have not dematerialised their shares, or who have dematerialised their shares with 'own name' registration, and who are entitled to attend, participate in and vote at the AGM, do not deliver the proxy forms to the transfer secretaries by the stipulated time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the transfer secretary at proxy@computershare.co.za.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

Voting will take place by way of a poll and accordingly every shareholder present or represented by proxy and entitled to vote, will have one vote in respect of each share held.

Note

To adopt:

- an ordinary resolution, it must be supported by more than 50% of the voting rights exercised on the resolution
- a special resolution, it must be supported by at least 75% of the voting rights exercised on the resolution.

ELECTRONIC PARTICIPATION

Electronic participation is permitted by the JSE, the Companies Act and the Company's memorandum of incorporation (Mol).

Shareholders wishing to participate electronically are required to:

1. register online using the online registration portal at www.smartagm.co.za by no later than 10:00 on Wednesday, 9 December 2020; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Wednesday, 9 December 2020. However, this will not in any way affect the rights of shareholders to register for electronic participation at the AGM after this date, provided, however, that only those shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the AGM, will be allowed to participate in and/or vote by electronic means. The electronic participation form can be found as an insert in this notice of AGM. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

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For the electronic notice to be valid, it must contain the following details:

- if the shareholder is an individual, a certified copy of his/her ID and/or passport
- if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the IDs and/or passports of the persons who passed the relevant resolution. The resolution must provide the particulars of the person authorised to represent the relevant entity at the AGM via electronic communication
- valid email address.

The company will inform participants who notified Computershare of their intended participation in accordance with the notice of AGM, by no later than 10:00 on Thursday, 10 December 2020 by email of the relevant details through which Participants can participate electronically.

The cost (e.g. mobile data consumption or internet connectivity) of electronic participation in the AGM will be for the participant's account.

The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the company and its directors/employees/company secretary/transfer secretary/service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company or its directors/employees/company secretary/transfer secretary/service providers, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM, including but not limited to loss of network connectivity or other network failures due to insufficient airtime or data, internet connectivity, internet bandwidth and/or power outages.

City Lodge cannot guarantee there will not be a break in electronic communication that is beyond the control of the company.

AS ORDINARY BUSINESS

1. To present the consolidated audited annual financial statements for the year ended 30 June 2020

(as set out on pages 105 to 160 of the Integrated Report), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.

2. Ordinary resolution number 1: Re-appointment and re-election of retiring directors

To elect, by way of a series of votes, the following directors who retire in accordance with the provisions of the Companies Act, and the company's Mol, and who, being eligible and available, offer themselves for re-appointment or re-election, as may be applicable:

- Ordinary resolution number 1.1 "RESOLVED THAT Ms D Nathoo, who was first appointed to the board on 9 March 2020, be and is hereby re-appointed as a director of the company"
- Ordinary resolution number 1.2 "RESOLVED THAT Mr G G Huysamer be and is hereby re-elected as a director of the company"
- Ordinary resolution number 1.3 "RESOLVED THAT Ms N Medupe be and is hereby re-elected as a director of the company"
- Ordinary resolution number 1.4 "RESOLVED THAT Mr B T Ngcuka be and is hereby re-elected as a director of the company"

Brief biographies in respect of each retiring director appear on page 17 of the Integrated Report.

The board has reviewed the performance and contribution of each of the directors offering themselves for re-election and recommends that these directors be re-elected. Notwithstanding the foregoing and in line with governance best practice, the continued independence of those non-executive directors who have served for longer than nine years is evaluated annually. Such evaluations take into account factors that may impair independence. Following a rigorous review, the board is satisfied that there are no relationships or circumstances likely to affect, or which affect, the judgement or independence of Ms Medupe.

3. Ordinary resolution number 2: Re-appointment of external auditor

Upon the recommendation of the audit committee to re-appoint KPMG Inc. as the independent auditor of the company for the ensuing year to hold office until the next AGM, with Mr Dwight Thompson as the designated partner, and to authorise the audit committee to determine the auditor's terms of engagement and remuneration.

"RESOLVED THAT KPMG Inc. be and is hereby re-appointed as the auditor of the company for the ensuing year, with Mr Dwight Thompson as the designated partner and that the audit committee be and is hereby authorised to determine the auditor's terms of engagement and remuneration."

4. Ordinary resolution number 3: Appointment of group audit committee members

To elect, by way of a series of votes, and subject, where necessary, to their re-election as directors of the company in terms of ordinary resolution 1, the following independent non-executive directors as members of the audit committee to hold office until the next AGM:

- Ordinary resolution number 3.1 "RESOLVED THAT Mr S G Morris be and is hereby elected as a member and the chairman of the audit committee"
- Ordinary resolution number 3.2 "RESOLVED THAT Mr G G Huysamer be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 3.3 "RESOLVED THAT Mr F W J Killbourn be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 3.4 "RESOLVED THAT Ms N Medupe be and is hereby elected as a member of the audit committee"

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

5. Ordinary resolution number 4: Signature of documents

“RESOLVED THAT any one director or the group company secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary for, or incidental to, the implementation of all the resolutions passed at and set out in this notice convening this AGM.”

6. Advisory vote: Remuneration policy and implementation report

6.1 To endorse, by way of a non-binding advisory vote, the company’s remuneration policy as set out on pages 85 to 93 of the Integrated Report.

6.2 To endorse, by way of a non-binding advisory vote, the company’s remuneration implementation report as set out on pages 94 to 100 of the Integrated Report.

In terms of King IV, an advisory vote on the company’s remuneration policy and the implementation thereof should be obtained from shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof. In the event that the policy is voted against by 25% or more of the voting rights exercised, the company undertakes to engage with shareholders in order to determine how to address their legitimate and reasonable concerns.

7. Special resolution number 1: Approval of non-executive directors’ remuneration

“RESOLVED THAT the remuneration payable to non-executive directors be approved as follows:

1 July 2019 to 30 June 2020 (R)	Annual fee payable with effect from 1 July 2020	Hourly rate payable with effect from 1 July 2020
Chairman of the board	1 060 000	
Services as lead independent director	343 000	
Services as a director	262 000	
Chairman of the audit committee	184 000	
– Other audit committee members	84 500	
Chairman of the remuneration and nominations committee	162 000	
– Other remuneration and nominations committee members	73 000	
Chairman of the risk committee	126 000	
– Other risk committee members	57 500	
Chairman of the social and ethics committee	83 000	
Ad hoc committee		2 100 capped at a total of 60 000”

The reason for and effect of the proposed resolution is to ensure that the company has the necessary approval in place to remunerate its non-executive directors in accordance with the requirements of sections 65(11)(h), 66(8) and 66(9) of the Companies Act and that the level of fees paid to non-executive directors remains market-related for purposes of attracting persons of sufficient calibre and skill, and accords with the greater accountability and risk attached to the position.

The reason for proposing an ad hoc committee fee over and above the remuneration ordinarily paid to the non-executive directors, is to set a fee for participating in an ad hoc committee established and mandated should circumstances necessitate the formation of one to consider a specific issue falling outside the scope of existing committees.

The board, on the recommendation of the remuneration and nominations committee, which in turn considered executive management’s recommendation in this regard, has accepted the fees proposed in special resolution number 1, which, save for the ad hoc committee, reflects a zero percent increase, and recommends the same for approval by shareholders.

Refer to page 140 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 85 to 100 of the Integrated Report for further detail on the company’s remuneration practices.

8. Special resolution number 2: Financial assistance

“RESOLVED THAT to the extent required by sections 44 and/or 45 of the Companies Act, the board may, subject to compliance with the requirements of the company’s Mol, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in such amounts and on such terms and conditions as the board may from time to time resolve, by way of loan, guarantee, the provision of security or otherwise to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

The reason for and effect of special resolution number 2

Notwithstanding the title of section 45 of the Companies Act, being “Loans or other financial assistance to directors”, on a proper interpretation, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation and to a person related to any such company, corporation or member.

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Further, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financial agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest. This is particularly so where funding is raised by the foreign subsidiaries of the company, whether by way of borrowings or the issue of bonds or otherwise, for the purposes of the conduct of their operations. In the circumstances and in order to, inter alia, ensure that the company and its subsidiaries and other related and inter-related companies and entities continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain shareholder approval as set out in this special resolution number 2. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act.

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or corporation, and/or to a member of a related or inter-related company, to subscribe for options or securities of the company or another company related or inter-related to it.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous two (2) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that:

- (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and
- (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Accordingly, the approval of shareholders is sought to ensure that the company, its subsidiaries and other related and inter-related companies is able to effectively organise its internal financial administration.

9. Special resolution number 3: General authority to repurchase shares

“Resolved that the company or any subsidiary of the company is hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the capital of the company in accordance with the Companies Act, the company’s Mol and the JSE Listings Requirements, provided that:

- (i) The number of its own ordinary shares acquired by the company in any one financial year shall not exceed 10% (ten per cent) of the ordinary shares in issue at the date on which this resolution is passed
- (ii) This authority shall lapse on the earlier of the date of the next AGM of the company or the date 15 (fifteen) months after the date on which this resolution is passed
- (iii) The board has resolved to authorise the acquisition and that the company and its subsidiaries (the group) will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the group
- (iv) The acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty
- (v) The company only appoints one agent to effect any acquisition(s) on its behalf
- (vi) The price paid per ordinary share may not be greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which an acquisition is made
- (vii) The number of shares acquired by subsidiaries of the company shall not exceed 10% (ten per cent) in the aggregate of the number of issued shares in the company at the relevant times
- (viii) The acquisition of shares by the company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless the company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing, prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company’s securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE
- (ix) An announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares in issue at the date of the AGM at which this special resolution is considered and, if approved, passed, and for each 3% (three per cent) in aggregate of the initial number acquired thereafter.”

The following additional information, some of which may appear elsewhere in the Integrated Report, is provided in terms of section 11.26 of the JSE Listings Requirements for purposes of this general authority:

- major beneficial shareholders — page 159
- share capital of the company — page 134

Directors' responsibility statement

The directors, whose names appear on pages 16 and 17 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the company and its subsidiaries since the date of signature of the Integrated Report and up to the date of posting.

Reason for and effect of special resolution number 3

The general authority is required by the company to perform its settlement obligations to employees participating in the company's various share or employee incentive schemes.

Special resolution number 3 is sought to allow the group by way of a general authority to acquire its own issued shares (reducing the total number of ordinary shares of the company in issue, in the case of an acquisition by the company of its own shares). At the present time, the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate, taking prevailing market conditions and other factors into consideration. The directors, having considered the effect of a maximum repurchase under the general authority, are of the opinion that:

- (i) The group will be able to pay its debts in the ordinary course of business for a period of 12 (twelve) months after the date of this notice
- (ii) The assets of the group will exceed the liabilities of the company and its subsidiaries for a period of 12 (twelve) months after the date of this notice, recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements
- (iii) The ordinary share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice
- (iv) The working capital of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice. In terms of the Companies Act, this acknowledgment by the directors is valid for a set period only and the directors' minds would need to be applied again if the buyback was implemented after this period.

RESOLUTIONS PERTAINING TO THE UNWIND OF THE COMPANY'S 2008 B-BBEE TRANSACTION

Shareholders are referred to the Appendix of this notice of AGM setting out details of the proposed unwind of the Company's broad-based black economic empowerment (B-BBEE) transaction established in 2008, which will result in the indirect repurchase by the company of 35 393 908 City Lodge Shares.

The below resolutions are required to give effect to the BEE Unwind, as detailed in the Appendix. Definitions contained in the Appendix will be applicable to these resolutions.

10. Special resolution number 4 – Specific authority, in terms of the Companies Act and JSE Listings Requirements for the direct or indirect repurchase by the company of 35 393 908 of its own shares

"RESOLVED THAT, subject to the passing of special resolution number 5, the company be and is hereby authorised, by way of a specific authority, in terms of sections 48(8)(b) and 114 read together with section 115 of the Companies Act, the JSE Listings Requirements and article 42 of the MoI of the company, to acquire directly or indirectly 35 393 908 of its own City Lodge shares, for a total subscription consideration equal to the BEE Debt due by the BEE SPVs to the Standard Bank of South Africa, being an amount of up to R776.3 million, to be acquired through a subscription for 99.99% of the ordinary shares of each of the BEE SPVs, being the current owners of the 35 393 908 City Lodge Shares, and on the terms set out in the Appendix to this notice of AGM".

If special resolution number 5 is passed and if the circumstances in special resolution number 5 are present and the directors resolve to revoke this special resolution number 4, the indirect specific repurchase will not be undertaken.

Explanations and voting requirements

The reason for and effect of special resolution number 4, if adopted and if the resolution is not revoked in terms of special resolution number 5, or treated as a nullity in terms of section 115(5)(b) of the Companies Act, will be the direct or indirect repurchase by the company of 35 393 908 of its own shares. This will be as a consequence of the Subscription, which will enable the BEE Unwind and simultaneously allow the BEE SPVs to settle the BEE Debt owing to Standard Bank of South Africa, failing which it will call on the Guarantee and the company will be obliged to settle the BEE Debt without being able to readily take ownership of the shares owned by the BEE SPVs.

In order for special resolution number 4 to be passed, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by City Lodge shareholders electronically participating, or represented by proxy, excluding the BEE SPVs and their associates, at the AGM is required.

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11. Special resolution number 5 – Potential revocation of special resolution number 4 in the event of City Lodge shareholders exercising their Appraisal Rights

“RESOLVED THAT, subject to the passing of special resolution number 4 and in the event that any City Lodge shareholders exercise their Appraisal Rights, the directors be and are hereby authorised, but not obliged, to revoke special resolution number 4, in terms of section 164(9)(c) of the Companies Act, if the directors are of the view that it is in the best interest of the company to do so.”

Explanations and voting requirements

The effect of special resolution number 5, if adopted, will be to enable the company to revoke special resolution number 4, in the event that there are dissenting shareholders. In order for special resolution number 5 to be passed, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by City Lodge shareholders present in person, or represented by proxy, at the AGM is required.

REQUIREMENTS FOR THE PASSING OF RESOLUTIONS UNDER SECTION 114 AND SECTION 115 OF THE COMPANIES ACT AND APPLICATIONS TO COURT IN TERMS OF SECTION 115 OF THE COMPANIES ACT

Section 115 of the Companies Act sets out the requisite approval for undertaking transactions in terms of Chapter 5, Part A of the Companies Act. Section 115 of the Companies Act provides, inter alia, that:

- i. certain parties will be precluded from voting at a general meeting, in the event that such party is considered to be an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them; and
- ii. a resolution, despite having been adopted in terms of the Companies Act, may not be implemented, and would be subject to Court approval, if:
 - a. the resolution was opposed by at least 15% (fifteen per cent) of the voting rights that were exercised on such resolution and within 5 (five) business days after the vote, any person who voted against the resolution requires the company to seek Court approval; and
 - b. the Court, on an application within 10 (ten) business days after the vote by any person who voted against the resolution, grants that person leave, to apply to a Court for a review of the transaction, and section 115 of the Companies Act provides for the process to be followed under these circumstances.
- iii. A copy of section 115 of the Companies Act is attached as Annexure 5 of the Appendix which forms part of this notice of AGM.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

In terms of section 164 of the Companies Act, at any time before special resolution number 4 and 5 as set out in this notice of AGM is to be voted on, a dissenting shareholder may give the company a written notice objecting to special resolution number 4 and/or special resolution number 5. Within 10 (ten) business days after the company has adopted special resolution number 4 and/or special resolution number 5, the company must send a notice that special resolution number 4 and/or special resolution number 5 has been adopted to each shareholder who:

- i. gave the company a written notice of objection; and
- ii. has neither:
 - a. withdrawn that notice; or
 - b. voted in support of the resolution.

A shareholder may demand that the company pay such shareholder the fair value for all the shares held by that shareholder if:

- iii. the shareholder has sent the company a notice of objection;
- iv. the company has adopted special resolution number 4 and/or special resolution number 5; and
- v. the shareholder voted against special resolution number 4 and/or special resolution number 5 and has complied with all of the procedural requirements of section 164 of the Act.

A copy of section 164 of the Companies Act is attached as Annexure 6 of the Appendix which forms part of this notice of AGM.

OTHER BUSINESS

To transact such other business as may be transacted at an AGM.

By order of the board

M C van Heerden
Group company secretary

Bryanston

13 November 2020