



CITY LODGE HOTELS

Integrated Annual
Report 2023



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Our strategy at a glance continued



ENVIRONMENTAL RESPONSIBILITY

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

KPI	WHY THIS KPI IS IMPORTANT	LINK TO EXECUTIVE REMUNERATION
<p>Expenditure on hotel operational resilience</p>	<p>Monitoring expenditure on building resilience is fundamental as it aligns with our dedication to sustainable investments. Such investments not only boost profitability but also play a crucial role in the preservation of natural capital. Our sustainability journey was unavoidably paused during 2021 and 2022 due to the impact of Covid-19. Despite these challenges, the pressing reality of climate change has continually remained a focal concern for our management team.</p>	<p>X</p>

PERFORMANCE OVERVIEW FOR 2023

- Continued to pursue additional solar solutions and borehole installations to mitigate the impact of crippling load-shedding and deteriorating water infrastructure in South Africa
- 25 of our hotels utilise solar power, and we have increased our focus on energy storage
- Six hotels have installed boreholes and filtration plants, addressing the erratic water supply issue
- 65% of eggs served across the group align with our cage-free commitment
- Procuring from local suppliers where possible to reduce the distance goods must travel while supporting small and medium businesses

LOOKING AHEAD

- Continually advancing efficiency initiatives across the group
- Exploring electricity storage options
- Increasing the utilisation of borehole water, where necessary
- A further 15 hotels will install solar solutions
- A further six hotels will install boreholes, and 11 hotels will install water filtration plants
- Responsible removal of all waste from the grease traps in all hotel restaurants





What natural capital means to us

Our natural capital comprises the renewable and non-renewable environmental resources utilised at our hotels and support office. As a group, we acknowledge the importance of conducting our business in an environmentally responsible way, aligning with our values.

Checking into easy

Natural capital is integral to the seamless experience we aim to offer. Recognising its importance in operations and as a value driver, we consider preserving natural capital a business priority. We diligently assess our environmental footprint and implement measures to mitigate adverse impacts, aligning sustainability with ease of stay.

Over the past few years, we have developed and implemented various policies, practices, and targets to minimise our environmental impact. We also actively encourage our stakeholders to join us in our commitment to sustainability. We continue to analyse, manage, and monitor these practices across all our brands to ensure environmentally responsible operations, maintaining a balance between what is feasible and reasonable.

Key outcomes

TOTAL EMISSIONS

34 496 tCO₂e

2022: 26 488 tCO₂e

AVERAGE WATER CONSUMED PER OCCUPIED ROOM

0.35kl

2022: 0.39kl

AVERAGE ELECTRICITY CONSUMED PER OCCUPIED ROOM

19.5 kWh

2022: 22.5 kWh

ENERGY PRODUCED BY SOLAR/PV INSTALLATIONS

2.2 million kWh

2022: 2.1 million kWh

65%

of eggs served across the group align with our cage-free commitment

2022: 55%

While the group aims to monitor the use of resources, it has been challenging to compare our reduction performance with previous years as the Covid-19 pandemic has disrupted our average occupancy metrics. During the year under review, our usage has increased significantly as our occupancy rate rose, but it was only in the fourth quarter of FY22 that our occupancy rates were comparable with pre-Covid levels.



Our capital performance continued

Our sustainability metrics in respect of electricity and water usage are outlined below:

Disclosure topic	Key performance indicator	2023	2022	2019
Total energy consumption	Total energy consumed (kWh)	29.5 million	23.7 million	26.3 million
	– Percentage grid electricity	85.5%	91%	99.3%
	– Percentage of self-generated renewable energy	7.6%	8.9%	0.3%
	– Percentage purchased renewable energy	–	–	–
	– Percentage of energy from fuels	6.9%	1.1%	0.4%
	Change in absolute energy consumed from the previous year	24.5%	33.9%	0.4%
	Average amount of electricity consumed per occupied room (kWh/room occupied)	19.5	22.5	18.6
Change in energy consumed per occupied room from the previous year	(13.3%)	(33%)	3.8%	
Renewable energy production	Energy produced by solar/PV installations (kWh)	2.2 million	2.1 million	0.88 million
	Excess solar energy produced that could be sold into national grids in the future (kWh)	–	116 021	–
	Solar installations at X number of hotels	25	25	1
	Reduction in the total amount of energy purchased from national energy providers	7.6%	8.9%	0.3%
Water consumption	Total portfolio water consumption (kl)	522 181	410 942	
	Percentage municipal water	94	99	
	Percentage of other water collection	6	Less than 1	
	Average amount of water consumed per occupied room (kl/room occupied)	0.35	0.39	
	Total spend on water (ZAR)	21 244 662	14 387 471	
	Change in water use from the previous year (%)	27.1	32	
	Change in water spending from the previous year (%)	47.66	41.32	

Energy

Our hotels and supporting infrastructure use electricity primarily generated by the national energy providers in the countries where we operate. As power outages are relatively common across Africa, all our hotels have back-up diesel generators installed.

The bulk of the group's energy consumption results from water heating, air conditioning, lighting, and laundry operations. As these functions generate almost 70% of our carbon footprint, mitigating these effectively remains key.

Our total energy consumption for the period was 29.5 million kWh (2022: 23.7 million kWh). Sustainable energy management programmes at each hotel focus on operational and technical efficiencies. Our absolute energy consumption across all our hotels increased by 24.5% (2022: increased by 33.9%) due to increased occupancies and the enhanced food and beverage offering.

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

Brand	kWh per occupied room			Cost per occupied room (ZAR)			kWh per available room			Cost per available room (ZAR)		
	2023	2022	2019	2023	2022	2019	2023	2022	2019	2023	2022	2019
Courtyard Hotel	38.2	55.5	31.9	82.94	123.36	58.08	17.6	16.5	13.2	38.07	36.66	24.01
City Lodge Hotel	19.8	23.6	19.8	38.34	43.83	30.52	11.8	9.4	10.8	23.28	17.82	17.62
Town Lodge	19.5	24.1	17.1	37.53	49.67	30.88	10.6	8.3	8.9	20.37	17.53	15.2
Road Lodge	15.8	16.3	12.4	33.92	37.27	25.57	8.5	6.9	8.8	18.26	15.73	16.74

Renewable energy and back-up energy supply

The ongoing energy crisis and frequent load-shedding have sharply underscored the urgency and importance of renewable energy investments for City Lodge Hotels. Embracing renewable energy aligns with our sustainability goals and the broader imperative to ensure an uninterrupted energy supply in a challenging landscape.

To date, City Lodge Hotels has installed 4 250 panels at 25 hotels at a cost of R20 million. These solar plants generate over two million kWh (kilowatt hours) annually, nearly 8% of the group's total energy usage. The group is planning the next stage of its solar panel journey, which will include 15 hotels and add another one million kWh/year to its generation capacity. On completion of the project by December 2023, the total generating capacity across all 40 hotels will be 2,581 MWP.

City Lodge Hotels is exploring electricity storage options to supplement our solar initiatives and further mitigate the challenges posed by load-shedding and rising electricity costs. Trials are underway at two hotels, where various sizes of batteries and inverters are being utilised to assess feasibility and effectiveness. These trials will inform our future strategy, reflecting our commitment to innovation and environmental stewardship.

Furthermore, we are investigating the installation of generator integrators, allowing the simultaneous utilisation of generators and solar power. This approach aims to enhance our energy systems' resilience and sustainability, ensuring uninterrupted supply even during grid disruptions. By integrating these technologies, we are building on our multifaceted approach to energy management and reinforcing our proactive response to South Africa's evolving energy landscape.

Water

In the water-stressed region of southern Africa, particularly in South Africa, the urgent need to conserve water has driven the group to concentrate efforts on improving water efficiency. This commitment to conservation is a joint effort between employees and guests, and we actively encourage measures that reduce consumption without compromising the guest experience. Our approach includes reducing the number of rooms with baths to approximately 60% of the total and installing low-flow showerheads and taps. The total water consumption for the period was 522 181kl (2022: 410 942kl), a 111 239kl, or 27.1%, increase year on year, primarily due to increased occupancy. We continually evaluate other innovative ways to diminish overall water consumption, reflecting our determination to contribute to responsible water stewardship in a region where this resource is increasingly scarce.

The challenges of water security are further compounded by the ageing water supply infrastructure in South Africa and the frequent disruptions caused by load-shedding, which can cause pumps to cease working. Recognising these challenges, we are looking into increasing the utilisation of borehole water, which involves the installation of filtration plants to ensure water is fit for human consumption. The first plant was installed in Cqeberha, and to date, six hotels utilise boreholes and filtration systems, with a further six boreholes and 11 filtration systems in progress. This strategic approach adds to the group's operational sustainability and enhances business continuity by providing an alternative to traditional infrastructure. By doing so, we are safeguarding our operations and aligning with broader efforts to ensure water security in the face of infrastructure challenges.

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



Our capital performance continued

Waste management

Before the Covid-19 pandemic, our hotels actively pursued recycling initiatives, including employing an on-site waste sorter to minimise landfill waste. While cost constraints during the pandemic necessitated a temporary return to traditional waste management, we have already reinitiated recycling efforts in select locations. Guided by our commitment to responsible environmental practices and compliance with the Waste Management Act (2013), we vigorously investigate methods to eliminate food waste to landfills. Our proactive approach aligns with regional regulations, such as those in the Western Cape, in which a 50% reduction in base-level food waste is mandated. Our focus remains firmly on accelerating waste management initiatives, reflecting our enduring commitment to environmental stewardship and sustainability.

SDG 3



SDG 8



SDG 9



SDG 11



SDG 12



SDG 13



SDG 17



Partnering for responsible waste management

At City Lodge Hotels, we are committed to responsible waste management and environmental sustainability. To enhance our efforts in this direction, we partnered with Organic Matters, an innovative, black-owned SME specialising in collecting, cleaning, recycling, and reusing cooking oil and grease.

Together, we have implemented a system across our hotels that efficiently extracts grease from our recently upgraded kitchen grease traps. Organic Matters employs specialised technology to perform this extraction, composting the oil for responsible reuse. Through our partnership with Organic Matters, we have elevated our waste handling standards within the hospitality industry, aligning with broader sustainability objectives and demonstrating the transformative power of strategic alliances in shaping sustainable practices.

Our proactive approach aligns with regional regulations, such as those in the Western Cape, in which a 50% reduction in base-level food waste is mandated.

Animal welfare

The subject of the living conditions of layer hens, particularly whether they are kept in cages, has prompted significant discussion. While non-cage-free eggs may be cheaper and more readily sourced, the conditions in which the hens are kept are at odds with our values. Recognising our guests' demand for safe, healthy, and sustainably grown food, we are committed to an ethical and transparent product supply chain.

City Lodge Hotels publicly committed in January 2020 to serve only 100% cage-free eggs across all operations by 2025, partnering with Humane Society International-Africa (HSI-Africa) in this endeavour. Currently, the group serves just over 2 million eggs annually, of which 65% (2022: 55%) are cage-free. Our sustainability committee is also exploring ethical options for sourcing pork, reflecting our ongoing dedication to ethical sourcing and sustainability.

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
- By-laws of The National Environmental Waste Act No. 59 of 2008
- Waste Management Act (2013)

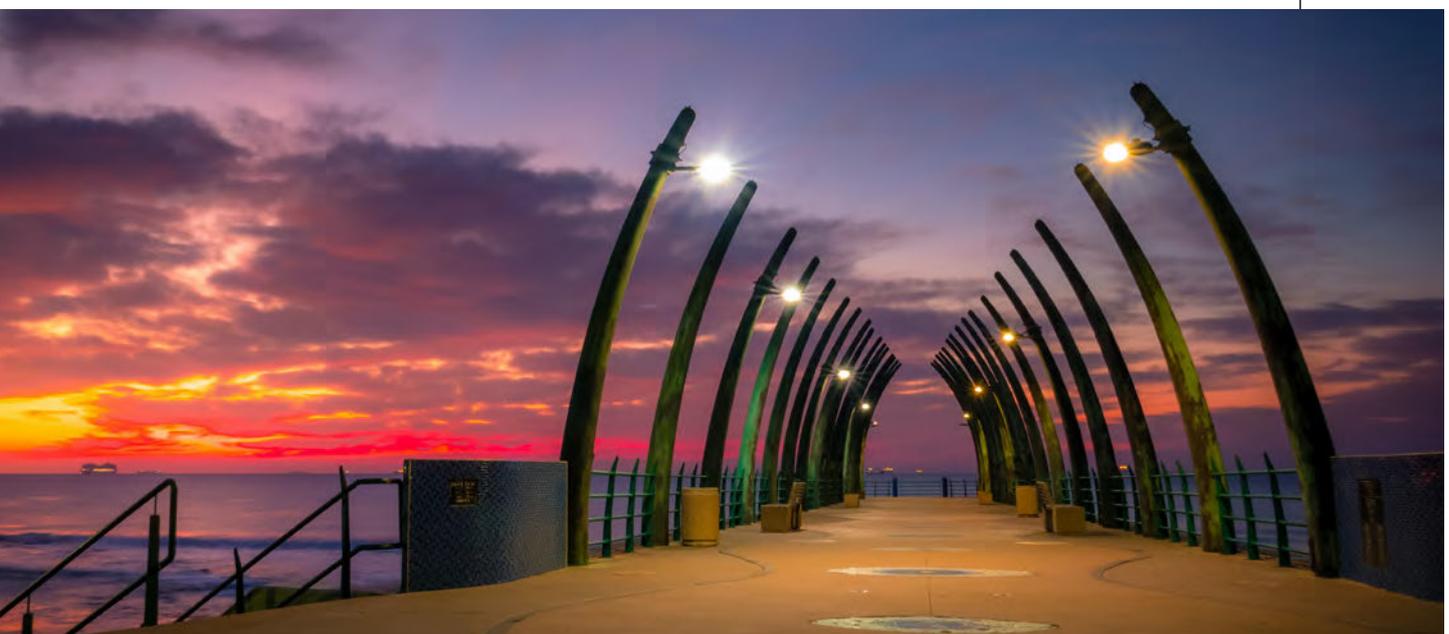
No environmental accidents occurred during the year, nor were any environmental fines imposed on the group.

The group currently does not have any biodiversity management plans in place.

Sustainability initiatives

Earth Hour

Aligned with our commitment to support the United Nations Sustainable Development Goals and our dedication to the fight against climate change, City Lodge Hotels once again participated in Earth Hour in March 2023. This global initiative, founded by the World Wide Fund for Nature (WWF), urges individuals, communities, corporations, and households to turn off their lights for one hour from 20:30 to 21:30 on the last Saturday of March each year. Our participation in this symbolic event underscores our pledge to raise awareness about environmental responsibility and to implement sustainable business practices.



Administration

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