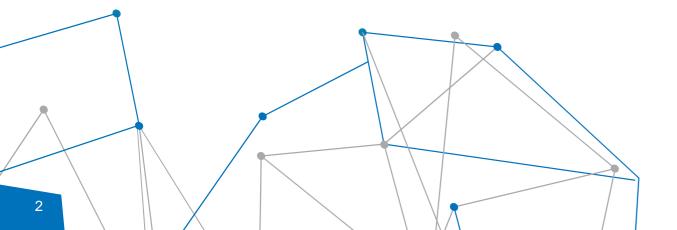




CONTENTS CONTINUED

Governance and assurance	34	Performance	114
Application of KING IV	34	Ensure long-term financial sustainability	114
Ethical leadership and corporate citizenship	34	Enhancing operational efficiencies in line with global ATM standards	117
ATNS Board of Directors	42	Develop leadership capability in the Africa ATM space	120
ATNS Executive Committee	54	Create a transformative organisation	121
How ATNS's control framework creates value	60	Build a culture of safety	123
Remuneration	66	Build a skilled and capable employee resource base	126
Code of ethics	70	Manage the organisation's contribution to Climate Change	126
Material issues	72	Manage and preserve scarce and vulnerable resources	128
Clustering of ATNS's material issues	76	Develop enterprise-wide awareness for environmental impacts	131
Clustering of Ariva's material issues	70	Ensure constructive and collaborative stakeholder relationships	131
Stakeholder engagement	79	Maintain an impeccable governance framework	134
Key stakeholders	79	Ensure regulatory alignment and compliance	135
Strategy	81	Performance against our Shareholder Compact	136
ATNS's Strategic fundamentals	82	Outlook	144
Strategic drivers	82	Ensure long-term financial stability	144
Strategic imperatives	82	Ensure long-term financial stability Enhance operational efficiencies in line with global ATM standards	
Monitoring sustainable development outcomes	86	Create a transformative organisation	148
Creating value through the Capitals	88	Build a culture of safety	148
Defining "value creation"	90	Build a skilled and capable employee resource base	149
Financial capital	90	Manage the organisation's contribution to climate change	149
Manufactured capital	94	Develop enterprise-wide awareness for environmental impacts	151
Intellectual capital	100	Consolidated 5-year review	152
Human capital	102		4-7
Social and relationship capital	105	List of acronyms	156
Natural capital	109	Company information	160



PERFORMANCE HIGHLIGHTS

STRATE	EGIC OBJECTIVES	INDICATOR		2016/17	2017/18
	_	Revenue		R1,557 billion	R1,594 billion
	Ensure long- term financial sustainability	Operating cos	sts	R1,300 billion	R1,382 billion
	Sustainability	Net profit		R184,5 million	R190,1 million
		Total capital	expenditure	R307 million	R305 million
	Enhance operational efficiencies in line		Communication	• C: 99,80%	C: 99,78%
	with global ATM standards	Average systems	Navigation	• N: 97,98%	N: 96,30%
		availability	Surveillance	• S: 99,99%	S: 99,97%
	Create a transformative organisation	Overall EE representation		 ATS AIC: 70,01% ATS Female: 42,43% ATNS AIC: 75,12% ATNS Female: 44,88 People with disabilities: 3,31% 	 ATS AIC: 72,27% ATS Female: 46,55% ATNS AIC: 76,98% ATNS Female: 47,35% People with disabilities: 3,22%
B	Build a culture of safety	Safety events per 100,000 air traffic movements		2,57 safety events per 100 000 air traffic movements	5,19 safety events per 100 000 movements
		Total number of ATS trainees		81	68
	Build a skilled and capable employee resource base	Total number of engineering trainees		6	22 (12 Engineering learnerships and 10 graduates)
		Training investor		8,13%	6,52%
	Develop enterprise- wide awareness for environmental impacts	Total number of employees trained on environmental training programmes		316 ATNS employees	0*
	Manage the organisation's contribution to climate change	Total carbon inventory		23,292.01 tons CO2e	23,440,52 tons CO2e
	Manage and		al electricity usage	20,515,469 kWh	20,358,981 kWh
	preserve scarce and vulnerable resources	Overall annual fuel usage		89,761 Litres	81,612 Litres
	Ensure constructive and collaborative stakeholder relationships	CSI spend		R3,445,441	R2,521,704

^{*} ATNS e-learning content being developed.

ABOUT THE INTEGRATED REPORT

Scope and boundary of the report

This is our 6th consecutive Integrated Report and covers the financial reporting period from 1 April 2017 to 31 March 2018. The Integrated Report combines financial and non-financial performance in a single report. References to forward-looking information and targets are extracted from the 2018/19 ATNS Corporate Plan approved by the Board of Directors.

The boundary of this report is largely the ATNS legal entity. There may be instances where

material aspects extend to other entities outside of the Company, as ATNS's operations are located at different airports.

The previous Integrated Report was approved by the ATNS Board on 29 August 2017 and published for the period 1 April 2016 to 31 March 2017. The 2016/17 reporting suite combined performance content, sustainability content and our Annual Financial Statements across three reporting volumes. A printed version of the three-volume suite of reports was published and a web-based version of each report was made available in PDF format.

Navigating this report

Icons associated with strategic objectives

Performance commentary in this report pertains to material issues that specifically align with the Company's key strategic objectives. Accordingly, performance commentary is linked to strategic objectives throughout the report by means of the following icons:



Ensure long-term financial sustainability



Enhance operational efficiencies in line with global ATM standards



Deploy and use leading technologies to the benefit of the ATM community



Develop leadership capability in Africa ATM space



Create a transformative organisation



Build a culture of safety



Build a skilled and capable employee resource base



Manage the organisation's contribution to Climate Change



Manage and preserve scarce and vulnerable resources



Develop enterprise-wide awareness for accountable environmental impact



Maintain an impeccable governance framework



Ensure regulatory alignment and compliance



Ensure constructive and collaborative stakeholder relationships

ABOUT THE INTEGRATED REPORT CONTINUED

Icons associated with the six capitals

Performance commentary in this report further aligns with the Company's perspective on value creation, and in particular, value creation through the six capitals (financial, manufactured, intellectual, human, social and relationship and natural). Accordingly, performance commentary is also linked to the six capitals throughout the report by means of the following icons:



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

Icons referencing KING IV principles applied

Abridged governance disclosures in this report are accompanied, where applicable, by icons referencing the applicable KING IV principle by means of the following icons:



P = Principle

King IV principles are referenced where appropriate in this report.

Icons associated with material issues



Icon denoting one or more of ATNS's 19 material issues.



Icon denoting ATNS's material developmental and environmental issues. Where appropriate in this report, material issues forming part of ATNS's material developmental and environmental issues – as detailed in the online Sustainability Report – are denoted by using this icon.

Referencing content online

The 2017/18 Integrated Report, and ATNS's Annual Financial Statements are available on our website as downloadable documents: http://www.atns.co.za/annualreports.

Feedback



We welcome feedback on our integrated reporting to ensure that we continue to disclose information that is pertinent to all our stakeholders.

For further queries or suggestions kindly contact: marketing@atns.co.za.



Approach to integrated reporting

The 2017/18 Integrated Report offers a comprehensive account of the Company's performance in terms of its ability to create value through the 'six capitals', as defined by the International Integrated Reporting Council (IIRC).¹

We apply the principle of 'materiality' to:

- Inform disclosures, so that they are both important to the organisation and relevant in terms of our reporting priorities for the year under review.
- Link disclosures on ATNS's financial, social and environmental performance to the Company's strategic objectives, top risks and to the six capitals.
- Link performance to the Company's developmental context, regulatory context, commercial context and its global business context.

Materiality has been determined by the ATNS Board of Directors and Executive Management through a process of extensive consultation within the organisation and with ATNS's stakeholders. The process considered ATNS's strategic objectives whilst taking into account the Company's material risks, strategic opportunities and the ATNS value chain.

Read more on the materiality determination process on page 72 and 73.

Sustainability statement



As a signatory to multiple global conventions - including the Chicago Convention, which established the International Civil Aviation Organisation (ICAO) as a specialised agency of the United Nations - South Africa's vision for sustainable development is embodied in the relationship between social systems, ecosystems and economic systems. As a State-Owned Company - and national provider of air traffic management (ATM) services – ATNS plays a significant role in contributing to South Africa's sustainability agenda. Our Shareholder mandate, represented by the Minister of Transport and the entire Department of Transport, directs us to contribute to both departmental and national outcomes by balancing the safe development of civil aviation, with the responsible consideration of our impacts on the economy, society and the environment.

We disclose both financial and qualitative (non-financial) performance information in this report as it relates to ATNS's business outcomes and the Company's contributions to the country's overall economic efficiency and ATM competitiveness. Our sustainability reporting includes Standard Disclosures from the GRI Sustainability Reporting Guidelines.

Further

According to the IIR

[&]quot;The capitals... are: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital Together they represent stores of value that are the basis of an organisation's value creation."

Integrated Reporting is an approach to corporate reporting that demonstrates the linkages between an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates" (2013a).

Assurance

ATNS's integrated assurance plan and framework encompass the assurances provided by the Company's Board of Directors, management, internal specialists, internal and external audit functions and other business advisers.

ATNS INTEGRATED ASSURANCE FRAMEWORK FOR THE ANNUAL INTEGRATED REPORTING PROCESS

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P.2
P.10
P.11

P.12 P.13 P.15

ASSURANCE CONTENT	ASSURANCE PROVIDERS	ASSURANCE FRAMEWORKS, STANDARDS AND GUIDELINES	2017/18 OUTCOME
Annual Financial Statements (AFS)	 ATNS Board of Directors The Company's directors External auditors: Rakoma and Associates 	 Financial Reporting Standards Requirements of the Public Finance Management Act (PFMA) of South Africa Companies Act of South Africa Public Audit Act of South Africa International Standards on Auditing (ISA) 	Qualified audit report for 2017/18.
Risk	Audit and Risk	ICAO Standards and Recommended	Risk management
management	Committee (ARC)	Practices (SARPs)	processes, practices
and review of the efficacy	Executive Audit and Risk (EARC)	The King Code of Governance for South Africa (2016) (King IV)	and systems satisfy all legislative
of internal	ATNS Management	Requirements of the Public Finance	requirements
controls	ATNS IT Steering	Management Act (PFMA) of South	but have limited
(including fraud risk)	CommitteeATNS Risk Department	Africa ISO standards relating to safety and	influence on the control environment.
irada risk)	ATNS Legal and	environment	There are areas
	Compliance Department	ERM and compliance standards	of improvement
	ATNS Internal Audit function	including guidelines relating to the Risk Management and Compliance	identified.
	External auditors:	Institute of South Africa	
	Rakoma and Associates	The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation	
		Regulations and Technical Standards	
		Key Performance Areas (KPAs)	
		stipulated in the Shareholder Compact	
Corporate Governance and regulatory compliance (including IT	ATNS IT Steering Committee ATNS's Internal Audit Function Compliance Function	ICAO Standards and Recommended Practices (SARPs) The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards	Controls Inadequacies were identified, there is room for improvement.
governance)		 The King Code of Governance for South Africa (2009) (King IV) Requirements of the Public Finance Management Act (PFMA) of South Africa 	
		 Companies Act Permission applications as mandated by the Regulating Committee in its Approach Document 	
		Relevant Key Performance Areas (KPAs) stipulated in the Shareholder Compact ATNIS Code of Ethics	

ATNS Code of Ethics

ASSURANCE CONTENT	ASSURANCE PROVIDERS	ASSURANCE FRAMEWORKS, STANDARDS AND GUIDELINES	2017/18 OUTCOME
Broad-Based Black Economic Empowerment, representation and contributor level	 ATNS Internal Audit function ATNS Board ATNS Social and Ethics Committee ATNS Human Resource Committee ATNS Procurement Committee 	 DTI Codes of Good Practice B-BBEE Act and associated Charters Generic Transport Public Sector Charter Relevant Key Performance Areas (KPAs) stipulated in the Shareholder Compact 	B-BBEE Level 2 B-BBEE score: 85,42
Safety management and performance	ATNS Board of Directors ATNS Audit and Risk Committee External assurance provider: South African Civil Aviation Authority (SACAA)	 ICAO Standards and Recommended Practices (SARPs); ICAO Annex 19 requirement for States to implement ATS safety management programmes The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations South African Civil Aviation Regulations (CAR) Part 40 Relevant Key Performance Areas (KPAs) stipulated in the Shareholder Compact ATNS Safety Management System (SMS) and SMS Policy CANSO and EUROCONTROL Standards of Excellence 	The safety ratio attained was 5,19 safety events per 100 000 movements against a target of 2 safety events per 100 000 movements.
Environmental management and performance	ATNS Board of Directors ATNS Social and Ethics Committee Portfolio Project Management Office Sustainability Executive Steering committee	 ICAO Standards and Recommended Practices (SARPs) Relevant Key Performance Areas (KPAs) stipulated in the Shareholder Compact National Environmental Management Act (NEMA) Outcomes of the South African Civil Aviation Authority (SACAA) Aviation Environmental Protection (AEP) Forum Greenhouse gas (GHG) Protocol Corporate Standard Carbon Disclosure Project (CDP) 	For 2017/18 financial year, 23 440.52 CO2e resulted from ATNS operations. The emission distribution resulted in 86% tonnes CO2e from scope 2, 13% from scope 3 and 1% from scope 1 (graph 13). Therefore, scope 2, electricity emissions, account for majority of the carbon footprint.
Integrated Annual Reporting	ATNS Board of Directors ATNS Company Secretary	The King Code of Governance for South Africa (2016) (King IV) Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines International Integrated Reporting Framework V1.0 (International Integrated Reporting Council (IIRC)) United Nations Global Compact (UNGC) Carbon Disclosure Project (CDP)	Board-approved Integrated Report, consolidating financial and non-financial information Additional external assurance on certain aspects of the nonfinancial sustainability information reported in the Integrated Report.

ABOUT THE INTEGRATED REPORT CONTINUED

Statement of precautionary principle



Airspace safety performance continues to be at the core of our business. Air traffic movements are expected to increase in future. Accordingly, the flexible optimisation of airspace will contribute to safety and an operationally-efficient environment.

ATNS uses a 'safety ratio' to measure the number of safety events attributed to its operations per 100 000 movements. The safety ratio enables us to verify that we are meeting safety performance targets. Data is collected and analysed to assess our levels of safety performance. The safety ratio is calculated using a 12-month rolling average method. Safety performance assurance and investigation activities are both reactive and proactive.

ATNS provides safe operations by applying 'separation standards' based on Instrument Flight Rules (IFR). With respect to air traffic control, 'separation' refers to the concept of keeping aircrafts a minimum distance from each other to reduce the risk of collision, as well as preventing accidents due to wake turbulence. ATS authorities stipulate minimum separation standards for airspace based on ICAO standards.

Root causes for safety events include human-related errors and fatigue, and extends to external factors such as weather phenomena, airspace design, and complex traffic scenarios. ATNS's Risk Safety Index (RSI) matrix measures the levels of safety risk according to the categories of 'probability' and 'severity'. The Index increases risk visibility and supports management decision-making. Safety meetings are held with General Aviation at unit and regional levels to discuss safety performance, hazards, risks and mitigations.

Board of Directors Approval Statement



The ATNS Board, assisted by its various committees, is ultimately responsible for overseeing the integrity of the 2017/18 Integrated Report.

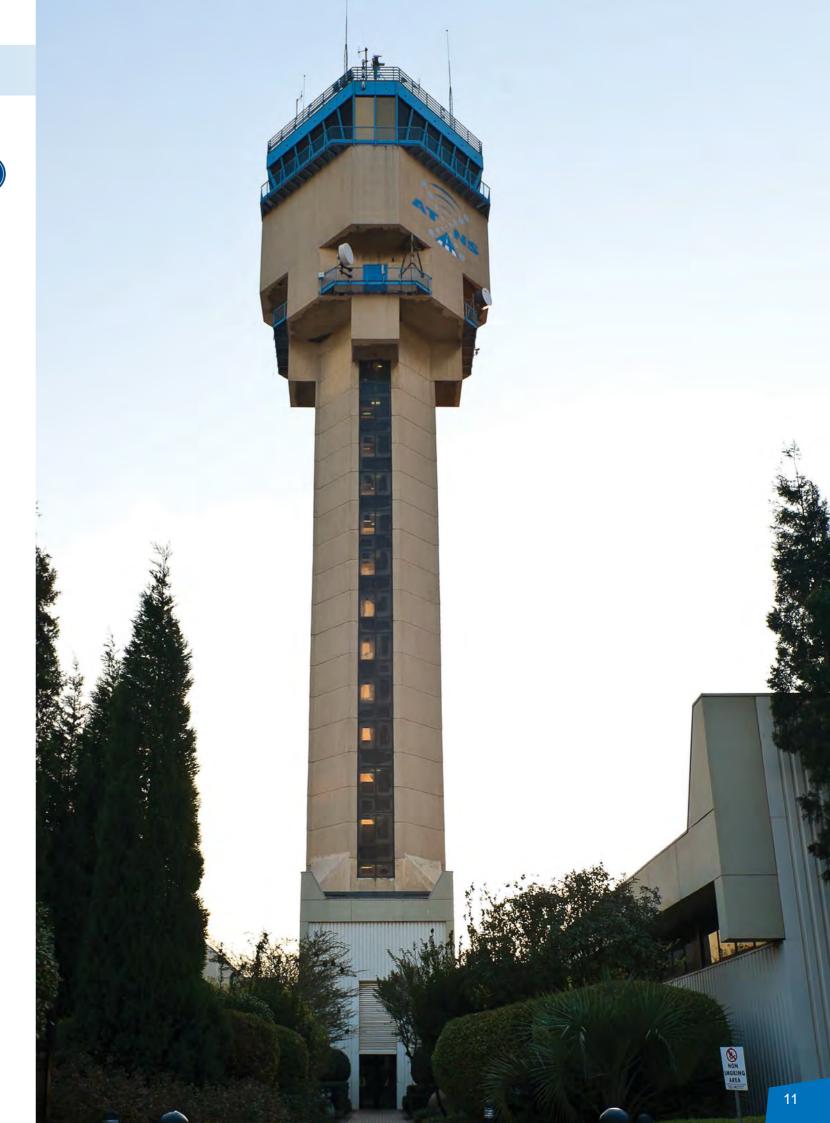
The Board has applied its collective mind to the preparation and presentation of the Integrated Report and has concluded that this report is presented in accordance with the International Integrated Reporting Framework v1.0. The Integrated Report also contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The Integrated Report was approved by the Board on 22 October 2018, and signed on its behalf by:

8. l.h.

SIMPHIWE THOBELA Chairperson

22 October 2018 Johannesburg





ORGANISATIONAL PROFILE

Vision

To be the preferred supplier of Air Traffic Management solutions and associated services to the African continent and selected international markets.

Mission

To provide safe, expeditious and efficient Air Traffic Management solutions and associated services

Values

- Accountability
- Safety and customer service
- Continuous improvement and innovation
- Employee engagement and development
- Fairness and consistency
- · Open and effective communication

Nature and purpose of our business

- The Air Traffic and Navigation Service Company Limited (ATNS) is a State-Owned Company (SOC).
- Established in 1993 in terms of the ATNS
 Company Act (Act 45 of 1993) to provide air
 traffic management solutions and associated
 services on behalf of the State.
- ATM services accord with International Civil Aviation Organisation (ICAO) standards and recommended practices, and the South African Civil Aviation Regulations and Technical Standards.
- ATNS is governed by South Africa's legislative and administrative framework.
- ATNS is a commercialised ANSP operating on the "user pay" principle that relies on current revenues and debt funding for its operational and capital expenditure requirements.

The principal purpose of ATNS is to plan and operate safe and efficient services in the airspace for which the state is responsible through:

- Airspace infrastructure provision;
- Development of human capital (ATC, Engineering Technicians and ATM and related Specialists); and
- Partnerships and collaboration with other stakeholders.

The economic regulation regime is specified in Section 11 of the ATNS Company Act. ATNS cannot levy an air traffic service charge unless it is in possession of a valid written Permission that provides a tariff regime to be charged to users over a five-year cycle. The Permission is issued by the Regulating Committee, which is required to balance the interests of the Company with the interest of our clients, which includes the safe, efficient, economic and profitable operation of the Company. This encourages timely investment and ensures that we are well placed to finance our obligations and have a reasonable prospect of earning a commercial return.

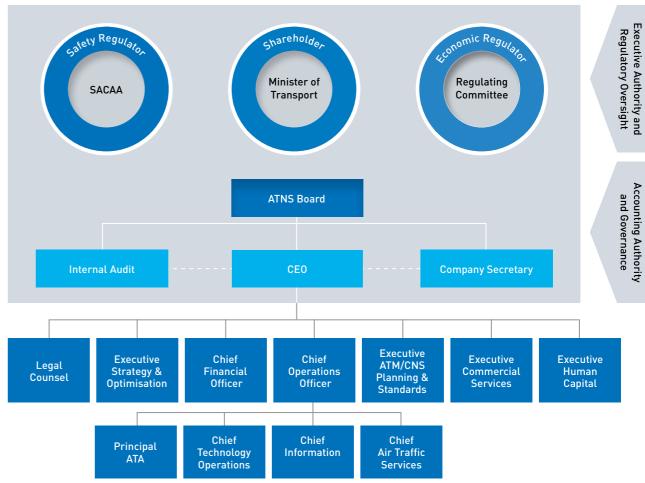
The Company has its head-office at Eastgate Office Park, Block C, South Boulevard Road, Bruma, (Postal code: 2198) in Gauteng.

Organisational structure and business model

- ATNS is a state-owned entity incorporated as a Company.
- A Board of Directors, appointed by the Minister of Transport, provides leadership oversight and guides the implementation of the ATNS mandate.
- ATNS's structure aligns with international legislation, such as the International Civil Aviation Organisation (ICAO) ATM Operational Concept and Global Air Navigation Plan (GANP).



FIGURE 1: ATNS CORPORATE STRUCTURE



Corporate function

The ATNS corporate function determines the direction of the Company as mandated by the Board of Directors. The CEO is responsible for formulating and executing the strategy. This function ensures that ATNS Executives adequately plan and utilise resources as guided by the five-year permission cycle. Departmental, operational and business plans also drive planning.

Support function

The support functions, such as Human Capital (HC), Finance, Information Technology, and Risk and Compliance create an enabling operating environment governance frameworks, processes and professional practices.

Regulated Business

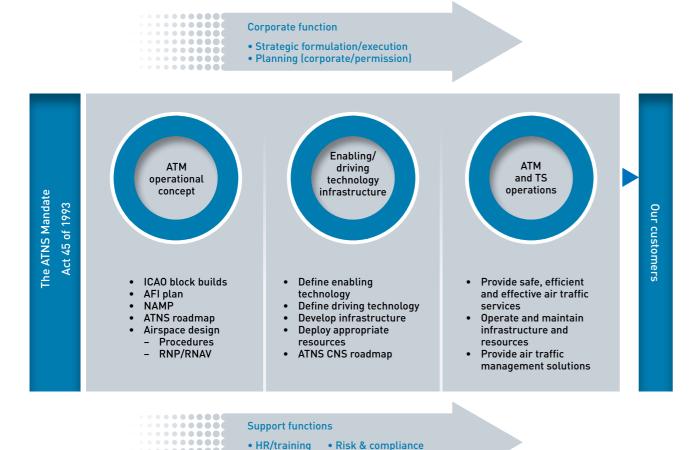
The principal activities of ATNS's regulated business encompass the planning and operation of safe and efficient services in the airspace for which the state is responsible. At present approximately 90% of ATNS revenue is generated through Regulated Business.

The ATNS structure enables its unique value chain, which comprises three main blocks:

- 1. ATM Operational Concept and Global Air Navigation Plan (GANP).
- 2. Enabling infrastructure and resources.
- 3. ATM and technical support (TS) operations.

P.13

FIGURE 2: ATNS REGULATED BUSINESS MODEL



Information technology

• Finance

Air navigation services and infrastructure

Air navigation infrastructure and services consist of three main components:

- 1. Communications infrastructure, Navigation infrastructure and Surveillance infrastructure.
- Auxiliary aviation services, such as aeronautical information publications, flight procedure design and aeronautical surveys.
- 3. Air traffic management.

ATNS's infrastructure and service development are informed by user expectations and regulatory requirements at a global level, as well as new technologies and the needs of the air traffic management (ATM) community.

Traffic Movement Assumptions

With the ATM industry being strongly linked to growth in air traffic movements and overall economic growth, ATNS projects the Company's revenue based on expected growth in air traffic movements. The latter has a high correlation to Gross Domestic Product (GDP) at approximately 80%.

REVENUE AND REVENUE (ATM)	2016/17	2017/18 (PREDICTED)	2017/18 (ACTUAL)	2018/19	2019/20	2020/21
Revenue	1,376,490,388	1,433,597	1,402,408,229	1,497,917	1,590,736	1,722,529
Revenue ATMs	481,840	489,751	480,983	479,840	505,762	516,797
AAGR (Revenue ATMs)	0.61%	1.64%	-0.18%	-0.24%	5.40%	2.18%

Note: There is a reduction of 0,18 % on revenue movements for 2017/18 FY when compared with the previous FY due to a reduction in the route network, mainly for SAA flights and socio-economic drivers which drives demand for air travel.

There is a reduction of 1,79% between predicted and the actual values of 2017/18 FY where an increase of 1,64% was expected based on predicted figures. 2018/19FY – 2020/21FY figures are current forecasted values as at 1st October 2018.

Air traffic service charges

ATNS AIR TRAFFIC SERVICE CHARGES FOR THE REGULATED BUSINESS

MAIN MASS CATEGORY	2007	FORMULAS AND COEFFICIENTS (FCS)			
	COST	AERODROME CHARGE	TMA ACCESS CHARGE	AREA CHARGE	
	VC	R28,29	R28.29		
FAOR ≤ 5 000 kg	BSC	R114,94/10 000.MCM	R114,94/10 000.MCM		
	FC	R60,64	R112,03		
	VC	R28,29	R28,29	R28,29	
5 000 kg < MCM < 15 000 kg	BSC	R114,94/10 000.MCM	R114,94/10 000.MCM	R114,94/10 000.MCM	
13 000 kg	FC	R121,30/10 000.MCM	R22,41/1 000.MCM	R16,08/100 000.MCMM.d	
	VC	R28,29	R28,29	R28,29	
> 15 000 kg	BSC	R140,75/100.√MCM	R140,75/100.√MCM	R140,75/100.√MCM	
	FC	R148,57/100.VMCM	R274,43/100.VMCM	R197,00/10 000.VMCMd	

Each rand-value coefficient in the table above is multiplied by:

- 100% for a domestic flight;
- 100% for a regional flight; and
- 100% for an international flight.

The above coefficient formula applies to all charges except in the case of FCs for aerodrome, and TMA access charges at FAOR for aircraft with MCM \leftarrow 5,000 kg, where the coefficient as stated in the table applies.

Aviation Training Academy

ATNS's Aviation Training Academy (ATA) provides a full range of air traffic services training, technical support and related training. The ATA is also an ISO 9001:2015 accredited institution and has international cooperation agreements with partners such as the Embry Riddle Aeronautical University, ENAC and WITS, enabling the ATNS ATA to maintain mutually beneficial partnerships in the presentation and accreditation of ATS international courses. The ATA holds full ICAO Trainair Plus membership and has been designated by ICAO as a Regional Training Centre of Excellence. The ATA is currently pursuing registration as an academic institute with the Department of Higher Education and Training.

Non-regulated business

ATNS's non-regulated business currently contributes approximately 10% of the Company's revenue. The non-regulated business encompasses a long-term strategy to facilitate regional expansion through a division vehicle presently known as "ATNS International". The division will enable the Company to take a more robust and agile stance in the non-regulated business market without posing undue risks to its regulated market and Shareholder. It will also enable ATNS to enter joint ventures and partnerships with external companies to harness more valuable market opportunities while extending its regional influence and reach.

The following are some of the major regional based projects that ATNS's non-regulated business has embarked on.

VSAT Network Value-added Services

ATNS has recently upgraded the VSAT network platform from a legacy protocol-based system to an IP enabled platform. The new platform creates an opportunity to provide value-added services into the region, as well as to improve aviation systems and services. The current services on the network include AFTN, AMHS and voice services. ATNS is currently determining the feasibility of utilising this as a telecommunication platform for services such as Space-Based ADS-B and the Regional Aeronautical database mentioned below.

Space-Based ADS-B

ATNS has partnered with the first global air traffic surveillance system using a space-based Automatic Dependent Surveillance-Broadcast (ADS-B) network. This system makes it possible to have surveillance of aircraft in areas where it is difficult to deploy traditional surveillance systems, or to augment the current surveillance capabilities of the region. The system will enable real-time transmission of ADS-B reports from equipped aircraft, to Air Traffic Management (ATM) automation platforms and Air Traffic Controllers (ATCs) in every Flight Information Region (FIR).

ATNS has established a Processing and Distribution point in South Africa to distribute this space-based surveillance data for the region. Due to the critical and time-sensitive nature of the surveillance data, the distribution option would need to have redundancy and could include terrestrial links as well as the upgraded VSAT network stated above.

AIS to AIM Roadmap Implementation

ICAO has identified the need for global aviation operators to follow unified and integrated processes for ATM as described in its vision statement: "To achieve an interoperable global air traffic management system, for all users during all phases of flight, that meets agreed levels of safety, provides for optimum economic operations, is environmentally sustainable and meets national security requirements".

Therefore, in line with ICAO's vision, ATNS has focused on guiding aviation decision makers in the region to ensure that the changeover from AIS (Aeronautical Information Service) to AIM (Aeronautical Information Management) happens in a planned and measurable method. This is to ensure that we comply with the overall objectives of global air traffic management.

ATNS has established a regional Aeronautical Information database, which is one of three on the African continent. The goal of the database is to ensure that Aeronautical Information Management in the region benefits from high levels of automation and consequently high levels of Aviation Safety.

Structure of ATNS's operations

ATNS Services

ATNS's services support seamless gate-to-gate operations. This concept encompasses the taxi-out and departure, climb out, cruise, descent, arrival, landing and taxi-in phases of a flight. The air traffic

management (ATM) service delivery component is enabled by an advanced ATM system deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units using enabling technologies encompassing communications, navigation and surveillance systems. The illustrated value chain (Figure 3) is scalable across the total user-demand spectrum in the South African airspace.

CURRENT AND NEW PRODUCTS AND SERVICES

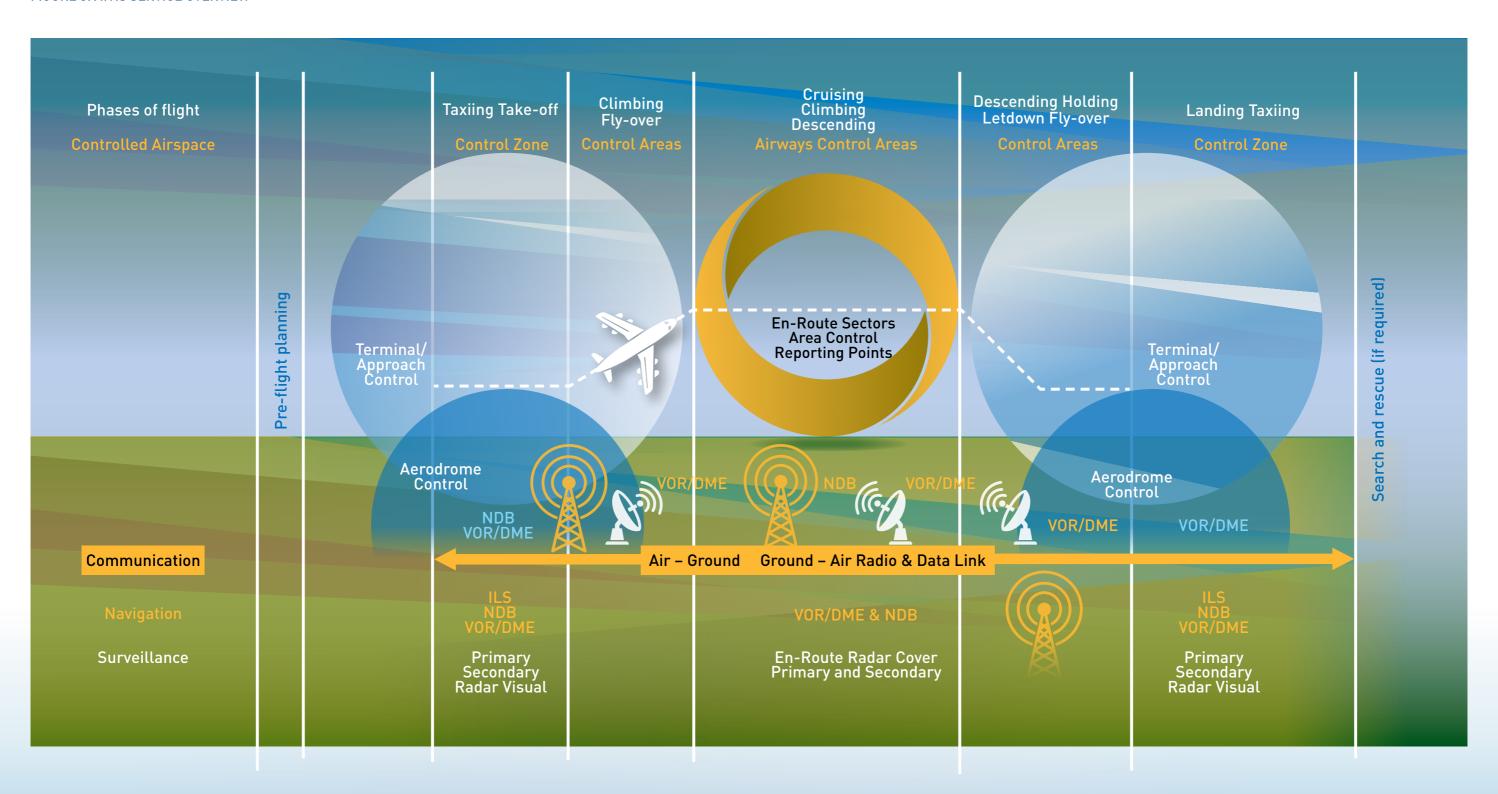
EXISTING PRODUCTS AND SERVICES	NEW PRODUCTS AND SERVICES IN DEVELOPMENT
Air Traffic Flow Management (ATFM)	Collaborative Decision Making (CDM)
Training	Information/knowledge services, (e.g. SMS, A-SMGCS, 4D) management information
Air Traffic Services (ATS) – Air Traffic Control (ATC) and Aeronautical Information Management (AIM)	Carbon credits (efficient procedures/technologies)
African Centralised Aeronautical Database (A-CAD)	NAVAIDS Flight Calibration
Engineering and Technical support	New consulting services (high visibility ATM event planning e.g. ASBU)
Aeronautical Billing & Collection Service	AIS to AIM Transition
Aeronautical WGS-84 Survey	ATMS Support Tools
Consultancy Services	Space Based ADS-B
Airspace Management	
Flight Procedure Design	

MARKET SEGMENTS AND GEOGRAPHIC MARKETS

CURRENT MARKETS	NEW MARKETS
RSA – Statutory	Selected global and African ATM markets
RSA-Contractual	
SADC – Prioritised	



FIGURE 3: ATNS SERVICE OVERVIEW



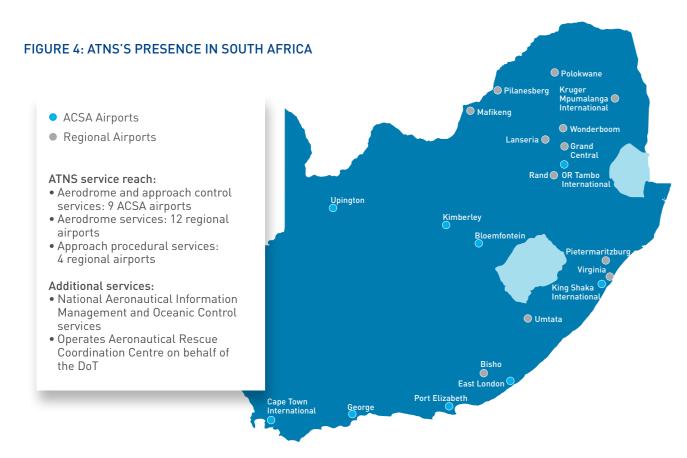


FIGURE 5: ATNS AFRICAN INDIAN OCEAN (AFI) REGIONAL AIRSPACE COVER

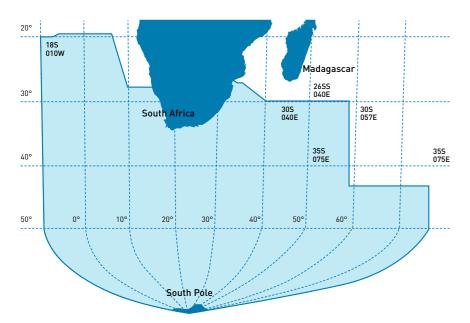
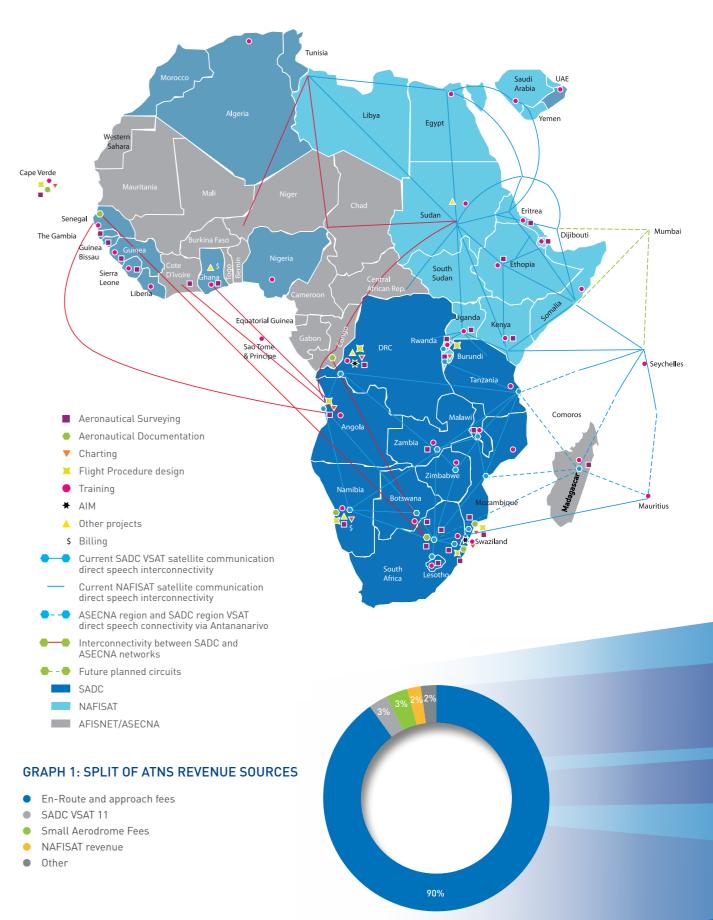


Figure 5 depicts ATNS's current and potential new markets in the AFI region. ATNS bases its selection of the markets on the following criteria:

- Analysis of external market research and intelligence gained through customer engagements.
- Countries where ATNS already has established contracts and good working relationships.
- ATNS's current capabilities and what is required to build and extend these to new markets.
- Current and potential revenue contributors.
- Strategic intent for the organisation's long-term aspirations.

FIGURE 6: ATNS'S EXTENDED SERVICES ON THE AFRICAN CONTINENT AND BEYOND



 $\mathbf{2}$

Contextualising our operations



Regulatory context

The international aviation regulatory environment was formed through the International Civil Aviation Organisation (ICAO), a specialised body of the United Nations Organisation responsible for global civil aviation. ICAO was established through the Chicago Convention, signed by participating states in 1944. South Africa is a signatory to the Convention and has acceded to abide by the terms and conditions. In terms of Article 28 of the Chicago Convention, the South African Government is required to provide air navigation services and infrastructure in compliance with the Convention and as promulgated from time to time by ICAO.

ATNS's regulated business is carried out in its capacity as a State-Owned Company (SOC), mandated under Act by its Shareholder, the Department of Transport (DoT). Given its monopoly status, this business is regulated by the Regulating Committee [RC], a statutory body established by the DoT to regulate ATNS's economic activities.

Economic regulation

The economic regulation regime is articulated in Section 11 of the ATNS Company Act (45 of 1993), which specifies that ATNS cannot levy air traffic service charges unless it is in possession of a valid written Permission that provides for a tariff regime to be charged to users for the use of air navigation infrastructure and/or the provision of an air traffic service over a five-year period. The said Permission is issued by the Regulating

Committee (RC) and aims to balance the interests of the Company with those of our clients. This encourages timely investment and ensures that we are well placed to finance our obligations and have a reasonable prospect of earning a commercial return.

The RC is a statutory body formed and appointed by the Shareholder, the DoT and RC is empowered by the ATNS Company Act to issue the Permission to ATNS, which regulates the increase in specified tariffs that ATNS can issue and prescribes minimum service standard requirements for the regulated business.

As per the regulations, the Permission formulation process must commence in the third year of the current permission. A new permission process commenced in 2017 after the RC issued an Approach Document to industry in December 2016. After extensive consultation between ATNS and industry stakeholders throughout 2017, a permission application was made to the RC in November 2017. The RC has concluded its deliberation on the permission application made, after considering all comments received. It subsequently submitted its decision and final report to the Honorable Minister of Transport.

The current Permission (2018/19 - 2022/23) was approved by the Minister of Transport in terms of Section 11 of ATNS Act.1993 in September 2018. This approval by the Minister has been promulgated and gazetted, thus authorising ATNS to levy tariff charges for the 2018/19-20122/23 period.

Read more on ATNS's Permission cycle on page 24.

FIGURE 7: PERMISSION MODULE OVERVIEW



FIGURE 8: PERMISSION MODULE INTERDEPENDENCIES MACRO-**FINANCE ECONOMY PLAN** Cost of Non-regulated Ann. Traffic Small Airport Capital (regulated Regulated Sector Tariffs Traffic Configuration HUMAN CAPITAL PLAN AOM ATS ΑO DCB Other Staff TS СМ **ETS** AUO ATMSDM Legend MAINTENANCE PLAN AO - Aerodrome Operations AOM - Airspace Organisation Management ATS - Air Traffic Services AUO - Airspace User Operation **CAPEX** CM - Conflict Management DCB - Demand Capacity Balancing ETS - Engineering Technical Services Equipment **Facilities**

Global business context

Aviation provides the only world-wide transportation network²:

- More than 3,3 billion passengers travel annually (7,3 billion world-wide by 2031).
- 52 million tonnes of cargo is transported by air travel.
- 40% of international tourists now travel by air.
- Aviation generates 58 million jobs globally.
- Economic impact is estimated at US\$2,4 trillion.
- At least 1,570 Airlines/22,000 Aircraft.
- Over 50,000 routes/100,000 flights per day.
- 1,670 Airports and 160 Air Navigation Service Providers.

Regional context

Air travel in Africa has grown strongly and much faster than the rest of the world. IATA projects that the airline industry in Africa will continue to grow in passenger numbers at an annual average rate of 4.7% by 2034, faster than regional markets in North America and Europe whose growth is forecast at 3.3% and 2.7%, respectively (IATA, 2014). To meet this demand, there has been entry and expansion of numerous airlines.

National carriers, such as Kenya Airways and Ethiopian Airlines, have been the most successful in terms of growth by scale and scope of their route networks as mid-hemisphere full-service hub-based carriers LCCs are also quickly entering markets throughout the region and gaining market share. In the South African domestic arena, they are the dominant carriers (ASM Traffic Development Plan – ACSA, 2015).

Africa's air travel connectivity has improved in recent years. This is partly due to the increase in legacy carriers on the Continent – Ethiopian Airlines, Arik and Kenya Airways – that have added significantly more routes and destinations to their

networks in the last 10 years. Ethiopian Airlines, with its hub at Addis Bole Int Airport, is one of the Continent's largest carriers with an extensive regional and intercontinental network, consisting of one of the youngest and most technologically-advanced fleets globally.

National context

Numerous private airlines have entered the domestic market in recent years. Historically, South African Airways (SAA) had monopolised the market since 1934 until the early 1990s, when the industry was deregulated. SAA began the process of transitioning to a commercial airline in a liberalised international market (Goldstein, 1999), making it difficult for new airlines to compete with SAA. At the time, SAA held approximately 95% of the market share (Oosthuizen, 2013).

South Africa has seen many entrants since the industry's deregulation in 1990. Flitestar was the first South African airline to enter the market after deregulation, followed by other entrants such as Comair, Nationwide and Sun Air. By 2006, Sun Air and Comair had managed to erode SAA's market share to 66% on the Cape Town-Johannesburg-Durban routes (Goldstein, 1999). Sun Air however went bankrupt in 1999 and ceased operations. Phoenix Airlines, Nationwide, Velvet Sky, Intensive Air and 1Time all entered the market; however, after a few years in operation, they too encountered financial difficulties and closed operations. Other late entrants include Kulula, Mango, FlySafair, CEM Air, Skywise and Blue Crane. Apart from the national carrier's subsidiary, Mango, of the 11 airlines that entered the market between 1991 and 2012, only a few are still operational, such as Comair's Kulula.

Developmental context

As a State-Owned Company, ATNS aims to support governmental socio-economic outcomes – which aim to eliminate poverty and reduce inequality by the year 2030 through the National Development Plan (NDP).

² Source: Industry Economic Performance 2017

Statement of Strategic Intent and Shareholder Compact

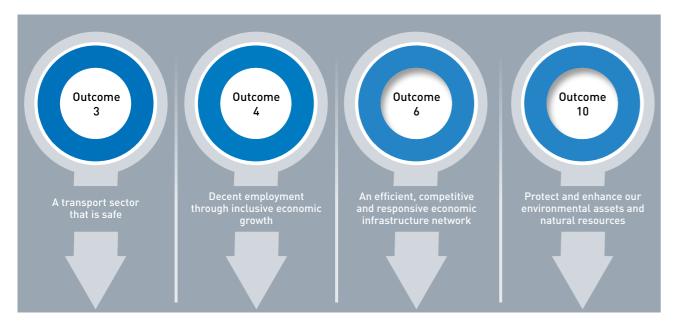
ATNS's activities are informed by the Minister of Transport's Statement of Strategic Intent as well as our Shareholder Compact, concluded annually with the Shareholder Minister. The business is further guided by the Medium-Term Strategic Framework (MTSF), implemented by the South African Government to measure the NDP's enabling milestones.

The DoT, and by extension ATNS, focuses on the implementation of four of the 14 outcomes for Government to achieve related MTSF outputs.

SHAREHOLDER COMPACT: BUSINESS OBJECTIVES AND OBJECTIVE MEASURES

KPA NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES FOR 2017/18	
1.	DoT Outcome 3: Transport safety and security		
1.1	Risk Safety Index (RSI).	Reduce the risk associated with safety events.	
1.2	Safety service provision.	Increase successful safe operation.	
1.3	Operational efficiency.	Reduce overall traffic delays.	
1.4	Operational efficiency.	Achievement of CNS Systems Availability.	
1.5	Ensure commercial sustainability.	Ensure financial sustainability.	
	PBN Operational Enhancement.	PBN Roadmap implementation.	
1.6		Independent Parallel Runway operations at FAOR.	
2.	DoT Outcome 6: Infrastructure development and high-level investment plan for Transport		
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner.	Approved CAPEX Commitment Plan for 2017/18.	

FIGURE 9: ATNS REGULATED BUSINESS MODEL



KPA NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES FOR 2017/18		
2.2	Operation of the satellite communication networks: SADC VSAT 2.	Optimise revenue and ensure network availability.		
2.3	Operation of the satellite communication networks: NAFISAT.	Optimise revenue and ensure network availability.		
3.	DoT Outcome 9: The fight against fraud and cor	ruption		
3.1	Comply with relevant legislation, regulation and standards.	Full compliance		
3.2	All whistle blowing matters reported are investigated	Fighting corruption and promoting good governance.		
4.	DoT Outcome 10: Environmental protection			
4.1	Implementation of environmental plan.	Measure ATNS Carbon footprint.		
		Performance assessment.		
5.	DoT Outcome 5: Training to contribute to job cre	eation		
5.1	Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate.	ATS bursaries and engineering learnerships.		
5.2	Manage the training pipeline for ATS and	Adoption and approval of HC plan as per budget.		
	technical staff.	ATS and TS training plan.		
		Operational or implementation plan.		
5.3	Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines.	Development programmes for employees, with emphasis on AIC and women.		
6.	DoT Outcome 4: Broad-Based Black Economic E	impowerment (B-BBEE)		
6.1	Achieve B-BBEE targets.	Percentage of discretionary spend on B-BBEE.		
	Achieve preferential procurement targets as	Total discretionary OPEX budgeted.		
	set by the Transport Charter.	Total CAPEX budgeted.		
7.	DoT Outcome 4: Employment equity			
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3).	Achieve representation towards alignment of Company staff profile with the demographics of the country.		
7.2	ATNS EE targets.	Increase representation of black (AIC) racial		
		grouping - with a particular focus on African and female representation - towards creating alignment with the demographics of the country.		

Commitments to external initiatives

The ICAO Aviation
System Block
Upgrades (ASBU)

- ICAO collaborates with member states, industry and international organisations to develop the ASBU concept.
- ASBU helps to ensure the following operational imperatives:
- » Maintaining and enhancing aviation safety.
- » Harmonising air traffic management improvement programmes.
- » Removing barriers to future aviation efficiency and environmental gains at a reasonable cost.
- ATNS fully endorses the ASBU initiative in setting the framework for globally harmonised air traffic management.

The Indian Ocean
Strategic Partnership
to Reduce Emissions
(INSPIRE) initiative

- ATNS is a founding member of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE).
- INSPIRE is a partnership with airlines, ANSPs and airport partners to address aviation's impact on the Environment.
- INSPIRE is a collaborative partner network across the Arabian Sea and Indian Ocean region dedicated to improving aviation efficiency and sustainability.

Civil Air Navigation
Organisation (CANSO)

- ATNS is a founding member of the Civil Air Navigation Organisation (CANSO) in Africa.
- ATNS hosts the CANSO Regional Office in Africa.

The GHG Protocol Corporate Standard

- ATNS Carbon Emission Inventory and footprint is calculated using best practice methodology to account for all greenhouse gas (GHG) emissions released as a result of its operations.
- ATNS calculates its carbon inventory in accordance with the GHG Protocol Corporate Standard.

University of Johannesburg (Leadership)

- To ensure superior achievement of "Absorptive Capacity" and to promote strategic collaboration, ATNS has established a strong coalition with the University of Pretoria's Department of Electrical Engineering and Computer Systems in the areas of telecommunication.
- This initiative builds capacity and learning opportunities for undergraduate and postgraduate engineering students from historically-disadvantaged backgrounds.







Mr Thomas Kgokolo Interim CEO



Mr Matome Moholola Chief Financial Officer (Acting)

Leadership review

This Integrated Report is a 'transitionary report' in several respects. Not only are we transitioning into a new dispensation of Shareholder oversight, with the appointment of a new Shareholder Minister, represented by Dr Bonginkosi Emmanuel Nzimande, we also transitioned from the previous King III governance framework to the new King IV principles-based framework during the year, which in many respects has guided our integrated reporting. Further, strategy development and Governance oversight are being transitioned to new leadership with a new interim Board being appointed by the time of publishing this report. On behalf of ATNS management, we wish to convey our earnest support to the new Minister and to the interim ATNS Board.

This integrated report is being published during the celebration of the Nelson Mandela Centenary year. In the spirit of commemoration, we need to ask ourselves how we, as a company and as individuals, are 'living his legacy'. Are we actively dismantling inequalities where we find them? Do we aspire to excellence in all we do? As a State-Owned Company (SOC), do our strategy and plans contribute towards the vision of a sustainable future, not only for the Company, but for the national aviation industry, the domestic economy, the people of South Africa and the pursuit of safer African skies? Former president Nelson Mandela will be remembered for his many extraordinary qualities, one such being his desire to act in the best interest of the 'many' to ensure a prosperous future for all South Africans. As an SOC, we have the dual mandate of contributing to South Africa's economic wellbeing by reducing the cost of doing

business in South Africa through reliable, costeffective and efficient air traffic navigation services
on the one hand, and on the other, to ensure that
we do our part to achieve Government's greater
development aspirations. These aspirations
are clearly articulated through the National
Development Plan (NDP) and, more recently, by
President Cyril Ramaphosa in his 2018 State of the
Nation address. This dual mandate is not always
an easy balance as we consider the trade-offs
between commercial benefits and developmental
priorities.

Air traffic navigation is a global business, which we manage at a country level. When we consider our strategy and planning for the provision of services for South Africa, we not only look at our domestic needs, but also at what is happening globally and regionally on the rest of the continent. In addition, we look at how aviation caters for peoples' needs, and the needs of businesses and indeed that of entire economies. Aviation is, the only true global transportation mode that is capable of reaching land-locked cities and coastal areas alike. Air Transport is not an end in itself but a means to an end. It serves as a conduit to opportunities, real or imagined. Different States and people with diverse cultures and interests are brought together through aviation. With the advent of technological innovation, especially in the past five years, the world has become a smaller place.

Africa is home to 12% of the world's people, and yet it accounts for less than 1% of the global air service market.¹ That said, we are observing increasing commercial interest in Africa from foreign shores,

¹ http://www.worldbank.org/en/topic/transport/publication/open-skies-for-africa.

particularly from the Middle East and Asia. Many new airports are, for instance, being developed around the continent by Chinese consortiums. This growth is very positive for the region, with new on-the-ground infrastructure being built; however, the ratio of traffic movements in Africa is still very low (approximately 2%) relative to other first-world regions, where air traffic is constantly growing, which means the cost of aviation – and hence the cost of doing business using aviation on the African continent – remains largely prohibitive.

There are also politically-motivated reasons for Africa's historically under-served air-movement status. Many African countries have restricted their air services markets to protect the share held by state-owned air carriers, a practice that originated in the early 1960s when many newly-independent African states created national airlines, in part to assert their status as nations.2 However, as commercial interest in Africa trade rises, many are recognising the detrimental impacts this protectionist attitude has had on air safety records, inflated air fares and negative air-traffic growth on the continent. With this, and the fact that African countries have continued to charge each other to trade long after the European Union had established a single market, Africa, as a collective, has remained uncompetitive on the global platform. A gradual 'loosening' of restrictions in recent years, coupled with the new Agreement on the African Continental Free Trade Area (AfCFTA) launched in March 2018, will see a quickening of air-traffic movements as trade flows between countries with no (or reduced) import tariffs. Some 44 countries out of 54 signed the free trade agreement, while 27 went even further, allowing the free movement of all persons within African countries. According to credit ratings agency Moody's, countries such as South Africa, Kenya and Egypt are most likely to benefit given their large manufacturing bases and relatively robust infrastructure, particularly given their access to electricity.3

While the AfCFTA will benefit African trade relationships, which would no doubt boost air traffic on the continent, there is still more to do if

we want to build Africa's global competitiveness. For decades, there have been efforts to get the African union to follow the example of the 'single sky' initiative implemented by the European Commission, to make the entire continent one connected, free airspace for civilian aircraft. Under the Single European Sky initiative, the design, management and regulation of airspace is coordinated throughout the European Union (EU). Air traffic management in the European Union is largely undertaken by member states, cooperating through EUROCONTROL, an intergovernmental organisation that includes both the EU member states and most other European states as well. The initiative organises airspace into functional blocks, according to traffic flows rather than to national borders. Such a project was not possible without common rules and procedures at European level. As Africa, we need to get to a similarly coordinated arrangement to truly benefit from the AfCFTA agreement. During the reporting year we saw some positive steps towards this outcome. On May 18, ministers of justice and attorneysgeneral from the Common Market for Eastern and Southern Africa (COMESA)4 region approved an agreement for the creation of a single airspace for its nineteen (19) member bloc. The open skies agreement guarantees a free market for the bloc's airlines by abolishing restrictions on, among other things, routes, frequencies, number of selected airlines and type of aircraft, while market forces determine pricing. Although the approval of the unified airspace does not lead to an immediate opening up of the skies, it creates a foundation to establish more legal, regulatory and institutional regional frameworks to enable unrestricted crossborder flights and boost trade across the region. Ultimately, the SADC states and North East Africa in partnership with ATNS and the International Air Transport Association (IATA) - have demonstrated that harmonised regional service provision is achievable and brings improved and sustainable infrastructure.

We look forward to seeing tangible results as opportunities arise following the AfCFTA agreement; and as the continent unfolds the bold vision of the African Union's Agenda 2063 towards a prosperous, interconnected African continent, based on inclusive growth and sustainable development.

ATNS's Financial performance

Total revenue for the year at R1,594 billion (2017: R1,557 billion), reflects a 2% improvement on the prior year. The minor improvement in revenue is mainly due to a slight increase in tariff revenue as a result of increased movements. Technical maintenance and training revenue also contributed to increased revenue. Operating costs increased by 6% to R1,382 billion (2017: R1,300 billion) mainly due to increased staff costs, telecommunication expenses as well as the impact of the fluctuating foreign exchange rates on our administration and contract maintenance costs. Capital expenditure decreased by 0,7% to R305 million (2017: R307 million). Our balance sheet remains sound with a liquidity ratio of 4.6:1 (2017: 5.2:1), with our gearing ratio at 0,5% (2017: 0%). As such, ATNS is well positioned to raise funding for imminent capital expenditure. Cash generated from operation decreased by 15% to R366 million (2017: R431 million), mainly due to financial difficulties faced by some of our major customers as well as increased operational costs.

We have introduced numerous interventions to accelerate capital expenditure delivery going forward. A Portfolio Programme Management Office (PPMO) has been introduced to oversee the execution of projects and to ensure they adhere to stringent project management principles. We also established the CAPEX Delivery Framework to provide a structured approach to investment and to enhance oversight of CAPEX implementation projects for both the Executive, Board and other stakeholders. Strengthened Supply-Chain Management will further improve our assetcreation value chain.

Permission application

Revenue, based within the regulated business, is guided by the outcome of tariff applications to set prices – through a Permission Application. ATNS's permission application was submitted to the Regulating Committee in November 2017. The process of compiling the Permission is

fairly involved and includes consultations with industry stakeholders and culminated in a Joint Consultation Report from ATNS and the Industry. The Joint Consultation Report is a reflection of the constructive and positive nature of the consultation meetings. During the consultations consensus was reached on most issues, with remaining issues being resolved through active engagement between ATNS, the RC and the Industry.

The newly-approved permission will replace the 2015/16-2019/20 permission. The current permission dispensation, as approved, is in its first year of a five-year permission period.

Non-regulated business

ATNS's non-regulated business currently contributes approximately 10% of the Company's revenue and encompasses a long-term strategy to facilitate regional and continental expansion. Revenue from this sector of the business is, however, below budget by R22,9 million (21,5%) due to SADC VSAT II and NAFISAT Flight Information Region (FIR's) crossing movements being lower than initially anticipated and currency fluctuations.

These multilateral regional agreements facilitate communication between ATSUs via satellite links and are managed by ATNS and IATA under a seven-year contract. The current dispensation is running from 2015 to 2022.

Increased air traffic movement on the continent will be the backbone of our long-term financial sustainability as there is little room left in the local market to improve our bottom line. As the new interim Board and executive leadership, we are eager for the business to explore the international expansionary aspirations articulated and set in motion by our predecessors. The business rationale is sound; however the timing for actualising this vision depends on our ability to stabilise and position our internal systems, processes and human resourcing capabilities for this pioneering journey.

A critical lever of our expansion strategy is our internationally-recognised and ICAO-accredited aviation training academy (ATA), which is

 $^{^2} http://www.worldbank.org/en/topic/transport/publication/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skies-for-africation/open-skie$

https://www.businessinsider.co.za/sa-to-benefit-most-from-africa-free-trade-area-2018-3

⁴Formed in December 1994

growing in strength to provide new educational offerings. During the year the ATA enrolled 444 ATS trainees and 419 Engineering trainees. From the perspective of our international strategy, the ATA's new e-learning format offers exponentially-increased opportunities for distance learning.

Continuous improvement

ATNS, has done much to improve efficiencies and to streamline our service offering through automation, so as to reduce the cost of doing business in South Africa. We are also working to keep in step with global air traffic navigation trends. Notwithstanding the need to maintain high safety standards, international passengers want to experience the same levels of quality service when they come to South Africa and want to pay proportionately for what they receive. During the year, we commissioned the 'Collaborative ATNS Air Traffic System' (CAATS). CAATS is modernising and replacing the existing ATNS Air Traffic Management (ATM) system and involves the replacement of display systems used by air traffic controllers. The initiative represents a ramp up in technology as well as rationalising some of our services, thereby increasing efficiencies and reducing costs. This cost benefit will ultimately be transferred to our airline users, and further onto their passengers.

We continuously strive to reduce overall traffic delays at airports and in our airspace. During the year, we registered an average delay per delayed (ADD) flight of 22 seconds against a set target of 120 seconds. ATNS contributed to 7,4% of total delays of which, the highest contributors were Approach Control (49,27%) and Area Control (36,5%) respectively.

ATM system capacity and efficiencies are further achieved through Performance-Based Navigation (PBN) – which also yields environmental and safety benefits through reduced aviation congestion, fuel conservation, reduced emissions and aircraft noise, improved flexibility, enhanced operating returns and improved safety of regional and national airspace systems. During the year, we worked towards achieving targets stipulated in the National PBN Implementation Plan by adding

new Required Navigation Performance (RNP) approaches, Required Area Navigation (RNAV)1/2 Standard Instrument Departures (SID), and Standard Terminal Arrival Routes (STAR).

We are disappointed that we fell short of our Communication, Navigation and Surveillance (CNS) Service Level Agreement (SLA) targets pertaining to system availability during the year and are exploring ways to improve SLAs with third parties. This method of equipment performance reporting considers the availability of redundant systems. Reasons for not achieving our navigation targets include third-party interventions, such as electrical or telecommunication failures, and also some incidents of theft and vandalism. Accordingly, we have performed country-wide security assessments on ATNS sites and are working on a strategy to address security at all sites.

Safety performance

ATNS utilises a 'safety ratio' mechanism to calculate the number of safety events per 100,000 movements. During the year, we investigated 55 safety events, resulting in a safety ratio at yearend of 5,19 safety events per 100,000 movements against a target of 2. This performance is unsatisfactory given that safety remains the first and overriding priority in air traffic management, and we are investigating each incident and will continue to mitigate safety risks. Our organisational culture plays a critical role in human performance and the management of human error. ATNS has launched a Safety Culture improvement project, which covers the full spectrum of elements in the Safety Management System. A recent CANSO⁵ 'safety seven (7)' maturity survey compared ATNS to the CANSO Safety Standard of Excellence, and rated ATNS as a 'Level C', which reflects our compliance with all ICAO Annex nineteen (19) provisions. While this is a substantial improvement from the previous Level A, which is the lowest possible level, we are committed to doing more to improve our safety ratio. Our continued investment in global best-in-class technology infrastructure will undoubtedly support the pursuit of safer skies. And with infrastructure investment being a strategic imperative for ATNS, we are determined to increase the percentage of

locally-sourced infrastructure equipment going forward, without compromising on quality or safety.

Our developmental mandate

Employment equity and supplier localisation remain business imperatives for us to ensure that our workplace and supplier profiles align to the national demographics and the Integrated Transport Sector's Broad-Based Black Economic Empowerment (B-BBEE) charter. We are proud to report that we improved on our enterprise development targets at 13,47 points (2017: 12,24) and reached the 30-point mark for our preferential procurement. However, we fell short of our overall employment equity performance from the prior year, from 14,02 points to 13,51 points in terms of the dti's B-BBEE Codes of Good Practice. Overall, ATNS obtained 85,42 points, which translates to a B-BBEE Level 2. We are committed to doing better going forward.

ATNS's CSI investment continued to support underprivileged communities through various projects, with our overall CSI spend amounting to R2,521 million. Going forward, the Company intends to augment this financial support with initiatives that will help to expose more rural learners from outlying regions to the joys and boons of aviation, and air traffic control services in particular. We need to inspire young people early on to consider careers in aviation, so that our local aviation sector - and its many sub-sectors - can become more representative of South Africa's own ethnicity and gender profiles in future.

Sound governance

During the year, it became apparent that the Company's governance structures require attention particularly as they pertain to supplychain management processes. At the time of publishing this report, Investigations are underway to assess various incidents of irregular expenditure amounting to R54,2 million. As the Board of Directors and executive leadership, we are committed to improving coordination, oversight and sustainability of the business by enhancing internal governance oversight and supporting the Auditor-General to strengthen external audit processes.

To conclude

As the interim Board of Directors, we arrived to an organisation with skilled and competent people, and we appreciate the foundational work done by the preceding Board and the outgoing CEO. At the time of publishing this report, the process of filling various 'acting' positions within executive and management cadres of the organisation is ongoing and we are confident that once finalised, the new leadership structure will provide the much-needed stability to pursue ATNS's growth aspirations.

On behalf of the Board and its committees, we wish to thank our new Shareholder Minister, represented by Dr Bonginkosi Emmanuel Nzimande, for his confidence in our ability to deliver on our mandate, and for his confidence in our leadership team to take ATNS forward.

Thank you also to our customers, our suppliers and sector partners. We appreciate your trust and continued support and look forward to strengthening our partnerships both in South Africa and beyond local borders.

We further acknowledge our competent and dedicated employees for their commitment and professionalism during the year. Thank you for uniting in delivering safe skies in the most efficient, customer-focused manner possible.

Mr Simphiwe Thobela Chairperson

Theyel

Mr Thomas Kgokolo Interim CEO

AN hotow.

Mr Matome Moholola Chief Financial Officer (Acting)

⁵ Civil Air Navigation Services Organization (CANSO)

GOVERNANCE AND ASSURANCE

ATNS is committed to sound corporate governance practices, which are continuously reviewed to ensure that leading practice standards are maintained as recommended by the King Code of Governance for South Africa (2016) (KING IV); The Company's governance practices are underpinned by the values and principles that inform our day-to-day activities, including responsiveness, collaboration, transparency, integrity and accountability.

As a State-Owned Company, ATNS's governance relationship with its sole Shareholder - the Government of South Africa, exercised through the Minister of Transport - is managed through the Shareholder's Compact. The Compact sets out the Shareholder's commercial and developmental requirements and expectations.

The Board of Directors is the focal point for - and the custodian of - the Company's governance framework through its committee structures, its relationship with management, its Shareholder and other Company stakeholders. The primary purpose of the Board of Directors is to provide strategic direction to ensure the Company fulfils its statutory, commercial and developmental objectives, thereby promoting long-term financial and organisational sustainability.



Application of KING IV

ATNS continues to review the Company's corporate governance practices to ensure that leading practice standards are maintained as recommended by the King Code of Governance for South Africa [2016]. We are committed to the governance principles of KING IV and continue to develop governance policies, practices and procedures in line with an integrated governance, risk and compliance framework.

We maintained our application of KING IV during the year, and considered the impact that King IV will have on processes and policies going forward. The Board of Directors is satisfied that every effort has been made in 2017/18 to apply all material aspects of KING IV as far as appropriate. In line with our integrated view of King IV, our plans for 2018/19 include:

- A detailed gap analysis;
- Training for the Board of Directors, executive management and key staff; and
- Detailed planning to address identified gaps, which will include reviewing governance structures, processes, policies and relevant company documentation.

In September 2017, four Board members resigned from the Board followed by another resignation in December 2017, leaving only two non-Executive directors and one executive director—the Chief Executive Officer. While, in line with the company's Memorandum of Incorporation (MOI), the Board remained properly constituted with three members, it was largely hampered in discharging its fiduciary duties as it could not constitute subcommittees that do governance groundwork. In particular, the Board could not constitute two statutory committees, namely, the Audit Committee and the Social and Ethics Committee. This led to a compromised governance oversight by the Board which affected the general functioning of the organisation.

Compliance and Internal Audit functions did not effectively discharge their duties.

Ethical leadership and corporate citizenship

The Board of Directors – as the focal point for and custodian of corporate governance – and senior management are committed to the highest standards of corporate governance and strive to achieve the highest moral and ethical operational and behavioural standards, as well as sound and transparent business practices.

The Board of Directors met seven times during the year. Its paramount responsibility is to ensure that the Company performs optimally in creating value by setting direction through strategic objectives and key policies. In doing so, the Board of Directors appropriately considers the legitimate interests and expectations of all its stakeholders.



P.1 P.2 P.3 P.6 P.7 P.8 P.16

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Board of Directors

Appointment of directors

The appointment of directors to the Board of Directors is a formal and transparent process and a matter considered by the Shareholder and Cabinet as a whole. The appointment of directors is facilitated by the Department of Transport Oversight Unit.

All appointments are subject to approval by the Shareholder Minister, as well as 'fit and proper' tests in terms of the Public Finance Management Act, the Companies Act, and any other applicable legislation.

The ATNS Board of Directors is governed by a Board of Directors Charter, which outlines the principal provisions of the ATNS Act, the fiduciary responsibilities of directors, the relationship with executive management, and matters of policy that the Shareholder and the Board of Directors ought to follow to ensure good corporate governance. The Board of Directors regards the Charter as a living document, updated periodically to align with changes required by relevant legislation and regulation.

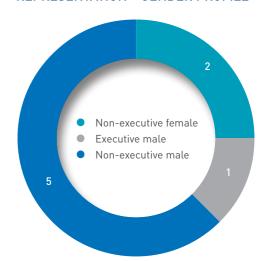


Period of office of Board of Directors members

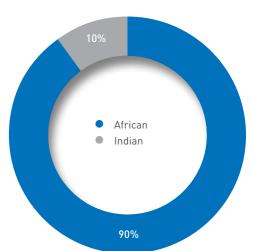
P.8

The appointment of ATNS Directors is governed by the Company's Memorandum of Incorporation (MOI). Non-Executive Directors have a three (3) year fixed term of appointment. A third of the directors retire by rotation each year and are eligible for re-election by the Shareholder at the Annual General Meeting (AGM) of the Company. Directors appointed to fill a vacancy on the Board of Directors during the year retire at the next AGM, enabling the Shareholder the opportunity to confirm their appointment.

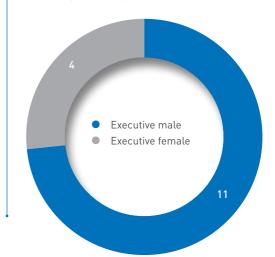
GRAPH 2: BOARD OF DIRECTORS REPRESENTATION – GENDER PROFILE



GRAPH 3: BOARD OF DIRECTORS REPRESENTATION – ETHNICITY PROFILE



GRAPH 4: EXECUTIVE COMMITTEE REPRESENTATION





Composition of the Board of Directors

The Company has a unitary Board of Directors structure comprising one (1) Executive Director and seven (7) Non-Executive Directors. Two Executive members serve as invitees on the Board.

The Board of Directors drives and directs strategy within the entity and has the ultimate responsibility for directing and monitoring performance of the organisation. The Board is composed of members with a wide range of skills, experience and knowledge required to meet organisational requirements. The appointment of ATNS Directors is governed by the Company's Memorandum of Incorporation (MOI) and guided by the prescripts of the applicable legislation i.e. the PFMA 1 of 1999 and the Companies Act 71 of 2008.

The independence of the Chairman and the separation of the Chairman's responsibilities from those of the Chief Executive Officer (CEO) ensures a balance of authority precluding any one director from exercising unencumbered powers of decision-making. The Chairman of the Board derives his or her power from the Company MOI, and leads the Board in objective and effective discharge of governance roles and responsibilities. The Chairman is the link between management (CEO) and the Board of Directors. The roles of the CEO and Chairman are separate as per required standards to ensure a balance of power and authority. The Chairman is responsible for leading the Board and the CEO is responsible for execution of the strategy.



Changes to the Board of Directors

During the period under review, the following changes took place on the Board: Ms Phindile Riba resigned as Chairman and Director of the Company on 18 May 2017. Mr Isaac Nkama and Ms Shaila Hari resigned as Directors on the 13 September 2017. and Ms Nwabisa Mtshali and Dr Bridget Ssamula resigned as Directors on 14 September 2017. Advocate Edwin Mphahlele was appointed as Board Chairman effective 13 September 2017 and was removed on 8 August 2018. Mr Simphiwe Thobela was appointed as a non-executive director on 21 May 2018 and was confirmed as Board Chairman on 14 August 2018.

In the 2018/19 financial year, the following appointments were made, effective 13 April 2018: Mr Thomas Kgokolo, Ms Esther Letlape, Ms Kyansambo Vundla, Mr Zenzele Myeza, Mr Suleman Badat, Major General Lucky Ngema and Mr Khulile Bogwana were appointed as Non-Executive Directors on the ATNS Board for an interim period of six (6) months. Ms Nomathemba Kubheka was appointed as a Non-Executive Director on 22 August 2018 for a period of two months. Mr Daniel Mwanza's term on the Board ended on 31 August 2018.

Ms Esther Letlape subsequently resigned on 10 May 2018 following a senior appointment which required her full dedication.

Roles and Responsibilities

The Board of Directors conducts its business in accordance with the principles of KING IV, which include exercising discipline, independence, responsibility, fairness, social responsibility and transparency, and the accountability of directors to all stakeholders.

The Board of Directors' formal charter sets out its roles and responsibilities:

- Providing effective leadership based on an ethical foundation.
- Ensuring that the Company has an effective and independent Audit and Risk Committee.
- · Contributing towards and approving the strategic direction of the Company.
- Satisfying itself that the strategy and business plans proposed for the achievement of the ATNS's objectives do not give rise to risks that have not been thoroughly assessed by management.
- Ensuring that the strategy will result in sustainable outcomes, considering financial, environmental and social objectives as approved by the Board of Directors.
- Ensuring the integrity of the Company's integrated annual report.
- · Defining levels of authority and areas of materiality, and approving a framework for delegated authority.

- Reporting on the effectiveness of the Company's system of internal controls.
- Taking responsibility for the governance of risk through effective risk management practices, including regularly reviewing and evaluating risks to the Company and ensuring the existence of an effective risk-based internal audit function, as well as appropriate internal controls.
- Ensuring that the Company is, and is seen to be, a responsible corporate citizen.
- Identifying, managing and monitoring any gaps between stakeholder perceptions and the performance of the Company to manage ATNS's reputation. The Board of Directors is kept appraised of ATNS's going concern status and monitors the Company's solvency and liquidity on a regular basis.



P.16

Rotation of directors

Ordinarily, Non-Executive Directors have a three (3) year fixed term of appointment. In terms of the Company's MOI, a third of directors retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting (AGM). The current dispensation of Non-Executive Directors was appointed for a 6-month fixed-term period.

All new Directors participate in a formal induction

operations that make up the ATNS. During the

period under review, the newly-appointed Board

had three (3) separate Induction sessions dealing

with the company overview, the operations at the



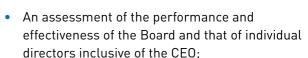
Induction of directors

process. Upon appointment, directors are provided with recent Board and committee documents, information on legal and governance obligations, the Company's MOI and recent reports. Guidance is provided on the requirements of the Public Finance Management Act, No.1 of 1999 (PFMA); King IV and the Companies Act, No. 71 of 2008, as amended from time to time. Directors are entitled to seek independent legal advice at the cost of the Company. Meetings are arranged between new directors and members of Exco, to ensure that the former develops a full grasp of their areas of responsibility and of the complex businesses and

Academy and thorough Corporate Governance training, facilitated by the Institute of Directors SA (IoDSA).

Board of Directors and committee evaluations

The performance of the Board of Directors and its Committees is evaluated on an annual basis and includes:



- A peer evaluation by all Directors ranking their fellow directors on contribution to the Board; and
- An evaluation of each committee by members of the committee, focusing on effectiveness of the Chairperson and the contribution of individual committee members.

The evaluation process takes place by way of evaluation and questionnaires based on the observation and experiences of board members throughout the year. The results are discussed by the Board and one on one meetings are held with directors to discuss the results of the evaluations and to propose developmental actions, should they be required.

During the period under review a board evaluation was not done as there were vacancies on the Board for a period of seven (7) months. An interim Board was appointed in April 2018, A process is underway to facilitate an evaluation of the Interim Board.

Director training and development



All directors are expected to keep abreast of changes in trends in the business and in the ATNS's environment. Director training and development is arranged on an annual basis with access to courses that would benefit and develop the Directors from an air traffic management perspective as well as general Director development. Site visits to the operations are arranged at least once a year to familiarise the directors with the operational and environmental aspects of the business.

P.7

P.10

P.11



Roles and responsibilities

Chairperson of the Board of Directors and Chief Executive Officer

The roles of the Chairperson of the Board of Directors and the Chief Executive Officer are separate, with clearly-defined individual responsibilities. The Chairperson is responsible for leading the Board of Directors and ensuring its effectiveness. The Chief Executive Officer is responsible for the execution of ATNS's strategy and the Company's day-to-day operations. He is supported by the Executive Committee, which he chairs.

Independent non-executive directors

Directors' skills

The independent non-executive directors possess varied skills and experience from diverse industries. They are principally free from any business relationships that could hamper their objectivity or judgement in terms of the Company's business and activities.

Access to information

All the independent non-executive directors have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their responsibilities as non-executive directors. The independent non-executive directors contribute a multiplicity of skills, business acumen, independent judgement and experience on many varied issues, including strategy, planning, risk management, corporate governance, operational performance and leadership. Directors' independence is determined according to the definition in the KING IV Code, which includes the number of years a director has served on the Board of Directors.

Independent advice

In allowing the Board of Directors to discharge its corporate responsibilities by exercising the care that an ordinary prudent person would exercise under similar circumstances, the Board of Directors and the Board committees may engage the services of external experts at ATNS's expense.

Company Secretary



The ATNS Company Secretary provides guidance to the Chairman and directors, both individually and collectively, on their duties, responsibilities and powers. The ATNS company secretary also advises on corporate governance, and on compliance with legislation and other relevant regulations.

The Company Secretary at ATNS, Mr Solomon Mngomezulu is currently on extended leave.

Ms AZ Manqele was appointed as the Acting Company Secretary on 11 October 2017. Ms Manqele is an Admitted Attorney of the high court of South Africa and has more than nine years post-qualification experience, of which six years have been within the Corporate governance field, both in the private and public sector. In Mr Mngomezulu's absence, the Board is satisfied that the Acting Company Secretary is suitably qualified and has demonstrated competency in discharging duties of a company secretary. These duties include maintaining an arm's length relationship with the executive team, Board of directors and individual directors. The Acting Company secretary is not a director of ATNS.

Succession planning

The Human Resources Committee and the Board of Directors review succession planning as a regular item on their respective agendas. The HRC, in line with its terms of reference, and from time to time, reviews the general composition of the Board of Directors and makes appropriate recommendations on the appointment of new executive or non-executive directors.

Conflict of interest



On a quarterly basis, the Company actively solicits from its directors details regarding external shareholdings, directorships, contractual

relationships, and any form of relationship that have the potential to create conflicts of interests while they serve as directors on the Board. The declarations received from the directors are closely scrutinised by both the chairman and the company secretary and are tabled at the beginning of each quarterly Board meeting. At every Board, Board committee, Executive committee and other Management committee meeting, every member is required to declare or confirm absence of any potential conflict of interest before deliberations. Where a conflict arises, directors are required to recuse themselves from the discussions.

Materiality

Levels of materiality regarding capital expenditure and changes in the operation of the business have been determined, with all matters falling outside these parameters requiring formal Board of Directors authorisation. These matters are monitored and evaluated on a regular basis through the Procurement Committee. ATNS has a Materiality and Significance Framework to monitor and manage the risk of material losses through criminal conduct, irregular expenditure, and fruitless and wasteful expenditure.

It is the responsibility of the Minister of Transport (with whom rests the primary responsibility for appropriate ATNS oversight and accountability to Parliament) to ensure that these risks are identified, reduced and managed. The ATNS Significance Framework is designed to assist the Minister in discharging this responsibility.

(4)

Committees of the Board of Directors

The Board of Directors has established various standing committees that are ultimately accountable to it. These committees assist the Board of Directors by focusing on specialist areas. The committees meet independently and provide feedback to the main Board of Directors through their respective Chairpersons. The roles of, and representation on these sub-committees are listed in figure 10 on page 48.

Audit and Risk Committee



P.11

The Board of Directors – which carries ultimate responsibility for risk management within the Organisation – is continuously kept appraised of risks facing the business. The Audit and Risk Committee supports the Board of Directors in this task by ensuring an effective risk-based internal audit function and enterprise-wide risk governance. The committee provides the Board of Directors with regular risk reporting as well as feedback on the status of the Company's control

Governance of risk

environment.



P.11 P.13

As a State-Owned Company operating within an international regulatory environment – as well as a globally volatile economic climate - ATNS needs to ensure vigilant risk management. Further, the Company provides organisation-wide assurance on priority issues such as regulatory compliance, safety management, environmental compliance, reputation management, operational efficiency, and project and financial risk management. The Board of Directors ultimately determines the various levels of risk tolerance of the organisation, and delegates the overall design, implementation and monitoring of risk to management. An annual enterprise risk assessment is performed, and mitigation controls are monitored through the enterprise risk management framework.

The governance of information technology (IT)



The organisation runs a successful IT Steering Committee, which meets every quarter to facilitate cooperation between user departments and the IT department to ensure that business objectives are met. A sub-committee of the IT Steering Committee – the 'Enterprise Architecture and Technology forum' – was launched at the end of the 2017/18 financial year. The Enterprise Architecture and Technology forum was formulated to:

 Oversee the formulation and implementation of shared principles, standards, policies,

guidelines and technology-related reference models for IT and Operations Technology (OT) environments;

- Assure technology designs for IT/OT infrastructure and the Wide Area Network and information security related infrastructure;
- Guide and promote technology architecture implementations; and
- Execute and implement decisions and tasks delegated to it by the IT Steering Committee.

A monthly IT EXCO structure was also formulated during the 2017/18 financial year, which serves as a forum for IT senior management and business leaders to discuss current priorities and to report IT performance to the business using a set of established performance metrics.

The Company also ran effective information security campaigns during the year to inform users of potential risks and to promote safer online behaviour. Disaster recovery simulations served to test the effectiveness of the controls put in place to ensure continuity of business in the event of a disaster.

The Company is in the process of formulating a new IT strategy that is aligned to organisational strategy, particularly with regards to organisational performance and sustainability goals.

The plans for the current financial year and beyond are to:

- Mature processes for exploring leading-edge technology, global best practices and emerging good practices to exploit them in support of corporate sustainability goals;
- Refresh ageing technology for operational efficiency and business continuity;
- Enhance and implement IT policies, procedures and responsibilities for managing information security, information management and information privacy;
- Perform regular IT security risk and impact analysis; and
- Formulate and ensure approval of the IT security strategy by the ATNS Board of Directors

Compliance with laws, codes, rules and standards

The Board of Directors recognises its accountability to all ATNS's stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the everincreasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the Board of Directors, Executive Committee and employees continue to monitor, align and adhere to compliance requirements. Further, ATNS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure company-wide compliance.

The responsibility for effective implementation of compliance throughout ATNS has been delegated to the ATNS Compliance Officer. The compliance function enables the business to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures are risk-appropriate and that the business can achieve its business goals without fear of penalties and loss of reputation.

Incidents of non-compliance are reported to the responsible executives or heads of business units, divisions, departments or subsidiaries for prompt resolution. The office of the ATNS Compliance Officer is also charged with the responsibility of assisting, guiding and advising the various business units, divisions and departments within ATNS on how to discharge their duties in managing their compliance responsibilities and obligations.

The ATNS Audit and Risk Committee oversees compliance matters within ATNS. The Committee requires that:

 the compliance officer reports non-compliance with laws and regulations to the Audit and Risk Committee; and

The ATNS Compliance function has unrestricted access to the Chairperson of the Audit and Risk Committee.

D

P.3 P.13 P.16 Internal audit is an independent, objective assurance and consulting function. It reports administratively to the CEO and functionally to the Audit and Risk Committee (ARC) as provided for in the PFMA. Internal audit's main function is to give assurance to Management and the Board on the adequacy and effectiveness of controls, governance

Internal audit

and risk management.

An external quality assessment review was conducted subsequent to year end to assess the internal audit function's conformity to The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing as required in terms of the PFMA. The review raised significant findings relating to non-conformity with the Institute of Internal Auditors (IIA) standards, non-delivery of the internal audit plan for the year under review and the capacity of the internal audit function. An improvement plan to address findings from the review will receive attention during the 2018/19 financial year.



Governing stakeholder relationships

P.3

ATNS recognises that it does not operate in a vacuum and is therefore cognisant of the environment within which it operates. This includes acknowledging the Company's direct and indirect impact on its stakeholders, thereby informing how it conducts its business. ATNS strives to maintain

proactive stakeholder relationships and to manage stakeholder expectations as well as potential reputational risks by aligning the Company's objectives with stakeholder priorities.

The Board of Directors further undertakes to use its best efforts to balance the diverse interests of ATNS's stakeholders and to engage stakeholder groups on material issues that may impact the Company's long-term economic, social and environmental sustainability.

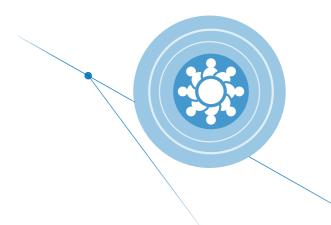
Integrated reporting and disclosure



P.15

Through its integrated reporting, ATNS aspires to provide a comprehensive and integrated representation of the Company's performance in terms of both its finances and its sustainability. ATNS's Integrated Report is published annually and presents an overview of the Company's activities, practices and financial performance for the year; and presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to ATNS and its stakeholders.

The Integrated Report is reviewed by the Audit and Risk Committee and the Board of Directors to satisfy themselves of the materiality, accuracy and balance of disclosures. In addition, various aspects of the Integrated Report are independently assured by multiple assurance providers.





	ATNS Board of Directors				
P.7 P.8 DIRECTOR		COMMITTEES	AREAS OF CORE EXPERTISE [SKILLS & EXPERIENCE]		
	SIMPHIWE THOBELA Chairperson Date of birth: 26 March 1972	Governance Committee	 Leadership Governance Financial Management Supply Chain Management 		
	SULEMAN BADAT Date of birth: 20 November 1962	Governance Committee Social and Ethics Committee Audit and Risk Committee Business Research, Operations and Development Committee	 Governance Risk Management Compliance 		
	KYANSAMBO VUNDLA Date of birth: 10 October 1978	Governance Committee Transformation, Investments and Projects Committee Audit and Risk Committee Social and Ethics Committee	Financial Management Insurance		
		Human Resources Committee Social and Ethics	Talent management and skills development Corporate pagetiations		

Committee

• Transformation, Investment and

Projects Committee

planning

Logistics
 Property development and facilities management

NOMATHEMBA

Date of birth: 1 January 1967

KUBHEKA

Social and Ethics



ACADEMIC QUALIFICATION	DATE OF 1ST APPOINTMENT	ACTIVE MEMBERSHIPS ON OTHER BOARDS
 B. Com Logistics – (University of South Africa) Post Graduate Diploma in Public Management – (Regenesys School of Public Administration) Master of Town and Regional Planning – (University of KwaZulu-Natal) PhD Candidate (University of The Free State) 	21 May 2018	Directorship/Shareholder/ Trusteeship: » IlimaLethu Trust » Magwa Tea Estate Board
 Bachelor of Accountancy (University of Kwa-Zulu Natal) CA (SA) Certificate of Risk Management & Assurance (IIA) 	13 April 2018	Directorship/Shareholder/ Trusteeship: Howden Africa Holdings Limited Marine Living Resources Fund Project Assurance Solutions (Pty) Ltd
 Bcom Accounting (Rhodes University) Higher Postgraduate diploma Accounting (Rhodes University) Postgraduate diploma in Mechanics of Project Finance (Middlesex University) 	13 April 2018	Workforce Limited - Non Executive Director
 Bachelor of Arts in Education (University of the Witwatersrand) MSc in Building (University of the Witwatersrand) 	22 August 2018	 SANCO Development Institute (SDI), SANCO Investment Group (SIG), The Mining Qualification Authority (MQA).

DIRECTOR		COMMITTEES	AREAS OF CORE EXPERTISE [SKILLS & EXPERIENCE]
	ZENZELE MYEZA Date of birth: 28 July 1960	Governance Committee Social and Ethics Committee Human Resources Committee Business Research, Operations and Development Committee	Financial Management Investment Management Auditing Risk Management Information Technology Business development Operations Marketing Management Property Management Project Management Human Resources Development facilities management
	NLJ NGEMA Date of birth: 25 September 1950	Governance Committee Business Research, Operations and Development Committee Social and Ethics Committee Human Resources Committee	 Strategic Planning Policy Formulation Strategy Formulation Resource Management Driving Transformation Aviation Aerospace
	KHULILE BOQWANA Date of birth: 28 July 1972	Governance Committee Audit and Risk Committee Human Resources Committee Transformation, Investment and Projects Committee	 Investment and Regulation Airport Infrastructure Regulation Broadcasting and Telecommunications Energy Regulation Corporate Strategy Corporate Governance Policy Regulation Project Management

ACADEMIC QUALIFICATION	DATE OF 1ST APPOINTMENT	ACTIVE MEMBERSHIPS ON OTHER BOARDS
 Bcom Accounting (University of Zululand) MBA (UKZN) Certificate in Aviation Management (IAMTI, Canada) Certificate in Corporate Governance (University of Johannesburg) Certificate in Retail Management (University of Pretoria) Property Development Program (UCT Graduate School of Business) 	13 April 2018	Directorship/Shareholder/ Trusteeship: Chas Everitt International Property Group Rand Water Medical Scheme
 Private Pilots Licence (CAA Nigeria) Commercial Pilots Licence(CAA UK) with the following rating: Instrument rating, night rating, multi engine rating, flight instructor rating Airline Transport Pilots Licence (FAA USA) rated on the following a/c: Boeing B767, BAE 146, Viscount 700 & 800, BE200, BE55, PA23, PC6, Cessnas 182, 172, 152 & 150 (aerobatics) Military Senior Command and Staff Diploma » Senior Management Programme » Defence Resource Management » Defence Management (Wits) » Advance Air Operations Law certificate » AVIATION Leaders Programme in Public Policy 	13 April 2018	
 Senior Teachers Diploma B Compt Masters in Business Leadership 	13 April 2018	



Board of Directors committees

P.2 P.7 P.8

P.9

P.13 P.14 P.15

P.16

FIGURE 10: BOARD OF DIRECTORS COMMITTEES STRUCTURE AND CORE FUNCTIONS

ATNS BOARD COMPOSITION CORE FUNCTIONS • Chair: Non-Executive • 3 Non-Executive · Monitors financial controls and reporting Directors • Reviews audit plans and adherence by external and internal auditors Ascertains reliability of audits • Convenes: 4 p/a Audit & Risk • Ensures financial reporting complies with IFRS and Companies Act Committee Oversight of financial matters · Nominates auditors for appointment Monitors risk appetite and controls Governance of risk and IT • Chair: Non-Executive Oversight: • 1 Executive Director • Establishes overall principles of reward and remuneration • 4 Non-Executive • Determines remuneration of executive directors and executive heads in line with the market Directors · Convenes: 4 p/a · Ensures compliance with relevant laws and regulations · Considers, reviews and approves Group policy on executive remuneration • Reports on remuneration to stakeholders in the Company's integrated report Chair: Non-Executive Oversight: • 1 Executive Director • Monitors and develops compliance with section 72(8) of the • 5 Non-Executive Companies Act (read in conjunction with regulation 43) Social & Directors · Assists the Board with oversight of social and ethical matters • Convenes: 4 p/a related to the Company, incl.: » good corporate citizenship; » environment; » health and public and safety; and » consumer relationships, labour and employment. • Chair: Non-Executive • 1 Executive Director • Oversees the ATNS Capital Expenditure programme in line with the • 3 Non-Executive Economic Regulator permission document **Fransformation** Directors • Ensures that appropriate procurement and provisioning systems Investments • Convenes: 4 p/a are fair, equitable, transparent, competitive and cost-effective & Projects Committee • Chair: Non-Executive Assesses and evaluates the viability of ATNS International • 1 Executive Directors Formulates the ATNS International strategy 4 Non-Executive Established in accordance with applicable legislation Directors • The implementation of ATNS's African strategy is aligned with ATNS's • Convenes: 4 p/a strategic objectives Business opportunities are evaluated and recommended to the Board · Provides oversight on business operations Monitors operational performance • Chair: Non-Executive · Reviews the effectiveness and composition of the board and its • 1 Executive Directors • 7 Non-Executive • Reviews the general governance structures, processes and policies Directors • Convenes: 4 p/a

COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEES



COMMITTEE	TOTAL	EXEC &	% MALE				% FEMALE			
COMMITTEE	TUTAL	NON-EXEC	African	Coloured	Indian	White	African	Coloured	Indian	White
ATNS Executive Committee	12	Exec	8	0	0	1	3	0	0	0
ATNS Board of	8	Exec	1	0	0	0	0	0	0	0
Directors	0	Non-Exec	4	0	1	0	2	0	0	0
Audit and Risk	3	Exec		0	0	0	0	0	0	0
Committee	3	Non-Exec	1	0	1	0	1	0	0	0
Human Resources 5 Committee	5	Exec	1	0	0	0	0	0	0	0
	J	Non-Exec	3	0	0	0	1	0	0	0
Social and Ethics	6	Exec	1	0	0	0	0	0	0	0
Committee		Non-exec	2	0	1	0	2	0		0
Transformation, Investments	,	Exec	1	0	0	0	0	0	0	0
and Projects Committee	4	Non-Exec	1	0	0	0	2	0	0	0
Business Research,	_	Exec	1							
Operations and Development Committee	5	Non-exec	3		1					

BOARD OF DIRECTORS COMMITTEE RESPONSIBILITIES FOR INTEGRATED REPORTING ELEMENTS



P.5 P.8 P.14 P.15 ELEMENTS

Risks and opportunities

• Review adequacy and effectiveness of ATNS's Enterprise Risk Management (ERM) process and associated control environment.

REQUIRED ACTIVITIES

 Identify and assess material risks.
 Ensure effective mitigation activities to prevent or minimise the adverse impacts of material risks.

Strategy and resource allocation

INTEGRATED

REPORTING

- Identify opportunities for innovation and growth.
 Ensure appropriate strategic responses to risks and opportunities.
- Ensure appropriate and efficient processes, procedures and policies to provide an enabling environment and structural support to the Company's business.
 Ensure appropriate allocation of the various 'capitals',
- including:

 » Financial capital (e.g., long-term borrowings)
- Manufactured capital (e.g., property, plant and equipment)
- Intellectual capital (e.g., brands, trade-marks and patents)
 Human capital (e.g., permanent employees)
 - Human capital (e.g., permanent employees)
 Social and relationship capital (e.g., industry alliances)
 Natural capital (e.g., air space, electricity and fuel)

BOARD

COMMITTEE

Audit and Risk

Committee

Business Research,

Operations and

Development

Committee

Audit and Risk

Committee

Committee

Transformation.

Investments

and Projects Committee

IT Steering

Committee

Committee

Social and Ethics

49

Human Resources

INTEGRATED REPORTING ELEMENTS	REQUIRED ACTIVITIES	BOARD COMMITTEE
Remuneration and incentives	 Ensure appropriate, market-related remuneration, linked to performance. Ensure incentives and rewards are market-related and managed according to performance against targets, as per ATNS's Shareholder Compact and strategic objectives. 	Human Resources Committee Social and Ethics Committee
Safety and health	 Ensure a safe working environment for ATNS employees. Ensure alignment with global safety standards. Ensure 'safe procurement'. Ensure 'safety culture', including safety training. 	 Safety Committee Transformation, Investments and Projects Committee Social and Ethics Committee Human Resources Committee
Organisational transformation	 Ensure ATNS B-BBEE Strategy align with Dti's Codes of Good Practice. Maintain and ensure favourable black representation at Board of Directors and Top Management levels. Ensure on-going equal opportunity initiatives. Ensure that procurement practices align with ATNS's enterprise development (ED) and supplier development (SED) objectives. 	 Audit and Risk Committee Human Resources Committee Transformation, Investments and Projects Committee Social and Ethics Committee
Environmental management	 Ensure environmental sustainability through the management of carbon emissions and energy efficiency. Ensure responsible operational impacts on communities and bio-spheres (e.g., noise reduction). Ensure environmental risk management and compliance. Ensure organisational awareness for environmental sustainability issues. Ensure environmentally-responsible procurement practices. Ensure 'Green technology' practices. 	 Audit and Risk Committee Social and Ethics Committee Human Resources Committee Transformation, Investments and Projects Committee IT Steering Committee
Stakeholder engagement and relationship management	 Ensure positive stakeholder relationship engagement and management. Ensure proactive support for suppliers and constructive supplier management. Ensure positive employee relations and encourage adherence to ATNS's Code of Conduct and embed the Company's Values throughout the organisation. Ensure proactive SLA compliance management with suppliers. Ensure an enabling work environment for employees to achieve their professional and personal goals, share ideas, communicate openly and report concerns. 	Social and Ethics Committee Transformation, Investments and Projects Committee Human Resources Committee Audit and Risk Committee IT Steering Committee



MEETING DATES OF DIRECTORS AND ATTENDANCE: APRIL 2017 TO SEPTEMBER 2017

Attended 🗸 Absent/Apology 🗴 Chairman C Member M Resigned R

MEETING	DATE	RIBA	SSAMULA	NKAMA	MTSHALI	HARI	DLAMINI	MWANZA	MPHAHLELE
	06/06/2017	R	M✓	M✔	M✔	M✔	M✔	M✔	M✔
Board Meeting	23/06/2017	-	M✓	M✔	M✔	M✔	M✓	M✓	M✔
	05/09/2017	-	M✓	M✔	M✔	M✔	×	M✔	M✔
	12/04/2017	C √	M✓	M✔	X	M✔	M✔	M✔	×
Special	21/7/2017	-	M✓	M✔	M✔	M √	Х	M✓	M✔
Board Meeting	29/8/2017	-	M✔	M✔	M✔	Х	M✔	X	M✔
	22/9/2017	-	M✓	R	R	R	M✓	M✔	C✔
Human Resources	23/05/2017	-	M✔	-	M✔	C✔	M✔	M✔	-
Committee (HRC)	21/08/2017	-	M✓	-	M✔	C✔	M✓	M✓	-
Special HROC	02/06/2017	-	-	-	M✔	M✔	M✔	M✔	-
Transformation,	01/06/2017	-	M✓	M✔	-	-	-	M✔	M✔
Investments and Projects	23/08/2017	-	M✓	M✔	-	-	-	M✔	M✔
	26/05/2017	-	M✓	M✔	-	-	-	-	-
Audit & Risk	24/08/2017	-	M✓	M✔	-	-	-	-	-
	24/05/2017	-	-	-	M✔	M✔	M✔	-	-
Social & Ethics	04/09/2017	-	-	-	M✔	M✔	M✔	-	-
Business Research, Operations and Development Committee	26/05/2017	-	M✔	M✔	-	-	M✔	-	-
	24/08/2017	-	M✔	M✔	-	-	M✓	-	-
AGM	13/09/2017	-	M✓	M✔	Х	M √	M✔	M✓	C✔

MEETING DATES OF DIRECTORS AND ATTENDANCE: SEPTEMBER 2017 TO MARCH 2018

Attended \checkmark Absent/Apology $\emph{\textbf{X}}$ Chairman $\emph{\textbf{C}}$ Member $\emph{\textbf{M}}$

MEETINGS	DATE	RIBA	SSAMULA	NKAMA	MTSHALI	HARI	MPHAHLELE	DHLAMINI	MWANZA
	06/12/2017	-	-	-	-	-	C✓	-	M✔
Board Meeting	27/01/2017	-	-	-		-	C✓	-	M✔
	13/03/2018	-	-	-	-	-	C✓	-	M✔
	12/10/2017	-	-	-	-	-	C✓	M✔	M✔
Special Board Meeting	10/01/2018	_	-	_	-	-	C✓	-	M✔
	01/02/2018	-	-	-	-	-	C✓	-	M✔
HROC		-	-	-	-	-	-	-	-
Transformation, Investments and Projects		-	-	-	-	-	-	-	-
Audit & Risk		-	-	-	-	-	-	-	-
Social & Ethics		-	-	-	-	-	-	-	-
Business Research and Development		-	-	-	-	-	-	-	-
Board Strategy Session	05/12/2018	-	_	_	<u> </u>	-	C✓	-	M✔
	06/12/2018	-	-	-	_	-	C✔	-	M✔
AGM	17/11/2017	-	-	-	-	-	C✔	-	M✔

DEPARTURES OF DIRECTORS

DIRECTORS	CAPACITY	DATE OF DEPARTURE	REASON FOR DEPARTURE
Ms. Phindile Riba	Chairman and Director of the Company	18 May 2017	Resignation
Mr Isaac Nkama	Directors on the Board	13 September 2017	Resignation
Ms Shaila Hari	Directors on the Board	13 September 2017	Resignation
Ms Nwabisa Mtshali	Directors on the Board	14 September 2017	Resignation
Dr Bridget Ssamula	Directors on the Board	14 September 2017	Resignation
Mr President Dlamini	Directors on the Board	31 December 2017	Resignation
Ms Esther Letlape	Directors on the Board	10 May 2018	Resignation
Advocate Edwin Mphahlele	Chairperson on the Board	8 August 2018	Contract terminated
Mr Daniel Mwanza	Directors on the Board	31 August 2018	End of contract term period

DEPARTURES OF SENIOR EXECUTIVES

EXECUTIVE	CAPACITY	DATE OF DEPARTURE	REASON FOR DEPARTURE
Ms Thandi Thankge	Executive Human Capital	6 February 2018	Resignation
Mr Andile Swaartbooi	Chief Information Officer	31 March 2018	Resignation
Mr William Ndlovu	Chief Financial Officer	24th May 2018	Contract terminated





ATNS Executive Committee



THOMAS KGOKOLO
Interim Chief Executive Officer
(Executive Director)

Appointed: 1 October 2018



AYANDA MANQELEActing Company Secretary

Appointed: 11 October 2017



MOHOLOLA MATOME
Acting Chief Financial Officer

Appointed: 1 October 2017

- Areas of core expertise [skills and experience]
- Finance
- Auditing
- Risk Management
- Investment Management
- Business valuations
- Dusiness valuations

- Corporate Governance
- Litigation
- · Company Law
- Labour Law
- Corporate Reporting
- Bachelor of Arts in Law
- Bachelor of Laws-LLB (UKZN)
- Admitted Attorney (2011)
- Professional Post-Graduate
 Qualification: Company Secretarial
 and Governance Practice (CSSA)
 Current

Academic qualification

MBA (Gordon Institute of Business

• B Compt Honours (University of

B Com Accounting Sciences (University of Pretoria)

CA(SA)

Sciences)

South Africa)



- Retail
- Manufacturing services
- Government Business
- CA (SA),
- MBA (Georgetown University USA and ESADE Business School – Spain)
- MCOM Tax (University of Pretoria)
- B Com (University of Venda)
- BACC (University of Witwatersrand)



JEOFFREY MATSHOBA Executive: Air Traffic Management/cns

Appointed: 1 July 2015

Areas of core expertise [skills and experience]

- Aviation operations
- Airspace Management
- Academic qualification
- BCom
- International Executive
 Development Program (WITS and
 London Business School)



THANDEKA MDEBUKA Legal Counsel

Appointed: 01 April 2018

- Legal compliance
- Advocacy
- Contract negotiation and management
- Litigation
- Risk assessment

- LLB (University of UKZN)
- LLM- Mercantile Law (University of Pretoria)
- Business Leadership Programme
- Certificate in Contract Drafting (LSSA)
- Admitted Attorney (2004)



ZORRO BOSHIELOChief Technology Officer

Appointed: 1 December 2015

- Technical support and maintenance
- Telecommunications and technology – systems design, planning, development, implementation and maintenance
- Technology lifecycle management and support services
- Electronic engineering
- · Ventures and business development
- Project Management

- BSc Electrical Engineering
- BEng Honors Computer Engineering
- MBL
- Certificate in Advanced Executive Programme





THABANI MYEZA Executive: Commercial Services

Appointed: 1 April 2015

Areas of core expertise [skills and experience]

- Commercial services and business development
- New market strategies (locally and
- Policy development and operational policy alignment
- Regional business expansion

Academic qualification

- BCom Accounting (University of Zululand)
- MBA General Management (Texas Southern University)



DUMISANI H SANGWENI Executive: Strategy & Optimisation

Appointed: 1 May 2010



Academic qualification

- Commerce and business analysis
- Aviation operations management
- Transport and airline logistics
- BSc in Aviation Technology (Embry Riddle Aeronautical University, USA, 1991)
- Postgraduate diploma: Transport Economics (Rand Afrikaans University, Johannesburg 1997)
- Postgraduate diploma: Business Administration (PBL) (University of South Africa, 1999)



TENDANI NDOU Principal: Aviation Training Academy

Appointed: 1 June 2011

- · Risk, audit and compliance
- Corporate Governance
- · Accounting, finance and management

IT Governance

• IT Operations Management

Solutions Architecture and Software Development

• IT Systems Lifecycle Management

· Project Management

- BCom (Hons) Cost Management
- Accounting (University of Venda)
- CIA and Certificate in Control Self-Assessment (CCSA) (Institute of Internal Auditors
- Higher Education Diploma (UNISA)
- Global Executive MBA (Gerogetown, USA and Esade Business School, Spain)

• B.Sc. Engineering (Electrical)

Master of IT – University of

Pretoria

» University of Witwatersrand



DR. SANDILE MALINGA Chief Operations Officer

Appointed: 1 September 2016

- Aerospace technology & systems • Navigation, communication and
- surveillance management • Research, Development & Innovation management
- · High-value Project Implementation
- Operations management Strategy and planning
- MBA (Business School, Netherlands)

PhD in Physics (Rhodes University)





Chief: Air Traffic Services

Appointed: 1 March 2010

- · Aviation operations management
- Training and mentoring
- Governance, compliance and regulatory oversight
- Safety management
- · Strategy and planning

Aerodrome, Approach an Area Procedural and Radar validations (University of Stellenbosch)



GILMOUR M. RANKOE Acting Chief Information Officer

Appointed: 29 March 2018

HENNIE MARAIS



How ATNS's control framework creates value

COMPONENT	HOW IT CREATES VALUE FOR THE ORGANISATION
Internal audit	Supports the Company by providing independent assurance over the adequacy and effectiveness of the governance, risk management and control environment, including other key controls as presented by management, and risks emanating from the top 10 strategic risks of the Company.
	 Helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes to ensure that the following objectives are achieved: Risks are properly managed. Policies, regulations and laws are complied with. Data is accurate, timely, useful, reliable and relevant. Operations are effective and efficient and add value.
Fraud prevention, detection and investigation	 ATNS has a zero-tolerance approach to fraud and corruption. A fraud prevention plan is annually approved by the board and monitored throughout the year. ATNS fraud and corruption methodology enables the Company to identify and mitigate the occurrence of fraud and corruption through risk assessment and compliance checks. These are performed Companywide on an annual basis. These assessments help to identify potential high-risk areas of fraud and corruption.
	 Most reported incidences of fraud activities as per the whistle blowing hotline and from line management are in the following areas: Financial Control, Supply Chain Management and Human Resources. (i.e. procurement misconduct and recruitment process). Management have placed more controls to prevent, detect, and mitigate the fraud risk in these areas.
	The ATNS strategic imperatives represent the overarching themes of the Fraud Risk Management Plan in that they not only embrace the fraud risk management initiatives undertaken in previous years, but also emphasise the related root causes of fraud and corruption emanating from the areas of governance, people, methods and practices. Fraud and Corruption awareness education encompasses formal training annually with all employees, including both bargaining and non-bargaining council employees.
	 ATNS's anonymous Whistle Blowing Hotline is in place for the reporting of suspected fraudulent or unethical behaviour via an outsourced toll-free hotline. Reports are relayed to the Chief Audit Executive, Chief Executive Officer, as well as to the Chairman of the Audit and Risk Committee. Staff awareness of this facility is promoted through posters, the intranet and the training programme undertaken to all staff.
	The hotline is available 24 hours a day, seven days a week and call centre agents can converse in all official languages.
IT governance	The Company has developed a comprehensive list of IT risks that are linked to the organisation's objectives. The top five IT risks include: Cyber security threats. Inadequately managed information and business intelligence. Unauthorised access to operational and back-office systems. Lack of security on IT assets. Inappropriate IT assets disposal.
	 Each risk has a list of mitigation actions to improve the management of the risk, and these actions are monitored regularly and reviewed in joint sittings between the IT department and the Risk Management department.

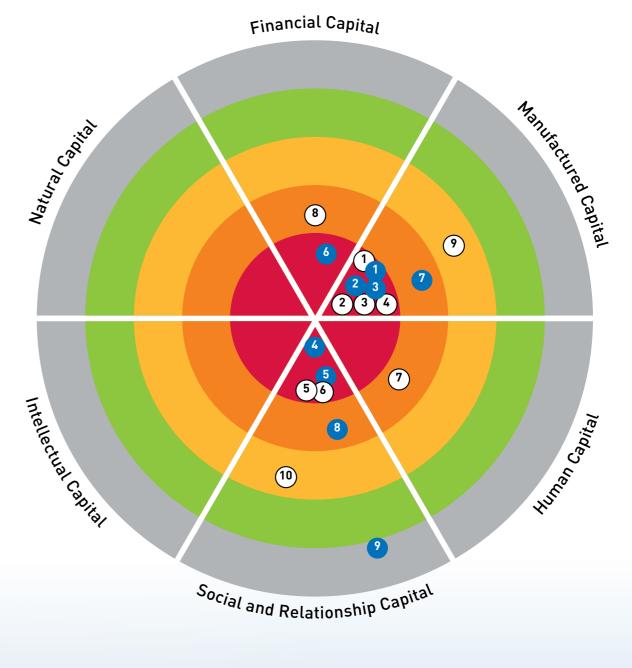
COMPONENT	HOW IT CREATES VALUE FOR THE ORGANISATION
IT governance (continued)	The Company is in the process of finalising the control self-assessment framework in line with recommendations of the external auditors. The framework will assist the IT department to: Conduct an assessment of risks and controls; Develop recommendations for improvement; Enhance the department's ability to achieve its objectives; Improve communication within the team; and Improve the efficiency and effectiveness of IT operations.
Regulatory compliance	ATNS established a Permission Planning Committee (PPC) as a permanent EXCO subcommittee, with the express purpose of facilitating the permission planning process.
	 ATNS subscribes to a modular approach in compiling permissions and the PPC, through its Permission Module Managers project team, drives the preparation and maintenance of information modules needed to compile permission applications as mandated by the Regulating Committee in its Approach document.
	The PPC also ensures modules are kept 'live' and updated on an annual basis to monitor progress in the implementation of the current permission, thereby tracking 'actual' versus 'budgeted' permission Key Performance Indicators (KPIs) and reporting on deviations. This provides input for the yearly budgeting process in addition to developing a repository of historic permission data needed to feed into and help guide subsequent permission application processes.
Enterprise risk management (ERM)	 Enterprise Risk Management (ERM)aims to achieve an appropriate balance between opportunities realised for gain, while minimising adverse impact. To achieve best- practice levels, ATNS considers the requirements of the guidelines of the King Report on Corporate Governance for South Africa, 2017 (King IV), and ISO 31000: 2009 Risk Management Standard. The strategic risk profile is based on the Six Strategic Imperatives of ATNS
	 The strategic risks of ATNS are reassessed on an annual basis by considering the basic available information on changes, research in both internal and external environment of the entity. The risks are identified, evaluated and assessed on an inherent risk basis, prior existing controls are considered. The control effectiveness of the risk is rated by the ATNS Executive team on a rating scale varying from weak to very good. This results in a calculated residual risk rating per risk identified. Therefore, mitigation strategies are developed to mitigate the risks based on their level of priority ranking.
	To ensure continuous improvement in the risk management process, the risk ownership has been enhanced by Senior Management team by formally appointing departmental and ATSU risk champions to embed risk management within their area of operations. Formal risk management training was conducted for all the risk champions to build capacity within the risk department. This enhances risk advisory at an operational and departmental level.

Major risk movements - 2016/17 to 2017/18

FIGURE 11: ATNS RESIDUAL RISK HEATMAP

	Residual Risk Profile 2017
1	Inadequate business continuity plans and disaster recovery plans
2	IT systems/networks
3	Physical security of infrastructure
4	Cyber security threat
5	Reliance on third party service providers
6	Major safety event
7	Critical skills in global demand
8	Financial sustainability
9	Unavailability of deployed CNS technology
10	Political instability in certain African countries

Residual Risk Profile 2018					
1	Business continuity plans and disaster recovery plans				
2	IT systems/networks				
3	Physical security of infrastructure				
4	Inefficiency in supply-chain management				
5	Major safety event				
6	Financial sustainability				
7	Cyber security threat				
8	Non-compliance with regulatory requirements				
	Inability to access and capture the market				



Residual risk exposure

- Priority 1 Extreme: Immediate action
- Priority 2 High: More controls required
- Priority 3 Moderate: Monitor risk exposure
- Priority 4 Low: Acceptable risk exposure
- Priority 5 Insignificant: Reduce controls





ATNS TOP RISKS ALIGNED TO STRATEGY

P.4 P.11 P.12 P.13	RISKS DESCRIPTION	ROOT CAUSE OF THE RISK	CURRENT CONTROL PROCESS IN PLACE TO MITIGATE THE RISE EXPOSURE		ACTION PLANS
	Inadequate business continuity plans and disaster recovery plans	Lack of clearly defined business continuity plans and inconsistencies in implementation of related processes.	Integrated Business Continuity	Plans Priority	Integrated disaster recovery test. Development of disaster recovery plans where these are lacking Implementation of the plans.
	Unreliable IT systems/ networks	System obsolesce and misaligned processes.	IT Systems and business proce	Sses. Priority	Implement key systems ERP and Enterprise Architecture Increase IT Capacity. Improve processes.
	Physical Security of Infrastructure	Inadequate security plans and measures in some places.	Security governance instrumer assessments.	Priority 1	Improve security strategies and plan; and implement.
	Inefficiency in Supply Chain Management (SCM)	Lack of SCM capacity and inefficient systems; inadequate governance and control structures and environment.	SCM governance instruments a systems.	Priority 1	Implement a new SCM module and increase training; increase SCM capacity.
	Major safety event	Inadequate safety strategies and plans in an environment that is becoming complex and high traffic volumes.	Safety Management system an safety apparatus; safety deliver initiatives.		Implement a safety turn- around plan that addresses safety planning; safety implementation; safety assurance and human performance.
	Financial sustainability	Economic down turn and escalating costs; sub-optimal systems.	Financial sustainability plans; commercial and business deve initiatives.	lopment Priority	Intensify marketing and further pursue robust market expansion to the African continent under ATNS International.
	Cyber Security Threats	Sub-optimal IT security environment and readiness in a fast-changing cyber security space.	Cyber Security governance frame IT security software and firmware		Develop a clear cyber security approach, strategies, plans, capacity, capability and focus.
	Non-compliance to regulatory requirements (Legislations, Regulations, Policies, directives etc.)	Lack of awareness and understanding of the implications and costs of non-compliance.	Legal compliance framework a compliance initiatives.	Priority 2	Increase awareness and education on compliance imperatives and initiatives.
	Inability to access and capture the market due to political, economic dynamics and internal constrains to deliver.	Complexity of the African geo-politics and market environment.	Leveraging on government-to- government relations and othe continental economic block int	r Priority	Re-evaluate the ATNS 10 year bank-able business plan and adapt it for the current continental economic and geo-political landscape.



Statement of adequacy of ATNS's internal control environment

Based on the consideration and analysis of information and explanations from management, the assessment of internal controls by internal audit, including internal financial controls and external audit reviews; the Audit and Risk Committee is of the opinion that the internal controls of the Company were partially effective throughout the year under review in ensuring that:

- Risks are properly managed
- The Company's assets were safeguarded;
- Proper accounting records were maintained; and
- Compliance with laws, regulations and contracts was ensured.

Where internal control weaknesses were identified, these were discussed with management and corrective actions were taken to minimise the risk. Consequence management linked to unresolved audit findings is being driven at Board of Directors level to ensure management responds adequately to repeat findings by both internal and external auditors. Management is undertaking an overhaul of ATNS's IT systems to improve internal controls.

The Committee and management have also addressed issues of non-compliance with policies and procedures received through the auditors and the whistleblowing hotline. The Committee is driving an internal educational process to reemphasise the importance of regulatory compliance within the Company.

Quality statement

ATNS has been an ISO 9001 certified organisation since 1998. The ISO 9001:2015 standard replaced the previous ISO 9001:2008 standard. As the custodian of ATNS's Quality Management System (QMS), the Strategy and Optimisation department embarked on a process to embed the updated ISO 9001:2015 standard throughout the organisation. The aim for retaining ISO 9001:2015 certification is to improve its business processes, reduce company-wide waste, lower overall costs, and setting company-wide direction.

Monitoring and evaluation: QMS auditing is a crucial business management tool used within ATNS to monitor and evaluate its documented processes, procedures and responsibilities to achieve ATNS's quality policies and objectives, and to ensure complete adherence to statutory and regulatory requirements. Consequently, conforming to the monitoring and evaluation approach, ATNS provides its customers with the surety of cost-effective, value-add and safe products and services.

In the year ahead, the Company intends to fully complete the process of aligning policies, procedures and processes to the updated ISO 9001:2015 standard in preparation for the January 2019 audit, and to instill a holistic and integrated management approach and culture throughout the organisation.

Remuneration



The section on remuneration that follows includes the Company's remuneration performance for the 2017/18 financial year.

The Human Resources Committee recommends annual remuneration for both executive and non-executive directors and considers associated performance measures and benefits when assessing remuneration. State-Owned Companies require people with exceptional competencies and experience to provide strategic leadership; as well as strengthen opportunities for direct and indirect employment for thousands of people. They are also responsible for generating returns on investor funding and have the added responsibility of managing strategic national resources.

ATNS views remuneration as a business issue not only a human resource issue. The organisation's remuneration policy will have a direct impact on operational expenditure and profitability, company culture, employee behaviour and ultimately with correct alignment on the ongoing sustainability of the organisation.

Remuneration philosophy

ATNS's remuneration philosophy reflects the dynamics of the market and context in which it

operates. It is our aim, to align – at all times – with the strategic direction and specific value drivers of the business within which ATNS operates, supporting the philosophy of Value Based Management. As such, remuneration plays a critical role in attracting and retaining high performing individuals. Remuneration also reinforces, encourages and promotes superior performance. Remuneration is not considered to be a stand-alone management process, but rather one that is fully integrated into other management processes.

Benchmarking and position in the market

ATNS performs regular remuneration benchmarks to ensure that we remain market aligned and competitive. The Company's defined market position is the midpoint of the market, however, the pay progression for entrants to sustained superior performance will range from the minimum to the maximum of the pay scale. In line with the business strategy, employees with key skills are paid between the midpoint and the maximum of pay scale.

The benchmarking of executive positions in the South African labour market faces many challenges in making logical and fair comparisons between different jobs. Executive positions are benchmarked annually, using a top executive survey. This benchmark informs the organisation of the market-related salaries of executive management within the South African labour market.

Components of remuneration

Total remuneration consists of guaranteed pay, variable pay, plus short-term incentives.

Guaranteed pay

ATNS remunerates using the 'cost to company' method of payment. The cost to company includes the cash component plus employee benefits. The Company provides employees with contractually agreed basic benefits such as medical aid and retirement fund benefits, which include the pension fund and associated benefits, such as

disability and life insurance. Employees, including the executive management, are afforded the opportunity to structure remuneration packages according to individual needs within prescribed legal parameters. To encourage a high-performance culture, the determination of annual salary adjustments is performance-based only. Employees are evaluated against annually set routine objectives, which encompass the scope and nature of the role and job content.

Retirement Fund

The fund is a defined contribution scheme and is governed by the Pension Funds Act of 1956, which requires an actuarial valuation to be carried out every three years. The retirement fund contributions are deducted from the pensionable component of the employee's guaranteed pay. All permanent employees are members of the ATNS retirement fund. The Company does not provide any post-retirement benefits to employees and has no exposure to postretirement benefit obligations.

ATNS offers employees a flexible pensionable/ non-pensionable remuneration split, including:

- 60% pensionable 40% non-pensionable.
- 70% pensionable 30% non-pensionable.
- 80% pensionable 20% non-pensionable.
- 85% pensionable 15% non-pensionable.
- 100% pensionable 0% non-pensionable.

Healthcare benefit

Healthcare membership is a condition of service for all permanent ATNS employees. The healthcare benefit is a fixed component of the employee's guaranteed pay. ATNS currently contracts to two healthcare providers, namely Discovery and Bonitas, which ensures favourable underwriting conditions for employees to join and remain members of the scheme.

Variable pay

Variable pay includes all allowances ATNS may offer to employees from time to time. For the executive management, it includes any acting allowances for acting in another role as duly authorised and approved; and a principal officer

allowance for occupying the role of the principal officer on the pension fund. Variable pay for mission-critical positions includes variable allowances for the attraction and retention of key skills and experience.

Short-term performance incentive bonus

Performance incentive bonuses are based on:

- The overall performance results of ATNS for the financial year at the end of March, with a link to the key performance indicators set for the organisation at the beginning of the financial year.
- The performance of the department.
- The employee's performance against balanced scorecard objectives.

The Company applies a five-point rating scale to the measurement of the employee's performance against balanced scorecard objectives. Performance incentive bonuses are awarded to employees in the following categories:

- Meeting expectations.
- Exceeding expectations.
- Significantly exceeding expectations.



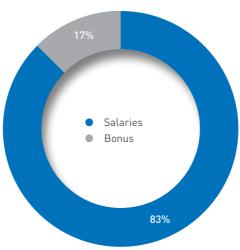
Executive remuneration

Executive remuneration is aligned to the ATNS remuneration policy to ensure fair and consistency across the organisation. Benchmarking of executive positions in the South African labour market faces many challenges in making logical and fair comparisons between different jobs. Executive positions are benchmarked annually, using a top executive survey administered by external survey house. This benchmark informs projected salary movement in the external market.

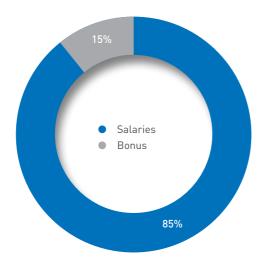
Executive management are afforded the opportunity to structure their remuneration packages according to individual needs within prescribed legal parameters. To encourage a high-performance culture, the determination of annual salary adjustments is performance-based only. Executives are evaluated against annually set routine objectives, which encompass the scope and nature of the role and job content.

GRAPH 5: CONSOLIDATED EXECUTIVE REMUNERATION 2016/17 COMPARED TO 2017/18





Executive Renumeration 2017/18



EXECUTIVE REMUNERATION 2017/18

	EXECUTIVE REMUNERATION 2016/17	EXECUTIVE REMUNERATION 2017/18
Salaries	27,268,265.00	28,831,697.00
Bonus	5,447,369.00	5,172,286.00

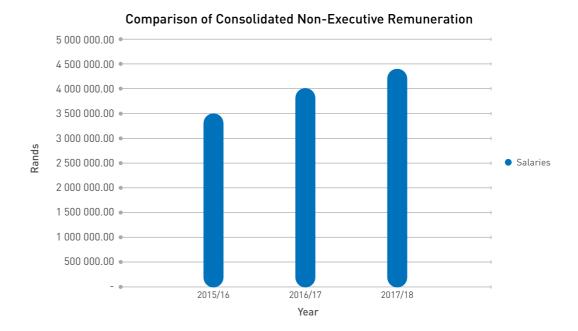
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Non-executive directors' remuneration

P.1

Non-executive directors receive fees for their service on the Company's Board and Board Committees. Director's fees are determined by the Department of Transport (DoT).

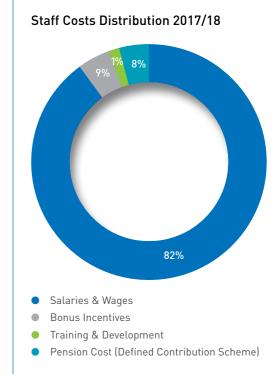
GRAPH 6: CONSOLIDATED NON- EXECUTIVE REMUNERATION - 2015/16 TO 2017/18

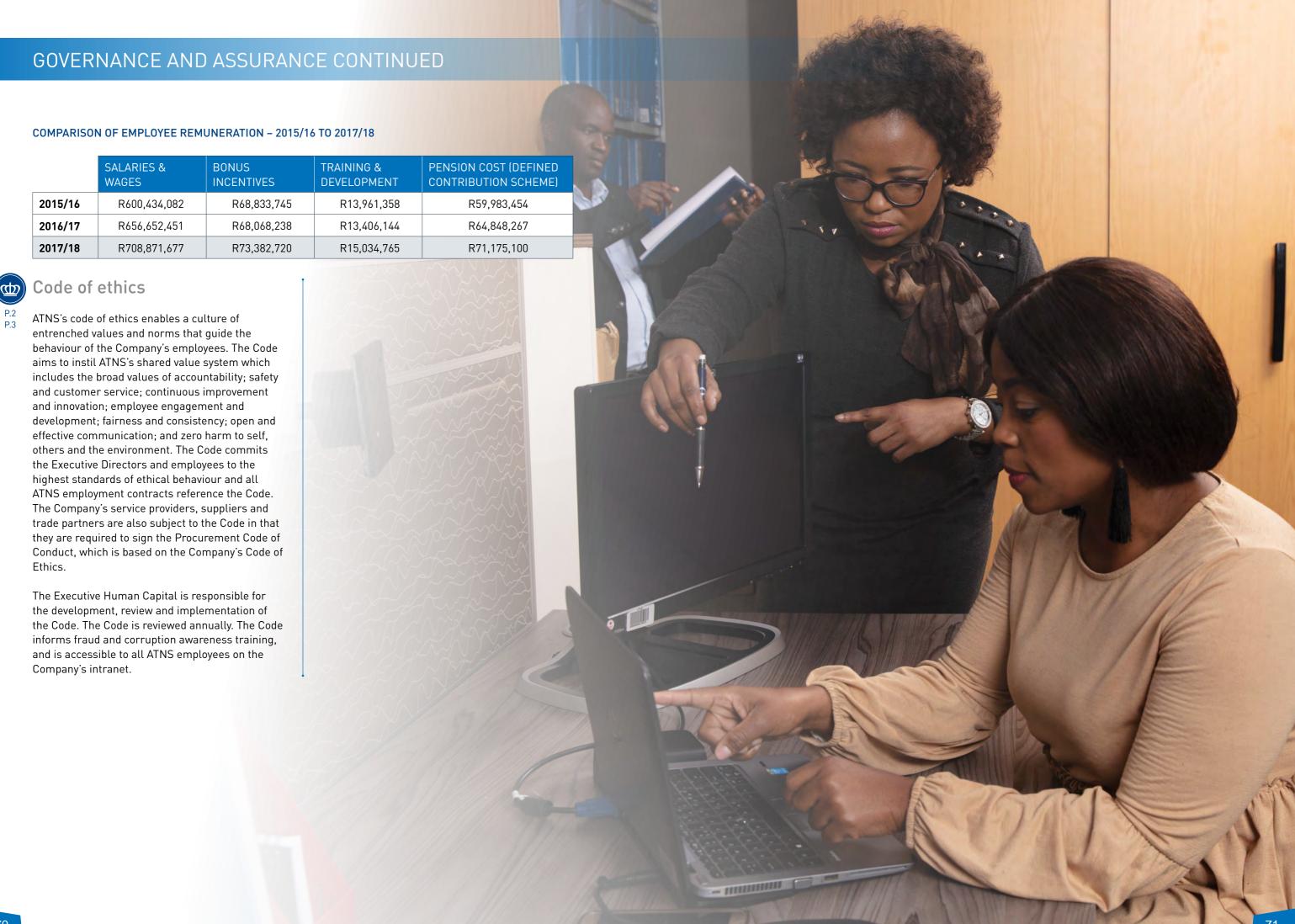


Salaries and related costs

Graph 8 provides a summary of the ATNS cost of employment for the year. The salaries and wages increase is due mainly to average CPI as published by STATS SA yearly. All remuneration policies and procedures are fully compliant with current legislation and, where applicable, adhere to the collective substantive salary agreement entered into between ATNS and the recognised trade union, Solidarity. This agreement is a fouryear agreement and will terminate on 31 March 2019. Payroll is audited annually by both internal and external auditors. If any findings result from the audit, these are reported to the Audit and Risk Committee of the ATNS Board of Directors. In line with ATNS's philosophy of continuous improvement, the current remuneration philosophy is being reviewed and benchmarked against global best practice to ensure industry relevance. The completion of this project will result in an improved, globally acceptable remuneration policy and practice. Salary negotiations will commence.

GRAPH 7: TOTAL COST OF EMPLOYEES





ATNS defines 'materiality' for its reporting in terms of 'issues' that substantively impact the organisation's ability to create and sustain value over the short, medium and long term.

For the 2017/18 Integrated Reporting process, ATNS reviewed the Company's material disclosures for the year and refined the process for identifying, validating, prioritising and approving material issues. The diagram below outlines the process followed.

We have used a combination of internal and external criteria to determine whether an issue commercial environment, ATNS's business policy environment, and stakeholder concerns and interests. Overall the Company identified 19 material issues, clustered into eight overarching clusters:

is material, including factors such as the external context, its partnership landscape, regulatory and

FIGURE 12: ATNS INTEGRATED REPORTING PROCESS FOR DETERMINING MATERIAL ISSUES

	STEP 1 Identification	STEP 2 Validation
Process	Workshop to identify material issues for 2017 reporting period	 A two-step electronic survey distributed to workshop attendees Determine "importance" and "relevance" of issues identified during the workshop
Facilitator	Workshop coordinated by the office of the ATNS Company Secretary and facilitated by an independent corporate reporting firm	 Survey prepared by independent corporate reporting firm and circulated by the Office of the Company Secretary Survey finding collated by independent corporate reporting firm and approved by the Company Secretary
Participants	Management, governance representative and "process owners"	Management, governance representative and "process owners"
Criteria	Identifying issues of material interest to ATNS with a pre-determined boundary: • Business context • External environment • Partnership landscape • Regulatory and policy environment • Stakeholder engagement – Stakeholder identification	Validate issues based on importance to ATNS in terms of: • Likelihood of materialisation • Magnitude of impact • Rating process aligned to ATNS's ERM process for validating material risks and opportunities Determine the relevance of material issues based on past, present or future impact on: • ATNS strategy • ATNS business model • The six capitals
Outcomes	A set of 60 material issues (unclustered)	Top 25 material issues (unclustered)

- 1. Information and communication technology
- 2. Procurement management
- 3. Infrastructure management
- 4. Human capital management
- 5. License to operate
- 6. Services management
- 7. Stakeholder engagement
- 8. Financial management

Our assessments of materiality also consider the basic expectations expressed in the national and international standards and agreements with which the organisation is expected to comply.

The table on page 74 summarises the internal and external environmental factors that contextualise key disclosures and the material issues informing key disclosures.

STEP 3	
ritisation	



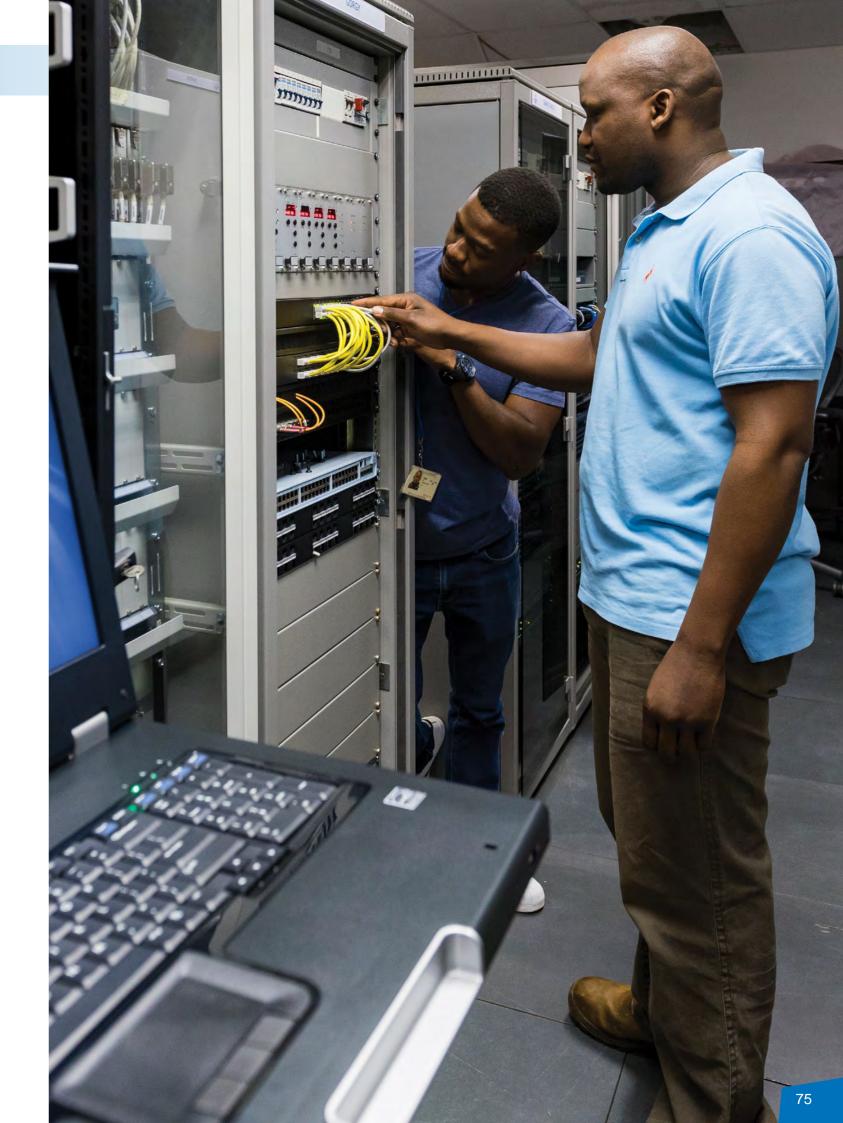
Prioritisation	Approval
Management process to prioritise and cluster material issues	 Approval of the material clusters and most material issues Submission of material issues profile to Board Committees for approval Management perspective applied
The Office of the Company Secretary	The Office of the Company Secretary
Executive management	Executive managementBoard of Directors (through Board Committees)
Overall importance of top validated material issues to ATNS based on: • Area of impact • Time-frame of impact (short, medium or long term) • Qualitative impacts • Quantitative impacts • Where impact occurs (internal or external)	 Alignment of material clusters and associated material issues with ATNS's strategy and business context Alignment with ATNS's top risks and opportunities and emerging risks Alignment with Shareholder Compact reporting disclosures
Review material issues for the 2016/17 reporting year	Approved Material issue clusters for the 2017/18 reporting year

MATERIAL ISSUES CONTINUED

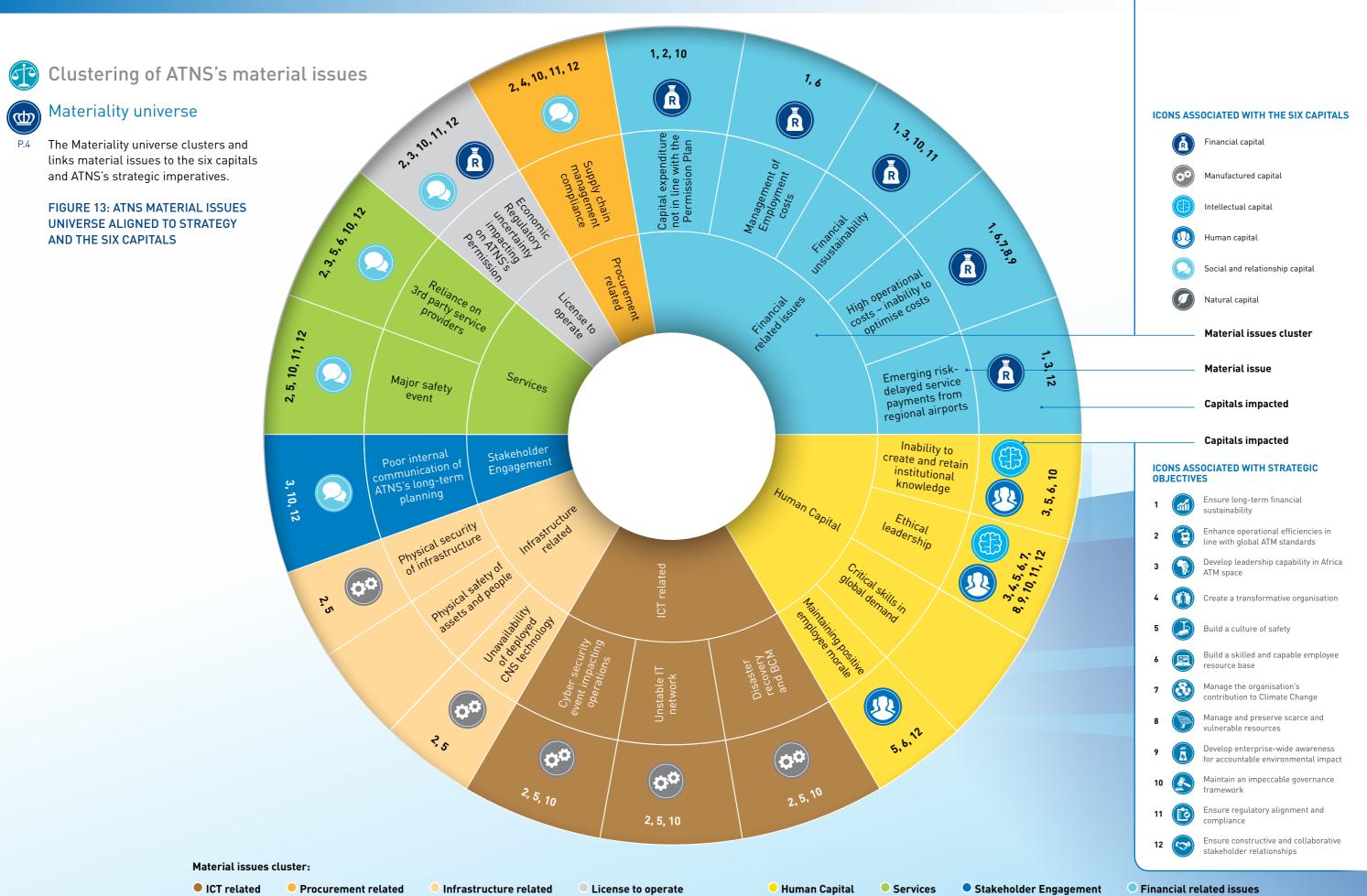
CONTEXT FOR KEY DISCLOSURES AND MATERIAL ISSUES



CONTEXT FOR KEY DISCLOSURES AND MATERIAL ISSUES		
REPORTING CONSIDERATIONS	INTERNAL CRITERIA	EXTERNAL CRITERIA
Aviation industry requirement by the broader civil aviation community.	ICAO Performance-Based ATM Operational Framework and ASBU Methodology; and global aviation regulatory requirements.	Global air traffic management (ATM) requirements, trends and standards; as well as leading practice safety performance benchmarks.
Basic expectations expressed in the national and international standards and agreements with which the organisation is	Statement of Strategic Intent and Shareholder Compact; 12 National Outcomes of Government and departmental outcomes of the Department of Transport.	Changes in the socio-economic developmental agenda and priorities of National Government.
expected to comply.		
ATNS key performance indicators as outlined by the Shareholder's compact.	ATNS Performance-Based Navigation Roadmap and Implementation Plan.	Socio-economic changes and challenges (e.g. barriers to market entry) in ATNS's key market segments (local and regional).
ATNS key performance indicators as outlined by the Shareholder's	ATNS's mission, vision and values; Business Concept; strategic imperatives; critical issues;	Critical commercial opportunities as well as market and environmental risks ATNS is geared to respond
compact.	programmes; and Key Performance Indicators (KPIs).	to, locally, regionally and globally; as well as factors which may impact ATNS's reputation, thereby influencing its ability to promote
		sustainable growth.
ATNS top 10 high-level organisational risks.	ATNS's Enterprise Risk Management (ERM) Process, including the key operational risks impacting ATNS's strategic and operational objectives and the associated mitigating activities; as well as ATNS's governance and compliance frameworks; and the Company's Sustainability Framework and associated policies and processes to manage financial, social and environmental sustainability outcomes.	The provisions of various frameworks including: Public Finance Management Act (PFMA); KING IV/IV Code on Corporate Governance (KING IV/IV); Discussion papers issued by the International Integrated Reporting Council (IIRC); International Financial Reporting Standards (IFRS); GRI Framework; United Nations Global Compact; Carbon Disclosure Project; B-BBEE Code.
List of key internal and external stakeholder issues as outlined by	Stakeholder expectations and feedback on material considerations as captured and monitored through	Changes in the national, regional or global political environment and a changing regulatory landscape.
our stakeholder relation process and broader social expectations.	ATNS's stakeholder engagement process – e.g. business community, Airport customers, ACSA, Non-Governmental Organisations (NGOs), National and Provincial Governments, regional partners, designated	
	targeted groups, academics, investors and the media.	



MATERIAL ISSUES CONTINUED

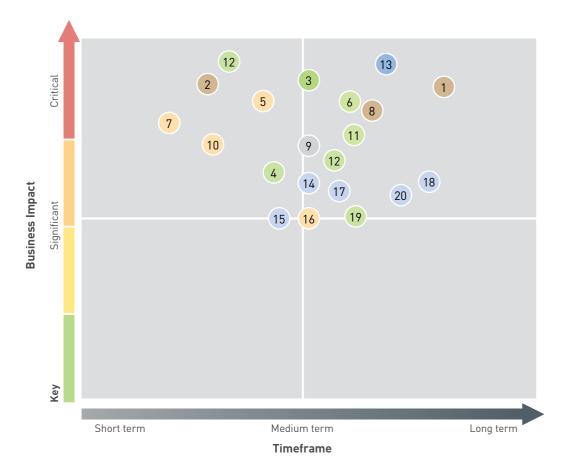


MATERIAL ISSUES CONTINUED

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Figure 14 illustrates **the 'relevance'** of material issues in terms of the Company's short, medium and long-term strategic vision.

FIGURE 14: RELEVANCE OF MATERIAL ISSUES IN TERMS OF ATNS'S SHORT-, MEDIUM- AND LONG-TERM STRATEGIC VISION



- 1. Cyber security event impacting operations
- 2. Unstable IT network
- 3. Supply chain management compliance
- 4. Physical security of infrastructure
- 5. Low employee morale
- 6. Major Safety event
- 7. Ethical leadership
- 8. Disaster recovery and BCM
- 9. Economic Regulatory uncertainty impacting on ATNS's Permission
- 10. Inability to create and retain institutional knowledge
- 11. Reliance on 3rd party service providers

- 12. Physical safety of assets and people
- 13. Poor Internal communication of ATNS's long-term
- 14. Capital expenditure not in line with the Permission Plan
- Emerging risk delayed service payments from regional airports
- 16. Critical skills in global demand
- 17. High operational costs inability to optimise costs
- 18. Financial unsustainability
- 19. Unavailability of deployed CNS technology
- 20. Management of Employment costs not commensurate with strategic objectives to remain financially sustainable

STAKEHOLDER ENGAGEMENT



Key stakeholders

P.3 P.16

ATNS recognises the importance of securing stakeholder support for our long-term success by enhancing transparency, sharing knowledge, and generating innovative solutions. The Company regularly engages key stakeholder groups that are most relevant to the business. These dialogues inform our 'Material Assessment' and thereby, informs our Sustainability Framework (Figure 18) and ultimately provides invaluable input into our overall Strategic Model (Figure 16).

ATNS's Stakeholder Engagement Policy is available online at http://www.atns.co.za/ annual-reports.

ATNS's key stakeholders include:

- ATNS employees
- International Civil Aviation Organisation (ICAO)
- South African Air Force (SAAF)
- South African Civil Aviation Authority (SACAA)
- International Air Transport Association (IATA)
- Airlines Association of South Africa (AASA)
- Board of Directors of Airline Representatives of South Africa
- National Department of Transport (DoT)
- South African Weather Services (SAWS)

- Economic Regulator
- Continental ANSPs
- Media
- CANSO
- Solidarity Trade Union
- Schools, students and Educational institutions and Universities)
- Job seekers
- Regional aerodrome owners
- CAASA
- Strategic partners, e.g., ANSPs outside the continent and selected supply chain entities

Figure 15 provides an overview of stakeholder priorities in terms of material issues whilst prioritising these issues in terms of ATNS's strategic and operational imperatives. It is important to state that ATNS views the business's long-term commercial wellbeing and its stakeholders' interests as mutually inclusive.

Read more on ATNS's stakeholder engagement in our Sustainability Report available online http://www.atns.co.za/

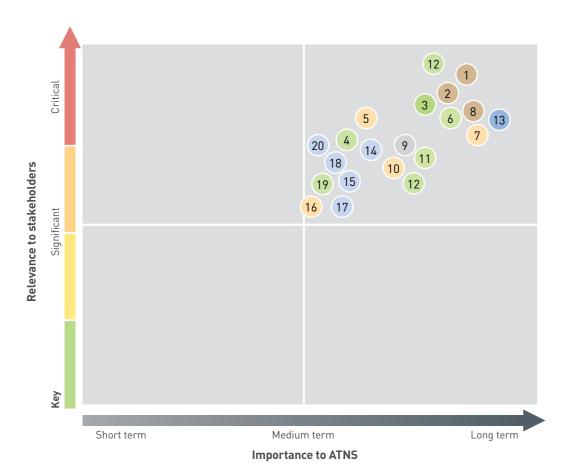
ATNS's Stakeholder Engagement Policy is available online at http://www.atns.co.za/annual-reports.
Strategy



STAKEHOLDER ENGAGEMENT CONTINUED

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FIGURE 15: STAKEHOLDER PRIORITISATION OF MATERIAL ISSUES



2.	Unstable IT network
3.	Supply chain management compliance
4.	Physical security of infrastructure
5.	Low employee morale
6.	Major Safety event
7.	Ethical leadership
8.	Disaster recovery and BCM
9.	Economic Regulatory uncertainty impacting on ATNS's Permission
10.	Inability to create and retain institutional knowledge
11.	Reliance on 3rd party service providers

1. Cyber security event impacting operations

12. Physical safety of assets and people

13.	planning
14.	Capital expenditure not in line with the Permission Plan
15.	Emerging risk - delayed service payments from regional airports
16.	Critical skills in global demand
17.	High operational costs - inability to optimise costs
18.	Financial unsustainability
19.	Unavailability of deployed CNS technology
20.	Management of Employment costs not commensurate with strategic objectives to remain financially sustainable

STRATEGY

FIGURE 16: ATNS STRATEGIC FUNDAMENTALS

	Broad Strategic Inputs			
	ICAO Performance-Based ATM Operational Framework and ASBU Methodology			
	SA Government's 12 National Outcomes			
	DoT Departmental Outcomes			
	ATNS Performance-Based Navigation Roadmap and Implementation Plan			
	Economic Sustainability Social Sustainability Environmental Sustainability			
	Commercial imperatives Sustainable development outcomes			
Strategic Imperatives	Ensure long-term financial sustainability Provide efficient air traffic management solutions and associated services which meet the needs and expectations of the ATM community. Deploy and use leading technologies to the benefit of the ATM community. Develop leadership capability in Africa ATM space Become a transformative organisation. Deliver continuous improvement of our safety performance Invest in our people to build a skilled and capable employee resource base Invest in our people to build a skilled and capable employee resource base			
	Maintain an impeccable governance framework			
	Ensure regulatory alignment and compliance			
	Ensure constructive and collaborative stakeholder relationships			
	Strategic Outcomes			
	Strategic imperatives and key performance indicators (KPIs)			
Business concept				
	'Critical Issues', Core Programmes and implementation plans			
	Key business concepts and 'Areas of Excellence'			

STRATEGY CONTINUED



ATNS's strategic fundamentals

Figure 16 demonstrates the Company's holistic approach to economic, social and environmental sustainability in that the three sustainability pillars serve as drivers of our strategic intent and operational momentum. The three strategic pillars, in turn, require that the Company ensures impeccable governance oversight, regulatory compliance, and alignment with the needs of our wider stakeholder communities.

The model shows the strategic inputs into the business, including (but not limited to) the ICAO Performance-based Air Traffic Management (ATM) Operational Framework at a global level; the South African Government's national outcomes; the Department of Transport's departmental outcomes; and the ATNS Performance Based Navigation Roadmap and Implementation Plan.

Strategic drivers

The strategy is based on the understanding that the aviation industry plays a major role in driving sustainable economic and social development throughout the world. In South Africa, the aviation sector comprises airlines, airports, air navigation services and other essential ground services which make up the air transport infrastructure. Globally, aviation has achieved high levels of macroeconomic performance by serving different regions through clear cycles of investment and opportunity.

Within its legal mandate, ATNS positions itself to take advantage of opportunities - and to minimise threats - in response to four external drivers:

Macro trends and industry developments
 that it cannot influence. These include the
 consolidation of the aviation industry, the
 regionalisation of air traffic services and the
 changing technology paradigm as air navigation
 services (ANS) become increasingly satellite based.

- Regulatory requirements with which ATNS must comply, including safety regulation, economic regulation, governance requirements and shareholder needs.
- Short- to medium-term business conditions
 to which ATNS must respond, as manifest in
 macro-economic developments and associated
 traffic growth.
- The requirements of stakeholder entities, including clients, ACSA and others, with whom ATNS consults.

The ATNS strategy is reviewed annually to reflect the development of new critical issues and strategic core projects, as well as to track strategic implementation to achieve outcome-oriented goals. ATNS has adopted a Strategic Thinking Process that provides a framework for formulating, articulating, communicating and implementing a clear, concise and explicit strategy for the organisation. The organisation is in the process of reviewing the current 2014 corporate strategy. This review includes the development of the future strategic profile and industry models, as well as strategic scenarios and stealth analysis.

Strategic imperatives

ATNS's strategic perspective is based on seven strategic commercial imperatives and three sustainable development outcomes:

Commercial imperatives

- 1. Ensure long-term financial sustainability.
- Provide efficient air traffic management solutions and associated services which meet the needs and expectations of the ATM community.
- 3. Deploy and use leading technologies to the benefit of the ATM community.
- 4. Develop leadership capability in Africa ATM space.

- 5. Become a transformative organisation.
- 6. Deliver continuous improvement of our safety performance.
- 7. Invest in our people to build a skilled and capable employee resource base.

Sustainable outcomes

- Manage the organisation's contribution to Climate Change
- 2. Manage and preserve scarce and vulnerable resources
- 3. Develop enterprise-wide awareness for accountable environmental impacts

Providing strategic value to South Africa

ATNS recognises the significant strategic value it provides in the Republic of South Africa through the regulated provision of Air Traffic services within the borders of the country. The Company will continue to provide excellent and optimised services in the regulated business. ATNS also offers a range of related services that are strategically relevant throughout South Africa and other African countries. These additional, non-regulated international business deliverables are essential to the Company's growth and positioning in the African continent.

Our market-driven strategy is largely focused on driving ancillary services, such as air traffic management training, flight procedure design, consulting and sophisticated satellite communications technology through the non-regulated business model. The products and services offered through the non-regulated business have been carefully selected to enhance ATNS's current offerings and to provide innovative packages for the future needs of both the business and the ATM sector. These products and services will position ATNS as a leading trans-national supplier of air traffic expertise and technology. Key



products and services to be provided through the non-regulated business across the continent will include:

- Consultancy services for ASBU planning and deployment
- Air Traffic Management
- Aviation related training
- AIS to AIM roadmap products and services.
- Flight Calibration.
- ATFM/ ATM Consulting services.
- CNS/ATM Systems maintenance/ installation/ consulting
- Space Based ADS-B

ATNS's strategy focuses on the needs and expectations of the ATM community, primarily in South Africa, with a strong emphasis on the rest of Africa and other selected global markets. The effective implementation of this strategy will ensure a well-equipped resource base, responsible governance, industry transformation, enhanced sustainability and support the global ATM system.

Our strategic vision can be encapsulated as follows:

- Develop a thorough understanding of the global ATM community with emphasis on core products and services, technology developments and client requirements, by providing innovative and relevant ATM solutions and associated services;
- Develop, market, distribute and support a complete range of ATM solutions and associated services that meet the needs and expectations of access, equity, safety, security, efficiency, predictability, environmental sustainability and affordability.
- Continue to enhance ATNS's ATM solutions and associated service provision in South Africa to leverage strategic partnerships, the Company's global influence, and its harmonised technologies and methods, to become the leading ATM provider in Africa, thereby securing future growth, sustainable revenue sources, long-term profitability and relevance as an ATM provider of choice.

- Expedite ATNS's expansion into the rest of Africa and other selected global markets, while expanding our range of ATMS services in existing markets.
- Attract, develop, retain and appropriately reward a diverse and motivated professional team that has the right skills, experience, commitment and drive to implement ATNS's strategy.

Implementing strategy within ATNS

Our strategy is influenced by a number of planning initiatives such as the Industrial Policy Action Plan (IPAP), as well as the developmental prerogatives of the South African Government. Strategic delivery aims to meet the increasing demands of longer-term traffic growth and complexity. The strategy seeks to adopt increasingly flexible practices, more efficient operations and more cost-sensitive business processes to counter unpredictable events.

Our strategic imperatives and sustainable development outcomes are further refined and directed into 'critical issues', 'core programmes' and Key Performance Indicators (KPIs) to set specific performance targets and guide their practical achievement.

ATNS Critical Issues and Core Programmes

Critical issues bridge the Company's current strategic profile and the future strategic profile. At an even more granular level, High priority critical issues are set to be achievable within a single financial year. Critical Issues are reviewed annually and, when required, new critical issues are developed in line with the Company's profile, strategic objectives and risk appetite. Core programmes drive the corporate strategy and are linked to the critical issues as well as the linked to Strategic Imperatives.

For the period 2017/18, ATNS developed the following High Priority Critical Issues to secure an integrated action plan to reach the set strategic objectives in the strategic profile.

FIGURE 17: STRATEGIC IMPERATIVES, 'CRITICAL ISSUES' AND 'CORE PROGRAMMES'

Strate	egic Imperative	Critical issue	Core programme
	Maintain long-term financial sustainability	Deliver a high performing Strategic Supply Chain in response to changing market	 CAPEX programme implementation and alignment to the Permission ISO 9001:2008 – ISO 9001:2015 Standards Migration Isando/Spartan
	Become a transformative organisation which invests in its people	Deliver a high performing Strategic Supply Chain in response to changing market	 An operating/governance model to align regulated and non-regulated business ISO 9001:2008 – ISO 9001:2015 Standards Migration
	Deploy and use leading technologies to the benefit of the ATM community	Deliver a high performing Strategic Supply Chain in response to changing market	 CAPEX implementation and alignment to the Permission Remote Service Provision ISO 9001:2008 – ISO 9001:2015 Standards Migration
	Play a leading role in the development of air traffic management in Africa and selected international markets	Deploy an enabling IT infrastructure	• ISO 9001:2008 – ISO 9001:2015 Standards Migration
	Deliver continuous improvement of our safety performance	Implement Safety Intervention to improve safety performance	 Cyber/site security Disaster recovery ISO 9001:2008 – ISO 9001:2015 Standards Migration
	Provide efficient air traffic management solutions and associated services which meet the needs and expectations of the ATM community	Deploy an enabling IT infrastructure	 Remote Service Provision ISO 9001:2008 – ISO 9001:2015 Standards Migration

STRATEGY CONTINUED



Monitoring sustainable development outcomes

In pursuit of a culture of sustainability, ATNS has identified three key areas that must be addressed to ensure that our business is viable and relevant for the future, namely: economic, social and environmental sustainability. ATNS will ensure that each of these areas is well-rooted, and that the business continues to thrive in a changing world.

FIGURE 18: ATNS SUSTAINABILITY FRAMEWORK

ATNS's detailed Sustainability Report is available online at http://www.atns.co.za/annual-reports.

Key Sustainability Outcomes

- Manage climate change impacts
- Preserve scare resources
- Invest in green energy technologies
- Sustainability (economic, social & environment) integration into business operations as a key enabler
- Enhance awareness to drive behavioural change amongst employees
- Harvest & retain intellectual capital including knowledge

PRESERVE



 Manage Organisation's contribution to Climate Change & Environmental Protection.



Develop organisational sustainability change management and communication.



 Manage & preserve nonrenewable natural resources.





Sustainability is a journey for ATNS and the aim is to achieve corporate citizenship as well as sustainable

ATNS's strategic economic, social and environmental performance outcomes are monitored through the Company's Sustainability Framework, which reflects the full spectrum of ATNS's key sustainability outcomes.

development which is crucial for our and society's wellbeing.

• Create a transformative

organisation



• Creating a learning organisation

Key Sustainability Outcomes

- Enhance safety, reliability and availability
- Ensure operational efficiency
- Innovation, ICT and R&D
- · Ensure working capital
- Leadership development
- Sustainable regulated and non-regulated
- · Responding to South Africa's socioeconomic objectives

GROW



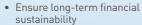
in Africa ATM space

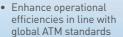


 Enhance operational efficiencies in line with



Develop leadership capability







- Maintain an impeccable governance framework
- Ensure regulatory alignment and
- Compliance

ENGAGE

• Ensure constructive and collaborative stakeholder relationships

Key Sustainability Outcomes

- Ensure impeccable governance and ethics
- Ensure regulatory compliance
- Develop local suppliers
- Shareholder management
- Strategic partnership development
- Positive community development
- Stakeholder management
- Creating a shared value perspective
- Investing in communities and developing local community capabilities (e.g. SMME's)



- - Culture of safety
 - Employee satisfaction and collaborative

Key Sustainability Outcomes

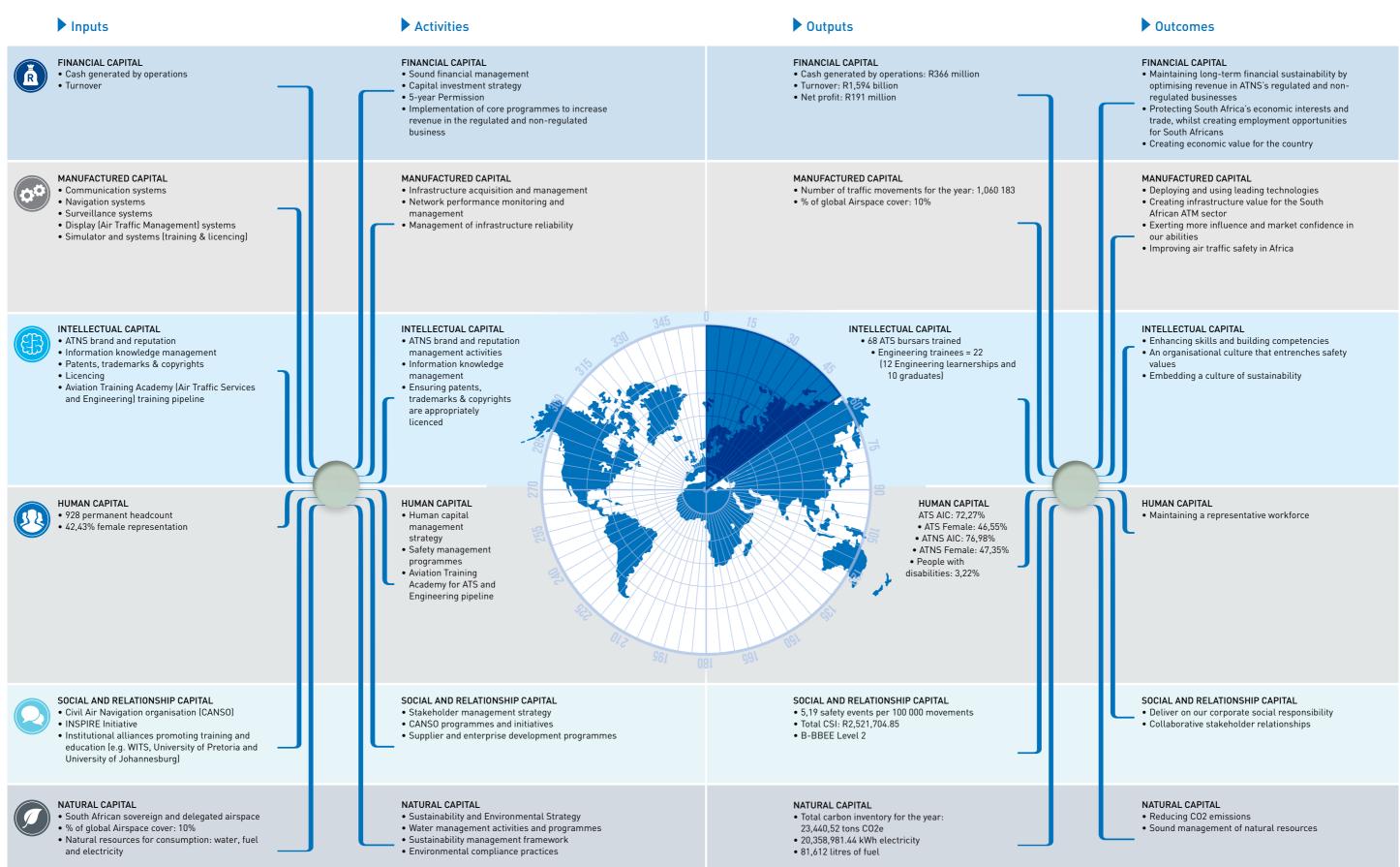
- Create a representative workforce
- Long-term job creation



CREATING VALUE THROUGH THE CAPITALS



FIGURE 19: ATNS'S VALUE CREATION MODEL



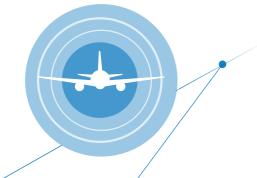
Defining "value creation"

ATNS defines "value" as the Company's ability to create and preserve relative economic, social and natural worth in terms of the six capitals to meet – and exceed - stakeholder expectations. This includes: financial capital and economic value, manufactured capital and infrastructure value, intellectual capital value, human capital value, social and relationship capital value, and natural capital value.

The Company aims to create integrated and sustainable value by providing a single banner of service accountability to clients for air traffic management solutions and associated services, and to expand this service offering across South Africa's borders into the rest of Africa.

ATNS's value proposition is supported by:

- the creation of economic value for the country through its supply-chain practices;
- improved infrastructural systems through leading-edge technology;
- · a commitment to safety compliance;
- the provision of training and career development for its people; and
- the ability to attract and retain sector-specific staff competencies and critical skills in global demand;
- the ability to foster reliable industry partnerships;
- a commitment to ethical business practices, environmental impact awareness and proactive corporate social responsibility.



Financial capital



As a provider of Air Traffic Control and Management (ATM) solutions for South Africa as well as 10% of the world's airspace, ATNS creates financial value for the Company through its regulated and non-regulated business activities. The air traffic management industry in South Africa is strongly linked to growth in air traffic movements and overall economic growth. The Company projects its revenue based on the expected air traffic movement growth. The air traffic movement has a high correlation to Gross Domestic Product (GDP) at approximately 80%. There is a time lag between a change on GDP and the impact on air traffic movements of between 12 and 18 months.

Every year some 390 000 airplanes take off and land from South Africa's main airports. A study by International Air Transport Association (IATA) confirms the vital role of air transport in facilitating over R129, 9 billion (\$10 billion) in exports, some R181,9 billion (\$140 billion) in foreign direct investment and around R116,9 billion (\$9,2-billion) in inbound leisure and business tourism for South Africa.

The aviation industry has a significant economic impact across some of the major African markets. ATNS's non-regulated business encompasses a long-term strategy to facilitate regional expansion through a wholly-owned subsidiary vehicle

ATNS also delivers considerable economic outcomes to society. South Africa's air traffic routes connect the country to cities of more than 10 million inhabitants, with an average of 1,5 outbound flights per day available to passengers. It is estimated that a 10% improvement in air connectivity relative to GDP would see a R1,5 billion per annum increase in long-run GDP for South Africa's economy. South Africa's integration into the global air transport network therefore is important for the continued growth of the country's economy.

Approach to creating financial capital value

ATNS'S 10-YEAR BUSINESS PLAN AND ACCOMPANYING FINANCIAL MODEL

- South African ATM industry strongly linked to growth in air traffic movements and overall economic growth.
- 10-year plan addresses key strategic and stakeholder concerns.
- Ring-fences resources and 'non-regulated' business costs and revenues from the current regulated business in the short to medium term.
- Identifies risks and opportunities in both the regulated and non-regulated businesses.

ATNS INTERNATIONAL PROGRAMME

- · A long-term strategy to expand into the Africa region.
- A division established known as "ATNS International".
- Enables expansion in the non-regulated business market without undue risks to the regulated market and Shareholder.
- · Facilitates joint ventures and partnerships with external suppliers to harness market opportunities.

ALIGNMENT OF TARIFFING AND SERVICE STANDARDS IN THE REGULATED BUSINESS

- Strong correlation between service standards reporting and the Permission application.
- The Regulating Committee (RC) sanctioned by the ATNS Act No.45 of 1993 prescribes service standards.
- Service standards are prescribed in accordance with internationally-accepted practices.
- Reporting on quantitative and qualitative results a necessary counterbalance to economic regulation.
- RC determines if ATNS's assets are sufficient, excessive or insufficient.
- RC deters Companies from implementing excessive charge increases through Consumer Price Index (CPI) X price-cap regulation.
- Monitoring of service standards ensure that the price cap translates into increased efficiency, and not a deterioration of service levels.

ATNS'S B-BBEE STRATEGY

- Important driver in achieving ATNS's goals towards economic and social sustainability.
- B-BBEE Strategy developed in accordance with the B-BBEE Codes of Good Practice.
- Aligns with the South African Governments' transformation initiatives.
- B-BBEE Strategy addresses all six elements of the generic B-BBEE scorecard.
- ATNS's Enterprise and Supplier Development strategy supports and develops emerging black-owned suppliers in the aviation industry

SOUND FINANCIAL MANAGEMENT

- ATNS raises funds from the market to finance its capital expenditure programme.
- The borrowing plan is driven by planned capital expenditure, cash flow, gearing and ATNS's current ratio.
- Gearing levels (% of debt capital) of 45% is acceptable without placing undue risk on the Company.
- ATNS obtains approval from the Minister of Transport and the Minister of Finance to borrow funds.
- Distributable profits are retained for re-investment and to maintain financial sustainability in the short term.
- · Major share of revenue derived from monthly billings for air traffic control services rendered.
- Other revenue derived from less periodic income.
- CAPEX dependent on the requirements of specific projects.
- ATNS maintains a minimum cash balance of two months' operating expenditure plus capital loan payables.
- ATNS's 20-year capital expenditure plan, considers legislation, capacity requirements, efficiency, technological changes and end-of-life replacements of infrastructure.
- The capital expenditure plan is reviewed annually and approved by the Board of Directors.
- Approximately 60% of VSAT and NAFISAT revenue is generated by IATA members.
- Where required, ATNS hedges against foreign currency fluctuation by taking forward cover.
- Cash flow is monitored daily to ensure sufficient funds to cover operational expenses and loan obligations.
- All purchases are approved in accordance with the ATNS mandate matrix and prescripts of the PFMA.

CREATING VALUE THROUGH THE CAPITALS CONTINUED

We report on:

- Financial performance
- The Permission Planning processPerformance in the non-regulated business

2017/18 Material issues impacting our ability to create financial capital value



MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM
Capital expenditure not in line with the Permission Plan	 An inability to successfully plan, implement and expense ATNS's CAPEX programme in line with the Permission Plan could result in a penalty in the form of an imposed "clawback". Acquisitions of appropriate training systems, equipment and simulators may impact training delivery should we not be able to keep up with best practice technologies. 	 Integration of policies, processes and procedures to ensure coherence in planning capital. On-time hand-over of projects to procurement department (6 – 12 months prior to commitment date) enables a streamlined tendering and contract awarding process. A "master view" of project status through real-time information flow across the phases of 'commitment', 'cash flow' and 'capitalisation enable's effective monitoring, reporting and control of projects. ATA participation on various forums to ensure ATA requirements are addressed at concept/business case stages of projects. CAPEX Delivery Framework with aims to improve delivery of CAPEX project by ensuring efficiencies and effectiveness of the CAPEX value chain including processes and policies.
Emerging risk - delayed service payments from regional airports	On-time payments from regional airports ensure on-time payments to key suppliers and ED suppliers.	Dedicate personnel resources to recover regional airport funds and ongoing consultation as well as agreement need to be maintained.
High operational costs - inability to optimise costs	 Cost-optimisation forms part of operational efficiency objectives and helps to drive value for stakeholders in line with the Permission process. Training delivery is viewed as an investment in the future of ATNS and its people. ATA expansion objectives may be compromised should costs not be optimised and if adequate funding is not allocated. Ultimately the journey towards becoming a profit-centre may be compromised. 	 Standard cost-saving initiatives Continuous organisational awareness promoted for cost- savings and operational efficiency. An operations efficiency analysis will be conducted in 2018/19 with the intention of addressing existing bottlenecks and areas for cost optimisation.

MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM
Financial unsustainability	 Economic regulation by the South African Regulating Committee restricts monopoly abuse within the South African market by strictly applying tariff adjustments. The maturity of ATNS's domestic operations will create challenges for the business to generate new customers in South Africa. It is therefore, imperative for ATNS to secure future growth and revenue by broadening its service offerings to other markets, including the wider Africa market. 	 The ATNS 10-Year Business Plan. Africa expansion strategy, including the ATNS International programme and Ring- Fencing Project. The ATNS ATM Roadmap. The Africa Indian Ocean (AFI) Strategy Project. Capital Investment Strategy. Sound financial management. ATA Strategy and associated expansion objectives geared towards becoming a profit-centre.
Management of Employment costs not commensurate with strategic objectives to remain financially sustainable	ATNS needs to balance employee costs with the need to attract highly skilled and experienced staff – many of whom have skills in critical global demand.	 ATNS remuneration philosophy and Human resourcing plan. Human Resource Plan implemented in accordance with the Human Capital plan in line with the approved Permission plan
Economic regulatory uncertainty impacting on ATNS's Permission	Economic regulation by the South African Regulating Committee (RC) restricts monopoly abuse within the South African market by strictly applying tariff adjustments. ATNS's business and operational strategies hinge on RC approvals for its planning process – e.g. human capital and infrastructure planning.	 Apply for a 5-year Permission to levy charges. Comply with the conditions of the Permission as set out by the RC. ATNS playing a role in amendments to current regulations and legislation and monitoring developments on STER.
Increased cost and regional airport reliance	Additional revenue is influenced by regional or privately-owned airports. ATNS's revenue recovery can be challenged if there are delays in payments from these airports. ATNS continues to provide services to these airports as part of the national objective and the mandate set out in the Act.	Dedicate personnel resources to recover regional airport funds and ongoing consultation as well as maintain set agreements.

Key financial capital outputs for 2017/18

Total revenue	R1,594 billion
Operating costs	R1,382 billion
Capital expenditure	R305 million
SADC VSAT II Revenue	R46,4 million
NAFISAT Revenue	R35,8 million
Total assets	R3,084 billion
Total equity	R2,617 billion
Cash generated from operations	R366 million
Total investment in CNS technology	R36,6 million
Employee wages and benefits	R885 million
Total borrowings as at 31 March 2018	0
Payments to Government as income tax (including deferred tax)	R75,5 million

Material financial and economic outcomes

- Maintaining long-term financial sustainability by optimising revenue in ATNS's regulated and non-regulated businesses.
- Protecting South Africa's economic interests and trade, whilst creating employment opportunities for South Africans.
- Creating economic value for the country.

Monitoring the trade-offs in the business



ATNS operates in an environment where it is required to pre-empt the future demand for air traffic capacity, services and technology as expected and articulated by its ATM stakeholders and users in the South African regulated and continental non-regulated environments; as well documented in the ATNS Permission framework approved by the Economic Regulating Committee. As capital expenditure in infrastructure increases (2017/18: 28% increase), the value of manufactured capital rises while financial capital value decreases.

Manufactured capital

ATNS provides and maintains reliable airspace infrastructure in South Africa, enabling the delivery of air traffic services in a safe and efficient manner. In line with the Shareholder Mandate to deliver safe skies and customer-centric services, our leading-edge communications, navigation and surveillance technology creates advanced infrastructural value for the Company and the country's air traffic navigation sector. Accordingly, ATNS invests in new and pioneering air traffic management technology to manage and control the national airspace system.

ATNS's advanced Technology Investment Initiative is one of the largest single CAPEX investments that the Company has embarked upon in the last decade and is steered under the programme 'Collaborative ATNS Air Traffic System' (CAATS).

Through its manufactured capital and infrastructural value creation ATNS supports the National Developmental Plan (NDP) by facilitating the achievement the following DoT outcomes:



- · An increased contribution to job creation.
- An efficient and integrated transport infrastructure network for social and economic development.
- An increased contribution of transport to environmental sustainability.

Approach to creating infrastructural value

PERFORMANCE-BASED NAVIGATION IMPLEMENTATION

- Defines performance requirements for aircraft navigating on an ATS route, within a terminal procedure or a designated airspace.
- Supports increase in ATM system capacity and efficiency.
- Brings about environmental and safety benefits by reducing aviation congestion, conserving fuel and reducing impact of aircraft noise.
- · National PBN Roadmap and National PBN Implementation Plan developed with the ATM Community.
- South African PBN Implementation Task Team established to deliver on the implementation plan.

ATNS INFORMATION TECHNOLOGY STRATEGY

- Manages end-to-end internal and external client experiences to ensure catalogued IT services.
- Spearheaded by fast-maturing business process management and knowledge management.
- Online presence management and mobile applications.
- Ensures adequate support for various units within ATNS, especially for highly-skilled resources and change-management initiatives.

CONTINUOUS SAFETY IMPROVEMENT AND IMPLEMENTATION OF ATNS'S SAFETY MANAGEMENT PLAN

- Safety action plans are created annually and consider the findings of operational analyses.
- Operational analyses identify hazards and gaps, as well as factors contributing to previous safety events and new applicable operational safety concepts.
- Continuous adjustments and additions are made to safety plans in response to periodic operational demands to reduce event recurrence.
- Both national and unit-specific safety plans are in place to address human- and system- related failures.
- A Regional Airport Safety Programme helps to streamline contractual terms, resource allocation and service provision between various service providers.
- Safety performance assurance enables ATNS to verify that it is meeting its safety performance targets.
- A monitoring programme increases the probability of detecting weaknesses in the safety system's defences before an active failure leads to a serious safety occurrence or accident.
- Investigation of occurrence reports go together with safety performance assurance.
- Safety metrics include:
 - » Safety Ratio
- » Separation standards based on IFR hours
- » Risk Safety Index (RSI).
- » Safe operation and application of separation standards are based on Instrument Flight Rule (IFR) flight hours.
- The IFR metric is comparable to the same metric obtained from the Civil Air Navigation Services Organisation (CANSO) and serves to support the benchmarking of safety performance.

CAPITAL INVESTMENT STRATEGY

- Key enabler for creating infrastructural value.
- · Continually enhances operational efficiencies and service reliability.
- Informed by regulatory requirements at a global level.
- Develops business cases for Capital Expenditure projects.

INTEGRATED PLANNING THROUGH THE ATNS ATM ROADMAP

- Support ATNS's strategic plan to implement ATM/ CNS systems.
- Roadmap provides more detailed guidance for the content of implementation plans.
- Provides motivation for permission requests and a foundation for budgets.
- Serves as input into the ATNS Integrated Technology Plan.

REMOTE SERVICE PROVISION

- Consolidated approach control services for various airports terminal areas.
- Provides ATS services in remote airports even though traffic volumes are low.
- Leading-edge remote tower technology establishes aerodrome control services without being stationed at an airport.
- Reduced capital expenditure requirements on new towers.
- Greater staffing flexibility.

COMMUNICATION, NAVIGATION AND SURVEILLANCE INFRASTRUCTURE PROVISION AND MAINTENANCE

- Air traffic services (ATS) provided at nine statutory ACSA airports and contractual air traffic control services at 12 regional airports.
- Extensive Very High Frequency (VHF) radio network.
- Voice communication and control system (VCCS) relays communications between air traffic controllers, pilots and air traffic service units.
- 9 ATS sectors; 10 approach radar sectors; and 30 aerodrome control sectors.
- 22 Local VHF Sites; 42 Remote VHF sites; and 2 HF Sites.
- Navigation infrastructure includes: 35 VOR sites; 10VDF sites; 20 DME sites; and 12 NDB sites.
- Surveillance infrastructure includes: 2 Surface Movement Radar Systems; 8 Primary Radar Systems; and 17 Secondary Radar Systems (9 stand-alone).

We report on:

- Infrastructure performance
- Infrastructure investment



2017/18 Material issues impacting our ability to create manufactured capital value

MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM
Disaster recovery and BCM	ATNS could suffer severe operational disruptions, loss in revenue, and damage to the organisation's reputation should a large-scale disaster materialise. ATNS's disaster recovery strategy and process during or after a disaster are critical in maintaining operational security, safety and efficiencies as well as protecting intellectual capital and institutional knowledge.	ATNS's recently enhanced disaster recovery strategy and process address potential shortfalls in operational procedures (particularly in terms of information technology) to manage disaster recovery and consider: • ATNS's holistic risk profile • A regularly tested DR plan • Major stakeholder concerns • Aligning actions and processes with appropriate IT regulations and best-practices.

MATERIAL ISSUES WILLY THEY MATTER					
MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM			
Unstable IT network	ATNS's IT network enable users to share files, access applications, and communicate and interact via various social and electronic platforms. An unstable network may: Result in severe operational disruptions Impact ATNS's financial sustainability Lead to loss of customers (local and international) Devaluation of ATNS's trade name	 Change management process to assess all proposed changes and related performance impacts. Action plans to enhance network requirements in place following recent 'network health' check. IT infrastructure at the ATA to be addressed in the new financial year to ensure optimal functioning. 			
Cyber security event impacting operations	In the ever-increasing likelihood of cyber-breaches, ATNS needs to adopt a more secure, vigilant, and resilient approach to cybersecurity. The impact of a cyber-event may result in: Compromised and leaked data and information (sensitive) Legal actions Financial instability Operational disruptions Loss customers (local and international) Devaluation of ATNS's trade name Loss of intellectual property (IP) Training delivery, administration and document integrity may be severely compromised should the ATA suffer a cyber-attack.	 IT Cyber Initiative to address and mitigate cyber vulnerabilities and risks. Holistic Cyber Security Strategy, Framework and Implementation Plan in partnership with CSIR. Included in ATA Risk Register and associated mitigation controls. 			
Unavailability of deployed CNS technology	 ATNS Air Traffic Management service provision relies heavily on Infrastructure and software deployment. Current ATNS CNS technology provides for effective and safe aircraft operations as required by International Civil Aviation Organisation. All Engineering and ATS-related training make use of CNS technology. 	 Current infrastructure availability levels are high and every effort is made to maintain existing standards. Adequate redundancy to ensure service continuity. Service Level Agreement Preventative maintenance ATA participation on various forums to ensure ATA requirements are addressed at concept/business case stages of projects. 			
Physical security of infrastructure	ATNS physical infrastructure is experiencing theft and vandalism. This is also one of ATNS's top 10 risks on its ERM profile.	 A new Security Policy has been developed and approved. The security team has finalised the required technical security specifications for all remote sites. The process of installing new security systems for various remote sites has started. 			

CREATING VALUE THROUGH THE CAPITALS CONTINUED

MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM
Operational efficiency, service reliability and network performance	Ensuring operational efficiency and reliability not only maintains and improves safety standards but also keeps operating costs down, which in turn ensures that air transport stays affordable and that the number of flights increases.	 Monitoring Arrival and Departure Delays in accordance with performance target Implementation of the operational efficiency core programme.
Disaster Recovery Enhancement Plan	 A Disaster Recovery Enhancement Plan was developed and approved by EXCO The Disaster Recovery Project is broken down into four (4) phases: Phase 1: FAOR Centre (SSS & Emergency Tower) Phase 2: FACT Centre (SSS & Emergency Tower) Phase 3: FAJA FIR (FABL, FALA & FALE) and FACA FIR (FAGG, FAPE & PAEL) Phase 4: Regional Airports FAOR (Phase 1) is being prioritised and is included in the 2019/2020 CAPEX plan for excursion A business case is being developed for Phase 1 currently. 	Disaster Recovery Enhancement Plan

Key infrastructure value outputs for 2017/18

	C: 99,78%		
Achievement of CNS Systems Availability	N: 96,30%		
	S: 99,97%		
Operation of the satellite communication networks SADC VSAT 2	SLA: 99,89%		
Operation of the satellite communication networks NAFISAT	SLA: 99,97%		
Reduce overall traffic delays (Average delay per flight)	22 seconds		
	1 RNAV (GNSS) Baro VNAV: 4 Instrument Flight Procedures Design reports Completed		
Implement ICAO PBN concept in South Africa. Near-term implementation targets in line with South African PBN Roadmap.	3 RNAV 1 Design report: 12 Instrument Flight Procedures Design reports Completed		
	1 ILS design report: 4 ILS Design Reports for submission to SACCA Completed		

Material infrastructural outcomes

- Enhancing operational efficiencies and service reliability.
- Deploying and use of leading-edge technologies.
- Enhancing operational safety performance.

Monitoring the trade-offs in the business

ATNS's project and infrastructure sites are located across the country and some of the sites are located in conservation areas. An example includes the Blesberg Radar facility, situated in the Cape Nature Reserve in the Swartberg Mountains of the Western Cape. The surveillance service from this facility tracks aircraft within a 250 nautical mile radius from the facility. In establishing and maintaining this site extraordinary caution is taken to comply with all environmental recommendations and considerations to ensure harmonisation between technology and the environment. This approach to the environment is not only considered in biodiversity sensitive areas, such as parks, but is applied to all infrastructure deployments.







CREATING VALUE THROUGH THE CAPITALS CONTINUED



Intellectual capital

ATNS's intellectual capital plays a critical role in the Company's future earning potential and encompasses a range of 'intangibles' that interrelate with the other capitals to create sustained value for the business and its stakeholders. ATNS considers three main categories of intellectual capital:

- Intellectual property: Research and development (including service and product development) as well as ATM training knowledge and capability.
- Organisational capital: ATNS's business concept, operational model and strategy; core programmes responding to industry dynamics; and business and governance processes, policies and procedures.
- Implicit and embedded knowledge: Market and sector knowledge, areas of excellence (including critical sector skills and capabilities).

ATNS aims to expand its service offerings to become a registered, sector-specific training institution. ATNS's training capacity and expertise are key enablers of industry leadership, innovation and the Company's future earning potential.

In addition to reporting on the Company's performance in applied research and innovation, this section includes performance reporting on the ATM sector-specific skills training and development provided to staff and third parties by ATNS as an Aviation Training Academy; whereas organisational training intended to develop ATNS staff competencies (skills enhancement, leadership training and the development of functional competencies) is covered in the Human Capital section that follows.

Approach to creating intellectual capital value

THE AVI AFRIQUE AVIATION INNOVATION SUMMIT

- · Founded by ATNS in November 2012, the annual event aims to lead in the areas of ATM innovation.
- Integrates an applied research (AR) and innovation framework to align ATM solutions to the African market.
- Addresses needs that may not be met by research programmes in the USA and Europe.
- Widely supported by and represents key stakeholders:
 - » Technology Innovation Agency.
 - » Department of Science and Technology and Department of Transport.
 - » Council for Scientific and Industrial Research (CSIR).
 - » Aviation organisations such as IATA, Board of Directors of Airline Representatives of South Africa (BARSA), Boeing and Airlines Association of Southern Africa (AASA), among others.

APPLIED RESEARCH UNIT WITHIN ATNS

- An Applied Research (AR) strategy and plan established by the ATNS Operations Technology Department.
- Shifts ATNS from being a user of acquired technologies to contributing to the local technology value chain.
- Established in 2011, the AR unit aligns with the Government's vision, to move South Africa towards a knowledge-based economy.
- Focus to date has been to capacitate the unit with appropriate skills and expertise.

ATNS'S AVIATION TRAINING ACADEMY

- Provides a full range of air traffic services training, technical support and related training to delegates in South Africa and the broader African continent.
- ISO 9001:2015 certified accredited institution.
- International cooperation agreements with partners such as the Embry Riddle Aeronautical University, ENAC and WITS.

- A full member of ICAO Trainair Plus Programme (TPP), which supports the global improvement of safety and
 efficiency of air transport.
- Certified as an approved Aviation Training Organisation by several Civil Aviation Authorities across Africa and the Indian Ocean Islands.
- Has delivered ATS and ATSEP training to delegates from at least 30 Countries in the past year.
- Moving towards model of 'profit-centrism'.
- Awarded 'Regional Training Centre of Excellence' status by ICAO, enabling the ATA to develop and deliver ICAO training courses in authorized subject areas.
- Embarked on a multi-year project to register with the Department of Higher Education and Training as an Institution of Higher Learning and to accredit an academic air traffic service qualification with the Council for Higher Education

AVIATION INNOVATION LABORATORY

- Develops and validates future technology solutions with the potential to be commercialised or operationalised in the ATM environment.
- Future emerging technologies are visualised, simulated and tested.
- AR outcomes include product development, process development and process improvement.
- Will drive and position ATNS as an African leader in the 21st-century innovation economy.

We report on:

- · Performance in applied research and innovation
- Training and development in sector-specific skills

2017/18 Material issues impacting our ability to create intellectual capital value



MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM		
Inability to create and sustain institutional knowledge	Globally regarded as a beacon of safety in airspace navigation, ATNS is regarded as a centre of excellence and an institute of reference. This standing can only be maintained if ATNS continues	 ATNS has a retiree programme which is aligned to transferring and retaining talent ATNS's Aviation Training Academy. Management training to enhance employee engagement and motivation. Continuation training to maintain the skills 		
	to attract, retain and develop competent people who are aligned with the Company's desired culture of safety, professional excellence and sustainability awareness. • If the ATA is unable to attract and	of air traffic controllers. Succession planning. Innovation around operational concepts and safety performance. The AVI AFRIQUE Aviation Innovation Summit.		
	retain instructional resources to continue delivering on the ATNS training demands, the ATA's expansion objectives may be impacted.	 Applied research unit within ATNS. Aviation Innovation Laboratory. ATNS's remuneration philosophy and willingness to pay a premium to both attract and retain scarce ATM skills. 		

Key intellectual capital outputs for 2017/18

Training pipeline for ATS and technical staff	ATC0 3: 221
	ATCO 2: 37
	ATC0 1: 134
	Eng. Techs: 78
	Eng. Satellite Techs: 5

Material intellectual capital outcomes

- Exerting more influence and market confidence in our abilities.
- Improving air traffic safety in Africa.
- Enhancing sector competencies.
- Contributing to ATS pool of engineering skills.



Monitoring the trade-offs in the business

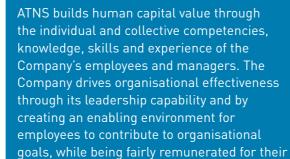




ATNS's Aviation Training Academy (ATA) is a training institution and division within the Company through which we offer sector-specific skills training and development to staff and third parties. Our sector-specific training is a key enabler of new revenue opportunities both locally and in the rest of Africa. Historically, the ATA has been viewed as a cost-centre. However, in growing ATNS's intellectual capital through the ATA through a combination of financial capital investment, intellectual capital innovation and human capital capacitation, new revenue-generating opportunities are being explored that will not only add financial capital value to the Company, but also deliver the social capital value of producing technically-competent ATM professionals.

Human capital

contribution and initiative.



Our ability to create human capital value in the long term is underpinned by our philosophy of fair remuneration and reward; and our commitment to organisational transformation through equitable employment practices. Accordingly, we strive to create an organisation that reflects the diversity of our society and that maximises the potential of our employees.

Safety is a primary driver of reliable, efficient air traffic services to customers and the broader industry. A robust safety culture amongst employees is essential to maintaining consistently high safety performance, particularly where controllers are directly involved in the separation of aircraft.

Approach to creating human capital value

DEVELOPING SKILLS AND REWARDING PERFORMANCE

- Learning programmes are provided for all employees in line with organisational needs.
- Learning Management System maintains records of training interventions implemented for all employees.
- Key performance areas (KPAs) and targets as mandated by the Shareholder Compact direct activities and deliverables
- Recognition and reward system designed to cultivate a culture of trust, confidence, shared innovation in the Aviation sector.
- A four-year substantive salary agreement (commenced on 1 April 2015) exists between ATNS and the recognised trade union, Solidarity.
- A performance management system designed for all employees in the administrative bargaining unit.
- Aligns performance to strategic objectives, professional competencies and industry expectations.

ATNS EMPLOYMENT EQUITY PLAN

- Workforce representation is guided by ATNS's internal Employment Equity (EE) Plan.
- ATNS's strategic objectives and prevailing organisational culture support on-going equal opportunity initiatives, with specific emphasis on designated groups.
- EE Plan aligned to the Employment Equity Act, 1998 (Act No. 55 of 1998).



P.3 P.16

- A five-year EE Plan came into effect on 1 April 2015 to 31 March 2020 reviewed annually.
- EE Plan championed by ATNS's CEO through various line department and executive management.
- Aims to:
 - » Create a balanced profile of employees within the Company.
 - » Eliminate any discriminatory practices in terms of race, gender or disability.
 - » Provide for ATNS's present and future skills requirements.

CONTINUATION TRAINING TO MAINTAIN THE SKILLS OF AIR TRAFFIC CONTROLLERS

- Training spans various training programmes to maintain air traffic controllers' skills.
- Provide refresher courses and emergency training.
- Theoretical and practical courses, together with simulation training.
- Recurrent training maintains current competency levels.
- Build skills by cross-training selected controllers from quieter stations to gain experience in busier stations.

ATNS'S SAFETY CULTURE MATURITY MODEL AND SAFETY MANAGEMENT PRACTICES

- A Safety Culture Maturity Survey is performed every three years.
- Routine safety monitoring and reporting practices.
- Safety performance indicators are measured against the number of Instrument Flight Rule (IFR) flight hours.
- Indicators measure the number of 'losses of separation' related to aircraft being provided with a service.
- ATNS's Safety Management System (SMS) Policy and System and Safety Management Plan form part of the Company's risk management and compliance.
- Safety imperatives include:
 - » Embedding a safety culture and implementing safety assurance initiatives.
 - » Excellence in safety, as a guiding principle across all ATM system activities.
 - » Ensuring externally-supplied systems and services meet appropriate safety standards.
 - » Appropriately skilled staff develop and implement safety strategies and policies.
 - » Defining unique operational accountabilities for all personnel.

SERVICE DELIVERY SUPERVISION

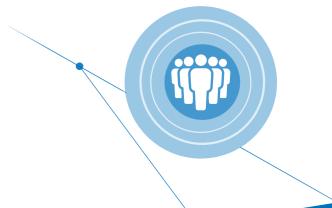
- Pool Managers and Officers in Charge (OiCs) are responsible for planning and directing air traffic service delivery:
- » First-line supervision to air traffic controllers.
- » Evaluating the in- and out-flows of sector traffic.
- » Ensuring acceptable levels of traffic by implementing restrictive practices (as required).
- » Mitigating delays.
- » Providing leadership and direction while employing collaborative decision-making.
- Senior members from the Air Traffic Control Officer (ATCO) pools are appointed on a shift-by-shift basis to fulfil supervisory functions.

LEADERSHIP COMPETENCY MODEL

- Helps to improve leadership skills and capacitates management to lead highly technical teams.
- Entire ATS management team attend "ship training" to improve employee relations and safety performance.

We report on:

- Employment equity
- Skills development
- Employee wellness



CREATING VALUE THROUGH THE CAPITALS CONTINUED

2017/18 Material issues

	MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM
	Maintaining positive employee morale	Employee wellness forms an integral part of ATNS's staff development focus and overall Human Capital Strategy. For ATNS, low employee morale and an operational environment that is not performance-oriented could impact the Company's overall efficiency and performance; lead to incurred costs as a result of absenteeism; and pose a safety risk.	 Defined Employee Engagement Programme. Staff wellness programme. A Leadership Competency Model. Continuation training to maintain the skills of air traffic controllers. Enhanced supervision of service delivery. ATNS's Safety Culture Maturity Mode Safety management practices. Performance and reward. Implementation of employee value proposition programme.
2.1	Ethical leadership	The Board of Directors and senior management are committed to the highest standards of corporate governance and strives to achieve the highest moral and ethical operational and behavioural standards, as well as sound and transparent business practices.	 ATNS's governance and compliance frameworks. Board of Directors Mandate. Board of Directors selection process. Board of Directors committee responsibilities and accountabilities. Board of Directors evaluation process. Board of Directors induction process.
	Critical skills in global demand	ATNS competes globally in terms of attracting and retaining critical ATM skills. These skills often demand a premium due to their scarcity in the market and their value to the business. Accordingly, ATNS may need to pay a premium to both attract and retain these skills.	 ATNS's remuneration philosophy and willingness to pay a premium to both attract and retain scarce ATM skills. Creating an enabling and dynamic operational environment and culture to ensure ATNS is perceived as an employer of choice.
	Increasing employee development, wellness and Employment Equity	A skilled, representative and motivated workforce contributes not only to ATNS's strategic and operational objectives, but also adds to the Company's competitiveness and stability.	 Woman empowerment programme. People with disability action plan. Maintain a representative structure in line with the approved permission application. Reduction of staff resignation and rol out of Employee Value Proposition (EVP). Employment Equity plan (initiatives

and programmes).

employees.

Ongoing investment in core training for

Key human capital outputs for 2017/18

Rand value of training Cost to Company

6.52%

Material human capital value outcomes

- · Maintaining a representative workforce.
- · Embedding a culture of sustainability.
- · Promoting an organisational culture that entrenches safety values.
- · Enhancing skills and building competencies.

Monitoring the trade-offs in the business



With ATNS competing globally to attract and retain critical ATM skills, it often pays a premium for employees due to the scarcity of their skills (intellectual capital value) in the market and their value to the business. International demand for highly-skilled technical staff (human capital) impacts on our staff costs (financial capital), but this cost must be weighed against the value of technically-competent employees in ensuring safe skies for all ATM users (social and relationship capital value).



Additionally, ATNS's long-term planning has identified future challenges around the skills that we will need to evolve within a globallycompetitive, technologically-driven aviation environment. In this future context, many of the sector's present skills will either be replaced by

technological functions, thereby rendering them redundant, or requiring them to be adapted to match as yet unknown competency requirements. We acknowledge the need to balance a humancapital intensive business with an increased emphasis on technology in the ATM sector.



Social and relationship capital



ATNS considers the value represented by and through our stakeholder relationships as critical to the long-term economic and social sustainability of the business.



These relationships are exemplified by the strength of our supply chain relationships, community partnerships, government and regulatory relations and our relationships with our customers and sector partners.





Approach to creating human capital value

ATNS CORPORATE SOCIAL INVESTMENT (CSI) STRATEGY

- ATNS's CSI strategy is driven by the Company's requirement to its align strategy to national socio-economic developmental imperatives, national Government outcomes and the DoT's departmental outcomes.
- ATNS's community development programmes aims to drive expanded social transformation.
- ATNS's flagship CSI projects relate to the promotion of mathematics and physical science for Grades 10-12.
- Future CSI initiatives will encourage research and technology development initiatives driven through the R&D forum developed in 2012 known as Avi Afrique.

SOUND SUPPLY-CHAIN PRACTICES

- ATNS's procurement systems are focused on holistic and integrated Supply Chain Management (SCM).
- Enterprise Development (ED) stimulates growth for small, medium and micro enterprises (SMMEs) through the up-stream supply chain.
- ATNS's equipment requirements and infrastructure development, are informed by:
- Regulatory requirements at a global level;
- Enabling new technologies; and
- The need to address the specific requirements of the air traffic management (ATM) community.
- ATNS approaches technology sourcing by engaging the expertise of both local and global suppliers.
- Procurement policies are geared towards localisation.
- Specific targets are set to transform the provision of aviation-related services.
- The Procurement Committee oversees the ATNS capital expenditure.

PROACTIVE STAKEHOLDER MANAGEMENT

- Focuses the business on issues that are material to both ATNS and stakeholder groups.
- Proactive engagement with Stakeholder groups through stakeholder-specific engagement channels, including (but not limited to):
 - » Quarterly EXCO to EXCO meetings.
 - » Road-shows.
 - » Industry safety workshops.
 - » 'Thought Leadership' programmes, such as the annual ATNS Avi Afrique Innovation Summit.
 - » ATNS shares plans, collaborations and information on material issues of safety, training and Air Traffic Management (ATM); as well as Engineering and Technical Services (ETS).

LEARNERSHIP PROGRAMMES

- ATNS runs an ATS Bursar programme and an Engineering Learnership programme at the ATA.
- Successful students from the learnership pipeline typically feed into the pool of qualified engineering technicians and junior systems engineers.

We report on:

- Safety service provision
- Supplier development and economic empowerment
- CSI projects

2017/18 Material issues

MATERIAL ISSUES	WHY THEY MATTER	HOW WE MANAGE THEM				
Major Safety event	 Defined as an event where there was deviation from the desired system state, leading to the potential loss of or damage to equipment, persons or property if intervention was not applied. A Major safety event could be a mid-air collision or a collision of aircraft on the ground as a result of ATC action / inaction. A major safety event can give an impression that safety management systems are inadequate, which could lead to stakeholder mistrust, loss of service contract and loss of income. 	 'Safety culture' is the set of enduring values, behaviours and attitudes regarding safety, shared by every member at every level of an organisation. ATNS measures safety performance using three metrics namely the safety ratio, the safety risk index and the CANSO safe operations metric. The Risk Safety Index (RSI) matrix measures the various levels of risk in terms of probability and severity categories. This mechanism increases visibility of risks and assists management decision-making. The CANSO safe operations metric calculates the safe operations using the number IFR/IFR losses of separation over 12 months against IFR flight hours. 				
Supply chain management compliance	The process of procuring of goods and services is vital for the organisation's operations. Long lead-times to address urgent acquisitions may result in interruptions to operational delivery.	 ATNS's SCM Model aims to facilitate the acquisition of goods and services at the right price, time and quantity in line with approved procurement processes. ATNS suppliers can compete for business in an open, fair and transparent manner. On-site financial administration and centralised management of ATA acquisitions. 				
Poor Internal communication of ATNS's long-term planning	Poor internal communication of ATNS's long-term planning could result in misunderstanding and mistrust between employees and leadership and can lead to low employee morale, job insecurity, misalignment of priorities and ultimately lower operational performance.	 Quarterly staff meetings to discuss the Company's objectives, address employee queries as well as questions face-to-face. Email correspondence utilised to communicate on a more regular basis. 				





Building positive stakeholder relationships to support economic, social and environmental sustainability. Promoting socio-economic value: Community development.

Key social and relationship capital outputs for 2017/18

Safety service provision	RSI of 40 against a target of 44-46. Safety ratio of 5,19 safety events per 100 000 movements (target: 2 safety events per 100 000 movements).
Supplier development and economic empowerment	B-BBEE level 2 B-BBEE score: 85,42
Total investment in corporate social investment projects	R2,521,704

Monitoring the trade-offs in the business





ATNS's social license to operate is based on the Company's ultimate impact on society. Accordingly, our enterprise development initiatives contribute meaningfully towards the creation of a more equitable society. However, many of the emerging technologies and innovations that will form part of ATNS's future operational landscape may only initially be accessible through foreign suppliers. ATNS will have to balance its need for leading-edge technologies and its developmental mandate to promote local supplier development.



(dd) Natural capital







The aviation industry's impacts on the environment are evident globally and appropriate legislative frameworks are being adopted by the ATM sector world-wide. ATNS supports the activities of ICAO's technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and recommendations for minimising the impact of aviation on the environment, and specifically the reduction of airspace noise and improvement of airspace air quality. A reduction of aviation CO2 emissions can contribute towards keeping global mean surface temperatures below a 2-degree increase.

As an air navigation service provider, ATNS exerts influence on carbon emissions from aircraft, mainly in terms of the efficiency of the ATM network. As air traffic movements are expected to increase, flexible optimisation of the airspace is required to ensure that safety and an operationallyefficient environment are achieved. ATNS aims to promote environmental sustainability through continuously improving air traffic management practices. In aligning with the ASBU concept, ATNS can promote various operational efficiencies, including fuel efficient routing, optimal traffic flow management, Performance-Based Navigation (PBN) and attention to fuel optimal speed control. By continuously improving these processes, ATNS has an opportunity to provide added value to airspace users through a decrease in fuel usage, a reduction in fuel costs, and reduced CO2 emissions.

Approach to creating natural capital value

IMPLEMENTATION OF AVIATION SYSTEM BLOCK UPGRADES (ASBU)

- Operational efficiency is enhanced through the implementation of the ASBU concept:
- » Maintaining and enhancing aviation safety.
- » Harmonising air traffic management improvement programmes.
- » Removing barriers to future aviation efficiency and environmental gains at reasonable cost.
- » Improving airspace efficiencies.
- » Procedure design.
- Oceanic random routing areas.
- » Reduced vertical separation minima (RVSM).
- » Air Traffic Flow Management (ATFM) tool: balancing demand and capacity.
- » Collaborative decision-making (CDM).
- » The INSPIRE initiative.
- » Sustainable energy management.
- » Sustainability and Climate Change Strategic Plan

IMPLEMENTATION OF PERFORMANCE-BASED NAVIGATION (PBN)

- Utilises the improved navigation capability of aircraft to enable more accurate operations in the departure, en-route and arrival phases of flight.
- Enhanced navigation capability allows for reduced separation between aircraft and facilitates optimum trajectories, resulting in reduced fuel burn and less CO2 and noise emissions.
- ATNS developed a National PBN Roadmap and National PBN Implementation Plan in cooperation with the ATM Community.
- PBN procedures are in place at most of the international airports ATNS services.

SUSTAINABLE ENERGY MANAGEMENT

- Aims to reduce ATNS's ecological footprint.
- Aims to provide sustainable use of energy and environmentally aware operations.
- Applied in designing procedures and selecting sites for ground-based equipment.
- Aligns with the National Environmental Management Act (NEMA) and Civil Aviation regulation.

THE INSPIRE INITIATIVE

- ATNS is one of the founding members of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE).
- Partnership with airlines, ANSPs and airport partners to identify ways to reduce aviation's impact on the
 environment.

PROCEDURE DESIGN

- ATNS applies a design philosophy of 'clean speed arrivals and departures' and shortened routings, whenever flight procedures are being developed.
- The ASBU initiatives of Continuous Climb Operations (CCO) and Continuous Descent Operations (CDO) are applied to all new designs.
- CD0 reduces aircraft noise and gaseous emissions at airports and saves fuel consumption without compromising flight safety.
- CCO (aircraft operating technique) can reduce noise, while increasing flight stability and the predictability of flight paths for both controllers and pilots.

OCEANIC RANDOM ROUTING AREAS

- Random routing implemented within the Atlantic and Indian Ocean areas.
- Initiative allows aircraft to make optimum use of upper winds in route planning and execution, enabling higher efficiencies and reduced fuel burn, with less CO2 emissions.
- User Preferred Routes (UPR) implemented in Indian and Atlantic Oceanic regions under ATNS's jurisdiction.

REDUCED VERTICAL SEPARATION MINIMA (RVSM)

- The RVSM initiative allows for aircraft to operate at optimised cruising levels with reduced vertical separation standards, depending on the aircraft and flight crew certification.
- RVSM contributes significantly to reduced fuel burn and the reduction of emissions.

SUSTAINABILITY AND CLIMATE CHANGE STRATEGIC PLAN

- Strategic plan to manage long-term environmental sustainability in the organisation.
- Supports the setting of appropriate environmental KPIs.

AIR TRAFFIC FLOW MANAGEMENT (ATFM) TOOL

- Balances demand and capacity to minimise potential delays in the national airspace system.
- Two techniques reduce delays from operational and weather events:
- » Allocation of arrival and departure slots at slot-coordinated airports; and
- » Dynamic allocation of calculated take-off and arrival times on the day of operations.
- Reduces the need for aircraft to hold on the manoeuvring area with engines running, which reduces GHG
 emissions in the airport environment.

We report on:

- Managing carbon emissions.
- Managing natural and non-renewable resources:
 - » Electricity and fuel.
 - » Airspace quality.
 - » Biodiversity and protected habitats.
- » Water and waste

2017/18 Material issues



WHY THEY MATTER

Responding to climate change impacts

As an ANSP, ATNS recognises that it has influence on the emissions released as a result of aviation activities. Managing the carbon emissions resulting from our operations helps to reduce the amount of fossil fuels burnt that contribute to greenhouse gases and ultimately climate change. As an ICAO member state, ATNS supports and complies with standards and regulations set out to reduce the aviation sector's harmful impacts on the natural environment. Reducing CO2 emissions is aligned to one of the four 'relevant national outcomes' identified by the DoT – "an increased contribution of transport to environmental sustainability".

HOW WE MANAGE THEM

- Implementation of Aviation System Block Upgrades
- Implementation of Performance-Based Navigation (PBN).
- Improve airspace efficiencies.
- Procedure design.
- Oceanic random routing areas.
- Reduced vertical separation minima (RVSM).
- ATFM tool: balancing demand and capacity.
- Collaborative decision-making (CDM).
- The INSPIRE initiative.
- Promoting employee awareness of environmental management.

Improved natural resource efficiency to reduce our impacts

Energy efficiency: ATNS's is committed to sound environmental stewardship and the responsible use of natural resources. The Company requires energy and fuel to provide communication, navigation and surveillance services to airlines to facilitate the safe movement of aircrafts in the controlled airspace. The failure to manage electricity consumption within the Company's daily operations can lead to inefficient operations and operational cost-increases.

- Energy efficiency implementation considered in infrastructure projects.
- The Operational Efficiency Programme (OEP) identifies airspace design and tactical improvements.
- Promoting employee awareness of environmental management.

Water efficiency: While water usage relates mainly to consumption purposes, we acknowledge that South Africa remains a water-stressed country and aim to manage our own water consumption with due care.

- Considering 'green building' principles for ATNS's refurbishment projects.
- Water efficiency initiatives include flow-regulating taps and toilets as well as rainwater harvesting.
- Water meters.
- Alternative water sources, such as water tanks.
- Promoting employee awareness of environmental management.

Waste management: Further, as a more circulareconomic ethos is embraced globally, ATNS intends to move towards more environmentally accountable waste management practices.

- ATNS's waste management policy enforces holistic waste-management practices.
- A 'cradle to cradle' approach to waste management.
- Assessing waste for alternative usage viability prior to disposal.
- Hazardous waste generated in operations is disposed in accordance with formalised procedures.
- ATNS maintains a detailed waste-management register
- Promoting employee awareness of environmental management.

³ The term 'clean speed' indicates that the aircraft flies at a speed and power setting that does not require the use of additional control surface (i.e., flaps, slats, and so forth). The ASBU initiatives of Continuous Climb Operations (CCO) and Continuous Descent Operations (CDO) are applied to all new designs as a matter of course.

CREATING VALUE THROUGH THE CAPITALS CONTINUED

WHY THEY MATTER

HOW WE MANAGE THEM

Improved natural resource efficiency to reduce our impacts (continued)

Biodiversity management: ATNS's project and infrastructure sites are located across South Africa, with some sites located in conservation areas. These sites require a more focused approach to biodiversity management. The Radar Replacement Project in Blesberg⁴ is one such site, situated in the Cape Nature Reserve in the Swartberg Mountains of the Western Cape.

- ATNS's Environmental Policy and related policies and procedures.
- Compliance with the National Environmental Management Act (NEMA) for all projects.
- Promoting employee awareness of environmental management.

Airspace quality - noise reduction: Aircraft produce noise during various phases of flight - on the ground while parked (such as auxiliary power units), while taxiing, on run-up from propeller and jet exhaust, during take-off, underneath and lateral to departure and arrival paths, over-flying while en route, or during landing. Air traffic management operations have an opportunity to minimise environmental impacts such as noise and emissions through efficient ATM operations.

- Flight procedure designs support compliance with noise abatement requirements as per NEMPA
- Noise profiling and noise contours are being considered
- Application of power setting and climb gradient restriction to support noise abatement.
- Compliance with ICAO's Guideline Manuals concerning noise and environmental assessment of ATM operational changes.

Enabling integration of environmental aspects in our business

ATNS recognises that, as a state-owned company, employer and service provider it has the potential to lead in the establishment of a sustainability-oriented business ethos. For this ethos to become part of the Company's cultural roadmap, it needs to be embedded as a mindset and filter through into all aspect of the business. Environmental sustainability is becoming an important feature of ATNS's business landscape as it applies to the responsible management of biodiversity areas during projects, water and energy usage and waste management.

- Sustainable procurement practices and supply chain management compliance.
- Integration of sustainability integration into infrastructure project planning.
- Sustainability integration guideline and checklist.
- Environmental performance forming part of scorecard performance monitoring (where applicable).
- Dedicated resource for managing CAPEX and the Procurement value chain.

Key natural capital outputs for 2017/18

*Results based on ICAO Doc 9988 Guidance revision 2016, Table C-2. Rules of thumb for estimating expected results by measure

Continuous Descent Operations (CDO)	8,843 tonnes of fuel saved *27,944 tonnes of CO2e
Continuous Climb Operations (CCO)	40,749 tonnes of fuel saved *128,767 tonnes of CO2e
Airport – Collaborative Decision Making (A-CDM)	14,237 tonnes of fuel saved *44,989 tonnes of CO2e
Wake – RECAT (arrivals)	544,53 tonnes fuel saved *1,721 tonnes CO2e

⁴ The project has an approved Record of Decision (ROD) of 2002, where the EMP is being monitored as the radar is being replaced.

outcomes

- business

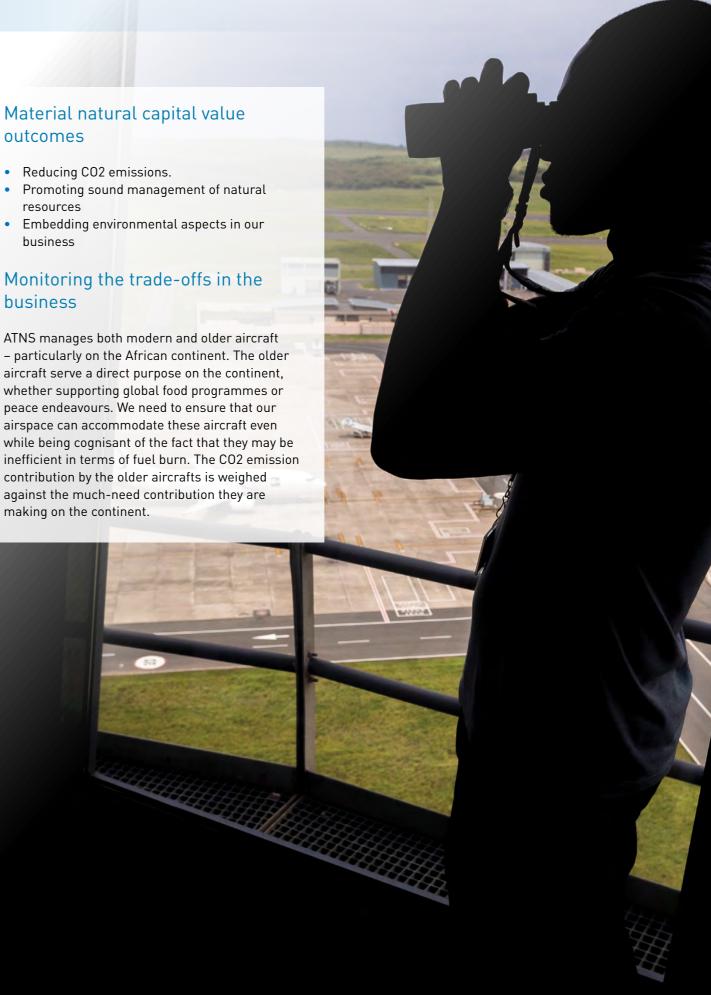
business







ATNS manages both modern and older aircraft - particularly on the African continent. The older aircraft serve a direct purpose on the continent, whether supporting global food programmes or peace endeavours. We need to ensure that our airspace can accommodate these aircraft even contribution by the older aircrafts is weighed against the much-need contribution they are



PERFORMANCE



Ensure long-term financial sustainability

Air traffic movements⁵

Our regulated business relies on revenue generated from service-based tariffs with revenue being linked to air traffic movements. Given a set tariff, as air traffic movements increase, revenue increases.

Air traffic movements for the 2017/18 financial year saw a decrease of 2,69%, compared to the prior year. The total movements for this financial year is 1,087,694 (2017: 1,089,471). The decrease in air traffic movements is attributable to the reduction of flights by South African Airways, in an attempt to reduce operating costs, in line with their turn-around strategy. The grounding of SA Express flights due to safety concerns further contributed to the decrease in air traffic movements

ALL AIR TRAFFIC MOVEMENTS INCLUDING ARRIVAL, DEPARTURES AND TRAINING FOR 2017/18

	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017
Movements 2017/18	92,158	99,832	94,311	101,783	94,983	91,173
Cumulative movements	92,158	191,990	286,301	388,084	483,067	574,240

	0CT0BER 2017	NOVEMBER 2017	DECEMBER 2017	JANUARY 2018	FEBRUARY 2018	MARCH 2018
Movements 2017/18	91,721	93,350	78,907	82,777	79,503	87,196
Cumulative movements	665,961	759,311	838,218	920,995	1,000,498	1 087,694

Financial performance

- Total revenue for the year at R 1,594 billion (2017: R1,557 billion), showed a 2% improvement on the prior year results. The increase in revenue is mainly attributable to a slight increase in tariff revenue as a result of increased tariff rates. Technical maintenance and training revenue also contributed to increased revenue.
- Operating costs increased by 6% to R1,382 billion (2017: R1,300 billion) mainly due to increased staff costs, telecommunication expenses as well as the impact of the fluctuating foreign exchange rates on our administration and contract maintenance costs.
- Capital expenditure decreased by 0.7% to R305 million (2017: R307 million).

- Our balance sheet remains sound with a liquidity ratio of 4:5:1 (2017: 5.2:1). Our gearing ratio is at 0,5% (2017: 0%), as such ATNS is well positioned to raise funding for imminent capital expenditure.
- For the year ended 31 March 2018, the Company had no interest-bearing loans and borrowings.
- Cash generated from operation decreased by 15% to R366 million (2017: R431 million), mainly due to financial difficulties faced by some of our major customers as well as increased operational costs.

Permission Process

ATNS's Permission application for the 2018/19 – 2022/23 Permission cycle was submitted

to the Regulating Committee in November 2017 after the RC had instructed ATNS in December 2016 to commence with the planning and industry consultation process towards a Permission Application for the financial year 2018/19 to 2022/23. The process of compiling the Permission included consultations with the industry stakeholders and culminated in a Joint Consultation Report from ATNS and the Industry, which reflected the constructive and positive nature of the consultation meetings. While consensus was reached on most issues, remaining issues have been resolved through ongoing active engagement between ATNS, the RC and the Industry.

The modular approach adopted by ATNS for the 2018/19 – 2022/23 Permission has provided a structured and justified framework for the Company's investment plans over a five-year planning horizon and form the core pillars of the Permission Application process. These modules are informed by the current operating environment, as well as the forecasted operating conditions, macro-economic factors and drivers, and the ATNS ATM Roadmap.

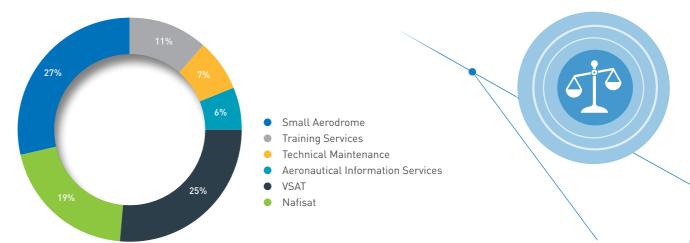
Increasing revenue in the nonregulated business

- As part of its initiatives to ensure long-term financial sustainability ATNS launched a division – ATNS International – through which it conducts non-regulated business. ATNS's nonregulated business currently contributes 12% of the Company's revenue and encompasses a long-term strategy to facilitate regional expansion.
- Non-regulated revenue is below budget by R22 million (21,5%) due to SADC VSAT II and NAFISAT Flight Information Region (FIR's) crossing movements being lower than initially anticipated.

NON-REGULATED REVENUE

REVENUE	2016/17	2017/18	2018/19 TARGET
VSAT	R48,739 million	R46,5 million	R51,1 million
Nafisat	R42,260 million	R35,8 million	R39,2 million
AIS services	R2,539 million	R12,2 million	R6,5 million
Training	R16,108 million	R20,9 million	R14,9 million
Small aerodrome fees	R47,651 million	R50,4 million	R53,3 million
Technical fees	R5,891 million	R9,2 million	R8,1 million
Sundry	R12,429 million	R10,464 million	R7,9 million
Rental of id Site/Beacons	R474 thousand	R267 thousand	-

GRAPH 8: NON-REGULATED REVENUE SPLIT



⁵ Air traffic movement refers to aircraft take-off and landing at an airport. The aircraft movements include all arrivals, departures and training operating at all airports within the ATNS mandate.

Capital investment

The 2017/18 financial year marks the third year of the 2014/15 -2019/20 permission. ATNS contracted an amount of R36.56 million during the 2017/18 financial year and the annual target was R131.48 million. Cumulative capital expenditure contracted for at the reporting date but not yet incurred amounted to R432 million. The CAPEX plan, as approved by the Regulatory Committee, has been identified as a key priority in the organisation. To this end, numerous interventions have been introduced to accelerate CAPEX delivery:

- Introducing the Portfolio Programme
 Management Office (PPMO) to oversee the
 execution of projects and to ensure adherence
 to project management principles.
- Establishing the CAPEX Delivery Framework to provide a structured approach to investment and to enhance oversight of CAPEX implementation projects for both the Executive, Board and other stakeholders.
- Strengthening Supply-Chain Management to improve the asset-creation value chain within the organisation to ensure execution of the CAPEX plan.

CAPITAL EXPENDITURE PERFORMANCE

OBJECTIVE MEASURES	2016/17	2017/18 ACTUALS	2017/18 TARGET		
Adoption and approval of CAPEX Implementation plan of 2017/18	R307 million	R305 million	R432 million		

HISTORICAL CAPITAL EXPENDITURE - COMPARATIVE VIEW

DESCRIPTION	2015/16	2016/17	2017/18		
Communications	113,376,794	130,084,642	46,565,398		
Navigation	13,372,558	38,642,176	12,917,127		
Surveillance	21,228,055	22,987,072	137,355,334		
Display Systems	27,105,892	49,867,072	30,785,299		
Simulator Systems	2,492,209	509,839	4,224,171		
Software	25,960,905	9,729,658	32,321,786		
General	26,248,842	65,820,664	39,810,740		
TOTAL	229,785,255	317,641,123	303,979,855		

Abridged Financial Statements

ABRIDGED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME AS AT 31 MARCH 2018

	2018	2017 RESTATED
Turnover	1,593,535,348	1,556,447,125
Operating profit	181,457,922	243,214,448
Profit before tax	265,652,554	326,375,744
Income tax expense	75,498,433	141,871,171
Net profit	190,154,124	184,504,572

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	2018	2017 RESTATED		
Assets				
Non-current assets	1,445,262,954	1,276,589,748		
Current assets	1,639,380,840	1,542,292,765		
Total assets	3,084,643,794	2,818,882,513		
Equity and liabilities				
Total equity	2,617,321,904	2,427,167,780		
Non-current liabilities	99,910,667	94,349,540		
Current liabilities	367,411,223	297,365,193		
Total equity and liabilities	3,084,643,794	2,818,882,513		

ABRIDGED STATEMENT OF CASH FLOW AS AT 31 MARCH 2018

	2018	2017 RESTATED
Net cash flow from operating activities	351,760,969	420,154,723
Net cash flow from investing activities	(304,855,460)	(306,594,777)
Net cash flow from financing activities	(1,098,815)	(1,122,312)
Net increase in cash and cash equivalents	45,806,694	112,437,634



Enhance operational efficiencies in line with global ATM standards

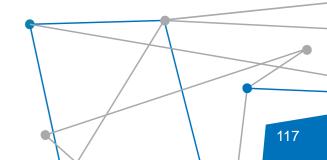
ATNS has two operational efficiency objectives that measure the capability of the organisation's service delivery to the ATM Community in a cost-effective manner while still ensuring a high-quality service and support:

- 1. Measuring overall traffic delays; and
- 2. Measuring the system availability performance of our technologies, namely Communication, Navigation and Surveillance (CNS) systems.

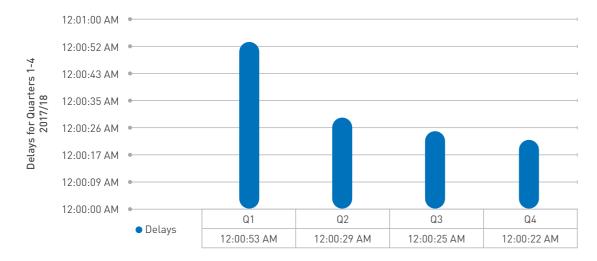
Measuring traffic delays

As part of continuous improvement, ATNS strives to measure the operational efficiency of its services such as reducing the overall traffic delays at airports and airspace. Delay is typically expressed as average delay per delayed (ADD) flight. ATNS routinely measures Instrument Flight Rules (IFR) departure delays arising from any operational disruption attributable to among others, airport operators, airline operators, weather, and other air navigation service providers.

- ATNS registered an ADD flight of 22 seconds against a set target of 120 seconds. ATNS contributed to 7,4% of total delays of which, the highest contributors were Approach Control (49,27%) and Area Control (36,5%) respectively.
- Most of the ATNS delays in March 2018 were technical delays due to Aeronautical Automated Information System (ANAIS) unserviceability's at the Pietermaritzburg airport.



GRAPH 9: TRAFFIC DELAYS FOR 2017/18



Performance-based navigation

Performance-Based Navigation (PBN) defines performance requirements for aircraft navigating on an ATS route, in a terminal procedure or within a designated airspace. PBN supports an increase in ATM system capacity and efficiency, as well as bringing about environmental and safety benefits through reduced aviation congestion, fuel conservation, reduction in emissions, reduced aircraft noise, improved flexibility, enhanced operating returns and improved safety of regional and national airspace systems. During the year, ATNS worked towards achieving the targets

stipulated in the National PBN Implementation Plan by adding new RNP approaches, RNAV1/2 Standard Instrument Departures (SID), and Standard Terminal Arrival Routes (STAR). The Company's activities extended to evolving and maintaining flight procedures at airports where these procedures already exist.

- Procedures designed during 2017/18 included: 9 x RNAV 1 SID/STAR (RWY03/21)
- The total number of design reports completed from 01 April 2017 to 31 March 2018 is indicated in the table below.

DESIGN REPORTS COMPLETED DURING 2017/18

RNAV (GNSS) BaroVNAV	ILS CAT	RNAV 1 SID/STAR
RWY03R	RWY03L	RWY03 (x3) SID
RWY21L	RWY21R	RWY03 (x3) STAR
RWY21R	RWY03R	RWY21 (x3) SID
RWY03L	RWY 21L	RWY21 (x3) STAR

Performance assessment

ATNS compiles an annual performance assessment report to identify environmental benefits from air traffic management initiatives aligned to the PBN roadmap in response to the ASBU roadmap. During 2017/18, the Company continued with the initiatives identified in the previous financial year:

- PBN procedure to support continuous climb and descend operations;
- Airport Collaborative Decision Making (A-CDM); and
- Operational Efficiency Programme.

The Company will continue to monitor these initiatives to ensure alignment to the South African State Action Plan. Further, these initiatives inherently address the global ICAO goals to achieve carbon-neutral growth by 2020.

OPERATIONAL PERFORMANCE FOR 2017/18

KPI	2017/18
RNP APCH (APV Baro-VNAV or Augmented GNSS	 27 Instrument Runways at 15 airports 16 RNP APCH at 8 airports 10 RNP APCH at 5 Air Force Bases Total: 53 RNP APCH
Continuous Descent Operations (CDO)	8,843 tonnes of fuel saved*27,944 tonnes of CO2e
Continuous Climb Operations (CCO)	40,749 tonnes of fuel saved*128,767 tonnes of CO2e
Airport – Collaborative Decision Making (A-CDM)	14,237 tonnes of fuel saved*44,989 tonnes of CO2e
Wake - RECAT (arrivals)	544,53 tonnes fuel saved*1,721 tonnes C02e
Gauteng Area PBN Plan (GAPP) RNP FAOR	Approved 4 design report for submission to SACAA
Gauteng Area PBN Plan (GAPP) SID/STAR FAOR	Approved 12 design report for submission to SACAA (RNAV 1 SID/STAR
Independent Parallel Runway operations (GAPP) FAOR	Approved 4 ILS design report for submission to SACAA

^{*} Targets aligned to the airports where PBN is implemented

REGIONAL PERFORMANCE FOR 2017/18

KPI	2017/18
Development of Instrument Approach Procedures and SID/STAR for Victoria Falls Airport (FVFA)	 1 X ILS for RWY 12 2 X VOR Approach for RWY 12/30 2 X RNP APCH for RWY 12/30 1 X NDB Approach for RWY 12 2 X SID for RWY 12/30 2 X STAR for RWY 12/30

^{*} Calculations based on track miles

Develop leadership capability in the Africa ATM space



System availability as per SLA - CNS

The Communication, Navigation and Surveillance (CNS) Service Level Agreement (SLA) describes ATNS's commitment for uptime and connectivity of its technologies that is Communication, Navigation and Surveillance (CNS). The SLA is based on System Availability. This refers to the availability of the system used to support the provision of services. This method of equipment performance reporting considers the availability of redundant systems.

SYSTEMS AVAILABILITY

BUSINESS	OBJECTIVE	QUARTER	QUARTER	QUARTER	QUARTER	2017/18	2017/18
OBJECTIVES	MEASURES	1	2	3	4	ACTUAL	TARGET
Operational efficiency	Achievement of CNS System Availability	C: 99,92% N: 97,25% S: 100%	C: 99,77% N: 95,90% S: 99,96%	C: 99,62% N: 95,64% S: 99,98%	C: 99,67% N: 98,65% S: 99,77%	C: 99,78% N: 96,30% S: 99,97%	C: 99,67% N: 98,65% S: 99,77%

The primary reason for non-achievement of Navigation targets are due to third-party intervention (electrical and or telecommunication failures). There were several power outages throughout the year, affecting some Navigation sites. There have also been incidents of theft and vandalism. ATNS is looking at ways of improving SLA's with third parties. ATNS has done countrywide security assessments on ATNS sites. ATNS is working on a strategy (in conjunction with other stakeholders) which will address security at all sites.

Operation of the Satellite Communication Networks - SADC VSATII & NAFISAT

The SADC II and NAFISAT Very Small Aperture Terminal (VSAT) networks fulfil the region's communication requirements in terms of the ICAO Africa Indian Ocean (AFI) plan. The networks have succeeded in integrating a regional communications network, contributing to increased communication, allowing for greater safety on air traffic movements, and are financially sustainable. The SLA performances for both Satellite Communication Systems remain above the target level as indicated in the table below.

SLA PERFORMANCES VSAT II AND NAFISAT

BUSINESS OBJECTIVES	OBJECTIVE MEASURES	QUARTER 1 ACTUAL	QUARTER 2 ACTUAL	QUARTER 3 ACTUAL	QUARTER 4 ACTUAL	2017/18 ACTUAL	2017/18 TARGET
Operation of the satellite communication networks SADC VSAT 2	Optimise revenue and ensure network availability	SLA: 99,93%	SLA: 99,96%	SLA: 99,97%	SLA: 99,70%	SLA: 99,89%	SLA: 98,5%
Operation of the satellite communication networks NAFISAT	Optimise revenue and ensure network availability	SLA: 100,00%	SLA: 100,00%	SLA: 99,95%	SLA: 99,93%	SLA: 99,97%	SLA: 98,5%



Create a transformative organisation

Economic empowerment

ATNS recognises the importance of an integrated approach to Broad-Based Black Economic Empowerment (B-BBEE) in the transformation of the sector, as well as for the long-term sustainability of South Africa. The Company has, therefore, implemented key structures to assist in growing the economic strength of the country.

During the period under review, ATNS obtained a B-BBEE score of 85,42 against the Old Public Sector Codes which translates to a B-BBEE Level 2.

B-BBEE CONTRIBUTION

B-BBEE ELEMENT	ACTUAL 2016/17	ACTUAL 2017/18
Management control	7,64	7,36
Employment Equity	14,02	13,51
Skills Development	22,81	16,09
Preferential procurement	20,69	30,00
Enterprise Development and Supplier Development	12,24	13,47
Socio-Economic Development	5	5,00
Total points	82,40	85,42

Measurement results as at 31 March 2018



Employment equity (EE)

ATNS EMPLOYEE DEMOGRAPHICS

EMPLOYEE DEMOGRAPHICS														
	MALE					FEMALE								
Occupational Levels	African	Indian	Coloured	White	Foreign Nationals		African	Indian	Coloured	White	Foreign Nationals	Total	AIC %	Female %
Top Management	2	0	0	0	0		0	0	0	0	0	2	100	0
Senior Management	7	0	0	1	0		2	0	0	0	0	10	90	20
Professionally Qualified and Experienced Specialist	16	2	0	6	0		13	0	2	3	0	42	78,57	42,86
Skilled Technical Workers Junior Managers	308	44	47	194	10		351	35	37	80	5	1,111	73,99	45,27
Semi-skilled and Discretionary Decision	18	0	4	1	0		3	0	0	0	0	26	96,15	11,54
Unskilled and Defined Decision Making	6	0	0	0	0		23	0	0	0	0	29	100	79,31
Sub-total	357	46	51	202	10		392	35	39	83	5	1,220	75,41	45
%	29,26	3,77	4,18	16,56	0,82		32,13	2,87	3,2	6,8	0,41			

ATS and ATNS EE Targets

- Employment equity remains a business imperative to ensure that our workplace profile is aligned to the national demographics and the Integrated Transport Sector's B-BEE charter.
- In line with the Employment Equity Act, the current ATNS five-year EE plan encompasses the following:
- » Creating a balanced profile of employees within the Company through all occupational categories and levels in the workforce.
- » Eliminating any discriminatory practices in terms of race, gender or disability.
- » Providing for the Company's present and future requirements for skilled staff, in line with our business plans.

COMPARATIVE VIEW OF ATS EE PERFORMANCE AS AT 31 MARCH 2018

ATNS EE TARGETS	2016/17 ACTUAL	2017/18 ACTUAL	2017/18 TARGET
ATS AIC	70,01%	72,27%	68%
ATS Female	42,43%	46,55%	45%
People with disabilities	3,3%	3,22%	3,5%



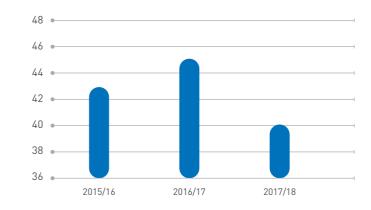
Build a culture of safety

Safety is a critical concern for ATNS and receives the most attention for continuous monitoring and improvement. To this effect, a safety culture improvement program has been initiated which is aimed at improving the safety culture and is based on the CANSO standard of excellence (SOE).

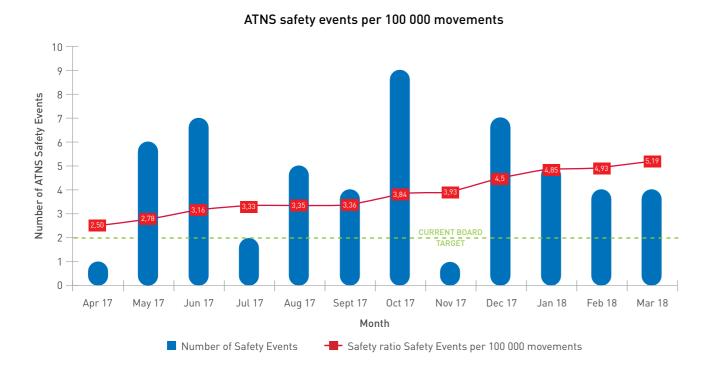
Risk safety index (RSI)

ATNS utilises the Risk Safety Index (RSI) matrix to measure various levels of risk in terms of probability and severity categories. This is a mechanism to increase the visibility of risks and assist management decision making. ATNS performance target is set between 44-56, which will place it in the "mid-tolerable" range. The Company achieved an RSI of 40 during the year.

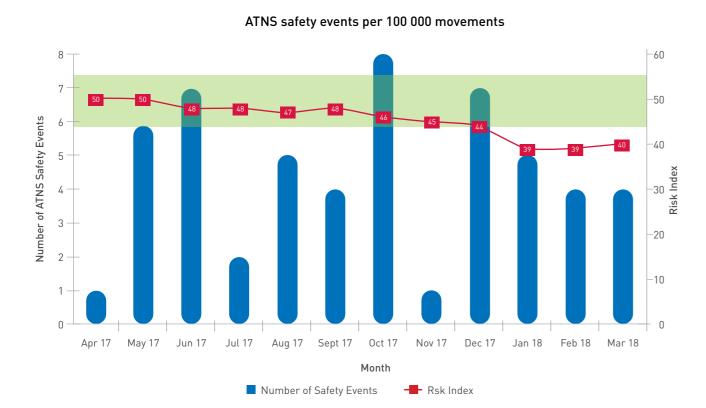
RSI HISTORICAL COMPARATIVE VIEW



GRAPH 10: ATNS SAFETY PERFORMANCE - SAFETY RATIO VERSUS SAFETY RISK INDEX



GRAPH 11: ATNS SAFETY PERFORMANCE - SAFETY RISK INDEX



Out of the total number of safety events recorded during the reporting year, two events were classified to be above the set target of a range between 44 and 56 (ranging from 64-76) which puts them in the Manageable and Acceptable region of the RSI matrix respectively.

Safety ratio

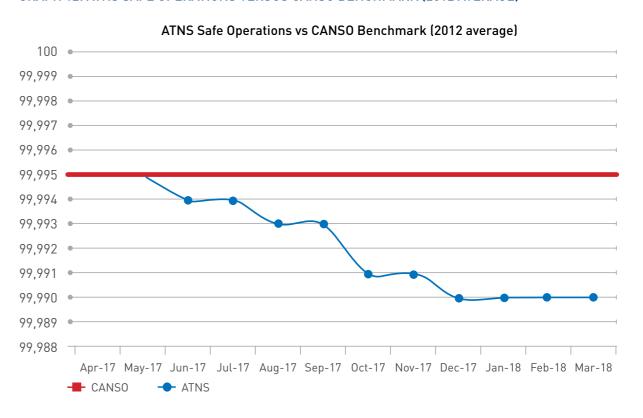
ATNS also utilises a 'safety ratio' mechanism, which calculates the number of safety events per 100,000 movements. In the financial year under review, a total of 55 safety events were reported and investigated. The resultant safety ratio achieved at the end of the financial year was calculated at 5,19 safety events per 100,000 movements against a target of 2, as indicated in graph 10.

Separation standards based on IFR hours

In air traffic control, separation is the concept of keeping aircraft a minimum distance from each other to reduce the risk of colliding as well as prevent accidents. ATNS controls flights that are predominantly operated under Instrument Flight Rules (IFR). IFR flight hours are also used as a basis for global benchmarking and safety metrics. The CANSO safe operations metric calculates the safe operations using the number IFR/IFR losses of separation over 12 months against IFR flight hours. For the year under review ATNS' safe Operations benchmark versus CANSO benchmark was 99,990% against a target of 99,995 indicating an error rate of 0,010%.

The safety performance for the 2017/18 year declined overall, with the organisation not meeting its targets. To address this ATNS has embarked on two main projects, the Safety Turn-Around Plan and the Safety Culture Improvement Programme. These two have specific action items that address safety inadequacies within the business. More specifically, the programmes seek to strengthen management within the business; improve the workplace environment; increase the capacity and capability of our people; optimise our safety defences including the Safety Management System, training, technology, procedures, Just Culutre, etc. Further, a safety tool has been developed, and provides a dashboard to complement the current ATNS safety metrics. Various other initiatives are in progress.

GRAPH 12: ATNS SAFE OPERATIONS VERSUS CANSO BENCHMARK (2012 AVERAGE)





Build a skilled and capable employee resource base

Training and development

 ATNS is committed to structuring development programmes for employees in the organisation to increase representation of black (AIC) racial groupings, with a focus on African and female representation. During the year, the Company's overall training investment amounted to 6,52% of the annual budget against a target of 6%.

Manage the training pipeline for ATS and Technical staff

ATNS manages the training pipeline for ATS and technical staff at its Aviation Training Academy, the ATA. The table below reflects overall staffing numbers achieved during the year. A total of 444 ATS trainees and 419 Engineering trainees were enrolled at the ATA during the year.

ATS AND TECHNICAL STAFF TRAINING NUMBERS

TECHNICAL STAFF ON TRAINING	2017/18 ACTUAL	2017/18 TARGET	VARIANCE
ATC01	134	121	13
ATCO2	37	37	0
ATC03	221	226	-5
Engineering Technicians (Incl. satellite technicians).	83	79	4

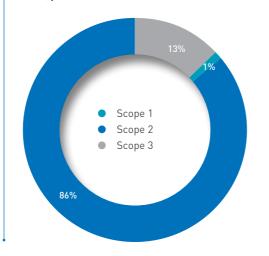
The main reason for the negative variance in the ATCO3 stream is due to staff attritions resulting from individuals being enticed to work abroad given the global shortages within this stream.



Manage the organisation's contribution to Climate Change

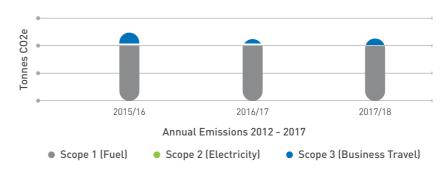
For 2017/18 financial year, 23 440.52 CO2e resulted from ATNS operations. The emission distribution resulted in 86% tonnes CO2e from scope 2, 13% from scope 3 and 1% from scope 1 (graph 13). Therefore, scope 2, electricity emissions, account for majority of the carbon footprint.





The graph below illustrates the annual carbon footprint in relation to the baseline year of 2015/16 financial year when the Company first started reporting on all the scopes i.e. Scope 1, 2 and 3. The total emissions for Scope 1 amounted to 251,62 CO2e, for Scope 2 the amount was 20 092,17 CO2e and Scope 3 was 3 097,73 CO2e.

GRAPH 14: ATNS'S CARBON FOOTPRINT INVENTORY FOR 2017/18

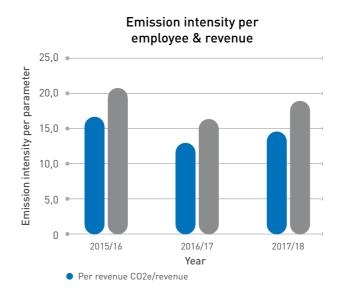


Carbon emission intensity performance:

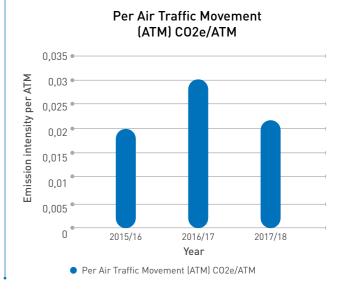
KPI	2017/18
Total Emissions from Scope 1	251,62 CO2e
Total Emissions from Scope 2	20 092,17 CO2e
Total Emissions from Scope 3	3 096,73 CO2e
Overall emissions, including Scope 3	23440,52 CO2e

EMISSION INTENSITY	UNIT MEASURE	2015/16	2016/17	2017/18
Per Air Traffic Movement (ATM)	CO2e/ATM	0,02	0,03	0,02
Per Revenue	CO2e/Revenue	16,9	13,15	14,7
Per Employee	CO2e/Employee	20,9	16,46	19,2

GRAPH 15: EMISSION INTENSITY PER EMPLOYEE



GRAPH 16: EMISSION INTENSITY PER AIR TRAFFIC MOVEMENT (ATM)





Manage and preserve scarce and vulnerable resources

Energy Management

In the reporting period, ATNS initiated a smart metering project in response to the electricity audit conducted in 2015. The objective of the metering system is as follows:

- Measure and analyse the current electricity consumption trends.
- Determine a baseline for the major electricity users to assist in implementing interventions to lower the Company's energy footprint.
- Monitor and track electricity consumption for an efficient electricity saving plan.

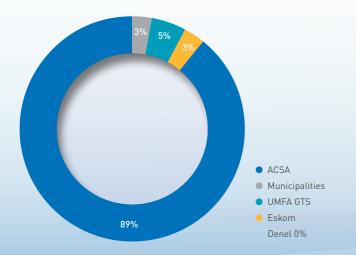
The first phase of the project involved the deployment of smart meters at selected ATNS business units and sites, while the second phase will include the rest of ATNS's locations. Data from the selected centres and equipment sites will enable the Company to report monthly power consumption, thereby ensuring that electricity usage is monitored. The project is at 95% completion, with meters installed at nine ACSA sites and six equipment sites. The next phase of the project includes the final integration of the system, as well as the confirmation of municipal tariffs. ACSA will be responsible for ensuring information is accurate and that the reporting system is finalised.

Energy efficiency performance

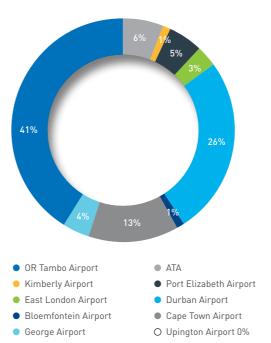
KPI	2017/18
Total Electricity Consumption	20 358 981,44 kWh
Total Fuel Consumption	81 612 L

КРІ	2016/17	2017/18
Per employee (Employee/MWh)	0,06	0,06
Per revenue (Revenue/MWh)	0,08	0,08
Per Air Traffic Movement (ATM/MWh)	52,1	52,1
Per Air Traffic Movement (ATM/L)	13	12,9

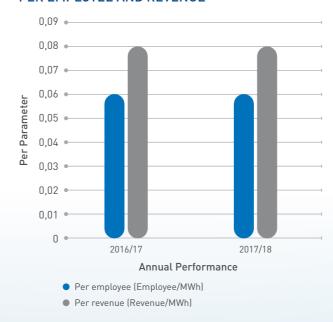
GRAPH 17: ELECTRICITY CONSUMPTION FOR 2017/18



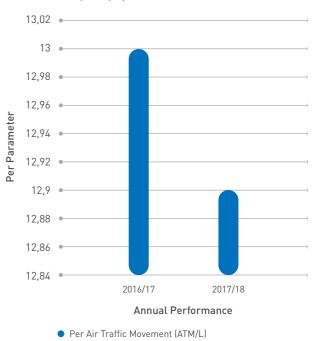
GRAPH 18: TOTAL ELECTRICITY CONSUMPTION AT ACSA AIRPORTS



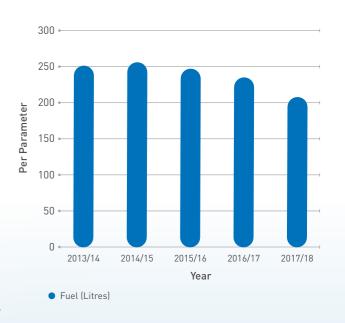
GRAPH 19: ELECTRICITY CONSUMPTION PER EMPLOYEE AND REVENUE



GRAPH 20: FUEL EFFICIENCY PER AIR TRAFFIC MOVEMENT (ATM/L)



GRAPH 21: ATNS ANNUAL FUEL CONSUMPTION



Water management

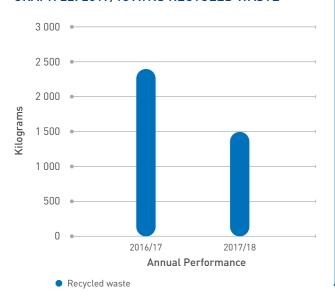
As a state-owned entity, ATNS recognises the national drive to conserve water in the midst of the national water crisis, and in particular the Western Cape province. Even though the Company's water consumption is mainly for domestic use, water conservation is prioritised in the overall management of water at all our sites and aims to implement various interventions to manage water accordingly. ATNS integrates water efficiency in projects that require building refurbishments and promotes green building principles such as flowregulating taps and toilets as well as rainwater harvesting. During the year, the Company investigated the benefits of installing water meters in its operations as well as the installation of water tanks as alternative water sources.

Waste management

ATNS's waste management approach is aligned to the Waste Hierarchy principles. The Integrated Waste and the Integrated Waste Management Policy aims to enforce proper waste management practices at our building and project sites. General waste and hazardous waste are addressed to ensure compliance with the business' sustainability objectives.

ATNS waste management is yet to be fully implemented. The data collected currently is for the inception phase.

GRAPH 22: 2017/18 ATNS RECYCLED WASTE



KPI	2016/17	2017/18
Recycled Waste	2 399 Kgs	1 519,37 Kgs

Biodiversity management

For the period under review, environmental assessments were conducted for the ATNS ISANDO Property Development project and the Decommissioning of the masts located at the ISANDO site. The ISANDO Property Development project forms part of the Company's strategic projects in that, no only will the development enhance the current office facilities, it will also be a Green Star-rated building with certification from the Green Building Council of South Africa.

The key environmental aspects that will be included in the development include:

- Office management in line with the Green Star SA accreditation
- Building management system
- Implementation in accordance with the approved environmental authorisation
- Water management
- Waste management
- · Emissions management
- · Materials management
- Land use management
- Energy management

A service provider will be appointed to develop and implement the Environmental Management Plan (EMP) and Waste Management Plan (WMP) to monitor site activity and construction. Protected flora species will be identified and a search and rescue project will be implemented to relocate at-risk species as part of the Environmental Authorisation requirements stipulated by the Department of Environmental Affairs during the Environmental Impact Assessment process.

Environmental compliance

In the period under review, ATNS conducted a compliance assessment for CNS equipment

sites to ascertain the compliance level of the various sites in accordance with the National Environmental Management Act and associated legislation and regulations. For the Company to ensure the adherence to legislation, it is necessary to measure and monitor the impacts of various environmental aspects.

To fully address ATNS's environmental impacts, an ISO 14001:2015 Environmental Management System (EMS) readiness exercise was performed to prepare for the implementation of an EMS. The system will enable ATNS to manage its environmental risks, achieve and control the expected level of environmental performance and provide a structured process for continual improvement. ATNS has ISO 9001:2015 certification.



Develop enterprise-wide awareness for environmental impacts

Embedding environmental sustainability awareness

During the year, the Company started a process of transitioning sustainability and environmental training within ATNS from a class-room training model to an e-learning model. Going forward, the new e-learning model will accelerate the practical assessments of participants' understanding of training material and simplify learner feedback. The e-learning mode of training is being phased in over time to refine and enhance training programmes.

A total of 316 (25%) of 1 258 ATNS employees and 24 bursars received environmental sustainability training during the year.

ATNS is investigating an Environmental Management System (EMS), which will enable ATNS to integrate environmental sustainability into various business operations to enhance the Company's overall environmental performance. The EMS will ensure that all the necessary structures, processes and procedures are

integrated into the Company in a manner that will enhance ATNS's overall Sustainability and Environmental (S&E) Strategy.

Enabling integration of environmental aspects to our business

Sustainable procurement practices empower the organisation to ensure that its products and services have minimal environmental impacts. Existing practices relating to the assessment of ATNS's suppliers during the procurement phase of projects is being investigated to enhance the Company's environmental performance. Assessments of suppliers, manufacturing processes, transportation, operational phases as well as end-of-life considerations need to be environmentally sustainable. Accordingly, the integration of environmental sustainability into the overall supply chain model is critical to enhance environmental performance.

Environmental consideration in the CAPEX value chain

During the year, ATNS intensified the integration of environmental sustainability into infrastructure projects planning to ensure that all projects have minimal environmental impacts. Currently, projects are assessed from the planning phase to ensure minimal associated impacts. The actual implementation and maintenance are monitored through environmental management plans. The decommissioning phase is also aligned to environmental objectives.

Ensure constructive and collaborative stakeholder relationships



ATNS's CSI investment continues to support underprivileged communities through various projects.

The table below outlines the CSI programme investment for the 2017/18 financial year.

ATNS CSI PROGRAMMES FOR 2017/18

PROJECT NAME	DESCRIPTION	COSTS(R)
Free State Winter School Project	Winter school camp provided for earmarked high schools in the Lejwe Leputswa District in the Free State	307 583.63
Oliver & Adelaide Tambo Foundation	Donation to the Tambo Foundation	100,000.00
Partnership with ACSA – Teacher and Learner Development Programme	Partnered with ACSA in the Teacher and Learner Development Programme in the Eastern Cape at Dondashe Secondary school	500,000.00
Khalushi Secondary School Winter School	Sponsorship of the winter school project at Kgalushi Secondary school in Limpopo	45,000.00
Computer Desks	Installation of computer desks in Limpopo	106,025.00
Donation of groceries	Donation of groceries to Orphanage homes	126,727.55
Artwork for computer lab and Physical Science lab	Artwork displayed at the computer and science lab at Bray in the North West	60,450.00
Oliver Tambo Centenary	Launch of the O.R Tambo bust and signage by the President at ORTIA Tower	254,795.19
Branding and collateral	Branding and collateral for CSI projects	261,400.00
Mfundo Development Foundation	Teacher and Learner Development programme in Limpopo	240,000.00
Nyetsi Holdings	Transportation for community projects	442,323.48
Olwande Communications	O.R. Tambo signage for the tower	77,400.00
TOTAL		2,521,704.85

Read more about ATNS's CSI commitments in our Sustainability Report, available online at http://www.atns.co.za/annual-reports.







ATS bursars enrolled in learnership programmes

One of ATNS's business objectives is to implement interventions to address key societal challenges thereby building a meaningful legacy for ATNS in the Communities in which we operate. In this context, ATNS runs an ATS Bursar and Engineering Learnership programme at the Aviation Training Academy. The overall ATS trainee number at the ATA for the year is 444. There were 68 bursars, 12 engineering learnerships, and 10 graduates.

The table below indicates the demographic representation of the ATS Bursars currently enrolled at ATA.

DESCRIPTION OF ATS BURSARS ENROLLED IN LEARNERSHIP PROGRAMMES

PROVINCE		FEMAI	LE		FEMALE						GRAND
	African	Coloured	Indian	White	TOTAL	African	Coloured	Indian	White	TOTAL	TOTAL
Eastern Cape	1	0	0	0	1	3	0	1	0	4	5
Free State	2	0	0	0	2	1	0	0	0	1	3
Gauteng	34	1	0	0	35	9	0	0	1	10	45
Kwa-Zulu Natal	4	0	1	0	5	1	0	0	0	1	6
Limpopo	4	0	0	0	4	1	0	0	0	1	5
Mpumalanga	1	0	0	0	1	0	0	0	0	0	1
Western Cape	2	0	0	0	2	0	0	0	0	0	2
Northern Cape	0	0	0	0	0	0	0	0	0	0	0
North West	1	0	0	0	1	0	0	0	0	0	1
Grand Total	49	1	1	0	51	15	0	1	1	17	68









ATNS continues to facilitate the development of engineers by offering experiential learning opportunities in the form of learnerships and the Graduate Engineering Development Programme (GEDP). The Graduate programme runs for 24 months while the Learnership programme runs for one year.

During 2017/18, ATNS enrolled 10 engineering graduates. Contracts for five of the graduates that had joined the GEDP in January 2016, were terminated on 31 March 2018. They have since been absorbed into the business. The remaining five graduates were enrolled in January 2017, and their contracts will run for 24 months. Their subsequent absorption into the business depends on attrition rate.

Contracts for six engineering learners who had registered in January 2017, were terminated on 31 March 2018. In January 2018 six engineering learners were enrolled and their contracts will run for a period of one year. Further, seven unemployed graduates that are enrolled in a development programme in different disciplines across the business will have their contracts extended by six months.

Maintain an impeccable governance framework

As part of ATNS's plan to comply with Treasury Regulation and the PFMA, it has developed a







stringent Fraud Prevention Plan. ATNS has a fraud and whistle blowing policy and fraud prevention plan to support the fight against fraud and corruption and to promote good governance.

During the reporting year, ATNS obtained a qualified audit opinion due to irregular expenditure.

A material matter was reported during the first quarter of the year; however, it could not be investigated further due to insufficient information. A matter was also reported in the third quarter, and was resolved in the fourth Quarter, albeit not within the required 90 days stipulated in the Fraud and Whistle blowing policy given the lack of staff capacity in the Internal Audit Department.

Ensure regulatory alignment and compliance

P.13

ATNS continues to comply with relevant legislation, regulations and standards. The organisation has identified and assessed the top five legislative requirements applicable to business. Controls have been implemented, with continuous monitoring. Emerging risks relating to other legislation are monitored through the Compliance Risk Management Plan (CRMPs).

TRAINING DEMOGRAPHICS FOR 2017/18

SKILLS DEVELOPMENT BENEFICIARY STATIS	KILLS DEVELOPMENT BENEFICIARY STATISTICS														
			MALE						FEMALE						
Occupational Levels	African	Indian	Coloured	White	Foreign National		African	Indian	Coloured	White	Foreign National	Total Female & Male	AIC %	Female %	
Eng. Learner/Graduates	7	2	0	0			12	0	1	0		22	100	59	
Graduate Support	1	0	0	0			6	0	0	0		7	100	85.71	
ATCO Bursars/Trainee	0	0	0	0			2	0	1	0		3	100	100	
ATSO Bursars/Trainee	2	0	0	0			41	0	0	0		43	100	95.35	
PWD Internship	3	0	0	0			5	0	0	0		8	100	62.5	
AIMO Bursars/Trainee	0	0	0	0			0	0	0	0		0			
Sub-total	13	2	0	0			66	0	2	0		83	100	81.93	
% of total skills development beneficiaries	15.66	2.41	0	0			79.52	0	2.41	0					

ATNS DEMOGRAPHICS STATISTICS	ATNS DEMOGRAPHICS STATISTICS														
		MALE						FEMALE							
Occupational Levels	African	Indian	Coloured	White	Foreign National		African	Indian	Coloured	White	Foreign National	Total Female & Male	AIC %	Female %	
Number of employees	370	48	51	202	10		458	35	41	83	5	1 303	76.98	47.35	
% of total employees	28.4	3.68	3.01	15.5	0.77		35.15	2.69	3.15	6.37	0.38				



Performance against our Shareholder Compact

Performance against targets as set in the Corporate Plan 2017/18

The following table presents a summary of performance against targets for the 4th quarter and is prepared in line with National Treasury Guidelines for quarterly performance reporting.

ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS	ANNUAL ACTUALS 2016/17 (FULL YEAR)	QUARTER 1 ACTUALS AS AT 30 JUNE 2017									
1.	TRANSPORT SAFETY AND SECURITY													
1.1	Risk Safety Index (RSI)	Reduce the risk associated with safety events	Risk associated with safety events at a level of 40 or higher in accordance with the Risk Assessment Tool	RSI:47	RSI: 49									
1.2	Safety service provision	Increase successful safe operations	Providing successful safe operation and application of separation standards based on IFR flight hours to equate to 99,995% and an error margin of 0,005%	99,995% successful safe operation and an error margin of 0,007%	99,994% successful safe operation and an error margin of 0,006%									
1.3	Operational Efficiency	Reduce overall traffic delays	Average delay per delayed flight (off block time)	33 seconds	53 seconds									
1.4	Operational	Achievement of CNS	Average CNS	C: 99,80%	C: 99,92%									
	efficiency	Systems Availability	Systems Availability	N: 97,98%	N: 97,25%									
				S: 99,99%	S: 100,00%									
1.5	Ensure commercial	Ensure financial	Meeting financial	D/E =0%	D/E: 0%									
	sustainability	sustainability	target as per Budget	C/A =7.4:1	C/A: 6.01:1									
				ROCE =20,1%	ROCE: 4,2%									
			Meeting financial target as per Budget – VSAT 2	Revenue: R49,0 million	Revenue: R11,5 million									
			Meeting financial target as per Budget – NAFISAT	Revenue: R44,0 million	Revenue: R9,2 million									

Not achieved
 Partially achieved
 (Partially achieved = A KPI that has not been fully achieved but significant progress has been made in financial year.

QUARTER 2 ACTUALS AS AT 30 SEPTEMBER 2017	QUARTER 3 ACTUALS AS AT 31 DECEMBER 2017	QUARTER 4 ACTUALS AS AT 31 MARCH 2018	QUARTER 4 TARGET	ANNUAL ACTUALS 2017/18 (FULL YEAR)	ANNUAL TARGETS 2017/18 (FULL YEAR)
RSI: 49	RSI: 45	RSI:40	RSI: 44-56	RSI: 40	RSI: 44-56
99,993% successful safe operation and an error margin of 0,007%	99,990% successful safe operation and an error margin of 0,010%	99,990% successful safe operation and an error margin of 0,010%	99,995% successful safe operation and an error margin of 0,005%	99,990% successful safe operation and an error margin of 0,010%	99,995% successful safe operation and an error margin of 0,005%
29 seconds	25 seconds	22 seconds	120 seconds	22 seconds	120 seconds
C: 99,77%	C: 99,62%	C: 99,80%	C: 99,67%	C: 99,78%	C: 99,67%
N: 95,90%	N: 95,64%	N: 96,40%	N: 98,65%	N: 96,30%	N: 98,65%
S: 99,96%	S: 99,98%	S: 99,94%	S: 99,77%	S: 99,97%	S: 99,77%
D/E: 0%	D/E: 0,5%	0,3%	D/E =10-45%	0,5%	D/E =10-45%
C/A: 7.43:1	C/A: 5.99:1	5.3:1	C/A =2.5:1	4.6:1	C/A =2.5:1
ROCE: 8,6%	ROCE: 21,41%	13,4%	ROCE =12,60%	5,26%	ROCE =12,60%
Revenue: R 23,7 million	Revenue: R36,1 million	R10,3 million	SADC VSAT 2: Revenue R13,7 million	R46,5 million	SADC VSAT 2: Revenue: R55,1 million
Revenue: R17,8 million	Revenue: R28,0 million	R9,0 million	NAFISAT: Revenue R12,0 million	R35,8 million	NAFISAT: Revenue: R48,3 million

ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS	ANNUAL ACTUALS 2016/17 (FULL YEAR)	QUARTER 1 ACTUALS AS AT 30 JUNE 2017
1.6	Performance- based navigation (PBN) Operational Enhancement	Gauteng Area PBN Plan (GAPP)	4 Design Reports for submission to SACAA (RNP APCH - FAOR)	3 Design Reports for submission to SACAA (RNP APCH) RNP APCH in 100% of instrument runways located at ACSA airports	1 x RNAV (GNSS) BaroVNAV RWY03L for FAOR designed
			12 Design Reports for submission to SACAA (RNAV 1 SID/STAR)	10 Design Reports for submission to SACAA (RNAV 1 SID/STAR	0 RNAV 1 SID/STAR designed
			4 ILS Design Reports for Submission to SACAA	8 Design Reports for submission to SACAA (RNAV 1 SID/STAR)	There was no ILS reports design
2.	INFRASTRUCTURE D	EVELOPMENT AND HI	GH-LEVEL INVESTMEN	IT PLAN FOR TRANSPO	ORT
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Approved CAPEX Commitment Plan for 2017/18	Compliance with the commitment plan milestones for 2017/18 CAPEX (R131, 480,500)	R127,86 million	R6,44 million
2.2	Operation of the satellite communication networks SADC VSAT 2	Optimise revenue and ensure network availability	Achievement of the revenue and network availability as per SLA targets	SLA - 99,94%	SLA: 99,93%
2.3	Operation of the satellite communication networks NAFISAT	Optimise revenue and ensure network availability	Achievement of the revenue and network availability as per SLA targets	SLA - 99,94%	SLA: 100,00%
3.	THE FIGHT AGAINST	FRAUD AND CORRUPT	TION		
3.1	Comply with relevant legislation, regulation and standards	Full (one is either compliant or not & therefore percentile measurement not accurate)	Sound internal control systems for identified /rated critical (top 10) non-compliances on the universe.	Qualified audit report was achieved for 2015/2016 Maintaining legislative Regulatory Universe for ATNS by facilitating the risk prioritisation of all pieces of legislation in the regulatory universe. Escalate compliance matters to management.	Report will be available at the end of the financial year.

QUARTER 2 ACTUALS AS AT 30 SEPTEMBER 2017	QUARTER 3 ACTUALS AS AT 31 DECEMBER 2017	QUARTER 4 ACTUALS AS AT 31 MARCH 2018	QUARTER 4 TARGET	ANNUAL ACTUALS 2017/18 (FULL YEAR)	ANNUAL TARGETS 2017/18 (FULL YEAR)
3 x RNAV (GNSS) BaroVNAV RWY03R, RWY21L, RWY21R for FAOR designed	The report designs for RNP APCH were completed in Q1 &Q2 respectively	Completed in Quarter 2 4 Instrument Flight Procedures Design reports	1 RNAV (GNSS) Baro VNAV	4 Instrument Flight Procedures Design reports Completed	4 Instrument Flight Procedures Design reports
0 RNAV 1 SID/ STAR designed	3 RNAV 1 Design reports completed	9 RNAV 1 Design reports completed	3 RNAV 1 Design report	12 Instrument Flight Procedures Design reports Completed	12 Instrument Flight Procedures Design reports
3 x ILS CAT I RWY03L, RWY21R, RWY03R for FAOR designed	1 x ILS CAT I RWY 21L was designed.	Completed in Quarter 3 4 Instrument Flight Procedures Design reports	1 ILS design report	4 ILS Design Reports for submission to SACCA completed	4 ILS Design Reports for submission to SACCA
R9,85 million	R2.92 million	R17,34 million	R 25,43 million	R36,56 million	R131,48 million
SLA: 99,97%	SLA: 99,97%	SLA: 99,70%	SLA - 98,5%	SLA: 99,89%	SLA: 98,5%
SLA: 99,99%	SLA: 99,95%	SLA: 99,93%	SLA - 98,5%	SLA: 99,97%	SLA: 98,5%
Annual target	Annual target	Top 5 legislations have been identified and assessed. Controls have been put in place and continuous monitoring has been conducted and the process is ongoing Emerging risk of other legislation are monitored through CRMPs	Unqualified audit report to be achieved for 2017/2018 (this is an annual target)	ATNS obtained a qualified audit due to irregular expenditure	Unqualified audit report to be achieved for 2017/2018 (this is an annual target). The annual audit is expected to be concluded by June 2018.

ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS	ANNUAL ACTUALS 2016/17 (FULL YEAR)	QUARTER 1 ACTUALS AS AT 30 JUNE 2017
2.0		E. L.:			
3.2	All whistle blowing matters reported are investigated	Fighting corruption and promoting good governance	Matters investigated as per policy	Eight whistle blowing issues were reported for the year. Four were completed within 90 days and the other four are still under investigation as it was reported in the last quarter of the year	One matter was reported in the fourth Quarter and is still under investigation
4.	ENVIRONMENTAL PR	OTECTION			
4.1	Implementation of environmental plan	Measure ATNS Carbon footprint	ATNS 2017/18 Carbon footprint inventory report	ATNS carbon footprint quarterly results Q1 – Q4 2016/17	Quarter 1 Carbon Footprint Report completed
		Performance	Environmental performance	Annual ATM environmental	Annual report
		assessment performance assessments		performance report compiled for 2016/17	Environmental Assessment report
5.	TRAINING TO CONTR	IBUTE TO JOB CREATI	ON		
5.1	Address societal	ATS bursaries	Trained ATS and	ATS: 81	ATS: 25
	challenges, thereby building a meaningful legacy	and engineering learnerships		Engineering Learnership: 6	Engineering Learnership: 6
	for ATNS and the Communities in			ETS – GEDP: 10	ETS GEDP: 10
	which we operate			Unemployed Graduates: 12	Unemployed Graduates: 7
5.2	Manage the training pipeline for ATS and	Adoption and approval of HC plan	Achievement of the numbers as per	ATCO 3: 210	ATCO 3: 209
	technical staff	as per budget.	budget	ATCO 2: 30	ATCO 2: 33
		ATS and TS training plan. Operational	Adoption and	ATCO 1: 136	ATCO 1: 134
		or implementation plan	approval of training plan. Compliance	Eng. Techs: 78	Eng. Techs: 78
			with the milestones of the plans	Eng. Satellite Technicians: 5	Eng. Satellite Technicians: 5
5.3	Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines	Development programmes for employees, with emphasis on AIC and women	Training investment as percentage of a salary bill	8,13% Rand value of salary bill	8,15% Rand value of Cost to Company

QUARTER 2 ACTUALS AS AT 30 SEPTEMBER 2017	QUARTER 3 ACTUALS AS AT 31 DECEMBER 2017	QUARTER 4 ACTUALS AS AT 31 MARCH 2018	QUARTER 4 TARGET	ANNUAL ACTUALS 2017/18 (FULL YEAR)	ANNUAL TARGETS 2017/18 (FULL YEAR)	
One matter was reported in Quarter 2. No work could be performed due to inadequate information provided	One matter reported in Quarter 1 was completed in Quarter 3 within 90 days Two matters were reported in Quarter 3. One matter was completed within 90 days, one matter is still under investigation	Investigation of matters reported to be completed within 90 days	There were no matters reported in Quarter 4. One matter received in Quarter 3 was completed in 148 days	Four Whistle blowing issues were reported for the year. Two (2) were completed within 90 days, one matter could not be investigated due to insufficient information provided and one matter was completed after 90 days	Investigation of all matters raised to be completed within 90 days	
Quarter 2 Carbon Footprint Report completed	Quarter 3 Carbon Footprint Report completed	Quarter 4 Carbon Footprint Report	Quarter 4 Carbon Footprint Report	Carbon Footprint Report completed	Carbon Footprint Report	
Annual report	Annual report	Environmental	Environmental	Environmental	Environmental	
Environmental Assessment report	Environmental Assessment report	Assessment report completed	Assessment report (At year- end)	Assessment report completed	Assessment report (At year- end)	
ATS: 25	ATS: 25	ATS: 20	ATS: 20	ATS: 68	ATS: 20	
Engineering Learnership: 6	Engineering Learnership: 6	Engineering Learnership 6	Engineering Learnership 6	Engineering Learnership 12	Engineering Learnership :6	
ETS GEDP: 10	ETS GEDP: 10	ETS GEDP:10	ETS – GEDP - 5	ETS GEDP:10	ETS – GEDP: 5	
Unemployed Graduates: 7	Unemployed Graduates: 7	Unemployed Graduates 0	Unemployed Graduates 16	Unemployed Graduates 7	Unemployed Graduates: 16	
ATCO 3: 205	ATCO 3: 215	ATCO 3: 221	ATCO 3 - 226	ATCO 3: 221	ATCO 3 - 226	
ATCO 2: 34	ATCO 2: 38	ATCO 2: 37	ATCO 2: 37	ATCO 2: 37	ATCO 2: 37	
ATCO 1: 139	ATC0: 135	ATCO 1: 134	ATCO 1: 121	ATCO 1: 134	ATCO 1: 121	
Eng. Techs: 78	Eng. Techs: 78	Eng. Techs: 78	Eng. Techs: 74	Eng. Techs: 78	Eng. Techs: 74	
Eng. Satellite Technicians: 5	Eng. Satellite Technicians: 5	Eng. Satellite Technicians: 5	Eng. Satellite Technicians: 5	Eng. Satellite Techs: 5	Eng. Satellite Technicians: 5	
6,37% Rand value of Cost to Company	4,12% Rand value of Cost to Company	9,90% Rand value of Cost to Company	6% Rand value of Cost to Company	6,52% Rand value of Cost to Company	6% Rand value of Cost to Company	

 14°

ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS	ANNUAL ACTUALS 2016/17 (FULL YEAR)	QUARTER 1 ACTUALS AS AT 30 JUNE 2017
6.	BROAD-BASED BLAC	K ECONOMIC EMPOW	ERMENT		
6.1	Achieve B-BBEE targets	Percentage of discretionary spend on B-BBEE	Achievement of B-BBEE targets as per the Transport Charter	B-BBEE level 3	B-BBEE level 8 – Annual Target
	Achieve preferential procurement targets as set by the Transport Charter	Total discretionary OPEX budgeted. Total CAPEX budgeted	Charter		*Progress towards achieving level 3 will be monitored on a quarterlybasis
7.	EMPLOYMENT EQUIT	Y			
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3)	Achieve representation	Achievement of AIC Target	ATS AIC: 70,01%	69,19% ATS AIC
	AICU I-3)	towards alignment of Company staff profile with the demographics of the country	Achievement of ATS female target	ATS female: 42,43%	39,97% ATS female
7.2	ATNS EE targets	Achieve representation	Achievement of ATNS AIC targets	ATNS AIC: 75,12%	75,84% ATNS AIC
		towards alignment of Company staff profile with the demographics of the country	Achievement of ATNS female targets	ATNS female: 44,88%	45,02% ATNS female

QUARTER 2 ACTUALS AS AT 30 SEPTEMBER 2017	QUARTER 3 ACTUALS AS AT 31 DECEMBER 2017	QUARTER 4 ACTUALS AS AT 31 MARCH 2018	QUARTER 4 TARGET	ANNUAL ACTUALS 2017/18 (FULL YEAR)	ANNUAL TARGETS 2017/18 (FULL YEAR)
B-BBEE Level 6 *Progress	B-BBEE Level 6 *Progress	B-BBEE Level 2 The overall score	B-BBEE level 3 *Progress	B-BBEE Level 2 The overall score	B-BBEE level 2
towards achieving level 3 will be monitored on a quarterly basis	towards achieving Level 3 will be monitored on a quarterly basis	is 69,95 which translates to a B-BBEE Level 2	towards achieving level 3 will be monitored on a quarterly basis	is 85,42 which translates to a B-BBEE Level 2	
72,73% ATS AIC	71,34% ATS AIC	72,27% ATS AIC	68% ATS AIC	72,27% ATS AIC	68% ATS AIC
44,73% ATS female	44,63% ATS female	46,55% ATS female	44%% ATS female	46,55% ATS female	45% ATS female
76,90% AIC	76,66% AIC	76,98% ATNS AIC	76% AIC	76,98% ATNS AIC	76% ATNS AIC
46,12% ATNS female	46,20% ATNS female	47,35% ATNS female	47% ATNS female	47,35% ATNS female	47% ATNS female



Ensure long-term financial stability

ATNS's revenue is based on the number of aircraft movements and the tariff increases and estimates implemented each year. The volume growth is a sum of the growth in movements and the change in aircraft mix.

THREE-YEAR FINANCIAL PERFORMANCE PROJECTIONS

DESCRIPTION	2018/19 BUDGET	2019/20 PROJECTIONS	2020/21 PROJECTIONS	3 YEAR GROWTH
Tariff revenue	1,497,917	1,590,736	1,722,529	4,8%
Other revenue	187,406	195,714	206,062	3,2%
Total revenue	1,685,323	1,786,449	1,928,590	4,6%
Salaries and related costs	1,032,747	1,109,667	1,194,152	5,0%
Traveling expenses	52,405	52,147	56,319	2,4%
Telecommunication expenses	54,310	57,344	61,085	4,0%
Administration fees	92,545	87,536	90,558	-0,7%
Electronic maintenance	93,168	103,639	107,133	4,8%
Professional fees	26,362	24,141	26,073	-0,4%
Other operational expenditure	146,375	135,581	147,830	0,3%
Total operating expenses	1,497,912	1,570,056	1,683,150	4,0%
EBITDA	187,411	216,393	245,441	9,4%
Overhead expenditure	140,595	143,124	179,474	8,5%
Net funding	-71,417	-55,037	-37,552	-19,3%
Profit before tax	118,232	128,306	103,518	-4,3%
Tax	33,105	35,926	28,985	-4,3%
Net profit after tax	85,127	92,381	74,533	-4,3%

Tariff increases

The tariff increases and projections, as contained in the financial plan, are as follows:

TARIFF INCREASES

Description	Actual 2016/17	Actual 2017/18	Budget 2018/19	Projection 2019/20	Projection 2020/21
Traffic movement growth*	-1,9%	-2,4%	2,29%	2,21%	2,18%
Tariff increase**	0%	1,5%	2,15%	0,5%	5,0%

Tariff revenue is expected to grow by an average of 4,8% over the three-year period as a result of an increase in both the tariff and traffic movements.

Other revenue

Other revenue increased by 3,2% over a three-year period, mainly due to the following:

- Revenue earned from SADC VSAT III and NAFISAT networks as a result of increased Flight Information Region (FIR) crossings.
- Technical support rendered to various countries, such as the contract secured with Namibia to provide the Central Aeronautical Database (CAD) services.
- WGS 84 surveys, flight and procedure design projects carried out.
- External training revenue based on training contracts that are currently in the pipeline.
- The increase in small aerodromes due to the negotiated increases in contract renewals and the newly-secured ST Helena contract.

Capital expenditure projections

ATNS will continue to contribute towards the infrastructure development and high-level investment plan for the national transport sector.

Further, ATNS has embarked on a process of consolidating the locations of its Head Office, support functions and core shared services (such as the Area Control Centre). The objective is to centralise these in one campus, namely Isando Property Development bringing more efficiencies, better utilisation of technology and appropriate utilisation of ATNS owned land. This process is in its early stages that include necessary Engineering Studies, Environmental Assessments and consultation with the Industry. We expect that all necessary approvals will be in place in the first quarter of 2019 with construction breaking ground immediately thereafter.

CAPITAL EXPENDITURE PROJECTIONS

The table below outlines our capital investment projections up to 2022.

DESCRIPTION	BUDGET		PROJECTIONS			
	2018/2019	2019/2020	2020/2021	2021/2022		
Communications	50,849,273	20,945,633	69,815,940	77,458,500		
Navigation	98,180,467	104,394,373	59,076,000	47,392,000		
Surveillance	40,391,823	123,735,531	91,925,500	10,176,000		
Display systems	15,053,959	63,257,506	25,425,688	100,024,600		
Simulator and systems	389,781	-	3,526,800	31,741,200		
Software	9,500,000	6,000,000	3,500,000	3,500,000		
General: Buildings	36,500,000	36,500,000	12,500,000	17,500,000		
General: Elect & mech equipment	3,500,000	9,000,000	9,000,000	3,500,000		
General: Test equipment	3,000,000	3,000,000	3,000,000	3,000,000		
General: Tools	1,000,000	1,000,000	1,000,000	1,000,000		
General: Office furniture & fittings	3,000,000	1,500,000	1,500,000	1,500,000		
General: Computer equipment	2,000,000	2,000,000	2,000,000	2,000,000		
Total	263,365,304	371,333,034	282,269,928	298,792,300		



ATM Planning and Research is currently drafting the following Concepts of Operations (CONOPS) to meet the challenges associated with global ATM Technology Developments:

RATS CONOPS

The International Air Transport Association (IATA) expects 7,2 billion passengers to travel in 2035, a near doubling of the 3,8 billion air travellers in 2016. The prediction is based on a 3,7% annual Compound Average Growth Rate (CAGR) noted in the release of the latest update to the Association's 20-year Air Passenger Forecast.

Air Traffic Management seeks to balance air traffic demand with airspace and system capacity allowing for the safe, orderly and expeditious flow of traffic, while minimising delays and ensuring the maximum efficient and equitable utilisation of airspace by the ATM Community.

To ensure that ATNS positions itself as a leader in ATM Service delivery on the African continent, and to align ATNS ATM service structure with global trends, ATNS will take a proactive role on the African continent in the development of seamless airspace and service provision.

ATFM CONOPS

The ATFM CONOPS presents ATNS's future ATFM Concept to balance the demand and capacity for airports and airspace within South Africa and the surrounding region. The Concept builds on existing ATFM/CDM principles and defines the strategy and future CONOPS for the next 15 to 20 years.

Central to this CONOPS is the fundamental concept of balancing air traffic demand and capacity. While ANSPs and airport operators should strive to increase and optimise airspace and airport capacity to meet demand, traffic growth, surges in traffic and capacity constraining events cause imbalances.

The future ATFM strategy and CONOPS will enable ATNS to be at the forefront of ATFM enhancement initiatives in support of the global ATFM concept. To achieve ATFM objectives, improved connectivity, interoperability and predictability will be crucial to ensure optimised planning and management.

The maximised operational, administrative, and maintenance efficiencies obtained through remoting aims to meet the needs of the ATM Community as envisioned in the Global Air Traffic Management Operational Concept, with specific focus on a seamless, globally interoperable ATM System.

PBCS

ICAO, through various meetings, has called for the implementation of performance-based communication and surveillance to reduce separation in the Oceanic Airspace (RNP 4). This will enable states to reduce longitudinal separation from 50NM to 30 NM in the Oceanic Airspace. To successfully implement this technology, there is a need for a regional monitoring centre. ARMA, which is managed by ATNS, has been tasked with the development of the regional monitoring centre and a cost recovery framework. ATNS is developing a PBCS Plan that will enable the Company to fully implement this technology and also leverage existing technology.

Ground-based augmentation system (GBAS)

Navigation and Approach Aids (NAVAIDs) must meet the requirements of accuracy, continuity, availability and integrity specified for each phase of flight. In the past, as the traffic flow increased, the conventional NAVAIDs were not able to provide the flexibility in airspace to absorb this growth. As the development of new concepts and systems occurred, ICAO introduced the Global Navigation Satellite System (GNSS), which allows navigation in all phases of flight and precision approach.

The FAA in the United States is the largest deployer of a GBAS system, and refer to it as a Local Area Augmentation System (LAAS). The advantages of GBAS include the reduction of critical and sensitive areas; curved approach; positioning service; the

provision of service in several runways in the same airport; the provision of several approach glide angles, displaced threshold, and guided missed approach. ATNS is in the early stages of investigating the feasibility of deploying GBAS.

Performance-based Navigation

The South African Performance Based Navigation (PBN) Roadmap details the framework within which the ICAO PBN concept will be implemented in South Africa for the foreseeable future. The South African PBN Roadmap is guided by ICAO Doc. 9613 and relevant SARPS. The primary driver for this plan is to maintain and increase safety, air traffic demand and capacity, and services and technology in consultation with relevant stakeholders. The South African PBN Roadmap also supports national and international interoperability and global harmonisation.

South Africa under the guidance of the DoT will continue to implement and enhance PBN for the State. Air traffic management (ATM) is the dynamic, integrated management of air traffic and airspace including air traffic services, airspace management and air traffic flow management – safely, economically and efficiently – through the provision of facilities and seamless services in collaboration with all parties.

ACC Sectorisation

The current area sectors configuration is inefficient and likely to present scenarios that may infringe on safety performance. The ACC sectors are configured as follows: NW, NE, SE, and SW and it is the NE sector that presents with the most efficiency and safety challenges due to the complexity in airspace layout, traffic flow and the limitations of VHF communication. Challenges are even more prevalent during periods of high traffic volumes. Area Controllers are mainly in favour of re-sectorising the NE sector, (i.e. dissecting the NE sector into two sectors to alleviate complexity, while improving safety and efficiency at the same time). ACC sectorisation will also alleviate communication limitations (i.e. common-frequency forward-relay stations are prone to interference), and enhance communications through optimised

forward-relay deployment and individual sector frequency allocation.

The most efficient and safe sector configuration for the NE sector - considering the limitations of deployed communication equipment - is being developed. This initiative will go a long way to enhance safety and efficiencies at FAOR in conjunction with existing operational procedures and systems.

Gauteng area PBN Plan (GAPP)

The GAPP project stems from a PBN Go Team initiative that was sponsored by ATNS in August 2013. Changes to and development of procedures are required due to the increase of traffic demands within the Gauteng airspace, which has also increased the workload and responsibilities of the existing controller function. Measures had to be considered that will enable the workload of the position to be contained within the acceptable level of safety and service provision parameters and at the same time increase the efficiencies.

The purpose of GAPP is to, amongst others, review procedures and the associated airspace to support PBN Implementation in line with the ATM Roadmap and the National Airspace Master Plan (NAMP).

This project aims to optimise the Gauteng Airspace in terms of reduced track miles, enabling greater efficiencies as well as improved safety. The following GAPP project milestones have been identified:

- Agree on Operational Requirements;
- Create the Airspace Design Team;
- Decide project objectives, scope and timescales;
- Analyse the Reference Scenario Collect data;
- Select Performance Criteria, Safety Policy and Safety Criteria;
- · Agree on ATM/CNS Assumptions;
- Airspace Design Routes and Holds;
- Navigation Analysis of Airspace Design;
- Airspace Design Structures & Sectors;
- Selecting an ICAO Navigation Specification;

OUTLOOK CONTINUED

- Airspace Concept Validation;
- Procedure Design;
- Procedure Validation;
- ATC System Integration;
- Awareness and Training;
- Implementation; and
- Post Implementation Review.

Once completed, the project will enhance safety, improve efficiencies, and

- support traffic synchronisation;
- · conflict management; and
- demand and capacity balancing in the airspace where the highest demand is experienced.

Create a transformative organisation

Employment equity remains a business imperative to ensure that our workplace profile is aligned to national demographics and the integrated transport sector's B-BBEE charter.

The five-year EE plan is intended to transform the ATNS employee profile to reflect national demographics and will be reviewed annually to adjust targets as and when necessary. In line with the Employment Equity Act, the current ATNS fiveyear EE plan encompasses the following objectives:

- Working towards creating a balanced profile of employees within the Company through all occupational categories and levels in the workforce;
- Eliminating any discriminatory practices in terms of race, gender or disability;
- Providing for the Company's present and future requirements for skilled staff, in line with its business plan; and
- Implementing, monitoring and evaluating appropriate measures aimed at redressing the effects of the past imbalances created by discriminatory employment policies and practices.

Build a culture of safety

Safety is the primary driver for the collective efforts of ATNS. The safety performance remains a concern and will continue to receive management attention.

The following are routine activities to drive the safety culture. In addition to identified safety interventions, the following routine activities

ATNS EMPLOYMENT EQUITY TREND AND TARGETS (%) RELATING TO WOMEN AND PEOPLE WITH DISABILITIES

EMPLOYEE CATEGORY	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
Air traffic service – AIC	48,1	49,0	52,33	56,01	62,29	67,45	68,72	68	70	71
Air traffic service – Female	33,5	34,0	35,70	36,82	41,75	38,68	42	45	44	45
Organisation-wide – AIC	58,1	60,9	63,37	67,06	69,56	73,88	74	75	76	77
Organisation-wide – Female	33,9	37,4	38,52	40,92	44,05	43,77	47	47	48	50
PWD	2,76	3,09	2,91	2,85	2,79	2,48	3	3,3	3,5	3,5

support our safety improvement efforts and embed a safety culture in the organisation:

- Yearly safety workshop to discuss safety performance for the last 12 months, identify contributing factors and develop a safety action plan for the following financial year;
- Review and re-energising of daily teleconferences;
- Monthly safety communiqué to communicate safety performance and messages;
- Safety meetings conducted at Unit and Regional levels to discuss safety performance, risks and mitigations;
- Meetings with General Aviation at least once a year to discuss factors contributing to safety events and safety risks and hazards;
- Meetings with Airlines at least twice a year to discuss operational efficiency and safety; and
- Engagements between ATSUs to support enhanced service delivery and safety performance.

Improved Disaster Recovery Plan

This project aims to enhance ATNS's preparedness in the event of business interruptions, which may hinder normal operations. The project will focus on the ATS as it is one of the critical functions of the organisation. The following areas have been highlighted as being at risk when the business has to recover from a disaster and to restore normal operations in the shortest possible time:

- Facilities
- People
- Tools (documents, equipment, procedures etc.)
- Security
- IT
- Suppliers

This project will be implemented in a phased approach, prioritising O.R Tambo. The anticipated outcome is improved resilience of the ATS systems against defined disasters.

Build a skilled and capable employee resource base

Staff wellness

During the year, ATNS performed a survey (the "Barrett Survey") among employees to assess overall organisational wellness. The survey findings revealed that there were certain challenges leading to low employee morale. These included poor levels of communications, working in silos, and a perception of low levels of employee engagement in key organisational and strategic decisions.

In the year ahead, ATNS intends to develop an appropriate response strategy to address the survey findings and will build on other staffwellness programmes already in place. These include:

- ICAS Employee Assistance Programme
- Discovery Health and Bonitas medical aid Programmes
- NMG
- ATNS HR and Wellness Team Programme.

Additional initiatives will include establishing a 'health and wellness' committee, proactively identifying 'at risk' individuals, targeted information and education, the promotion of healthy activities and behaviours, the involvement of executive leadership in programmes, and employee rewards.

Manage the organisation's contribution to climate change

ATNS is committed to implementing more efficient measures in procedure design, which will ensure that aircrafts optimise the airspace to gain not only fuel savings, but also cost savings and ultimately emission reductions. The Company aims to ensure that the deployment of aviation infrastructure has minimal environmental impact and promotes alternative energy sources to contribute to the industry sustainability goals.

OUTLOOK CONTINUED

The outlook for enhancing environmental performance of air traffic management operations will consider the acquisition of an emission reporting tool to measure the efficiency of published procedures, as they pertain to the implementation of Continuous Climb Operations and Continuous Descend Operations from upper airspace and terminal areas.

Going forward, the Company will analyse data received from the ATNS smart energy-metering project to:

- measure and analyse the current energy consumption trends;
- determine a baseline for the major energy users to assist in implementing interventions to lower the Company's energy footprint, and
- monitor and track energy consumption for an efficient energy saving plan.

ATNS's long-term energy efficiency management objectives are summarised as follows:

- · Determine current consumption trends.
- Determine energy reduction targets for each site.
- Review current energy efficiency long term plan.
- Develop a detailed implementation plan.
- Integrate energy objectives in the core organisational plans.

The Operational Efficiency Programme (OEP) identifies airspace design and tactical improvements to enable ATNS, together with its stakeholders, to improve flight efficiency and capacity, as well as to reduce adverse environmental impacts in the terminal areas. In future, improving flight efficiency in our service delivery will become critical.



Develop enterprise-wide awareness for environmental impacts

To ensure that enterprise-wide awareness is created for environmental impacts, ATNS will continue to institute associated training, procedural and operational practices.

Training

For the year ahead, ATNS will implement the following enterprise-wide awareness initiatives:

- E-learning courses.
- Environmental communication plan.
- · Environmental knowledge bank.

Procedures and processes

Environmental assessments of proposed projects will be enhanced through the introduction of procedures and processes to assess all projects from the planning stage to minimise actual and

potential environmental impacts. Environmental compliance audits conducted for the ATNS legal register will culminate in an 'aspects and impacts' register, which will support the development of ATNS's Environmental Management System ISO 14001:2015 implementation plan.

Operational practices

The following operational practices will be implemented to ensure environmental compliance – both in the business' daily practices and its CAPEX investment projects:

- · Performance monitoring scorecard.
- Sustainability policy.
- Enhancement of Sustainability and Environmental Strategy Implementation.
- Environmental Management System ISO 14001:2015 implementation plan.
- Sustainability guidelines.
- Measure operational efficiency to support green agenda (noise, emissions) in ATM Planning and operations.

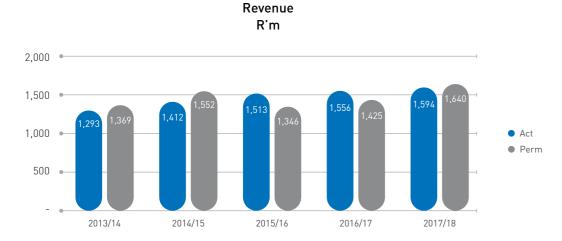
CONSOLIDATED 5-YEAR REVIEW

This section reviews ATNS's financial performance for the regulated business over a five-year period, commencing in the 2013/14 financial year and culminating in 2017/18.

ATNS's operations are funded from revenue and debt from external markets. Revenue is used to fund operating costs, while debt funds capital expenditure. A debt/equity ratio of 45% is the maximum target to maintain a balance between external and internal funding.

The year-on-year performance of revenue, operating costs, staff costs and capital expenditure compared to the Permission is outlined below:

GRAPH 23: OVERVIEW OF PERFORMANCE OF PERMISSION AGAINST ACTUAL REVENUE FOR THE PERIOD 2013/14 TO 2017/18



The permission process has been facilitated under challenging economic conditions over the past five years, with South Africa's low economic growth placing pressure on domestic carriers. Furthermore, the recent downgrade of South Africa by rating agencies is likely to negatively impact the already subdued traffic movements, which could adversely affect ATNS's revenue prospects going forward.

Due to previous Permission Cycle over-recoveries (less asset capitalisation), the Regulating Committee (RC) levied a claw-back of R183 million, resulting in the tariff adjustment increasing by 7.5% (2019), 0,5% (2020), 5.0% (2021), 0.6% (2022) and 2.1% (2023) respectively. However, in line with the applicable Act, ATNS is reviewing the Permission to levy Air Traffic Service Charges awarded by the Regulator on the 6th of August 2018 for the period 2018/19 to 2022/23.

GRAPH 24: OVERVIEW OF OPERATING COSTS FOR 5-YEAR PERIOD 2013/14 TO 2017/18



The actual compound annual growth rate (CAGR) on operating costs from 2013/14 to 2017/18 was slightly below the expected 9.87% at 8.0%. Operational costs remained high at around 73% of revenue and this is expected to continue into the future. A significant portion of this relates to staff costs at 70% of the total operational expenditure, while around 10% of operating costs have a foreign currency component. The latter exposes the Company to foreign exchange fluctuations risk. Different options to counter this risk exposure have been considered, including obtaining foreign exchange contracts to cover material exposure.

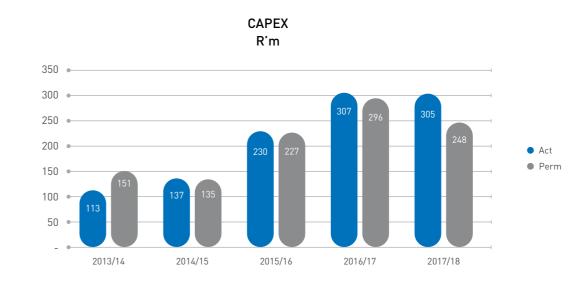
With ATNS competing globally to attract and retain critical ATM skills, it often pays a premium for employees due to the scarcity of their skills in the market and their value to the business. During the year under review, operating costs increased to R1,3 billion, and this included ATNS' staff cost of R885 million (2017: R817 million).

GRAPH 25: OVERVIEW OF STAFF COSTS FOR 5-YEAR PERIOD 2013/14 TO 2017/18



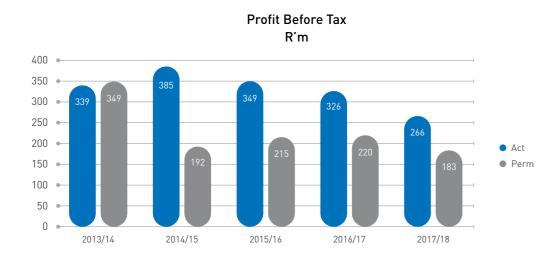
Approximately 60% of staff costs are for air traffic control related services. The Company competes with its international peers for air traffic controllers, resulting in high salaries offered to retain these skills. The Company has considered several mitigating options, including clearing the congestion in the training pipeline to have a sufficient pool of air traffic controllers. Staff costs will remain high for a foreseeable future irrespective of the significant anticipated investment in technology.

GRAPH 26: OVERVIEW OF CAPEX (BASED ON THE CASHFLOW) PERFORMANCE FOR 5-YEAR PERIOD 2013/14 TO 2017/18



CONSOLIDATED 5-YEAR REVIEW CONTINUED

GRAPH 27: PROFIT BEFORE TAX



As stated previously, actual CAGR on operating costs for the five-year period was slightly below the expected 9,87% at 8,0%. Operational costs remained high at around 73% of revenue and this is expected to continue into the future.

The changes in operational costs impacted on the profit before taxation, with the highest impact being experienced in the 2017/18 financial period. The variance between 'actual' and 'permission' is mainly due to, among others, the salaries and related costs being lower than the Permission by R66 million due to vacant positions. The underspending was not anticipated at the time of Permission.



LIST OF ACRONYMS

ACRONYM	FULL NAME
4D	4 Dimensional
AAGR	Average Annual Growth Rate
AASA	Airlines Association of Southern Africa
ABET	Adult Basic Education and Development
A-CAD	African Centralised Aeronautical Database
A-CDM	Airport – Collaborative Decision Making
ACSA	Airports Company of South Africa
ADS-B	Automatic Dependent Surveillance-Broadcast
AFI	African Indian Ocean
AFS	Annual Financial Statements
AIC	African, Indian, or Coloured
AIM	Aeronautical Information Management
AIMO	Aeronautical Information Management Office
AIRPROX	Aircraft Proximity
AIS	Aeronautical Information Service
ANSP	Air Navigation Service Provider
APCH	Approach
APV	Approach with Vertical guidance
ASBU	Aviation System Block Upgrades
ASECNA	L'Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar
ASHFAS	African Symposium on Human Factors and Aviation Safety
A-SMGCS	Advanced Surface Movement Guidance & Control System
ATA	Aviation Training Academy
ATC	Air Traffic Control or Air Traffic Controller
ATCO	Air Traffic Controller
ATFM	Air Traffic Flow Management
ATM	Air Traffic Management or Air Traffic Movement
ATNS	Air Traffic and Navigation Services SOC Limited
ATS	Air Traffic Services
ATS0	Air Traffic Service Officer
ATSEP	Air Traffic Safety Electronics Personnel
ATSU	Air Traffic Service Unit
B-BBEE	Broad-Based Black Economic Empowerment
ВСМ	Business Continuity Management
ВСР	Business Continuity Plan
BSC	Balance Score Card
CAA	Civil Aviation Authority
CAD	Centralised Aeronautical Database
CAEP	Committee on Aviation Environmental Protection
CANSO	Civil Air Navigation Services Organisation
CAPEX	Capital Expenditure
CCO	Continuous Climb Operations
CDO	Continuous Descent Operations
CEO	Chief Executive Officer
CDM	Collaborative Decision Making
JD1*1	Octaborative Decision Making

ACRONYM	FULL NAME
CNS	Communications, Navigation and Surveillance
C02	Carbon di-oxide
CO ₂ e	Carbon di-oxide equivalent
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DEA	Department of Environmental Affairs
DEFRA	UK Department for Environment, Food, Rural Affairs
DG	Director General
DIRCO	Department of International Relations and Cooperation
DME-DME	Distance Measuring Equipment
DoT	Department of Transport
DR	Disaster Recovery
DRP	Disaster Recovery Plan
DTI	Department of Trade and Industry
DVOR	Doppler Very High Frequency Omni-Directional Range
EE	Employment equity
EQ	Emotional Intelligence
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESD	Enterprise Supplier Development
EME	Exempted Micro Enterprise
EMP	Environmental Management Plan
EMS	Environmental Management System
ENVWG	Environmental Working Group
ETS	Engineering Training Services
EXCO	Executive Committee
FAA	Federal Aviation Administration
FAEL	ICAO Code for East London International Airport
FAOR	ICAO code for OR Tambo International Airport
FIR	Flight Information Region
FY	Financial Year
GANP	Global Air Navigation Plan
GAPP	Gauteng Area PBN Plan
GBAS	Ground-based augmentation system
GDP	Gross Domestic Product
GEDP	Graduate Engineers Development Programme
GNSS	Global Navigation Satellite System
GRI	Global Reporting Initiative
GASP	Global Aviation Safety Plan
HC	Human Capital
HR	Human Resources
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICAS	Independent Counselling and Advisory Services
ICT	Information Communication Technology

LIST OF ACRONYMS CONTINUED

ACRONYM	FULL NAME
id site	Identification Site
IFATSEA	International Federation of Air Traffic Safety Electronic Association
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
ILS	Instrument Landing System
ISO	* :
IT	International Standards Organisation
	Information Technology
Kg	Kilogram
KPI	Key Performance Indicator
kWh	Kilo Watt Hour
KZN	KwaZulu-Natal
L	Litre
LAAS	Local Area Augmentation System
MANCOM	Management Committee
MC	Management Control
MHZ	Mega Hertz
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
MWh	Mega Watt Hour
NAFISAT	North Eastern African-Indian Ocean VSAT Network
NAMP	National Airspace Master Plan
NAVAIDS	Navigation and Approach Aids
NDP	National Development Plan
NEM	National Environmental Management
NEMA	National Environmental Management Act
NEM:PA	National Environmental Management: Protected Areas Act
NG0	Non-Governmental Organisation
NQF	National Qualification Framework
0EM	Original Equipment Manufacturer
0EP	Operational Efficiency Programme
OJTI	On-the-Job Training Instructor
OPSCOM	Operations Committee
ОТ	Operations Technology
PBN	Performance-Based Navigation
PFMA	Public Finance Management Act
PM0	Project Management Office
PP	Preferential Procurement
PPM0	Portfolio and Programme Management Office
PWD	People with Disabilities
QSE	Qualifying Small Enterprise
RANP	Regional Air Navigation Plan
RC	Regulating Committee
R&D	Research and Development
RNAV	Area Navigation

ACRONYM	FULL NAME
RNP	Required Navigation Performance
ROCE	Return on Capital Employed
RSA	Republic of South Africa
RSI	Risk Safety Index
R/T	Radio Telephone
SACAA	South African Civil Aviation Authority
SAAF	South African Air Force
SAAST	South African Agency for Science and Technology Advancement
SADC	Southern African Development Community
SANAS	South African National Accreditation System
SANS	Saudi Air Navigation Services
SARP	Standards and Recommended Practice
SAWS	South African Weather Service
SCM	Supply Chain Management
SDG	Sustainable Development Goal
SEC	Social and Ethics Committee
S-ED	Socio-economic Development
SID	Standard Instrument Departure
SIEM	Security Information Event Management
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SMS	Safety Management System
SOP	Standard Operating Procedure
SSS	System Support Suite (SSS
STAR	Standard Terminal Arrival
Steercom	Steering Committee
STEM	Science Technology Engineering and Mathematics
TECD	Top Employers Certification Dinner
TETA	Transport Education Training Authority
TS	Technical Services
UMFA GTS	Utility Management for Africa
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
VHF	Very High Frequency
VNAV	Vertical Navigation
VSAT	Very Small Aperture Terminal
Wake RECAT	Wake Turbulence Re-Categorisation
WAN	Wide Area Network
PWD	People with Disabilities
WGS-84	World Geodetic System 1984
WMP	Waste Management Plan
XTRAX	ATNS internal safety incidents reporting system
ZAR	South African Rand

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