

The background of the cover is a dark, high-angle aerial photograph of a city at night. The city lights are a mix of warm yellow and orange, and cooler blue and green. Numerous bright, white and blue streaks crisscross the sky, representing flight paths or radar tracks. The overall scene is dynamic and futuristic.

# 2020

**INTEGRATED REPORT**  
AIR TRAFFIC AND NAVIGATION SERVICES  
SOC LIMITED



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## Our report navigation

Throughout our reporting suite, the following icons are used to show the connectivity between sections. The navigation icons are used to link our strategic pillars and resources to our materiality themes and key performance indicators.

### Capitals

- Financial capital
- Human capital
- Intellectual capital
- Manufactured capital
- Natural capital
- Social and relationship capital

### Strategic pillars

- Service excellence
- Sustainability
- Innovation

### Materiality themes

- Safety and health, first and foremost
- Operational and financial resilience
- Technology and industry future-proofing
- Sound governance and regulatory compliance

### Key performance indicators

- Actual performance met or exceeded
- Actual performance almost met target
- Performance did not meet target

### Selected Sustainable Development Goals

As part of our 2025 strategy, we have prioritised the following sustainable development goals (SDGs) to ensure our business is environmentally, socially and economically sustainable:

- Good health and well-being
- Gender equality
- Affordable and clean energy
- Decent work and economic growth
- Sustainable cities and communities
- Climate action
- Life on land
- Peace and justice strong institutions



**We pride ourselves on providing safe and efficient service across the African skies.**

## Our reporting suite

We are committed to report openly and honestly to our broad range of stakeholders. Our reporting suite comprise our:

### IR Integrated Report

Our integrated report is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation story.

### AFS Annual Financial Statements

The annual financial statements provide a comprehensive report of ATNS's financial performance for the year.

### IV King IV Application Register

A schedule of our application of the King IV Report on Corporate Governance for South Africa 2016 is available on our website at: [https://atns.com/reports/2020/ATNS\\_KingIV.pdf](https://atns.com/reports/2020/ATNS_KingIV.pdf).

### GRI GRI Index

Our GRI index summarises our disclosures, many of which are cross-referenced to this IR, as they relate to our economic, social and environmental impacts. A copy of the GRI is available on our website at: [https://atns.com/reports/2020/ATNS\\_GRI\\_Report.pdf](https://atns.com/reports/2020/ATNS_GRI_Report.pdf).

### Our reporting suite is in compliance with:

- The Companies Act (No. 71 of 2008) as amended (Companies Act)
- King IV Report on Corporate Governance for South Africa 2016 (King IV)
- International Financial Reporting Standards (IFRS)

### Feedback

Help us to understand what matters to you, by sending your comments and feedback on our IR to [marketing@atns.co.za](mailto:marketing@atns.co.za).

### In addition, our reporting suite aligns to:

- The International Integrated Reporting <IR> Framework (the <IR> Framework)
- The GRI's Sustainability Reporting Standards (GRI standards)

## About ATNS

- At Air Traffic and Navigation Services SOC Limited (ATNS), we pride ourselves on providing safe and efficient service across the African skies.
- We are responsible for the provision of air traffic control services throughout South Africa, as well as a large part of the Indian and Atlantic Ocean regions, which comprise approximately 6% of the world's airspace.
- We strive to be the leading provider of air traffic management solutions in Africa; providing quality service, client satisfaction and ethical leadership.
- We operate in South Africa and across the African continent.
- We were established in 1993 in terms of the ATNS Company Act (No. 45 of 1993) for the acquisition, establishment, development, provision, maintenance, management, control and operation of air navigation infrastructures, air traffic services and air navigation services.
- Given our analysis of the broader macro-environment, we implemented a progressive 2025 strategy which will ensure that we are far better-placed to achieve our vision of being a leading provider of air traffic management solutions.

### Who we are:

A trusted provider of safe and efficient air traffic management services in South Africa and across the African continent.

### Sustainable economic development is at the core of our strategy:

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, ATNS's sustainable development framework supports our relationship within the social systems, ecosystems and economic systems we operate in and our tailored programmes enable us to achieve our broader economic, social and environmental agenda.

As a state-owned company and national provider of air traffic management services, ATNS is proud to play a significant role in contributing to South Africa's sustainability and economic development agendas; thereby supporting the United Nations Sustainable Development Goals from a global perspective, the South African National Development Plan 2030 from a national perspective, and the ICAO and other industry goals.



## Our reporting approach

### Integrated thinking

We understand that sustainable value creation does not happen in isolation. In fact, it is only through the careful consideration of the relationship between the capitals that we use or affect, and the potential trade-offs inherent in our strategic choices, that we can deliver on creating sustained value for all stakeholders over the short, medium and long term.

### Boundary and scope

This IR reviews our financial, operational, environmental, social and governance performance for the financial year from 1 April 2019 to 31 March 2020. This IR covers the activities of ATNS as a legal entity including our agreements and arrangements outside of South Africa. In assessing the issues that materially impact value creation, we have looked beyond the financial reporting boundary to provide for the material interests of relevant stakeholders and to address the significant risks, opportunities and impacts associated with

our activities. We have used top risks and opportunities arising from our operating context and stakeholder relationships as key in determining which material matters to report on. The IR seeks to provide a balanced and transparent account of how we create value through our use of and impact on the various capitals and material events up to the date of approval. Unless otherwise indicated, the information presented is comparable to that of prior years, with no significant restatements.

### Materiality

This report aims to disclose information about matters that substantively affect our ability to create value over the short, medium and long term. For us, short term refers to the next year, while 12 months to 3 years is considered medium term. Anything beyond that is deemed long term.

We discuss our materiality determination process on page 31 of this IR, including the grouping of our 11 material matters into 4 materiality themes.

### Integrated risk management approach

ATNS believes that an effective risk governance model contains checks and balances to support the appropriate consideration of risk and opportunity management throughout the organisation. We have adopted an integrated risk management approach to enhance our operational practices, decision-making and priority-setting, to better respond to stakeholder needs.

### Internal controls framework

Our board, with the support of our Audit and Risk Committee, is ultimately responsible for ATNS's system of internal control; designed to identify, evaluate, manage and provide reasonable assurance to our shareholder and stakeholders. We apply a combined assurance model, which seeks to optimise the assurance obtained from management as well as internal and external assurance providers while fostering a strong ethical context and mechanisms to ensure compliance.

The process is monitored and evaluated under the direction of internal audit, while external audit teams cover key controls and accounting matters in the course of their audits. Other levels of external assurance are obtained as and when required.

Various aspects such as key performance areas of our IR are independently assured by external assurance providers, in this case, Nexia SAB&T Auditors. For more details, please refer to the independent auditors' report on page 16 to 20 of our AFS.

### Outlook

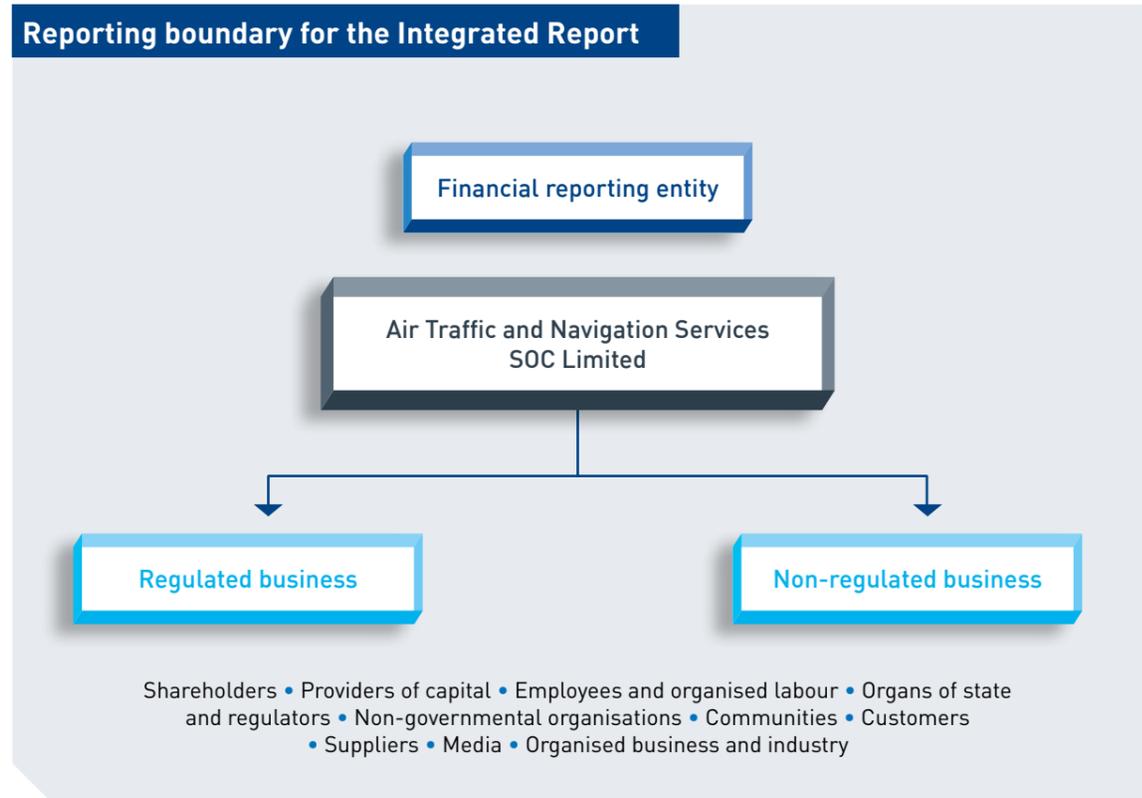
Outlook information is considered to be information that outlines the challenges, opportunities and uncertainties we are likely to encounter in pursuing our strategy, and the potential implications for our business model and future performance. Outlook information can be found throughout this IR; however, the majority of this information can be found in the section of the IR relating to 'Our Performance' in chapter 05.

### Statement of precautionary principle

This IR shows our performance from 1 April 2019 until 31 March 2020.

The global coronavirus pandemic first impacted South Africa and our business in March 2020, the final month of the reporting period and, as a result, we did not reach all of our projections during this time. Ongoing developments continue to have an unprecedented impact on the world, South Africa, and, notably, on our mandate and business.

This IR may contain forward-looking statements with respect to ATNS's future performance and prospects. While these statements represent our judgments and future expectations at the time of preparing this IR, a number of emerging risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance, including how the COVID-19 pandemic may unfold globally and in South Africa.



## Board responsibility statement

ATNS's board of directors acknowledges our responsibility to ensure the integrity of our 2020 IR. The board, supported by the executive committee, believe this IR addresses all matters that have, or could have, a material effect on our ability to create value. We have applied our collective mind to the preparation and presentation of information in this IR, and believe it adequately reflects the use of and effects on the capitals, and the manner in which the availability of these capitals is impacting ATNS's strategy and business model.

We, as the board, believe that this IR has been prepared in accordance with the <IR> Framework. This IR also contains standard disclosures in accordance with the GRI Standards.

This report was approved by the board on 18 September 2020 and signed on our behalf by the Chairperson of the board.

**Simphiwe Thobela**  
Chairperson  
18 September 2020

## Overview of ATNS

During the year, we reviewed and revised our vision, mission and strategic focus areas, to better support our mandate as a state-owned company and our common objectives to be operationally and financially resilient and to continue to play a significant role in contributing to South Africa's sustainability and economic development agendas.

### Our vision

**To be a leading provider of air traffic management solutions on the African continent.**

We are proud of our African heritage and the strong reputation we created during our 26-year history; offering leading air traffic management services, fostering trusted stakeholder relationships and supporting the African developmental agenda.

In all that we do, we seek to deliver sustainable, long-term value to our stakeholders.

### Our mission

**To be a safe and efficient provider of air traffic management solutions.**

We seek to achieve our mission through our talented people, our technology advancements, sound governance and operational and financial sustainability.

### Our values

- 📍 We ensure that **safety and customer service** remain at the core of all that we do
- 📍 We encourage **employee engagement** and their development
- 📍 We value and promote **continuous improvement** and innovation
- 📍 We drive **fairness and consistency** in our actions
- 📍 We take **accountability** for our individual, team and organisational performance
- 📍 We foster **open and effective communication**



## Our year in review

This past financial year was one of transition for us at ATNS. We closed out our 2020 strategy and formulated our 2025 strategy and corporate plan; ensuring that we continue to drive sustainable value creation over the short, medium and long term. We sharpened our focus on our core strengths, in investigating longer term business growth opportunities in South Africa and further afield. Notwithstanding an extremely challenging macro-environment and the uncertainty brought about by a novel strain of the coronavirus, we maintained our course and delivered solid results across our key performance areas.

### Safety and health

We took significant strides forward in improving our safety performance across a range of metrics. We proactively and decisively responded at the outset of the COVID-19 global pandemic.

### Sustainability

Sustainability remains at the core of our business. We continued to positively contribute to the sustainable development goals and further advanced our corporate social investment, enterprise and supplier development and skills development initiatives. Our environmental projects are progressing well, as we look to increase our investments in this area in the foreseeable future.

### Innovation

Our R&D and technology teams are putting plans in place to ensure that we continuously develop the right technologies and skill sets to remain at the forefront of business modernisation and digital transformation developments. We continue to reward and recognise good ideas through our annual Innovator competition.

### Top-class training

We continue to be recognised for our best-practice aviation navigation and aviation safety programmes in Africa and the Middle East.

### Service excellence

We have been working hard to exceed our customer needs and expectations, through more regular engagements and a broader service offering.

### Agile 2025 strategy

We updated our vision and mission to cement our reputation as a leading provider of air navigation services in Africa. At the same time, we formulated our 2025 corporate strategy and plan, which is underpinned by 3 strategic pillars: service excellence, innovation and sustainability.

### Sound governance

We conducted several corporate governance assessments during the year, including those relating to enhanced governance decision-making protocols, improved board effectiveness and a robust ethics management framework. The key outcomes of these assessments are being actioned and are on schedule to be implemented in the next financial year.

### Awards

We were winners in the following categories at the 2019 Civil Aviation Awards: transformation, people development and training and development. In addition, we were runner-up in the customer service category.

### Employer of choice

We garnered further accolades in the year and remain one of South Africa's top employers. Our ongoing commitment to our people makes this possible.

### Operational and financial resilience

Despite a challenging global macro-environment and the curtailment of air travel as a result of a novel coronavirus outbreak, our operational and financial performance remained stable across our key performance areas. To achieve our growth potential, we continue to expand our non-regulated business; providing a broader product and service offering.



## CHAIRPERSON'S STATEMENT

**Simphiwe Thobela**  
Chairperson

As we reflect on the global uncertainties brought about by the coronavirus pandemic, we are working with our shareholder, our customers, suppliers, business partners and governments, to ensure that, as an industry sector, we are better able to weather the current storms not only in South Africa but also on the African continent.

## Repositioning for long-term value creation

Dear stakeholder

Our 2020 financial year marked the end of a transformational period for ATNS and ushered in a repositioned organisation with a clear vision of being a leading provider of air traffic management solutions in Africa. This clarity of focus together with a sharpened mission to do so safely and efficiently will enable us to further cement our regulated business, in spite of global macroeconomic uncertainties, while creating new partnership and growth opportunities within our non-regulated business.

In recent years, we significantly enhanced our customer experience, notwithstanding ongoing capacity constraints. We continued to invest in our colleagues, in enhanced technologies, in improved facilities, in tried and tested governance processes and in remaining agile and resilient whatever the macro-environment.

### Updating our strategy to ensure resilience and agility

During the 2020 fiscal year, as part of our strategy review exercise, the board engaged the executive committee in a series of workshops. These sessions, supported by detailed preparatory work, enabled the board to deepen our understanding of the factors shaping our external environment and to productively engage with the executive team on our 2025 strategy. In our discussions, the board emphasised the importance of striking the right balance between seeking out new revenue-generating opportunities within the non-regulated parts of the business and through industry innovations while at the same time ensuring that our core regulated business is safely and efficiently run. The board also reiterated the importance of adopting a strategy that is both agile and resilient and one which will ensure a robust organisation despite mounting macro-economic uncertainty, global socio-political instability and any unforeseen risks and opportunities.

To deliver on our vision and provide our customers with premier air traffic management solutions, we needed to reshape our strategic focus areas;

thinking beyond the here and now and even further ahead than the formal boundaries of our 2025 strategy. To be effective as a leading provider of air traffic management solutions on the African continent, we need to be responsive to global trends. Our customer requirements are evolving; health and safety concerns have been elevated and environmental pressures are increasing. Additionally, to stay competitive and meet the demands of our stakeholders, we are looking to adopt digital solutions and becoming more agile in the way we operate.

In developing our 2025 strategy, we considered both opportunities and risks, informed by developments in the world in which we operate. Our strategy keeps us focused, setting a clear path to deliver sustainable growth and ongoing value for all our stakeholders over the near, medium and long term. Alongside our strategic focus areas, we have defined a number of targets to measure our executive team and organisational performance. As a board, we continually monitor performance against these targets and when necessary, revise them to take into account changes in the global and industry playing field, mega-trends and, of course, our strategic outlook. Importantly, our short-term targets are aligned to our long-term strategic objectives and are implemented organisation-wide. They encompass both financial and non-financial indicators as well as quantitative and qualitative factors.

### Scenario-planning in the wake of a global pandemic

Despite a shareholder-approved 2025 strategy, our business-as-usual activities and execution plans were interrupted by the outbreak and spread of the novel coronavirus (COVID-19). This global pandemic has impacted all of our lives in ways we could not have imagined. I am immensely proud of our ATNS executive team and our broader employee base who rose to the occasion during these extremely difficult times. The determination, delivery and devotion from the whole ATNS team is enabling our services to continue to function during this intense period of uncertainty and humanitarian need.

Our customers have relied on the critical support we provide, especially in instances where cross-border travel has been curtailed. The services and solutions we provide have helped businesses to continue to operate, albeit during a period of extended physical isolation and limited travel; facilitating the transportation of much-needed food and medical supplies to city centres and more remote locations; enabling repatriation and business travel and ensuring that governments, both on the African continent and beyond, can lead their state of emergency response effectively.

Exacerbated by the COVID-19 pandemic, for the reporting year, aircraft movements recorded a year-on-year decline of 7.59%. This percentage is expected to decline further in the coming years, due to the anticipated longer term impacts of the pandemic and the resultant global economic downturn and sluggish recovery.

In assessing the immediate as well as the longer term impacts of the COVID-19 pandemic, the board requested the executive committee to run a range of scenarios to assess the resilience of our business model and revenue-generating streams. In tandem, we asked that the executive team propose regulatory interventions as well as adjacent business development areas, to ensure sustainable and long-term value creation and to overcome the current and longer term effects of the pandemic. Our executive team has also been working with our Honourable Minister and his advisors in evaluating sector-related proposals which will serve to limit financial hardship while not compromising on the health and safety of people.

We have updated our strategy and corporate plan, taking into account the short- to longer-term impacts of the coronavirus pandemic. This updated plan was tabled before Parliament at the end of August 2020 and, although, closely aligned to our original 2025 strategy, incorporates adjusted key performance indicators, given changes to the external environment and our assessment of the shifting sector landscape in the next 18 months.

## Driving a resilient financial performance

Despite the tough macroeconomics and negative global growth, for the financial year under review, we recorded an increase of total revenue by 0.36% to R1 673 million (2019: R1 668 million). This notwithstanding the following uncontrollable factors:

- 📍 our core revenue arising from aerodrome, en-route and approach fees decreasing by 1% to R1 463 million (2019: R1 479 million);
- 📍 revenue-generating air traffic movements decreasing by 4.4% to 306 000 (2019: 320 000); adversely impacting our regulated revenue streams;
- 📍 a limited tariff increase of just 0.5% compared to 7.5% in 2018/19; and
- 📍 travel restrictions, as a result of the COVID-19 pandemic, toward the end of the financial year.

Our balance sheet maintained its strength with a liquidity ratio of 5.6:1 (2019: 4.6:1) and gearing at 3.4% (2019: 0.3%). This puts ATNS in a better position to raise funding for both imminent capital expenditure and to continue to buffer the financial hardship our sector is experiencing in the wake of the global pandemic.

## Enhancing our technology and skills base

Even before the outbreak of the COVID-19 pandemic, our ambition was to transform our business from a conventional air traffic management business into a future-proofed, digital company that plays a leading role in the aviation sector on the African continent. We are identifying opportunities to develop and, where not possible, acquire the necessary digital skills to future-proof the organisation. We continue to invest significantly in the infrastructure, technologies and organisational culture needed to deepen our

people-centred customer and partner focus and to enhance employee engagement.

Our strategic ambitions are informed by our drive to be a purpose-led company: providing safe and efficient air traffic management solutions while playing a meaningful role in promoting sustainable sector transformation on the African continent.

## Promoting good governance

In 2019, as part of the board's ongoing commitment to continuous improvement, we appointed external specialists to evaluate our effectiveness as a governing body and to identify areas of focus. The external assessment found that we have well-functioning governance structures with a good balance of skills and experience, although the board would benefit from specialist functional expertise in the areas of public affairs, human resources and public sector supply chain management. In addition, the independent review found that detailed governance processes clarifying roles and responsibilities and decision-making protocols would serve as an important supplementation to our existing framework. To implement our augmented governance framework with related decision-making procedures and processes and to aid the board in identifying suitable functional specialists to enhance our oversight role, we appointed Ms Lindelwa Mngomezulu as Company Secretary, effective 1 January 2020. I extend my personal support to Lindelwa in undertaking this important task for both the board and the executive team, the details of which are summarised in the 'Our Governance' chapter of this [IR](#).

Our Interim Chief Executive Officer, Mr Thomas Kgokolo, concluded his term at the end of the financial year and, effective 1 April 2020, resumed his role as a non-executive director of our board. Pending the appointment of a permanent Chief Executive Officer, as approved by our shareholder, and to ensure continuity and effective executive management, the board delegated the accountabilities and the authority of the Chief Executive Officer to Mr Dumisani Sangweni, the

Executive: Strategy and Optimisation. Dumisani has served as an Executive in the Office of the Chief Executive Officer over several years, prior to which he was the Executive: Human Capital, and has deep insights into the air travel sector and the organisation as a whole. I have no doubt that the board will be well-supported by the Chief Executive Officer Delegated and his executive team during this all-important period of repositioning. On behalf of the board, I would like to extend my personal thanks to both Thomas and Dumisani for stepping in to assist at a crucial junction and to the executive management team for their ongoing commitment and for ensuring the seamless, albeit temporary, executive transition.

Outside of the support we receive from the executive team, the ATNS board was aided in our oversight function by the board committees and our board members who each bring the depth in expertise and diversity in experience needed to promote ethical and decisive leadership and to provide effective oversight of the organisation's performance and strategic direction. I extend my gratitude to my fellow board members for their wisdom, insight and energy in guiding ATNS to yet another stable financial and operational performance.

## The year ahead

Coupled with our shareholder-approved 5-year strategy and given the extremely uncertain environment we find ourselves in, our organisational top priorities for the remainder of the 2020 calendar year entail a rigorous focus on key factors within our control – ensuring safe and efficient operations, developing talent, utilising technologies to our advantage, maintaining tight cost discipline and driving our broader sustainability agenda.

Looking towards the 2021 financial year, we will be providing an update on the progress made in implementing our 2025 strategy and in strengthening our governance decision-making systems and processes. In the coming year, we also look to conclude on the permanent appointment of the Chief Executive Officer.

Our commitment to well-considered decisions for the long-term future of our business is unwavering. While recent events have created significant short-term challenges, through our scenario-planning exercise, we are confident our business model remains robust and we have a clear runway to resume value creation. These will be driven alongside focused efforts to actively manage the balance sheet.

We thank the Honourable Minister FA Mbalula and his team for their counsel and our partners and colleagues for their ongoing dedication and reiterate our firm intent to secure the future of our organisation; seeking out new opportunities wherever prudent. As we reflect on the global uncertainties brought about by the novel coronavirus pandemic, we continue to work with the Department of Transport, our customers, suppliers, business partners and governments to ensure that, as an industry sector, we are better able to weather the current storms not only in South Africa but also on the African continent.

The board and I am encouraged by the fact that ATNS has the right people, strategy, business focus and culture to deliver on our ambitions of becoming a leading provider of air traffic management solutions that plays a meaningful developmental role in the markets in which we operate. We look to the future with both hope and optimism.

Wherever you may find yourself, please stay safe and well.



**Simphiwe Thobela**  
Chairperson  
18 September 2020

# 2



## Our organisation at a glance

At Air Traffic and Navigation Services SOC Limited (ATNS), we are responsible for air traffic control and pride ourselves on ensuring sky safety across 6% of the world’s airspace. We foster thought-leaders who are dedicated to service excellence, technological innovation and sustainability.

### Beyond air traffic control

Our services extend beyond pure air traffic control into the provision of vitally important aeronautical information used for all flight planning purposes. We are also involved in search and rescue coordination activities and the maintenance of a reliable navigation infrastructure.

Underpinning all that we do is a consideration of three key areas: people, partnerships and the planet. Our strap line: ‘unlocking winning partnerships’ reinforces the importance we place on collaboration with the aviation industry and specific role players, to ensure that the level of excellence of our air traffic management solutions remains best-in-class.

In providing safe and efficient air traffic management solutions, we need to attract, develop and retain highly skilled air traffic controllers supported by a world-class communications, navigation and surveillance infrastructure as well as establishing sound partnerships with a wide range of stakeholders across the continent and globally.

### Our status as a state-owned company

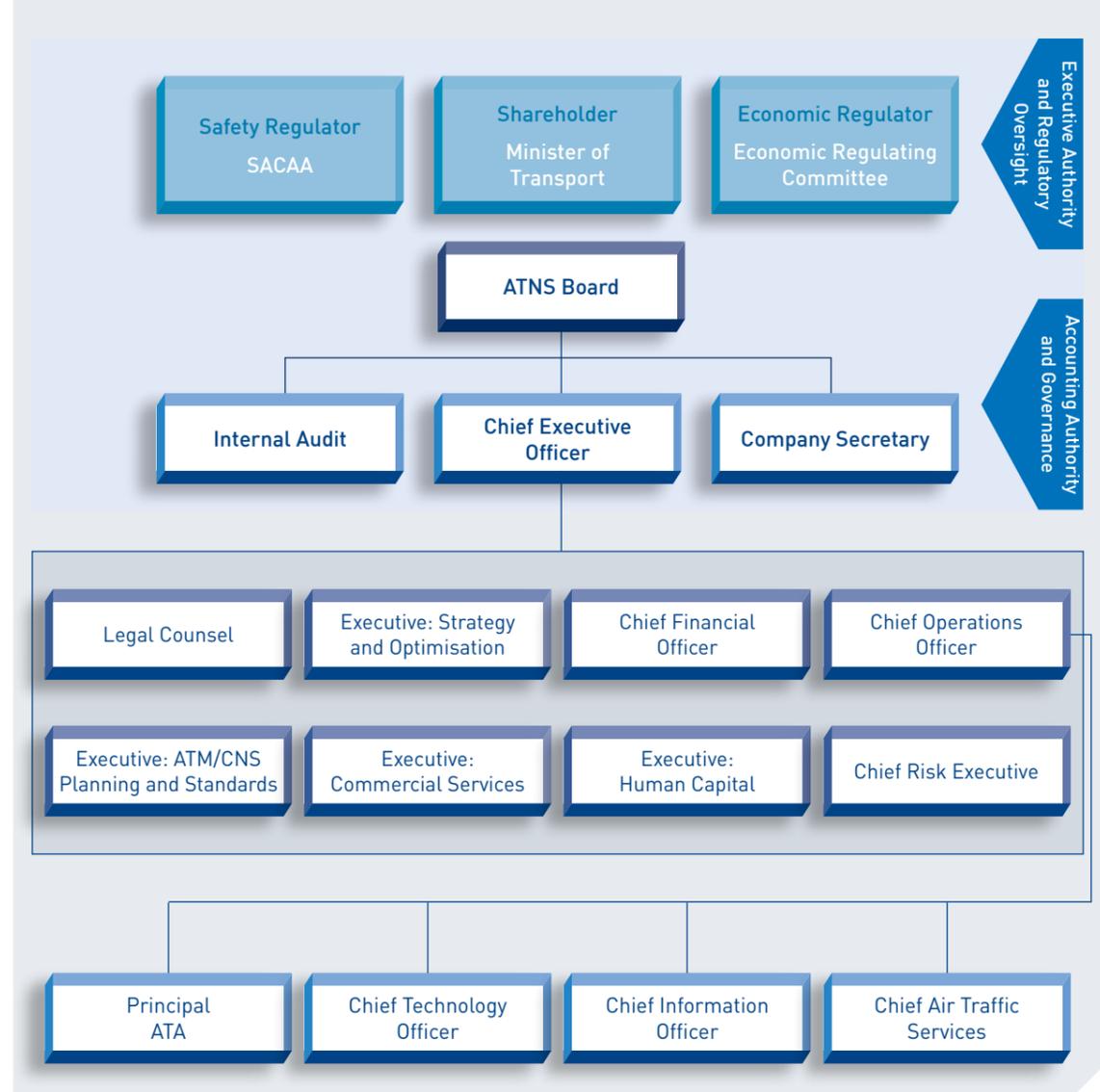
We rely on current revenues and debt funding for our operational and capital expenditure requirements. As a state-owned company, we are governed by South Africa’s legislative and administrative framework, with section 11 of the ATNS Company Act (No. 45 of 1993) specifying our key deliverables, which include safe, efficient, economic and profitable operations. Our board of directors is appointed by the Minister of Transport, who, on behalf of the South African government, is the sole shareholder of ATNS.

In delivering on our mandate, we need to remain financially sustainable in the long term while, through our operations, making a significant contribution to the aviation industry and to the country’s developmental goals. Our stakeholder relationships, both on the African continent and globally, help us position ATNS as a significant player in the global civil aviation industry arena.

ATNS is regulated by the Economic Regulating Committee, which is a statutory body formed and appointed by our shareholder, the Department of

Transport. The Economic Regulating Committee is empowered by the ATNS Company Act to issue a permission to ATNS. The permission regulates the increase in specified tariffs that we can issue and determines minimum service standards for our regulated business. Through the permission, ATNS is authorised to levy air traffic service charges on aircraft operators for the use of air navigation infrastructure and the provision of an air traffic service. Each permission has a five-year cycle, with our current permission in place until 2021.

### Corporate structure



## Our business areas

We are structured along two primary business lines: regulated (being our core business in South Africa) and non-regulated (being our international growth partnerships and related activities). Both of these divisions are supported by our enabling functions at the corporate centre: finance, human capital, risk, compliance and information technology.

During the reporting period, our regulated business contributed approximately 88% to the total turnover of the company, while the remainder was derived from non-regulated business activities. The slight decline reported from the previous financial year is attributed to a decrease in tariff-generating movements.

Our regulated business comprise three core revenue-generating streams:

- 📍 communication, navigation and surveillance infrastructure
- 📍 auxiliary aviation services, which includes aeronautical information publications, flight procedure design and aeronautical surveys
- 📍 air traffic management

In expanding our non-regulated business, we are seeking to develop innovative packages for the future needs of the private sector and the air travel and aviation industry in Africa. Through our non-regulated business, we currently provide clients with ancillary services such as air traffic control, technical support, engineering training, procedure design, communication, navigation and surveillance equipment, installation and commissioning, consulting and sophisticated satellite communication technologies. We are evaluating additional products and services that will further cement our position as a leading transnational supplier of air traffic management solutions and associated services.

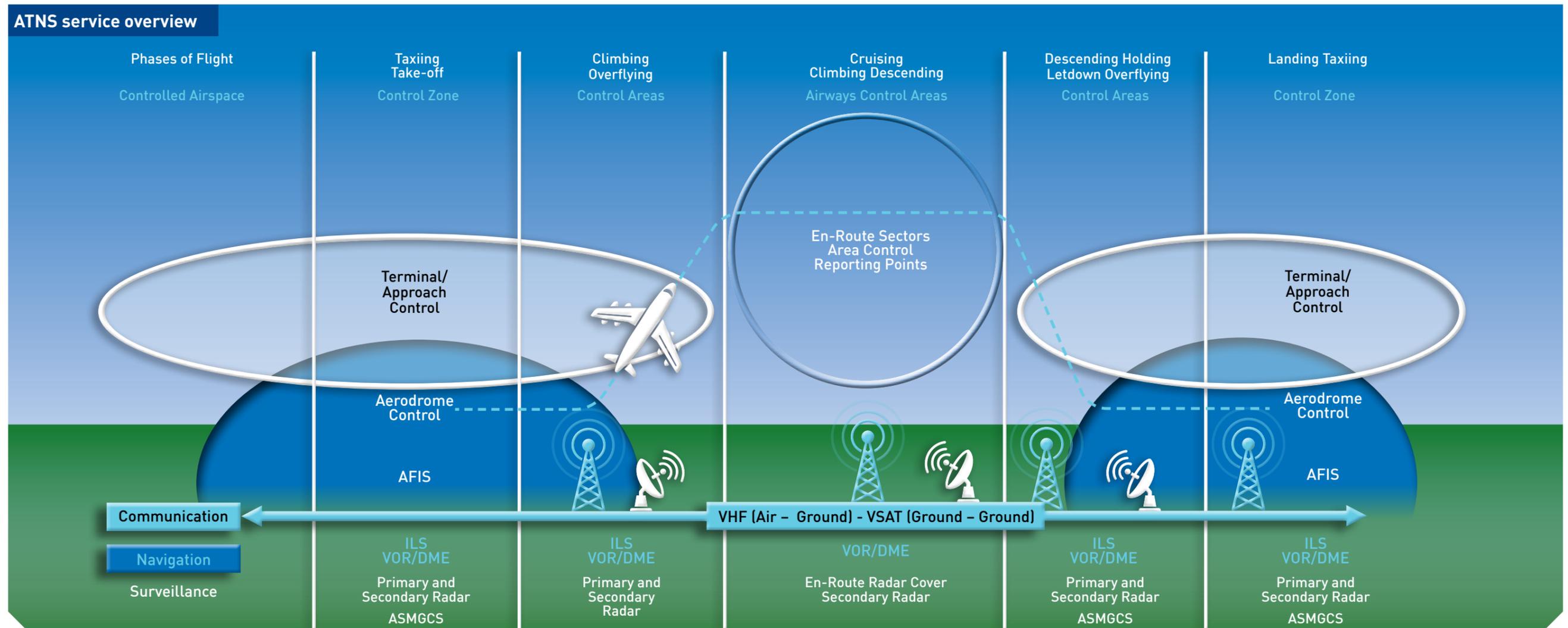
Alongside our regulated and non-regulated areas, we also provide ancillary services to support seamless gate-to-gate operations. This concept encompasses the taxi-out and departure, climb out, cruise, descent, arrival, landing and taxi-in phases of a flight. Our air traffic management services are enabled by an advanced air traffic management system, which is deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units. These units use enabling technologies including communication, navigation and surveillance systems.

In extending our support services, we maintain that we are uniquely placed to help airline and airport customers to realise value by delivering more airspace services. We understand the complex interactions at each stage of a flight between airlines, airport operators and aviation navigation service providers and actively promote the benefit we can provide from fuel-efficient flight profiles, approaches and departures; minimising delays, through rigorous arrival and departure management.

## Our Aviation Training Academy

Our Aviation Training Academy is the premier provider of air traffic management training on the African continent. Courses offered include air traffic services and air traffic services' electronic personnel training. In addition, our academy offers a wide range of aviation-related and safety-related courses. Our students, many of whom are employed by our client companies, come from throughout Africa and the Middle East.

At ATNS, we speak of 'safety first, safety always', and through our academy we are also able to provide insights into best-practice safety procedures; equipping our students with the skills and knowledge to successfully take on the challenges of air traffic management and other related aviation services.

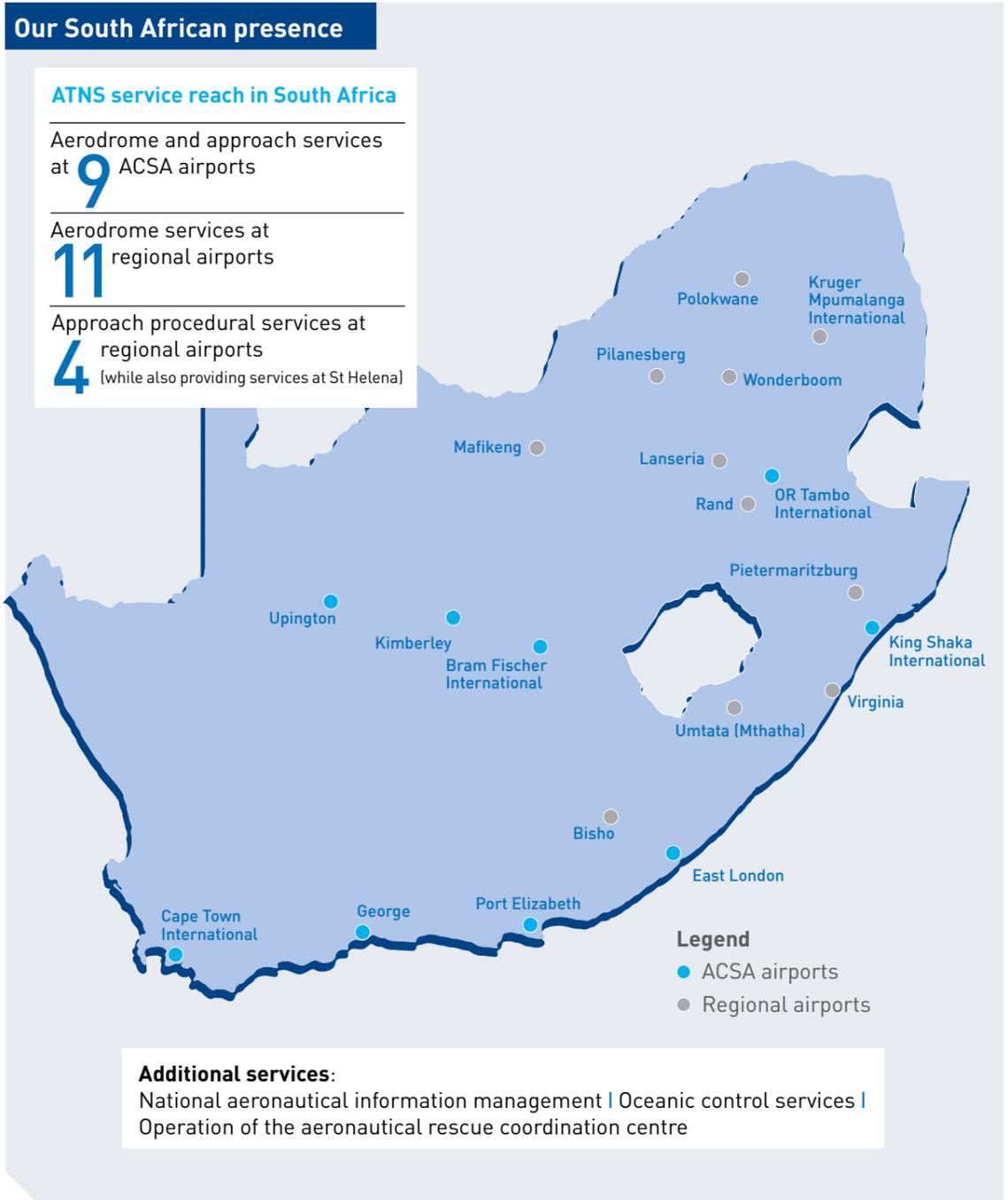


# Our geographic reach and services

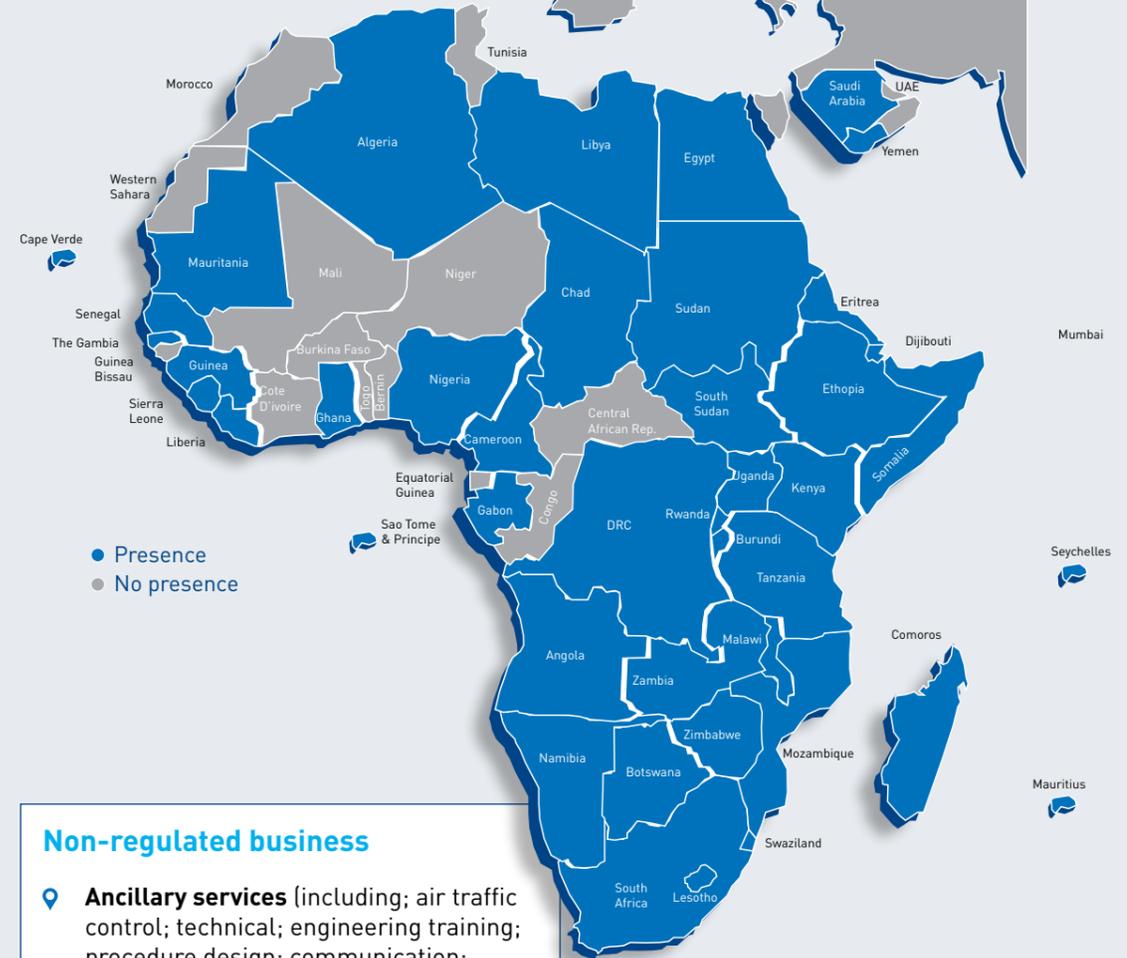
We provide air traffic, navigation, training and associated services within South Africa and a large part of the Southern Indian and Atlantic Oceans. Additionally, we are expanding our non-regulated business across Africa.

## Our South African presence

We provide services to nine South African statutory airports operated by the Airports Company of South Africa (ACSA) and to eleven regional airports. Our air traffic services cover over 22 million square kilometres of airspace, which equates to 6% of the global airspace.



## Our products and services



- Non-regulated business**
- **Ancillary services** (including; air traffic control; technical; engineering training; procedure design; communication; navigation and surveillance equipment; installation and commissioning; consulting and sophisticated satellite communication)
- Aviation Training Academy**
- We extend our training offering throughout Africa and the Middle East
- Regulated business**
- **Air traffic management**
  - **Communication, navigation and surveillance infrastructure**
  - **Auxiliary aviation services** (including, aeronautical information publications; flight procedure design and aeronautical surveys)

## Our extended services across Africa and beyond

- We consider the following factors and inputs, in informing our selection of markets:
- analysis of external market research and insight gained through customer engagements
  - countries where we already have an established client-base and positive working relationships
  - our current capabilities and what may be required to partner and extend our reach in these to new markets
  - current and potential revenue contributors
- Additionally, we consider strategic partnerships and market penetration opportunities in the context of our long-term aspirations and organisational goals.

## Our external environment

### Global context

Environmental risks remain among the top global risks identified by the World Economic Forum, both in terms of likelihood and potential impact. These include extreme weather, natural disasters, water crises and failure of climate change mitigation and adaptation. The interconnectedness of these risks with human wellbeing means that they pose increasing systemic challenges to communities, corporations and governments.

Also high on global agendas is the impact and reach of digitisation and innovation as enablers and differentiators.

On the economic front, global growth rates remained sluggish, which resulted in less disposable income and the curtailment of discretionary spend, including that which would normally be allocated to leisure travel.

The air travel sector has always been a significant contributor to national economies and to the global GDP. In 2019, although air movements, by and large, increased, mounting operating costs dramatically eroded profits. Unsurprisingly, in the 2019 calendar year, the airline industry recorded 18 bankruptcies.

### Africa

While air travel increased in more competitive markets like Europe and Asia, movements across the African continent remained comparatively low, with perceptions of safety and security continuing to impact Africa as a destination of choice.

Additionally, high taxation rates, fuel increases (which is already more expensive than in other regions) and the lack of an integrated intra-African network have negatively impacted the market dynamics for the region. To address the profit decline of certain routes, airline carriers on the continent have had to consider deploying smaller versus larger aircraft.

Recurring aviation industry sustainability themes included the demand for skilled aviation professionals and tackling one of the biggest global challenges of our time: climate change.

On the policy front, African governments have been driving efforts to tackle infrastructure bottlenecks and improve the regulatory environment to attract foreign direct investment and cross-border strategic partnerships, along with additional opportunities brought about by the recent ratification of the African Continental Free Trade Area Agreement. Continued implementation of the agreement should boost intra-Africa trade in the medium to long term, which should see an increase in both human travel and the movement of cargo.

Against a muted South African economic outlook, sub-Saharan Africa continues to be seen as an attractive long-term investment region, fuelled by its economic growth potential. Strong population growth, a long-term rise in the middle-class population, urbanisation trends, increasing technology usage and abundant natural resources are all key drivers for investments in sub-Saharan Africa.

### South Africa

In South Africa, the subdued level of economic growth during the period under review, together with institutional failures and an unemployment rate of 29%, continued to negatively impact both investor confidence and consumer optimism, with only limited opportunities to attract local and foreign investment. Policy certainty, electricity supply stability and the country's fiscal position remain all-important to ensure inclusive growth, which, in turn, will support job creation and reduce levels of unemployment and poverty.

Looking at the local aviation sector and given the volatile macroeconomics and bleak near-term growth potential, two of South Africa's airlines have filed for business rescue with a third in provisional liquidation.

### COVID-19

With the classification of a novel strain of the coronavirus to that of pandemic status in March 2020, we all witnessed first-hand the far-reaching impacts of the COVID-19 pandemic on individuals, families, businesses, societies and countries, as infection rates escalated around the world including in South Africa.

In response to this, governments globally implemented national state of disaster measures to limit the spread of the virus. At ATNS, we have and continue to work tirelessly to ensure that all of our people, customers and broader stakeholder base are enabled to deal with this escalating challenge. Our primary focus is on the health and safety of our ATNS team alongside the continuous and uninterrupted provision of world-class air navigation services as part of international essential services.

Financial markets dropped sharply as investors reduced their risk appetite; predicting that some form of global recession is likely, given the duration and extent of the impacts of the virus. In addition, global oil markets have also dropped sharply following disagreements between Russia and Saudi Arabia on levels of supply. In isolation, the spread of a global pandemic or the dramatic drop in oil prices would be difficult for many parts of the world to successfully respond to; but together these two events are exceptionally challenging for not only South Africa but even the strongest amongst global economies.

Despite various scientific and forecasting models, the real long-term impact of these events on economic growth will only emerge over time.

Turning to the aviation industry specifically, the global pandemic resulted in more than 16 000 of the world's commercial aircraft being grounded, given air travel restrictions and several local and international airports suspending all services.

As the novel coronavirus continues to cause economic and social turmoil across the globe, the aviation industry is suffering significant hardship. Several US carriers have announced plans to cut their international routes by as much as 80% to 90%, over the next several months. Foreign carriers have been impacted even more acutely. Some have announced they may have to ground their entire fleet, while others have announced flight schedule cuts of between 75% and 90%. In tandem, airlines have grounded fleets of their larger aircraft, instituted recruitment freezes and, in several instances, have announced stringent cost reduction and corporate restructuring plans. We live in uncertain and unprecedented times.

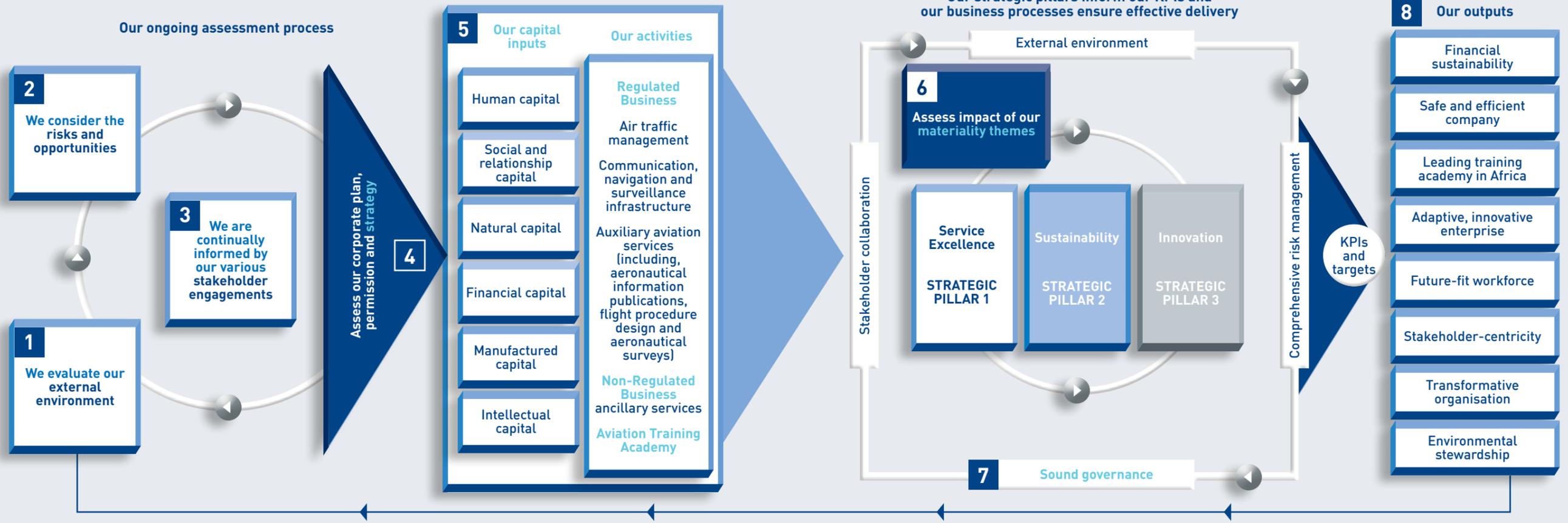


## Our business model; fuelling value creation

We strive to create superior value for our customers, shareholder and other stakeholders, through our services, technologies and people. By considering the impact of our external operating context and our relationships, we identify both the risks and opportunities that can affect the delivery of our strategy. Our ongoing engagement with stakeholders enhances our reputation and improves our understanding of their needs and interests to position us for a sustainable future.



**Our business model**



**1 Our external environment**  
Our external environment encompasses global, regional and South African dynamics. Within the context of these regional groupings, we specifically consider global growth trends, market volatilities, geopolitical tensions, socioeconomic push-and-pull factors, industry challenges, environmental considerations and regulatory requirements. Refer to pages 22 to 23 for details on our external environment.

**2 Risks and opportunities**  
The decisions we take regarding our corporate plan and strategy are impacted by both the risks and opportunities that could materially impact the delivery of value to our stakeholders. Refer to pages 54 to 57 for details on our risk management process and top risks.

**3 Stakeholder engagement**  
We strive to be a trusted partner of choice. Delivering value to our stakeholders is one of our core drivers. Our financial resilience and sustainability depends on the support of our stakeholders and it is essential for us to understand and be responsive to their needs and interests. For details of our stakeholder relationships, refer to pages 40 to 43.

**4 Our corporate plan, permission and strategy**  
Our corporate plan, permission and strategy are prepared for 5-year cycles and set a clear path for us to deliver sustainable value in the short, medium and long term. Our revenue-generation is dominated by our regulated business, accounting for approximately 88% of our earnings. As we see a decline in our regulated business revenue-generated movements, we seek to expand our non-regulated business into new markets in Africa and the Middle East. Sustainability considerations underpin our day-to-day decision-making and are embedded in our strategy and strategic pillars. Refer to pages 52 to 53 for details on our 2025 strategy.

**5 Our capitals inputs**  
When making decisions on how to manage and expand our business and stakeholder offering, we carefully consider the resources and relationships that are critical to our ability to create value. We refer to these as the six capitals. Inputs of each are needed for the effective production and delivery of our services; generating value for all our stakeholders. For details on how we use the six capitals to create value and the trade-offs between these capitals, refer to pages 87 to 127.

**6 Materiality themes**  
Our materiality themes relate to those material matters with the potential to affect our value creation ability and the achievement of our strategy. We provide a more detailed discussion on our materiality themes and the material matters which underpin them on pages 31 to 39. These could substantially affect our ability to create value in the short, medium or long term.

**7 Sound governance**  
As a state-owned company, we are committed to high standards of business integrity and ethics. Being accountable and responsible to all stakeholders is a priority. For details on our governance overview, refer to pages 58 to 83.

**8 Our outputs**  
Our overarching objective is to create value for our customers, our workforce, our shareholder and other stakeholders. We use financial and non-financial KPIs to measure the achievement of our strategic targets and outputs linked to our capitals and the SDGs over the short, medium and long term. For details on the year's performance measured against our 2020 strategy, refer to pages 46 to 47.

# Our business model; its outcomes and trade-offs

Our assets, skills and relationships place us in a strong position to deliver value-based growth. When making decisions on how to manage our business, we take into account our resources and relationships that are critical to our ability to create value sustainably.

We refer to these as the six capitals and outline below our activities which enhance their outcomes. In so doing, we contribute towards advancing several of the UN Sustainable Development Goals (SDGs). We remain mindful of the trade-offs when reviewing each set of outcomes.

	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
FINANCIAL CAPITAL	<ul style="list-style-type: none"> <li>Regulated business delivered stable results despite weak macroeconomic environment</li> <li>Strong balance sheet was maintained</li> <li>Financial risk management by growing non-regulated business</li> <li>Prudent cost management measures implemented</li> <li>Seeking to expand in markets in Africa</li> <li>Contributed to the following SDG:                             <ul style="list-style-type: none"> <li></li> </ul> </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>Medium-Term Strategic Framework:</b> Outcome 4: Decent employment through inclusive economic growth</li> <li><b>Department of Transport Strategic Priorities:</b> Priority 6: Job Creation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Cost discipline constrained innovation projects and had a negative impact on intellectual capital</li> <li>Given the outbreak of a global pandemic, air travel was curtailed in South Africa and internationally and hampered our ability to execute comprehensively on our financial year key performance indicators</li> <li>Intellectual capital and natural capital were negatively impacted by delays in implementing some of our infrastructure projects and digital initiatives, as funds have been conserved, anticipating a difficult 2020/2021 financial year</li> <li>Social and relationship capital was adversely affected by the decision to halt the hiring of non-critical positions</li> </ul>

	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> <li>Invested in research, development and innovation partnerships to reduce our environmental impact and develop new technologies</li> <li>Provided training and skills development for ATNS staff and customer workforce</li> <li>Continued to promote excellence in science, technology, engineering and mathematics education</li> <li>Positively increased manufactured capital</li> <li>Contributed to the following SDGs:                             <ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> </ul> </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>National Development Plan 2030:</b> Chapter 9: Improving Education, Training and Innovation</li> <li><b>Medium-Term Strategic Framework:</b> Outcome 5: A skilled and capable workforce to support an inclusive growth path</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>By investing in intellectual capital, we reduce the stock of financial capital in the short term</li> <li>In the longer term, financial capital, as well as manufactured, natural, human, and social and relationship capitals, are likely to be enhanced by our commitments</li> <li>By further investing in our intellectual capital, we seek opportunities to support the environment; ultimately to the benefit of natural capital and social and relationship capital</li> <li>The increase of greater automated systems will decrease human capital, in the context of current employment opportunities; but will lead to the creation of new job categories</li> </ul>

	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
HUMAN CAPITAL	<ul style="list-style-type: none"> <li>Introduced a new vision and mission to ensure that staff are engaged and to encourage a renewed commitment to clear, common objectives</li> <li>Enhanced safety performance both within ATNS and to the benefit of our broader stakeholder base</li> <li>Conducted an employee engagement survey to identify areas to improve the organisational culture</li> <li>Supported staff with flexible and remote working arrangements during the outbreak of the COVID-19 pandemic</li> <li>Conducted a range of staff training sessions and rolled out wellness campaigns</li> <li>Facilitated leadership development programmes</li> <li>Continued to invest in women and youth development initiatives</li> <li>Contributed to the following SDGs:                             <ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> </ul> </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>National Development Plan 2030:</b> Chapter 9: Improving Education, Training and Innovation</li> <li><b>Medium-Term Strategic Framework:</b> Outcome 4: Decent employment through inclusive economic growth</li> <li><b>Department of Transport Strategic Priorities:</b> Priority 6: Job Creation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Employee morale impacted by the outbreak of the COVID-19 pandemic reduced human capital</li> <li>Virtual and remote working negatively impacted workforce productivity and financial capital</li> <li>Social isolation measures, introduced country-wide, reduced social and relationship capital</li> <li>Less reliance on service providers; reducing the social and relationship capital; focusing on internal upskilling</li> </ul>

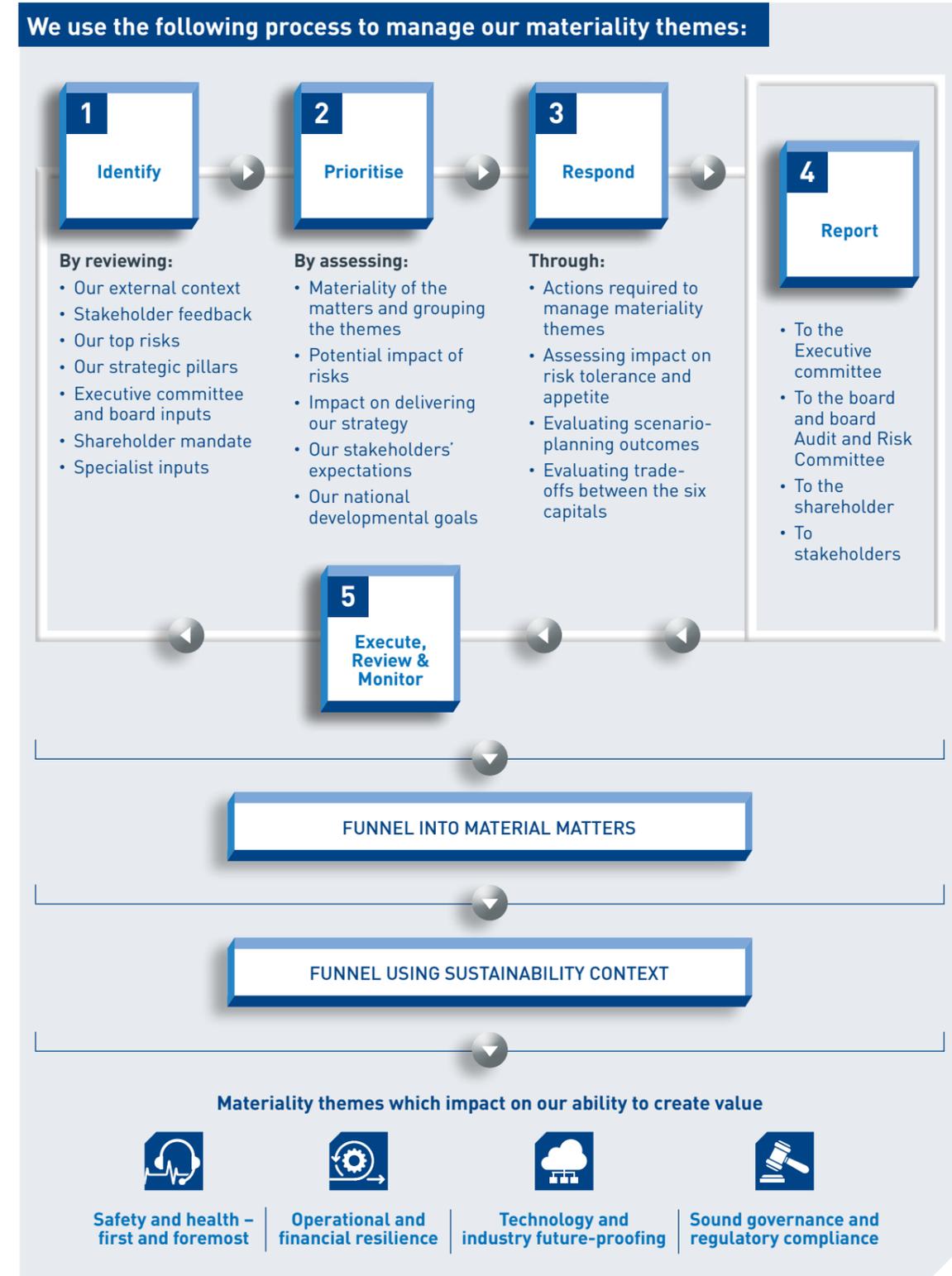
	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
MANUFACTURED CAPITAL	<ul style="list-style-type: none"> <li>Advanced infrastructure enabled us to deliver safe and efficient air traffic services</li> <li>Invested in the acquisition of new and pioneering air traffic management technology</li> <li>Leading communication, navigation and surveillance technology created advanced infrastructural value for our organisation and South Africa's air traffic navigation sector</li> <li>Increased contribution to job creation</li> <li>Contributed towards an efficient and integrated transport infrastructure network for social and economic development</li> <li>Positively contributed to improved environmental sustainability interventions</li> <li>Contributed towards the following SDGs:                             <ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> </ul> </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>National Development Plan 2030:</b> Chapter 4: Economic Infrastructure</li> <li><b>Medium-Term Strategic Framework:</b> Outcome 4: Decent employment through inclusive economic growth; Outcome 6: An efficient, competitive and responsive economic infrastructure network</li> <li><b>Department of Transport Strategic Priorities:</b> Infrastructure build that stimulates economic growth and job creation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Growth in manufactured capital negatively impacted natural capital and, in the short term, financial capital</li> <li>Restricted travel movements in the last month of the financial year had an adverse impact on all of our capitals, with the exception of natural capital</li> </ul>

	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
SOCIAL AND RELATIONSHIP CAPITAL	<ul style="list-style-type: none"> <li>Committed to B-BBEE through supplier development initiatives</li> <li>Focused on transformation through inclusive business practices, facilitating local supply chains and enabling local economies</li> <li>Intensified our efforts to better understand the needs of our stakeholders</li> <li>Focused on local economic development and job creation</li> <li>Good corporate citizenship through our social investment in:                             <ul style="list-style-type: none"> <li>Education and skills development</li> <li>Community development</li> <li>Small business development</li> <li>Promoting sustainable practices</li> </ul> </li> <li>Contributed towards the following SDGs:                              </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>National Development Plan 2030:</b> Chapter 3: Economy and Employment</li> <li><b>Medium-Term Strategic Framework:</b> Outcome 5: A skilled and capable workforce to support an inclusive growth path</li> <li><b>Department of Transport Strategic Priorities:</b> Priority 5: Accelerating transformation towards greater economic participation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Social investment in our communities reduces our financial capital in the short term, but in the longer term enables growth in this capital stock</li> <li>By supporting enterprise development, we boost manufactured, intellectual and financial capital</li> <li>Our impact on natural capital has influenced our relationships with some of our stakeholders</li> <li>Through our environmental awareness campaigns, we are able to improve both natural and social and relationship capital</li> </ul>

	ACTIVITIES ENHANCING OUTCOMES	TRADE-OFFS
NATURAL CAPITAL	<ul style="list-style-type: none"> <li>Advanced our roadmaps to achieve a sustainable improvement in our environmental impacts in South Africa</li> <li>Progressed several sustainability projects</li> <li>Continuing to invest in technologies to further limit negative environmental impacts</li> <li>Contributed towards the following SDGs:                              </li> <li>Linked to the following:                             <ul style="list-style-type: none"> <li><b>National Development Plan 2030:</b> Chapter 5: Environmental Sustainability and Resilience</li> <li><b>Medium-Term Strategic Framework:</b> Outcome 10: Protecting and enhancing our environmental assets and natural resources</li> <li><b>Department of Transport Strategic Priorities:</b> Priority 9: Environmental Protection</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Drove environmental sustainability awareness campaigns organisation-wide; conveying the importance of limiting negative impacts on natural capital</li> <li>We work to minimise these even if it may reduce our financial capital in the short term</li> <li>In some instances, we also impact adversely on human and social and relationship capital through competition for resources</li> </ul>

## Our materiality themes

Our materiality themes are issues that have the potential to impact, both positively and negatively, our value creation in the short, medium and long term. These themes are groupings of a broader list of material matters, which take into account our risk and opportunity assessments, strategic pillars, stakeholder issues and the ever-evolving external environment. By managing these themes effectively, supports our ability to execute our strategy and to deliver on our key performance indicators.



# Safety and health – first and foremost

## Why is this materiality theme important for us?

Safe and reliable operations are critical to value creation and in supporting our strategy. We work to build a strong safety culture within ATNS and strive to reduce risks and minimise the potential impact of any incident.

To ensure sustainable operations, we implement seamless processes and procedures that will drive enhanced safety, improve customer experiences, increase the efficiency of existing operations and create new value through innovation.

Now more than ever and given the COVID-19 pandemic, we are acutely aware of the importance of elevating health and wellbeing not only amongst our ATNS team but also our broader stakeholder base. We have adopted a series of proactive measures to safeguard our employees, our business partners and customers and will continue to do so on an ongoing basis.

### Which material matters fall under this theme

- Drive superior aviation safety management
- Maintain employee health and safety

### Link to the Sustainable Development Goals



### Link to performance

- Actual number of safety incidents of 2 or less events per 100 000 air traffic movements: 4.03  
CANSO SMS Maturity Standard of Excellence (SoE) survey: B
- RAT severity ratio: 37%
- No major health and wellbeing incidents
- Response plans in place curtailing the spread of COVID-19 within the workplace
- No major health and safety incidents related to employees and improvement in self-assessments based on NOSA audit to >80%

### Link to our 2025 strategic pillars

- Sustainability
- Innovation

### Link to risk assessment categories

- Business continuity risk
- Operational interruption risk
- Compliance and regulatory risk
- Stakeholder risk
- Financial risk
- Strategic risk
- Health and safety risk

### Short- to medium-term actions

- 80% achievement of the safety strategy over the five-year period
- Embed an organisation-wide safety culture
- Achieve the CANSO SoE SMS maturity targets
- Review and improve operational efficiency to support an organisational safety climate, culture and performance
- Monitor safety matrices such as accident count
- Promote remote working, wherever possible
- Introduce enhanced standard operating procedures with a focus on health and safety measures
- Improve the working environment for all employees

### Link to capitals

- Social and relationship
- Human
- Intellectual
- Manufactured

### Long-term actions

- Promote safety and wellbeing best practice through focused training on the African continent
- Leverage technologies to reduce the risk of safety incidents
- Develop digital solutions to monitor assets and processes, allowing for improved predictability and greater automation
- Promote a safety and health first and foremost culture of engaged and motivated employees
- Ensure a safe work environment

## Operational and financial resilience

### Why is this materiality theme important for us?

Operational and financial resilience, especially during times of geopolitical uncertainty and macroeconomic volatility, is essential to enable ATNS to weather current and future economic storms.

Our revenue stream is predominantly (88%) derived from our regulated business, which is directly linked to air travel and air traffic movements and indirectly to business and leisure travel trends. Expanding our non-regulated business is a key enabler to our expansion plans and to ensuring that we create long-term, sustainable value.

To secure the long-term sustainability of our operations, we are focused on enhancing the overall efficiency of our air traffic management business operations. Operational efficiency is a service standard that measures the capability of our service delivery to the air traffic management community in a cost-effective manner while still ensuring a high-quality service and support.

At the same time, to be the leading air navigation service provider in Africa, developing in-house air traffic management solutions is key. Research and development activities are crucial enablers – developing and deploying innovative aviation technologies and know-how and addressing issues relating to the security, efficiency and sustainability of the business and the sector.

Our business model is dependent on trust-based and effective stakeholder relationships and delivering to the highest standards of service excellence and operational efficiencies. Through safe, efficient and sustainable operations, we are able to contain costs and deliver added value to our shareholder and stakeholders.

### Which material matters fall under this theme

- Ensure financial resilience
- Enable efficiency of air traffic management operations
- Maintain stakeholder relationships

### Link to the Sustainable Development Goals



### Link to performance

- Key financial ratios including ROCE
- Customer satisfaction rating out of 10
- Average delay per delayed flight: 351 seconds
- Communication: 98.83%
- Navigation: 96.28%
- Surveillance: 99.95%
- Implementation of an environmental management system
- PBN operational enhancements, including 16 instrument flight procedures' design reports

### Link to our 2025 strategic pillars



### Link to risk assessment categories

- Business continuity risk
- Operational interruption risk
- Financial risk
- Stakeholder risk
- Health and safety risk
- Strategic risk
- Licence to operate risk

### Short- to medium-term actions

- Drive cost containment and curtail discretionary spend
- Achieve growth targets as set out in our 2025 strategy
- Expand products and services in the non-regulated business through needs analysis in the aviation space
- Develop and implement a stakeholder policy and strategy
- Undertake an annual stakeholder satisfaction index survey
- Use emerging technologies to enable a safe, efficient and smart single African air transport market
- Enhance decision-making and performance management using appropriate technologies
- Implement an overarching environmental system (monitoring waste, water, biodiversity, air quality and emissions)
- Contribute to improving aircraft emissions by enabling efficient air traffic management operations and monitor performance
- Improve revenue collection from customers through a transparent and collaborative process
- Review our billing model to unlock additional opportunities to increase revenue

### Link to capitals



### Long-term actions

- Consider credible and affordable investment opportunities outside of South Africa
- Take actions to make our operations resilient in a lower-carbon future
- Continue to improve the way we operate, to identify, minimise or avoid adverse environmental and social impacts while creating inclusive stakeholder value
- Respond to stakeholder needs through innovative solutions

## Technology and industry future-proofing

### Why is this materiality theme important for us?

New digital technologies are reshaping the value proposition of air traffic management services and how these are provided to customers.

The digitisation of the broader aviation sector includes embracing and leveraging mobile technology, robotics, biometrics, and advanced analytics incorporating phenomena of big data, machine learning and artificial intelligence. Digital transformation is key in both optimising legacy IT infrastructure and in pursuing new revenue channels and opportunities.

The negative side of the global technology revolution is that cyber-crime has increased dramatically, evidenced by the number, intensity and sophistication of high-profile cyber-attacks. These attacks are usually aimed at accessing, changing or destroying sensitive information, extorting money from users or interrupting normal business processes.

Technology as a disrupter and differentiator is only one of the key elements when it comes to future-proofing one's organisation - the other core aspects relate to formulating and delivering on clear longer-term business modernisation plans which include the development of a skilled workforce and a transformed group of aviation service providers with depth of knowledge and a competitive service offering.

### Which material matters fall under this theme

- 📍 Promote business modernisation, digitisation and innovation
- 📍 Enable cyber-resilience
- 📍 Develop a skilled workforce for the future

### Link to the Sustainable Development Goals



### Link to performance

- 📍 Delivery against approved ICT strategy and roadmap
- 📍 Feasibility study on remote service provision and space-based ADS-B
- 📍 Attraction of next generation of aviation professionals
- 📍 Significant progress made in the implementation of ERP
- 📍 Development of the cybersecurity roadmap based on the NIST Cybersecurity Framework

### Link to our 2025 strategic pillars



### Link to risk assessment categories

- 📍 Business continuity risk
- 📍 Financial risk
- 📍 Operational interruption risk
- 📍 Stakeholder risk
- 📍 Strategic risk

### Short- to medium-term actions

- 📍 Fast-track the appointment of critical resources to capacitate the cyber-security function
- 📍 Review, update and implement a clear cybersecurity strategy and plan
- 📍 Perform baseline maturity assessments on information security, governance and operations
- 📍 Revise our ICT strategy to incorporate relevant capabilities for delivery of the overall strategy
- 📍 Fast-track capacitation of critical IT vacancies
- 📍 Develop enterprise architecture capability
- 📍 Develop an IT strategy and a roadmap to achieve business modernisation and digitalisation
- 📍 Organisational design enhancements to realise efficiencies and ensure the optimal utilisation of human capital
- 📍 Remote work as a response to the COVID-19 pandemic
- 📍 Develop a positive and engaged organisational culture as a critical driver of the behaviours necessary to adapt to a post-COVID 19 new normal
- 📍 Align the organisational culture and values to achieve the desired level of Human Performance Management in line with CANSO Standard of Excellence

### Link to capitals



### Long-term actions

- 📍 Implement an approved IT strategy and roadmap
- 📍 Implement a transformation/incubation strategy
- 📍 Develop a clear technology acquisition strategy
- 📍 Work with industry players to transform the industry on the continent
- 📍 Strengthen current partnerships and create new ones



## Sound governance and regulatory compliance

### Why is this materiality theme important for us?

The aviation sector worldwide has seen an exponential increase in regulations, given a spate of safety incidents in recent years. These regulations have placed new demands on the sector as a whole, resulting in, among others, the increased cost of doing business. We support the intention of enhanced global regulations to protect our customers, the broader user group and end-users (the air traveller). Regulatory compliance and alignment with emerging risk management practices are two of our key strategic imperatives.

Similarly, as a state-owned company, we know that we need to be even more vigilant when it comes to good governance, especially in the context of our procurement practices and engagements with industry stakeholders. We strictly adhere to regulatory processes and practices, as overseen by the Economic Regulatory Committee. In addition, and in delivering on our broader developmental goals, we continue to drive the transformation of the aviation industry through focused interventions and skills training programmes. Incubation programmes need to be prioritised so that we can create a lasting impact on transforming the aviation sector's value chain. This entails strategically developing enterprises and suppliers so as to change the aviation landscape in the country.

#### Which material matters fall under this theme

- 📍 Maintain good governance
- 📍 Agree with stakeholders and ensure a successful permission application process

#### Link to the Sustainable Development Goals



#### Link to performance

- 📍 Comply with applicable legislative requirements
- 📍 Promote ethical leadership in governance structures
- 📍 Positive engagement on the permission application process
- 📍 Ensure an unqualified audit relating to all compliance and governance aspects
- 📍 Implement consistent and clear supply chain management policies and procedures
- 📍 Foster supplier development
- 📍 SMME development to support our B-BBEE strategy and transformation goals

#### Link to our 2025 strategic pillars



#### Link to risk assessment categories

- 📍 Business continuity risk
- 📍 Compliance and regulatory risk
- 📍 Financial risk
- 📍 Licence to operate risk
- 📍 Stakeholder risk
- 📍 Strategic risk
- 📍 Transformation risk

#### Short- to medium-term actions

- 📍 Comply with applicable legislative requirements
- 📍 Improve structures and processes to enable compliance and sound governance
- 📍 Assess and monitor regulatory universe and identify compliance gaps to address areas of non-compliance
- 📍 Proactively fight corruption
- 📍 Promote good governance and ethical practices through staff campaigns
- 📍 Address historic findings and maintain unqualified audit opinions
- 📍 Provide organisation-wide training regarding ethics, compliance and supply chain management practices
- 📍 Enhance the governance framework to improve oversight and reporting of areas of risk
- 📍 Accelerate supplier development and enterprise development programmes
- 📍 Maintain our B-BBEE scorecard
- 📍 Implement an approved transformation strategy for the industry as a whole
- 📍 Spearhead transformation and developmental initiatives on the African continent
- 📍 Proactively engage the user community and broader stakeholder base, to conclude a successful permission application process
- 📍 Coordinate the upcoming permission process, aligned to the corporate strategy
- 📍 Develop user charges' framework and funding model encapsulating the economic regulatory process

#### Link to capitals



#### Long-term actions

- 📍 Contribute to industry best-practice case studies relating to compliance, ethics and good governance
- 📍 Develop world-class supply chain management practices
- 📍 Implement a clear industry transformation strategy
- 📍 Work with industry players to transform the industry on the continent



## Our stakeholders

Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. By working together and providing for their needs, we create value for our stakeholders, our shareholder and our organisation. We recognise the importance of securing stakeholder support for our long-term success by enhancing transparency, sharing knowledge and generating innovative solutions.

We regularly engage key stakeholder groups that are most relevant to the business. These dialogues inform our materiality assessment and feed into our sustainability framework and overarching strategy. We recognise that stakeholder interests are varied and require ongoing analysis and management. Our approach to stakeholder engagement is to communicate in a transparent manner and to incorporate actionable, meaningful feedback into our business decisions; ensuring mutually beneficial outcomes.

The organisation has identified stakeholder management as a material issue and has developed programmes to enhance our stakeholder relations.

### EMPLOYEES

- Our workforce
- Organised labour

**OUR RESPONSE**

- Continuously aim to deliver a strong safety culture – putting safety and health first
- Fostering a culture that supports people development and diversity
- Striving to create a customer-centred and innovative work environment
- Creating a diverse and inclusive staff profile

**THEIR EXPECTATIONS**

- A safe and healthy work environment
- Fair remuneration, effective performance management and recognition
- Career development and advancement opportunities
- Job security
- An empowering and enabling environment that embraces diversity and inclusivity

**FREQUENCY OF ENGAGEMENTS**

- Staff engagements, town halls and events
- Regular meetings
- Ongoing training
- Internal email communications, posters

### SHAREHOLDER AND BOARD

- Government of South Africa
- Department of Transport
- Our board of directors

**OUR RESPONSE**

- Providing transparent, clear and concise reporting
- Striving to enable proactive engagements
- Working to deliver on performance targets
- Monitoring and managing risks and identifying opportunities
- Proactively promoting South Africa's developmental goals and aviation industry transformation

**THEIR EXPECTATIONS**

- Resilient operational and financial performance
- Sustainable financial returns, with healthy ROCE
- Attractive and sustainable growth strategy
- Strong balance sheet
- Experienced management with solid track record
- Transparent reporting and disclosure process
- Sound ESG practices which promote development goals and industry transformation

**FREQUENCY OF ENGAGEMENTS**

- Quarterly meetings
- Quarterly reports
- Ad hoc engagements
- Email communications

### CUSTOMERS

- Users (airlines and airline associations)
- Airport operators, owners and transport entities
- Military

**OUR RESPONSE**

- Seeking to deliver cost-effective, safe and reliable solutions
- Investing in innovative solutions
- Aiming to deliver top-class support and related services

**THEIR EXPECTATIONS**

- Safe and reliable services
- Innovative solutions and services
- Convenient access to support services through digital channels
- Excellence in customer service and response times
- Value-for-money that is competitive

**FREQUENCY OF ENGAGEMENTS**

- Customer surveys
- Regular meetings and industry engagements
- Ad hoc workshops and training sessions

### REGULATORS, GOVERNMENTS AND ASSOCIATIONS

- Local regulator
- International regulator
- Economic regulator
- Governments at local and national levels
- Professional organisations
- Regional bodies

**OUR RESPONSE**

- Creating constructive and solutions-focused user engagements
- Supporting industry transformation
- Adhering to legal and regulatory requirements
- Striving to implement best practice standards

**THEIR EXPECTATIONS**

- Compliance with all legal and regulatory requirements
- Being a responsible corporate citizen in all jurisdictions where we conduct business
- Active participation and contribution to industry and regulatory working groups
- Promoting industry transformation
- Implementing business requirements in line with the approved permission and mandate

**FREQUENCY OF ENGAGEMENTS**

- Regular meetings
- Industry engagements
- Ad hoc workshops and training sessions

### BUSINESS PARTNERS

- Academic, training and research institutions
- Financial institutions
- Municipalities
- Energy suppliers
- Weather services

**OUR RESPONSE**

- Aiming to form long-term and impactful partnerships
- Continuously working together for a common goal

**THEIR EXPECTATIONS**

- Partnering to provide solutions that help to achieve desired outcomes for end-users, partners, governments
- Partnering on common initiatives and projects
- Sharing skills and know-how
- Promoting industry transformation

**FREQUENCY OF ENGAGEMENTS**

- Regular meetings
- Ongoing email communications
- Workshops and training sessions

### SOCIETY

- Communities
- Prospective employees

**OUR RESPONSE**

- Aiming to create a strong brand visibility and presence in the South African, African and global markets
- Continuously enhancing our reputation and corporate image with accelerated thought leadership and an insatiable innovation drive
- Implementing social and environmental corporate responsibility initiatives

**THEIR EXPECTATIONS**

- Safe and reliable services for the public benefit
- Trusted service provider and future employer
- Strong reputation
- Corporate social responsibility

**FREQUENCY OF ENGAGEMENTS**

- Media campaigns
- Regulatory engagements
- Industry engagements
- University open days

# Our performance against our 2020 strategic imperatives

Our strategy is an essential plan defined by our operating environment and how it impacts the objectives of our organisation. Additionally, our strategic direction is influenced by and linked to several other industry planning initiatives, particularly, the South African government's expectations.

It is through this plan that we respond to the performance expected by our various stakeholders, while proactively providing innovative solutions which benefit the air traffic management community and society as a whole.

Our strategy formulation process is underpinned by our organisational vision: ATNS in the longer term; taking into account a situational analysis of our environment. The end result is a short-, medium- and long-term strategic profile developed to ensure that we achieve our strategic imperatives.

## Our strategic profile

Our strategic profile sets out our strategic objectives, which are to be pursued within a defined 5-year period. In turn, our strategy implementation plan provides execution clarity for our organisation and ensures alignment with the Department of Transport's mandatory objectives.

## Our strategy drivers

Within our legal mandate, we position ourselves to take advantage of the opportunities we are presented with; minimising threats in response to four external drivers:

- 📍 Macro-trends and industry developments that we cannot influence (including, the consolidation of the aviation industry, the regionalisation of air traffic services and the changing technology paradigm as air navigation services become increasingly satellite-based)
- 📍 Regulatory requirements with which we must comply (including, safety regulation, economic regulation, governance requirements and shareholder needs)
- 📍 Short- to medium-term business conditions which we must respond to (including macro-economic developments and associated traffic growth or decline)
- 📍 The requirements of our stakeholders, including our customers



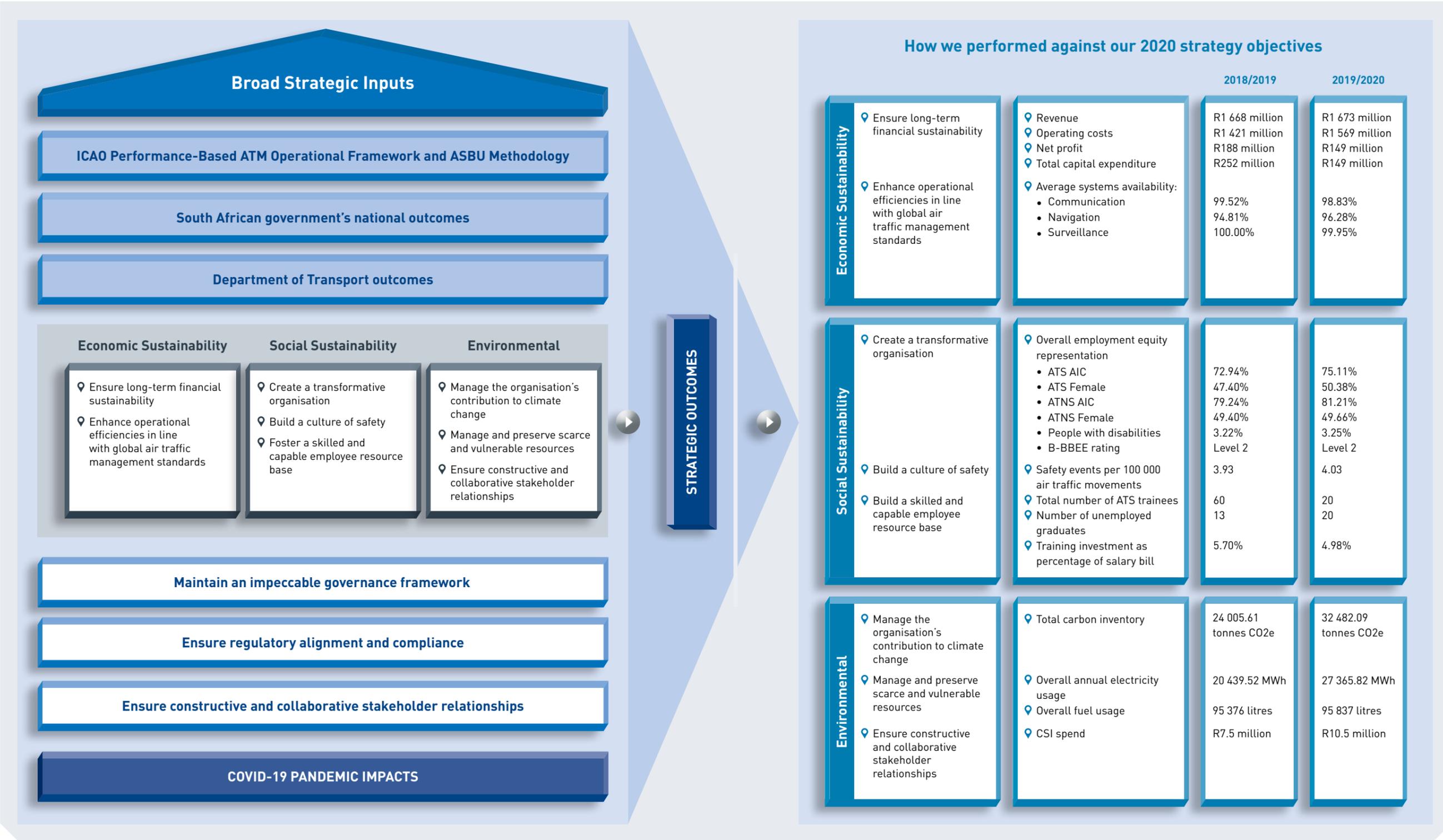
## Our 2020 strategy

Over the last 5 years, our 2020 strategy, which concluded on 31 March 2020, was to:

- 📍 focus on the needs and expectations of the air traffic management community, primarily in South Africa and with growing emphasis on the rest of Africa and other selected global markets
- 📍 develop a thorough understanding of the global air traffic management community as regards to our product and service offerings, technology developments and customers
- 📍 source, develop, market, distribute and support a complete range of air traffic management solutions and associated services that provide safety, security, efficiency, predictability, environmental sustainability and affordability
- 📍 continue to enhance our air traffic management solutions and associated service provision in South Africa and develop strategic partnerships, to become the leading air traffic management provider in Africa; securing our future growth, revenue, profit and relevance as a provider of choice
- 📍 expedite our expansion into the rest of Africa and other selected global markets, through a focused business approach, while expanding our range of services that cater for market needs and expectations
- 📍 support our business model through attracting, developing, retaining and appropriately rewarding a diverse and motivated team that has the right skills, experience, commitment and drive to implement our strategy; creating win-win solutions
- 📍 implement our strategy, supported by a well-equipped resource base, responsible governance, industry transformation and enhanced sustainability

# Our performance against our 2020 strategic imperatives

We measure our performance against our overarching strategy, using relevant key performance indicators. In tracking our performance for the year under review, we reflected on the progress made relating to the 8 strategic imperatives embodied in our 2020 strategy and compared it to our results for the prior year.



## Broad Strategic Inputs

ICAO Performance-Based ATM Operational Framework and ASBU Methodology

South African government's national outcomes

Department of Transport outcomes

### Economic Sustainability

- Ensure long-term financial sustainability
- Enhance operational efficiencies in line with global air traffic management standards

### Social Sustainability

- Create a transformative organisation
- Build a culture of safety
- Foster a skilled and capable employee resource base

### Environmental

- Manage the organisation's contribution to climate change
- Manage and preserve scarce and vulnerable resources
- Ensure constructive and collaborative stakeholder relationships

## STRATEGIC OUTCOMES

Maintain an impeccable governance framework

Ensure regulatory alignment and compliance

Ensure constructive and collaborative stakeholder relationships

COVID-19 PANDEMIC IMPACTS

## How we performed against our 2020 strategy objectives

		2018/2019	2019/2020
<b>Economic Sustainability</b>	Ensure long-term financial sustainability		
	Enhance operational efficiencies in line with global air traffic management standards		
<b>Economic Sustainability</b>	Revenue	R1 668 million	R1 673 million
	Operating costs	R1 421 million	R1 569 million
<b>Economic Sustainability</b>	Net profit	R188 million	R149 million
	Total capital expenditure	R252 million	R149 million
<b>Economic Sustainability</b>	Average systems availability:		
	• Communication	99.52%	98.83%
<b>Economic Sustainability</b>	• Navigation	94.81%	96.28%
	• Surveillance	100.00%	99.95%
<b>Social Sustainability</b>	Create a transformative organisation		
	Build a culture of safety		
<b>Social Sustainability</b>	Build a skilled and capable employee resource base		
	Overall employment equity representation		
<b>Social Sustainability</b>	• ATS AIC	72.94%	75.11%
	• ATS Female	47.40%	50.38%
<b>Social Sustainability</b>	• ATNS AIC	79.24%	81.21%
	• ATNS Female	49.40%	49.66%
<b>Social Sustainability</b>	• People with disabilities	3.22%	3.25%
	• B-BBEE rating	Level 2	Level 2
<b>Social Sustainability</b>	Safety events per 100 000 air traffic movements	3.93	4.03
	Total number of ATS trainees	60	20
<b>Social Sustainability</b>	Number of unemployed graduates	13	20
	Training investment as percentage of salary bill	5.70%	4.98%
<b>Environmental</b>	Manage the organisation's contribution to climate change		
	Manage and preserve scarce and vulnerable resources		
<b>Environmental</b>	Ensure constructive and collaborative stakeholder relationships		
	Total carbon inventory	24 005.61 tonnes CO2e	32 482.09 tonnes CO2e
<b>Environmental</b>	Overall annual electricity usage	20 439.52 MWh	27 365.82 MWh
	Overall fuel usage	95 376 litres	95 837 litres
<b>Environmental</b>	CSI spend	R7.5 million	R10.5 million

# 3



## CHIEF EXECUTIVE OFFICER DELEGATED'S REVIEW

**Dumisani Sangweni**  
Executive: Strategy and Optimisation and CEO Delegated

Our ability to secure continued success, whatever the external context, is inextricably linked to our ability to attract, retain and develop diverse, qualified and skilled people.

## Ensuring ongoing resilience to weather challenging times

Dear stakeholders

For us at ATNS, 2020 represented a watershed year, as we successfully concluded the fifth and final year of our 2020 growth strategy and reaffirmed our mandate as articulated in our founding Act. In January, two months before the end of our financial year, our board evaluated our overarching objectives and longer-term strategic direction. After a range of workshops and one-on-one director discussions, the board approved a refined organisational vision and mission and a three-pronged, 2025 strategy focusing on: service excellence, sustainability and innovation.

Although our 2025 strategy remains largely intact, the classification of a novel strain of a coronavirus to that of pandemic status saw immediate and, some would say, lasting negative impacts for the air travel industry and global markets as a whole. As a consequence and since the end of the reporting period, we have updated our strategy and corporate plan, taking into account the near-to longer-term impacts of the pandemic. Our updated plan incorporates adjusted key performance indicators, given changes to the external environment and the outcomes of our scenario-planning exercise and engagements with our Honourable Minister and his advisors.

### Ensuring financial resilience

While the novel coronavirus outbreak dates back to December 2019, its impact on our customers, business partners and the air travel sector were only felt in the last month of our financial year. As a result, in terms of our financial performance, our FY20 results remained stable, with a total revenue of R1 673 million (2019: R1 668 million). This was particularly pleasing given a very sluggish global economy over the financial period, which led to a reduction in disposable income; limiting discretionary consumer spending and the slow-down of both international inbound tourism and

domestic travel. Tough market conditions for the global air travel sector, coupled with limited travel, given pandemic-related state of emergency measures, resulted in airlines curtailing or, in some instances, discontinuing operations altogether. In tandem, across geographic regions, both large and small airlines have announced the grounding of much of their fleet together with downsizing and related corporate restructuring plans.

Despite the challenging external environment and bleak industry realities, our balance sheet continued to strengthen, with our liquidity ratio increasing to 5.6:1 compared 4.6:1 for the prior year. Our gearing ratio was at 3.4%; placing ATNS in a positive position to raise funding should it be required to minimise the negative impact of any ongoing macroeconomic volatility and sector uncertainties.

We are fortunate that our FY20 results do not reflect the hardship faced by the air travel industry, with many of the effects only to play out in the coming fiscal year. With the robustness of the air travel industry being strongly linked to growth in air traffic movements and overall economic growth, we have seen and will continue to see a reduction in our previously estimated revenue, based on a dramatic decrease in air traffic movements. Although we only saw a marginal decrease in air traffic movements in FY20, the true financial impacts of the global pandemic will become visible when we report our FY21 performance.

### Weathering the pandemic storms

With no sign of a vaccine in the short term, and local and global infection rates continuing to rise, we anticipate that a large part of our 2021 financial year will be placed under pressure, as global citizens are encouraged to stay home; limiting all forms of travel and more acutely air travel.

Over the last five years, we noted that many airlines, particularly hub carriers in Europe, Middle East and the Continent, have changed their aircraft mix from large to even larger aircraft, flying into OR Tambo, Cape Town International and King Shaka International airports, which worked to our advantage, as margins are slightly higher on larger aircraft. However, in light of the COVID-19 pandemic and limited national travel for the foreseeable future, coupled with even fewer international flights, we expect this trend to substantially shift to lower frequency and smaller aircraft, not only in the near-term but also the medium-term. Given the inherent risk of air traffic movements on increasing infections, a subdued economic outlook and many local and international commuters working remotely and embracing technologies to e-meet and connect virtually, we expect this latter trend to persist, compelling us to look for other sources of revenue over and above those derived through our regulated business.

### Growing our non-regulated business

Our non-regulated business, which contributes 12% towards our overall revenue, will become increasingly critical for our company's growth and long-term positioning on the African continent. Through our ATNS commercial services' division, we are seeking to further leverage strategic joint venture opportunities on the African continent, thereby extending our market and geographic reach. Despite the current sector challenges, we remain confident that business development opportunities exist through increased regional connectivity and a quest for improved, interoperable and seamless airspace safety in Africa. Advancements in these areas will not only positively contribute to South Africa's economic development but also lead to meaningful contributions for the continent.

## Enhancing operational efficiencies

We continued to enhance air traffic management operational efficiencies through our focused adherence to global quality standards, in terms of the maintenance and promotion of aviation safety; the ongoing roll-out of improvement programmes for air traffic management; the removal of barriers to future aviation efficiency; and the achievement of cost-effective environmental gains. Through the successful implementation of these standards, we are able to drive optimal fuel efficient routing, efficient traffic flow management and performance-based navigation.

## Building a skilled and capable employee resource base

Our ability to secure continued success, whatever the external context, is inextricably linked to our ability to attract, retain and develop diverse, qualified and skilled people. As an organisation, our growth is largely dependent on air traffic controller technical, specialist and engineering skills. Consistently over the years, approximately 60% of our staff costs pertain to air traffic control-related expertise.

In turn, taking into account digital and artificial intelligence advancement, through our strategic pillar of innovation, we are looking to balance a people-intensive business with increased technology utilisation in the global aviation sector. With this awareness forming an integral part of our long-term infrastructure and human resource planning, we initiated a process five years ago over a fifteen-year time horizon, to help us transition into an environment where we explore technologies to enhance operational efficiencies, while, as a state-owned company directive, we develop mechanisms to address the challenges of structural unemployment and poverty in South Africa. The fifteen-year timeline for our resource planning dovetails the South



African government's National Development Plan timeframe, which enables us to work alongside government to balance the development needs of our country with the growing infrastructure and efficiency requirements of our industry globally.

## Appreciation

Overall, the year under review has produced both known and unexpected challenges. I am deeply grateful to our Chairperson and all of our board members for the vital oversight and guiding role they continue to play and to our Honourable Minister, Honourable Deputy Minister and their team at the Department of Transport, led by the Director-General, for their ongoing positive engagement and counsel.

Our Interim Chief Executive Officer, Mr Thomas Kgokolo, concluded his term at the end of the financial year and, effective 1 April 2020, resumed his role as a non-executive director of our board. I know that I speak for everyone at ATNS in expressing our gratitude to Thomas for agreeing to lead our organisation during such a pivotal period in our corporate history.

Despite the global uncertainties, the ATNS team led by myself and my fellow executive colleagues, has responded with distinction and I thank the executive committee, our colleagues throughout the organisation and business partners for their dedicated focus and hard work. The positive attitude and committed support of our people will place us in good stead, as we find ourselves in, probably, one of the most challenging years to date.

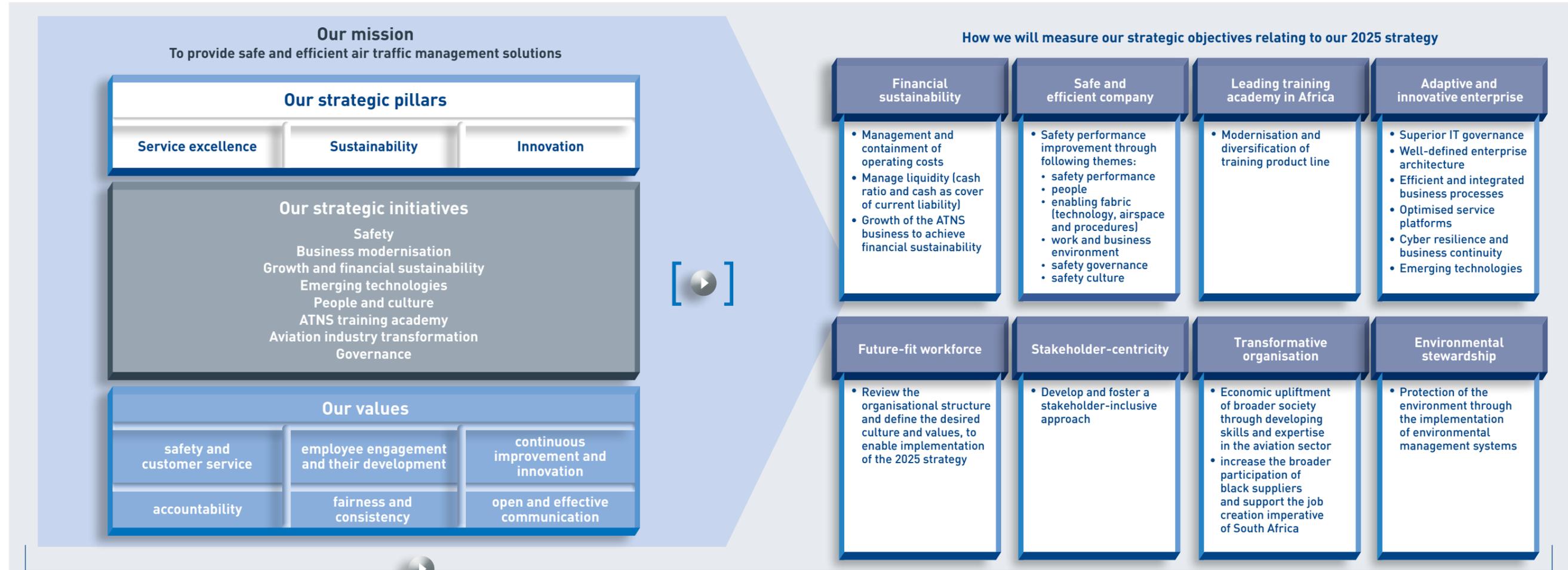
Be well and stay safe.

**Dumisani Sangweni**  
Executive: Strategy and Optimisation and  
CEO Delegated  
18 September 2020

# Our 2025 strategy

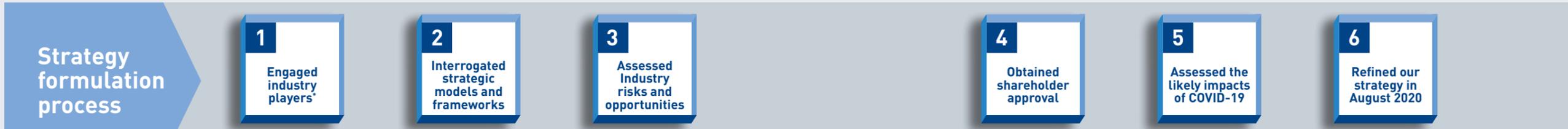
Our strategy is an essential plan which takes into account our mandate and longer-term growth objectives. Within 5-year cycles, our strategy and broader corporate plan are updated to proactively respond to the macro-environment. During the reporting year, we held a number of strategy workshops and defined our 2025 strategy. Our focus continues to be to create value in the short, medium and long term and to maintain a sustainable organisation.

At the core of our business concept is the provision of safe and efficient air traffic management solutions. Strategy 2025 will focus on air traffic management needs and user expectations, primarily in South Africa, with a growing emphasis on Africa.



## Through our strategy review process, we:

- Updated our vision and our mission
- Shifted from a range of strategic imperatives to 3 focused strategic pillars
- Moved from broad interventions to initiatives tied to our materiality themes
- Are finalising measurable KPIs
- Adopted a stakeholder-inclusive approach
- Adapted our 2025 strategy, taking into account COVID-19 pandemic impacts



\* International Air Transport Association (IATA), Civil Air Navigation Service Organisation (CANSO), South African Civil Aviation Authority (SACAA), Board of Airline Representatives of South Africa (BARSAA), and Airlines Association of Southern Africa (AASA)

## Our risk and opportunity management approach

We express our top risks as matters that will materially impact the organisational sustainability and which is likely to hamper our ability to create long-term stakeholder value. At the same time, we also consider the opportunities which may arise. We use a risk management framework to set a board-approved risk appetite that takes into account a range of internal and external factors.

### Risk tolerance and risk appetite

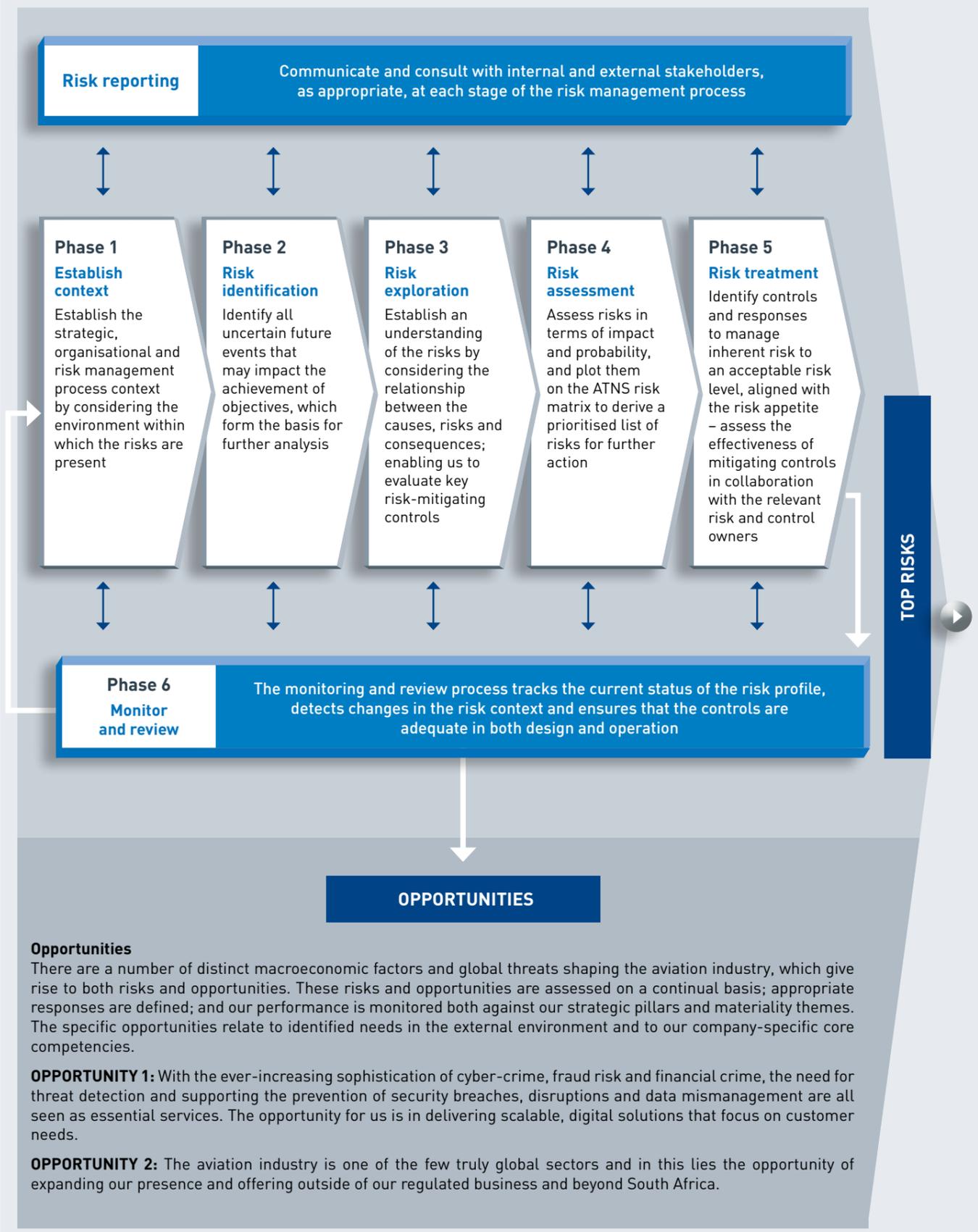
Our board has approved a set of risk tolerance and risk appetite measures and targets for the organisation. The risk appetite targets are based on key financial, social (including safety) and environmental factors that are appropriate to our company, sector and geographic reach. As risk management is an integral part of strategy development, our risk tolerance and risk appetite inform our executive committee's judgement and aid in strategic decision-making at ATNS.

### Our risk management process

We follow a structured risk management process, which is aligned to industry standards. This process is rolled out across the organisation and risk profiles are developed at business, functional and project levels.



## Our risk and opportunity management approach



**Opportunities**

There are a number of distinct macroeconomic factors and global threats shaping the aviation industry, which give rise to both risks and opportunities. These risks and opportunities are assessed on a continual basis; appropriate responses are defined; and our performance is monitored both against our strategic pillars and materiality themes. The specific opportunities relate to identified needs in the external environment and to our company-specific core competencies.

**OPPORTUNITY 1:** With the ever-increasing sophistication of cyber-crime, fraud risk and financial crime, the need for threat detection and supporting the prevention of security breaches, disruptions and data mismanagement are all seen as essential services. The opportunity for us is in delivering scalable, digital solutions that focus on customer needs.

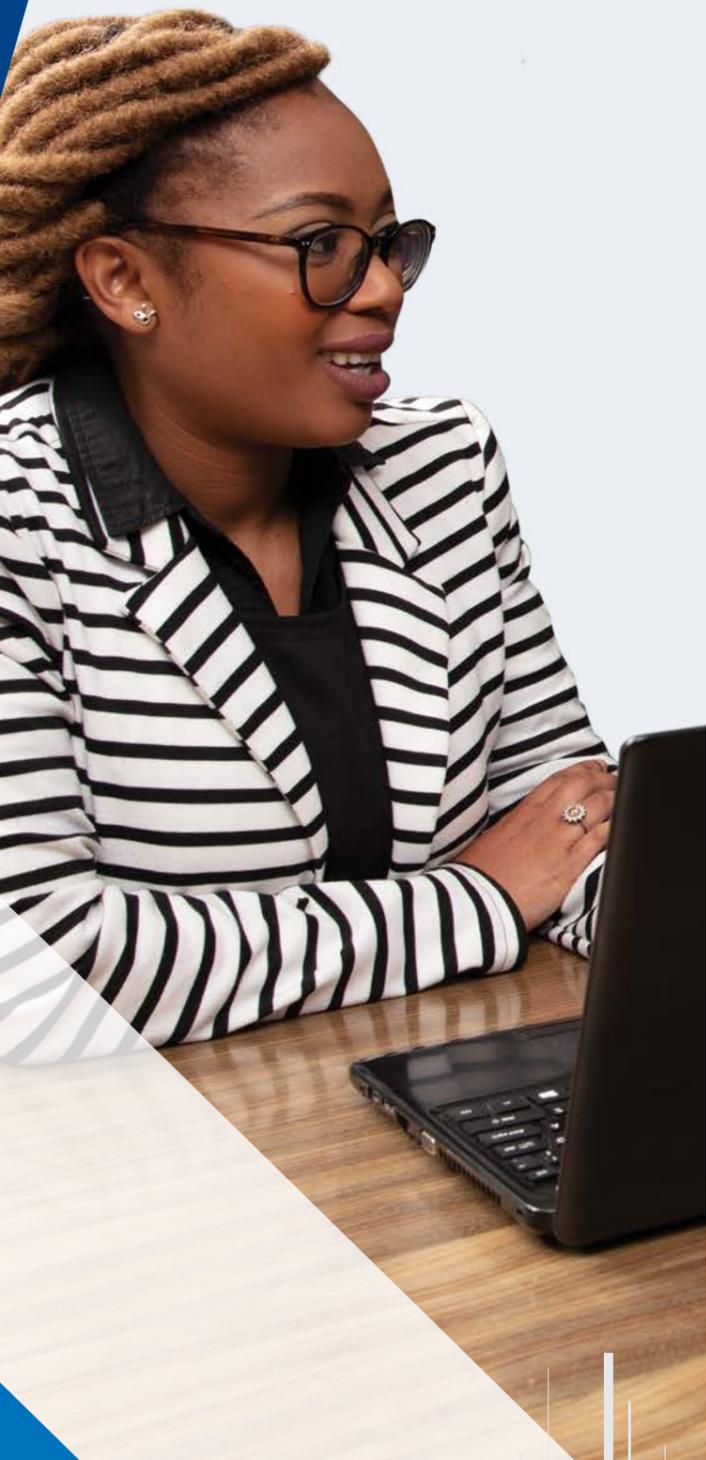
**OPPORTUNITY 2:** The aviation industry is one of the few truly global sectors and in this lies the opportunity of expanding our presence and offering outside of our regulated business and beyond South Africa.

**Our top risks**

Our top risks fall into 4 broad categories, which each directly relate to one of our materiality themes. Last year, we noted 9 top risks. This reporting period, taking into account our strategy, performance and the impact of the COVID-19 pandemic, we added 2 new risks.

What are we doing about it		2025 strategic objectives
<b>1 Safety Risks</b>		
<ul style="list-style-type: none"> <li>Safety incidents attributable to ATNS</li> <li>Aircraft accident attributed to ATNS (new)</li> </ul>	<ul style="list-style-type: none"> <li>Implementing an updated ATNS safety strategy</li> <li>Improving the safety maturity level to C and turnaround times of investigations</li> <li>Reviewing the organisational root cause analysis model and assess its effectiveness</li> <li>Appointing a dedicated safety manager</li> </ul>	<ul style="list-style-type: none"> <li>Safe and efficient company</li> <li>Safe and efficient company</li> </ul>
<b>2 Business Disruption Risks</b>		
<ul style="list-style-type: none"> <li>Inability of IT to support operations and strategic initiatives</li> <li>Significant and prolonged disruption to ATNS's critical business activities</li> <li>Disruption of IT and business services as a result of a breach in information security</li> <li>Threats to and vandalism of ATNS's physical infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Revising our ICT strategy to incorporate relevant capabilities for delivery of our strategic pillars, which includes a cyber-security strategy and execution plan</li> <li>Fast-tracking appointments to fill critical IT vacancies</li> <li>Stabilising wide area network through upgrades and redundancy</li> <li>Implementing head office business continuity management roadmap (including emergency services)</li> <li>Implementing an OR Tambo business continuity roadmap which includes the disaster recovery enhancement project</li> <li>Enhancing the IT site-to-site replication for critical business processes</li> <li>Improving physical access control, security systems and armed guarding</li> <li>Collaborating with other affected stakeholders with similar challenges</li> </ul>	<ul style="list-style-type: none"> <li>Adaptive and innovative enterprise</li> <li>Adaptive and innovative enterprise</li> <li>Safe and efficient company</li> <li>Safe and efficient company</li> </ul>
<b>3 Stakeholder Risks</b>		
<ul style="list-style-type: none"> <li>Lack of competencies, skills and capacity to implement ATNS's strategic initiatives</li> <li>Employee health (emotional and physical), including workplace morale (new)</li> </ul>	<ul style="list-style-type: none"> <li>Implementing an adaptive and intuitive strategy to attract and retain the next generation of aviation professionals</li> <li>Defining and driving the desired organisational culture to attract the right talent</li> <li>Implementing COVID-19 occupational and safety measures at all ATNS workplaces</li> <li>Regular awareness-raising communications on the virus and mitigation measures</li> <li>Rolling out employee wellness programmes</li> </ul>	<ul style="list-style-type: none"> <li>Future-fit workforce</li> <li>Safe and efficient company</li> <li>Stakeholder centricity</li> </ul>
<b>4 Operational and Financial Risks</b>		
<ul style="list-style-type: none"> <li>Failure to remain financially sustainable in the long term</li> <li>ATNS's reliance on key third party service providers for most of ATNS's critical equipment</li> <li>Failure to plan and implement critical Capex projects</li> </ul>	<ul style="list-style-type: none"> <li>Improving revenue collection and driving cost containment</li> <li>Reviewing the growth strategy for the non-regulated business</li> <li>Placing operators on the pay-as-you-fly basis</li> <li>Developing and implementing a supplier transformation strategy</li> <li>Building internal capacity to support the maintenance of ATNS equipment</li> <li>Implementing business process plans and framework in support of the Capex Deliver Framework at a business level</li> </ul>	<ul style="list-style-type: none"> <li>Financial sustainability</li> <li>Financial sustainability</li> <li>Adaptive and innovative enterprise</li> </ul>

# 4



## Our approach to governance

The way we approach governance and leadership at ATNS supports our overall value creation process. We strive to create maximum shared value by delivering on our vision and mission and ensuring relevance, good governance and the sustainability of our business model and strategic pillars.

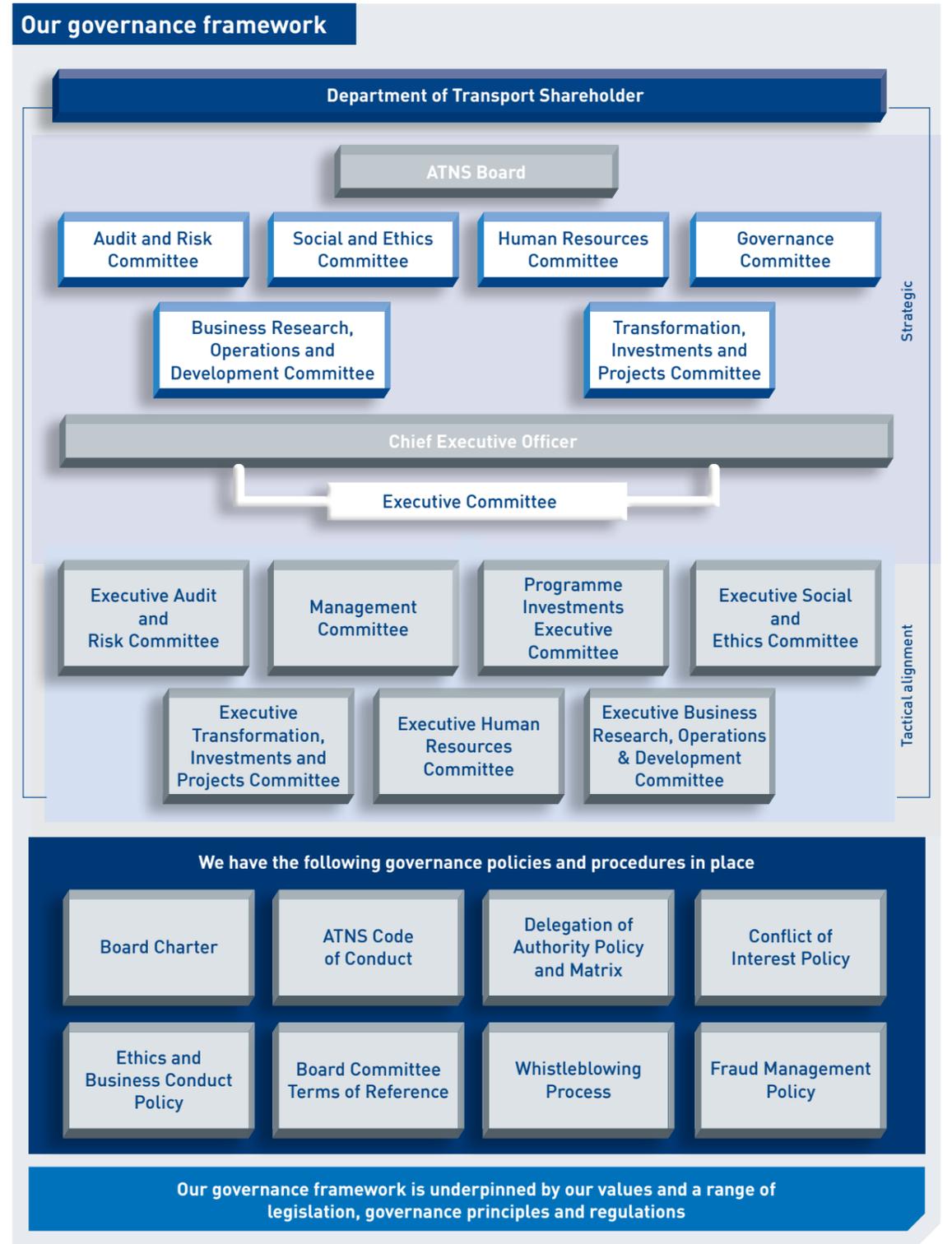
### Our governance framework

Our governance structures and processes are reviewed on a regular basis, and are adapted to accommodate internal developments and reflect national and international best practice. Corporate governance is one of our strategic initiatives; embodying the pillars of governance through regulatory compliance, enterprise risk management, enterprise ethics, continuous monitoring and testing of internal controls.

For us at ATNS, the application of governance requirements should facilitate and not detract from a director's ability to execute their statutory and fiduciary duties, and their duties of care and skill, including specific compliance with the following key legislation, governance principles and regulations:

- 📍 ATNS Company Act (No. 45 of 1993)
- 📍 Public Finance Management Act (No. 1 of 1999)
- 📍 Companies Act (No. 71 of 2008) as amended
- 📍 King IV on Corporate Governance (referred to as King IV throughout this **IR**)
- 📍 National Treasury Regulations
- 📍 the Protocol on Corporate Governance in the Public Sector

Our decision-making processes are incorporated into our governance framework to reduce risk and contribute to adding value. We acknowledge that good corporate governance leads to transparency and better reporting, thus providing the opportunity to establish relationships with all stakeholders on fair and more productive terms. Our governance framework is depicted below.



## Our governance approach

We strive to uphold the highest possible corporate governance standards, by ensuring adherence to all relevant legislative and regulatory requirements including governance codes, such as King IV.

Our board's governance oversight is guided by their commitment to their responsibilities and governance objectives. The objectives provide a mechanism to measure and evaluate performance in applying the King IV principles and outcomes. Our King IV application register (which is referenced by the **IV** icon) is available on our website at [https://atns.com/reports/2020/ATNS\\_KingIV.pdf](https://atns.com/reports/2020/ATNS_KingIV.pdf).

### Leadership, ethics and corporate citizenship

**IV**  
PRINCIPLES  
1-3

The board sets the tone and leads the group ethically, effectively and responsibly. During the reporting period, the board embarked on a programme to review the organisation's ethics profile whereafter the office of the Company Secretary will develop a programme and strategy to ensure that ethics is at the core of the organisation.

In their decision-making, individual board members act with independence, inclusivity, competence, diligence, and with the necessary awareness, insight and information. The board ensures that ATNS continues to play a key transformation and developmental role in South Africa, as a skills provider and facilitator of economic growth.

### Strategy, performance and reporting

**IV**  
PRINCIPLES  
4-5

The board takes accountability for ATNS's business and financial performance. In so doing, the board supports ATNS in setting our vision and mission and in framing our strategic pillars and initiatives.

Information related to required disclosures are contained in our various reports, including in this **IR**, available at <https://www.atns.com/reports.php>.

### Governing structures and delegation

**IV**  
PRINCIPLES  
6-12

The board provides guidance and oversight to ATNS in our management of compliance, ethics, remuneration practices, as well as our organisation-wide risk management activities, which support good governance fundamentals. As a strategic initiative, plans are in place to acquire and develop a future-fit workforce. Additionally, the board provides leadership and vision to ATNS. This ensures our sustainable growth and delivery of our strategic initiatives for the benefit of our shareholder and stakeholders.

### Stakeholder relationships

**IV**  
PRINCIPLES  
16-17

The board ensures a stakeholder-inclusive approach to inform our decision-making and to ensure alignment with our stakeholder expectations; enabling us to adequately respond to and sometimes even pre-empt their needs.

## IV Our ability to respond to a shifting regulatory landscape

We institutionalise robust governance and risk management frameworks, taking into account relevant changes to the regulatory landscape, to ensure our air traffic management and related services are secure and stable.

Given the ever-evolving global landscape, we know the importance of entrenching good governance practices, while retaining the flexibility to respond proactively to the fast-changing regulatory environment.

## IV Our board focus areas

Our board, as a collective and through the board committees, works to fulfil the primary governing roles and responsibilities recommended by King IV, namely to:

- 📍 set and steer the strategic direction of the organisation
- 📍 approve internal policies and oversee their implementation and monitoring
- 📍 ensure management accountability

To enable them to fulfil their strategic oversight role, the board:

- 📍 delegates the management of ATNS to a competent executive committee
- 📍 ensures that a robust strategy process is defined and executed by the executive committee
- 📍 oversees the management of technology and information
- 📍 ensures compliance with appropriate legislation and regulations, supervisory codes and appropriate best practices
- 📍 governs reporting so that stakeholders can effectively assess ATNS's performance
- 📍 protects the interests of ATNS's shareholder and broader stakeholder base
- 📍 ensures fair, responsible and transparent people practices
- 📍 oversees the risk management function and ensures that it informs management's development and implementation of the strategy



## IV Our risk governance approach

As a state-owned company operating within an international regulatory environment and against the backdrop of a globally volatile economic climate, we have a heightened requirement to ensure vigilant risk management.

Our board determines the organisational levels of risk tolerance and delegates the overall design, implementation and monitoring of risk to management. An annual organisation-wide risk assessment is performed, and mitigation controls are assessed and reviewed.

Our board is ultimately accountable for the governance of risk and the assessment of opportunities. The responsibility for risk oversight by the board is assigned to the Audit and Risk Committee.

Risks are identified, rated and monitored through an ongoing review of our risk register. Our Audit and Risk Committee fulfils an integral oversight role within our overarching risk management processes.

## IV Statement of adequacy

For the reporting period, our internal audit function has confirmed that they have evaluated the governance, risk and internal controls within the organisation and that they have made recommendations to improve certain aspects. These recommendations were positively received by management and are being actioned.

## IV Our regulatory compliance function

The responsibility for the effective implementation of compliance throughout ATNS has been delegated to the ATNS compliance function.

The compliance function empowers 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 within the compliance framework.

Areas of non-compliance are identified through compliance assessments and are reported to the responsible heads of business; ensuring mitigation and controls for enterprise regulatory compliance.

The compliance function is also charged with the responsibility of assisting, guiding, and advising the various departments within ATNS on how to discharge their duties in managing their compliance responsibilities and obligations.

The Audit and Risk Committee oversees compliance matters within ATNS.

## IV Our ethics commitment

We are committed to ethical conduct.

Our Ethics and Business Conduct Policy enables a culture of entrenched values and norms that guide the behaviour of our people, business partners and suppliers. This policy aims to instil ethics throughout ATNS.

The board monitors whistleblowing reporting through our Audit and Risk Committee. The hotline is managed by an external service provider.

The office of the Company Secretary is in the process of establishing a comprehensive ethics programme to assist in strengthening and entrenching a culture of ethical conduct across ATNS.

## IV Our internal audit function

Our internal audit function provides assurance to the board on the adequacy and effectiveness of ATNS's internal controls and risk management practices and the integrity of financial reporting systems. Our internal audit function provides independent, objective and relevant assurance and consulting services in terms of our combined assurance framework approved by the board and designed to add value and improve ATNS's operations.

Independence of the internal audit function is assured through:

- 📍 appropriate organisational positioning with functional reporting to the Audit and Risk Committee and administratively to the Chief Executive Officer;
- 📍 being independent from all other business and functional areas within ATNS; and
- 📍 unfettered access to all areas within the organisation.

The approach taken by the internal audit function includes:

- 📍 developing a risk-based audit plan for the 2019/20 financial year aligned to the company's strategic risks;
- 📍 evaluating risk, controls and governance throughout the organisation;
- 📍 collaborating with assurance partners to streamline and effectively coordinate assurance through a combined assurance model; and
- 📍 aligning to professional standards, including the Code of Ethics of the Institute of Internal Auditors and King IV principles.

The internal audit team has an adequate combination of the required skills to address the complexity and volume of risks faced by ATNS. Additionally, various specialist services are available to the team in the form of a co-source partnership.

## IV The governance of information technology

Information technology governance, being the enabling framework that provides structures, processes and authority, is required for effective decision-making, value delivery and accountability related to IT services and initiatives. To be optimal, the governance of IT has to be integrated within the broader governance framework as recommended by principle 12 of King IV.

At ATNS, strategic alignment, risk management and value delivery continue to be central to IT governance efforts. Integration of IT governance processes with existing established business governance structures and processes enhances transparency and accountability and enables

improved alignment of IT initiatives to strategic business priorities. This also facilitates the optimal allocation of resources – financial, human and otherwise, to achieve desired business outcomes through IT service and value delivery.

Additionally, IT risk management, one of the primary enablers of business performance, remains a key focus of effective IT governance. This impacts a wide scope of risk areas, including cybersecurity, disaster recovery and project delivery. The diverse and complex IT risk landscape requires a thorough and systematic approach to effectively track and manage these risks. To this end, the organisational risk management framework supports the processes employed to identify, assess, prioritise and monitor IT risks. This continuous process of review and improvement enhances the control environment.



**NON-EXECUTIVE DIRECTORS**  
 Back row (from left to right): Zenzele Myeza, Chris Burger, Khulile Boqwana, Suleman Badat, Major General Ngema.  
 Seated (from left to right): Captain Jane Trembath, Thomas Kgokolo, Nomathemba Kubheka, Simphiwe Thobela, Kyansambo Vundla.

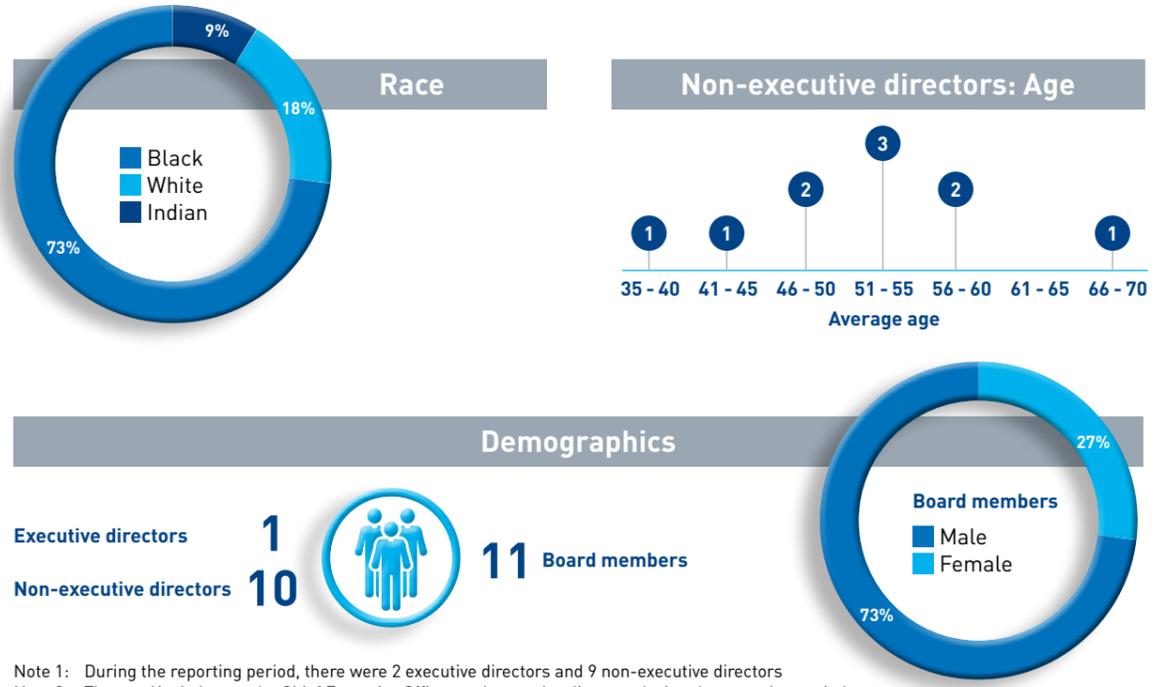
## Our board

Our board plays a vital strategic oversight role. Members of the board are appointed by our shareholder, the government of South Africa, represented by the Minister of Transport. Our board comprise non-executive directors and executive directors and operates within the governance framework established to enable them to execute their mandate.

Our board is led by our Chairperson who provides overall leadership to the organisation, ensures the integrity and effectiveness of the board and sets the ethical tone at the top. The careful selection of individual directors, to ensure the most appropriate combination of expertise and experience, underpins the effectiveness of the board in fulfilling their all-important role.

The term of service of our current board ends on 31 January 2022. During their term, our board engages our shareholder on a range of topics, including board (executive and non-executive directors) succession planning, to ensure continuity of board activities.

In terms of our memorandum of incorporation, at the 2020 annual general meeting, one-third of our non-executive directors will retire, with all of the directors eligible for re-election and re-appointment. This will be the first retirement and/or rotation of the affected directors.



Note 1: During the reporting period, there were 2 executive directors and 9 non-executive directors  
 Note 2: Thomas Kgokolo was the Chief Executive Officer and executive director, during the reporting period; he resumed his role as non-executive director on 1 April 2020

## Board of directors

### Non-executive directors




**SIMPHIWE THOBELA**  
**AGE 48**  
**NON-EXECUTIVE DIRECTOR AND CHAIRPERSON**  
 BCom Logistics, Postgraduate Diploma in Public Management, Master of Town and Regional Planning, PhD Candidate  
**Appointed to the Board as Chairperson of the Board in 2018**




**SULEMAN BADAT**  
**AGE 57**  
**NON-EXECUTIVE DIRECTOR**  
 Bachelor of Accountancy, CA(SA), Certificate of Risk Management and Assurance (IIA)  
**Appointed to the Board in 2018**




**NHLANHLA NGEMA**  
**AGE 70**  
**NON-EXECUTIVE DIRECTOR**  
 Private Pilot's Licence (CAA Nigeria), Commercial Pilot's Licence (CAA UK), Airline Transport Pilot's Licence (FAA USA)  
**Appointed to the Board in 2018**




**CHRIS BURGER**  
**AGE 55**  
**NON-EXECUTIVE DIRECTOR**  
 MEng in Electronic Engineering, BCom in Aviation Management, Airline Transport Pilot Licences and Instructor Ratings  
**Appointed to the Board in 2019**




**KYANSAMBO VUNDLA**  
**AGE 41**  
**NON-EXECUTIVE DIRECTOR**  
 BCom Accounting, Higher Postgraduate Diploma Accounting, Postgraduate Diploma in Mechanics of Project Finance  
**Appointed to the Board in 2018**

### Chairperson S Thobela

#### Membership

##### Non-executive directors

- S Badat
- K Boqwana
- C Burger
- T Kgokolo\*
- N Kubheka
- Z Myeza
- N Ngema
- J Trembath
- K Vundla

##### Executive directors

- T Kgokolo\*
- M Moholola




**NOMATHEMBA KUBHEKA**  
**AGE 53**  
**NON-EXECUTIVE DIRECTOR**  
 Bachelor of Arts in Education, MSc in Building  
**Appointed to the Board in 2018**




**ZENZELE MYEZA**  
**AGE 60**  
**NON-EXECUTIVE DIRECTOR**  
 BCom Accounting, MBA, Certificate in Aviation Management (IAMTI, Canada), Certificate in Corporate Governance  
**Appointed to the Board in 2018**




**JANE TREMBATH**  
**AGE 55**  
**NON-EXECUTIVE DIRECTOR**  
 Airline Transport Pilot Licence  
**Appointed to the Board in 2019**




**THOMAS KGOKOLO**  
**AGE 36**  
**NON-EXECUTIVE DIRECTOR**  
 Bachelor of Commerce in Accounting Sciences, B Compt Honours, MBA, CA(SA)  
**Appointed to the Board in 2018**




**KHULILE BOQWANA**  
**AGE 48**  
**NON-EXECUTIVE DIRECTOR**  
 Senior Teacher's Diploma, B Compt, MBL  
**Appointed to the Board in 2018**

### Board committees' key

-  Audit and Risk Committee
-  Human Resources Committee
-  Transformation, Investments and Projects Committee
-  Governance Committee
-  Social and Ethics Committee
-  Business Research, Operations and Development Committee

### Executive directors during the reporting period




**THOMAS KGOKOLO\***  
**AGE 36**  
**INTERIM CHIEF EXECUTIVE OFFICER**  
 Bachelor of Commerce in Accounting Sciences, B Compt Honours, MBA, CA(SA)  
**Appointed to the Board in 2018**



**MATOME MOHOLOLA**  
**AGE 42**  
**CHIEF FINANCIAL OFFICER**  
 CA(SA), MBA, MCOM Tax, BCom, BACC  
**Appointed to the Board in August 2019**

NOTE 1: The asterisk denotes that Mr T Kgokolo was the Interim Chief Executive Officer and executive director up to 31 March 2020

**Attendance**  
**4** board meetings  
**100%** attendance

**Attendance**  
**11** special meetings  
**87%** attendance

**Attendance**  
**8** strategy meetings  
**90%** attendance

**Attendance**  
**1** annual general meeting  
**80%** attendance



**Ongoing board development**  
**85% attendance**

## Independent board assessment

During the period under review, as part of the board's ongoing commitment to continuousness improvement, we appointed external specialists to evaluate the performance and effectiveness of our board as a governing body and as individual directors, inclusive of the Chief Executive Officer. The evaluation included:

- a peer review by all directors; assessing their fellow board members' contribution to the board; and
- an assessment of each board committee; focusing on the effectiveness of the committee chairperson and the contribution of the committee in effectively supporting the board in its oversight role.

The methodology utilised for the assessment was based on the following four dimensions:

- quality of the monitoring and risk-management role;
- quality of strategic and other business-related advice;
- board dynamics and board members' proactive participation; and
- board composition and diversity.

The external assessment found that the board has well-functioning governance structures, which, overall, meet the requirements of King IV; however, that the following areas, in particular, require focused attention:

- agenda improvements with the proper allocation of time for prioritised topics;
- deeper and more extensive Chief Executive Officer and board interactions and discussions;

- board culture enhancement with discussions to be more focused on key matters;
- strengthening board-management alignment;
- opportunities to highlight collective board and individual director strengths and weaknesses; and
- identification of board composition needs and increasing female membership.

The independent review also found that while the skills portfolio of the board is wide and diverse, it is heavily weighted in favour of risk management, financial management and governance experience. Given ATNS's core business of air traffic control services, the recommendation is that, in the future, more directors should be appointed who exhibit these specialist skills and knowledge. In addition, it was found that the board would also benefit from additional specialist functional expertise in the areas of public affairs, human resources, engineering, legal and public sector supply chain management.

Areas identified as requiring more substantial, short-term focus included those relating to boardroom dynamics, protocols and the related decision-making processes. The results of the independent assessment were shared with the Department of Transport as required in terms of our shareholder compact.

In the coming year, the board, with the support of the Company Secretary, will focus on addressing these findings. As a starting point, our Company Secretary will be leading a project to strengthen our governance framework and to arrange specific board-awareness sessions relating to boardroom dynamics and public sector supply chain management. Some of the recommendations that require specific shareholder approval, such as board composition, will be brought to the attention of our shareholder.

### Chairperson

Mr Simphiwe Thobela is Chairperson of the board. The offices of Chairperson and Chief Executive Officer are separate and the Chairperson is an independent non-executive director.

The appointment of the Chairperson is by our shareholder, the Department of Transport. The results of the assessments of the board and the Chairperson are submitted to our shareholder on an annual basis to enable their ongoing review and monitoring.

### Chief Executive Officer

Our Interim Chief Executive Officer, Mr Thomas Kgokolo, concluded his term at the end of the financial year and, effective 1 April 2020, resumed his role as a non-executive director of our board. Pending the appointment of a permanent Chief Executive Officer, as approved by our shareholder, and to ensure continuity and effective executive management, the board delegated the accountabilities and the authority of the Chief Executive Officer to Mr Dumisani Sangweni, the Executive: Strategy and Optimisation. We refer to Mr Sangweni in this [IR](#), for ease of reference, as the CEO Delegated or Chief Executive Officer Delegated. Mr Sangweni was appointed Chief Executive Officer Delegated effective 1 April 2020 and assumed the management accountabilities assigned to this role from this date.

Once appointed, the incoming Chief Executive Officer will be appointed for a five-year term.

### Chief Financial Officer

Mr Matome Moholola was appointed as Acting Chief Financial Officer with effect 1 October 2017. Mr Moholola was confirmed as Chief Financial Officer and executive director, effective 1 August 2019.

Our Audit and Risk Committee considered his expertise and experience at its meeting on 27 August 2020 and deemed it appropriate. The committee is also satisfied that the expertise, resources, succession plans and experience of the finance function reporting to the Chief Financial Officer are adequate.

### Company Secretary

Ms Lindelwa Mngomezulu was appointed as the Company Secretary, effective 1 January 2020. Having considered her competence, qualifications and experience in November 2019, the board is satisfied that she is competent and has the appropriate qualifications and experience to serve as the Company Secretary. The board also considered the interactions between the Company Secretary and the board during the period under review, and is satisfied that there is an arms-length relationship between the board and the Company Secretary.

# Our executive committee

In terms of our governance framework, the executive committee supports the Chief Executive Officer in implementing the strategy and in managing the business. The Chief Executive Officer is entitled to sub-delegate any of the powers delegated to him to the executive committee, individual members of the executive committee or other committees, forums or individuals within the organisation.

**DUMISANI SANGWENI**



**AGE 52**  
**CEO DELEGATED AND EXECUTIVE: STRATEGY AND OPTIMISATION**  
 Delegated with the responsibilities of the Chief Executive Officer  
 BSc (Aviation Technology), Postgraduate Diploma (Transport Economics), Postgraduate Diploma (Business Administration)  
**Appointed as CEO Delegated: April 2020**

**MATOME MOHOLOLA**



**AGE 42**  
**CHIEF FINANCIAL OFFICER**  
 BAcc, BCom, CA(SA), MBA, MCom Tax  
**Appointed as Chief Financial Officer: August 2019**

**LINDELWA MNGOMEZULU**



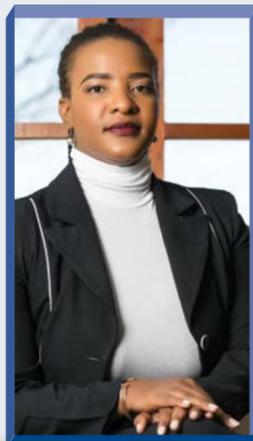
**AGE 36**  
**COMPANY SECRETARY**  
 LLB, Professional Post-Graduate Qualification in Company Secretarial and Governance Practice, Admitted Attorney, Certified Chartered Company Secretary (FCG)  
**Appointed: January 2020**

**JEFFREY MATSHOBA**



**AGE 50**  
**EXECUTIVE: AIR TRAFFIC MANAGEMENT/CNS**  
 BCom, International Executive Development Programme  
**Appointed as Acting Chief Air Traffic Services: June 2020**

**THANDEKA MDEBUKA**



**AGE 40**  
**LEGAL COUNSEL**  
 LLB, LL.M, Business Leadership Programme, Admitted Attorney  
**Appointed: April 2018**

**THABANI MYEZA**



**AGE 55**  
**EXECUTIVE: COMMERCIAL SERVICES**  
 BCom Accounting, MBA General Management  
**Appointed: April 2015**

**TENDANI NDOU**



**AGE 51**  
**PRINCIPAL: AVIATION TRAINING ACADEMY**  
 Higher Education Diploma, BCom, BCom (Hons), MBA  
**Appointed: June 2011**

**DR. SANDILE MALINGA**



**AGE 53**  
**CHIEF OPERATIONS OFFICER**  
 PhD in Physics, MBA  
**Appointed: September 2016**

**LULEKWA NGCWABE**



**AGE 43**  
**EXECUTIVE: HUMAN CAPITAL**  
 Bachelor of Administration, MBA  
**Appointed: February 2019**

**LESEGO MAHAMBA**



**AGE 35**  
**CHIEF AUDIT EXECUTIVE**  
 BCom Economics, BCom Accounting Sciences, B Compt (Hon), MBA, CA(SA)  
**Appointed: February 2018**

**MBONGENI MAQASHELANA**



**AGE 44**  
**CHIEF RISK EXECUTIVE**  
 BCompt, Post-Graduate Diploma: Business Management and Administration, MBA, National Diploma Cost and Management Accounting, Certificate in Risk Management  
**Appointed: July 2018**

**VERONICA SEBONA**

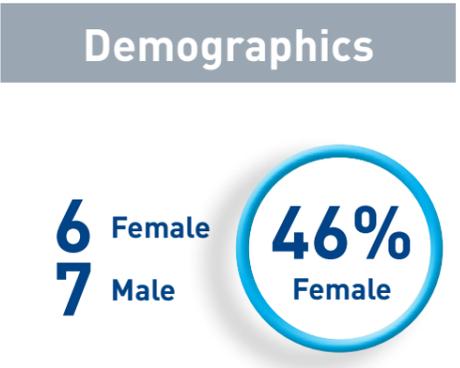


**AGE 44**  
**CHIEF INFORMATION OFFICER**  
 B.Sc. Computer Science, MBA  
**Appointed: January 2020**

**RICHARD MADLALA**



**AGE 41**  
**ACTING CHIEF TECHNOLOGY OFFICER**  
 BSc. Engineering  
**Appointed: April 2019**



## Our board committees

### Audit and Risk Committee

<b>Chairperson</b> S Badat (8/8)	<b>How the committee contributes to value creation</b> <ul style="list-style-type: none"> <li> Assists the board in setting the risk tolerance levels relevant to the organisational strategy and objectives</li> <li> Introduces measures to enhance the credibility and objectivity of financial statements and reports</li> <li> Assists the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of our internal control systems, accounting practices, information systems and internal auditing applied in the day-to-day management of our business</li> <li> Manages the relationship with the external auditors and assesses their qualifications, independence and effectiveness</li> <li> Facilitates and promotes communication between the board, executive management, the external auditors and the Head of Internal Audit</li> <li> Oversees ATNS's compliance with the Public Finance Management Act, relevant Treasury regulations and other relevant legal and regulatory requirements applicable to the organisation</li> <li> Assists the board in overseeing the preparation and presentation of the <b>IR</b></li> <li> Oversees the effectiveness of IT governance, on behalf of the board, including system security, data integrity, business continuity, disaster recovery and review of the reports of the Chief Information Officer</li> <li> Oversees the enterprise-wide risk management (ERM) approach and combined assurance model</li> <li> Considers the expertise, resources and experience of the Chief Financial Officer, finance and internal audit functions</li> <li> Oversees fraud management and anti-corruption policies and procedures</li> </ul>
<b>Members</b> K Boqwana (8/8) Z Myeza (6/8) J Trembath (7/8) K Vundla (7/8)	
<b>Standing attendees</b> T Kgokolo* (Interim Chief Executive Officer) L Mahamba (Chief Audit Executive) M Moholola (Chief Financial Officer) S Malinga (Chief Operations Officer)	
<b>No. of meetings during reporting period:</b> 8  <b>% attendance:</b> 90%	
<b>2025 Strategic Pillars</b> <ul style="list-style-type: none"> <li> Sustainability</li> <li> Innovation</li> <li> Service Excellence</li> </ul>	<b>Materiality themes</b> <ul style="list-style-type: none"> <li> Operational and financial resilience</li> <li> Technology and industry future-proofing</li> <li> Sound governance and regulatory compliance</li> </ul>

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020

### Business Research, Operations and Development Committee

<b>Chairperson</b> Z Myeza (4/4)	<b>How the committee contributes to value creation</b> <ul style="list-style-type: none"> <li> Assists the board in approving a number of research, development and innovation strategies, policies and projects</li> <li> Reviews, approves and monitors execution against the following strategies:                     <ul style="list-style-type: none"> <li> Research funding strategy</li> <li> Growth strategy</li> </ul> </li> <li> Oversees the setting and implementation of policies, including the intellectual property policy, which support and enable research and development activities</li> <li> Reviews the business case and monitors progress relating to key projects, including that of the:                     <ul style="list-style-type: none"> <li> GNSS Threat Model for analysing the ionospheric effects in South Africa research project</li> <li> ATNS UTM system development research project</li> <li> Fourth Industrial Revolution (4IR) research project</li> </ul> </li> </ul>
<b>Members</b> S Badat (4/4) C Burger (4/4) N Ngema (4/4) S Thobela (4/4) J Trembath (4/4)	
<b>Standing attendees</b> T Kgokolo* (Interim Chief Executive Officer) L Mahamba (Chief Audit Executive) M Moholola (Chief Financial Officer) S Malinga (Chief Operations Officer)	
<b>No. of meetings during reporting period:</b> 4  <b>% attendance:</b> 100%	
<b>2025 Strategic Pillars</b> <ul style="list-style-type: none"> <li> Innovation</li> <li> Sustainability</li> <li> Service Excellence</li> </ul>	<b>Materiality themes</b> <ul style="list-style-type: none"> <li> Operational and financial resilience</li> <li> Technology and industry future-proofing</li> </ul>

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020

## Governance Committee

<b>Chairperson</b> S Thobela (6/6)	<b>How the committee contributes to value creation</b> <ul style="list-style-type: none"> <li> Governs directors' affairs</li> <li> Assists the board in the determination and evaluation of the adequacy, efficiency and appropriateness of the governance structures and practices</li> <li> Reviews the composition of skills, experience and other qualities required for the effectiveness of the board</li> <li> Assesses the board as a whole, which assessment is coordinated by the Chairperson of the board, assisted by the Company Secretary</li> <li> Assesses the conduct and competence of the directors (executive and non-executive) and board committees, and the overall effectiveness of the board</li> <li> Reviews the required mix of skills and experience on the board with a view to identifying any skills gaps</li> <li> Develops a plan for identifying, assessing and enhancing director competencies, including the review and approval of onboarding programmes and ongoing board training</li> <li> Assesses the strength of the executive directors and the executive committee</li> </ul>
<b>Members</b> S Badat (6/6) K Boqwana (6/6) Z Myeza (5/6) N Ngema (6/6) K Vundla (6/6)	
<b>Standing attendees</b> T Kgokolo* (Interim Chief Executive Officer) M Moholola (Chief Financial Officer)	
<b>No. of meetings during reporting period:</b> 6  <b>% attendance:</b> 94%	
<b>2025 Strategic Pillars</b> Service Excellence Sustainability Innovation	<b>Materiality themes</b> <ul style="list-style-type: none"> <li> Sound governance and regulatory compliance</li> <li> Operational and financial resilience</li> <li> Technology and industry future-proofing</li> </ul>

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020

## Transformation, Investments and Projects Committee

<b>Chairperson</b> K Vundla (6/6)	<b>How the committee contributes to value creation</b> <ul style="list-style-type: none"> <li> Oversees the policies, strategies and execution plans relating to supply chain management</li> <li> Oversees capital investments, acquisitions, disposals and risk management as they relate to preferential procurement</li> <li> Monitors the activities of the bid adjudication committee at executive management level</li> <li> Approves all transactions and projects above the limit set for the bid adjudication committee in terms of the delegation and limits of authority</li> <li> Monitors progress against the company's transformation objectives, including related Capex and OPEX projects</li> <li> Approves the Enterprise and Supplier Development Plan</li> <li> Approves the transformation strategy and the incubation strategy</li> </ul>
<b>Members</b> K Boqwana (6/6) C Burger (6/6) N Kubheka (6/6) Z Myeza (5/6)	
<b>Standing attendees</b> T Kgokolo* (Interim Chief Executive Officer) L Mahamba (Chief Audit Executive) M Moholola (Chief Financial Officer) S Malinga (Chief Operations Officer)	
<b>No. of meetings during reporting period:</b> 6  <b>% attendance:</b> 96%	
<b>2025 Strategic Pillars</b> Service Excellence Sustainability Innovation	<b>Materiality themes</b> <ul style="list-style-type: none"> <li> Operational and financial resilience</li> <li> Technology and industry future-proofing</li> <li> Sound governance and regulatory compliance</li> </ul>

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020



## Social and Ethics Committee

**Chairperson**  
N Ngema (6/6)

**Members**  
S Badat (6/6)  
N Kubheka (6/6)  
S Thobela (6/6)  
J Trembath (6/6)  
K Vundla (1/6)

**Standing attendees**  
T Kgokolo\* (Interim Chief Executive Officer)  
L Mahamba (Chief Audit Executive)  
M Moholola (Chief Financial Officer)  
S Malinga (Chief Operations Officer)

**No. of meetings during reporting period:**  
6  
**% attendance:**  
86%

### How the committee contributes to value creation

- Oversees the promotion of equality, prevention of unfair discrimination and reduction of corruption
- Reviews the company's Broad-Based Black Economic Empowerment policies and strategies, ensuring that these align with Department of Trade and Industry's Codes of Good Practice
- Monitors the activities, having regard to relevant legislation and codes of best practice, in respect of social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and sound labour and employment practices
- Considers and recommends, for approval to the board, the ethics management programme
- Reviews, for board approval, ethics-related policies like the conflict of interest policy, code of ethics, gifts and whistleblowing policies
- Monitors the strategies, policies, performance and implementation of safety and health policies
- Considers reports covering matters relating to substantive safety and health risks and liabilities
- Considers the impact of ATNS's operations on society and the environment and, where appropriate, amends our policy or approach
- Considers progress in ATNS's sustainability journey reporting process and evaluates disclosure on sustainability issues
- Applies the recommended practices and regulation as outlined in King IV and the Companies Act in executing its mandate

**2025 Strategic Pillars**  
Service Excellence  
Sustainability

**Materiality themes**  
Safety and health – first and foremost  
Sound governance and regulatory compliance



## Human Resources Committee

**Chairperson**  
K Boqwana (5/5)

**Members**  
C Burger (5/5)  
N Kubheka (5/5)  
N Ngema (5/5)  
S Thobela (5/5)

**Standing attendees**  
T Kgokolo\* (Interim Chief Executive Officer)  
L Mahamba (Chief Audit Executive)  
M Moholola (Chief Financial Officer)  
S Malinga (Chief Operations Officer)

**No. of meetings during reporting period:**  
5  
**% attendance:**  
100%

### How the committee contributes to value creation

- Reviews and recommends the ATNS human capital strategy
- Monitors implementation and execution of the human capital strategy and business transformation
- Issues human resource-related policy requirements for implementation by the executive committee
- Approves and monitors progress relating to the culture change programme
- Reviews performance scorecards of the organisation and the executive management team
- Oversees the preparation and presentation of employment equity and other human capital statutory reports
- Oversees the implementation of ATNS's training and development plan
- Reviews the performance of and succession planning for the executive committee
- Reviews and recommends performance incentive policies applicable to the executive directors and employees to ensure that they are fairly rewarded for their individual and joint contribution to the overall organisational performance
- Determines remuneration, retention incentives and termination policies and procedures for the executive committee
- Makes recommendations to the board, for approval, of the aggregate annual staff salary increase

**2025 Strategic Pillars**  
Service Excellence  
Sustainability

**Materiality themes**  
Safety and health – first and foremost  
Operational and financial resilience  
Sound governance and regulatory compliance

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020

NOTE 1: Committee information for the reporting period

NOTE 2: The asterisk denotes that T Kgokolo became a non-executive director, effective April 2020

## Our remuneration practices

Our Human Resources Committee is mandated to oversee all aspects of remuneration, including recommendations relating to the annual remuneration, company benefits and increases and adjustments of all employment layers within the organisation, including that of the executive committee.

Recommendations and feedback reports on decisions taken at the Human Resources Committee meetings are presented to the board. The effectiveness of the committee and the committee chairperson are assessed every two years.

ATNS complies with the relevant remuneration governance codes and statutes that apply in South Africa. All recommended practices stated under Principle 14 of King IV are applied and are explained throughout this **IR** through the outcomes achieved.

Our remuneration decisions have a direct impact on operational expenditure and profitability, company culture, employee behaviour and, ultimately, on the organisation's ongoing sustainability.

## Our remuneration philosophy

Remuneration is not a standalone management or governing body process; it is fully integrated into our overarching governance framework and remuneration-related processes which includes our total reward framework, including performance management, short-term incentives, rewards and recognition. Our remuneration philosophy aligns with the strategic direction of the company and takes into account the specific value drivers of the landscape within which we operate.

Remuneration plays a critical role in attracting and retaining high performing individuals. Remuneration also reinforces, encourages and promotes continued superior performance.

## Benchmarking and position in the market

One of the Human Resources Committee's key tasks is to ensure the ongoing relevance, integrity and consistency of benchmarking. Benchmark data remain indicative only and is used for purposes of providing trend lines and for the comparison of practices.

We perform regular remuneration benchmarks to ensure we remain market-aligned and competitive. ATNS's defined position is targeted between the 25th and 75th percentile of the market, in line with our business strategy, inclusive of employees with key skills. This is; however, reviewed in instances where a premium is to be applied to attract talent to fill critical vacancies or where specialist and scarce skills are to be secured.

The benchmarking of executive positions within the South African labour market poses many challenges to enable effective compensation comparability. Our executive positions are benchmarked annually by an independent survey house; ensuring that the comparator group is representative of our business model, geography and sector.

## Components of remuneration

Our remuneration policy is linked to our organisational strategy and takes into account our material matters, risks, strategic objectives and key performance indicators. Our total remuneration consists of: guaranteed pay, variable pay and short-term incentives.

### Guaranteed pay

We remunerate using the cost-to-company method of payment, which includes both a cash component plus employee benefits. We provide our employees with contractually agreed basic benefits such as medical aid and retirement fund benefits, which include a pension fund and associated benefits, such as disability and life insurance. Employees, including the group executive committee, are afforded the opportunity to structure their remuneration packages, within legally prescribed parameters, according to their individual needs. The degree of flexibility includes an option to structure annual salaries into thirteen payments, which equates to a thirteenth cheque as the final annual payment.

Employees are evaluated against annually set objectives, which encompass the scope and nature of the role and job content. To encourage a high-performance culture, the determination of annual salary adjustments is based exclusively on performance; with the exception of air traffic services' employees, who are paid based on annual progression.



## Retirement benefits

The retirement fund is a fixed component of an employee's guaranteed pay. All our permanent employees are members of ATNS's retirement fund. The fund is a defined contribution fund and is governed by the Pension Funds Act of 1956, which requires an actuarial valuation to be carried out every three years. We do not provide any post-retirement benefits to employees and, as such, we have no exposure to post-retirement benefit obligations. The retirement age for all employees is age sixty.

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 benefits

Healthcare-provider membership is a condition of service for all permanent ATNS employees and is a fixed component of the employee's guaranteed pay. We currently contract two healthcare service providers for our employees, which allows for choice between two different schemes and options and also provides favourable underwriting conditions for employees to join and remain members of the scheme.

## Variable pay

Variable pay includes all allowances we may, from time to time, offer employees. For the executive committee, 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 of our 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

Our annual short-term incentive scheme is a funded scheme and is dependent on the achievement of specified financial targets. The objective of a funded scheme is to ensure that the company achieves our strategic objectives while operating effectively and efficiently.

The scheme essentially has three phases: the first is the funding of the incentive pool, the second is the modifying of the incentive pool by the performance against strategic objectives which include safety. The final phase is the distribution of the incentive pool among the individual participants based on individual performance. These are expanded on below:

### 📍 Incentive pool structure

The board approves the budget pool for our annual short-term incentive scheme; while management distributes the incentives to all qualifying employees according to the rules of the scheme.

### 📍 Measurement and payment periods

The measurement and payment periods are annual and aligned with ATNS's financial year. The incentive is only paid after the audited financial statements have been approved by the board. Provisions for the incentive are made monthly.

### 📍 Modifiers and triggers to qualify

The payment of the short-term incentive is triggered based on the achievement of board-approved targets.

The size of the incentive pool approved and provided for is modified by the average actual performance against target performance of modifiers as approved annually by the board.

The target incentive (TI) expressed as a percentage of the cost-to-company for the employees according to employment levels are reflected in the table below.

### Target incentive expressed as percentage of cost-to-company

PEROMNES GRADE	LEVELS	TARGET INCENTIVE (TI) (% OF CTC)
1	CEO	30%
2 - 3	Executives	25%
4 - 6	Senior Managers	20%
7	Managers	15%
8 - 10	Supervisors and Technical Specialists	12.5%
11 - 12	Technical Skills	12.5%
13 - 17	Non-Technical Skills	12.5%

For Peromnes 8 and above, the balanced scorecard key performance areas' score achieved for the final assessment is used to determine the incentive rating as set out in the table below.

### Final assessments used to determine incentive ratings

INDIVIDUAL PERFORMANCE	KPA OR STRETCH TARGET SCORE (FINAL ASSESSMENT)	INCENTIVE RATING
Significantly exceeds expectations	4.51 - 5.00	150%
Exceeds expectations	3.51 - 4.50	125 - 149%
Meets all expectations	2.76 - 3.50	100 - 124%
Meets some expectations	<=2.75	0%
Does not meet expectations	< 2	0%

## Employee contracts and notice periods

Except where otherwise specifically agreed to or where other contractual obligations apply, an employee's service may be terminated on 24 hours' reciprocal notice during the first four weeks of the probationary period. For the remainder of the probationary period, service may be terminated by two weeks' reciprocal notice. Afterwards service may be terminated by one calendar months' reciprocal notice.

Upon termination of service, employees give consent to ATNS to deduct, from their salary, any monies owed by them to the organisation at the time of termination.



## Executive employment contracts

All executive committee members are employed on a permanent basis, with the exception of the Chief Executive Officer and Chief Financial Officer.

The Chief Executive Officer and Chief Financial Officer are appointed into these executive director positions on the basis of a five-year fixed-term employment contract.

## Aligning remuneration to our strategic objectives

To drive our strategic objectives, as an organisation, which are aligned to the delivery of our strategy, we make executives accountable through key performance indicators aligned with our strategy and also align their remuneration with these indicators. Our annual key performance areas are proposed by the executive committee with input from the board, whereafter they are approved by our shareholder, the Department of Transport.

Our detailed key performance indicators for the year under review are detailed in chapter 05, 'Our Performance'. These indicators are directly linked to our ability to create value over the short, medium and long term.

## Non-executive director remuneration

Non-executive directors' fees for services provided to the board and board committees are determined by our shareholder, the Department of Transport.

### Non-executive directors' fees

	FEES
2019/20	R8 067 181
2018/19	R7 575 818

## Salaries and related costs

The table below provides a summary of ATNS's cost of employment for the year under review. Salary increases were aligned to average CPI as published by Statistics South Africa annually, and all remuneration policies and procedures are fully compliant with relevant legislation. In addition, payroll is audited annually by both internal and external auditors, and any discrepancies identified are addressed.

Where applicable, remuneration policies and procedures adhere to the Collective Substantive Salary Agreements entered into between ATNS and the recognised trade unions. ATNS has collective agreements with two trade unions, namely, Solidarity and SATAWU and there are three bargaining units, namely the Administration Bargaining Unit, Operations Technology Bargaining Unit and the Air Traffic Services Bargaining Unit, which constitute 70% of our employees.

Salary agreements for the 2019/2020 financial year were concluded and implemented for the Administration and Operations Technology Bargaining Units.

A unilateral implementation of salary increases was applied for the Air Traffic Services Bargaining Unit, given the lack of agreement during the negotiation process.

The tables below provide a summary executive remuneration and total expenditure on salaries and related cost in and 2018/19 and 2019/20 respectively.

### Salaries and related costs

	OTHER RELATED COSTS	INCENTIVE SCHEME	TRAINING AND DEVELOPMENT	PENSION FUND CONTRIBUTION
2019/20	R839 514 697	R81 276 346	R8 407 244	R82 789 389
2018/19	R789 525 139	R73 670 324	R9 629 035	R76 584 972

### Executive remuneration

	SALARIES AND RELATED COST	INCENTIVE SCHEME
2019/20	R34 501 260	R5 256 727
2018/19	R32 169 809	R439 129

# 5



## CHIEF FINANCIAL OFFICER'S REVIEW

**Matome Moholola**  
Chief Financial Officer

In the coming year, we will be elevating our focus on expanding our non-regulated business across the continent, while deploying enhanced existing services within our regulated business.

## Stable performance during unprecedented times

Dear stakeholder,

In South Africa, low economic growth, high unemployment and higher fuel and electricity prices impacted investor and consumer confidence, resulting in reduced spending. The civil aviation industry was particularly hard hit by recessionary local market conditions combined with a deteriorating global outlook.

Under these extremely tough conditions, during the year, household finances reduced while company profits plummeted, resulting in subdued air traffic movements with fewer business and leisure air travelers.

While some companies increased investment in new technologies, automation-improved processes, and step-out expansion projects, the overall business sentiment was less than positive, resulting in announcements of corporate restructuring, business closures and retrenchments.

With a largely discouraged working population, impacted by rising unemployment, slower wage growth, higher taxes and reduced disposable income, consumer spending slowed down considerably which, in turn, reduced air traffic movements further.

This subdued picture was exacerbated by the impact of the coronavirus pandemic, spreading to the African continent in March 2020 – the last month of our reporting period. During these unprecedented times and with the ongoing rise of the number of COVID-19 cases, GDP for 2020 now sits closer to negative 7,0%.

### Our performance

Despite the challenging macro-environment, for the current reporting period, our total revenue increased by 0.29% to R1 673 million (2019: R1 668 million) and this, notwithstanding our core revenue arising from aerodrome, en-route and approach fees decreasing by 1.0% to R1 463 million (2019: R1 479 million).

Our regulated business relies on revenue generated from service-based tariffs, with revenue dependent on air traffic movements, which decreased by 4.4% to 306 000 (2019: 320 000). Revenue generation was also impacted by a tariff increase of just 0.5% compared to 7.5% in 2018/19, as well as the COVID-19 pandemic toward the end of the financial year.

Our operating costs increased by 10.4% to R1 569 million (2019: R1 421 million) mainly due to increased staff costs and bad debts, while our capital spend was down to R149 million (2019: R252 million) as a result of delays in the execution of projects.

Our balance sheet maintained its strength with a liquidity ratio of 5.6:1 (2019: 4.6:1) and gearing at 3.4% (2019: 0.3%). This puts the company in a better position to raise funding for the imminent capital expenditure and to weather the after-effects of the COVID-19 pandemic.

The return of capital employed (ROCE) was 5.3% (with the regulated ROCE at 0.5%).

Cash generated from operations decreased by 70.9% to R115 million (2019: R395 million) and we continue to monitor our collections processes to improve cash received from debtors.

Our company's total capital commitments for the year under review was R550 million (2019: R373 million). Due to the impact of COVID-19 on the civil aviation sector and our business as a whole, we will review and renegotiate some of our commitments; looking to defer some of the non-critical expenditure. Despite the uncertainties, we plan to fund our remaining commitments through our cash reserves.

Our abridged financial statements are set out on page 86. For more details regarding our business and financial performance, please refer to pages 87 to 127.

## The year ahead

Looking ahead, we will continue to prioritise the continued delivery of our mandated air navigation infrastructure investments and air traffic management services, in compliance with the South African civil aviation legislation and regulations together with the ICAO standards and recommended practices.

Despite the ever-evolving and challenging macroeconomic backdrop, we will continue to pursue the implementation of the ICAO aviation system block upgrades as are required in our environment and synchronised with the ICAO global air navigation plan to ensure that regional air navigation service improvements remain coordinated and consistent in the Southern African region.

In the coming year, we will be elevating our focus on expanding our non-regulated business across the continent, while deploying enhanced and existing services within our regulated business.

We will continue to progress both our financial and non-financial targets, taking into account any revised timelines that may be required, once we have greater clarity about the impact of the COVID-19 pandemic on Africa, Africans and air travel.

To our board and to my colleagues on the executive team, thank you for your ongoing inputs and guidance during the year. My appreciation also extends to the Department of Transport, the extended finance team and to our business partners, for your continued hard work and support. Working together, I am confident that we will be able to weather any further storms these unprecedented times may bring.

**Matome Moholola**  
Chief Financial Officer  
18 September 2020

## Abridged financial statements

### Abridged Statement of Profit and Loss and Other Comprehensive Income

DESCRIPTION	2020	2019
Revenue	R1 673 405 977	R1 667 952 744
Other Income	R160 938 094	R116 776 030
Total expenditure	(R1 739 674 304)	(R1 534 066 566)
Profit before taxation	R94 669 767	R250 662 208
Income Tax Expense	(R27 371 649)	(R62 374 055)
<b>Profit for the year</b>	<b>R67 298 118</b>	<b>R188 288 153</b>

### Abridged Statement of Financial Position

DESCRIPTION	2020	2019
<b>Assets</b>		
Non-current assets	R1 537 137 615	R1 499 304 359
Cash and cash equivalents	R1 601 786 955	R1 520 495 995
Current assets excl Cash and cash equivalents	R197 566 274	R259 354 595
<b>Total assets</b>	<b>R3 336 490 844</b>	<b>R3 279 154 949</b>
<b>Equity and Liabilities</b>		
Total equity	R2 898 924 390	R2 831 626 272
Non-current liabilities	R113 982 055	R63 159 241
Current liabilities	R323 584 399	R384 369 436
<b>Total equity and Liabilities</b>	<b>R3 336 490 844</b>	<b>R3 279 154 949</b>

### Abridged Statement of Cash Flows

DESCRIPTION	2020	2019
Net cash flows from operating activities	R160 578 119	R385 418 229
Net cash flows from investing activities	(R148 690 358)	(R251 561 452)
Net cash flows from financing activities	(R9 047 499)	(R4 475 018)
<b>Total cash movement for the year</b>	<b>R2 840 262</b>	<b>R129 381 759</b>

## Our value creation through the six capitals

### Value creation through our financial capital

Financial capital is more than what is reflected in our balance sheet. We aim to create broader financial and economic value to support the South African economy, as our shareholder mandate requires us to act as a primary catalyst for economic growth and job creation in the country.

As a provider of air traffic management solutions in South Africa as well as 6% of the world's airspace, we create financial value in the short, medium and long term through our regulated and non-regulated business activities. Our industry is directly linked to air traffic movements which increase when we are experiencing economic growth and, as such, has a high correlation to gross domestic product (GDP).

During the reporting year, 960 802 aircraft took off and landed at our main airports, as recorded by the company, representing a year-on-year decline of 7.59%. These numbers are expected to further worsen, in the coming years, due to the impact of the pandemic and economic downturn. According to the ICAO Aviation Infrastructure for Africa Gap Analysis (2019), passenger traffic growth of African carriers will remain volatile.

#### We create value through our financial capital through:

- 📍 sound financial management
- 📍 permission-planning for our regulated business
- 📍 focused B-BBEE practices
- 📍 growing our non-regulated business revenue streams
- 📍 our capital investment programme

### Sound financial management

ATNS obtains approval from the Minister of Transport to borrow funds from the market, as and when required, to finance our capital expenditure programme. The borrowing plan is driven by planned capital expenditure, cash flow, gearing and our current ratio. With gearing levels (% of debt to equity) of between 10% to 45%, we do not place undue risk on the company.

Distributable profits are retained for re-investment and to maintain financial sustainability in the short term.

We maintain a minimum cash balance of two months' operating expenditure plus capital loan payables. Cash flow is monitored daily to ensure there are sufficient funds to cover operational expenses and loan obligations.

Our capital expenditure plans considers legislation, capacity requirements, efficiency, technological changes and end-of-life replacements of infrastructure. The capital expenditure plan is reviewed annually and approved by our board. All purchases are approved in accordance with the ATNS delegation of authority and as prescribed in the Public Finance Management Act.

Where required, we hedge against foreign currency fluctuation by taking forward cover.

## Permission-planning for our regulated business

The Economic Regulating Committee is a statutory body formed and appointed by our shareholder, the Department of Transport, and tasked with our economic regulation.

We are required to seek permission from the regulator to levy air traffic service charges, provide air navigation infrastructure and conduct air traffic and air navigation services.

The permission cycle informs our specified tariffs as well as service standard requirements for our regulated business. As part of the permission-planning process, we actively collaborate with the Economic Regulating Committee to ensure favourable and sustainable outcomes for the industry.

The regulator is required to balance the interests of ATNS with the interests of our customers, which includes promoting the safe, efficient, economic and profitable operation of our business. This encourages timely investment and ensures that we are able to finance our obligations and have a reasonable prospect of earning a commercial return.

Our approach in delivering value through our regulated business is to align the setting of tariffs and service standards and by taking into account:

- the strong correlation between service standards reporting and the permission application;
- service standards in accordance with internationally-accepted practices;
- reporting on quantitative and qualitative results; and
- the sufficiency of our assets.

Our latest permission was issued on 6 August 2018 and is in place from 1 April 2018 to 31 March 2023, making 2019/20 the second year of the current permission.

We take a modular approach to our input for the permission which includes traffic forecasts, capital spend, operations, maintenance, our estimation of the future operating environment, our human capital plan and finance plan modules.

We are required to submit a request for permission to levy regulated charges to the economic regulatory committee at the beginning of the third financial year of the period of validity. Accordingly, we were scheduled to begin the application for a new permission in the reporting period. However, this process has been delayed due to the extended impact of the COVID-19 pandemic and is expected to only be finalised in the coming financial year. The regulator has approved the deferment of the permission process by one year, with the current permission still applying in the 2021/22 financial year.

Our permission-planning unit and optimisation department evaluate our progress and report to the regulator on a quarterly basis concerning our financial performance as well as our service standards' performance.

During our previous reporting period, we advised of the re-establishment of the industry financial committee (referred to as the FINCOM), which is an oversight body focusing on the financial elements of the permission. The terms of reference have been finalised and the FINCOM will have its first meeting in May 2021. As a regulated entity, it is imperative that we work within the parameters of the permission, despite the fact that there could be changes in the business environment.

## B-BBEE practices

Our approach to producing financial value in line with our transformation mandate focuses on:

- alignment with the generic B-BBEE Codes of Good Practice;
- ensuring that ATNS performs well in all six elements of the B-BBEE scorecard, to meet our overall B-BBEE target;
- contributing positively towards improving the standard of education in destitute communities;
- increasing the number of black-owned service providers in the communication, navigation and surveillance space;
- using our enterprise and supplier development programmes to provide an opportunity for suppliers to partner with multinationals; encouraging skills transfer; and
- providing 51% black-owned suppliers (mainly exempted micro-enterprises and qualifying small enterprises) an opportunity to provide products and services to ATNS through our preferential procurement practices.

## Growing our non-regulated business revenue streams

Our revenue growth and financial sustainability rely on new product and market development. This includes the successful implementation of our African expansion strategy.

The maturity of our national operations limits our ability to attract new customers in South Africa. It is therefore imperative for us to secure future growth and revenue by broadening on our service offering to other markets, including the African continent.

Our commercial services' unit, through which we conduct our non-regulated business, contributes to our ongoing objective of ensuring the long-term financial sustainability of the organisation. ATNS's non-regulated business currently contributes approximately 12% of the company's revenue and encompasses a long-term strategy to facilitate regional expansion.

Revenues are accrued through:

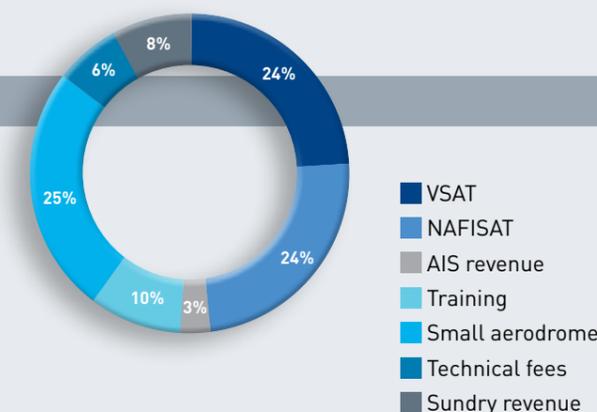
- VSAT and NAFISAT revenue earned from the provision of aeronautical ground-to-ground telecommunication services in the SADC and the North and Eastern African regions
- AIS revenue earned from flight procedure designs, documentation and surveys carried out for various countries
- Training revenue earned by offering IATA diplomas and regulatory courses to ANSPs, CAAs and airport authorities on the African continent
- Small aerodromes revenue earned by providing aerodrome services to non-ACSA airports
- Technical services revenue earned from maintenance services rendered to ACSA, other third parties and through technical consulting services provided
- Sundry revenue income from billing services provided for various clients, data link revenue and services provided outside of published hours at various airports.

### Revenue Breakdown

#### NON-REGULATED REVENUE

REVENUE	2019/20	2018/19	2020/21 TARGET
SADC VSAT II	R51.9 million	R49.3 million	R31.0 million
NAFISAT	R53.0 million	R39.8 million	R30.6 million
AIS revenue	R5.6 million	R3.0 million	R7.0 million
Training	R20.8 million	R20.2 million	R11.5 million
Small aerodrome	R55.0 million	R54.8 million	R34.6 million
Technical fees	R13.9 million	R13.5 million	R5.3 million
Sundry Revenue	R17.4 million	R14.7 million	R6.7 million

#### Non-regulated revenue



Prior to the outbreak of the coronavirus, the largest anticipated contributor to the growth in aircraft movements was seen to be within the Africa-Europe trade region, followed by Intra-Africa. This growth assumption is primarily due to anticipated increases in trade in Africa. As a fully commercialised entity operating in the African market, ATNS could also be a beneficiary of the increase in trade flows between BRICS nations and the rest of the African continent.

## Our capital investment programme

The acquisition, establishment, development, provision, maintenance and operation of air navigation infrastructures are underpinned by the National Public Procurement Framework; cognisant of the need to support the national development goals and value-for-money objectives in line with shareholder and stakeholder expectations.

The total planned capital investment for the next four years is estimated at R1 billion for the deployment of leading technologies and solutions that meet the needs and expectations of the air traffic management community, in line with ATNS's approved annual investment plans. The business is in the process of reviewing and reprioritising some of the planned capital expenditure for the current year, given the current economic uncertainties as a result of the COVID-19 pandemic.

### Capital Expenditure Projections

DESCRIPTION	2020/21 BUDGET	2021/22 PROJECTIONS	2022/23 PROJECTIONS
Total Capex – Cash flow	R313 617 553	R565 376 638	R172 716 045

### IN FOCUS

#### Investing in the future

Our key planned infrastructure investment projects include the following:

- 📍 WAM and ADS-B surveillance
- 📍 DME-DME
- 📍 Navigational system replacement
- 📍 S-Band 2 radar replacements at Cape Town and OR Tambo airports
- 📍 Air Traffic Flow Management (ATFM) system replacement
- 📍 Electronic flight progress strips
- 📍 Coastal VHF infrastructure replacement
  - Aeronautical Automated Information System
  - Aeronautical Message Handling System (AMHS) / Aeronautical Fixed Telecommunication Network (AFTN) Replacement

Our capital expenditure (cash flow) for 2019/20 was R149 million against a target of R219 million. This is due to delays in the execution of projects.

### Capital Expenditure Performance

#### CAPITAL EXPENDITURE – COMMITMENTS

DESCRIPTION	2018/19 ACTUALS	2019/20 ACTUALS	2019/20 TARGET	2020/21 TARGET
Commitments - Capex contracts awarded in 2019/20	R373 million	R550 million	R871 million	R124 million

#### CAPITAL EXPENDITURE PERFORMANCE – CASH FLOW

OBJECTIVE MEASURES	2018/19 ACTUALS	2019/20 ACTUALS	2019/20 TARGET	2020/21 TARGET
Cash flow from capex projects implemented	R252 million	R149 million	R219 million	R314 million

### Key Financial Capital Outputs

	2018/19 ACTUALS	2019/20 ACTUALS
Total revenue	R1.7 billion	R1.7 billion
Operating costs	R1.4 billion	R1.6 billion
Capital expenditure	R252 million	R149 million
SADC VSAT II Revenue	R49 million	R52 million
NAFISAT Revenue	R39 million	R53 million
Total assets	R3.2 billion	R3.3 billion
Total equity	R2.8 billion	R2.9 billion
Cash generated from operations	R395 million	R115 million
Total invested in CNS technology	R89.6 million	R291 million
Employee wages and benefits	R949 million	R1 012 million
Total borrowings as at 31 March 2020	0	0
Payment to government as income tax	R62 million	R27 million

**Material financial capital outcomes:**

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

**Looking ahead**

Our tariff revenue is based on the number of aircraft movements as well as tariff increases, and estimates implemented each year. Our volume growth is a sum of the growth in movements and the change in aircraft mix. Other revenue comprise ancillary income for services including small aerodrome fees, training, technical services and AIS services.

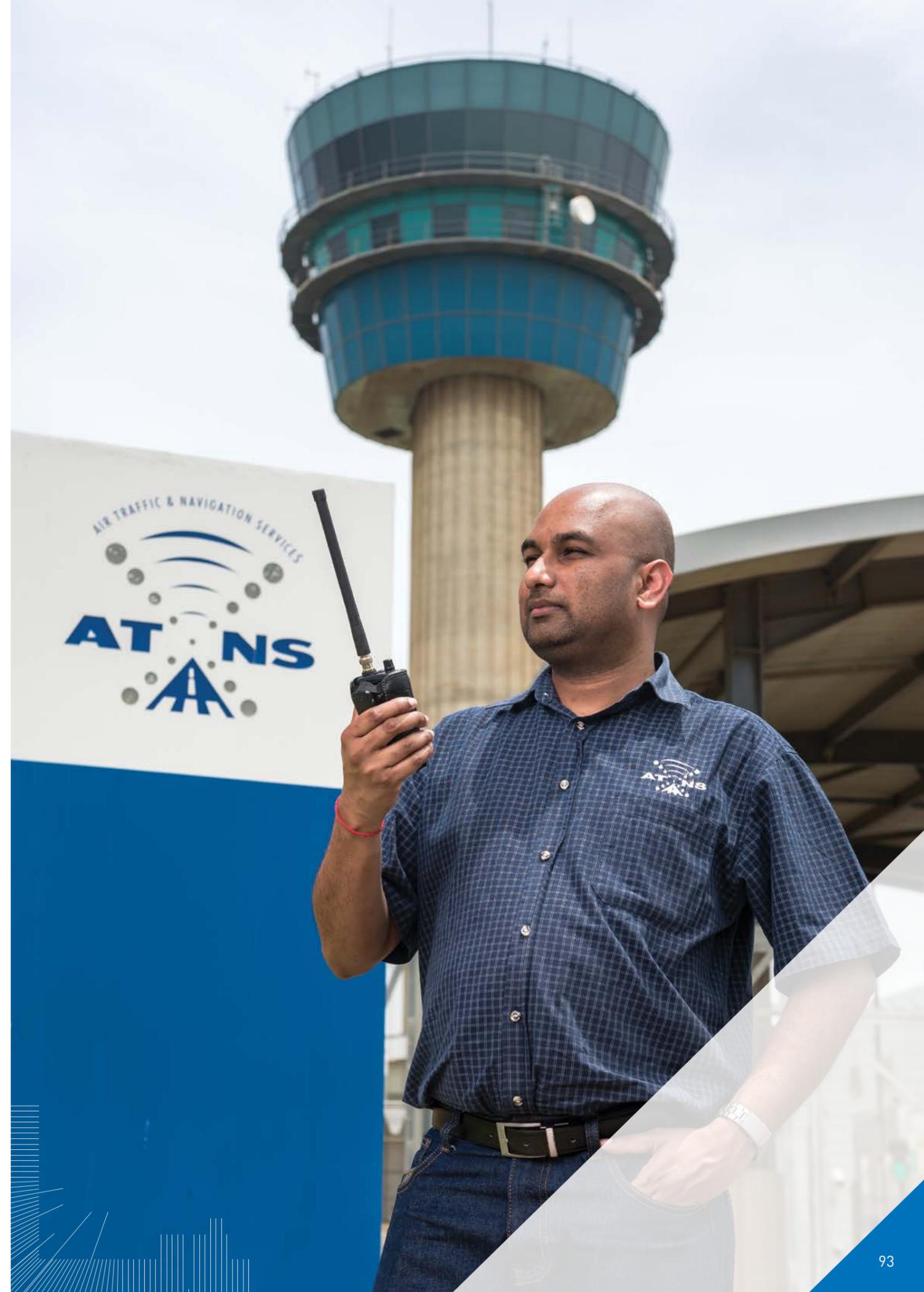
Our 2021 budget has been adjusted to take into account the impact of the COVID-19 global pandemic, as we expect tougher market conditions. The aviation industry has been severely impacted by national states of emergency, restricted travel and global lockdowns. South Africa's level 5 nationwide lockdown commenced on 27 March 2020, which resulted in the strict curtailment of all modes of travel, including air travel.

Revenue is envisaged to be subdued for the better part of the 2020/21 financial year. In the period, ATNS projects that air traffic movements will drop from about 1 million per year to around 850 000-950 000 (a reduction of 5-15%) in the next two years. Pre-COVID-19, there were indications that air traffic movements were on the decline, thus, any recovery is estimated to be less than 100% of the pre-COVID-19 movements.

Management estimates that a recovery in air traffic movements will take some time and will depend on several factors including:

- 📍 most of the local airlines recover to create a robust local airline industry
- 📍 strong cargo traffic
- 📍 greater adoption of the LCC model and, as a result, more movements
- 📍 greater industry efficiencies, including operational and aircraft efficiencies
- 📍 effective hub-and-spoke model and network
- 📍 fast local economy recovery coupled with GDP growth

Projections for 2021/22 to 2022/23 are based on scenarios adopted by the executive committee in discussions with our board. The scenarios range from 'optimistic' (which assumes a 2-year recovery) to 'outlier' which assumes that it will take the aviation industry 8 to 10 years to recover. We are closely monitoring the scenarios, to enable the business to proactively manage possible risks relating to our financial sustainability.





## Delivering value through human capital

We build and preserve human capital value through the individual capabilities, knowledge, skills and experience of our workforce.

We drive organisational effectiveness through our leadership capability; creating an enabling environment for employees to contribute to our company goals and remain motivated and engaged, while being fairly remunerated for their contributions and initiative.

Within ATNS, the following are **key enablers of human capital value:**

- 📍 our people
- 📍 our diversity and inclusivity programme
- 📍 our B-BBEE strategy
- 📍 skills development
- 📍 a strong safety culture
- 📍 cultivating a culture of innovation
- 📍 accolades, recognition and rewards
- 📍 leadership development and management practices
- 📍 employee wellness measures

We seek to create an organisation that reflects the diversity of our society and that maximises the potential of our employees. Skills development is at the core of extending our human capital value creation opportunities and, as such, we run programmes that are aimed at building and enhancing the competencies of our employees.

In addition, we consciously supplement our talent pipeline with high-performing candidates from our bursar programme.

### Our people

To achieve workplace transformation, diversity and inclusion are crucial. As such, employment equity remains a business imperative that seeks to ensure that our workplace profile is aligned to the national demographics and the integrated transport sector's B-BBEE charter.

Our summary demographics for the reporting period are reflected in the tables that follow.

### Summary Demographics (Male)

#### EMPLOYEE DEMOGRAPHICS

##### MALE

Occupational levels	African	Indian	Coloured	White	Foreign nationals
Top management	1	0	0	0	0
Senior management	6	0	0	1	0
Professionally qualified and experienced specialist	23	2	0	4	0
Skilled technical workers and junior managers	305	46	47	162	7
Semi-skilled and discretionary decision	18	0	4	1	0
Unskilled and defined decision-making	8	0	0	0	0
Sub-total	361	48	51	168	7
%	28.52	3.79	4.03	13.27	0.55

### Summary Demographics (Female)

#### EMPLOYEE DEMOGRAPHICS

##### FEMALE

Occupational levels	African	Indian	Coloured	White	Foreign nationals
Top management	0	0	0	0	0
Senior Management	7	0	0	0	0
Professionally qualified and experienced specialist	10	1	0	1	0
Skilled technical workers and junior managers	439	36	38	71	2
Semi-skilled and discretionary decision	3	0	0	0	0
Unskilled and defined decision-making	22	0	0	0	0
Sub-total	481	37	39	72	2
%	37.99	2.92	3.08	0.19	0.55

The achievement of the Top Employer Certification in three consecutive years is an affirmation of our commitment to world-class people management practices. We seek to ensure that all employees are correctly matched to jobs that they are skilled and technically competent in, to master their current and future work requirements. The many industry accolades we received during the reporting period in the areas of people development and transformation bear testimony to this commitment.

### Our diversity and inclusivity plan

Our strategic objectives and prevailing culture support ongoing equal opportunity initiatives, with specific emphasis on the African, Indian, Coloured (AIC) designated group, women and youth, and people with disabilities. Following the implementation of the ATNS employment equity plan that came into effect on 1 April 2015 and ended on 31 March 2020, the end of the current reporting period, our new plan, which runs from April 2020 until March 2025, has been implemented.

Our employment equity figures as at end March 2020 are as follows:

### Employment Equity Performance as at 31 March 2020

Occupational Levels	African	Indian	Coloured	White	Foreign nationals
Top Management (CEO & CFO)	1	0	0	0	0
Senior Management (Execs)	13	0	0	1	0
Professionally Qualified and Experienced Special (Grade 5-6)	33	3	1	5	0
Skilled Technical Workers Junior Managers (Grade 7-8)	744	82	85	233	9
Semi-Skilled and Discretionary Decision (Grade 9-12)	21	0	4	1	0
Unskilled and Defined Decision Making (Grade 13-17)	30	0	0	0	0
Sub-total	842	85	90	240	9
%	44.39	4.48	4.74	12.65	0.47

A comparative view of our employment equity performance as well as our trends and target percentage relating to women and people with disabilities are included below.

Employment Equity Comparative Performance					
ATNS EE TARGETS	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 ACTUAL		
ATS – AIC	72.27%	72.94%	75.11%		
ATS – Female	46.55%	47.40%	50.38%		
People with disabilities	3.22%	3.22%	3.25%		

Employment Equity Trends and Target Percentage Relating to Women and People with Disabilities					
ATNS EE TARGETS	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 TARGETS	2019/20 ACTUAL	2020/21 TARGET
Air Traffic Service – AIC	72.27%	72.94%	71.00%	75.11%	74.75%
Air Traffic Service – Female	46.55%	47.40%	45.00%	50.38%	48.50%
Organisation-wide – AIC	76.98%	79.24%	77.00%	81.21%	80.00%
Organisation-wide – Female	47.35%	49.40%	48.00%	49.66%	50.00%
People with disabilities	3.22%	3.22%	3.5%	3.25%	3.30%

Implementation of our transformation plan through our various line departments is championed by the Chief Executive Officer and the executive committee and is then cascaded to the middle, lower and operational levels in the company. This top-down approach has been recommended for our new plan where targets will be filtered to the departmental levels to drive empowered accountability.

In line with the Employment Equity Act, our new five-year employment equity plan encompasses the following objectives:

- 📍 working towards creating a balanced profile of employees within the company at 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 employees, in line with our business plan
- 📍 implementing, monitoring and evaluating appropriate measures to ensure we achieve and even exceed our employment equity targets

We endeavour to attract and retain the best talent and skills available in the market. For us, talent management is a continuous process that reinforces our corporate brand, ensures ongoing talent attraction and retention, and facilitates impactful employee rotation.

During the reporting period, we focused on capacitating executives and senior managers in implementing talent management within their structures. Our talent management policy was updated to support this process. For the next five years, we will be executing our talent management strategy to support our strategic objective of attracting, developing and retaining the ‘new generation aviation professional’.

### Our B-BBEE strategy

We are committed to development programmes for employees in the organisation, to increase the representation of the AIC grouping aligned with the demographics of the country.

During the year, we made a concerted effort to further transform the aviation sector and achieved our overall target of Level 2 within the financial reporting period. Our board adopted a focused transformation strategy to ensure that economic transformation is realised holistically and includes all elements of the B-BBEE scorecard. Our strategy includes increasing the participation of black-owned suppliers in core technical projects that have previously been dominated by multinationals.

B-BBEE Measurement Scorecard			
B-BBEE ELEMENT	GENERIC B-BBEE PUBLIC SECTOR TARGETS	ATNS TARGET 2019/20	ATNS ACTUAL 2019/2020
Management control	10.00	7.00	7.28
Skills development	25.00	22.00	19.95
Employment equity	15.00	14.00	14.49
Preferential procurement	30.00	25.00	27.54
Socio-economic development	5.00	5	5
Enterprise development	15.00	12	15.00
Total points	100.00	85	89.26
B-BBEE level		Level 2	Level 2

### Skills development

Skills development plays a critical role in the achievement of our strategic objectives. Investment in training and development continues to remain a high priority within ATNS. This also further entrenches our commitment to the National Skills Development Strategy, with an objective to increase access to high quality education and skills development opportunities in the workplace.

In line with our employment equity plan, ATNS is progressing several initiatives that will ensure that our transformational goals become a reality, these include the following programmes and initiatives:

- 📍 **Women and Youth Programme** – aimed at empowering women and youth both internally and externally to excel within the aviation sector
- 📍 **Graduate in Training Programme** – a work-based, experimental learning opportunity offered to young South Africans, with preference given to preferably Black (African, Indian and Coloured), women and people with disabilities who have graduated from recognised tertiary institutions
- 📍 **ATNS Employee Study Assistance** – bursaries and financial assistance are provided for tertiary studies, short courses, conferences and workshops

- 📍 **People with Disabilities Programme** – improving the employment prospects of people previously disadvantaged by unfair discrimination by offering work-based learning opportunities
- 📍 **Experience Learning Opportunities** for women and youth through a range of programmes including:
  - Technogirls Programme – exposing female learners to the aviation industry
  - Take a Girl Child to Work Programme
  - Take a Boy Child to Work Programme
- 📍 **Child of the Employee Bursary** – providing financial assistance to children of employees pursuing tertiary qualifications that will ensure a supply of scarce skills to the company, industry and country.

In parallel, we have also implemented management programmes within the organisation, in partnership with the Transport Education Training Authority, to supplement and reinforce our skills development initiatives.

During the year, the company's overall training investment amounted to 4.98% of our salary bill. While this is below the ATNS annual budget against a target of 6%, a number of critical skills development programmes were implemented during the reporting period.

## A strong safety culture

Our safety culture is driven and promoted by our organisational leaders; through the actions and behaviours of our executive committee and senior management team, which permeate throughout the organisation.

A strong safety culture is evidenced by how people behave in a safe manner when no one is watching and is essential to an effective safety management

system. It creates a transparent environment that encourages people to report safety concerns. The reporting of occurrences is the backbone of our safety management system as this enables informed decisions based on reliable information.

Our safety management system (SMS) includes the necessary organisational structures, accountabilities, policies and procedures, to ensure safe practices and operations through the effective management of safety risks, which relate to our people, our customers and the public at large. This system is designed to continuously improve safety by identifying hazards, collecting and analysing data and assessing safety risks. The SMS seeks to proactively contain or mitigate risks before they result in aviation accidents and workplace incidents.

The application of an effective SMS is integral to all ATNS activities, with the objective of achieving the highest level of safety standards and expected performance.

Our safety management system framework consists of four components:

- 📍 **safety policy and objectives** – the foundation of the system and defines the organisation's approach to achieve acceptable levels of safety;
- 📍 **safety risk management** – continuous identification, analysis and mitigation of hazards as well as subsequent risks that threaten safety;
- 📍 **safety assurance** – shows whether an organisation is safe through monitoring the identified risk and measuring safety performance;
- 📍 **safety promotion** – includes training, ongoing education and communication to create awareness and promote a positive safety culture.

## Cultivating a culture of innovation

We encourage a culture of innovation within the organisation and continue to run an annual innovation competition and seminar where ATNS employees, irrespective of their expertise, knowledge, competencies and experience, can participate. Our extended workforce are given the opportunity to propose research ideas and topics that provide solutions to current challenges within our sector and which will serve to ensure organisational sustainability.

Through this initiative, we are able to encourage and cultivate innovation amongst our team.

### IN FOCUS

#### Award-winning ideas

We summarise the top award-winning ideas from our 2019 innovation competition

##### WINNER

Idea: Weighted Aggregative Safety Index (WASI)

The winner of the 2019 Innovative Award developed a model to measure the performance of Communication, Navigation and Surveillance equipment and thereby enhance aviation safety.

We conform to the internationally accepted maintenance engineering practice of using Reliability, Availability and Maintainability (RAM) statistics. These legacy methods are widely

accepted because they are highly effective in production, manufacturing and service-based operations where the non-availability of the equipment only leads to a quantifiable loss in revenue. The WASI method incorporates a safety aspect into the equipment availability reporting - quantifying the risk factor-induced by equipment failure on safety in aviation.

##### 1ST RUNNER-UP

Idea: Runway Occupancy Alerting System (ROAST)

ATNS experiences approximately 6 runway incursions (RI) per year. The risk rating associated with these incursions is usually high, falling into category A and B events. Runway incursions normally have a high-risk rating because of the small window of opportunity available to

either the air traffic controller or pilot for error correction. Our runner-up proposed a novel method of reducing runway incursions using 4IR and air traffic controller behaviour-encouraging techniques.

##### 2ND RUNNER-UP

Idea: Automated Aeronautical Information Statistical Gathering

The AIM department is mainly focused on integrating the flight-planning function, the communications centre, dynamic data function as well as the NOTAM position into a seamless flow of supporting services within air traffic management. Much of the department's operational duties involve the provision of timeous aeronautical data and informational services to both internal and external stakeholders, while particularly focusing on fulfilling individual and team responsibilities.

The second runner-up proposed a procedural update to the aeronautical information management unit activities and the templates that would be applied to streamline the process. The proposal includes a consolidation of tedious manual statistics-gathering and human interface. Minimising human interaction in the collation and sorting of raw data is one of the fundamentals of big data science. It improves the efficiency of the data gathering, sorting and analysis and strengthens the quality assurance process.

## Leadership development and management practices

The realisation that organisational performance and sustainability require capable people at the helm of organisations propels us to invest in leadership capacity development. As such, the organisation strives to build the capacity of leaders and managers at various levels by availing and encouraging participation in education, training and development programmes.

Our leadership and change management approach is informed by a recently adopted framework which will enable structured and increased employee involvement and awareness and enhance talent development and internal succession planning.

The achievement of the Top Employer Certification in three consecutive years is an affirmation of our commitment to our people.

## Employee wellness measures

We support and are committed to the overall health and wellbeing of our employees and recognise the importance of employee wellness in the workplace.

Our employee wellness programme plays a pivotal role in driving health promotion activities, early identification of wellness problems, referral to inside or outside wellness services, support to employees affected by ill-health, and liaison within the department to ease the employee's rehabilitation. Through this programme, in partnership with health care and employee wellness service providers, employees are able to access professional advice, medical aid services, and follow-up assistance to identify and manage health issues and preventable illness.

During the period under review, we partnered with ICAS as our Employee Assistance Provider.

To facilitate accessibility of counselling and other wellness support services, ICAS created an on-the-go-app, enabling employees access to a wide range of resources including, in recent months, a strong focus on managing and dealing with the impact of the COVID-19 pandemic.

ICAS continued to provide the following services via digital platforms, when South Africa entered level 3 of the state of disaster national lockdown:

- 📍 face-to-face counselling; and
- 📍 group trauma interventions.

**IN FOCUS**

### Our commitment to our people

**We strive to:**

- 📍 maintain a representative workforce
- 📍 advance safety and health considerations above all else
- 📍 foster a healthy and engaged corporate culture
- 📍 create a positive climate that leads to employee motivation and high performance
- 📍 manage risks to ensure the health and well-being of our employees and business partners
- 📍 always be ethical in our business dealings and to adhere to sound governance, risk and compliance matters
- 📍 promote an organisational culture that entrenches safety values

### Material human capital outcomes:

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

## Looking ahead

Our new five-year employment equity plan is intended to continue to transform our employee profile to reflect national demographics. It will be reviewed annually to enable the adjustment of targets, as and when required, including the business activities that may impact the achievement of these targets.

In line with the Employment Equity Act, our new 5-year plan encompasses the following objectives:

- 📍 Working towards creating a balanced profile of employees within the company at 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 employees, in line with our business plan; and
- 📍 Implementing, monitoring and evaluating appropriate measures to ensure we achieve or even exceed the set employment equity targets.





## Value creation through our intellectual capital

Our intellectual capital is a key factor in determining the company's future earning potential and encompasses a range of intangibles that are interconnected with the other capitals. It sits at the core of our ability to create sustained value for the business and our stakeholders.

### At ATNS, our intellectual capital consists of 3 components:

- 📍 intellectual property relating to our research, development and innovation activities including that of service and product development;
- 📍 company-specific business concepts, operating model and strategy; the information technology function as a strategic enabler; core programmes to respond to industry dynamics; and IT governance processes, policies and procedures; and
- 📍 implicit and embedded knowledge such as market and sector knowledge; areas of excellence, including critical sector skills and capabilities; and our training activities.

### Research, development and innovation

Research, development and innovation are essential to our organisation's financial sustainability over the long term, especially given the current limitations imposed on traditional modes of air travel, following the outbreak of the novel coronavirus. We anticipate these shifts to be long-lasting, which makes it imperative for us to focus more of our growth efforts on our non-regulated business.

Innovation is encouraged and rewarded at all levels of the organisation and our skilled workforce are motivated to identify viable new ideas and solutions. We take this a step further by actively seeking out small and medium enterprise partners who have the capability and capacity to bring these ideas to market.

Our research and development strategy guides our process in exploring new and emerging concepts and breakthrough technologies within the aviation environment.

Following the approval of our research and development strategy, we constituted two new oversight committees. The first is our Research Steering Committee that provides executive oversight and the second is the Business Research, Operations, Development Committee, a board subcommittee, that approves our research, development and innovation project activities, deliverables and budget.

This past year, to protect our research and development investments and any other proprietary information, we published our innovation and intellectual property policy.

We continue to share our experience and insights in various public engagements and to recognise the efforts of our team in celebratory events. During the year, we hosted our annual AVI Afrique 2019 summit in Johannesburg, which was opened by the Honourable Minister of Transport, Mr Fikile Mbalula. We also held another successful innovation competition for our staff and recognised and rewarded three of the most innovative ideas at an awards ceremony. These ideas are currently being explored for further development.

In addition, in supporting the National Development Plan, we actively support innovation through a R4.5 million investment in research and development projects with the potential of delivering commercially robust solutions for the industry.

During the year, we focused on assessing what is needed to expand our non-regulated business and to differentiate ourselves based on our unique competencies and skill sets.

As part of our non-regulated business step-out projects, we have also intensified our focus on the protection of critical and sensitive data, information and infrastructure assets. This is in response to the ever-increasing customer need to have in place cybersecurity measures and working with global industry players to combat cyber-attacks. During the reporting period, we also reviewed, updated and implemented our cybersecurity strategy and plan to include the actions to progress this potential revenue stream.

### Company-specific business concepts

The cornerstone of our intellectual capital is the way we approach our business deliverables through our ever-evolving operating model, strategy and strategic initiatives. How we position ourselves for sustainable, long-term growth, and how we assess and respond to short- and medium-term challenges and opportunities are intrinsically connected to our overall performance as a company.

Our programmes are specifically designed to respond to macroeconomic and geopolitical forces and industry dynamics.

### IN FOCUS

### Working on future technology solutions

ATNS has made significant progress with several of our research, development and innovation projects this year, including:

- 📍 developing air traffic management solutions for the future;
- 📍 addressing airspace infringements;
- 📍 furthering GNSS augmentations systems and GNSS threat model development;
- 📍 advancing EFS for non-automated airports; and
- 📍 developing obstacle evaluation software and a duty sign-on tool.

Additional initiatives have been added to our annual plan, given the macro-environment and their strategic importance, including:

- 📍 off-the-grid (renewable energy) initiatives;
- 📍 office-of-the-future (remote working) pilot;
- 📍 operating expenditure optimisation study;
- 📍 RPAS management programme; and
- 📍 BONISA, our Bonaero Integrated Situational Awareness project.

In support of our research, development and innovation imperatives, our aviation innovation laboratory is being developed to validate future technology solutions with the potential to be commercialised or operationalised in the air traffic management environment. The laboratory will be equipped with relevant software and hardware and is open to all of our employees, suppliers and research institutions. Future emerging technologies will be visualised, simulated and tested and outcomes include product and process development and improvement. The laboratory is crucial in helping to position ATNS as an African leader in the innovation economy.

**IN FOCUS****Information technology as a strategic enabler**

Our information technology function provides technology capabilities, infrastructure and solutions required to run our daily business operations across the country, as well as to create value through the delivery of our various formalised projects and initiatives. Unsurprisingly, our IT strategy and related roadmap feature high amongst our strategic initiatives, which seek to continually improve business modernisation and digitisation.

The recent global pandemic has provided one of the most powerful illustrations of the importance of organisational agility and the undeniable role that technology plays in enabling such agility in the digital economy. The future sustainability of ATNS, just like for many other organisations, is heavily dependent on the rapid development of digital capabilities that enable innovation, speed-to-market and cost efficiency.

The implementation of the ERP project, aimed at the optimisation and automation of critical business processes in human capital, finance and supply chain management, was a key focus for the year. As we conclude the project in the next few months, we will begin to unlock efficiencies derived from streamlined, integrated and automated processes across these three business domains.

Furthermore, we are developing our IT strategic roadmap to not only bolster existing fundamental IT capabilities, but to invest in new skills and technologies in specialised domains that will enable full participation in the digital economy within aviation. The post-pandemic, new normal demands accelerated implementation of technologies to take advantage of IoT, AI and other 4IR phenomena, while maintaining robust information technology governance.

**IN FOCUS****Cybersecurity**

Cyber-crime remains a global and relentless threat to organisations across many industries. In addition, the rapid evolution and convergence of enterprise and social systems continuously introduce new threat sources and vectors. Our approach to cybersecurity must fundamentally change to protect our business and the modernised, pervasively connected landscape we operate in. We have crafted a cybersecurity roadmap that is all-encompassing to address information security holistically.

A robust approach, such as the adopted NIST Cybersecurity Framework, will provide a holistic view of ATNS's cybersecurity posture. An initial enterprise-wide cybersecurity risk assessment to baseline our cybersecurity maturity is planned to identify required interventions to improve the cyber-resilience of the organisation over the next five years.

This past year, we updated our corporate plan and received approval for our adjusted 2025 strategy, taking into account a changed global backdrop and anticipating the short- to medium-term consequences of the global coronavirus pandemic. We view our business going forward from 3 vantage points: service excellence, sustainability and innovation. To ensure our operational and financial resilience, we have also enhanced our IT governance processes.

**Skills, capabilities and training**

Through the skills, capabilities and know-how of our workforce, we are better able to attain our vision of being a leading provider of air traffic management services across Africa.

Additionally, our academy, which is an ISO 9001:2015-certified accredited institution, is a key driver of intellectual capital for ATNS. The academy has developed training content in air traffic services and engineering for our staff as well as a wide range of aviation-related and safety-related courses for our customers throughout Africa and the Middle East.

To expand our reach and effectiveness, we have entered into a range of international cooperation agreements with strategic partners, including the Embry Riddle Aeronautical University, ENAC and the University of the Witwatersrand. We have also embarked on a multi-year project to register with the Department of Higher Education, elevating the academic status of current ATC training programmes offered.

The academy, which trained 1 669 students this past year, is committed to world-best practices; providing our customers with the requisite air traffic and navigation services' skills, knowledge and technical support to successfully take on the challenges of air traffic management and other aviation services.

Certified as an approved Aviation Training Organisation by several Civil Aviation Authorities across Africa and the Indian Ocean Islands, ATA has delivered ATS and Air Traffic Safety Electronics Personnel (ATSEP) training to delegates from over 20 countries, in the past year. In addition, ATA is

a regional training partner for IATA and was awarded the IATA Premier Circle membership for outstanding performance. Furthermore, our academy received the 2019 National Aviation Training Award at the annual SA Civil Aviation Authority Awards; recognised for being the top aviation training organisation in the country.

The COVID-19 pandemic and subsequent national lockdown measures, required the academy to transition from an on-site training delivery to that of a virtual classroom.

Our partnership with ICAO Global Aviation Training, through our membership as a TRAINAIR Plus regional training centre of excellence, provided access to online ICAO training packages. Our virtual training delivery is on track to begin in the second quarter of the 2020/2021 financial year.

**Looking ahead**

In the coming year, we will be focusing our efforts on three core components:

- 📍 Advancing our non-regulated business step-out projects relating to the protection of critical and sensitive data, information and infrastructure assets;
- 📍 Working on future technology and research and development solutions; and
- 📍 Identifying critical skills' requirements and recruiting for key roles to future-proof the organisation.

**Material intellectual capital outcomes**

- 📍 Exerting more influence and market confidence in our abilities
- 📍 Additional revenue streams
- 📍 Our operational and financial sustainability
- 📍 Safety and efficiency improvements
- 📍 Environmental sustainability



## IN FOCUS

### Market and industry intelligence

We 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 enhanced aviation safety. ATNS is working on securing support from other countries for this regional solution; creating a regional integrated database in pursuit of the ICAO objective of system-wide information management.

ICAO identified the need for global aviation operators to follow unified and integrated processes for air traffic management as described in their 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.*

Aligned with ICAO's vision, we focused on cooperating with aviation decision-makers in the region to ensure that the changeover from aeronautical information service to aeronautical information management takes place in a co-ordinated manner.



## Value creation through our manufactured capital

At ATNS, our manufactured capital encompasses our physical assets, technology-dependent infrastructure and core services.

By having advanced infrastructure in place, we are able to deliver air traffic services in a safe and efficient manner. With our overarching strategy and shareholder mandate in mind, we invest in the acquisition of new and pioneering air traffic management technology to manage and control the airspace system we service. Our leading communication, navigation and surveillance technology creates advanced infrastructural value for our organisation and South Africa's air traffic navigation sector.

In tandem, through our manufactured capital, we are able to support the National Development Plan by facilitating the achievement of the following Department of Transport outcomes:

- 📍 a transport sector that is safe;
- 📍 an increased contribution to job creation;
- 📍 an efficient and integrated transport infrastructure network for social and economic development; and
- 📍 an increased contribution of transport to environmental sustainability.

We are tasked with allocating our manufactured capital in a way that ensures long-term value creation for our stakeholders. To achieve this, we implement prudent investment decisions as it relates to our physical assets, extensive infrastructure and value-adding services.

The total planned capital investment for the next four years is estimated at R1 billion for the deployment of leading technologies and solutions that meet the needs and expectations of the air

traffic management community in line with agreed annual investment plans. Our advanced technology investment initiative is one of the largest single investments we have embarked on in the last decade. The project is guided and steered under the collaborative ATNS air traffic system programme. Through this programme, ATNS will enter a new era of operational technology advancement, which will serve to benefit the larger air traffic management community.

### We create value through our manufactured capital through the following:

- 📍 performance-based navigation implementation;
- 📍 safety improvement endeavours;
- 📍 integrated planning through our air traffic management roadmap;
- 📍 information technology strategy execution;
- 📍 service and support delivery;
- 📍 air traffic management flow;
- 📍 performance-based communication surveillance.

### Performance-based navigation implementation

Performance-based navigation defines performance-related requirements for aircraft navigating on an ATS route, in a terminal procedure or within a designated airspace. Implemented correctly, it supports effective air traffic management system capacity and related

efficiencies. In parallel, it also serves to secure all-important environmental and safety benefits. These beneficial outcomes include limiting aviation congestion, reducing emissions and decreasing aircraft noise. In addition, efficiencies increase flexibility, enhance operating returns and improve the safety of both the regional and national airspace systems.

During the year, we worked towards achieving the targets stipulated in the national performance-based navigation implementation plan by adding:

- 📍 new RNP approaches;
- 📍 RNAV1/2 standard instrument departures; and
- 📍 standard terminal arrival routes.

Additionally, our activities were extended to further evolve and maintain flight procedures at airports where these procedures already exist.

### Safety improvement endeavours

One of our materiality themes is 'safety and health – first and foremost'.

Airspace safety performance continues to be at the core of our business. Accordingly, the flexible optimisation of airspace will contribute to safety and an operationally efficient environment which aims to proactively minimise environmental impacts and create social and economic value while remaining financially sustainable.

We use a safety ratio to measure the number of safety events attributed to our operations per 100 000 movements. The safety ratio enables us

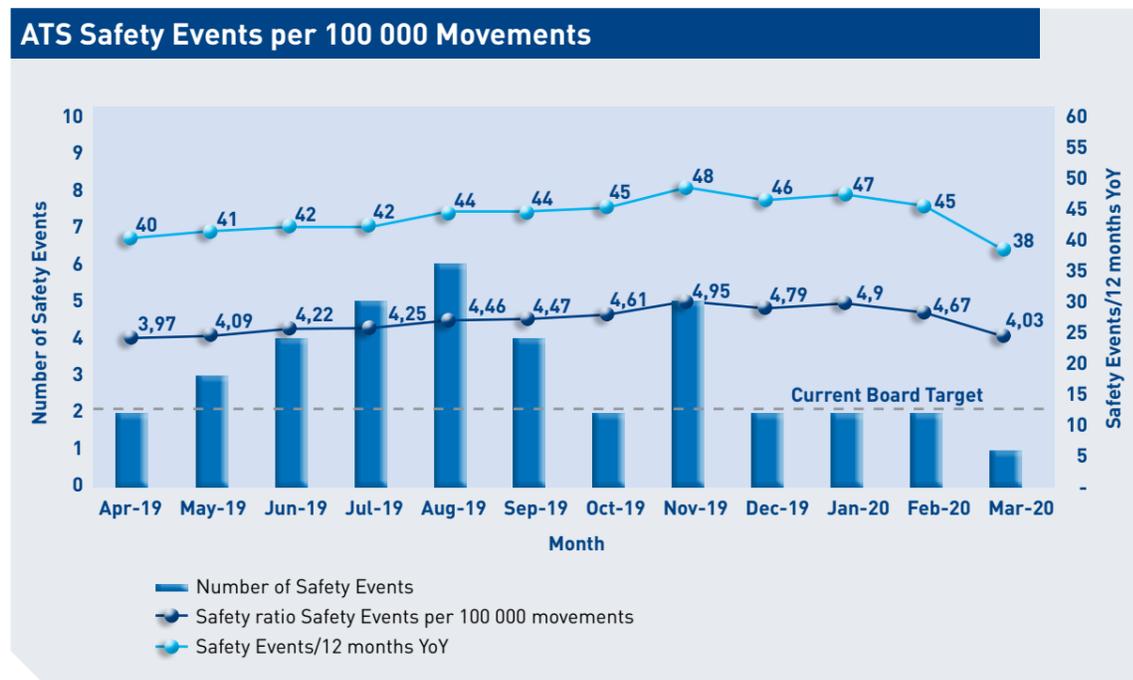
to verify that we are meeting safety performance targets. Data is collected and regularly analysed to assess our levels of safety performance. The safety ratio is calculated using a 12-month rolling average method. Safety performance assurance and investigation activities are both reactive and proactive. We ensure safe operations by applying separation standards based on instrument flight rules.

With respect to air traffic control, separation refers to the concept of keeping aircraft at a minimum distance from each other to reduce the risk of collision, as well as preventing accidents due to wake turbulence. Air traffic services' 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.

Our severity ratio measures the levels of safety risk according to the categories of probability and severity. The risk is assessed utilising the risk analysis tool adopted from EUROCONTROL. The severity ratio increases risk visibility and supports management decision-making. Safety meetings are regularly held at unit and regional levels to discuss safety performance, hazards, risks and mitigations.

As a key strategic imperative for ATNS, we aim to continually enhance our safety culture improvement programme, which was initiated in 2018. Our extended team is committed to implementing, developing and improving appropriate safety strategies, to ensure that all activities accord to the highest level of safety performance and meet, if not exceed, both national and international standards.

We achieved a safety ratio of 4.03 against a target of 2 safety events per 100 000 movements, the cumulative number of safety events was calculated at 38 for the period under review.



## Accidents

We are pleased to report that, once again, we achieved zero accidents attributable to Air Traffic Services, during the year in review. An 'accident' is defined by ICAO as 'an occurrence associated with the operation of an aircraft, which takes place from the time any person boards the aircraft with the intention of flight until such person has disembarked, and in which:

- 📍 a person is fatally or seriously injured;
- 📍 the aircraft sustains significant damage or structural failure; or
- 📍 the aircraft goes missing or becomes completely inaccessible.'

We measure our overall safety performance utilising the accident count.

## Safety events

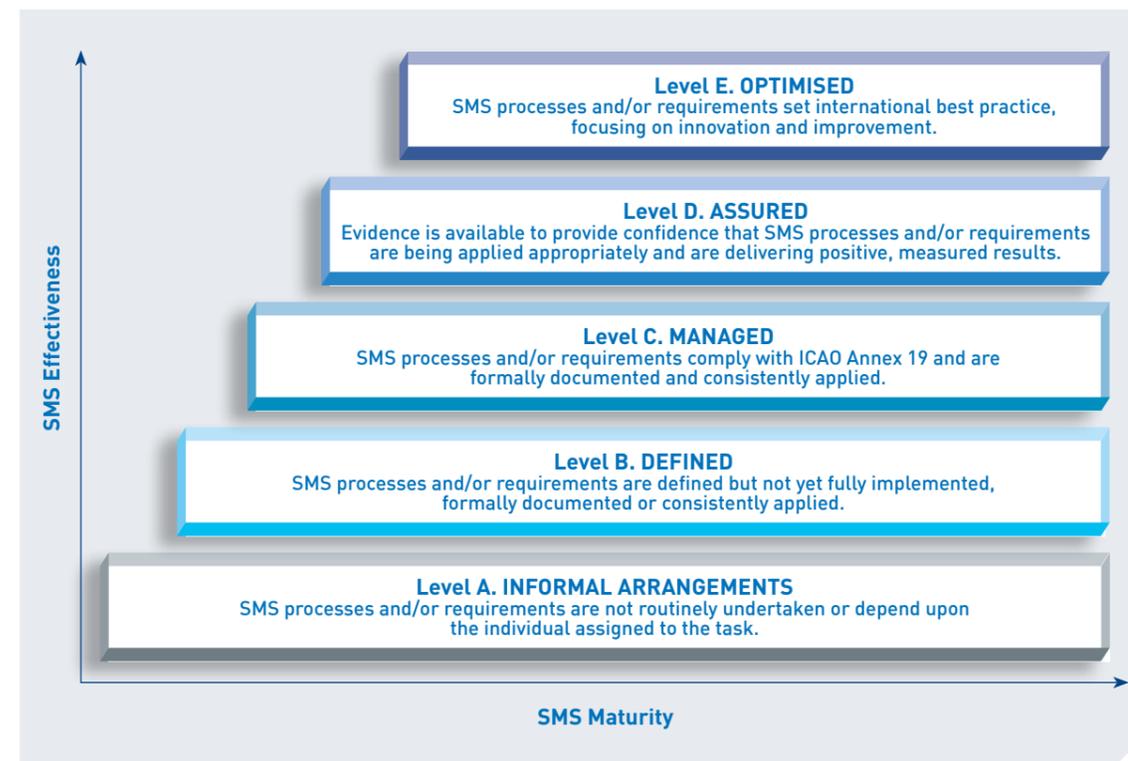
We recorded a total of 14 safety events in categories A and B, as analysed through the risk analysis tool and these included 1 category A event and 13 category B events, with a resultant severity ratio of 37%.

Unfortunately, we did not meet our target of  $\leq 25\%$  set for the 2019/2020 financial year, with a severity ratio of 37%, but this is still a significant improvement from our 2018/2019 ratio of 53%.

## Safety management system maturity level

We use the safety management system maturity assessment framework based on the CANSO Standard of Excellence to measure our maturity level, which indicates how well our safety management systems are implemented and how effective they are.

The maturity levels are from Level A which is the lowest to Level E which is the highest, as indicated in the figure below.



For the previous reporting period, we were assessed at a Level B maturity level.

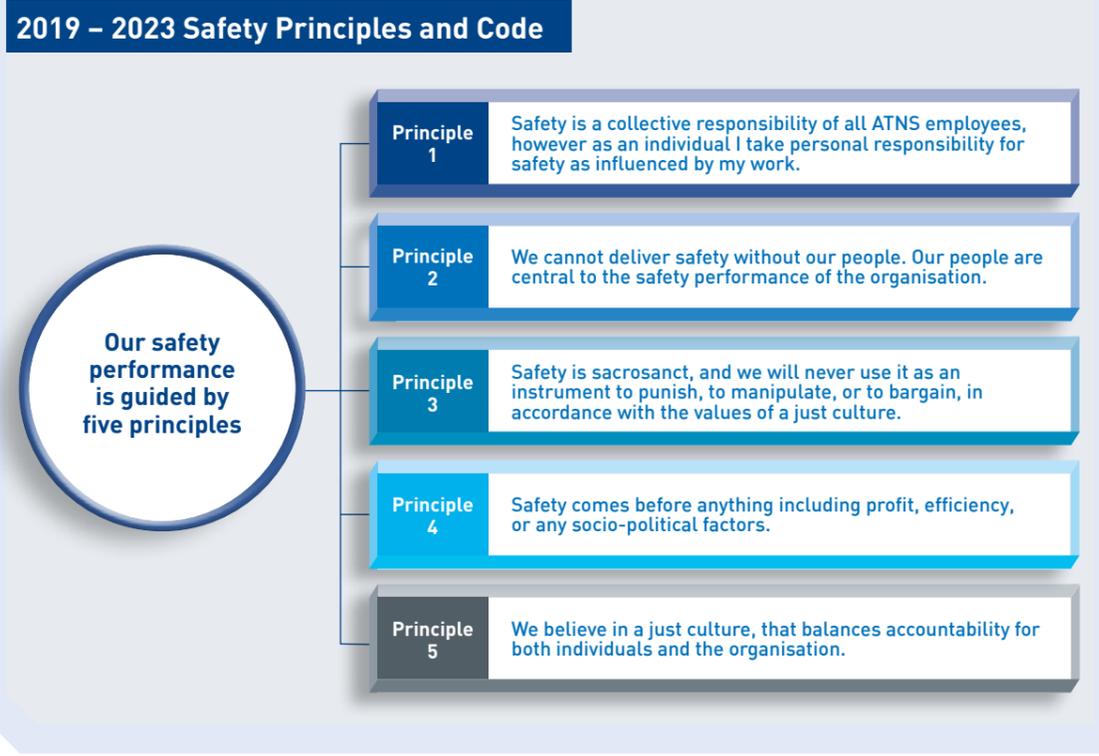
The target set for this year was Level C with 60% of the elements above Level C. We were not able to conduct an assessment in April 2020 due to restrictions on non-essential work during the COVID-19 state of emergency and, accordingly, we retained a Level B maturity rating.

This notwithstanding, the organisation has addressed some of the areas of concern; including the safety and standards' office reporting lines and the review of our safety policy to ensure organisation-wide alignment.

IN FOCUS

Our safety philosophy

The way we deliver safety is guided by 5 fundamental approaches or philosophies. This means that our plans, our programmes, and our actions are guided by this overarching code, which is summarised in the infographic below:



Information technology infrastructure

Modern technology infrastructure and information security are the bedrock of sustainable digital transformation. Investment in high performance redundant network, compute and storage infrastructure enables this important milestone.

The network upgrade project was approved and implementation imminent when COVID-19 lockdown restrictions were imposed in South Africa. This resulted in significant delays on sourcing of network infrastructure devices, and, consequently, the project as a whole.

The project is now underway and expected to conclude in the next reporting period. We have stabilised extended services on compute and storage infrastructure to enable uninterrupted business operations. The refresh of the compute and storage estate will incorporate a cloud adoption strategy to afford ATNS the speed, performance and agility that is so crucial in our business modernisation drive.

Service and support delivery

We have two operational efficiency measurements to ensure high-quality service and support delivery to the air traffic management community in a cost-effective manner:

- 📍 overall traffic delays; and
- 📍 communication, navigation and surveillance system availability performance.

A delay is typically expressed as the average delay per delayed flight. We routinely measure flight information region departure delays arising from any operational disruption which could be sourced back to airport operators, airline operators, weather and other aviation navigation service providers.

Our average delay per delayed flight calculation was changed in the reporting year to a new target of 360 seconds. Across the airspace we service, we contributed to 4.6% of the total delays, which were largely attributable to approach control (53.0%) and aerodrome control (30.9%).

Air traffic flow management

Air traffic flow management (ATFM) is critical to the overall efficiency and effectiveness of air traffic management. Central to the operational output is predictability and ensuring common situational awareness for all stakeholders. Performed from the Central Airspace Management Unit, ATFM also contributes to the safety, cost-effectiveness, and environmental sustainability of an air traffic management system.

ATNS, under CANSO, is currently leading a regional ATFM implementation strategy, the CANSO Mombasa ATFM Roadmap. This roadmap is focusing on ensuring that ATFM is implemented across the African region to ensure that traffic data is shared among all stakeholders of the AFI region.

The collaborative decision-making process is a key enabler in any ATFM strategy, which requires the timeous sharing of relevant information among decision-makers and ongoing dialogue between the various stakeholders throughout all phases of flight.

Reducing delays, increasing predictability of events and optimising the use of resources are facilitated by airport collaborative decision-making. In the past, we experienced some resistance to domestic ATFM collaborative decision-making and with less than satisfactory compliance; however, through extensive industry consultation and awareness-raising campaigns, we have seen significant improvement in this area during the reporting period.

Integrated planning through our air traffic management roadmap

Outside of the far-reaching impacts of the COVID-19 pandemic, our operating environment is being shaped by traffic growth patterns, the drive for efficiency improvements and the availability of new technology.

To keep pace with these developments, ATNS developed an air traffic management roadmap to support our corporate plan and strategy through the implementation of air traffic management and communication, navigation and surveillance systems required to meet future user expectations.

The roadmap outlines detailed guidance as to what to include in implementation plans and, consequently, also provides the rationale for permission requests and updated budgets. The roadmap also serves as input into our information technology plan.

By adopting an integrated planning approach, we are able to execute our various improvement initiatives.

## Performance-based communication surveillance

Performance-based communication and surveillance are essential in establishing the required communication and surveillance performance specifications' systems.

These systems are highly technical in nature and essentially ensure that aircraft maintain longitudinal and lateral separation in oceanic airspace. The goal is to:

- 📍 maintain safe and efficient operations;
- 📍 determine continued compliance and interoperability;
- 📍 investigate problems; and
- 📍 share lessons learned.

In monitoring the various regions to outline regional performance measures, we participate in planning and implementation groups. All relevant stakeholders, including air navigation services providers, operators and manufacturers are required to participate in the reporting and resolution of identified problems. Automated processes collect the required data from the ground air traffic management system. Thereafter, performance-based communication and surveillance (PBCS) stakeholders agree on the requisite action for which communication performance and required surveillance performance specifications have been prescribed.

For South Africa, the implementation of PBCS is to increase capacity and safety in the oceanic airspace. Currently, there is not enough traffic in the oceanic airspace, but as the PBCS is a regional initiative and as ATNS is seen as a leader in the AFI region, it is important for South Africa to implement this system to maintain this position.

We are currently experiencing challenges in extracting the required data from the air traffic management system for analysis to ensure standards are in accordance with ICAO requirements. We intend procuring an analysis tool with implementation planned for mid-2021.

### IN FOCUS

## Our thought leadership

Regional aviation performance improvements result from aviation system block upgrades, and as with performance-based communication and surveillance, require cooperation with other aviation bodies in the region. The concept looks at improvements to airport operations, global interoperable systems and data, optimum capacity, flexible flights and efficient flight paths.

Essentially, these upgrades outline what is needed in terms of air and ground equipment as well as timelines for the implementation of standards and procedures to improve the efficiency, effectiveness and safety of air transport.

ATNS participated in a workshop facilitated by CANSO in Uganda to discuss the aviation system block upgrades, and due to its urgent nature, we have been approached by CANSO and ICAO to assist in the arrangements for a follow-up workshop. In the meantime, several virtual workshops have been held while travel is still restricted due to the COVID-19 pandemic.

### IN FOCUS

## Enhanced service level agreements

Our communication, navigation and surveillance service level agreements describe our obligations relating to the uptime and connectivity of our systems.

The communication, navigation and surveillance equipment availability figures are based on the weighted average of individual availabilities. The system's availability is specified during the design phase and thereafter encapsulated in the various service level agreements. From an operational perspective, the relevant availability targets are achieved through ensuring that there is sufficient redundancy incorporated into the individual system design and operational procedures.

The following table summarises our annual performance of the achieved availability against the target level of average system availability:

### Systems Availability Performance

BUSINESS OBJECTIVE	OBJECTIVE MEASURES	2018/19 ACTUAL	2018/19 TARGET	2019/20 ACTUAL	2019/20 TARGET
Operational efficiency	Achievement of CNS system availability	C: 99.52% N: 94.81% S: 100.00%	C: 99.67% N: 98.65% S: 99.77%	C: 98.83% N: 96.28% S: 99.95%	C: 99.67% N: 98.65% S: 99.77%

As was the case in the prior reporting period, this year, our performance was hampered by our dependency on third party service suppliers such as telecommunications and power supply organisations.

In addition, major contributing factors to not achieving the navigations' target were incidents of vandalism and theft as well as unauthorised building works in the vicinity of the Greefswald facility that rendered the facility unserviceable.

The dependency on third parties is being mitigated through improved service level agreements with all vendors and with the installation of alternate and extended power backup supplies.

We also continue to perform a countrywide security assessment and mitigation plan for all high-risk sites, given an increase in vandalism and the theft of backup batteries.

**Performance-based communication and surveillance improvements will enhance safety within the oceanic airspace**

**IN FOCUS**

**Importance of satellite communication networks**

The interconnectivity and interoperability of the Africa Indian Ocean Very Small Aperture Terminal (VSAT) networks is paramount to providing safe and reliable aeronautical fixed services throughout the region. Three major networks are in operation, namely the SADC VSAT II, NAFISAT and AFISNET (operated by ASECNA).

The SADC II and NAFISAT VSAT networks fulfil the region’s communication requirements in terms of the ICAO Africa Indian Ocean plan. The networks have succeeded in integrating a regional communication network, contributing to increased inter-centre communication and allowing for greater safety in air traffic movements. The continuation of seamless operations, interoperability and interconnectivity between the Africa Indian Ocean VSAT networks remain essential to ensuring reliable and safe communication across the African skies.

The service level agreement performance levels for both satellite communication networks remain above the target level as indicated in the table.

**Service Level Agreement Performances VSAT II AND NAFISAT**

BUSINESS OBJECTIVES	OBJECTIVE MEASURES	2018/19 ACTUAL	2018/19 TARGET	2019/20 ACTUAL	2020/21 TARGET
Operation of the satellite communication networks SADC VSATII	Optimise revenue and ensure network availability	99.93%	98.50%	99.97%	98.50%
Operation of the satellite communication networks NAFISAT	Optimise revenue and ensure network availability	99.97%	98.50%	99.97%	98.50%

**Material outcomes**

- 📍 Enhancing operational efficiencies and service reliability
- 📍 Deployment and use of leading-edge technologies
- 📍 Enhancing operational safety performance

**Looking Ahead**

**Contributing to carbon-neutral growth**

For the next financial year and to meet the air traffic management community expectations, we have set the following high level goals:

- 📍 increased safety where separation is achieved by deconflicting routes by design;
- 📍 improved holistic participation in the design phase in consultation with ATCs, pilots, designers, specialists and others;
- 📍 cost savings brought about by new procedures;
- 📍 increased capacity during IMC/LVO;
- 📍 enhanced predictability of CCO, CDO, and commonly missed approaches for both ILS and RNP;
- 📍 increased efficiency due to CCO/CDO operations; and
- 📍 improved environmental performance with reduced CO2 emissions with less fuel used during the climb and descent operations and noise dispersion.

At their core, the above list serves to contribute to the global ICAO goal of achieving carbon-neutral growth by 2021.

In response to these goals, we will continuously implement new procedures as part of the Gauteng Area PBN Programme (GAPP). The GAPP is the review, design and enhancement of current procedures within Gauteng (and the surrounding area) airspace focusing on O.R. Tambo International Airport (FAOR) based on PBN principles contained in the Global Air Navigation Plan (GANP), the ICAO Document 9750. The GAPP is planned to be implemented from December 2020.

**Investigating emerging technology**

Anticipating future air traffic growth and the concomitant increase in the complexity of air traffic management, we are considering the implementation of space-based ADS-B. Compared to terrestrial ADS-B, space-based ADS-B will improve both flexibility and efficiency and deliver cost-effective communication, navigation and surveillance. Located in the constellation of low earth orbiting satellites, the technology has no line-of-sight limitations and provides a seamless transition across FIR boundaries.

Space-based ADS-B implementation planning includes simulations, trials and cost/benefit analyses. At the core of the viability assessments are technical analyses in line with ICAO Global Air Navigation Plan prescribed standards, safety management and business analyses.

Key to the success of space-based ADS-B implementation, we are conducting high-level decision-making discussions with AFI states to inform our investments in the enhanced surveillance infrastructure.

In preparing for the space-based ADS-B, industry collaboration remains critical to ensure that user requirements and expectations support its implementation. We initially envisaged that this project will take place over 48 months; however, there may be delays resulting from the medium-term impacts of the global coronavirus pandemic.

In addition, ATNS intends to develop a Concept of Operations to use a digital tower module as a contingency solution for OR Tambo International Airport and also as a remote tower solution for Bisho Airport to East London Airport or Port Elizabeth Airport. The RATS Digital Tower Program has been identified as one of the possible areas of collaboration between ATNS and HungaroControl, Hungarian Air Navigation Services. ATNS and HungaroControl are in a process of signing a Memorandum of Understanding which is aimed at developing a mutually beneficial business relationship and the exploration of possible areas of collaboration in the fields of air traffic management.

## Value creation through natural capital

We create value through our natural capital primarily through the efficiency of our operations. We achieve this through effective air traffic management; shortening the time an aircraft has to burn fuel in all phases of a flight; reducing carbon emissions and enhancing operational efficiencies.

We are committed to sustainable business practices to manage risk and optimise opportunities to further enhance efficiencies. For us at ATNS, sustainability is not only a strategic pillar but the way we do business over the short, medium and long term. This being said, integrating sustainability into day-to-day business practices is paramount.

Sustainability is influenced by many factors such as international markets, social issues, legislation and stakeholder expectations. Regular benchmarking is important to allow us to introduce best-practice policies and procedures and technologies to minimise our impact on our natural environment.

With reference to global thought leaders, we promote the ICAO environment goals and the state actions on climate change, including those relating to the UNFCCC COP outcomes.

To deliver on our strategic initiative of environmental stewardship and to embed sustainability into our business practices, we **created value through the following natural capital initiatives** this past year:

- 📍 ISO 14001:2015 implementation
- 📍 organisational behavioural change
- 📍 monitoring and measuring our environmental impacts
- 📍 efficient air traffic management operations in reducing aircraft emissions

### ISO 14001:2015 implementation

During the year, we implemented the ISO 14001:2015 Environmental Management System (EMS). This standard provides a set of management processes and procedures to assist organisations to analyse, control and reduce the environmental impacts of their operations for greater efficiency and environmental performance.

The standard requires us to:

- 📍 identify aspects and associated impacts per site;
- 📍 establish effective environmental objectives and action plans;
- 📍 monitor and measure processes against the environmental policy and objectives, operating criteria, and report results; and
- 📍 conduct regular management reviews to implement further actions for continual improvement.

ISO 14001:2015 EMS has been successfully implemented at four of our centres, namely:

- 📍 our Aviation Training Academy;
- 📍 OR Tambo Airport (Gauteng);
- 📍 King Shaka Airport (Kwa-Zulu Natal);
- 📍 FAPE (Port Elizabeth).

We will be focusing on certifying these sites with the ultimate aim of certification for the entire business, in the coming financial year.

### Organisational behavioural change

Our organisational leadership play a vital role in cascading and embedding sustainable thinking throughout the business. During the year, we initiated a change management process to instil our sustainability vision, which led to a series of workshops with staff.

On an ongoing basis, our sustainability unit uses internal communication channels to convey sustainability messages and foster sustainable

thinking and behaviours not only within the business environment but also at home.

These communications and engagements help create a culture of environmental sustainability in line with global best practice; seeking to limit climate change and the degradation of the environment.

By putting all of these initiatives in place, we have laid a solid foundation for continuous improvement of our environmental stewardship plans.

### Monitoring and measuring our environmental impacts

We recognise the environmental impacts resulting from our business operations and report on direct and indirect greenhouse gas emissions generated by our activities and services on a quarterly basis. Our reporting ambit includes that of our facilities, operations at regulated airports, our head office and our training academy, as well as at our remote sites.

To manage our climate change impacts, we collect data from our various facilities and operations and categorise these as follows:

- Scope 1** – ATNS-owned stationary and mobile emission sources
- Scope 2** – Indirect emissions from electricity supplied by Eskom
- Scope 3** – Business travel emissions (air, road, and accommodation)

During the reporting year, our biggest contributor to emissions was from electricity supplied by Eskom, mainly at sites located at ACSA airports, which approximately contribute 80% to the overall consumption, while those from business travel reduced, due to limited travel in March 2020, given pandemic-related travel restrictions.

#### Carbon Footprint 2019 versus 2020 reporting period

TONNES CO2e	2018/19 ACTUAL	2019/20 ACTUAL
Scope 1 (fuel)	252.76	254.57
Scope 2 (electricity)	19 417.54	28 460.45
Scope 3 (business travel)	4 335.31	3 766.45
Annual emissions	24 005.61	32 482.09

EMISSION INTENSITY	UNIT MEASURE	2018/19 ACTUAL	2019/20 ACTUAL
Per air traffic movement	CO2e/ATM	0.02	0.03
Per revenue	CO2e/revenue	14.35	19.29
Per employee	CO2e/employee	4.76	6.25

## IN FOCUS

### Aircraft emissions reduction

We implement programmes that enhance the efficiency of our air traffic management operations and improve gate-to-gate operations, to support environmental objectives such as reduced aircraft noise and improved air quality and emissions.

We are committed to implementing more efficient measures in designing procedures which will ensure that aircraft optimise the airspace to gain not only fuel savings, but also cost savings and ultimately emission reductions. A report on trials conducted for flights between Cape Town and Port Elizabeth as well as East London, and the full results and a technical explanation of these measures can be provided upon request.

We conduct regular monitoring to report on progress in reducing our impact on carbon emissions, energy, water and waste management.

### Energy management

Our carbon footprint is directly linked to our electricity consumption and is a key focus area. Within the context of air traffic management in South Africa, the Airports Company South Africa (ACSA) accounts for more than 90% of the overall emissions with service providers contributing a common or average of 2% each.

Energy audits have been conducted at our head office, at OR Tambo airport and at our training academy in Kempton Park. The final reports highlight energy saving opportunities and recommendations, including establishing a baseline and introducing smart energy meters to monitor and avoid, to the extent possible, high energy usage.

#### Energy Efficiency Performance

KPI (2019/20)	2018/19 FY	2019/20 FY
<b>Energy Consumption</b>		
Total Electricity Consumption (MWh)	20 439.52	27 365.82
Total Fuel Consumption (kl)	95 376.00	95 837.00
<b>Energy Intensity</b>		
Per Employee (Employee/MWh)	0.06	0.19
Per revenue (R/MWh)	0.08	0.06
Per Air Traffic Movement (ATM/MWh)	50.87	35.32
Per Air Traffic Movement (ATM/L)	10.90	10.49

#### Electricity Consumption for 2019/2020

KPI (2019/20)	2018/19 FY	2019/20 FY
<b>Energy Consumption</b>		
Total Electricity Consumption (MWh)	20 439.52	27 365.82

ATNS has looked into the feasibility of renewable energy sources (as the primary or secondary source of power supply) for our en-route communication, navigation and surveillance infrastructure.

The study suggests:

- 📍 installation of stand-alone hybrid power systems including battery backup or diesel generators;
- 📍 grid-tied or off-grid connection of the communication, navigation and surveillance;
- 📍 environmental impact and safety assessments at selected sites prior to implementation; and
- 📍 selection of pilot sites for the first phase of implementation.

The implementation of the pilot is planned for next financial year.

### Water, waste and biodiversity conservation

We prioritise resource efficiency which includes optimising water management at all of our sites as part of the national drive to conserve water. We utilise water mainly for domestic purposes and have implemented measures to conserve water across our operations.

In the context of our head office and air traffic control centres, we promote green building principles including that of flow-regulating taps and toilets coupled with rainwater harvesting. We also integrate water efficiency into our infrastructure and building projects, including that of our academy and OR Tambo building refurbishment activities.

Waste management is governed by our waste management policy, which is aligned to the waste hierarchy principles. We conduct regular audits to ensure proper waste management practices are implemented across the business such as training and awareness-raising campaigns and the reduction and recycling of waste from source.

When we develop new sites, we formulate environmental management plans to mitigate potential environmental impacts, and specifically when our site is within or in close proximity to a protected area. We also screen projects to determine if environmental impact assessments are required.

### Efficient air traffic management operations in reducing aircraft emissions

ATNS implements programmes that enhance the efficiency of our air traffic management operations and improve gate-to-gate activities, to support environmental objectives such as reduced aircraft noise and improved air quality and emission. We continue to track ASBU road map initiatives aligned to the ATM/CNS roadmap. These include implementation of CCO and CDO aligned to PBN, A-CDM, effective implementation of wake re-categorisation at various airports and assessment on their impact on emission reduction. We will continue implementing PBN as a strategic programme in supporting environmental improvement of aircraft emissions.

We are also continuing to implement the Gauteng Airspace PBN Project/Plan (GAPP) review, design and enhancement of current procedures within the Gauteng (and surrounding areas) airspace focusing on O.R. Tambo International Airport (FAOR) based on PBN principles.

#### Material natural capital outcomes

- 📍 Reducing CO2 emissions
- 📍 Promoting sound management of natural resources
- 📍 Embedding environmental aspects in our business

### Looking ahead

Although the global COVID-19 pandemic has resulted in several negative industry consequences due to reduced air travel, on the flip side, the 2021 financial year will see a favourable drop in indicators relating to our carbon footprint, use of electricity, water and fuel consumption.

Notwithstanding these short-term benefits, our medium- to longer-term objectives remain that of improving the maturity of our environmental sustainability performance across ATNS. Over the next three years, the focus will be on our full implementation of the objectives contained in our sustainability policy and strategy, by integrating environmental issues at both the strategic and operational levels of the business. These objectives include implementing an environmental management system (ISO 14001) across the business which will focus on developing programmes to minimise our footprint in areas such as energy consumption and invest in renewable energy alternatives. In addition, we will continue to assess the effect of climate change on our operations, and measure the effectiveness of our air traffic management programmes in reducing aircraft emissions and noise; in enhancing biodiversity management; in optimising waste and water management; and in improving communications and transparent reporting to our stakeholders.



## Creating value through social and relationship capital

Our relationships are exemplified by the strength of our customer and industry engagements, our employee interactions, our supply chain relationships, our community partnerships, our government and regulatory relations and our collaboration with our business and sector partners. By its very nature, our social and relationship capital intersects with several of the other capitals and is seen as the glue that holds everything together. We know that stakeholder value can only be meaningfully created through trust-based, transparent and collaborative relationships. Importantly, through the strength of our stakeholder relationships and our broader interaction with the public at large, we are able to secure the long-term economic and social sustainability of our business.

Although all relationships are important to us, most of the **value is created through the following core relationships** which we report on annually:

- 📍 society as a whole
- 📍 our community initiatives
- 📍 our customer and industry engagements
- 📍 government and regulatory interactions
- 📍 our supply chain partnerships
- 📍 our employee initiatives

### Society as a whole

We are committed to being a good corporate citizen and we prioritise corporate social investment projects as an important element of our operations. Our CSI framework contributes to the objectives set out in international and national plans and frameworks, including that of the United Nations Sustainable Development Goals, the South African National Development Plan 2030, the ICAO and the CAA.

Across the African continent, we highlight and promote careers in aviation through various platforms including at career expos and by

facilitating the participation of students from under-privileged communities at our annual AVI AFRIQUE event. We reward promising students who have innovative ideas with the potential to improve or influence the aviation industry, by developing these concepts with seed finance and incubation to become commercially viable products and services.

At a national level, we aim to strengthen our strategic partnership with the Department of Basic Education by supporting disadvantaged schools across South Africa and align with the broader national priority of improving the quality of education.

By involving members from society in these projects, we contribute to improving the socio-economic environment and provide employment opportunities.

A key initiative was the provision of ICT equipment and targeted teacher and learner development programmes benefiting 12 000 learners from previously disadvantaged backgrounds thus improving the quality of education.

### Our community initiatives

Our corporate social investment strategy is founded on the requirement that we align our overarching corporate strategy to national socio-economic developmental imperatives, national government outcomes and the Department of Transport's departmental outcomes.

Our community development programmes aim to drive expanded social transformation. Our flagship projects relate to the promotion of mathematics and physical science for Grades 10-12, with future initiatives seeking to encourage research and technology development, driven through the research and development forum developed in 2012 known as AVI AFRIQUE.

Many of our CSI projects focus on rural communities faced with socio-economic challenges. Our focus is primarily on education (95%), skills development and training (4%) and staff initiatives (1%).

In this past year, we invested over 1% of our net profit after tax, which is in line with the social economic development element of the Broad-based Black Economic Empowerment Act (No. 53 of 2003) as it relates to financial investment in community and social development.

### Our customer and industry engagements

The aviation industry covers a range of touchpoints, operating on a continuous basis. Through a wide variety of industry forums and conferences, we are able to engage with customers, prospective customers and business partners. These platforms also provide us with an opportunity to better understand how our customers experience our service.

On an ongoing basis, we also engage industry stakeholders on our permission application process and other top issues. More recently, we have participated in several industry discussions on the impacts of the COVID-19 pandemic and the effect on a short and longer term industry response.

ATNS is a well-respected member of CANSO Global, one of the three founding members of

the CANSO Africa Region. We continue to sponsor the CANSO Africa Region, which provides us with an opportunity to influence the change, modernisation and harmonisation of the airspace in the sub-region.

During the reporting period, one of our key engagements included industry discussions relating to the permission application process, where we facilitated industry consultation meetings.

Furthermore, we contribute to the development of the ICAO Regulations as these relate to air navigation issues. Through CANSO and its ICAO platform, ATNS is regarded as a leader in implementing ICAO Regulations.

### Governments and regulators

We support the improvement in air navigation services and continue to work with governments and regulators in the region. Locally, through our shareholder, the Department of Transport, we interact with other governments in the SADC and on the continent in support of seamless air traffic movement in the region.

We have managed to render services in other countries (VSAT/NAFISAT). We supported the creation of the safety organisation in the SADC region (SASSO). Locally, we regularly engage the regulator and our broader stakeholder base on the permission process.

In the reporting period, we commenced engagements with the Economic Regulating Committee, as we prepare for a new permission review and application process. The process was scheduled to start within the reporting period; however, given the outbreak of the COVID-19 pandemic, we were successful in our postponement application to delay the commencement of the review to the next financial year.

## Our supply chain partnerships

To support economic transformation, ATNS embarked on various enterprise and supplier development initiatives aimed to develop black-owned suppliers to participate in the communication, navigation and surveillance (CNS) space. This area is dominated by multi-nationals, hence the ATNS transformation and incubation strategies intended to increase black-owned small, medium and micro enterprises (SMMEs) in the CNS space.

Multinationals are engaged in briefing sessions to partner with local black-owned suppliers and to support in the transfer of skills for installation and maintenance of equipment procured from them. ATNS pays SMMEs who partner with multinationals directly, to account for the spend locally and claim B-BBEE points against preferential procurement targets.

Through these dedicated enterprise development interventions, we are able to contribute to the stimulation of the economy and the growth of SMMEs.

Our procurement needs are informed by regulatory requirements at a global level; the availability of enabling new technologies and the need to address the specific requirements of the air traffic management community. ATNS approaches technology sourcing by engaging the expertise of both local and global suppliers, while our procurement policies are transparently geared towards localisation.

In addition, a concerted effort is made to transform the database of suppliers providing aviation-related products and services. Supply chain management and internal stakeholders ensure that exempted micro enterprises and qualifying small enterprises are also afforded the opportunity to deliver Capex projects.

The drop in procurement spend relating to black women-owned enterprises is attributable to the reduction in women-owned suppliers submitting bids for our Capex projects. We intend to embark on a drive to conduct workshops with prospective suppliers; targeting black women, youth and people with disabilities to raise awareness.

The table below summarises our performance in 2019/2020 versus 2018 / 2019.

Preferential Procurement Performance		
PREFERENTIAL PROCUREMENT CRITERIA	2018/2019 FY	2019/20 FY
QSE or EME	11.35%	11.32%
50% Black-owned	59.27%	59.05%
30% Black women- owned	42.63%	25.54%

## Our employees

We continue to invest in both our current and prospective employees and future customers.

This past year, we ran an ATS bursar programme and an engineering learnership programme at our training academy. Successful students from the learnership pipeline typically feed into the pool of qualified engineering technicians and junior systems engineers.

In addition, we continue to promote the development of engineers and other graduates by offering experiential learning opportunities, in the form of learnerships and graduate development programmes including the Graduate Engineering Development Programme.

## Looking ahead

In adopting an inclusive approach to stakeholder management, we consider and assess issues that are material to both ATNS and our key stakeholder groups. To a large extent, we proactively engage across the stakeholder groups through fit-for-purpose engagement channels, including (but not limited to) meetings, roadshows, townhalls, industry workshops, training and thought leadership programmes. During these interactions, we share plans and information on material issues and provide opportunities to partner with our stakeholders.

We are in the process of reviewing our overall approach to corporate social investment to create value and a lasting positive impact across communities. We are looking to expand our activities to include those relating to environmental sustainability, sports, arts and culture.

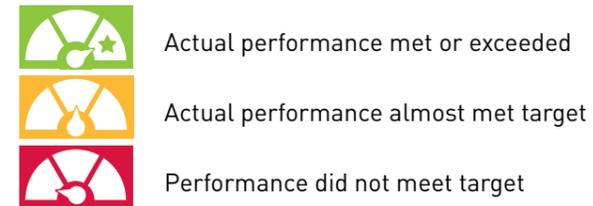
Furthermore, we aim to:

- 📍 continue to align education projects with the Department of Basic Education’s annual plan and their expertise in selecting projects, monitoring and evaluation, and best practice in STEM;
- 📍 incorporate environmental, economic and social sustainability into new projects; and
- 📍 include a focus on environmental conservation, awareness, education and waste management to improve our performance in this area.



## Our performance against our corporate objectives

The dashboard summarises our performance against targets as set out in ATNS's corporate plan for the reporting period, the 2019/20 financial year, and is prepared in line with National Treasury Guidelines.



ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS		ANNUAL ACTUALS 2018/19	ANNUAL ACTUALS 2019/20 (FULL YEAR)	ANNUAL TARGETS 2019/20
<b>1 Outcome 3: Transport safety and security Priority 5: Social cohesion and safe communities</b>							
1.1	Accidents	Zero accidents	No accidents attributed to ATNS		New KPI	0	0
1.2	Risk Assessment Tool (RAT)	Reduce the risk associated with safety events	Less than 25% of safety events will have a high-risk bearing rating (Cat A, B)		New KPI	37%	≤ 25%
1.3	Safety service provision	Reduce the number of safety events per capita	Actual number of safety incidents of 2 or less events per 100 000 air traffic movements		New KPI	4.03	≤ 2 safety incidents per 100 000 air traffic movements
1.4	SMS maturity	CANSO SMS Maturity Standard of Excellence (SoE) survey	ATNS will maintain a safety maturity survey rating of C (at least 50% above C)		New KPI	B	SMS maturity survey rating of C (at least 50% above C)
1.5	Operational efficiency	Reduce ATM delays	Average delay per delayed flight (off block time)		20 seconds	351 sec	360 sec
1.6	Operational efficiency	Achievement of CNS systems availability	Average CNS Systems Availability		C: 99.52%	C: 98.83%	C: 99.67%
					N: 94.81%	N: 96.28%	N: 98.65%
					S: 100.00%	S: 99.95%	S: 99.77%
1.7	Ensure commercial sustainability	Ensure financial sustainability	Meeting financial target as per Budget		D/E = 0.3%	D/E = 3.4%	D/E = 5.3%
					C/A = 4.59:1	C/A = 5.6:1	C/A = 2.5:1
					ROCE = 5.3%	Regulated ROCE = 0.5%	ROCE = 6.6%
					Meeting financial target as per Budget – SADC VSAT 2	Revenue: R49.3m SADC VSAT 2: Revenue R51.9m	SADC VSAT II: Revenue R51m
	Meeting financial target as per Budget – NAFISAT	Revenue: R38.7m NAFISAT: Revenue R53.0m	NAFISAT: Revenue R39.2m				
1.8	PBN operational enhancement	Airspace and flight procedures enhancement	4 Design Reports for submission to SACAA		4 RNP APCH (GNSS) Baro VNAV Design Reports for submission to SACAA	4 IAP design reports	4 Instrument Flight Procedures Design reports
			16 Design Reports for submission to SACAA (SIDS/STARS)		14 Design Reports for submission to SACAA (RNAV 1 SID/STAR) completed	16 Instrument Flight Procedures Design reports	16 Instrument Flight Procedures Design reports

ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS		ANNUAL ACTUALS 2018/19	ANNUAL ACTUALS 2019/20 (FULL YEAR)	ANNUAL TARGETS 2019/20
<b>2 Outcome 6: Infrastructure development and high level investment plan for transport Priority 1: Economic transformation and job creation / Priority 7: A better Africa and world</b>							
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Approved Capex cash flow plan	Compliance with the Capex cash flow plan milestones		R251m	 R149m	R219m
2.2	Operation of the satellite communication networks SADC VSAT 2	Ensure network availability	Achievement of the revenue and network availability as per SLA targets		SLA: 99.93%	 99.97%	SLA – 98.5%
2.3	Operation of the satellite communication networks NAFISAT	Ensure network availability	Achievement of the revenue and network availability as per SLA targets		SLA: 99.97%	 99.97%	SLA – 98.5%
<b>3 Outcome 9: Fight against fraud and corruption Priority 6: A capable, ethical and developmental state</b>							
3.1	Comply with relevant legislation, regulation and standards	To be compliant with all applicable legislation or at least have controls in place towards being a compliant business.	External audit outcome		Unqualified audit outcome attained	 Unqualified audit outcome obtained	Unqualified audit outcome
3.2	All whistle blowing matters reported are investigated	Fighting corruption and promoting good governance	Preliminary investigations are completed for all reported whistleblowing matters		Twenty (20) whistle blowing matters were reported during the 2018/19 FY	 Twenty (20) whistle blowing matters were reported for the period April 2019 to March 2020. Preliminary investigations of reported whistleblowing matters were completed as follows: - Sixteen (16) within 90 days from date of receipt. - Two (2) after 90 days from date of receipt. - Two (2) received in the fourth quarter are under investigation.	Investigation of whistleblowing matters reported to be completed within 90 days from the date of receipt
<b>4 Outcome 10: Environmental protection Priority 7: A better Africa and world</b>							
4.1	Implementation of environmental plan	Environmental management system implementation	Implementation at four stations		New KPI	 Implementation at ATA, FAOR, FAPE & King Shaka	Implementation of EMS at four stations/units



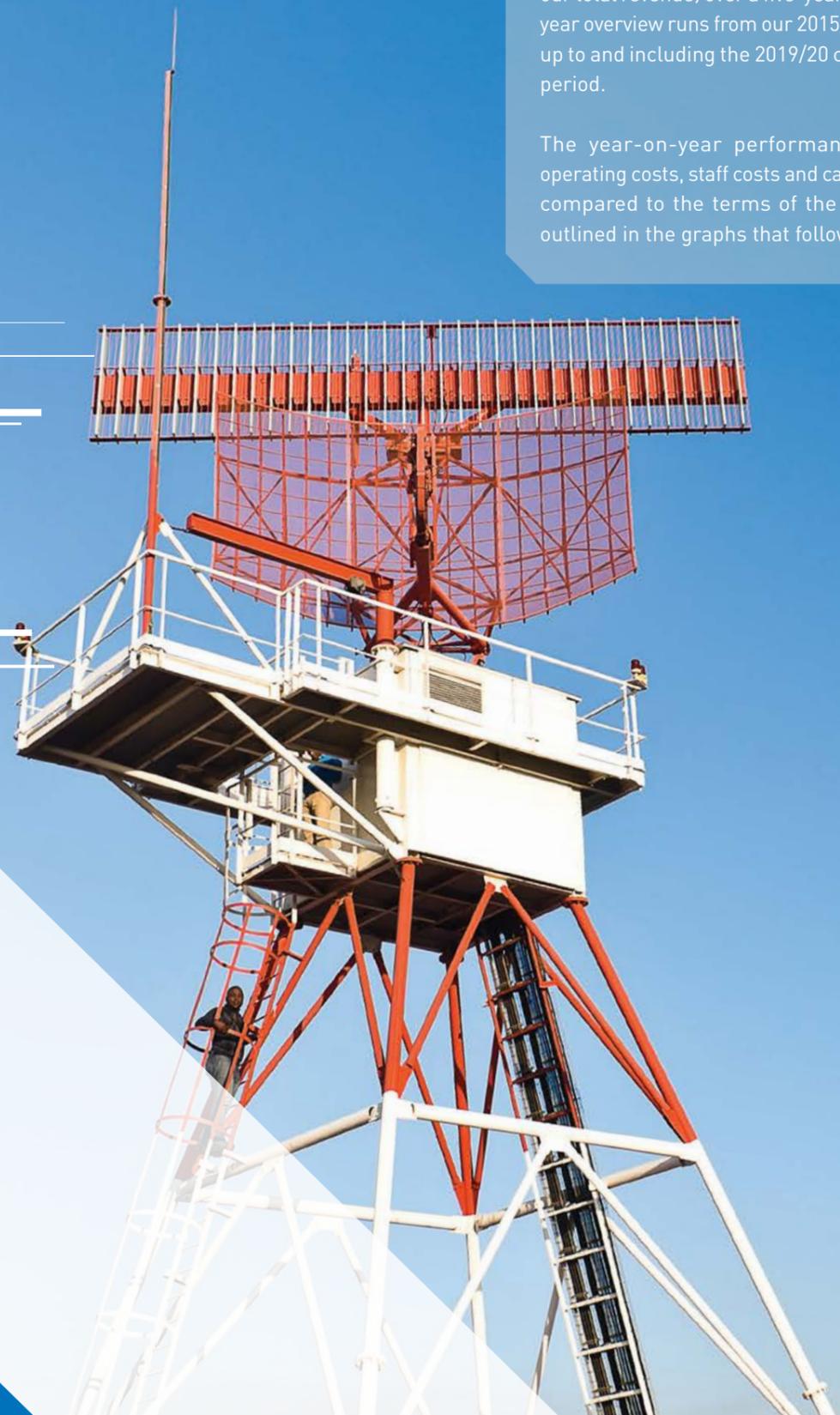
ITEM NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES	ANNUAL PERFORMANCE INDICATORS		ANNUAL ACTUALS 2018/19	ANNUAL ACTUALS 2019/20 (FULL YEAR)	ANNUAL TARGETS 2019/20
<b>5 Outcome 5: Training to contribute to job creation</b> Priority 2: Education, skills and health / Priority 1: Economic transformation and job creation							
5.1	Address societal challenges, building a meaningful legacy for ATNS and the communities in which we operate	ATS bursaries and engineering learnership	Trained ATS and engineering learnerships		ATS: 60	 ATS Bursars: 20	ATS: 20
					Engineering Learnership: 6	 Engineering Learnership: 6	Engineering Learnership: 6
					ETS – GEDP: 11	 ETS – GEDP: 6	ETS – GEDP: 5
					Unemployed Graduates: 13	 Unemployed Graduates:20	Unemployed Graduates: 10
5.2	Manage the training pipeline for ATNS and technical staff	Adoption and approval of HC plan as per budget ATNS and TS training plan Operational or implementation plan	Achievement of the numbers as per budget Adoption and approval of training plan Compliance with the milestones of the plans		ATCO 3: 222	 ATCO 3: 219	ATCO 3: 226
					ATCO 2: 45	 ATCO 2: 47	ATCO 2: 37
					ATCO 1: 114	 ATCO 1: 113	ATCO 1: 121
					Eng. Techs: 72	 Eng. Techs: 76	Eng. Techs: 74
					Eng. Satellite Technicians: 5	 Eng. Satellite Technicians: 5	Eng. Satellite Technicians: 5
5.3	Review and implement the HC plan to recruit, develop, retain, and reward employees across all disciplines	Development programmes for all employees, with emphasis on AIC and women	Training investment as percentage of a Cost to Company		5.70% Rand value of Cost to Company	 4.98%	6% Rand value of Cost to Company
<b>6 Outcome 4: Broad-based black economic empowerment</b> Priority 1: Economic transformation and job creation							
6.1	Achieve B-BBEE targets. Achieve preferential procurement targets as set by the Transport Charter	Achieve B-BBEE targets. Achieve preferential procurement targets as set by the Transport Charter	Percentage of discretionary spend on B-BBEE. Total discretionary OPEX budgeted. Total Capex budgeted.		Level 2	 Level 2	Maintain level 2
<b>7 Outcome 4: Employment equity</b> Priority 2: Education, skills and health / Priority 6: A capable, ethical and developmental state							
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3)	Achieve representation towards alignment of company staff profile with the demographics of the country	5% increase: 2017/2018 AIC Target		ATS AIC: 72.94%	 ATS AIC: 75.11%	ATS AIC: 71%
					ATS female: 47.40%	 ATS female: 50.38%	ATS female: 45%
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.	1% increase: 2017/18 AIC		ATNS AIC: 79.24%	 AIC: 81.21%	AIC: 77%
			1% increase: 2017/18 Female Target		ATNS female representation: 49.40%	 ATNS female representation: 49.66%	ATNS female representation: 48%
			Target = 1% higher than the National target of PwD		People with disabilities: 3.22%	 People with disabilities: 3.25%	People with disabilities: 3.5%

# 6

## Our consolidated five-year review

As part of our ancillary information, this section reviews our financial performance for our regulated business (which generates approximately 88% of our total revenue) over a five-year period. The five-year overview runs from our 2015/16 financial year up to and including the 2019/20 current reporting period.

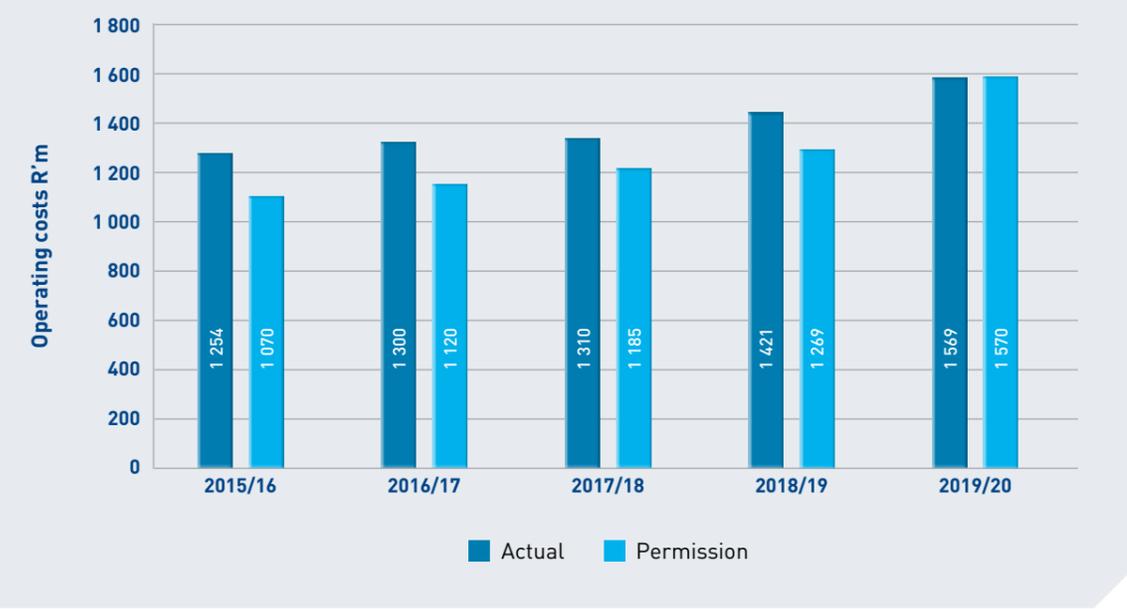
The year-on-year performance of revenue, operating costs, staff costs and capital expenditure compared to the terms of the permission are outlined in the graphs that follow.

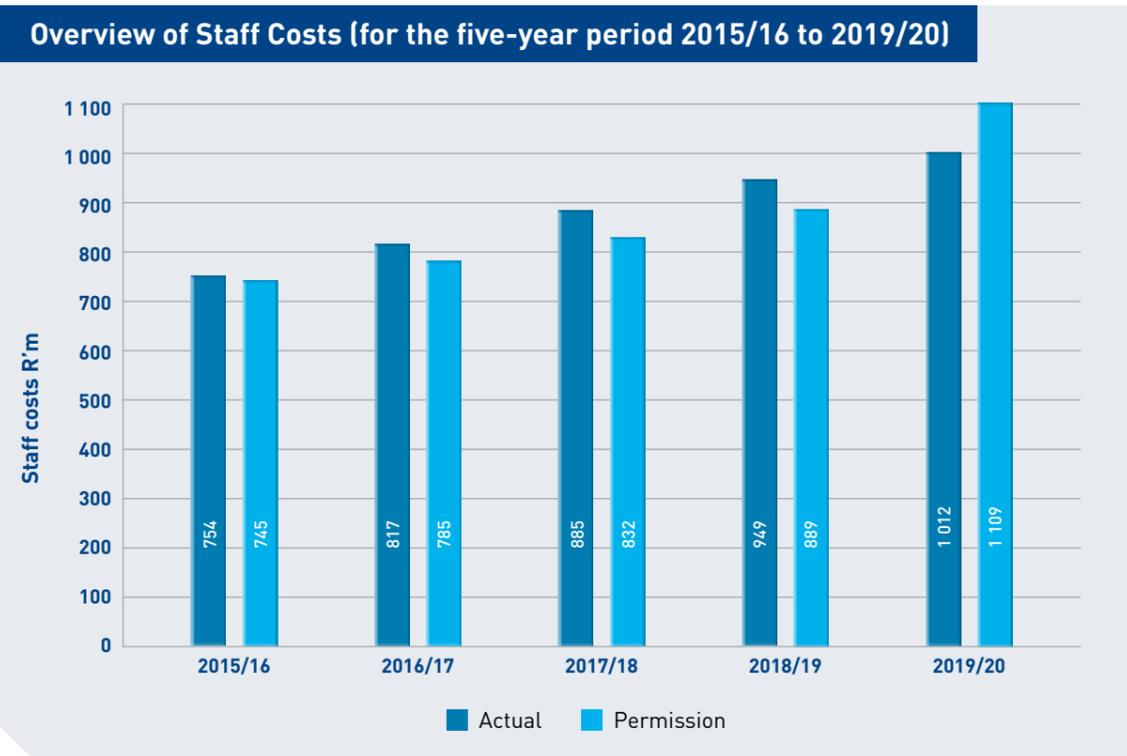


### Overview of Performance of Permission (against actual revenue for the five-year period 2015/16 - 2019/20)

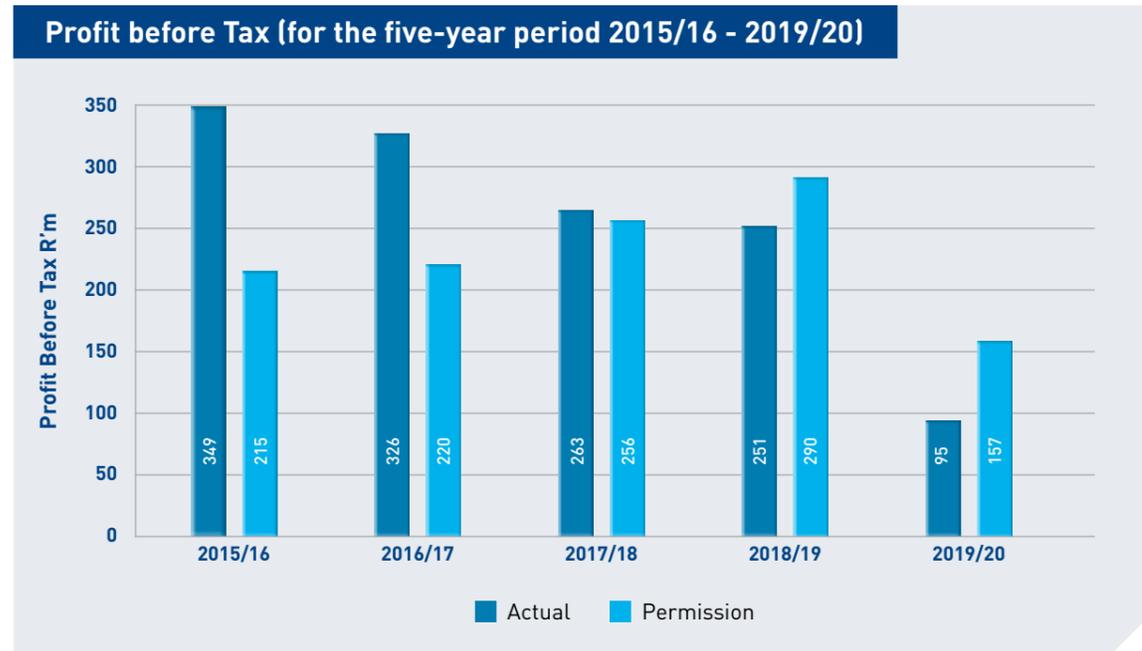
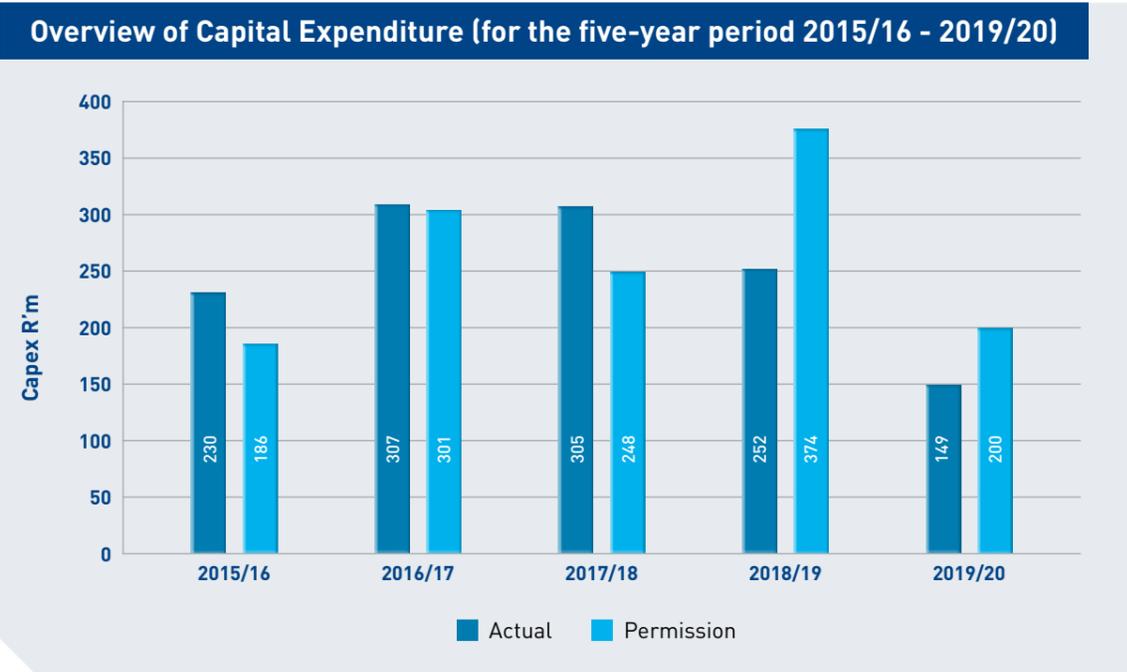


### Overview of Operating Costs (for the five-year period 2015/16 to 2019/20)

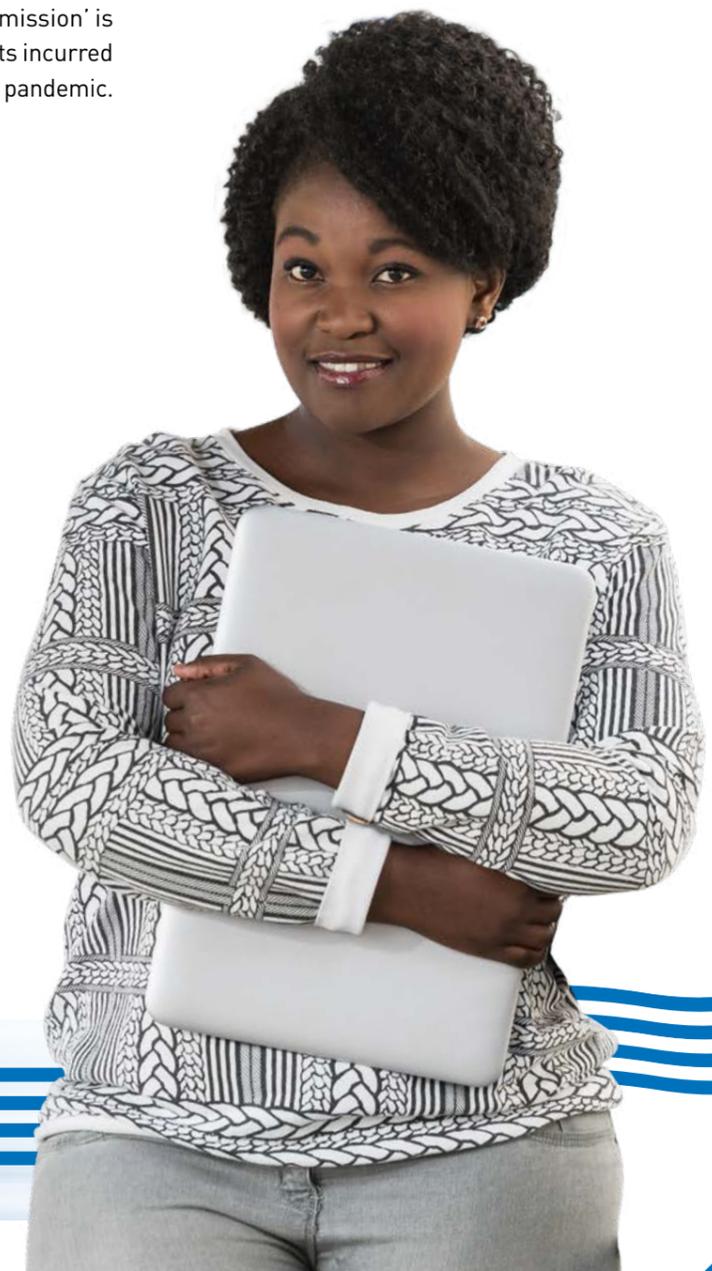




Over the five-year period, several projects were deferred. In the expected post-pandemic environment, we anticipate more projects to be deferred, while being mindful never to compromise on safe and efficient air traffic management services.



The variance between 'actual' and 'permission' is mainly due to, amongst others, bad debts incurred as a result of the impact of the COVID-19 pandemic.



## List of abbreviations

We have sought to limit the use of abbreviations in this report; however, this has not always been possible, particularly in the context of diagrams, tables and summaries.

<b>AASA</b>	Airlines Association of Southern Africa	<b>GEDP</b>	Graduate Engineering Development Programme
<b>A-CAD</b>	African Centralised Aeronautical Database	<b>GHG</b>	Greenhouse Gas
<b>A-CDM</b>	Airport Collaborative Decision Making	<b>GRI</b>	Global Reporting Initiative
<b>ACC</b>	Area Control Centre	<b>GDP</b>	Gross Domestic Product
<b>ACSA</b>	Airports Company of South Africa	<b>GNSS</b>	Global Navigation Satellite System
<b>ADKAR</b>	Awareness Desire Knowledge Ability Reinforcement	<b>IATA</b>	International Air Transport Association
<b>ADS-B</b>	Automatic Dependent Surveillance-Broadcast	<b>ICAO</b>	International Civil Aviation Organisation
<b>AFCAC</b>	African Civil Aviation Commission	<b>IFR</b>	Instrument Flight Rules
<b>AFI</b>	African Indian Ocean	<b>IFRS</b>	International Financial Reporting Standards
<b>AFIS</b>	Aerodrome Flight Information Service	<b>IIRC</b>	International Integrated Reporting Council
<b>AFISNET</b>	African Indian Ocean Satellite Network	<b>ILS</b>	Instrument Landing System
<b>AFS</b>	Annual Financial Statements	<b>INSPIRE</b>	Indian Ocean Strategic Partnership to Reduce Emissions
<b>AFTN</b>	Aeronautical Fixed Telecommunications Network	<b>IoDSA</b>	Institute of Directors South Africa
<b>AI</b>	Artificial intelligence	<b>IPAP</b>	Industrial Policy Action Plan
<b>AIC</b>	African, Indian, and Coloured	<b>IT</b>	Information Technology
<b>AIM</b>	Aeronautical Information Management	<b>ITC</b>	Information and Communication Technology
<b>AIS</b>	Aeronautical Information Service	<b>KPA</b>	Key Performance Areas
<b>ANSP</b>	Air Navigation Service Provider	<b>KPI</b>	Key Performance Indicator
<b>APP</b>	Approach Control	<b>LAAS</b>	Local Area Augmentation System
<b>ASBU</b>	Aviation System Block Upgrades	<b>LCC</b>	Low-Cost Carriers
<b>ATA</b>	Aviation Training Academy	<b>MOI</b>	Memorandum of Incorporation
<b>ATC</b>	Air Traffic Controller	<b>MTF</b>	Medium-Term Expenditure Framework
<b>ATCOs</b>	Air Traffic Control Officers	<b>MTSF</b>	Medium-Term Strategic Framework
<b>ATFM</b>	Air Traffic Flow Management	<b>NAFISAT</b>	North Eastern African-Indian Ocean VSAT Network
<b>ATM</b>	Air traffic management	<b>NAMP</b>	National Airspace Master Plan
<b>ATS</b>	Air Traffic Services	<b>NAVAIDs</b>	Navigational aids
<b>ATSEP</b>	Air Traffic Safety Electronics Personnel	<b>NDP 2030</b>	National Development Plan 2030
<b>BARSA</b>	Board of Directors of Airline Representatives of South Africa	<b>NEMA</b>	National Environmental Management Act
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>NOTAMS</b>	Notice to Airmen Service
<b>CAEP</b>	Committee Aviation Environmental Protection	<b>OEM</b>	Original Equipment Manufacturers
<b>CANSO</b>	Civil Air Navigation Services Organisation	<b>PBN</b>	Performance Based Navigation
<b>Capex</b>	Capital Expenditure	<b>PBCS</b>	Performance Based Communication and Surveillance
<b>CAGR</b>	Compound Annual Growth Rate	<b>PFMA</b>	Public Finance Management Act, Act, No. 1 of 1999
<b>CCO</b>	Continuous Climb Operations	<b>PPMO</b>	Portfolio Programme Management Office
<b>CEO</b>	Chief Executive Officer	<b>RATS CONOPS</b>	Remote Air Traffic Service Concept of Operations
<b>CDO</b>	Continuous Descent Operations	<b>R&amp;D</b>	Research and Development
<b>CFO</b>	Chief Financial Officer	<b>RNAV</b>	Required Navigation
<b>CNS</b>	Communication, Navigation and Surveillance	<b>RNP</b>	Required Navigational Performance
<b>CONOPS</b>	Concepts of Operations	<b>ROCE</b>	Return on Capital Employed
<b>CPI</b>	Consumer Price Index	<b>RSI</b>	Risk Safety Index
<b>CSI</b>	Corporate Social Investment	<b>RVSM</b>	Reduced Vertical Separation Minima
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>SAATM</b>	Single African Air Transport Market
<b>DBE</b>	Department of Basic Education	<b>SACAA</b>	South African Civil Aviation Authority
<b>DME</b>	Distance Measuring Equipment	<b>SADC</b>	Southern African Development Community
<b>DoT</b>	Department of Transport	<b>SBAS</b>	Satellite-based Augmentation Systems
<b>DTI</b>	Department of Trade and Industry	<b>SCIP</b>	Safety Culture Improvement Programme
<b>ED</b>	Enterprise Development	<b>SCM</b>	Supply Chain Management
<b>EE</b>	Employment Equity	<b>SDGs</b>	United Nations Sustainable Development Goals
<b>EFS</b>	Electronic Flight Strips	<b>SID</b>	Standard Instrument Departure
<b>EMS</b>	Environmental Management System	<b>SLA</b>	Service Level Agreement
<b>ENAC</b>	Ecole Nationale de l'Aviation Civile	<b>SMMEs</b>	Small, Medium and Micro Enterprises
<b>ERM</b>	Enterprise Risk Management	<b>SMS</b>	Safety Management System
<b>ERP</b>	Enterprise Resource Planning	<b>SOC</b>	State-Owned Company
<b>ETS</b>	Engineering and Technical Services	<b>STAP</b>	Safety Turn-Around Plan
<b>FACT</b>	Cape Town Int. Airport	<b>STAR</b>	Standard Terminal Arrival Routes
<b>FALE</b>	King Shaka Int. Airport	<b>STEM</b>	Science, Technology, Engineering and Maths
<b>FAOR</b>	OR Tambo Int. Airport	<b>SWIM</b>	System Wide Information Management
<b>FARB</b>	Richards Bay Airport	<b>TIPC</b>	Transformation, Investment and Projects Committee
<b>GANP</b>	Global Air Navigation Plan	<b>VHF</b>	Very High Frequency
<b>GAPP</b>	Gauteng Area PBN Plan	<b>VOR</b>	Very High Frequency Omni Directional Range
<b>GBAS</b>	Ground-Based Augmentation System	<b>VSAT</b>	Very Small Aperture Terminal
		<b>WITS</b>	University of the Witwatersrand

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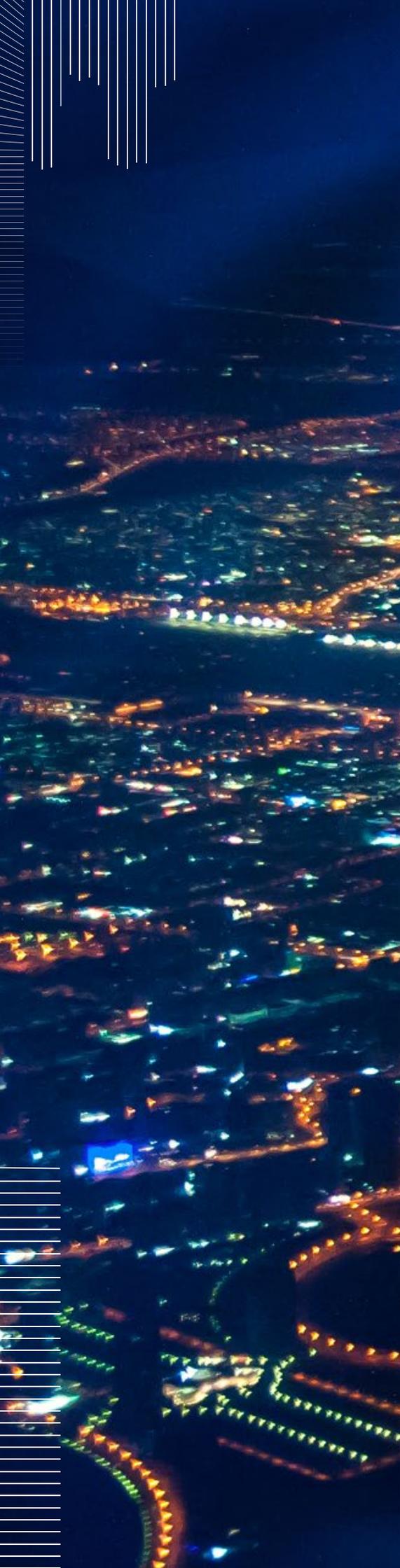
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