



2022 INTEGRATED REPORT

AIR TRAFFIC AND NAVIGATION SERVICES COMPANY SOC LTD

01 OVERVIEW

Driving value creation and preservation

The Air Traffic and Navigation Services Company SOC Ltd (ATNS) integrated report, for the year ended 31 March 2022, provides concise and material information on our business, governance, strategy, performance, outlook and sustainability approach.

✈ In the 'overview' chapter of this year's report, we:

- explain our integrated reporting process and overarching approach
- list the navigational tools to assist the reader in easily identifying the areas that are most relevant to them
- provide an overview of our business fundamentals
- reflect on our stakeholder relationships and how these help us to create and preserve value
- showcase our financial year in review – areas of value creation and where we limited value erosion

Our reporting theme

REBUILDING FOR THE FUTURE

ATNS: towards a future-fit organisation

ATNS provides air traffic and navigation services across 6% of the world's airspace. However, looking to the future, we are privileged to be an organisation comprised of thought-leaders dedicated to excellence, technological innovation and sustainability. We are also developing and rebuilding the future aviation workforce as a world-class provider of air traffic management training. Combined, ATNS is well-positioned to secure value realisation in aviation for years to come.

Within our business model and strategy, we are acutely aware of our external environment and how this is continuously evolving. Most recently, global aviation has been severely impacted by COVID-19, as we continue to understand the pandemic's longer-lasting impacts and how to best proactively future-proof ourselves against the devastating effects of other large-scale external disruptions. However, throughout history, aviation has been impacted by change, and ATNS has continually proven its ability to remain resilient, and to prioritise, strategise, conserve and collaborate in response to the external environment.

Rebuilding our business given the external environment of the future

The strength of the global economy will be a key determinant in aviation's recovery and re-emergence post-COVID-19. Fuel and gas prices and utility costs remain high and uncertain with personal and business budgets tight worldwide necessitating changes in ways of living for leisure travellers and business clients. Looking further ahead, trading shifts, growth within developing nations and new markets are all expected to influence aviation. Geopolitics, including changes in worldwide institutions and governance, peace and conflict, and international trade will also shape the future, and relationships between key economies, such as the US and China, may impact aviation demand.

In direct response to COVID-19, mindsets are changing, and higher premiums are being placed on the health protection of travellers and staff. Hybrid ways of working are expected to result in permanently altered business travel, and, like for previous global crises, leisure travel is projected to play a significant role in supporting the post-COVID recovery. This has implications for optimal aircraft size, cabin layout, airport infrastructure and, ultimately, air-traffic.

As for the entire transport sector, aviation must also meet challenges associated with the pursuit of the UN's Sustainable Development Goals. For example, societal expectations around climate change and carbon emissions are changing, and, although CO₂ emissions from aviation continue to be relatively low, at approximately 2.1%, compared with other transport types, the significance of aviation's

role may increase as targets are met elsewhere. As part of the global transport system, we remain committed to the global targets of decarbonisation as agreed during the United Nations Framework Convention on Climate Change (UNFCCC) process and the most recent COP26 meeting, and as endorsed by the International Civil Aviation Organisation (ICAO) assembly.

Demographic trends are also projected to impact how we are to rebuild to ensure our success in the future. Population growth, global ageing and middle-class growth across the African continent are forecast to support aviation. However, these factors may also drive greater diversification of the customer base, which will place additional emphasis on aviation organisations to deliver improved service accessibility, personalisation and responsiveness.

Perhaps one of the most significant areas of uncertainty, as we rebuild for the future, includes the impact of technological innovation. In just over a single century, the industry has gone from learning to fly, to flying faster, further, and more frequently, setting the scene for ambitious technological change going forward.

Irrespective of the shape of change, aviation is set to continue as a fundamental means of transporting people and cargo around the globe, and it is becoming ever more accessible.

Harnessing external trends as opportunities

If we are to remain competitive and at the forefront of change, we must be ready to meet and harness changing external conditions and ambitious innovations within aviation infrastructure and airspace utilisation. Indeed, during the pandemic, many aviation organisations responded with success and agility by diversifying their business model.

With our eyes fixed firmly on rebuilding for the future to ensure our financial and operational resilience, and with people, partnerships and the planet being core elements of our outlook and sustainability mindset, we stand in good stead to be a key player, shaper and influencer in the sustainable future of aviation. It is true that the world of aviation is subject to volatility, uncertainty and complexity but it also offers significant opportunities for organisations that can position themselves with the necessary agility, proactivity and responsiveness to harness all the positives that this brings.

Our reporting suite

We are committed to reporting openly and honestly to our broad range of stakeholders. Our reporting suite consists of the following reports and documents:



Our integrated report

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



Our annual financial statements

Our annual financial statements provide a comprehensive report of ATNS's financial performance for the 2022 financial year (1 April 2021 to 31 March 2022).



Our GRI index

Our GRI index summarises our sustainability disclosures, many of which are cross-referenced to this integrated report as they relate to our economic, social and environmental impacts. A copy of the GRI index is available on our website at www.atns.co.za.



Our report guide

1 01 Overview | driving value creation and preservation

The Air Traffic and Navigation Services Company SOC Ltd (ATNS) integrated report, for the year ended 31 March 2022, provides concise and material information on our business, governance, strategy, performance, outlook and sustainability approach.

2 Our report theme

2 Our reporting suite

4 Our integrated reporting approach

5 Our business at a glance

9 Our operating environment

13 Our stakeholders

17 Our year in review

In the 'overview' chapter of this year's report, we:

- explain our integrated reporting process and overarching approach
- list the navigational tools to assist the reader in easily identifying the areas that are most relevant to them
- provide an overview of our business fundamentals
- reflect on our stakeholder relationships and how these help us to create and preserve value
- showcase our financial year in review – areas of value creation and where we limited value erosion

18 02 Our governance | guiding value creation and preservation

We seek to implement robust governance processes and practices as important tools to guide value creation and preservation.

19 Reflections from our Board Chairperson

21 Our governance approach

22 Our governance principles: King IV in practice

In the 'our governance' chapter of this year's report, we:

- explain our governance approach and outline the core components of our governance framework
- provide an overview of how we apply the King IV principles in practice
- introduce you to our Board members
- summarise our Board's role including focus areas for the reporting period and the upcoming fiscal year
- describe the mandate and activities of our Board committees

29

03 Our strategy | securing value creation and preservation

Our Strategy 2025 was put in place to ensure that we achieve our organisational vision, purpose and mandate. During a time of ongoing volatility post-COVID-19, we have reset our strategy execution parameters as part of our efforts to rebuild the organisation.

30 Reflections from our Chief Executive Officer

33 Our Executive Committee

34 Our value creation process

35 Our materiality themes

41 Our strategy

42 Our risks and opportunities

In the 'our strategy' chapter of this year's report, we:

- introduce you to our new Chief Executive Officer and members of our Executive Committee
- explain how our strategy execution process was reset to take into account the strategic reallocation of resources
- summarise our value creation process
- outline our materiality determination process and our materiality themes
- provide an overview of our risk and opportunity management processes and the top risks and opportunities identified for the reporting period

46

04 Our performance | delivering value creation and preservation

Our performance for the year under review highlighted that we are in a period of rebuilding the organisation. While our performance has improved since the FY20 lows, it has some way to go to get back to pre-pandemic levels.

47 Reflections from our Chief Financial Officer

49 Our financial performance

52 Our performance against key performance indicators

57 Rewarding value creation and preservation

In the 'our performance' chapter of this year's report, we:

- provide you with a summary of our financial and non-financial performance
- explain how we have performed against our key performance indicators in the context of our shareholder compact and governmental and departmental priorities and how these are linked to our prioritised U.N. Sustainable Development Goals, applying our sustainability lens of people, partnerships and planet
- outline how we reward value creation and value preservation through our remuneration practices for the year under review

60

05 Our outlook | future-fit value creation and preservation

During a time of rebuilding, we reflect on our outlook as well as the interventions we are taking to ensure a future-fit organisation.

61 Our outlook

62 Our sustainability approach

65 Our transformation approach

70 List of abbreviations

71 Our company information

In the 'our outlook' chapter of this year's report, we:

- provide you with our views of emerging trends that will influence our business model and strategy longer term
- explain how our sustainability mindset permeates all that we do at ATNS
- outline our transformation approach in the context of our sustainability lens of people, partnerships and the planet

Our integrated reporting approach

In preparing and presenting our 2022 integrated report, we follow an organisation-wide integrated reporting process. This process and the linkages between integrated reporting and other key elements, such as our mission, value process, strategy and our stakeholders, are depicted below.

Our integrated report is produced and published annually, and this report covers the financial year 1 April 2021 to 31 March 2022. Our previous 2020 integrated report covered the period from 1 April 2020 to 31 March 2021. The boundary of the report covers any material events up to the Board approval date of 22 August 2022, as appropriate. This report is prepared in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC) as revised in January 2021.

Our mission and value process

Our mission is to provide safe and efficient air traffic management solutions while ensuring long-term economic, social and environmental sustainability. This mission applies across timescales, both now and as we look to the future of aviation.

Reinforcing this mission, our Board is accountable for ensuring that value is created or, at a minimum, preserved. In circumstances where value erosion may occur as a result of external, uncontrollable factors, our Board seeks ways to mitigate this. Value is created, preserved or eroded as a consequence of how we leverage our capitals as part of our strategy and business model, and it is evident in how these capitals change over time.

We describe our value creation process in relation to the six capitals in chapter 03 of this report. In chapter 04 of this report, we explain the trade-offs applied.

Navigational tools

We use the following icons to denote value creation, value preservation and value erosion:



We use the following icons to denote the six capitals:



Our strategy, strategic pillars, material matters, top risks and opportunities

Our strategy formulation process is based on ATNS's vision, mission and values and its development is cognisant of current and future strategic drivers within our operating environment. To a large extent, our ability as an organisation to create or preserve value is influenced by these strategic drivers as described in chapter 03.

Beneath our strategy, are three strategic pillars, which support the operationalisation, monitoring and prioritisation of focus areas in the context of our operating environment. The strategic pillars which anchor our strategy are service excellence, sustainability and innovation. In turn, eight strategic objectives drive the execution of these pillars and form the basis of our key performance areas.

In determining our material matters for the reporting period, our Board evaluates the top risks and opportunities in relation to our strategy and strategic pillars as presented by the Executive Committee and our Risk Management Department, with input from our business and functional areas. Our material matters and top risks and top opportunities are reassessed on a regular basis to take account of our ever-evolving operating environment.

Our material matters, the detailed materiality determination approach and our approach to managing risks and opportunities are outlined in chapter 03 of this report. We also explain how the material matters were grouped into materiality themes to aid management and oversight of these issues.

Navigational tools

We use the following icons to denote our materiality themes for the reporting period, which are the outcomes of our materiality determination process:



The following icons denote our strategic objectives, top risks and top opportunities:



Our integrated reporting process

Our integrated reporting process is governed by our Board and led by the Executive Committee through the Acting Executive: Strategy and Optimisation who also fulfils the role of Chief Risk Executive and who was appointed as the Executive Sponsor of our 2022 integrated reporting process.

The day to day activities of the 2022 reporting process handled by the Integrated Reporting Committee and the cross-functional Integrated Report Working Group, which is comprised of both internal and external subject-matter experts and management, are managed by our Acting Company Secretary who was appointed by a formal resolution of the Board. The report drafts are reviewed by subject-matter experts and the Integrated Report Committee before these are tabled with the Executive Committee and the Board committees.

The Board ensures the integrity of the integrated report through our integrated reporting assurance process, with the Audit and Risk Committee ensuring that the appropriate assurances are provided by the Executive Committee, internal audit, external audit and independent service providers.

Altogether, this process encourages integrated thinking and approval across organisational levels.

Navigational tools

Our integrated reporting approach is guided by the principles and requirements of various frameworks and legislation, including the International <IR> Framework (2021), IFRS, the Public Finance Management Act, the Companies Act and the King Code of Governance Principles for South Africa (King IV), and is in accordance with the 'core' option of the GRI Standards. To ensure ease of reference, we are including our King IV application register as part of chapter 02 of this report.

We use the following icons to denote the King IV principles where specific disclosures are provided throughout this report:



In addition, throughout the report, we provide cross-references to other sections of the report and to our annual financial statements. This is denoted by the following icon:



Our stakeholders

Integrated reporting provides our stakeholders with information relating to our business, our governance, our strategy, our performance, and our future outlook. It reveals one lens through which we see ourselves in our current operating context and as we look to rebuild for the future.

This integrated report also summarises opportunities, risks, trade-offs and outcomes attributable to or associated with our key stakeholders and most notably, our shareholder, the Department of Transport. These have a significant influence on our ability to create and preserve value and minimise the erosion of value for our stakeholders.

Overall, our integrated report is intended to address the information requirements of our key internal and external stakeholders. Our relationship with our key stakeholders is explained in chapter 01 of this report.

Navigational tools

We use the following icons to denote our stakeholder groupings:



Key to our stakeholders is how we are advancing our sustainability goals. We use the following UN SDG icons to depict activities and progress relevant to the goals that ATNS has adopted and prioritised:



Approval by our Board

The Board acknowledges its responsibility for ensuring the integrity of this integrated report. The Board approved the final report on 22 August 2022 and confirms that it has been prepared substantially in accordance with the International <IR> Framework (2021).

SIMPHIWE THOBELA
(Chairperson)

NOZIPHO PORTIA
MDAWE (CEO)

SULEMAN BADAT
KHULILE BOQWANA

CHRIS BURGER
THOMAS KGOKOLO

NOMATHEMBA KUBHEKA
MATOME MOHOLOLA

ZENZELE MYEZA
NHLANHLA NGEMA

JANE TREMBATH
KYANSAMBO VUNDLA

Our business at a glance



Our mandate

Air Traffic and Navigation Services Company SOC Limited (ATNS) was established in 1993 in terms of the ATNS Company Act (Act 45 of 1993) for the acquisition, establishment, development, provision, maintenance, management, control or operation of air navigation infrastructures, air traffic services or air navigation services.



Our vision

is to be the leading provider of air traffic management solutions in Africa.



Our values

- We ensure that safety and customer service remain at the core of all that we do
- We encourage employee engagement and 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 mission

is 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 key activities

ATNS is responsible for providing safe and efficient flights across 6% of the world's airspace. Our work is informed by governmental outcomes that, in turn, inform our shareholder compact, which we have with our shareholder, the Department of Transport, and serves to support the achievement of our shareholder priorities. Our strategic objectives and key performance indicators are mapped against the six capitals and are divided into three core sustainability segments being our efforts and outlook relating to people, partnerships and the planet. As such, our purpose is to make a significant and sustainable contribution to the aviation industry, the South African and African continent development goals and society as a whole.



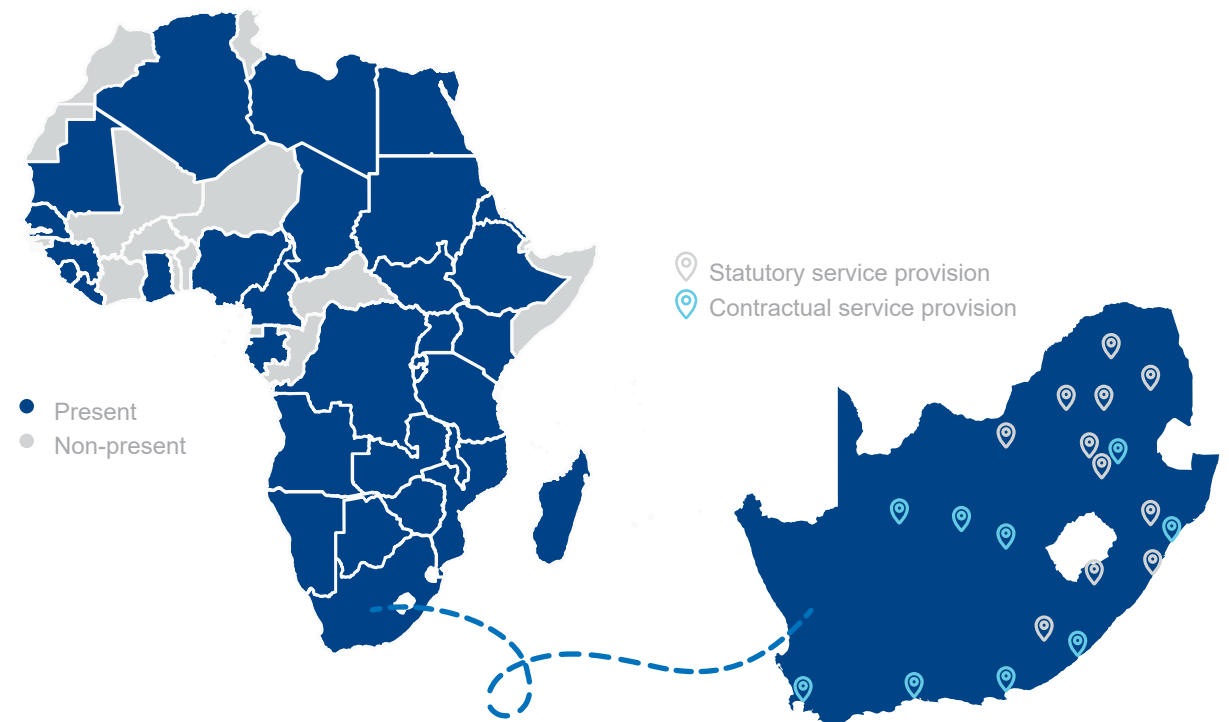
Please refer to [chapter 03](#) where we elaborate on our strategic objectives in relation to our Strategy 2025; [chapter 04](#) where we outline our key performance indicators and how these relate to our shareholder and South African government priorities; and [chapter 05](#) where we summarise our outlook and sustainability mindset in relation to people, partnerships and the planet.

We provide air traffic navigation, training and associated services within South Africa and a large part of the

Africa and Indian Ocean Islands (AFI) and surrounding regions. While air traffic control and safe skies remain our primary business, we also fulfil a broader role, such as consulting, as an example, making ATNS a key player in contributing to the aviation industry through:

- Our Civil Air Navigation Service Organisation (CANSO) membership and active participation
- Our participation in International Civil Aviation Organisation (ICAO) stakeholder groups and contributions at the assembly through our shareholder, the Department of Transport
- The provision of aeronautical information for flight planning purposes
- The commissioning and maintenance of world-class communications, navigation and surveillance infrastructure
- The ongoing attraction, development and retention of highly skilled personnel and air traffic controllers
- Fostering thought-leaders who are dedicated to service excellence, technology advancement, innovation (more broadly speaking) as well as to sustainability

Our geographic reach



Our regulated business

As a state-owned company and monopoly service provider of air traffic and navigational services in South Africa, ATNS is regulated by the ATNS Company Act as amended of which section 11 of the Act requires the organisation to apply for a permission to the Economic Regulator. The Economic Regulating Committee is empowered by the ATNS Company Act to issue a permission to ATNS, which sets minimum service standards and specifies tariffs we can charge aircraft operators for regulated air traffic services and the use of air navigation infrastructure. Due to the COVID-19 pandemic, in consultation with industry members, the Economic Regulating Committee resolved to allow the current permission (2018/2019 – 2022/2023) to run for the full five years until 2023.

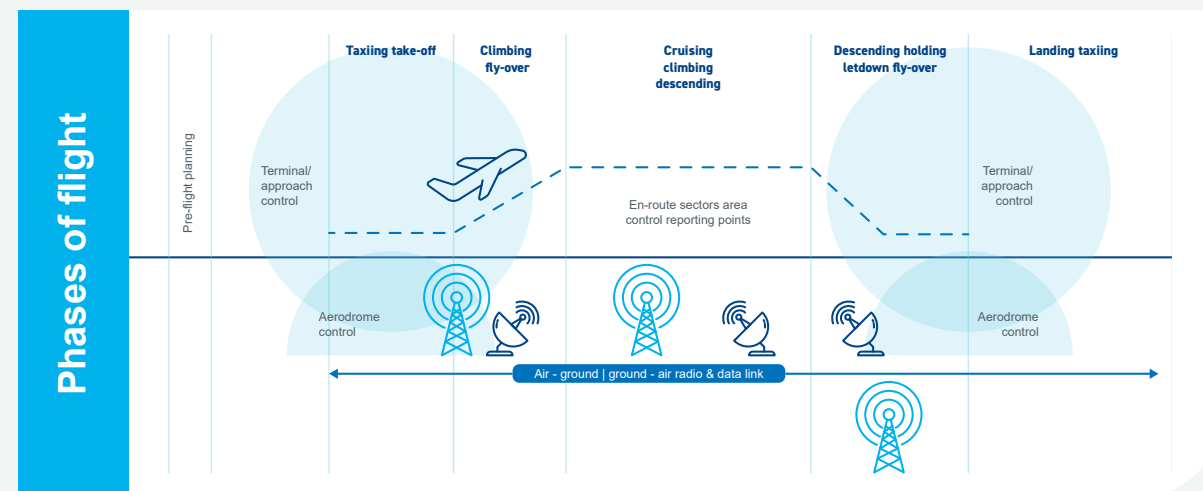
ATNS received the approach document for the period 2023/2024 – 2027/2028, which prescribes the general application process and timelines. The approach document required the regulated entities (ATNS and ACSA) to submit their applications by 30 June 2022. However, the Minister of Transport granted ATNS and ACSA's joint request to postpone submissions to 30 September 2022. A number of user consultation sessions have already been held with industry members, with future engagement sessions scheduled leading up to the permission application submission deadline.

At present, around 84% of ATNS's revenue is facilitated through our regulated business. During the reporting period, our non-regulated business contributed approximately 16% to the total turnover of the company. With a decrease in tariff-generating movements due to COVID-19-induced global travel restrictions, in FY21, we saw a 67% decline in this revenue from our previous financial year. This trend was reversed during the current reporting period, with a 86% increase in revenue compared to 2021.

Our regulated business continues to consist of three main components:

- Gate-to-gate air traffic services within South Africa
- Air navigation infrastructure including communication, navigation and surveillance (CNS) infrastructure
- Training services, driven by our world-renowned Aviation Training Academy

Through our regulated services, we are uniquely positioned to assist airline and airport customers to realise value. For example, we support seamless and efficient gate-to-gate air traffic management (ATM) operations, including the taxi-out, departure, climb out, cruise, descent, arrival, landing and taxi-in phases of a flight.



This component of our services is enabled by an advanced ATM system deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units using enabling technologies such as communications, navigation and surveillance systems. Value is created, for example, through techniques that ensure fuel-efficient flight profiles, approaches and departures, and through rigorous arrival and departure management to minimise delays. We also understand the complex interactions between airlines, airport operators and aviation navigation service providers at each phase and therefore, to ensure seamless traffic management, programmes such as air traffic flow management (ATFM) and collaborative decision-making (CDM) have been deployed. These types of value-creating approaches are a priority to implement and to support our airline stakeholders during these challenging times as a result of the COVID-19 pandemic.



For more information regarding our response to the challenging environment, please refer to the 'our operating environment' section of chapter 01 of this report.

We pride ourselves on remaining agile in the delivery of our regulated services. For example, delivering on our mission demands the use of globally-harmonised and inter-operable communications, navigation and surveillance (CNS) infrastructure, and, in light of our socio-economic objectives to deliver the developmental outcomes mandated by our shareholder, our enterprise development strategy has been amplified by directing our infrastructure procurement expenditure towards stimulating local manufacturing enterprises to become OEMs. In the medium term and through linkages with international OEMs, these local manufacturing enterprises will be proficient in providing key aviation technology components. The goal is to ensure that these enterprises remain sustainable through partnership opportunities and that they mature with ATNS into the new markets of the future.

Our non-regulated business

Our non-regulated business encompasses a long-term strategy geared at facilitating regional expansion through a subsidiary vehicle. The subsidiary will enable ATNS to take a more focussed stance in the non-regulated business market without posing undue risks to our regulated market and our shareholder. It will also enable ATNS to enter into joint ventures and partnerships with external suppliers to harness valuable market opportunities and extend our regional influence and reach.

This non-regulated business has a focus on driving innovation and training to meet the future needs of the aviation industry in South Africa and across the continent. Through our non-regulated business, we currently provide clients with services such as air

traffic control, technical support, engineering training, procedure design, communication, navigation and surveillance equipment, installation and commissioning, consulting and regional aeronautical communication services. Notably, the provision of regional aeronautical telecommunication services is achieved through VSAT technology networks in 28 countries across the continent. The SADC VSAT II and NAFISAT networks are established and operated in 15 states within SADC and NAFISAT in 14 north and east African states, respectively.

During the reporting period, our non-regulated business activities contributed 16% of turnover. These aspects of our business operate on a "user pays" principle, and they rely upon current revenues.





As part of our business, ATNS provides both regulated and non-regulated services. In line with our values, we aspire to provide quality services continuously and constantly to our customers as our operating model is founded on being a customer-centric organisation placing our internal and external customers at the centre of our business. Our quality management system is a testament to our commitment to exceeding customer expectations, premised on the principle of continuous improvement.

AIR TRAFFIC & NAVIGATION SERVICES

Our 10-year non-regulated business plan

ATNS's 10-year non-regulated business plan and growth strategy are responsive to our ambition to capture a greater market share on the continent, anchored on two key approaches:

- expanding our geographic focus into African countries that have the greatest need and receptivity to ATNS's services; and
- prioritising existing and new products and services where projected market growth or emerging need has been identified driven by critical changes in the external environment.

These growth approaches are underpinned by well-researched data and market intelligence. The requirements for airports to meet stringent ICAO safety measures are partly driving these new opportunities,

and it is hoped that our geographic expansion will also improve air traffic safety in Africa, protect South Africa's economic interests and trade, create employment opportunities, exert more influence and market confidence in our abilities and respond to limited revenue growth opportunities in South Africa. The higher purpose of this Africa expansion strategy is *'working together for safer African skies'*. For more details on our growth plans and strategy, see chapter 03 of this report, *'Our strategy: securing value creation and preservation'*.

While our growth plans and strategy look to the future, we are proud of our foundations and the strong reputation created during our 29-year history. We look forward to continuing to offer leading air traffic management services, to fostering trusted stakeholder relationships and partnerships, and supporting the African developmental agenda into the future.

Existing products and services

- Air traffic flow management (ATFM)
- Training
- Air traffic services
- Centralised aeronautical database (CAD)
- Engineering and technical support
- Aeronautical billing and collection services
- Aeronautical WGS-84 survey
- Consultancy services
- Airspace management
- Flight procedure design
- Dataset management (e.g. display systems)

New products and services in development

- Collaborative decision-making (CDM)
- ATS core content distance learning programme
- Human factors and SMS for TSEP course
- ATSEP basic training
- ATS incident investigator's course
- Carbon credits (efficient procedures/technologies)
- New consulting services (high visibility ATM event planning e.g. ASBU)
- ATMS support tools

Skills for the future – our Aviation Training Academy

ATNS operates the Aviation Training Academy (ATA), a successful, world-class, and accredited (ISO-9001:2015) training institution offering a full range of air traffic services, air traffic safety electronics personnel (ATSEP) services, management and other aviation-related training on the African continent and surrounding regions.

Through ATA, we equip students with skills and knowledge to meet the challenges of air traffic management and to implement best-in-class aviation safety systems and processes. The Academy, also designated as an ICAO Regional Training Centre of Excellence, is integral in providing a pipeline of talent to satisfy ATNS and broader African continent workforce demands, both now and in the future.

We are proud of ATA's long-standing partnership with the International Air Transport Association (IATA), as a Regional Training Partner and an authorised Training Centre. This partnership enables ATNS to deliver training products to a wider aviation sector, including through distance learning delivery for certain courses. The ATA has been awarded the IATA Regional Training Partner Award for five consecutive years and was designated as an IATA Premier Circle Member in 2015 and 2018. Also as a testimony to ATA's commitment to aviation training excellence, the ATA received an award from IATA for its continuous contribution towards the development of skills in the aviation industry.

As part of our role in influencing the future of the aviation sector beyond South Africa, partnership-building and networking have resulted in several international cooperation agreements with partners such as the Embry Riddle Aeronautical University, Ecole Nationale de l'Aviation Civile (ENAC) and the University of the Witwatersrand (WITS). These enable the Academy to maintain a mutually beneficial role in the presentation and accreditation of international courses in air traffic services (ATS).

The ATA's strategic direction for the future, as approved by the Board, is aimed at positioning the ATA as an academic institution registered by the South African National Department of Higher Education and Training (DHET) and accredited by the South African Council of Higher Education and Training (CHE). This exciting multi-year initiative offers benefits to both ATNS and the wider industry, such as:

- Increasing the long-term competitiveness of ATA
- Establishing a recognised academic ATC qualification in South Africa and the continent
- Creating a higher profile and demand for ATC training amongst the brightest young people and hence strengthening the ATC pipeline
- Improving opportunities for external bursaries and loans for students
- Creating a base for broader aviation qualifications that can be delivered jointly with universities
- Creating potential for alternative career paths for ATCs
- Fostering national and global benchmarking, monitoring and evaluation of the training and qualifications

Key industry stakeholders, including SACAA, ACSA, the Ekurhuleni Metropolitan Council and the Department of Transport, have supported and endorsed this project, and it promises to be an exciting part of the future of aviation training in South Africa.

In addition to the enhanced accreditation portfolio, the ATA is currently implementing the following strategic projects:

- The modernisation roadmap designed to evaluate current ATA processes, systems and infrastructure with the intention of automating and improving efficiencies and relevance to the next generation of aviation professionals. Additionally, the project is intended to complement the recently refurbished facilities of the ATA.
- Product portfolio diversification to expand the ATA training product beyond the ATM scope and into other streams of the aviation value chain – and even beyond. To this end, a novel RPAS training course has been developed for the market, and is ready for deployment. Other products currently in development include cybersecurity programmes and flight procedure design.

Our operating environment

All aspects of the global aviation sector have been seriously and adversely affected by the socio-economic fall-out of the coronavirus pandemic, the full impacts of which we are only just beginning to understand. In this context, we continue to implement our Strategy 2025, manage our Capex and Opex appropriately, conserve cash and develop strategic partnerships with technology providers, OEMs, peers and new product developers to enhance growth.

Looking beyond COVID-19, IATA's 2018 key drivers changing the future of aviation remain relevant. The pandemic has simply accelerated longer-running trends and new trends have been established confirming that the aviation sector will not return to how it was pre-COVID-19. The changing external environment has a significant influence on ATNS's strategy, operations, and preparing the organisation for the future. For the duration of our current strategy, and into the future, ATNS anticipates being required to navigate with agility, proactivity and responsiveness several key material trends, some of which are spotlighted below.

Drivers of change

Society

- Terrorism
- Urbanisation and the growth of megacities
- Passenger identity and fraud
- Global ageing
- Middle-class growth in China and the Asia-Pacific region
- New modes of consumption
- Tensions between data privacy and surveillance
- Global population growth driven by Asia and Africa
- Shifting ethnic, political and religious identity
- Disability, fitness and health

Technology

- Cybersecurity
- Expanding human potential
- Robotics and automation
- 3D printing and new manufacturing techniques
- Virtual and augmented reality
- Internet(s) of Things
- Alternative fuels and energy resources
- New aircraft designs
- Alternative modes of rapid transit
- Geospatial technology

Environment

- International regulation of emissions and noise pollution
- Resource nationalism
- Personal carbon quotas
- Water and food security
- Environmental activism
- Extreme weather events
- Rising sea levels and reclaimed habitats
- Human-controlled weather
- Circular economy
- Infectious disease and pandemics

Economy

- Global income inequality
- Strength and volatility of global economy
- Price of oil
- Level of integration along air industry supply chain
- Shift to knowledge-based economy
- Privatisation of infrastructure
- Concentration of wealth into a "barbell economy"
- Unionisation of labour and regional independence
- Open data and radical transparency
- Changing nature of work and competition for talent

Politics

- Bribery and corruption
- Geopolitical (in)stability
- Government ownership of airspace and critical infrastructure
- Strength of governance
- Anti-competitive decisions
- Defence priorities dominate civilian needs
- Shifting borders, boundaries, and sovereignty
- Increasing influence of alternative regional and global institutions
- Trade protection and open borders
- Rise of populist movements

Operating environment trend 1: Worldwide economic recovery

The context

As economies around the world attempt to restart and recover from COVID-19, unpredictability around the strength and volatility of the global economy into the future is likely to continue. The World Bank's June 2022 forecast shows a deceleration from a global growth of 5.5% in 2021 to 2.9% in 2022 amid growing food and energy prices, diminished policy levers for supporting recovery and ongoing issues with supply chains. Global growth is projected to remain low at 3.2% in 2023 as supportive economic policies are unwound. Inflation is high in many countries and a majority are facing some form of financial stress or debt-related issues. Although there will be regional and within-country variations, these large scale macroeconomic trends are likely to be felt by the aviation industry at large.

That said, the transport sector, including aviation, provides the vital connection infrastructure that keeps many economies buoyant. As the world's only rapid worldwide transport network, mobility, economic development and continued internationalisation agendas will continue to require the significant support of the aviation industry. However, the strength of the global economy and any continued volatilities will be key determinants in the level of exposure aviation has to macroeconomic downturn risks, and to the extent to which economic implications have lasting impacts for the years to come.

Harnessing this trend to rebuild for future value creation

Achieving growth and expansion targets as set out in our Strategy 2025: through a recalibration of our strategy, our levels of ambition remain, although somewhat tempered by the macroeconomic environment impacting many sectors worldwide.

Rethinking the focus areas for the organisation in the immediate term: reconsidering both our value creation chain, our strategy and how we might seek to grow our non-regulated business offering, thereby attracting new customers to ATNS.

Implementing cost-containment measures to preserve value: we have implemented a careful selection of cost containment measures to protect value and to support the organisation through to the reposition phase of our recalibrated Strategy 2025 (see chapter 03 of this report).

Redefining sustainability through the integration of regional and global frameworks: giving financial sustainability its due place among a wider range of sustainability pursuits, seeking to further the economic, environmental and social sustainability of ourselves, South Africa, the wider African continent and beyond. This will ensure more inclusive definitions of stakeholder value.

Continuing our investment in leading technology: where it is appropriate, feasible and in line with the Global Air Navigation Plan (GANP) and our research and development strategy and plan, investing in new technologies and technology partnerships that will future-proof the organisation for continued value creation in light of other operating environment trends.

Operating environment trend 2: The fourth industrial revolution

The context

The first industrial revolution used water and steam power to mechanise production, the second harnessed electric power for mass production, and the third saw electronics and information technology automate services and production. Now, a fourth industrial revolution is building on this progress, characterised by a fusion of technologies and blurring the lines between the physical, digital, and biological spheres. Aviation, like many sectors, is dependent on responsive technology to be productive and efficient, making this transformation especially relevant.

The Global Air Traffic Management Operational Concept (GATMOC) has described how the emerging and future air traffic management system will evolve into an integrated and collaborative system. This change represents the next step in an evolutionary process that began with the Future Air Navigation System concept - the goal being an integrated, globally-harmonised air traffic management system. Global Air Navigation Plan (GANP) provides the essential planning tool to drive the evolution of the ATM system through the programmatic implementation of the Aviation System Block Upgrades (ASBU) framework. This methodology presents an opportunity to leverage fourth industrial revolution change for value creation within aviation. In particular, developments are anticipated to advance and assist the aviation community based on specific operational requirements, to transition to a more integrated and collaborative air traffic management system that will meet aviation's modern and future needs.

Harnessing this trend to rebuild for future value creation

Improving efficiencies using advanced technologies: ATNS is consistently striving to benefit stakeholders by employing the latest technological advancements and best practices as benchmarked against industry standards. Based on current technological enablers, automation, remoting and clustering of air traffic systems are aligned with ICAO recommended practices and industry best practice. ATNS hopes to harness fourth industrial revolution advancements to maintain cost-effective air traffic system provision, thereby contributing to continued sustainability within the aviation industry and value-preservation. This may go some way towards mitigating future fuel price rises and enable reinvestment in aspects such as enhanced aviation safety.

Reducing duplication through remote air traffic services: the provision of en-route and terminal control surveillance services, as well as aerodrome services from separate locations, can reduce efficiency. Reductions in resource duplication in service delivery and in the management and maintenance of infrastructure can bring about efficiencies, something that ATNS may be able to harness in future to support value creation.

Using Unmanned Aircraft Systems (UAS) for surveys and calibrations: in future, UAS could be used to conduct WGS-84 surveys and flight calibrations in South Africa and across the African continent, including in new markets, contributing to our growth strategy. UAS technologies have scope to deliver tremendous value, whether transporting people or goods, responding to search and rescue emergencies, reducing costs, reducing turnaround speeds, or gathering more accurate site data. Technology may also enable the ATNS Survey team to access the survey sites where accessibility is challenging or limited by the terrain. ATNS is working closely with the South African Air Force to address associated challenges around the flexible use of airspace relevant to UASs, and the two organisations will be engaging the other airspace users to ensure alignment and collaborative decision-making.

Using digital enhancement to improve our billing system: aligned with customer expectations for a modern billing system and to protect financial sustainability, planning to replace our billing system has commenced. Various options are being considered, including that of identifying a strategic partner to develop, operationalise and commercialise the system, harnessing the best of digital technologies. A future billing system will integrate with all relevant ATM systems in accordance with System Wide Information Management (SWIM) concept.

Partnerships to understand aviation's impact on globally enabling technologies: for the past two years, ATNS has been involved in a SKA project, a global project in which South Africa is one of ten member countries, alongside the United Kingdom, Australia, the Netherlands, Italy, China, India, Sweden, Canada and New Zealand. From a scientific perspective, the work has contributed ground-breaking advances in data processing, data storage, receiver sensitivity and astronomy.

Operating environment trend 3: Democratised Artificial Intelligence (AI)

The context

A range of artificial intelligence technologies is expected to be more fully developed over the coming decade, impacting many global sectors. There may be benefits for early adopters of AI technologies in terms of adapting to the changing external environment and addressing existing challenges, and, as such, this is an area that ATNS is closely monitoring. Technologies such as blockchain, digital twin, the Internet-of-Things and knowledge graphs are also expected to reach maturity in the next five to ten years. As a result of all these technologies, and pending the transformation of enabling platforms to support the implementation of artificial intelligence technologies, the aviation sector may expect to see:

- Greater adoption of AI or virtual assistants, which could be applied within Air Traffic Flow Management (ATFM) environments in responding to constraint identification, trajectory and capacity management.
- Improved smart or machine learning algorithms that could use data to automate aspects of ATM operations, such as pre-flight plan automation.
- Facial recognition technology that could be used to perform ATC or ATNS employee verification and system sign-on.
- The virtualisation and flight optimisation of Air Traffic Service Operations.
- Standardisation of information exchange mechanisms, data formats and types, new products and services, and System Wide Information Management (SWIM).
- Adoption of AI and machine learning (ML) enabled cybersecurity technologies to automate cybersecurity controls and improve protection against more advanced cyberattacks.

Harnessing this trend to rebuild for future value creation

Artificial intelligence to support business optimisation: digitisation, automation and biometric authentication, such as voice and facial recognition, may bring about improved efficiencies and enhanced aviation security. Capacity optimisation and the prioritisation of efficiency within ATFM systems may also enhance value-creation and preservation.

Enhancing business analytics, intelligence and econometrics: decision-making tools and platforms are likely to be broadened and enhanced using artificial intelligence and big data technologies. ATNS is poised to incorporate these new capabilities within its business growth strategies and to help improve existing levels of customer satisfaction. The technologies may also support data access between information providers and information consumers, streamlining processes.

Centralising information exchange databases: The Centralised Aeronautical Database (CAD), implemented by ATNS for South Africa to meet ICAO requirements, has been identified by ICAO as one of the regional Aeronautical Information Exchange Model (AIXM) databases in the AFI region. Namibia is already connected and many other African states are in the process of becoming clients - a geographic expansion of our partnerships in line with ATNS's strategy.

Keeping ahead on cybersecurity: the rapid advancement of artificial intelligence technologies is, unfortunately, likely to pose new and more sophisticated cybersecurity threats in aviation. ATNS cybersecurity programmes must, therefore, incorporate solutions that leverage AI-enabled security controls.

Operating environment trend 4: Space-based ADS-B

The context

Aireon provides the first global air traffic surveillance system using a space-based ADS-B network that makes it possible to ensure 100% surveillance coverage of the area of interest. This will enable ATNS to enhance service delivery by providing ATS surveillance and separation services within the designated airspaces.

ADS-B is widely accepted to be an enabling technology that will enhance the provision of ATM in a variety of applications, including improving safety and increasing operational efficiency by providing electronic surveillance in airspace where the cost of radar is not justified.

Harnessing this trend to rebuild for future value creation

Understanding the potential offered by new space-based ADS-B: ATNS signed an agreement with Aireon as part of our research activities to trial the system. The operational trial entails a viability assessment of the deployment of space-based ADS-B technology to support ATS surveillance and separation services within the South African and delegated international airspaces.

Aireon's space-based ADS-B system provides unprecedented global surveillance coverage to all aviation stakeholders. The system receives and processes ADS-B signals broadcast from aircraft equipped with 1090 MHz ES ADS-B transponders, without the need for inputs from additional ANSP surveillance infrastructure or airline equipment.

The space-based ADS-B system ensures high fidelity, low latency source of aircraft position data beyond FIR boundaries for enhanced prediction capabilities, effective air traffic flow management and demand/capacity balancing. The systems also enable adequate surveillance redundancy and contingency applications in line with operational requirements.

Considering the value of remotely located air traffic services: various ATM improvements and benefits are enabled by the ADS-B surveillance capability, namely:

- the extension of surveillance coverage for low altitudes (below existing radar coverage in areas where no radar coverage currently exists), leading to the more efficient use of airspace; and
- cost savings achieved from the implementation of an ADS-B-based surveillance system rather than the life-cycle expenses associated with installing, maintaining and extending existing radar-based surveillance systems.

Operating environment trend 5: Understanding the demand for air traffic in the future

The context

Despite worldwide economies seeking to make a come-back following the COVID-19 pandemic years, the external economic environment continues to pose many uncertainties, challenges and unknowns. Predicting the demand for air traffic in the future is a complex task. The precise demand for air traffic in the short, medium and long term is likely to be influenced by factors such as the strength of worldwide economies, geopolitical forces, changes in international trade, growth within developing regions, demographic changes, and the return or otherwise of business travel.

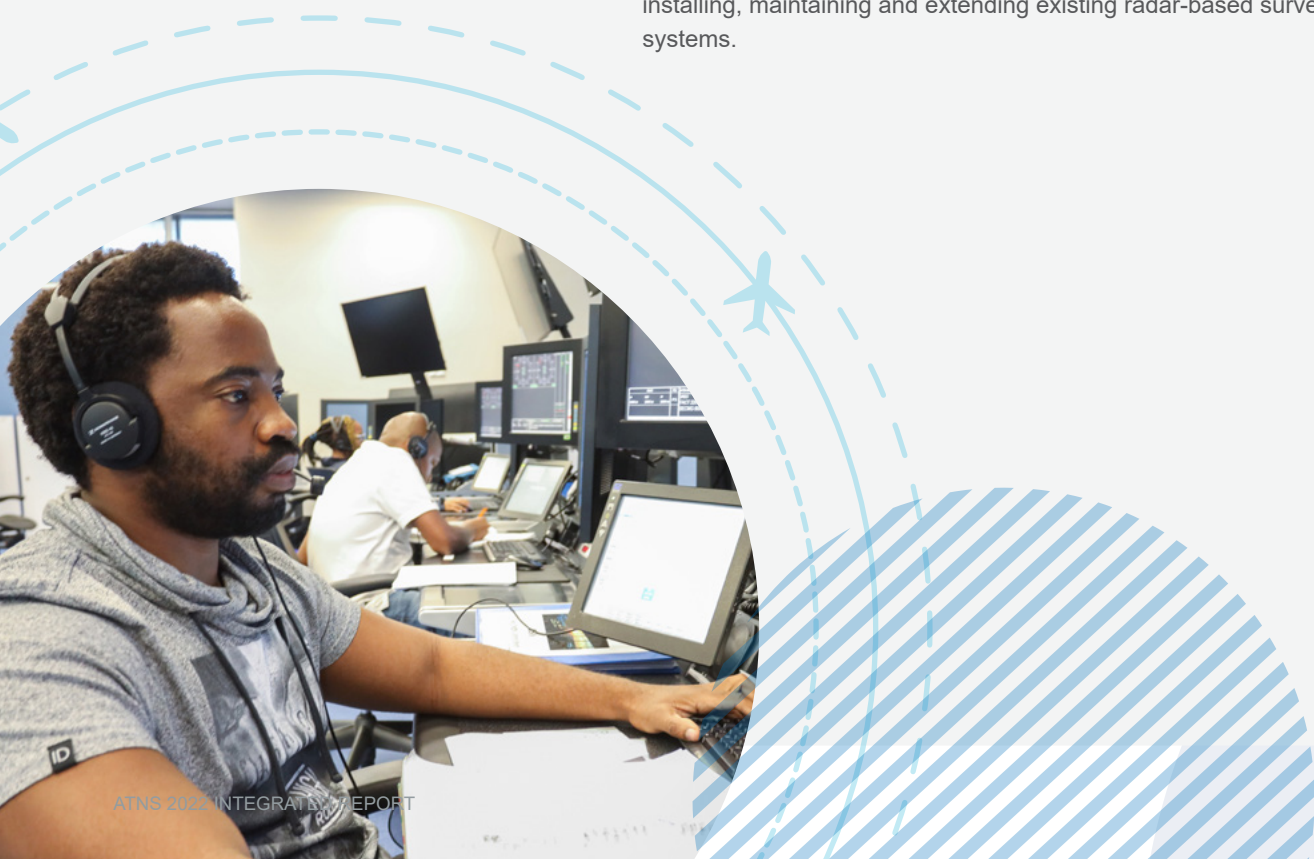
The combined outcome of these factors will have implications for optimal aircraft size, cabin layout, airport infrastructure and, ultimately, air traffic, all impacting the aviation sector and its future. Changes in the customer base driven by some of these factors are also likely to demand adapted or new airport infrastructure, service accessibility, personalisation of service and responsiveness to evolving customer expectations, especially as aviation becomes more accessible. For example, 74% of the world population now lives within 100km of an airport, and future demand is predicted to be particularly intense in fast-developing domestic and regional markets in Africa and Asia. This provides opportunities, but projected growth may take time as organisations restore their aircraft and staffing capacities following the pandemic, and the refreshed talent pipeline must also increasingly incorporate evolving technologies.

Harnessing this trend to rebuild for future value creation

Modelling traffic movement using assumptions: to seek to predict future demand, while accepting the high levels of uncertainty, ATNS has adopted a traffic forecast philosophy focussed on understanding how industry and macroeconomic variables will influence air traffic movements. Scenarios are variable but modelling shows how total movements may be expected to recover driven by the aircraft revenue movements.

Using modelling and intelligence to hone our strategy and business performance targets: as a result of modelling and relevant market intelligence, again accepting that future aviation demand is uncertain, we have used insight to inform our priorities around expanding our geographic focus into African countries that have the greatest need and receptivity to ATNS's services, and to prioritise existing and new products and services where projected market growth or emerging need has been identified driven by critical changes in the external environment.

Enhancing our training offering to ensure a pipeline of talent is maintained to meet future demand: ATNS's Aviation Training Academy (ATA) has been successfully providing quality, world-class, accredited skills and knowledge training to the aviation industry to meet future demand. As part of this, we maintain strategic partnerships with key stakeholders, including ICAO, IATA and local and international universities, to create broader aviation qualifications. This is informed by strong research and development on the evolution of expertise in aviation.



Operating environment trend 6: Virtual ways of working

The context

Prior to the COVID-19 pandemic, the world was beginning to adopt virtual and remote methods of working, supported by improved technologies and encouraged by financial benefits due to low cost connection mechanisms. For some organisations, this supported an ethos of remote working, relocation of offices from expensive cities, and a reduction in in-person meetings and events. COVID-19 demonstrated to a much larger audience, the benefits and feasibility of remote working approaches. As we emerge from the pandemic, ATNS is currently reviewing our working model to align with the changing environment and technology landscape.

Firstly, there are clear implications for an aviation sector that has traditionally enabled rapid and convenient business travel. Aviation volume recovery following previous global economic downturns has tended to be stimulated by leisure travellers rather than business travellers, which has implications for the size and shape of air traffic requirements as a result of differing requirements for these two types of passengers. The fact that COVID-19 opened the world's eyes to the benefits of virtual working may further confound this likely trend toward leisure travel leading the passenger volume recovery.

Not only must aviation adapt to the direct impact of virtual working on their income-generating activities, organisations will also be required to adapt their own ways of organisational working. Staff expectations around being able to work remotely are likely to become more of a norm. Teams may be dispersed, workspaces may need to be different, and investment in digital tools may be required. Business leaders and managers may also see themselves requiring a different set of skills for communication, connection and motivation within a 'new normal'.

Harnessing this trend to rebuild for future value creation

Considering and implementing cost-containment in the current context: ATNS expects air traffic movements to only reach 2019 levels again by 2024, compelling the organisation to implement cost-containment measures and to reduce discretionary spend in order to preserve value and limit value erosion.

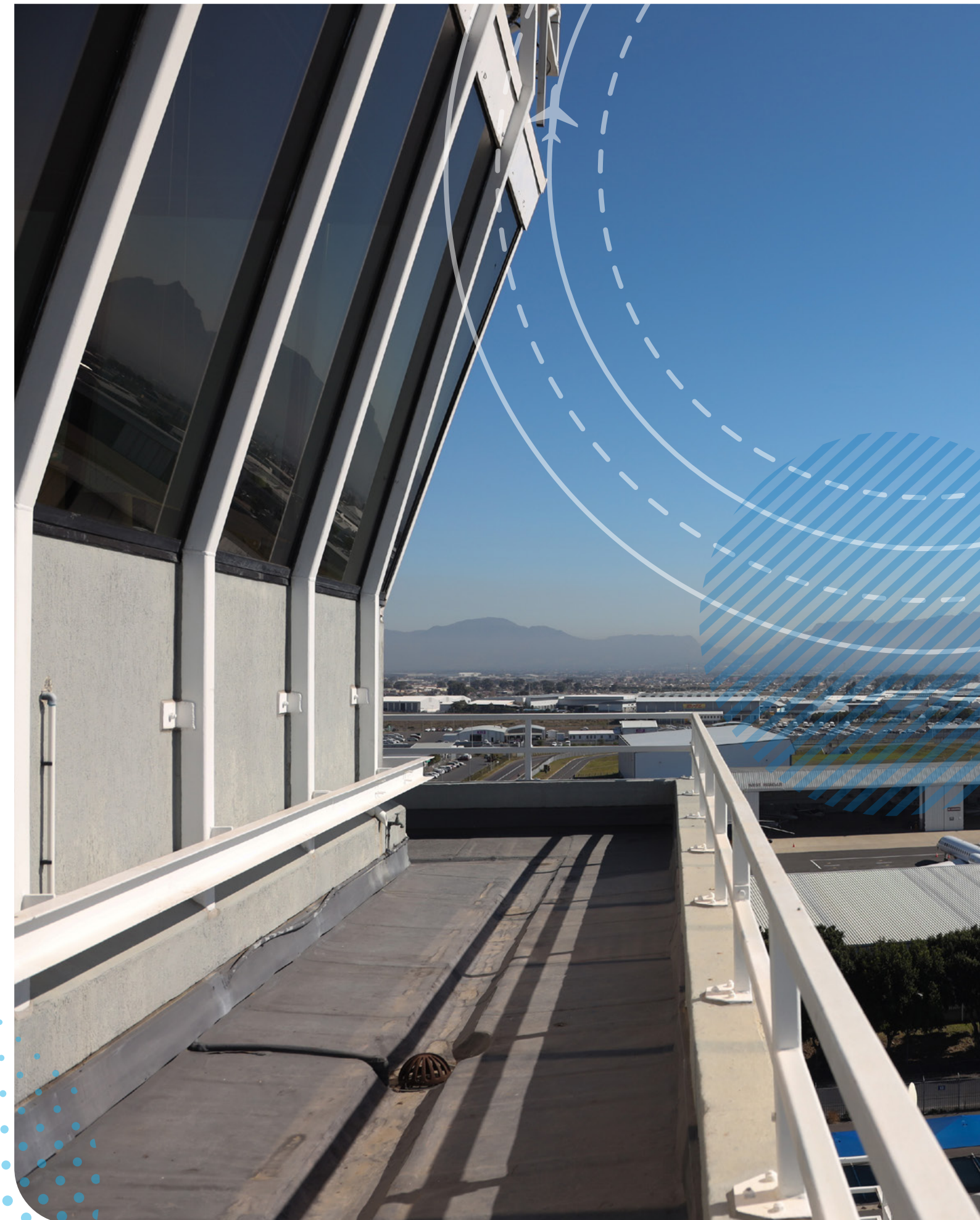
Monitoring air traffic volume changes: through ongoing monitoring, ATNS is seeking to understand as early as possible any impacts of reduced in-person working on factors such as cabin reconfiguration, size of aircraft, flight frequency and long-haul versus short-haul requirements. This intelligence is intended to support the early identification of possible threats to value creation in the longer term.

Developing our virtual training offering: in line with greater preferences towards virtual working, we launched a new virtual training product line in the last reporting period and are poised to further develop and market this offering.

Continuing to support any remote or virtual staff through excellent leadership, management, training and occupational health and safety: we continue to hold virtual check-ins with relevant staff, including one-on-one, and we are supporting our people in leading and managing multi-disciplinary teams. We are also driving empowered accountability and decision-making within smaller organisational teams and reimagining office workspaces. Additionally, we are implementing a flexi-work, flexi-place policy, and continuing to promote e-learning programmes for staff. All of these measures are protecting our existing human resources capital and preserving value.

Considering our methods for attracting talent from potentially new recruitment pools: by adopting flexi-work, flexi-place policies, ATNS is also empowering itself to attract, grow and retain top talent now available in a more global job market. This provides further opportunities for future value creation.

Continuing to feel the benefits of technologically supported governance: digital technologies proved extremely effective to our Board during the COVID-19 pandemic, including for reporting on performance and holding meetings more frequently. Where beneficial, we continue to utilise these technologies and imagine new ways for harnessing these to support effective corporate governance.



Our stakeholders

Strong stakeholder relationships are essential to our ability to create and preserve value in the short, medium, and long term and to mitigate against value erosion. In many cases, stakeholder collaborations and partnerships also facilitate greater value creation than any one player could secure on their own for aviation and its future.

Recognising the importance of all of our stakeholders, ATNS aims to engage openly and inclusively with all those who connect with us through services and initiatives, and upon whom our business has an impact. In our interactions, we seek to better understand and benefit from stakeholder perspectives, concerns and priorities. In our discourse, we also identify issues material to our stakeholders and those that could significantly impact our strategy, value creation process, performance and sustainability into the future.

Importantly, different stakeholders have different needs, expectations and concerns and, where this applies, ATNS must trade off the various capitals and reach compromises through effective integrated

thinking such that the requirements of different stakeholder groups are mediated. That said, there are many more similarities in the capitals, materiality themes and sustainability goals important to the different stakeholder groups, and this supports ATNS in our strategic prioritisation through integrated thinking.

The future of aviation is subject to many change drivers, all of which will feature, influence or be shaped by stakeholder types to varying extents. Some of these change drivers pose opportunities, some pose risks, and for some, it is too early to form a conclusion as to the impact upon aviation in the future. This makes routine, effective stakeholder analysis and horizon-scanning an even more important part of our integrated thinking.

It is equally important to remain cognisant of the strength and quality of these key relationships. In FY23, we plan to include a self-assessment process to gauge the strength and quality of our stakeholder relationships.

Our people

Our colleagues and organised labour

Needs, expectations and concerns

- Employment and job security
- A safe and healthy work environment
- Fair remuneration, effective performance management and recognition
- Career development, training and advancement opportunities
- An empowering and enabling environment that embraces diversity and inclusion
- Clear, consistent and transparent communication on key issues

Value creation, preservation and erosion

- Offered wellness services and on-site counselling on financial wellbeing and adhered to health and safety regulations
- Maintained fair and responsible remuneration, including equal pay for equal work
- Increased workforce training and development after the lifting of COVID-19 restrictions and the easing of cost containment measures
- Promoted workforce diversity, with the lifting of new-hire freezes

Engagements

- Virtual and face-to-face staff engagements
- Regular virtual check-ins, including one-to-one wellness support
- Training and development in areas where scarce skills are required
- Internal email communications with access to helplines

Pertinent change drivers for rebuilding for the future

- Expanding human potential
- Robotics and automation
- Infectious disease and pandemics
- Strength and volatility of global economy
- Changing nature of work and competition for talent

Related key performance area

- Employee engagement scores

Capitals

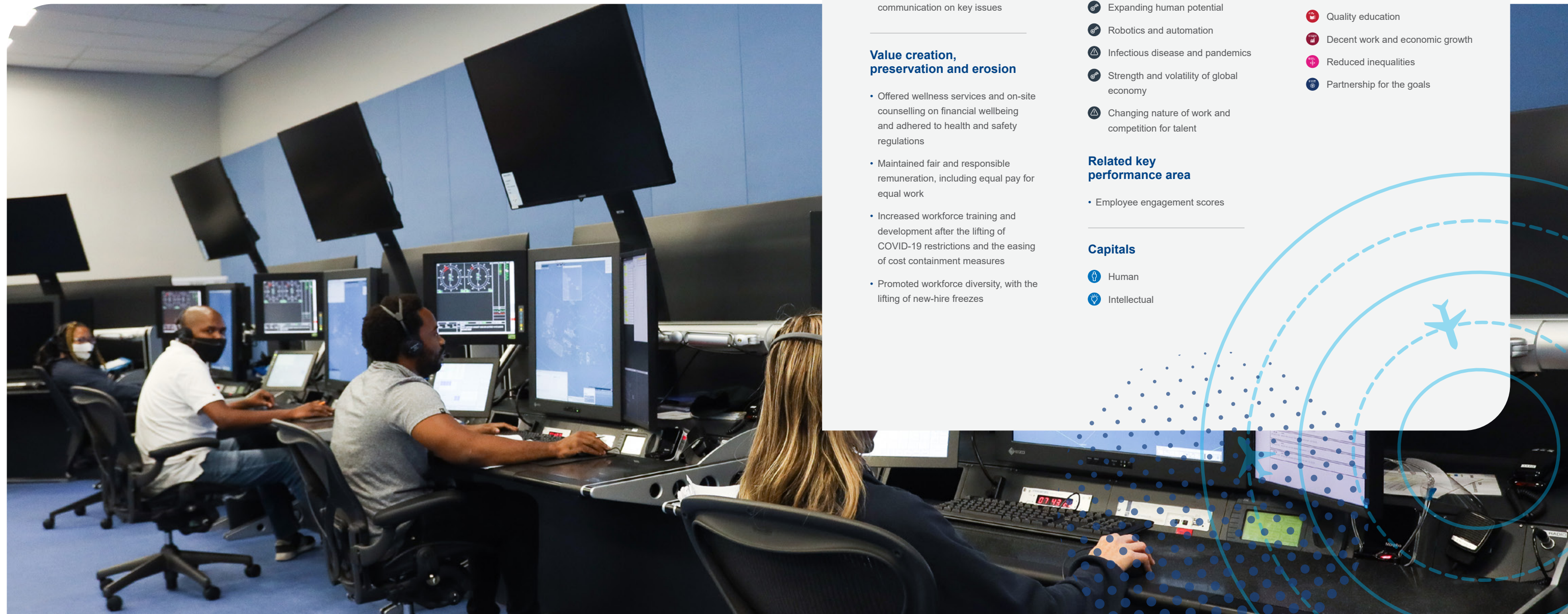
- Human
- Intellectual

Materiality themes

- Employee experience
- Financial sustainability
- Operational sustainability
- Business transformation
- Technology considerations and business disruption

UN SDGs

- Good health and wellbeing
- Quality education
- Decent work and economic growth
- Reduced inequalities
- Partnership for the goals



Our shareholder and Board

The Government of South Africa, the Department of Transport and our Board

Needs, expectations and concerns

- Resilient operational and financial performance
- Attractive and sustainable growth strategy
- Prudent cost management
- Experienced management delivering on performance targets
- Transparent reporting and disclosure process and sound environmental, social and governance practices

Value creation, preservation and erosion

- Secured adequate funding to meet financial obligations and business objectives (R500 million)
- Increased investment for long-term growth and sustainability
- Implemented a range of cash preservation initiatives
- Met financial and non-financial performance targets, despite challenging macroeconomics and reduced air traffic movements
- Ensured relevant, timeous and transparent financial and non-financial reporting with successful virtual and face-to-face meetings
- Enhanced risk assessments and scenario-planning, given the ongoing volatile external environment

Engagements

- Quarterly meetings
- Quarterly reports
- Ad hoc workshops on scenario-planning, risk management and COVID-19-related business continuity plans
- Regular email update communications

Pertinent change drivers for rebuilding for the future

- Strength of governance
- The increasing influence of alternative regional and global institutions
- Infectious disease and pandemics
- Strength and volatility of global economy
- Changes in international trade and borders
- Geopolitical instability
- International environmental regulations
- Global population growth driven by Asia and Africa
- Tensions between data privacy and surveillance
- Cybersecurity

Related key performance area

- Return on capital employed
- Free cash flow
- Delivery against strategic pillars and targets
- Management and integrated reporting
- Ethical leadership
- Avoiding corruption and fruitless and wasteful expenditure

Capitals

- Financial
- Intellectual
- Human
- Manufactured
- Social and relationships
- Natural

Materiality themes

- Employee experience
- Financial sustainability
- Operational sustainability
- Business transformation
- Technology considerations and business disruption

UN SDGs

- Good health and wellbeing
- Quality education
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Partnership for the goals

Our customers

Users (airlines and airline associations), airport operators, owners and transport entities, military

Needs, expectations and concerns

- Safe, efficient and reliable services
- Access to and equitable use of airspace
- Innovative solutions and services
- Environmentally sustainable operations
- Flexible resource management
- Convenient access to support services through digital channels
- Excellence in customer service and relief measures provided
- Value-for-money that is competitive for services

Value creation, preservation and erosion

- Delivered safe and reliable solutions (zero safety incidents)
- Increased investment in innovative solutions, post strict COVID-19 protocols
- Ensured convenient access to virtual support services
- Drove customer service including through the following key interventions
 - Negotiated a further extension of the current permission (0% tariff increases for regulated services)
 - Delivered value-for-money non-regulated services

Engagements

- Customer surveys
- Collaborative aviation customer engagements

Pertinent change drivers for rebuilding for the future

- Terrorism threats
- Urbanisation and the growth of megacities
- Global ageing
- Middle-class growth in China and the Asia Pacific region
- Internet-of-Things
- New aircraft designs
- Alternative modes of transport
- Extreme weather events
- Infectious disease and pandemics
- Strength and volatility of global economy
- Geopolitical instability

Related key performance area

- Customer satisfaction index
- Number of customer complaints in the regulated business
- Safety and reliability scores
- Number of new customers in the non-regulated business
- Market share related to non-regulated business

Capitals

- Financial
- Human
- Manufactured
- Social and relationships
- Natural

Materiality themes

- Operational sustainability
- Business transformation
- Technology considerations and business disruption

UN SDGs

- Good health and wellbeing
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Responsible consumption and production
- Climate action



Our regulators, governments and associations

Local regulators, international regulators, economic regulators, governments at local and national levels, professional organisations, regional bodies

Needs, expectations and concerns

- Compliance with legal and regulatory requirements and the management of regulatory risk
- 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 our approved permission and mandate

Value creation, preservation and erosion

- Adhered to legal and regulatory requirements and proactively sought permission extension
- Promoted responsible corporate citizenship by supporting a range of projects in our communities
- Amended user agreements to include relief measures as approved by the regulator
- Provided commentary and input on emerging issues, programmes, and best practice through our industry partnerships
- Collaborated with regulators and associations on key issues and challenges
- Formulated longer-term industry transformation plan taking into account COVID-19 impacts

Engagements

- Regular meetings and engagements
- Regular workshops and training sessions
- Monthly sector and departmental flash reports

Pertinent change drivers for rebuilding for the future

- Strength of governance
- Strength and volatility of global economy
- Geopolitical instability
- Infectious disease and pandemics
- Changes in international trade and borders
- Tensions between data privacy and surveillance
- Cybersecurity
- International environmental regulations
- Extreme weather events
- Bribery and corruption

Related key performance area

- Permission application process
- Aviation recovery plan
- Organisational design
- ATNS Act as amended

Capitals

- Financial
- Intellectual
- Human
- Manufactured
- Social and relationships
- Natural

Materiality themes

- Financial sustainability
- Operational sustainability
- Business transformation
- Technology considerations and business disruption

UN SDGs

- Good health and wellbeing
- Quality education
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Partnership for the goals

Our business partners

Suppliers, non-permanent employees and incubator businesses

Needs, expectations and concerns

- Partnering to provide solutions that help achieve desired outcomes for end-users, partners and governments
- Sharing skills and know-how
- Promoting fair and ethical sourcing
- Ensuring timely payment and favourable terms
- Fostering supplier and enterprise development

Value creation, preservation and erosion

- Supported suppliers by mutually growing our businesses and relationships with close integration, particularly for smaller, niche, women-owned suppliers
- Ensured timely payment despite macroeconomic challenges
- Concluded strategic longer-term partnership arrangements
- Continued to contribute to industry enterprise development initiatives

Engagements

- Regular virtual meetings and engagements
- Monthly update sessions

Pertinent change drivers for rebuilding for the future

- Strength and volatility of global economy
- Infectious disease and pandemics
- Global population growth driven by Asia and Africa
- Middle-class growth in China and the Asia Pacific region
- Urbanisation and the growth of megacities
- Robotics and automation
- Alternative fuels and energy sources
- New aircraft designs
- Alternative modes of transport
- Circular economy
- Air industry supply chain changes
- Changes in international trade and borders

Related key performance area

- Enterprise development spend
- Number of strategic sourcing arrangements concluded
- Accounts payable book within 30 days

Capitals

- Financial
- Intellectual
- Human
- Manufactured
- Social and relationships
- Natural

Materiality themes

- Financial sustainability
- Operational sustainability
- Business transformation
- Technology considerations and business disruption

UN SDGs

- Affordable and clean energy
- Quality education
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Partnership for the goals

Our communities and society

Communities and society at large including the media

Needs, expectations and concerns

- Ensuring safety of air travel
- Reliable services for public benefit
- Strong reputation
- Trusted business partner
- Valuable contributions relating to corporate social investment

Value creation, preservation and erosion

- Promoted ongoing sky safety
- Enhanced reliability
- Enhanced our reputation and corporate image with accelerated thought-leadership
- Supported suppliers by mutually growing our businesses and relationships with close integration, particularly for smaller, niche, women-owned suppliers
- Implemented meaningful social and environmental corporate responsibility initiatives
- Enhanced our reputation as a result of maintaining open working relationships
- Earmarked community upliftment opportunities

Engagements

- Marketing campaigns
- Community outreach programmes
- Regular interaction via all media platforms
- Provision of relevant content on an ongoing basis

Pertinent change drivers for rebuilding for the future

- Strength and volatility of global economy
- Infectious disease and pandemics
- Terrorism threats
- Urbanisation and the growth of megacities
- Global ageing
- Middle-class growth in China and the Asia Pacific region
- Robotics and automation
- Alternative fuels and energy sources
- Alternative modes of transport
- Extreme weather events
- Geopolitical instability

Related key performance area

- Safety incidents
- Reliability metrics
- Enterprise development initiatives
- Corporate social investment (CSI)

Capitals

- Intellectual
- Human
- Manufactured
- Social and relationships
- Natural

Materiality themes

- Employee experience
- Financial sustainability
- Operational sustainability
- Technology considerations and business disruption

UN SDGs

- Good health and wellbeing
- Quality education
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Partnership for the goals



Our year in review

Our 2022 financial year (1 April 2021 to 31 March 2022) was characterised by an improving business environment. Although it is unlikely that the aviation sector will return to how it was pre-COVID-19, there are also many positives in the changing external environment to enhance ATNS's strategy, operations, and preparing the organisation for the future. The ATNS team remains steadfast in our commitment to manage the factors within our control. Our 2022 highlights and low points are summarised here while details of our performance against our strategic targets are more fully described in chapter 04 of this report.

ENCOURAGING TRENDS IN THE AVIATION SECTOR

Global annual air traffic improved by

76%
in March 2022

(year-on-year)

(IATA Air Passenger Market
Analysis, March 2022)

(back to 2019 traffic levels)

Africa air traffic movements up to

93% since
January 2020

(CANSO traffic analysis, May 2022)

Arrival and departure
movements increased by

102% (domestic)
and
109.94% (international)

(comparing FY 2020/21
with FY 2021/22)

FOSTERING A WORKFORCE THAT IS GEARED TO DELIVER AND ADAPT TO A DIGITAL WORKING ENVIRONMENT

Initiated a culture review and
organisational design programme

Completed our section 189 process
without forced retrenchments

Attracting and retaining the next
generation aviation professional to
support aviation's future

Updated our skills mix required to
execute our Strategy 2025 and to thrive
in the longer-term future

LEADING AVIATION TRAINING ACADEMY ON THE AFRICAN CONTINENT

Our Aviation Training Academy
remains world-class and, thanks to
the completion of our refurbishment
project and virtual training courses, we
are extending our product offering and
geographic reach

ACCOLADES

**'Top
Employer'**

certification

for five consecutive years
including 2022

QMS

certification

ONGOING SAFETY IMPROVEMENTS

Safety ratio

5.42

(target of 7)

Accident rate

ZERO

(target of ZERO)

ENCOURAGING FINANCIAL PERFORMANCE IMPROVEMENTS

Total revenue increased by

86%

to R 1 017 million
(FY21 R 547 million)

Leveraging cost containment
measures with operational
costs steady at

R 1 235 million

(FY21 R1 168 million, a 6%
increase inclusive of once-off
costs relating to s189 of the LRA
– without these once-off costs,
the increase would have been 2%)

Balance sheet remains sound
with liquidity ratio of

2.3.1

(FY21 3.3:1)

Return of capital employed
(ROCE)

-11%

(regulated ROCE -29%)

02 OUR GOVERNANCE

Guiding value creation and preservation



We seek to implement robust governance processes and practices as important tools to guide value creation and preservation.

✈ In the 'our governance' chapter of this year's report, we:

- explain our governance approach and outline the core components of our governance framework
- provide an overview of how we apply the King IV principles in practice
- introduce you to our Board members
- summarise our Board's role including focus areas for the reporting period and the upcoming fiscal year
- describe the mandate and activities of our Board committees

‘The sensible, considered and strategic approach we have used to ‘reset’ our strategy has enabled ATNS to remain true to elements that continue to be important to us and relevant in our operating context, while also protecting the organisation and our stakeholders from value erosion.’

Simphiwe Thobela
Chairperson



Reflections from our Board Chairperson

RESETTING OUR STRATEGY TO REBUILD FOR FUTURE SUCCESS

Dear stakeholders,

Throughout our 2022 fiscal year, ATNS has seen first-hand how societies and countries are seeking to strike a delicate, responsive and considerate balance of global health and economic recovery. That too has been one of the themes within the current ATNS reporting period.

The COVID-19 pandemic and more recent turbulence within the global landscape have forged a very different world from the one we might have envisaged when we set out to shape our Strategy 2025 just over two years ago. The aviation industry has, without doubt, been one of the industries most impacted by the change drivers we have all experienced. Even with the most cautious risk governance and management approaches, the impacts have been felt on a scale that could not have been imagined.

All of that said, however, ATNS holds a fortunate position as a leader within the aviation industry. We continue to provide world-renowned air traffic management services, aviation infrastructure and training facilities with a global reach. All of these we have achieved over our 29-year history within continually-evolving landscapes shepherded by good governance. Guided by the outcomes-based King IV principles, the decisions we have taken as a Board, and continue to take, are intended to retain our agility, proactivity and responsiveness in harnessing opportunities within the external environment for years to come.

 *More details on our governance are contained throughout this chapter of this report.*

Ongoing stress tests for our Strategy 2025

Back in 2021, we were proud to see our Strategy 2025 firmly grounded in research, robustly challenged through stakeholder consultation and integrated in its design, drawing together intelligence about our external operating environment, our shareholder mandate and our longer-term growth objectives. However, current levels of volatility have necessitated continued stress-testing of our strategy and its direction of travel to ensure it remains future-fit.

In this most recent reporting period, ATNS has continued to face challenging operating conditions, even though we have seen improvements in air traffic movements, which directly impact our ability to generate revenue and sustain our operations. As a Board, we were, therefore, clear that our strategy continues to require rigorous stress-testing, periodic review and ongoing integration with our risk and opportunity management processes if we are to gain full value from the strategic processes that led to its design, development and ongoing, mindful implementation.

It could not be more evident now that the world will not return to the pre-COVID conditions we were familiar with, and, against this backdrop, our strategic focus continues to be on preserving value in the near-term, while cautiously looking to the future so that we are equipped for longer-term, sustainable value creation, and the kind that continues to meet the evolving and broadening needs of our stakeholders.

A strategic reset for value preservation and future value creation

It is within this context that we are pleased to have this opportunity to share with stakeholders our continued strategic recalibration process and its implications. The sensible, considered and strategic approach we have used to 'reset' our strategy has enabled ATNS to remain true to elements that continue to be important to us and relevant in our operating context, while also protecting the organisation and our stakeholders from value erosion.


As described briefly in last year's integrated report, our strategic 'reset' continues to be framed around three phases: recovery, sustain and reposition. While this implies distinct phases, in reality, we are acutely aware of the importance of the connectedness between each phase, and the need to look ahead and prepare ourselves for the important repositioning phase towards the end of our current strategic period in 2025 and beyond, for the future of aviation.

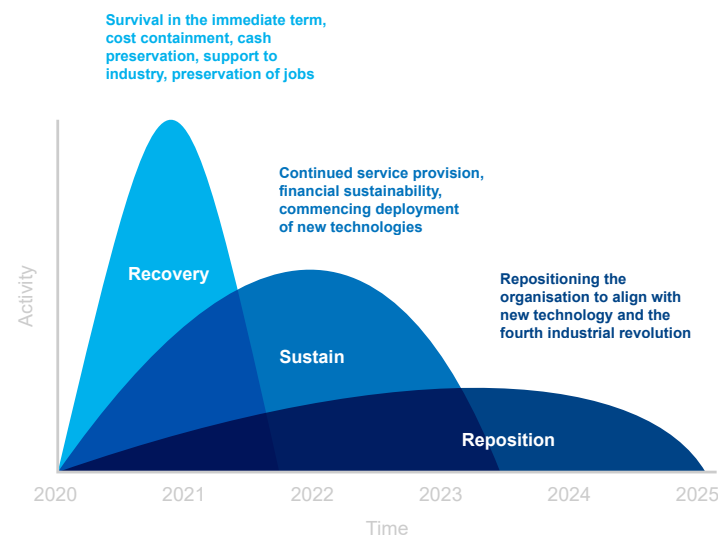
 For more details on our strategy, please see [chapter 03](#) of this report.

Our outlook and repositioning ATNS for the future

As we prepare ourselves and, as a Board, look ahead to our reposition phase, we continue to scan the external environment for material trends that show signs of becoming increasingly important. We anticipate ambitious technological advancement and innovation going forward and this is something we are readying ourselves for. For example, the pace of the fourth industrial revolution is quickening, and developments in artificial intelligence technologies are also anticipated to be more fully available for ATNS to harness in the coming decade. The adoption of a space-based ADS-B network is also likely to be available for widespread use as part of global air traffic surveillance systems. All of these external trends promise to bolster ATNS's value creation process if engaged with correctly now.


ATNS monitors and responds to these external trends at the same time as contributing to the furthering of innovation across the aviation sector more broadly. For example, this is being achieved through ambitious plans for our world-leading Aviation Training Academy, which sees ATNS train aviation experts of the future, and through our insightful contributions to multi-stakeholder partnerships such as the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE). The latter has seen ATNS work with partners to consider air traffic procedures, practices, services, and new technologies that are more fuel-efficient and environmentally friendly. Altogether, it is evident to the ATNS Board that we are already positioning ourselves as a continued shaper and influencer within the future of aviation.

 For more details on our operating environment, please see [chapter 01](#) of this report.



Sustainability and ATNS as a corporate citizen

As Board members and custodians of ATNS for the future, we have a key role in ensuring that ATNS continues to play a transformational and developmental role for stakeholders in South Africa, on the African continent and further afield. This year, we have been pleased with the progress made in mapping areas of ATNS work to the UN's Sustainable Development Goals, and to see greater integration of these key global challenges within our processes and practices, including governance practices. Sustainability is one of our three core strategic pillars, with our objective being to nurture a resilient and responsive organisation that can preserve and create long-term value for all of our stakeholders. In a sustainability context, the Board has always been proud of ATNS's corporate social investment initiatives. However, through improved integrated thinking, and a broader focus on our economic, social and environmental impacts, we are excited to deepen the contribution we can make through projects connected with the ten UN SDGs we have prioritised. We have a renewed commitment and a new definition within which we seek to secure a sustainable future for aviation in South Africa, through our footprint across the African continent and beyond.

 For more details on our sustainability approach, please see [chapter 05](#) of this report.

Appreciation

As we consider ATNS's future position within a very different landscape from that we might have imagined at the outset of our Strategy 2025, I wish to thank my fellow Board members for their ongoing support, their perspectives and their energy in continuing to guide ATNS through the ever-changing external environment.

Furthermore, as the external operating environment continues to challenge all of us in many different ways, the Board and I remain immensely proud of our ATNS Executive Committee and our entire employee base. To all our people, we offer our sincere appreciation. As a result of their talents, skills, expertise, dedication and commitment, we continue to meet the needs of our customers, partners, regulators and governments with high service standards and responsiveness.

The Board wishes to express its appreciation to Dumisani Sangweni for his valiant stewardship of ATNS as Delegated CEO during the past two years, and for his commitment to delivering consistent value to ATNS's stakeholders, both within South Africa and beyond. The Board also extends our thanks to our outgoing Company Secretary, Ms Lindelwa Mngomezulu, who left us in January 2022. We thank Ms Nthabiseng Mongali for holding the fort, as Acting Company Secretary, pending appointment of a permanent incumbent.

Following completion of the recruitment process for our permanent CEO position, we are excited to be working with Nozipho Portia Mdawe as ATNS's new CEO, which was effective from 1 April 2022. With over twenty-eight years of professional working experience, Nozipho is an accomplished executive with a strong history of orchestrating operational excellence in the freight, maritime, aviation, mining, logistics and supply chain industries. All of this expertise will be of great benefit to ATNS.

Finally, on behalf of the Board, I would like to thank the Honourable Minister, Mr Fikile Mbalula, the Honourable Deputy Minister, Ms Sindisiwe Chikunga, and their teams for their ongoing guidance and counsel, and ATNS's partners for all that we are achieving together through collaboration and integration.

Wishing our stakeholders all the very best for the year ahead.



Simphiwe Thobela
CHAIRPERSON

22 August 2022



Our governance approach

The way we approach governance at ATNS supports our ability to create and preserve value while limiting possible value erosion. Our governance approach is helpfully summarised based on our mindful application of King IV principles and outcomes for good corporate governance (see 'Our governance principles: King IV in practice' overleaf).

Through our governance approach, we seek to create maximum shared value by delivering on our purpose and ensuring the relevance, good governance and sustainability of our strategy and value creation process within the context of our operating environment. By applying robust institutional governance, we deliver our services in a reliable, efficient and safe manner, while remaining agile and able to adapt to changes in our operating environment. Given the ever-evolving

global landscape, we know the importance of entrenching good governance practices and managing our material matters, while retaining the flexibility to respond proactively to the fast-changing regulatory environment.

Recognising this continually evolving operating environment, we review our governance structures and practices on an ongoing basis, ensuring these remain robust. In the context of the COVID-19 pandemic, we also considered the leadership mindset and capabilities required in managing and thriving in a volatile, fast-paced and customer-centred world. This has primed our governance capabilities well and in a way that will enable ATNS to meet the future of aviation with a key role as an influencer, shaper and leader.

Our governance framework

Department of Transport (Shareholder)

ATNS Board

Audit and Risk
Committee

Social and Ethics
Committee

Remuneration and Human
Capital Committee

Governance
Committee

Business Research,
Operations and
Development Committee

Transformation,
Investments and
Projects Committee

Chief Executive Officer

Executive Committee

Management Committees

Some of the governance policies and procedures we have in place

Board Charter

ATNS Code of Conduct

Delegation of Authority
Policy and Matrix

Conflict of Interest Policy

Ethics and Business
Conduct Policy

Board and Committee
Terms of Reference

Fraud, Corruption, Ethics
and Whistleblowing
Procedure

Fraud Management
Policy

Our governance framework is underpinned by our values and a range of legislation, governance principles and regulations

Our governance principles: King IV in practice

IV Principle 1 (applied)


The Board should lead ethically and effectively

Our Board provides leadership and vision to ATNS. This ensures sustainable growth and delivery of our strategic initiatives for the benefit of all our stakeholders. Both our Board and our Executive Committee strive to lead by example, setting the tone at the top. In the steering role they play and in their decision-making, individual Board members act with independence, competence, diligence, and with the necessary awareness, insight and information.

We are proud to say that the members of the Board have the necessary competence to discharge their responsibility to provide strategic direction and control of ATNS as provided for in the Board charter and ATNS's memorandum of incorporation. The Board operates in terms of its Board charter and has adopted policies and practices that enable it to lead ethically and effectively.

The effectiveness of the Board and its Committees is assessed annually through a formal process and areas of concern are addressed through various appropriate tools and interventions. The Board, supported by the Company Secretary, oversees and monitors compliance with the Board charter and the various policies.

Also in a leadership capacity during this reporting period, the Board approved a more detailed corporate culture review programme. The programme seeks to identify and enable ATNS's aspirational culture, allowing us to thrive in an ever-changing and dynamic operating environment with a future-fit workforce.

 For further details on the composition and skill sets of our Board, please see [page 24](#) of this report.

IV Principle 2 (applied)

The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture

Our Board demands the highest standards of ethical conduct throughout the ATNS business and in our dealings with our stakeholders. This is manifested in a range of policies approved by the Board, from time to time.

While 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, we also implemented a Board code of conduct policy to supplement this, focussing on director fiduciary duties and more general Board accountabilities. These policies aim to serve as a reminder of the importance of ethics in our everyday business dealings and also personally. These policies also inform fraud and corruption awareness training, which are accessible to all ATNS employees on the company intranet. The Board monitors whistleblowing reporting through the Audit and Risk Committee.

Management of and the operational approach to fraud, corruption as well as ethics related investigations are

covered in our fraud, corruption and ethics whistleblowing procedure.

In addition, the Board, through the Social and Ethics Committee, has oversight of and monitors ATNS activities regarding governance of ethics and ensures that it is integrated and embedded in the operations and culture of the organisation. The legal and compliance, internal audit and risk departments all form part of the internal assurance providers who facilitate ethical outcomes in the company's activities. Ongoing training to strengthen and entrench a culture of ethics across ATNS is facilitated for all employees through the governance week, brown paper sessions and departmental fraud risk management training. The whistleblowing hotline is managed by an external service provider and the number is accessible to all stakeholders.

 For further details on the role of our Audit and Risk Committee and our Social and Ethics Committee, please see [pages 25 to 26](#) of this report.

IV Principle 3 (applied)


The Board should ensure that the company is and is seen to be a responsible corporate citizen

Our Board ensures that ATNS continues to play a key transformation and developmental role in South Africa and on the African continent, including, for example, as a skills provider and facilitator of economic growth.

ATNS has business and functional areas responsible for corporate social responsibility focussing on rural development, community development, enterprise development and socio-economic development. We strive to be a good corporate citizen and remain committed to

improving the quality of life in the communities in which we operate.

Our Environmental and Sustainability department has processes and procedures in place that ensure that ATNS acts responsibly when it comes to broader environment and sustainability matters.

 For further details on our outlook for our people, our partnerships and our planet, please see [pages 62 to 68](#) of this report.

IV Principle 4 (applied)

The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

Our Board ensures that a robust strategy process is in place that supports ATNS in setting our purpose, vision and mission and in framing our strategic pillars of service excellence, sustainability and innovation. To ensure sustainable value creation for the company and our stakeholders, the Board approved eight strategic objectives that are aligned with the six capitals. The Board also applies a sustainability lens to our strategy under partnerships, people and the planet.

The Board approves the company's strategy, which is aligned with the purpose of the company, the value drivers of its business and the legitimate expectations

of its stakeholders and aimed at ensuring sustainability; and which takes into account the risks and opportunities.

The Board enters into a shareholder compact with the Minister of Transport on an annual basis and the key performance indicators are included in the shareholder compact, which are the objectives set by the shareholder. This is reported to the shareholder on a quarterly basis once considered by the Board.

 For further details on our strategy and business model, please refer to [chapter 03](#) of this report.

IV Principle 5 (applied)

The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects

Our Board governs reporting so that stakeholders can effectively assess ATNS's performance. Reporting is in line with our shareholder and National Treasury reporting requirements.

The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual financial statements, the integrated report and any other disclosures. The Business Research, Operations and Development Committee supports the Board with ensuring that the

Department of Transport quarterly report is accurate. In addition, the external audit and internal audit teams provide assurance on the reporting and disclosure process.

The integrated report provides appropriately balanced business and sustainability reporting in line with the principles of King IV while meeting the information needs of the ATNS's diverse stakeholders. The Board provides its assurance on the integrity of the integrated annual report having reviewed the content prior to approval.

IV Principle 7 (applied)

The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The process of appointing Board members at ATNS is formal and transparent. 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 Board's requirements in terms of knowledge, skills, experience, diversity and independence are considered to enable the Board to discharge its governance role and responsibilities objectively and effectively.

Non-executive directors have a three-year fixed term of appointment. In terms of the company's memorandum of incorporation, a third of the directors retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting. Membership of the Board consists of a majority of independent non-executive directors and the Chief Executive Officer and Chief Financial Officer who are executive directors.

IV Principle 6 (applied)

The Board should serve as the focal point and custodian of corporate governance in the company

Our Board is duly mandated in terms of its Board charter, which includes details on the roles and responsibilities of the Board, its composition, governance of meetings and the conduct of its directors. It convenes its meetings quarterly within the financial year.

The Board serves as the focal point and custodian of corporate governance within the company. The Board is regulated by its charter and its committees by terms of reference, which set the parameters within which they operate by defining their powers, roles and governance responsibilities, membership requirements, procedural conduct structure and processes as well as the process to be followed to obtain independent external advice. The Board charter and the committee terms of reference are reviewed annually.

The Board committees report to it on a regular basis.

 For further details on our company's governance framework, please refer to [page 21](#) of this report.

Board attendance at meetings in FY22

Name	Ordinary meetings	Special meetings (includes the AGM)
Chairperson		
S Thobela	4/4	5/5
Members		
S Badat	4/4	5/5
K Boqwana	4/4	5/5
C Burger	4/4	5/5
N Kubheka	4/4	5/5
T Kgokolo	4/4	4/5
Z Myeza	4/4	5/5
M Moholola	4/4	5/5
N Ngema	4/4	5/5
J Trembath	4/4	5/5
K Vundla	1/4	3/5

Key Board focus areas for FY22

- Considered and reviewed the ATNS Corporate Plan and Strategy 2025
- Considered and approved the Department of Transport quarterly performance reports on key performance indicators
- Noted the progress on the Corporate Balanced Scorecard 2021/2022
- Approved sourcing of additional funding from the financial markets
- Assessed and monitored the impact of COVID-19 on the ATNS business
- Approved the 2020/2021 audited annual financial statements
- Approved the 2020/2021 ATNS integrated report
- Considered and confirmed that the entity was a going concern, assessed its status of solvency and liquidity and recommended not to declare a dividend for the financial year
- Approved the CSI projects plan
- Approved the updated ATNS procurement plan
- Approved the various operational policies
- Considered and approved the section 189 Labour Relations Act process
- Noted and received progress on the enterprise and supplier development framework and transformation strategy
- Considered and assessed the credit risk exposure – status of debtors
- Considered and assessed the ATNS material matters and materiality themes
- Reviewed and approved the Board charter and mandate of the various Board committees
- Reviewed quarterly operations reports and management accounts

Our Board

Our Chairperson leads the Board, and the Board as a whole leads the organisation. Members of the Board were appointed by our shareholder, the Government of South Africa, represented by the Minister of Transport. The careful selection of individual directors, to ensure the most appropriate combination of expertise and experience, underpins the effectiveness of the Board in fulfilling its all-important role. The Board

comprises of non-executive members appointed by the Minister of Transport and the CEO and CFO are executive members of the Board, who are appointed by the Board. The appointment of the CEO is recommended to the shareholder for approval. The Governance Committee fulfils the role of the nominations committee by nominating members to serve on the various Board committees.

Board core skills

- Accounting and auditing
- Air traffic control management
- Aviation and aerospace operations
- Aviation law
- Compliance
- Engineering
- Facilities management
- Finance and property management
- Governance
- Leadership
- Risk management
- Safety
- Strategy
- Sustainability



Top from left to right:

NOZIPHO MDAWE

Chief Executive Officer

MBA

SIMPHIWE THOBELA

Non-Executive Director and Chairperson

BCom Logistics, Postgraduate Diploma in Public Management, Master of Town and Regional Planning

SULEMAN BADAT

Non-Executive Director

Bachelor of Accountancy, CA(SA)

NHLANHLA NGEMA

Non-Executive Director

Private Pilot's Licence (CAA Nigeria), Commercial Pilot's Licence (CAA UK), Airline Transport Pilot's Licence (FAA USA)

NOMATHEMBA KUBHEKA

Non-Executive Director

Bachelor of Arts in Education, MSc in Building

THOMAS KGOKOLO

Non-Executive Director

Bachelor of Commerce in Accounting Sciences, B Compt Honours, MBA, CA(SA)

Bottom from left to right:

ZENZELE MYEZA

Non-Executive Director

BCom Accounting, MBA, Certificate in Aviation Management (IAMTI, Canada), Certificate in Corporate Governance

JANE TREMBATH

Non-Executive Director

Airline Transport Pilot Licence

MATOME MOHOLOLA

Chief Financial Officer

Bachelor of Accounting, Bachelor of Commerce, Master of Commerce in Tax, CA(SA), MBA

CHRIS BURGER

Non-Executive Director

MEng in Electronic Engineering, BCom in Aviation Management, Airline Transport Pilot Licences and Instructor Ratings

KYANSAMBO VUNDLA

Non-Executive Director

BCom Accounting, Higher Postgraduate Diploma Accounting, Postgraduate Diploma in Mechanics of Project Finance

KHULILE BOQWANA

Non-Executive Director

Senior Teacher's Diploma, B Compt, MBL

IV Principle 8 (applied)

The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

To assist it in fulfilling its duties, the Board has established various committees. These committees derive their authority from their respective terms of reference (TOR), which include details on their purpose, composition and responsibilities.

The Board charter and committees' TORs are reviewed annually to ensure they remain in line with best corporate governance principles (available on request from the Company Secretary).

All Board committees comprise at least three members and, while all Board members are welcome to attend committee meetings, they do not have voting rights in committees where they are not members.

Summaries of our Board committees, including their focus areas for this reporting period are outlined in this spread.

The Board is satisfied that the delegation of authority framework contributes to clarity and the effective exercise of authority and responsibilities.

Board Committee icons



Audit and Risk Committee



Business Research, Operations and Development Committee



Governance Committee



Remuneration and Human Capital Committee



Social and Ethics Committee



Transformation, Investments and Projects Committee



Audit and Risk Committee



Committee Chairperson:

S Badat

(4/4 ordinary meetings; 4/4 special meetings)

Committee members:

K Boqwana (4/4 ordinary meetings; 3/4 special meetings)

Z Myeza (4/4 ordinary meetings; 4/4 special meetings)

J Trembath (4/4 ordinary meetings; 4/4 special meetings)

K Vundla (3/4 ordinary meetings; 1/4 special meetings)

The Audit and Risk Committee is a statutory committee established in terms of the Companies Act 2008. The Committee performs duties as contemplated in section 94(7) of the Companies Act. The Committee supports the Board by providing an independent oversight of the effectiveness of ATNS's governance of functional areas including that of finance, compliance, information technology, internal audit and risk together with the external assurance providers. The Committee reviews the integrity of the annual financial statements and other functions as delegated by the Board from time to time.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Reviewing financial budgets and recommending to the Board for approval
- Periodically reviewing the financial performance of the company
- Approving the annual financial statements
- Assessing the effectiveness of the finance function and the Chief Financial Officer
- Assessing the independence of assurance providers
- Reviewing and approving the internal audit annual and three-year rolling plans
- Reviewing and approving external audit plans and audit fees
- Assessing the company's going concern status
- Reviewing the risk management processes of the company, the effectiveness of risk management activities, the key risks facing the company and the company's responses to address these key risks
- Reviewing the IT strategy, monitoring the effectiveness of IT governance and the robustness of ATNS information security systems
- Reviewing compliance with the legislative environment and approving legal reports



Risks and opportunities reviewed by the Committee

- ICT
- Business continuity
- Security
- Financial sustainability
- Cyber security
- Organisational performance
- Legal and regulatory compliance

NOTE: The more detailed Audit and Risk report is included in the 2022 annual financial statements.



Business Research, Operations and Development Committee



Committee Chairperson:

Z Myeza

(4/4 ordinary meetings; 1/1 special meetings)

Committee members:

S Badat (4/4 ordinary meetings; 1/1 special meetings)

C Burger (4/4 ordinary meetings; 1/1 special meetings)

T Kgokolo (2/4 ordinary meetings; 0/1 special meetings)

G Ngema (4/4 ordinary meetings; 1/1 special meetings)

S Thobela (4/4 ordinary meetings; 1/1 special meetings)

J Trembath (4/4 ordinary meetings; 1/1 special meetings)

The Business Research, Operations and Development Committee was established to oversee business operations including the implementation of ATNS's growth strategy and research and development strategy. In addition, the Committee oversees the planning and implementation of aviation safety, operational efficiency, cost effectiveness and competitiveness and organisational strategic planning and implementation.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Reviewing and approving research, development and innovation strategies, policies and projects
- Reviewing, approving and monitoring execution against the following strategies:
 - Research funding and development strategy
 - Growth strategy
- Overseeing the setting and implementation of policies, including the intellectual property policy
- Reviewing the business case and monitoring progress relating to key projects



Risks and opportunities reviewed by the Committee

- Safety
- Security
- Financial sustainability
- Change to: Service provider - third party

IV Principle 8 (applied)



Governance Committee



Committee Chairperson:
S Thobela
(3/3 ordinary meetings)

Committee members:

S Badat (3/3 ordinary meetings)
K Boqwana (3/3 ordinary meetings)
Z Myeza (3/3 ordinary meetings)
N Ngema (3/3 ordinary meetings)
K Vundla (3/3 ordinary meetings)

The Governance Committee was constituted to support the Board in the execution of its duties with respect to the governance obligations of the company, as well as compliance with core corporate governance codes and legislation, including King IV, the ATNS Act and the Companies Act. The Board remains the focal point of corporate governance within ATNS. The Governance Committee has the responsibility to ensure that there are adequate processes, policies, systems and procedures to ensure sound governance.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Assisting the Board in the determination and evaluation of the adequacy, efficiency and appropriateness of the governance structures and practices
- Reviewing the composition of skills, experience and other qualities required for the effectiveness of the Board
- Assessing the conduct and competence of the directors (executive and non-executive) and Board committees, and the overall effectiveness of the Board
- Approving policies including the following: Stakeholder Management Policy, Board Development Policy, and Board Code of Conduct
- Setting the targets relating to Board diversity



Risks and opportunities reviewed by the Committee

- Financial sustainability
- Organisational performance



Remuneration and Human Capital Committee



Committee Chairperson:
K Boqwana
(4/4 ordinary meetings; 2/2 special meetings)

Committee members:

T Kgokolo (4/4 ordinary meetings; 0/2 special meetings)
C Burger (4/4 ordinary meetings; 2/2 special meetings)
N Kubheka (4/4 ordinary meetings; 2/2 special meetings)
G Ngema (3/4 ordinary meetings; 2/2 special meetings)
S Thobela (4/4 ordinary meetings; 2/2 special meetings)

The Remuneration and Human Capital Committee is responsible for overseeing the management of human resource matters and to providing guidance and making recommendations regarding the company's performance targets in the form of a company balanced scorecard, and developing company equity plans and policies. The Committee is also responsible for monitoring compliance with the Employment Equity Act, the PFMA and National Treasury regulations and other relevant legislation. It informs the Board about all appointments, terminations and promotions of executive management reporting to the Chief Executive Officer and monitors the effectiveness of company-wide succession plans including that for the position of Chief Executive Officer.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Reviewing and recommending the ATNS human capital strategy
- Monitoring implementation and execution of the human capital strategy and business transformation
- Approving human resource-related policy requirements for implementation by the Executive Committee
- Monitoring and approving progress relating to the culture change programme
- Reviewing performance scorecards of the organisation and the executive management team
- Monitoring the preparation and presentation of employment equity and other human capital statutory reports
- Monitoring the implementation of ATNS's training and development plan
- Reviewing and recommending performance incentive policies
- Determining the remuneration, retention incentives and termination policies and procedures for the Executive Committee
- Recommending to the Board, for approval, the aggregate annual staff salary increase



Risks and opportunities reviewed by the Committee

- Human capital
- Occupational health and safety
- Organisation performance
- Financial sustainability



Social and Ethics Committee



Committee Chairperson:
N Ngema
(4/4 ordinary meetings)

Committee members:

S Badat (4/4 ordinary meetings)
T Kgokolo (4/4 ordinary meetings)
N Kubheka (4/4 ordinary meetings)
S Thobela (4/4 ordinary meetings)
J Trembath (4/4 ordinary meetings)
K Vundla (1/4 ordinary meetings)

The purpose of the Social and Ethics Committee is to assist the Board with the oversight of social, ethics and economic development matters. The Committee seeks to ensure employment equity through the promotion of equality, prevention of unfair discrimination and reduction of corruption. In addition, the Committee supports the Board in overseeing transformation within the aviation industry.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Reviewing and monitoring the promotion of equality, prevention of unfair discrimination and the reduction of corruption
- Reviewing and monitoring the Company's broad-based black economic empowerment policies and strategies, ensuring that these align with the Department of Trade and Industry's Codes of Good Practice
- Monitoring activities and stakeholder relationships relating to social and economic development, corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment practices
- Reviewing the ethics management framework and ethics-related policies including the Conflict of Interest Policy, Code of Ethics, Gifts Policy and Whistleblowing Policy.
- Monitoring the implementation of strategies, policies and performance relating to safety and health, including the risks and liabilities
- Considering the impact of ATNS's operations on society and the environment and, where appropriate, amending our policy or approach
- Considering progress in ATNS's sustainability journey reporting process and assessing the disclosure on sustainability issues



Risks and opportunities reviewed by the Committee

- Organisational performance
- Occupational health and safety
- Project delivery



Transformation, Investments and Projects Committee



Committee Chairperson:
K Vundla
(2/4 ordinary meetings, 1/1 special meeting)

Committee members:

K Boqwana (4/4 ordinary meetings; 1/1 special meeting)
C Burger (4/4 ordinary meetings; 1/1 special meeting)
N Kubheka (4/4 ordinary meetings; 1/1 special meeting)
Z Myeza (3/4 ordinary meetings; 1/1 special meeting)

The Transformation, Investments and Projects Committee oversees the supply chain management processes, procurement matters and any potential procurement risks. The Committee monitors that all spend incurred by ATNS is in accordance with the appropriate authority levels set out in the delegation of authority matrix and assists the Board in setting targets for the respective elements of the black economic empowerment balanced scorecard under the broad-based black economic empowerment codes. The Committee also supports the Board with its transformation objectives.

Value creation and preservation

The Committee created and preserved value in FY22 by:

- Reviewing and monitoring the policies, strategies and execution plans relating to supply chain management
- Reviewing, considering and assessing capital investments, acquisitions, disposals and risk management as they relate to preferential procurement
- Approving all transactions and projects above the limit set for the bid adjudication committee in terms of the delegation of authority
- Monitoring progress against the company's transformation objectives, including relating to Capex and Opex projects
- Approving the enterprise and supplier development plan
- Approving the transformation strategy and the incubation strategy
- Recommending to the Board for approval the procurement plan
- Reviewing and monitoring the implementation of the broad-based black economic empowerment strategy



Risks and opportunities reviewed by the Committee

- Safety
- Security
- Financial sustainability
- Service provider - third party

IV Principle 9 (applied)

The Board should ensure that the evaluation of its own performance and that of its committees, its chairperson and its individual members, support continued improvement in its performance and effectiveness

On a yearly basis, our Board undertakes either an independent assessment or a self-assessment peer review exercise. For example, during the current financial year, the Board conducted a self-assessment peer review assessing fellow Board members' contributions. No major concerns were raised in respect of the functioning of

the Board or any of its committees. The results of this assessment are discussed with each individual Board member and reported to the Board as a whole. This, along with the assessment of our Chairperson, is also submitted to our shareholder on an annual basis to enable their ongoing review and monitoring.

IV Principle 10 (applied)

The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

Our Board approved a delegation of authority policy in September 2020 which outlines the approval levels and limits materiality in relation to the ATNS business. It has reserves specific powers for its decision-making and delegated other powers to management. The Board reviews the delegation of authority every second year unless there are operational requirements that necessitate a review prior to the two-year review cycle.

The Board is satisfied that ATNS is appropriately resourced and that its delegation to management contributes to

an effective arrangement by which the authority and responsibilities are exercised.

The Board also ensures ATNS has a corporate structure and delegation of authority that facilitates the execution of our purpose, mission and strategy. During this reporting period, our Board approved a review of our corporate and governance structures to ensure we remain agile and resilient in our ever-changing operating context.

IV Principle 11 (applied)

The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives

Our Board is ultimately accountable for the governance of risk and the assessment of opportunity, which informs the development and implementation of our strategy. The responsibility for risk oversight by the Board is assigned in terms of our Board charter. 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.

While our Board determines the organisational levels of risk tolerance, it delegates the overall design, implementation and monitoring of risk to management. An annual workshop is conducted by the Board to review strategic risks and these are monitored through relevant committees on a quarterly basis. Internal Audit undertakes an annual audit of the risk management process at ATNS.

IV Principle 12 (applied)

The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives

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 is integrated within our broader governance framework as recommended by the King IV Code.

Our Information Technology Team is responsible for developing and maintaining processes, technology and people to enable efficient, reliable and secure business operations. This is achieved through the delivery of optimal and integrated infrastructure, applications,

data and records management services. 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.

IV Principle 13 (applied)

The Board should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.

At ATNS, we endeavour to have a governance framework that facilitates the ability of our directors to execute their statutory and fiduciary duties, and their duties of care and skill, including ensuring specific compliance with the following key legislation, governance principles, supervisory codes, regulations and best practices:

- ATNS Company Act (No. 45 of 1993) as amended
- 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 report)
- National Treasury Regulations

The responsibility for the effective implementation of compliance throughout ATNS has been delegated to the ATNS compliance function. This empowers ATNS to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures comply with applicable legislation and that the business can achieve its 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 are put in place for enterprise regulatory compliance.

The compliance function is also charged with the responsibility for 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 and the Social and Ethics Committee oversee compliance matters within ATNS.

IV Principle 15 (applied)

The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports

ATNS has implemented a combined assurance approach that assists in addressing control over the key risks it faces. Such risks and their mitigating controls are identified and controlled by management, within a risk framework determined by the Board, and the process is monitored and evaluated by both the Risk Management and Internal Audit teams. The traditional three lines of defence have also been expanded as recommended in King IV, where appropriate.

Our Internal Audit team forms a key part of our assurance approach. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve our operations by bringing a systematic, disciplined approach to the evaluation and improvement of effective risk management, control and governance processes.

Independence of the internal audit 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
- unfettered access to all areas within the organisation


For this reporting period, the Audit and Risk Committee noted that 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 partner, if and when required.

IV Principle 14 (explained)

The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

Our Board ensures fair, responsible and transparent people practices. The Remuneration and Human Resource Committee on behalf of the Board assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The Board approves the remuneration policy,

and this is endorsed by the shareholder at the AGM on a non-binding advisory vote. As ATNS is a state-owned company, our shareholder, the Department of Transport, determines the Board fees to be paid to the directors.

 For more details on our remuneration practices, see [pages 57 to 59 of this report](#).

IV Principle 16 (applied)

In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time

Our Board has an important role in protecting the interests of ATNS's shareholder and broader stakeholder base to drive a sustainable and long-term value strategy for ATNS. The Board ensures a stakeholder-inclusive approach informs our decision-making and aligns with our stakeholder expectations, enabling ATNS to adequately

respond to and sometimes even pre-empt stakeholder needs. The Board is also guided by its Stakeholder Management Policy.

 We address our approach to stakeholders in more detail in [chapter 01 of this report](#).

NOTE: As ATNS is governed by its own Act and its business activities stem from its shareholder mandate, it does not undertake any of the activities described in principle 17 pertaining to an institutional investor and hence, principle 17 is not applicable to the company.

03 OUR STRATEGY

Securing value creation and preservation



Our Strategy 2025 was put in place to ensure that we achieve our organisational vision, purpose and mandate. During a time of ongoing volatility post-COVID-19, we have reset our strategy execution parameters as part of our efforts to rebuild the organisation.

✈ In the 'our strategy' chapter of this year's report, we:

- introduce you to our new Chief Executive Officer and members of our Executive Committee
- explain how our strategy execution process was reset to take into account the strategic reallocation of resources
- summarise our value creation process
- outline our materiality determination process and our materiality themes
- provide an overview of our risk and opportunity management processes and the significant risks and opportunities identified for the reporting period

‘Within the transport sector, aviation has traditionally typified an industry that is susceptible to frequent and continual evolution. However, in rising to the extreme challenges posed by the external environment in recent years, ATNS has proven its agility, proactivity and responsiveness, particularly in relation to its strategic recalibration and remaining financially resilient.’

Nozipho Portia Mdawe,
Chief Executive Officer



Reflections from our Chief Executive Officer

REBUILDING FOR THE FUTURE

Dear stakeholders,

Since taking up this exciting new appointment in April 2022, I have enjoyed quickly immersing myself within the ATNS world, familiarising myself with our people, our operating context, our strategy and recalibration processes, our ongoing performance, our stakeholders and what we hope the future might hold. I am delighted to have the opportunity to reflect on the journey so far, and it is a privilege to convey some of these reflections to our stakeholders within this, my first, ATNS integrated report as CEO.

For ATNS, following a year of continued true ‘recovery’ from the pandemic and a need to focus on cost containment and value preservation, our 2022 reporting period continued in a similar vein. We retained a focus on our growth aspirations as well as ensuring that we get the basics right for our stakeholders, including our people, our customers, our regulatory bodies and our government. This often necessitated ATNS to continue to sensitively balance trade-offs between our six capitals so that our materiality themes and risk management philosophy could be appropriately managed. In doing so, ATNS’s objective has been to sustain the organisation during the current volatile external conditions and to preserve our capacity, energy and finances so that we can seize the opportunities that an evolving external landscape will provide in the future.

As you will read within this integrated report, ATNS’s value creation process can be explained through several different lenses. For example, we deliver products and services within our regulated and non-regulated business, and the levers we have over these two types of business vary. We also have a range of core, more traditional products and services that we will continue to deliver to high standards for our customers both now and in the future. In addition to this, we are harnessing new technologies, our intellectual capital, and strategic partnerships with stakeholders to enter new geographic markets and to develop new products and services, some of which we expect to become mainstream customer expectations, and some that we believe will revolutionise our customers’ experience and contribute to shaping the future of aviation.

Organisational agility, proactivity and responsiveness

Within the transport sector, aviation has traditionally typified an industry that has been subject to frequent and continual evolution. In line with this and in rising to the extreme challenges posed by the external environment in recent years, ATNS has proven its agility, proactivity and responsiveness, particularly in relation to its strategic recalibration. From a strong foundation of informed insight, ATNS was able to respond quickly, and with high levels of collaboration, to put in place value preservation initiatives that have supported the organisation through the recovery phase of its recalibrated strategy. A range of intelligence-monitoring tools and techniques have been well-utilised by ATNS during the recovery phase of our recalibrated strategy to ensure our value creation process is responsive to what we know to be true now, and what we project might become more important in future. For example, the organisation has benefitted from:

- **External environment responsiveness:** remaining close to our customers and integrating both market and business intelligence and knowledge from a range of sources such that ATNS is well-informed about key threats and opportunities.
- **Strategic responsiveness:** through ensuring that our strategy is dynamic and using tools that have supported ATNS in identifying key focus areas underpinning our strategy and our strategic pillars of service excellence, sustainability and innovation
- **Management responsiveness:** introducing cost containment measures to preserve value, limit value erosion and protect future value creation opportunities.

We provide more context on these responsiveness areas in the fact boxes that follow on [page 31](#). Although the external conditions have often necessitated difficult but critical decisions for our Board, our Executive Committee, and our employee base more generally, the propensity for responsiveness will be to the organisation’s credit going forward, and it leaves me excited with anticipation for ATNS’s outlook.



External environment responsiveness

To support our ability to remain agile and proactive, ATNS routinely undertakes monitoring of our external environment. A detailed analysis of our external environment was conducted using a variety of analysis tools, which supported our response to the dynamics imposed by our external environment. A selection of emerging trends identified through these exercises included:

- Emergence of local and international competitors seeking new markets within the African continent. This provided ATNS with an opportunity to reposition our product and service offering to our customers.
- Concessions and discounts offered to our customers in both our regulated and non-regulated business to cushion them against the negative financial impacts of the pandemic.
- Rapid evolution of technologies, such as space-based ADS-B, artificial intelligence and virtual training platforms. This provided us with an opportunity to identify new products and services to expand our current portfolio as well as discover new means of delivering our services.

- Limited face-to-face customer interactions due to travel restrictions. Our customer engagements were enhanced through virtual platforms, an approach that was not historically embraced. This resulted in a reduction in our travel costs, supporting our cost-cutting initiatives.
- Reduced demand in air travel due to travel restrictions that resulted in unpredictable demand forecasting and planning. In response, we implemented dynamic resource planning and demand forecasting which is reviewed on a regular basis.
- Subsequent to our year-end, one of our key customers announced that it is to be liquidated. This particular customer had been in business rescue since the beginning of the COVID-19 pandemic. Taking into account the ATNS management team's forecasts, we are encouraged that we will continue to operate despite this event.

In addition to the above exercises, we also workshoped our materiality themes with the conclusion being that much of our material matters have persisted during the COVID-19 recovery period.

Altogether, the integration of thinking across all of these tools empowers our Board and our Executive Committee for responsive strategic and operational decision-making.



Management responsiveness

In the context of the ongoing challenging operating environment during this reporting period, our Executive Committee continues to be required to make difficult decisions, especially in relation to costs. This is for the purpose of preserving value and retaining our agile capacity for future value creation using our recalibrated strategy. For example, during 2021/22, management responsiveness has been facilitated through cost-containment measures such as:

- Top-down budgeting methodology
- Adopting a pre-determined percentage cut to operational expenditure

- Capex and Opex reprioritisation and deferral
- A focus on 'safety of life' projects until 2024
- A review of our rental of office space
- Seeking alternative and appropriate channels of external funding
- Continuing to meet banking conditions and demonstrating sustainability for the future

A future-fit definition of sustainability

Going forward, ATNS's outlook will be characterised by a renewed understanding of sustainability by carrying through the lessons from the unprecedented disruptions we experienced during the pandemic. My Executive Committee and I understand the full extent of our roles as leaders within the future of aviation and in the context of more holistic definitions of sustainability.

Whereas in the past financial performance metrics may have typically been the focus of organisational reporting, modern and renewed management approaches dictate that high-performing and successful organisations must take a more integrated approach in setting out objectives and delivering on them. For ATNS, this will be a journey, but during this reporting period, we have made great strides towards broadening our definition of sustainability and considering our holistic contribution. We have also considered other frameworks such as the South African National Development Plan and the UN's Sustainable Development Goals.

Our sustainability framework will be a key way of operationalising this ethos and broadening our focus on sustainability to include economic, social, and environmental pursuits. Our ambitions for sustainable development come from firm foundations but stakeholders are likely to see our ambitions develop rapidly in the coming years, as we continue to integrate sustainability principles within ATNS activities, products, and services. I am personally excited to see how we enhance the translation of our sustainability objectives in the context of people, partnerships and the planet. Chapter 05 of this integrated report provides further details.

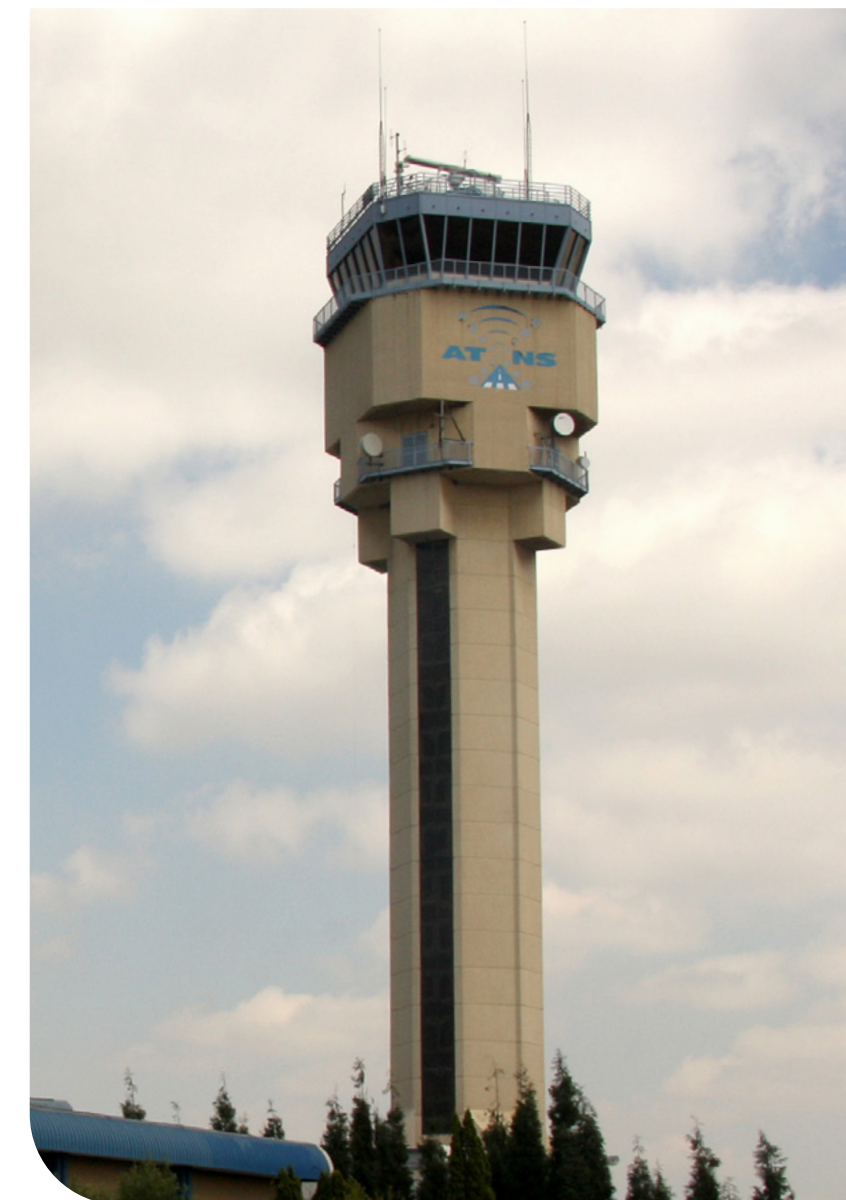


Strategic responsiveness

Integration across environmental analysis of our business, alongside backcasting, scenario planning and our risk management philosophy underpinned our strategic responsiveness. These techniques were used to recalibrate our strategy and to identify the following five key areas of focus:

- Financial sustainability
- Capex and Opex reprioritisation
- Business modernisation
- People and culture
- Safety and operations efficiencies

The Annual Operation Plan (AOP), the Annual Performance Plan (APP) and subsequently the Corporate Plan were revised to respond to the five key focus areas. In addition, ATNS used the aforementioned techniques to adjust and refine our key performance indicators (KPIs) to ensure continued and efficient performance monitoring. This re-evaluation was required largely due to pandemic-related business disruption hampering the progress of several of our KPIs and because external circumstances prevented the delivery of others (for example, due to challenges engaging with stakeholders who, like ATNS, were balancing competing demands).



Appreciation

The ATNS family have been a source of wonderful support since I joined the organisation in April, and I wish to thank our Board Chairperson, Simphiwe Thobela, our other fantastic Board members, my fellow Executive Committee colleagues (depicted on [page 33](#) of this report) and our ATNS people most importantly for the warm welcome into the fold. I particularly thank Dumisani Sangweni for his excellent leadership during the past two years as Delegated CEO and for supporting me in a smooth transition to my role.

Additionally, I extend my appreciation to our Honourable Minister, Honourable Deputy Minister and their team at the Department of Transport led by the Director-General for their welcome, support and steer since joining. Thank you also to our customers, regulatory bodies and broader stakeholder base for continued support - I look forward to working more with many of you as I settle further into my new role.

While it is clear that our organisation has been, at times, pushed close to its limits due to the pandemic, and that sacrifice and hard work have been expended by many, I am comforted to be among such dedicated and professional colleagues, partners and other stakeholders who have encouraged meaningful progress both for ATNS and the future of aviation. Their determination has been evident even where successes have been constrained by the challenges faced.

As we turn to our outlook, collaboration, integration, and stronger relationships will become ever-more important, including relationships between all of ATNS's stakeholder groups. We move forward from a good base, and, as a collective, I look forward to shaping, influencing and developing a sustainable aviation sector for the future.

Nozipho Portia Mdawe
CHIEF EXECUTIVE OFFICER

22 August 2022

'While, as an organisation, we witnessed steady improvements in our performance in FY22, as can be seen on the right-hand side of this page, the ongoing challenging and volatile operating environment meant that we could not meet all of our strategic targets and key performance indicators, which we expand on in greater detail in [chapter 04](#) of this report.'

ONGOING SAFETY IMPROVEMENTS

Safety ratio

5.42

(target of 7)

Accident rate

ZERO

(target of ZERO)

ENCOURAGING FINANCIAL PERFORMANCE IMPROVEMENTS

Total revenue increased by

86%

to R 1 017 million
(FY21 R 547 million)

Leveraging cost containment measures with operational costs steady at

R 1 235 million

(FY21 R1 168 million, a 6% increase inclusive of once-off costs relating to s189 of the LRA – without these once-off costs, the increase would have been 2%)

Balance sheet remains sound with liquidity ratio of

2.3.1

(FY21 3.3:1)

Return of capital employed (ROCE)

-11%

(regulated ROCE -29%)

Our Executive Committee

In terms of our governance framework, our Executive Committee supports the Chief Executive Officer in implementing our corporate strategy and in leading the business and functional areas. The Chief Executive Officer is able to sub-delegate any of the powers delegated

to her to the Executive Committee, as a collective body, or to individual members of the Executive Committee or other committees, forums or individuals within the organisation.

Executive Committee core skills

- Accounting and auditing
- Air traffic control management
- Aviation and aerospace
- Compliance
- Data science
- Digital and innovation
- Finance
- Governance
- Human capital
- Leadership
- Legal and regulatory
- Research and development
- Risk
- Strategy
- Supply chain management
- Technology
- Training
- Sustainability



Top from left to right:

NOZIPHO MDAWE

Chief Executive Officer

MBA

MATOME MOHOLOLA CA(SA)

Chief Financial Officer

CA(SA), MBA, MCom (Tax),
BCom, BAcc

NTHABISENG MONGALI

Acting Company Secretary

CIS NQF 8, MBA

MAKAYA MAMOGALE

Acting Executive: Commercial
Services

BEng (Electronics Engineering)

JEFFREY MATSHOBA

Executive: Air Traffic
Management/CNS

Acting: Chief Air Traffic
Services

BCom

THANDEKA MDEBUKA

Legal Counsel

LLB, LLM (Mercantile Law),
admitted attorney

Bottom from left to right:

RICHARD MADLALA

Chief Technology Officer

BSc (Electronics Engineering)

TENDANI NDOU

Principal: Aviation Training
Academy

BCom (Hons) Cost Management
Accounting, MBA

MBONGENI MAQASHELANA

Chief Risk Executive

Acting Executive: Strategy and
Optimisation

MBA, Postgraduate Diploma
in Business Management and
Administration, BCompt, National
Diploma in Cost and Management

LULEKWA NGCWABE

Executive: Human Capital

Bachelor of Administration, MBA

LESEGO MAHAMBA CA (SA)

Chief Audit Executive

Chartered Accountant South
Africa CA(SA), MBA, BCompt
(Hons), BCom (Accounting
Sciences), BCom (Economics)

VERONICA SEBONA

Chief Information Officer

Acting Chief Operating Officer

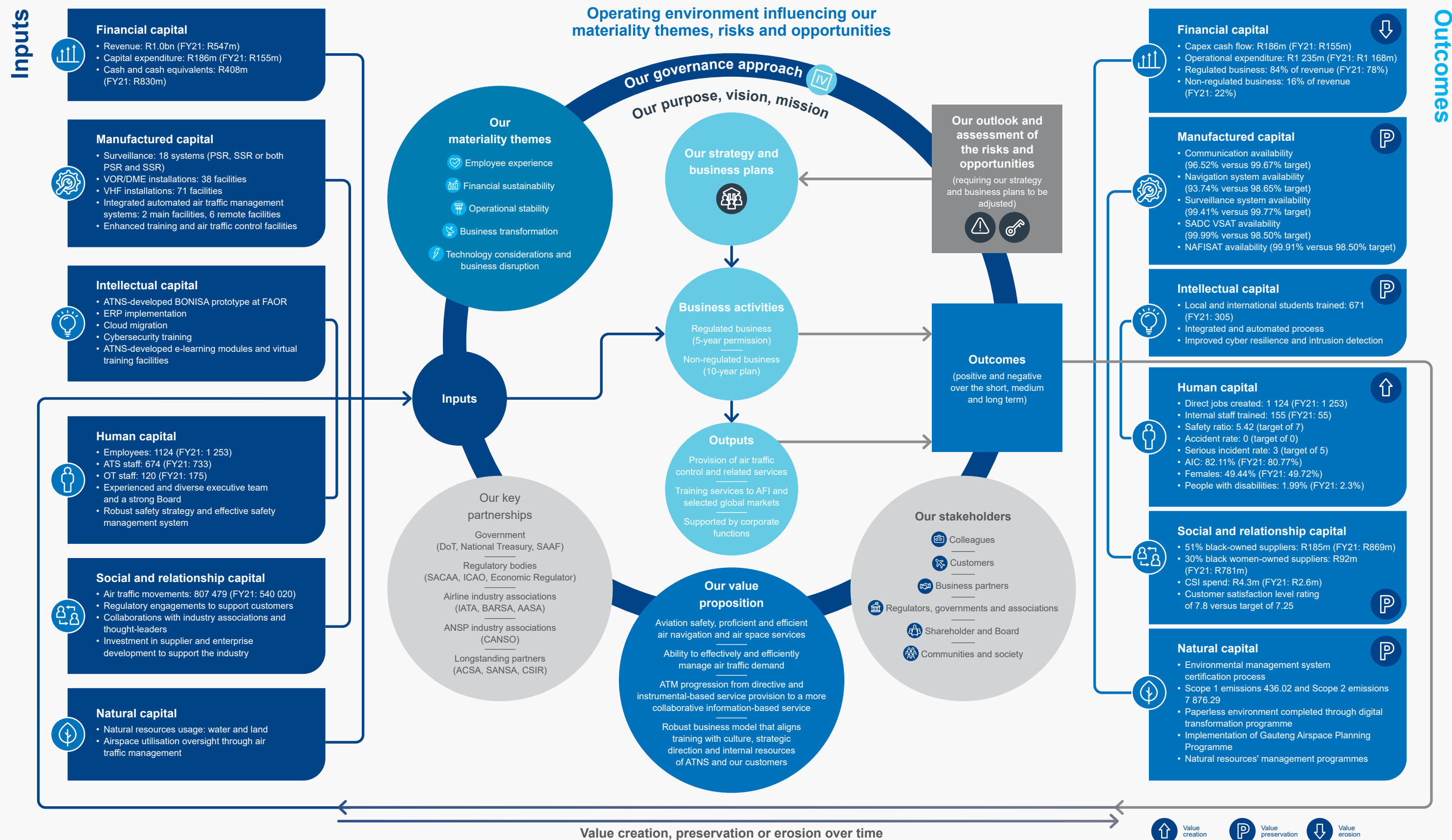
MBA, BSc (Computer Science)

Our value creation process

Driving value creation and limiting value erosion

During the reporting period, we reevaluated our business model including our value proposition, our key partnerships and our materiality themes. Given the far-reaching impacts of COVID-19 on the aviation sector, we also reprioritised our Capex and Opex projects as part of our strategic reallocation of resources.

Refer to chapter 03 for our materiality themes and details of our trade-offs.



Our materiality themes

Our materiality themes are issues that have the potential to impact, both positively and negatively, our ability to create or preserve value for our business and our stakeholders over the short, medium and long term.

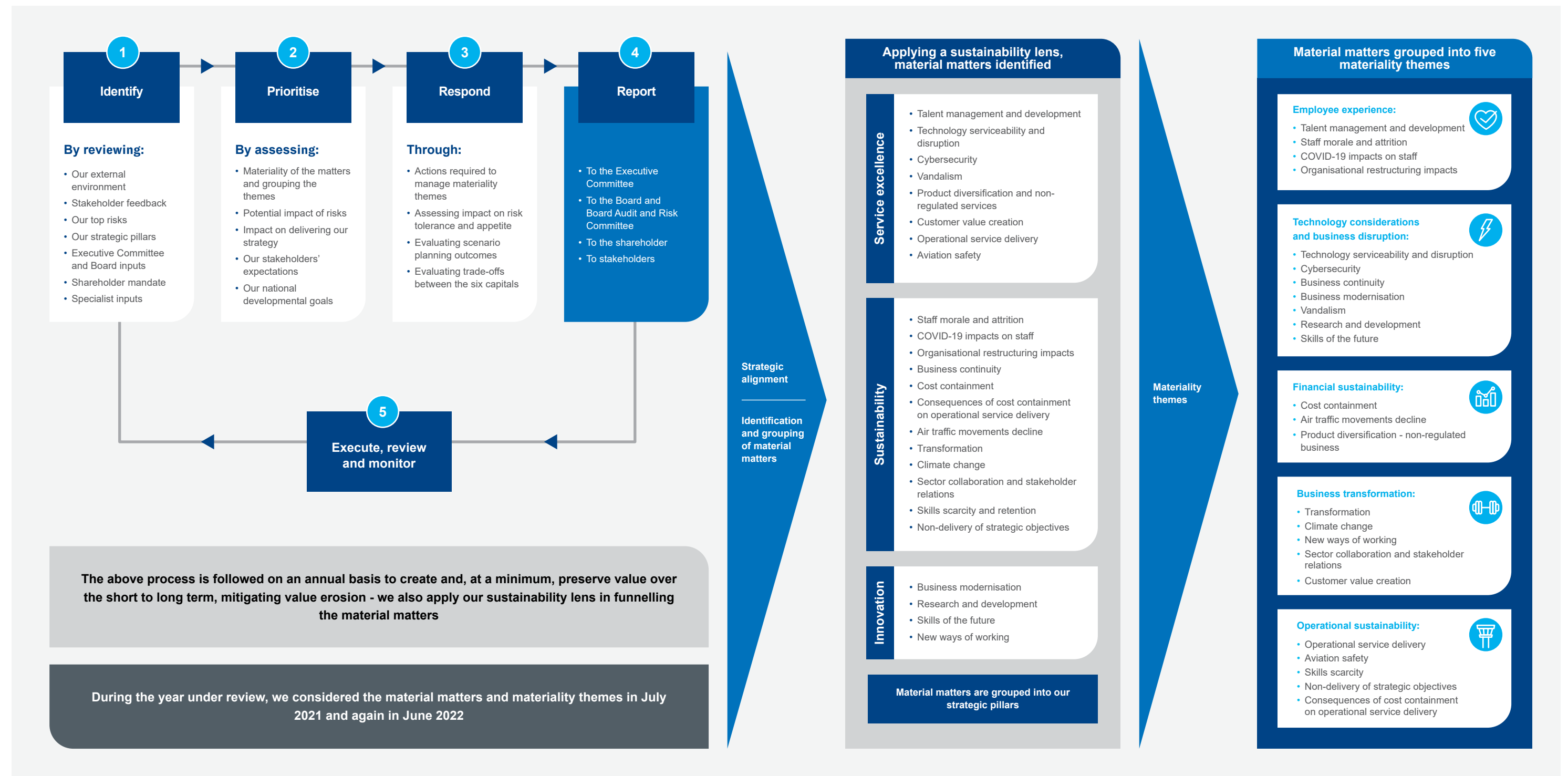
Each year, matters material to ATNS are identified by integrating a wide range of intelligence from different sources; for example, relating to our external environment, stakeholder feedback, strategy outcomes, risk and opportunities and discussions from our Executive Committee and Board. They are prioritised and considered in the context of our strategy and our three strategic pillars of service excellence, sustainability and innovation.

Following this, materiality matters are categorised into materiality themes. This allows for improved integration with our existing processes and it facilitates shared understanding, coordination, and routine reporting to our Audit and Risk Committee and our Board, thus supporting value creation, preservation and limiting value erosion.

By managing these materiality themes effectively, we are best able to proactively demonstrate the resilience and agility necessary to respond to our operating environment and our stakeholder expectations.

The material matters identified in FY22 are in many respects similar to the material matters identified in FY21, and, once again, their impacts span all three of our strategic pillars, meaning they must be addressed through true organisational-wide, across-level integrated thinking. During the 'recovery' and into the 'sustain' phase of our recalibrated strategy, the most pertinent material matters identified in recent years are likely to retain due focus as we look to solidify and enhance our position as an air navigation leader in Africa and as we rebuild for the future.

The following diagram outlines our materiality determination process. We provide a more detailed summary of each of the materiality themes on subsequent pages of this report ([pages 36 to 40](#)).





Materiality theme 1: Employee experience

Importance for ATNS and our stakeholders

The COVID-19 pandemic has had an ongoing impact on our organisation, on the morale of our people and, connected with this, on their ability to connect with each other, especially during predominantly remote-working arrangements. COVID-19-related anxiety and fatigue are prevalent throughout the company. The financial and business impacts of COVID-19 also necessitated ATNS to begin with a section 189 process in terms of the South African Labour Relations Act, which has had further associated impacts on staff morale, and a decline in our human capital stock in the short term. Taken together and given the current volatile circumstances within the external environment that affect all of us in different ways, staff wellness and anxiety levels remain a concern.

Employee wellbeing, which is mainly about the health and safety of our ATNS team, is of key importance to ATNS, primarily because we care for our people – they are a key stakeholder group for the company. Additionally, human resource pressures, such as sickness, low organisational morale, difficulty maintaining training plans and the inability to attract and retain the right people with the right skills, impact our other business capitals. This is especially important in the context of an ever-changing external environment that requires businesses, like ATNS, to keep abreast of new trends and to continually develop the talent and skills of our people to meet the requirements of the future of aviation.

Our immediate response

- Prioritised the health, safety and wellbeing of our people and adhered to COVID-19 protocols
- Responded immediately to the guidance provided by governments, implementing travel restrictions, onsite social distancing and hygiene measures and working-from-home for all office-based personnel
- Adapted our operational activities to prioritise the health, safety and wellbeing of our people, customers and business partners
- Implemented support structures for remote work
- Cascaded employee wellbeing programmes to support and enable employee wellness while ensuring effective delivery of our mandate and strategy
- Conducted a comprehensive return-to-work risk assessment, ensuring all risks were identified and managed effectively as governments eased lockdown regulations and allowed greater operational activity
- Educated and supported our teams in general life management, work effectiveness, financial management and counselling, managing employee and business partner anxiety, low morale and overall wellbeing
- Provided opportunities for regular engagement with employees through leadership dialogues
- Provided ICAS services on employee psychosocial counselling and financial and general life management
- Delivered on the future-fit workforce programme focussed on organisational design and embedding the culture programme

Our long-term actions

- Continue to adapt our organisational culture, placing a premium on adaptability, flexibility, resilience, high performance, creative thinking and seeing around corners
- Continue to engage our people as a key stakeholder group on any evolving or new corporate strategies and refinements to our value creation process
- Implement an adaptive and intuitive strategy to attract and retain the next generation of aviation professionals
- Reimagine office workspace and ways of working
- Maintain a hybrid model of remote and on-site work
- Continue with leadership development programmes to enhance leadership capability
- Revisit salary management and retention frameworks
- Introduce a remote work and flexible working-hours policy
- Review structures and capability to ensure optimal resourcing and skills required for the future needs of the business

Our strategic targets

- Culture and values programme
- Organisational design programme

Capital trade-offs

- To protect our financial capital both now and into the future, the impacts of COVID-19 necessitated ATNS to undertake a section 189 process, which has reduced our human capital. As we move beyond the recovery and sustain phases of our recalibrated strategy, we hope to be able to once again invest as we would ordinarily wish to in our human capital.
- Our reduction in human capital has impacted our organisational intellectual capital, which will require careful management if we are to retain business transformation, innovation and product diversification capacity during the recovery and sustain phase of our strategy, and as we plan for our reposition phase.
- The reduction in human capital has also resulted in associated reductions in our social and relationships capital, both as a result of knock-on impacts with partners and through our people's ability to invest time in our valued CSI projects.



Links with top risks

- Human capital risk
- Occupational health and safety risk



Strategic objectives advanced

- Maintain financial sustainability
- Develop a future-fit workforce
- Create an adaptive and innovative enterprise

Links with UN SDGs



3 – Good health and wellbeing



4 – Quality education



8 – Decent work and economic growth



17 – Partnerships for the goals



Materiality theme 2: Technology considerations and business disruption

Importance for ATNS and our stakeholders

Resilience and agility have become key determinants of success and sustainability in the face of an increasingly dynamic, and at times, volatile operating environment. The global impact of the COVID-19 pandemic on a wide range of industries, including aviation and specifically ANSPs, has demonstrated the importance of organisational readiness to respond swiftly to disruption. This is true for a vast range of disruptions across technological, economic and political spheres. Lack of preparedness to respond appropriately to disruption threatens the sustainability of organisations in a number of different industries. The impacts of business disruption must be appropriately managed to enable ATNS to continue to preserve and create value in the short, medium and long term.

One of the key ways in which the modern operating context for ATNS is changing relates to the impact of digitisation and technology. Modern, fit-for-the-future companies are expected by stakeholders, including staff, customers, governments and regulators, to be harnessing technology to gain efficiencies and enable agility in a manner that is secure and sustainable. With

clear appreciation of the role of technology as a primary enabler of business modernisation, ATNS has committed to a journey of transformation to culminate in digitised, optimised and automated processes across all of our operations. Although the challenging economic climate of the financial year constrained the execution of many of our planned technology and information initiatives, this afforded us with an opportunity to review, reprioritise and streamline our strategic and tactical plans.

It is expected that the digital transformation of air traffic management will be beneficial to aviation. Obvious advantages include the use and sharing of digital data and the increased connectivity of historically disparate systems. This transformation inevitably increases air traffic management vulnerability to cyber-attacks. A cyber-attack whether malicious or accidental, could negatively impact customers, business partners and our reputation. Cyber-attacks in air traffic management could disrupt flows of information, compromise data integrity and compromise safety of lives. It is for this reason that our cybersecurity programmes are least impacted by recent financial challenges, and the execution of the approved roadmap is in progress.

Our immediate response

- Developed IT implementation roadmaps to achieve our IT strategy, with a sharp focus on fundamental drivers of modernisation and agility such as digital transformation, IT governance and cybersecurity
- Integrated the governance of technology and information with corporate governance, thereby enhancing Board oversight over IT and OT
- Leveraged key technology OEM partnerships to perform adequacy and feasibility of digital capabilities, including in cloud migration, data modernisation and security event monitoring
- Completed the upgrade of the network infrastructure, a critical dependency for digital transformation
- Concluded the implementation of the Oracle ERP programme, with benefits of automation and integration across finance, human capital and supply chain
- Progressed key technology acquisitions that form building blocks of our modernisation roadmaps, including training
- Reviewed, improved and commenced implementation of the cybersecurity roadmap

Our long-term actions

- Deliver against an approved ICT strategy and roadmap
- Develop strong business partnerships with companies with relevant technical know-how and expertise
- Build capabilities to manage, govern and leverage data for tangible business benefits, including the application of IoT, AI and machine-learning in our operations
- Maintain a supportable, legacy-free technology estate in both technology domains
- Embed architecture-driven solutions to ensure longevity and interoperability, thereby reducing waste
- Integrate 'security by design' in all phases of solutions-delivery, underpinned by a 'zero trust' philosophy

Our strategic programmes

- Digital transformation
- Cybersecurity
- Safety Management System (SMS) maturity
- Enterprise Resource Planning system implementation
- Modernisation/digitisation to deliver adaptive and efficient learning
- Completion of research and development projects to enhance safety, efficiency and the environment
- Business continuity and disaster management plan

Capital trade-offs

- As a result of COVID-19 on our business, the competition for skills and a higher than usual staff turnover, ATNS was required to temporarily pause several IT projects and the hiring of specialists, which has reduced our intellectual capital in relation to technology considerations but preserved our financial capital.
- While limiting spend on non-essential items, we are continuing to invest in cybersecurity enhancements, increasing our manufactured capital, while ultimately reducing our financial stocks.
- Going forward, if we are to succeed in meeting external technology trends and harnessing these effectively, investment of financial capital into intellectual capital will be required.
- Our ability to invest in social and relationships capital with third-party suppliers and research and development specialists must also be traded-off with financial capital.
- Given Capex and Opex constraints, we had to reprioritise related Capex and Opex programmes and projects, which negatively impacted our social and relationship and intellectual capital.



Links with top risks

- ICT risk
- Security risk



Strategic objectives advanced

- Create an adaptive and innovative enterprise
- Ensure safety and efficiency of operations
- Maintain financial sustainability
- Ensure safety and efficiency of operations

Links with UN SDGs



9 – Industry, innovation and infrastructure



11 – Sustainable cities and communities



12 – Responsible consumption and production



Materiality theme 3: Financial sustainability

Importance for ATNS and our stakeholders

The COVID-19 pandemic profoundly impacted the macroeconomic outlook for not only the aviation sector but for industries and nations across the world. The outbreak of the virus and the resultant measures to limit its spread exacerbated already ailing economies. Given a major global recession and a deep downturn in economic activity, our business operations were, in the last financial year, severely hampered.

Despite a recalibration of our strategy and a reprioritisation of our value creation process over three time horizons (recovery, sustain and reposition), economic uncertainty largely remains throughout South Africa, the African continent more generally and across the world – this may continue to impact air traffic movements for the foreseeable years.

ATNS is proactively considering and managing the short- to medium-term impacts of Capex and Opex reprioritisation, including through appraising further product diversification options, expanding our non-regulated business, advancing our transformation agenda, creating partnerships and implementing a supplier development and enterprise strategy, to continue to preserve and create value for our stakeholders.

Our immediate response

- Attempted to actively grow our non-regulated business, and particularly our training offering, a key enabler in our economic recovery expansion plans through partnerships
- Continued to develop modernised, cost-effective innovative in-house air traffic management solutions and training programmes in South Africa and abroad
- Took steps to enhance our overall efficiency and the reliability of our air traffic management business operations, including by limiting discretionary spend
- Improved our regulatory compliance and governance protocols, following an independent assessment and gap analysis
- Secured a borrowing facility for our Capex requirements
- Ongoing implementation of cost reduction measures

Our long-term actions

- Achieve growth targets as set out in our Strategy 2025
- Expand products and services through a needs analysis in the aviation space with a focus on training programmes
- Advance our non-regulated business to increase our client base and service offering
- Proactively review and pursue opportunities in the non-regulated business
- Drive cost containment and review the budgeting framework
- Implement effective debt collection measures
- Source external funding for the Capex programme
- Promote ethical leadership
- Enhance regulatory compliance and governance protocols
- Engagement with our shareholder for financial support, when required

Capital trade-offs

- Despite a range of scenario planning exercises, the pervasiveness and uncertainty of the true extent of the global pandemic creates uncertainty regarding the near to medium term and requires a strong value preservation mindset, which negatively impacts investment in human, manufactured and intellectual capital.
- Restricted travel movements in the year had an adverse impact on all of our capitals, with the exception of natural capital.
- In an effort to preserve our financial stocks, our Board approved the Executive Committee's recommendations to introduce measures to limit salary increases, defer incentive and bonus payments, place a moratorium on non-critical appointments and reduce CSI and enterprise development spend. As a result, our human capital and social and relationships stocks declined, while we preserved value in terms of our manufactured capital through continuing to implement projects to maintain safety of life.

Our strategic targets

- Current ratio
- Cash as cover for current liabilities
- Cost to income ratio
- Capex commitment
- Capex cash flow
- Capex capitalisation
- Non-regulated business growth
- Diversification of training product line and offering



Links with top risks

- Human capital risk
- Occupational health and safety risk



Strategic objectives advanced

- Maintain financial sustainability
- Develop a future-fit workforce
- Create an adaptive and innovative enterprise

Links with UN SDGs



7 – Affordable and clean energy



8 – Decent work and economic growth



9 – Industry, innovation and infrastructure



11 – Sustainable cities and communities



12 – Responsible consumption and production



13 – Climate action



17 – Partnerships for the goals



Materiality theme 4: Business transformation

Importance for ATNS and our stakeholders

In planning for the future during these challenging recent years, uncertainty around the impact of COVID-19 on our sector and the global economy required a recalibration of our strategy and a reprioritisation of our value creation process over three time horizons: recovery, sustain and reposition.

We are also working towards promoting customer satisfaction and ongoing customer value creation, as this is central to our operating model both as regards our internal and external customers. Despite the challenging environment, safety will always remain of paramount importance, as we continue to prioritise safety of life projects.

Additionally, as we look to the future, the negative consequences of cost-cutting initiatives during these recovery years are likely to continue to be felt, at the same time as the costs of doing business look set to escalate, including the premium associated with attracting and retaining specialist and scarce skills. Furthermore, the global and local landscape is shifting with the impacts of climate change and the need for enhanced transformation and heightened safety protocols. 'Sustainability' in the broader sense of the word is taking centre stage and requires active debate and robust action plans to ensure the organisation's longevity.

Our immediate response

- Took steps to enhance our overall aviation safety through R&D interventions, implementation of safety of life projects and stakeholder engagements
- Focussed on continuing to deliver a high-quality service offering while reducing our environmental impact
- Identified specialist skills' requirements and enhanced attraction and retention measures
- Implemented clear transformation plans with diversity and inclusion at its core
- Supported our stakeholder objectives of reducing aircraft emissions and noise through efficient air management systems and technology
- Continued investment in leading technology in line with the Global Air Navigation Plan and with our research and development strategy and plan

Our long-term actions

- Future-fit workforce programmes relating to organisational design and culture
- Take actions to make our operations resilient in a lower-carbon future
- Respond to stakeholder needs through innovative, virtual solutions
- Continue to improve the way we operate to identify and then minimise or avoid adverse environmental and social impacts while creating inclusive stakeholder value
- Continue to promote safety and well-being best practice through focussed training on the African continent
- Leverage technologies to reduce the risk of safety and security incidents
- Promote a health and safety first and foremost culture of engaged and motivated employees
- Ensure a safe and secure work environment
- Develop leading aviation safety strategies in collaboration with the industry through working groups and thought-leadership

Capital trade-offs

- Driving environmental protection and stewardship through internal and external initiatives that may negatively impact financial capital while promoting longer-term sustainability as impacts are addressed and environmental opportunities are evident in creating long-term return on investment.
- Promoting transformation initiatives, which may prove challenging in the context of the competition for talent.
- Enhanced health, safety and security measures promote peace of mind and benefit the social and relationships and human capitals, while reducing our financial capital stock, as these interventions require money and time.
- Investing in safety and wellbeing initiatives has increased our human capital while costing financial capital but, as the key purpose of our business hinges on the provision of safe and reliable air traffic management solutions, this was prioritised.
- Other business resilience initiatives have similarly required trade-offs between financial capital and our human, intellectual, manufactured and social and relationships capitals. For example, focussed training has boosted our intellectual and human capital, investment in cybersecurity has improved our manufactured capital and working with industry partners to contribute thought-leadership in the development of leading aviation safety strategies has enhanced our social and relationships capital.
- While promoting safe skies, we also need to be mindful of finding ways to limit the environmental impacts of noise and emissions, and of the biodiversity impacts of the activities we support.

Our strategic targets

- Current ratio
- Cash as cover for current liabilities
- Cost to income ratio
- Safety ratio
- Accident rate
- Serious incident rate
- Cybersecurity
- Safety Management System (SMS) maturity



Links with top risks

- Business continuity risk
- Safety risk (safety incidents)
- Safety risk (aircraft accidents)
- Cybersecurity risk
- Security risk
- Health and safety risk



Strategic objectives advanced

- Ensure safety and efficiency of operations
- Maintain financial sustainability

Links with UN SDGs



3 – Good health and wellbeing



8 – Decent work and economic growth



9 – Industry, innovation and infrastructure



11 – Sustainable cities and communities



17 – Partnerships for the goals





Materiality theme 5: Operational sustainability

Importance for ATNS and our stakeholders

As we move from the recovery phase of our recalibrated strategy to the sustain and then reposition phase, operational sustainability will be crucial if we are to continue preserving and creating value for stakeholders, now and into the future. In the short and medium-term, ATNS must balance delivery against our Strategy 2025 objectives, with a need to look further ahead as external operating environment trends play out. The pandemic has also demonstrated how, as we look to the future, operational sustainability must have broader definitions, encompassing the sustainability of wider supply chains, our partnerships, our environment and the complicated and integrated landscapes in which we operate.

In particular, the pandemic-induced new normal has accelerated the need to rethink our corporate culture and our organisational structures as well as how we are to adapt and execute our strategic objectives. It has also highlighted the need to expand our partnerships and introduce new digital technologies to reshape the value proposition of air traffic management services and how these are provided to customers. Similarly, there is an increased requirement to transform our business internally and externally, expanding our vendor strategy to a broader group of empowered partners, developing and retaining critical and scarce in-house skills and know-how, and accelerating business modernisation and innovation. We must achieve all of these in the context of securing operational sustainability while managing the unintended consequences of cost containment measures necessary to achieve our objectives during the recovery and sustain phase years.

Our immediate response

- Implemented a phased recovery and repositioning programme to ensure that we can adapt to the changing external environment
- Launched an organisational redesign and culture programme, enhancing our organisational resilience and our ability to adapt to changing operating conditions
- Continued to promote employment equity, diversity and inclusion
- Continued to provide skills development opportunities, despite the challenging macroeconomic environment
- Appointed executives to champion the delivery of critical organisation-wide programmes
- Provided regular communication on organisational performance and strategy to all personnel
- Improved management accountability by monitoring and reporting on corporate performance at various governance structures
- Considered our longer-term operational sustainability in the context of broader-reaching global frameworks and objectives, such as the UN SDGs
- Reviewed our plans to enable delivery of our strategic objectives

Our long-term actions

- Maintain an ongoing review and refinement of our strategy given the new normal
- Commence organisational design framework work and culture assessment, and promote an inspiring organisational culture
- Implement a transformation strategy
- Ensure enhanced skills and organisational resilience
- Implement and deliver an approved IT strategy and roadmap
- Broaden and transform our supplier base
- Implement the CANSO standard on human performance
- Implement the ATA modernisation roadmap
- Work with industry players to transform the aviation industry on the continent

Our strategic targets

- Non-regulated business growth
- Safety ratio
- Accident rate
- Serious incident rate
- Safety Management System (SMS) maturity
- Diversification of training product line and offering
- Enterprise Resource Planning system
- Digital transformation
- New product lines developed and approved
- Completion of research and development projects to enhance safety, efficiency and the environment
- Modernisation/digitisation to deliver adaptive and efficient learning
- Organisational design
- Culture and values
- Implement environmental management systems

Capital trade-offs

- In the short term, we are preserving our financial capital to sustain us during the COVID-19 recovery period.
- While we are delaying some of the work forming part of our 'innovation' strategic pillar, which negatively impacts our intellectual and manufactured capitals, long term, our efforts will ensure that we emerge in FY25 as a more resilient and sustainable organisation.
- Through our transformation plan, more local small, medium and micro suppliers and service providers do business with us, thereby enhancing our social and relationships capital. By supporting enterprise development, we boost manufactured, intellectual and financial capital.
- Similarly, black businesses continue to comprise a larger share of our operational and skills development spend, increasing intellectual capital for the aviation industry.
- Over the long term, 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.
- As a modernised company, in the long term, we are optimistic that all six capitals will increase.



Links with top risks

- Business continuity risk
- ICT risk
- Third-party risk
- Project risk
- Human capital risk
- Financial sustainability risk



Strategic objectives advanced

- Maintain financial sustainability
- Develop a future-fit workforce
- Create an adaptive and innovative enterprise
- Ensure safety and efficiency of operations
- Increased business transformation
- Be the leading training academy on the continent
- Improved environmental stewardship

Links with UN SDGs



3 – Good health and wellbeing



7 – Affordable and clean energy



8 – Decent work and economic growth



9 – Industry, innovation and infrastructure



10 – Reduced inequalities



11 – Sustainable cities and communities



12 – Responsible consumption and production



13 – Climate action



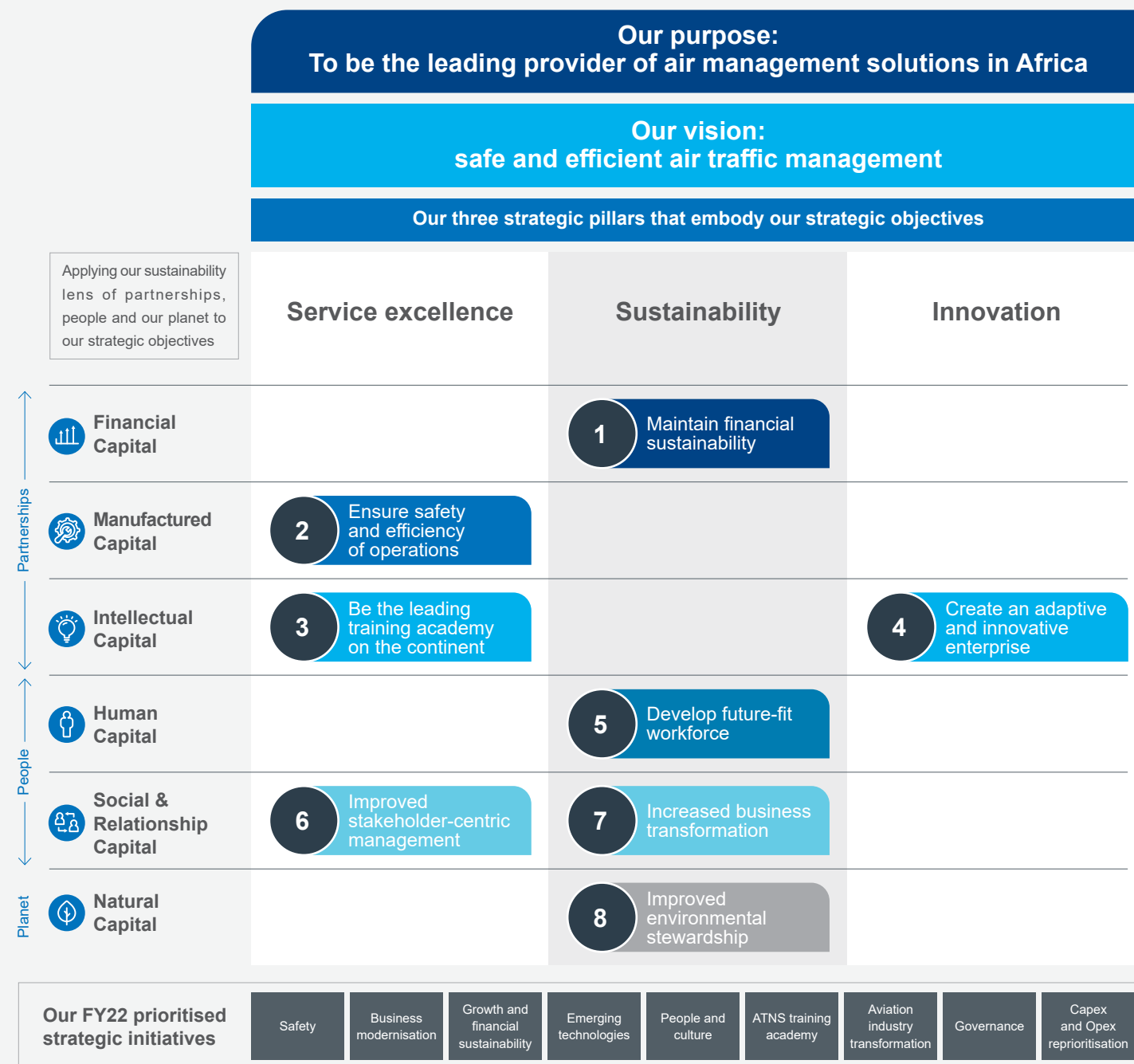
17 – Partnerships for the goals

Our strategy

Our five-yearly strategy formulation process is based on ATNS's vision, mission and values and its development is cognisant of current and future strategic drivers within our external environment. Importantly, and to enable ATNS to effectively harness good integrated thinking, our strategy and key performance indicators are aligned with various South African government and Department of Transport planning initiatives, priorities and outcomes. During the pandemic, as for many organisations worldwide, ATNS experienced a dramatically altered external environment, which necessitated a recalibration of our strategy.

Last reporting year, we undertook a strategy and scenario-planning process to identify focus areas within our Strategy 2025 that remained relevant and compatible in the context of the challenging operating environment for aviation. This process enabled ATNS to remain true to our strategic pillars of service excellence, sustainability and innovation but with strategic reprioritisation of our initiatives and key performance indicators to better align with our strategy execution reset as part of our rebuilding endeavours of a recovery phase, a sustain phase and a reposition phase. The infographic below shows how interrelated our strategy and KPIs are to the six capitals.

Our strategy and related key performance indicators



Aligning our adjusted key performance indicators with our strategic objectives

Mapping our key performance areas against the six capitals



* This refers to the social and relationship capital



For more details on our performance against our key performance indicators and how these are aligned with the NDP, the MTSF, the Department of Transport KPAs and our prioritised UN SDGs, refer to [chapter 04](#)

Our risks and opportunities

On an annual basis, our risk management department undertakes an annual review of the ATNS strategic risk register, to ensure that the company's strategic risks and opportunities remain relevant. In determining relevance, we also consider industry trends, changes in our operating environment and any revisions to the organisation's plans and strategies.

Our FY22 risks and opportunities evaluation process

- At the start of the reporting period, in May 2021, the risk management department conducted one-on-one brainstorming sessions with each of the Executive Committee members and certain senior managers. These sessions were conducted as a baseline to solicit comprehensive inputs on the organisation's top strategic risks and opportunities.
- In June 2021, an information-sharing session was held with our risk champions to gather and integrate additional inputs.
- Executive Committee AOPs were integrated into the risk assessment to ensure alignment of departmental activities for the reporting period whereafter it was presented to the Executive Committee for comment and finalisation.
- In parallel, we evaluated company-wide departmental risk registers to ensure bottom-up alignment including any audit findings.
- An Executive Committee risk and opportunity management workshop was held in early July 2021 to obtain collective input and approval of the proposed strategic risks and opportunities.
- The reviewed risk register was presented to the Audit and Risk Committee in August 2021 for comment and recommendation to the Board. Furthermore, a risk workshop was conducted with the Board in October 2021. The Board ultimately approved the risk and opportunity register for the year under review.

Risk appetite and tolerance statement

ATNS has adopted a risk appetite and tolerance framework approved by the Board. In recognising that risks are inherent to the nature of our core operations, we seek to manage and mitigate these risks in a way that minimises the likelihood of occurrence and impact on ATNS's reputation and strategic intentions.

ATNS has therefore adopted a risk-averse-to-prudent (cautious) risk appetite stance, which implies a low level of risk-taking in executing our mandate. This appetite stance is justified by the fact that, as a public-sector entity playing a significant role in the regulatory space, ATNS seeks to best protect its exposure to risk and prevent adverse effects on beneficiaries, stakeholders, as well as on our performance and sustainability.

It should also be noted that such a risk appetite stance will directly influence and drive key strategic decisions as well as any actions to exploit potential opportunities on the basis of a risk-return analysis. Where risk exposure is in excess of prescribed risk appetite limits, ATNS implements adequate control measures to mitigate these.

Our risk and opportunity management criteria

ATNS uses a set of criteria and methodologies aligned with our business context and international best practice to inform our risk and opportunity evaluations and related ratings. In this fact box, for risks, we include our risk heat map and risk treatment options. For opportunities, we include our opportunity matrix and our response strategy descriptors. We reference these various descriptors in our significant risks on [pages 43 to 45](#).

Risk heat map

Likelihood	5	Almost certain 90%	Low Priority 4	Moderate Priority 2	High Priority 2	Extreme Priority 1	Extreme Priority 1
	4	Likely 65%	Insignificant Priority 5	Low Priority 4	Moderate Priority 2	High Priority 2	Extreme Priority 1
	3	Possible 40%	Insignificant Priority 5	Low Priority 4	Moderate Priority 2	Moderate Priority 2	High Priority 2
	2	Unlikely 20%	Insignificant Priority 5	Insignificant Priority 5	Low Priority 4	Low Priority 4	Moderate Priority 2
	1	Rare 10%	Insignificant Priority 5	Insignificant Priority 5	Insignificant Priority 5	Insignificant Priority 5	Low Priority 4
			Minor 10%	Significant 30%	Serious 50%	Critical 70%	Catastrophic 100%
			1	2	3	4	5
Impact/Consequence							

Risk treatment options

Avoid	Action is taken to terminate or avoid the activities giving rise to risk because they are not manageable, or effective controls may be too expensive to implement.
Share	Action is taken to reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk.
Accept or tolerate	A conscious decision to assume this risk and then take no action against its impact on the basis of a cost/benefit analysis.
Reduce	Recognition and active management of the risk through management control to reduce the likelihood of the risk occurring or its potential impact.

Opportunity matrix

Likelihood	Expected	5	Exploit	Exploit	Enhance	Enhance	Ignore
	Highly Likely	4	Exploit	Exploit	Enhance	Share	Ignore
	Likely	3	Enhance	Enhance	Share	Share	Ignore
	Slight	2	Enhance	Share	Share	Ignore	Ignore
	Unlikely	1	Ignore	Ignore	Ignore	Ignore	Ignore
			5 Transformative	4 Major	3 Significant	2 Moderate	1 Minor
Impact							

Response strategies for opportunities

Exploit	Take aggressive measures that seek to ensure that the benefits from this opportunity are realised
Enhance	Take measures to increase the probability and/or the impact of the opportunity
Share	Develop collaborative partnerships that will assist to increase the opportunity's likelihood and/or benefits
Ignore	Take no active measures to capture the opportunity by adopting a reactive approach should it be necessary – the benefit is not greater than the cost to pursue it but the opportunity will be monitored

Our significant risks

1 Safety (safety incidents) risk

High-risk safety incidents attributable to ATNS (categories A and B); as a result of human error, non-compliance with safety standards or CNS equipment failure

Risk rating

Impact	Critical
Likelihood	Likely
Residual risk rating	Priority 2 (FY21: Priority 2)

Risk mitigation to rebuild the future

- Influence the review of regulations to ensure that they are enabling to other participating service providers appointed by ATNS
- Consider partnering with other ANSPs on the calibration of the equipment that can also form part of the ATNS commercial basket
- Intensify training interventions (implement continuous virtual SMS training)
- Conducted trend analyses for A&B incidents

Opportunity rating

Impact	Major
Likelihood	Highly likely
Response strategy	Exploit

Opportunities to create and preserve value

- Provide advisory support to enhance safety protocols, standards and training within the sector as part of our non-regulated business
- Participate in various forums to influence review of regulations

Risk treatment option

- Reduce

2 ICT risk

Inability of ICT to support operations and strategic initiatives

Risk rating

Impact	Critical
Likelihood	Likely
Residual risk rating	Priority 2 (FY21: Priority 2)

Risk mitigation to rebuild the future

- Implement ICT strategy
- Develop and implement enterprise architecture strategy
- Develop and implement IT roadmaps
- Develop, implement and test the IT disaster recovery plan
- Capacitate IT project management and enterprise architecture for effective delivery of projects
- Review and enhance programme management between PPMO, IT and CNS

Opportunity rating

Impact	Significant
Likelihood	Likely
Response strategy	Share

Opportunities to create and preserve value

- Develop strong business partnerships with the appropriate technical know-how and expertise
- Partner with identified critical suppliers with ICT expertise

Risk treatment option

- Reduce

3 Business disruption risk

Significant and prolonged disruption to ATNS critical business and operations

Risk rating

Impact	Critical
Likelihood	Possible
Residual risk rating	Priority 3 (FY21: Priority 3)

Risk mitigation to rebuild the future

- Improve system redundancy and fault tolerance
- Monitor the execution of ATS DR project in line with defined schedule
- Review business impact analysis and business continuity plans
- Implement and test the IT disaster recovery plan
- Conduct research analysis on the Remote Air Traffic Service (RATS) — Digital Towers

Opportunity rating

Impact	Significant
Likelihood	Slight
Response strategy	Share

Opportunities to create and preserve value

- Develop enhanced off-site support and virtually activated business continuity plan
- Develop a business continuity programme for the organisation

Risk treatment option

- Reduce

4 Physical security risk

Threats to and/or vandalism of ATNS physical infrastructure

Risk rating

Impact	Critical
Likelihood	Almost certain
Residual risk rating	Priority 1 (FY21: Priority 2)

Risk mitigation to rebuild the future

- Improve physical access control and security systems (deployment of armed guarding and response services at sites, where possible)
- Collaborate with other affected stakeholders with similar challenges (e.g. Telkom, MTN and Vodacom)
- Perform ongoing security threat assessments
- Develop an aviation security programme for ATNS in line with site threat assessments

Opportunity rating

Impact	Significant
Likelihood	Likely
Response strategy	Share

Opportunities to create and preserve value

- Develop a collaborative, aviation sector security programme
- Once security programme has been developed, ensure that it is integrated with other relevant stakeholders
- Integrated testing of the programme with relevant stakeholders

Risk treatment option

- Reduce

5 Financial sustainability risk

The organisation is not able to remain financially sustainable in the long term

Risk rating

Impact	Critical
Likelihood	Almost certain
Residual risk rating	Priority 1 (FY21: Priority 1)

Risk mitigation to rebuild the future

- Identify alternative revenue streams to support regulated business (enhancing billing and focussed training at the ATA) and non-traditional revenue (for example, land leasing, land development, short-term courses)
- Conduct a holistic revenue versus cost exercise to identify improvement areas for all projects and small aerodromes
- Encourage employees to contribute solutions towards company's financial sustainability and to exploit various internal opportunities to grow our revenue through R&D
- Improve and increase debt recovery and collection efforts for outstanding debts

Opportunity rating

Impact	Significant
Likelihood	Likely
Response strategy	Share

Opportunities to create and preserve value

- Opportunity to exploit new revenue streams in third party business (e.g. UTM/ drones, ATM alliances, data provision, aviation training services)
- Implementation of the growth strategy and revenue streams

Risk treatment option

- Reduce

6 Cybersecurity risk

Disruption of IT and business services as a result of a breach in information security (a cyber-attack)

Risk rating

Impact	Critical
Likelihood	Likely
Residual risk rating	Priority 2 (FY21: Priority 2)

Risk mitigation to rebuild the future

- Continue with the implementation of the cybersecurity roadmap to improve cybersecurity maturity in line with the NIST cybersecurity Framework
- Expedite procurement and implementation of critical cybersecurity solutions
- Provide cybersecurity governance through relevant committees in line with IT-OT Governance Framework
- Continuous management of cyber-risk with Board oversight

Opportunity rating

Impact	Transformative
Likelihood	Highly likely
Response strategy	Exploit

Opportunities to create and preserve value

- Develop improved data protection protocols and related training
- Improve stakeholder trust

Risk treatment option

- Reduce

7 Project delivery risk

Failure to implement Capex projects and/or failure to plan and implement project deliverables

Risk rating

Impact	Critical
Likelihood	Likely
Residual risk rating	Priority 2 (FY21: Priority 2)

Risk mitigation to rebuild the future

- Review the effectiveness of the Capex Review Committee and Programme Investment Executive Committee
- Define the RACI for the project management and governance structures
- Conduct a high level PPMO maturity assessment and ATNS PPMO maturity and readiness report

Opportunity rating

Impact	Significant
Likelihood	Likely
Response strategy	Share

Opportunities to create and preserve value

- Develop in-house project management capability and promote advisory support services in this area
- MOUs with other SOEs to capacitate ATNS project management value chain

Risk treatment option

- Reduce

8 Employee occupational health risk

Failure to control the infection rates of our internal staff resulting in employee occupational and mental health challenges, low morale and inability of ATNS to continue our operations

Risk rating

Impact	Critical
Likelihood	Possible
Residual risk rating	Priority 3 (FY21: Priority 3)

Risk mitigation to rebuild the future

- Convert learning content to virtual learning platforms (review and strengthen e-learning capabilities)
- Finalise the WAN project to support virtual training

Opportunity rating

Impact	Major
Likelihood	Highly likely
Response strategy	Exploit

Opportunities to create and preserve value

- Exploit the hybrid working model
- Implementation of the hybrid working model policy

Risk treatment option

- Reduce

9 Human capital risk

Inability to attract and retain critical skills, which may result in the organisation's failure to deliver its strategy and safe operations (this risk was revised in FY22; the FY21 human capital risk related to the lack of competencies, skills, and capacity to implement the ATNS strategy)

Risk rating

Impact	Critical
Likelihood	Likely
Residual risk rating	Priority 2 (Reframed significant risk)

Risk mitigation to rebuild the future

- Implementation of the future-fit workforce programme
- Monitor the implementation of succession planning
- Development of a draft CANSO HPM Framework (including the assessment tool and CANSO's role)
- Develop and update competencies and technical dictionary (NGAP) - non-technical knowledge

Opportunity rating

Impact	Major
Likelihood	Likely
Response strategy	Enhance

Opportunities to create and preserve value

- Proactively upskill future aviation professionals through the aviation training academy
- Upskill aviation professionals through pipeline training and career development

Risk treatment option

- Reduce

10 Infrastructure planning risk

Failure to provide CNS services due to planning, support and maintenance inadequacies

Risk rating

Impact	Serious
Likelihood	Possible
Residual risk rating	Priority 3 (New significant risk)

Risk mitigation to rebuild the future

- Identify equipment that will require critical spares to be kept as a contingency
- Reconsider the lifespan of the equipment that the organisation is deploying
- Analyse the total cost of ownership of equipment and how to manage equipment post commissioning
- Review ATNS's maintenance philosophy

Opportunity rating

Impact	Major
Likelihood	Likely
Response strategy	Enhance

Opportunities to create and preserve value

- Replacement or repair of equipment and systems that are found to be defective or that need replacement in the immediate future to minimise or avoid failures or non-availability of service
- Implement the innovation, research and development programmes

Risk treatment option

- Reduce

11 Service provider - third party risk

ATNS's reliance on single third party service providers (OEM/support contract) for critical equipment

Risk rating

Impact	Critical
Likelihood	Possible
Residual risk rating	Priority 3 (FY21: Priority 1)

Risk mitigation to rebuild the future

- Develop and implement a transformation strategy
- Develop and implement supplier transformation framework
- Implement an incubation strategy
- Develop a clear technology acquisition strategy for ATNS

Opportunity rating

Impact	Significant
Likelihood	Slight
Response strategy	Share

Opportunities to create and preserve value

- Diversify supplier base and develop new niche suppliers through a multi-vendor strategy
- Implement the transformation and incubation strategy

Risk treatment option

- Reduce

NOTE: The safety risk identified in FY21 was removed from ATNS's significant risks' matrix during FY22 as the priority level moved to Priority 5. Similarly, the organisational performance risk identified in FY21 as a result of the pandemic was also removed from the ATNS significant risks matrix in FY22.




04 OUR PERFORMANCE

Delivering value creation and preservation



Our performance for the year under review highlighted that we are in a period of rebuilding the organisation. While our performance has improved since the FY20 lows, it has some way to go to get back to pre-pandemic levels.

 In the 'our performance' chapter of this year's report, we:

- provide you with a summary of our financial and non-financial performance
- explain how we have performed against our key performance indicators in the context of our shareholder compact and governmental and departmental priorities and how these are linked to our prioritised U.N. Sustainable Development Goals, applying our sustainability lens of people, partnerships and the planet
- outline how we reward value creation and value preservation through our remuneration practices for the year under review

‘As we approach the end of the ‘recovery’ phase of our recalibrated strategy and move towards our ‘sustain’ phase, I am heartened by our performance, although it is clear that challenges remain as we seek to rebuild our business.’

Matome Moholola
Chief Financial Officer

Reflections from our Chief Financial Officer

REBUILDING AMIDST GLOBAL UNCERTAINTY

Dear stakeholders,

For most of the last two years, the world has been delicately balancing its health and economic capitals, and careful trade-offs have continued to characterise our latest reporting period. However, we are now seeing many countries attempt to recover their economies, albeit at fluctuating pace. This has been moderated by the arrival of new variants and other global factors, such as increased fuel costs and the Russian invasion of Ukraine, which are impacting the costs associated with our daily lives. Global economic growth for 2022 is predicted to have decelerated from that of 2021, down from 5.5% to 2.9%, a pattern that is replicated for the African continent. It is clear that we remain some distance from the other side of a global recovery.

The direct relevance of this on ATNS’s performance is that, as a result of all these external environmental challenges, during the 2021 calendar year, air traffic movements in most regions of the world remained down on 2019 figures.

Despite this continued challenging operating environment, our focus at ATNS has remained on managing factors within our control, preserving value and minimising value erosion. This has included a sustained focus on ensuring safe and efficient operations, developing a future-fit organisation, utilising technologies to our advantage, maintaining tight cost discipline and driving a more holistic aviation industry sustainability and transformation agenda.

Our recalibrated strategy

As the world responded to the COVID-19 pandemic, ATNS responded strategically, by reflecting upon our Strategy 2025 and taking steps to recalibrate this in the context of our operating environment – an environment that could not be more different to that anticipated when our Strategy 2025 was initially approved in 2019. As a result of COVID-19, our strategy was adjusted in April 2020 and again in August 2020.

Within this integrated report, it is this adjusted strategy and key performance indicators that we now measure ourselves against. While our strategic pillars of service excellence, sustainability and innovation remain unchanged, and our strategic objectives continue to be relevant, last reporting period we took the decision to prioritise our day-to-day operations during a ‘recovery phase’. Within the present reporting period, we remain within this ‘recovery phase’. Largely, this has meant retaining a focus on delivering for immediate stakeholder needs and ensuring our skies continue to be safely and efficiently run. As a result, our theme for this reporting period is ‘rebuilding for the future’.

In monitoring the performance that underpins our strategic pillars and our strategic objectives, we continue to look to rebuild our organisational capabilities so that we can remain agile, proactive and responsive. This will be necessary if we are to take advantage of opportunities that the ever-evolving global landscape presents. We look forward with the understanding that our ambitions for the future must be cautiously tempered by our budget constraints and the disappointing economic outlook for the near term.

However, setting this within a longer historic context, even before the COVID-19 pandemic, the aviation sector was not alone in being required to respond to considerable change and uncertainty. Change is something that has and will continue to characterise our operating environment. It is through careful tracking of our performance, and integration with insights from our many stakeholders, that we continue to ready ourselves to respond quickly and accordingly.



For more details of our strategy and its recalibration, please see [chapter 03](#) of this report.

Our business performance in the 2021/2022 reporting period

Turning to our financial performance for the year under review, the impact of the COVID-19 global pandemic continued to have lasting adverse consequences for ATNS. The Delta variant resulted in a significant reduction in tariff revenue in the months of July and August 2021, as some airlines suspended their operations. Further to this, South Africa uncovered the Omicron variant in the country in November 2021, which led to most countries around the world issuing alerts suspending travel to and from South Africa. This travel embargo extended until the beginning of the last quarter of our financial year. However, despite these challenges, our revenue increased by 86% to R1 017 million (FY21: R547 million) mainly due to increased billable air traffic movements from 102 798 in 2021 to 206 134 in the current year. This increase was mainly attributable to travel within the South African domestic market.

During FY22, operating costs increased to R 1 235 million (FY21: R1 168 million) mainly due to an increase in staff-related costs following our section 189 Labour Relations Act process, with employees offered voluntary severance packages and early retirement pay-outs.

During the year under review, our capital expenditure increased to R186 million (FY21: R155 million) largely due to the implementation of navigational and surveillance projects.

ATNS's liquidity ratio decreased to 2.3:1 (FY21: 3.3:1) given depleted cash reserves. This notwithstanding, the ratio is still above the norm of 2:1 with our gearing at 3.9% (FY21: 3.3%).

As a regulated entity, ATNS measures our return of capital employed (ROCE) in line with the approach document issued by the Economic Regulating Committee. The ROCE is -11% (regulated ROCE: -29%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits, while the regulated ROCE is based on the Economic Regulating Committee formula.

Cash generated from operations improved by 60% to -R228 million (FY21: -R567 million), as a result of improved debt collections. The company's cash reserves continued to deteriorate in the reporting year to R408 million (FY21: R830 million). This is mainly attributable to lower than expected air traffic movements, given ongoing and prolonged travel restrictions during the year under review.

Going concern status

In the global context described, our financial position continues to remain challenging. The ATNS Board and management team have considered all of these aspects of ATNS's business and financial performance in the context of our operating environment and reflected upon the company's status as a going concern. Having assessed the following factors, the Executive Committee is of the view that ATNS remains a going concern given:

- ATNS's ability to raise a borrowing facility
- Cash as at the end of the reporting period being R408 million
- A rebased salary bill following the conclusion of the section 189 Labour Relations Act processes
- Commencement of the application process for a new permission for the financial years 2023/24 to 2027/28
- Rolling forecasts

Appreciation

As we approach the end of the 'recovery' phase of our recalibrated strategy and move towards our 'sustain' phase, I am heartened by our performance, although it is clear that challenges remain as we seek to rebuild our business.

On behalf of myself and the finance team, I extend my gratitude to the Minister of Transport and his advisors, my fellow Board members and my Executive Committee colleagues for their ongoing counsel, guidance and support. Collective inputs and integrated thinking from a multitude of perspectives remain critical during these volatile times, as we look ahead to rebuild for a stronger future.

I also wish to express my thanks to the wider ATNS team. Thanks to the determined and sustained efforts of all our ATNS people, we are limiting value erosion in these continued harsh operating conditions, preserving value in the immediate term and positioning ourselves for holistic and sustainable value creation in the longer term.



Matome Moholola
CHIEF FINANCIAL OFFICER

22 August 2022



For more details of our financial performance, please turn to [pages 49 to 51](#) of this report and to our FY22 annual financial statements.



Our financial performance

Our abridged financial statements

Abridged statement of profit and loss and other comprehensive income

Description	2022	2021
Revenue	1,017,347,988	547,439,448
Other income	6,220,914	4,231,846
Total expenditure	(1,496,109,300)	(1,307,172,777)
Profit before taxation	(472,540,398)	(755,501,483)
Income tax expense	94,618,523	177,273,011
Profit for the year	(377,921,875)	(578,228,472)

Abridged statement of financial position

Description	2022	2021
Assets		
Non-current assets	1,689,209,152	1,705,912,539
Cash and cash equivalents	408,429,221	830,370,712
Current assets excl cash and cash equivalents	172,979,823	159,762,482
Total assets	2,270,618,196	2,696,045,733

Equity and liabilities

Total equity	1,942,774,043	2,320,695,918
Non-current liabilities	76,366,807	77,539,297
Current liabilities	251,477,346	297,810,518
Total equity and liabilities	2,270,618,196	2,696,045,733

Abridged statement of cash flows

Description	2022	2021
Net cash flows from operating activities	(218,210,740)	(533,186,873)
Net cash flows from investing activities	(186,000,836)	(155,456,851)
Net cash flows from financing activities	(9,805,152)	(12,447,367)
Total cash movement for the year	(414,016,728)	(701,091,091)

Creating and sustaining financial capital

One of our strategic objectives is to ensure long-term financial sustainability, which we achieve by providing air traffic management solutions for South Africa as well as 6% of the world's airspace. This allows us to create financial value in the short, medium and long term through our regulated and non-regulated business activities. Our industry is directly linked with air traffic movements that increase when we are experiencing economic growth and that have a high correlation with the gross domestic product.

Key financial capital inputs

Key financial indicators

	2021 actuals	2022 actuals
Total revenue	R 0.5 billion	R 1.0 billion
Operating costs	R 1.1 billion	R 1.2 billion
Capital expenditure	R 155 million	R 186 million
SADC VSAT revenue	R 18 million	R 32 million
NAFISAT revenue	R 28 million	R 41 million
Total assets	R 2.7 billion	R 2.3 billion
Total equity	R 2.3 billion	R 2.0 billion
Cash generated from operations	R -567 million	R -228 million
Total invested in CNS technology	R 130 million	R 168 million
Employee wages and benefits	R 826 million	R 918 million
Total borrowings as at 31 March 2022	0	0
Payment to Government as income tax	R -177 million	R -95 million

Sound financial management

Distributable profits are retained for re-investment and to maintain financial sustainability in the short term. ATNS aims to maintain a minimum cash balance of two months' operating expenditure plus capital loan payables. Cash flow is monitored daily to ensure sufficient funds to cover operational expenses and loan obligations.

Material financial and economic 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.



Our non-regulated business revenue streams

As part of our ongoing initiative to ensure long-term financial sustainability, ATNS pursues other forms of revenue in the form of our non-regulated business activities.

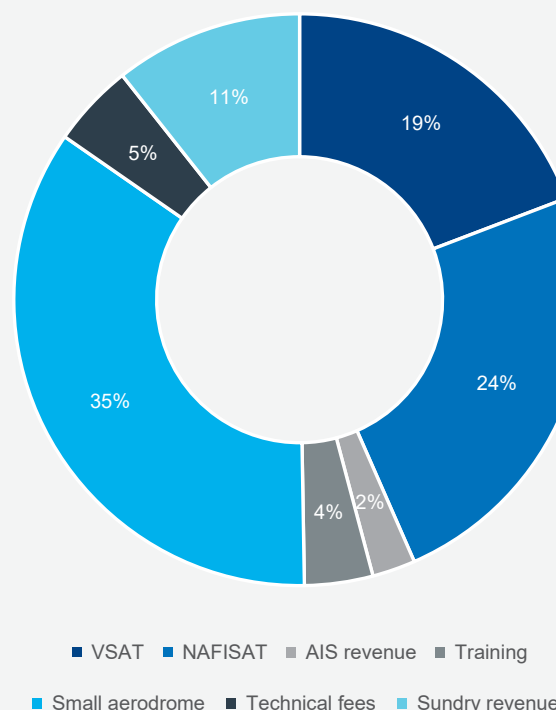
As at the end of the reporting period, our non-regulated business activities contributed 16% of the company's revenue and they encompass a long-term strategy to facilitate regional expansion. Revenue from our non-regulated business has increased 36% compared with the prior year, largely due to the post-COVID-19 recovery experienced in the broader aviation sector. Details of the non-regulated business revenue streams are outlined in the table below.

Non-regulated business revenue streams

Revenue	2021	2022	2023 target
VSAT	R17.9 million	R32.3 million	R39.3 million
NAFISAT	R28.2 million	R40.7 million	R42.7 million
AIS revenue	R2.5 million	R4.1 million	R6.8 million
Training	R1.4 million	R6.5 million	R9.5 million
Small aerodrome	R51.2 million	R58.7 million	R59.4 million
Technical fees	R8.5 million	R7.9 million	R12.2 million
Sundry Revenue	R13.7 million	R15.2 million	R14.6 million
Total	R123.4 million	R165.2 million	R184.6 million

Revenues are accrued through:

- **SADC VSAT II and NAFISAT revenue:** earned from the provision of aeronautical ground-to-ground telecommunication services in the SADC and North and East African regions
- **AIS revenue:** earned from flight procedure designs, documentation and WGS-84 surveys carried out for various countries
- **Training revenue:** earned by offering IATA courses, ICAO TRAINAIR Plus courses and regulatory courses to ANSPs, CAAs and airports authorities on the African continent
- **Small aerodromes revenue:** earned by providing air traffic services (aerodrome services) to non-ACSA airports
- **Technical services revenue:** earned from maintenance services rendered to ACSA and other third parties and for the provision of technical consulting services
- **Sundry revenue:** income from billing services provided for various clients, data link revenue and services provided outside of published hours at various airports



The ATNS Capex infrastructure investments represent the necessary baseline upon which the operational improvements and their associated benefits can be achieved. This calls for proactive planning to ensure that infrastructure is provided to the ATM community, supporting the fundamental requirements of safety, security, efficiency, scalability, and interoperability. As a result, the effective implementation of the capital expenditure programme is one of the company's major key performance indicators.

ATNS's capital expenditure for 2021/22 was R186 million against a target of R182 million. This is largely due to delays in the execution of our Capex projects.

Actual cash flow

Financial year	2018/19	2019/20	2020/21	2021/22
Actual cash flow	R252m	R149m	R155m	R186m

Capital expenditure - commitments

Description	2021 actuals	2022 actuals	2023 target
Commitments - Capex contracts awarded in 2020/21	R 539 million	R 375 million	R 69 million

Total open capital commitments for the entity amounted to R375m at the end of the financial year. The entity expects to enter into further new commitments amounting to R69m in FY22/23.

Capital expenditure projections

ATNS is mandated to provide adequate, reliable infrastructure to support air traffic control services to meet efficiency, safety, and quality of service for our customers. As a result, ATNS is busy with the planning and implementation of the following key and critical infrastructure investment projects planned for FY22/23 and beyond. The projects include:

- WAM and ADS-B surveillance – roll-out and commissioning to complement the surveillance radar coverage
- DME-DME – commissioning of the East London and King Shaka TMAs
- Navigational AIDS replacement - installation and commissioning of all the terminal and en route VOR and DVOR facilities

- Radar replacements programme – commissioning and attaching for use of co-mount radars swerving the Cape Town and OR Tambo airports
- * Air Traffic Flow Management System (ATFM) replacement – sourcing and acquisition of the ATFM new system to replace old platform currently in use
- Coastal VHF infrastructure replacement – replacement of the old analogue VHF radios at and serving the coastal ATSU's with latest IP-ready technologies
- ANAIS / CAD replacement – acquisition and replacement of both the static and dynamic data management systems including the File2Fly services
- Compute and storage refresh - in support of the business digitisation frameworks and replacement of the current systems that are reaching end of life

The implementation and attachment for use of the infrastructure from these projects and the Capex plans would see a projects' cash flow per the table below for the 2022/23 financial and beyond.

Projected cash flows

Financial years	2022/23	2023/24	2024/25	2025/26
Projected cash flows	R301m	R387m	R230m	R54m

Our materiality and significance framework

In accordance with the National Treasury section 54 practice note, the parameters for significance and materiality levels are derived from certain elements of the annual financial statements as illustrated in the Parameters for Significance and Materiality Levels table below.

Parameters for significance and materiality levels

Indicators	2022 financial statements	Lower limits	Upper limits
1%-2% of total assets	2,270,618,196	22,706,182	45,412,364
0.5%-1% of total revenue	1,017,347,988	5,086,740	10,173,480
2%-5% of profit (loss) after tax	(377,921,875)	(7,558,438)	(18,896,094)

*Based on the recent audited annual financial statements

In arriving at the significance and materiality level, the following factors were considered:

- guidelines issued by the National Treasury
- the nature of the ATNS business
- statutory requirements affecting ATNS
- the inherent and control risks associated with ATNS
- quantitative and qualitative issues
- benchmarked within the transport sector

From a company perspective, the significance level is set at R400 million, which takes in account the steps embarked upon by ATNS during the permission application process, which includes consultation with the industry as well as approval by the Economic Regulating Committee. From a company perspective, materiality is set at R10.2 million based on the upper level of revenue to ensure prudence and efficiencies within the decision-making processes.

Our financial outlook

ATNS's tariff revenue is based on the number of aircraft movements, tariff increases, and estimates implemented each year. The volume growth is a sum of the growth in movements and the change in aircraft mix. Other revenue comprises ancillary revenue for services including small aerodrome fees, training, technical services and AIS services.

The current permission as approved by the Economic Regulating Committee will be active for a full five-year term to 2022/23. Our Executive Committee expects that ATNS will be in a loss-making position in our 2023 and 2024 financial years, as traffic movements are only expected to get back to pre-COVID-19 levels by 2025.

The liquidation of a key customer post year-end has further exacerbated our projected losses. However, based on the latest management forecasts, this event will not impact the going concern status of ATNS.



Our performance against our key performance indicators

Our shareholder, the Department of Transport's, mandate is informed by South African governmental and departmental outcomes and it demonstrates contribution to and support of national priorities. These priorities are stipulated in the Medium-Term Strategic Framework (MTSF), which represents the comprehensive five-year implementation plan for the National Development Plan (NDP) Vision 2030. The MTSF is structured around 14 priority outcomes, which cover key focus areas identified in the NDP.

ATNS's performance reports align with the 26 key performance indicators that form part of our shareholder compact, which responds to the MTSF's 14 priority outcomes as well as the Seven Apex Priorities identified by the sixth national government administration. Importantly, the 26 key performance indicators are also mapped against the eight strategic objectives that underpin our Strategy 2025 and the six capitals. These key performance indicators are, in turn, grouped into the Department of Transport's five key performance areas as follows:

- Infrastructure build that stimulates economic growth and job creation
- Innovation
- Job creation
- Accelerating transformation towards greater economic participation
- Environmental protection

Achievement against the annual KPIs, within each Department of Transport key performance area, is assessed on both a quarterly and an annual basis utilising the RAG (red, amber, green) traffic light system. The following key applies to this section of the report as regards the achievement of the KPIs at the end of the reporting period, being FY22:

- KPIs not achieved
- Annual target
- KPIs achieved

For the year under review, our performance against the key performance indicators as grouped into the five Department of Transport key performance areas are outlined on [pages 52 to 56](#) of this report. We also apply our sustainability lens of partnerships, people and planet to these indicators, which are mapped to the six capitals, our strategic objectives and our prioritised UN SDGs.



Department of Transport key performance area #1: infrastructure build that stimulates economic growth and job creation

Financial capital

Relevant National Development Plan 2030 chapter:

Chapter 4: economic infrastructure

Relevant Medium-Term Strategic Framework outcomes:

Outcome 4: decent employment through inclusive economic growth

Outcome 6: an efficient, competitive, and responsive economic infrastructure network

Relevant Seven Apex Priority:

Priority 1: economic transformation and job creation

Prioritised UN SDGs:

- 8 – Decent work and economic growth
- 9 – Industry, innovation and infrastructure
- 10 – Reduced inequalities
- 11 – Sustainable cities and communities
- 12 – Responsible consumption and production
- 17 – Partnerships for the goals

Our partnership sustainability lens
(linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
1. Maintain financial sustainability	1. EBIDTA (LBIDTA)	(R188 544 019)	(R157 713 097)	While we achieved most of our key performance indicators under this strategic objective, we fell short, overall, on the cost-to-income ratio and Capex delivery. This was due to delays in finalising projects and tender specifications. Delays in commitment targets as a result of affordability issues had a direct impact on our cash flow targets.
	2. Current ratio	2.3	1.1	
	3. Cash as cover for current liabilities	1.6	0.5	
	4. Cost to income ratio	118%	113%	
	5. Revised Capex commitment	R17.3m	R423.6m	
	6. Revised Capex cash flow	R186.0m	R182.0m	A review of all our internal processes to eliminate bottlenecks while ensuring alignment with legal and procurement requirements is underway.
	7. Revised Capex capitalisation	R114.46m	R256.0m	
	8. Non-regulated business	R167.288m	R137.88m	

- KPIs not achieved
- Annual target
- KPIs achieved



Department of Transport key performance area #1: infrastructure build that stimulates economic growth and job creation



Manufactured capital

Relevant National Development Plan 2030 chapter:

Chapter 12: Building safer communities

Relevant Medium-Term Strategic Framework outcomes:

Outcome 3: All people in South Africa are and feel safe

Relevant Seven Apex Priority:

Priority 5: Social cohesion and safe communities

Prioritised UN SDGs:



3 – Good health and wellbeing



8 – Decent work and economic growth



17 – Partnerships for the goals

Our partnership sustainability lens

(linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
2. Ensure safety and efficiency of operations	9. Safety ratio	5.42	Safety ratio of 7 or less safety events per 100 000 flights	ATNS remains committed to providing safe and seamless services to our customers. We remain proud of our safety performance in the past years and are heartened that we have never had an accident attributable to ATNS. Notwithstanding that, we have experienced challenges in the current financial year where some of our targets were not achieved. Power failures to the main 4-wire (E&M) technology used to link information from the remote sites to the main centres, vandalism and theft, as well as several equipment failures due to recurring power outages that depleted the on-site backup battery supplies were the biggest contributors to the non-achievement of our system availability targets.
	10. Accident rate	0	Zero ATS-related accidents	
	11. Serious incident rate	3	Serious incident rate of 3 or less of serious (Cat A & B) safety incidents per 100 000 flights	
	12. SMS maturity	SMS maturity level C	SMS maturity level C	As part of the current NAVAIDS replacement project, alternative battery backup solutions are being installed. We are also piloting renewable energy as part of our sustainable solutions projects. We are reviewing spare-holding and repair turnaround times as well as the replacement of obsolete systems through our Capex programme.
	13. System availability – communication	96.52%	99.67%	
	14. System availability – navigation	93.74%	98.65%	In spite of the systems availability targets not being met, safety of our skies remains our highest priority and will not be compromised in any way.
	15. System availability – surveillance	99.41%	99.77%	
	16. Customer index	7.8	Improve index to 7.25	



KPIs not achieved



Annual target



KPIs achieved



Department of Transport key performance area #2: innovation



Intellectual capital

Relevant National Development Plan 2030 chapter:

Chapter 9: Improving education, training and innovation

Relevant Medium-Term Strategic Framework outcomes:

Outcome 5: A skilled and capable workforce to support an inclusive growth path

Relevant Seven Apex Priority:

Priority 2: Education, skills and health

Prioritised UN SDGs:



4 – Quality education



9 – Industry, innovation and infrastructure



11 – Sustainable cities and communities



12 – Responsible consumption and production

Our partnership sustainability lens

(linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
3. Be the leading training academy on the continent	17. Diversification of training product line and offering	100% RPAS training course developed and FY21/22 deliverables for this project achieved	80-89% of one new product line developed and offered to customers	As part of our objective of being the leading training academy, in the current financial year, we aimed to acquire a learner management system but this was not achieved due to internal operational issues and the inability to attract service providers who met our requirements. This resulted in delays to the planned timelines relating to our modernisation roadmap. Other avenues are being explored to fast-track the delivery of this objective and we remain committed to delivering on this in the next financial year.
	18. Modernisation/digitisation to deliver adaptive and efficient learning	50% implementation of the FY21/22 deliverables of the modernisation roadmap	Between 80 and 89% implementation of the FY21/22 deliverables of the modernisation roadmap	
4. Create an adaptive and innovative enterprise	19. Percentage completion of R&D projects to enhance safety, efficiency and the environment	92%	80% to 89% completion of approved R&D plan	ATNS remains committed to creating an adaptive and innovative enterprise with one of our deliverables in the year under review being to implement our activities outlined in our cybersecurity plan. The target was not achieved due to resourcing issues. In mitigating the high turnover in the department, a talent management process will be undertaken including a review of job gradings.
	20. Digital transformation	84%	Implementation of the digital transformation annual plan (80% to 89%)	
	21. Cybersecurity	NIST MIL 1.76 Tier 1 94%	NIST MIL 2 Tier 2 implementation of annual cybersecurity plan as per approved cybersecurity roadmap (80% to 89%)	
	22. ERP system implementation	2.7% 100% phase 1b scope and business case complete	ERP phase 1b scope and business case approved	



KPIs not achieved



Annual target



KPIs achieved



Department of Transport key performance area #3: job creation

Human capital

Relevant National Development Plan 2030 chapter:

Chapter 9: Improving education, training and innovation

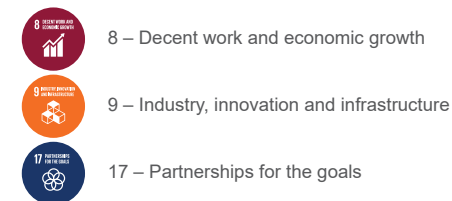
Relevant Medium-Term Strategic Framework outcomes:

Outcome 4: Decent employment through inclusive economic growth

Relevant Seven Apex Priority:

Priority 1: Economic transformation and job creation

Prioritised UN SDGs:



Our people sustainability lens (linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
5. Develop future-fit workforce	23. Implement the organisational design framework based on the implementation plan	63% implementation of the targets set out in the organisational design framework	Implement 80-89% of the targets set out in the organisational design framework	In line with our strategic objective of developing a future-fit employee workforce, we are committed to implementing our organisational design framework and culture programme activities. However, both programmes were delayed in FY22. The organisational design programme delay was attributed to a change of scope in the deliverables including the need to review the organisation's business model as a critical input into the design of a new operating model and, ultimately, the to-be structure. The culture review programme was delayed due to the impact of the section 189 of the Labour Relations Act process. We will continue to pursue these two key programmes in the next financial year and take into account the practicality of achieving the remaining deliverables and possible dependencies.
	24. Implement a culture review programme	65% implementation of the culture review programme	Implement 80-89% of the culture review programme	

KPIs not achieved Annual target KPIs achieved



Department of Transport key performance area #4: accelerating transformation towards greater economic participation

Social and relationship capital

Relevant National Development Plan 2030 chapter:

Chapter 3: Economy and employment

Relevant Medium-Term Strategic Framework outcomes:

Outcome 5: A skilled and capable workforce to support an inclusive growth path

Relevant Seven Apex Priority:

Priority 1: Economic transformation and job creation

Priority 6: A capable, ethical and developmental state

Prioritised UN SDGs:



Our people sustainability lens (linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
6. Increased business transformation	25. B-BBEE level	Level 2	Level 2 with 100% points on enterprise development	

KPIs not achieved Annual target KPIs achieved



Department of Transport key performance area #5: environmental protection

Natural capital

Relevant National Development Plan 2030 chapter:

Chapter 5: Environmental sustainability and resilience

Relevant Medium-Term Strategic Framework outcomes:

Outcome 10: Protecting and enhancing our environmental assets and natural resources

Relevant Seven Apex Priority:

Priority 6: A capable, ethical and developmental state

Prioritised UN SDGs:



9 – Industry, innovation and infrastructure



11 – Sustainable cities and communities



13 – Climate action

Our planet sustainability lens (linked to the capitals and our strategic objectives)

Strategic objective (Strategy 2025)	Key performance indicator	Annual actuals	FY22 annual indicator (target)	Performance challenges
7. Improved environmental stewardship	26. Implement an environmental management system (EMS)	EMS procurement process initiated; service provider appointed; draft contract being negotiated	EMS certification (head office and ATA)	We remain committed to enabling environmental stewardship through a number of programmes implemented and integrated in the core business. We aimed to acquire certification for the Head Office and Training Academy, however, due to delays in appointing a certification service provider the business was unable to deliver on this objective. ATNS will continue pursuing the certification process for the next financial year.



KPIs not achieved



Annual target



KPIs achieved



Rewarding value creation and preservation

Our Remuneration and Human Capital 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 Remuneration and Human Capital Committee meetings are presented to the Board. The effectiveness of the committee and the committee Chairman 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 in chapter 02 of this report with further details provided in our annual financial statements.

Our remuneration decisions have a direct impact on operational expenditure and profitability, including on or organisational culture, employee engagement and, ultimately, on ATNS's ongoing sustainability.

Our remuneration philosophy

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.

Our remuneration philosophy is operationalised through our remuneration practices and it is fully integrated into our overarching governance framework and remuneration-related processes, which include our total reward framework. Our total reward framework outlines our performance management processes, short-term incentives, rewards and recognition systems.

Given the competitive job market and the ongoing need to attract and retain high calibre specialists, the composition of remuneration packages plays a critical role. It goes without saying that remuneration also serves to reinforce, encourage and promote continued superior performance, especially in the context of staff morale issues brought about by the COVID-19 pandemic.

During our FY22 reporting period, the Board and Executive Committee identified 'employee experience' as a materiality theme, with skills scarcity, retention and COVID-19 impacts on employees being two of the key material matters relating to this theme.



For more information on this materiality theme, please refer to [page 36](#) of this report.

Benchmarking and position in the market

On an annual basis, our Remuneration and Human Capital Committee is tasked with ensuring the ongoing relevance, integrity and consistency of the benchmarking data they are presented with. Salary benchmarking is performed at least annually to keep track of market movements; however, this exercise was not performed in FY22, due to the introduction of cost containment measures in FY21 as an impact of the COVID-19 pandemic.

Our Human Capital Team is responsible for conducting both desktop remuneration benchmark analyses as well as engaging external specialists to provide the relevant data sets. This allows us to ensure that our compensation levels remain market-aligned and competitive.

ATNS's defined position starts at the 25th percentile of the market, and serves to support our Strategy 2025 of ensuring a future-fit workforce and the related organisational design and culture programmes. In certain instances, a premium is applied to attract talent to fill critical vacancies or where specialist and scarce skills are to be secured. In the year under review, there was limited recruitment due to the introduction of cost containment measures in FY21, as consequence of the COVID-19 pandemic.

The benchmarking of executive positions within the South African labour market poses several challenges to enable effective compensation comparability. This is due to the global nature of our business and limited comparator companies on the African continent. Our executive positions are generally benchmarked annually against South African-based executives by an independent survey house, ensuring that the comparator group is representative of our business model, region and sector. This independent assessment was indefinitely postponed as part of the organisation's cost conservation efforts and as such, no increases were applied to executive salaries in the year under review.



Components of remuneration

Our remuneration policy is linked to our organisational strategy and takes into account our operating environment, materiality themes, risks and opportunities, strategic objectives and key performance indicators. Our total remuneration consists of: guaranteed pay, variable pay and short-term incentives. We continuously strive to reduce the salary gap between female employees and male employees. During FY22, the salary scales of female employees were at 43% with the salary scales for male employees at 57%.

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 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.

For the year under review, no annual salary increases were implemented for any employees inclusive of executive management.

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, as well as rules of the fund, which require 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 on our pension fund. Variable pay for mission-critical positions includes variable allowances for the attraction and retention of key skills and experience.

During the year under review, no increases were applied to variable allowances.

Short-term performance incentive

Our annual short-term incentive scheme is a funded scheme and is dependent on the achievement of specified financial targets. Although ATNS is not required to make significant profits, we are required to operate within our shareholder-approved budget. 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.

No short-term incentives were granted for FY22 as some of the triggers had not been met in respect of the targets set for the financial year.



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 cost to company)
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	2.51–2.75	50%
Meets some expectations	<=2.50	0%
Does not meet expectations	<2	0%

Our section 189 process

The impact of the COVID-19 pandemic dramatically affected ATNS and had a negative impact on revenue in recent years. This led to the organisation implementing cost-containment measures from FY20. As salaries are one of the high cost items for ATNS, the management team sought to ensure cost reduction while limiting the impact on our employees.

In June 2021, we formally initiated proceedings under section 189 of the Labour Relations Act. This process included consultations with our recognised labour unions and the non-unionised employee committee (consulting parties). We have 876 employees who are members of bargaining units, with 83 employees being non-unionised members. 513 bargaining unit employees are part of SATAWU and 280 form part of Solidarity. In terms of percentages, 77.9% of our employees are part of a bargaining unit, while 20% are non-bargaining unit members.

Following consultation, the consulting parties agreed to implement voluntary severance and early retirement packages first, whereafter, if required, other mechanisms would be considered. The terms of reference for this process were developed to safeguard the retention of skills and capacity to continue to deliver important services to our customers.

We successfully concluded the section 189 process on 26 April 2022 without requiring any forced retrenchments.

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 indicators 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 outlined in [chapter 04](#) of this report. These indicators are directly linked to our ability to create value over the short, medium and long term.

Non-executive director remuneration and executive salaries and other costs

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


 Please refer to our FY22 annual financial statements for the tables that summarise executive remuneration and total expenditure on salaries in 2021/2022.



05 OUR OUTLOOK

Future-fit value creation and preservation

During a time of rebuilding, we reflect on our outlook as well as the interventions we are taking to ensure a future-fit organisation.

 In the 'our outlook' chapter of this year's report, we:

- provide you with our views of emerging trends that will influence our business model and strategy longer term
- explain how our sustainability mindset permeates all that we do at ATNS
- outline our transformation approach in the context of our sustainability lens of people, partnerships and the planet

Our outlook

Future-fit value creation and preservation

As we emerge from these challenging years worldwide, ATNS looks to rebuild for the future. As part of our outlook, and through our three rebuilding strategy phases – recovery, sustain, and reposition – our plans for sustainability and transformation go hand in hand. It is through careful, balanced and considered

approaches here that we will secure ATNS's position within aviation now and in the future. In rebuilding our organisation, we expect a future that is likely to be shaped by many of the strategic drivers, material trends and innovations described within this report and as outlined in the fact box below.

Our three-phased strategy execution approach to rebuild for the future

Within this report, we provide detail for the 2021/2022 reporting period, a period firmly contained within the 'recovery' phase of our recalibrated strategy. However, we know that, like ATNS, our stakeholders will be cautiously looking ahead. As we look to the future, and to our 'sustain' and 'reposition' phase, our approaches to sustainability and transformation are and will continue to become increasingly important. For this reason, this chapter explains our sustainability and transformation approaches, and initiatives relevant to these, that will be key to our future-fit value creation and preservation outlook. In addition, one of the key drivers for the Strategy 2025 implementation is having the required skills and appropriate organisational design that supports the intended outcomes.

Recovery phase up to 2 years

- Analyse impact on internal and external environment
- Reset targets
- Reprioritise operations
- Ensure business continuity
- Drive cost containment
- Promote cash preservation
- Fast-track digitalisation

Sustain phase 2 - 3 years

- Review operational environment
- Conduct financial remodelling
- Review strategic objectives
- Reset targets, as required
- Reshape strategy for business continuity
- Reassess financial and operational risks
- Implement modernisation programmes
- Diversify product line
- Build partnerships

Reposition phase 4 - 5 years

- Review operational environment
- Build resilience and agility
- Create long-term value
- Diversify revenue streams
- Implement growth strategy
- Nurture and strengthen partnerships
- Review end-of-term strategy
- Develop the next 5-year strategy

Future trends relevant to our outlook

In rebuilding for the future, and throughout our three-phased strategy execution approach, we are considering the following future trends derived from the IATA Future of Airline Industry 2035 publication.

- Strength and volatility of the global economy
- Infectious disease and pandemics
- Geopolitical instability
- Changes in international trade and borders
- Global population growth driven by Asia and Africa
- Alternative modes of transport
- Alternative fuels and energy sources
- Urbanisation and the growth of megacities
- Middle-class growth in China and the Asia Pacific region
- Global ageing
- New aircraft designs
- Terrorism threats
- Expanding human potential
- Robotics and automation
- Internet of Things
- Cybersecurity
- Tensions between data privacy and surveillance
- International environmental regulations
- Extreme weather events
- Circular economy
- Fuel prices
- Air industry supply chain changes
- Changing nature of work and competition for talent
- Bribery and corruption
- Strength of governance
- Increasing influence of alternative regional and global institutions

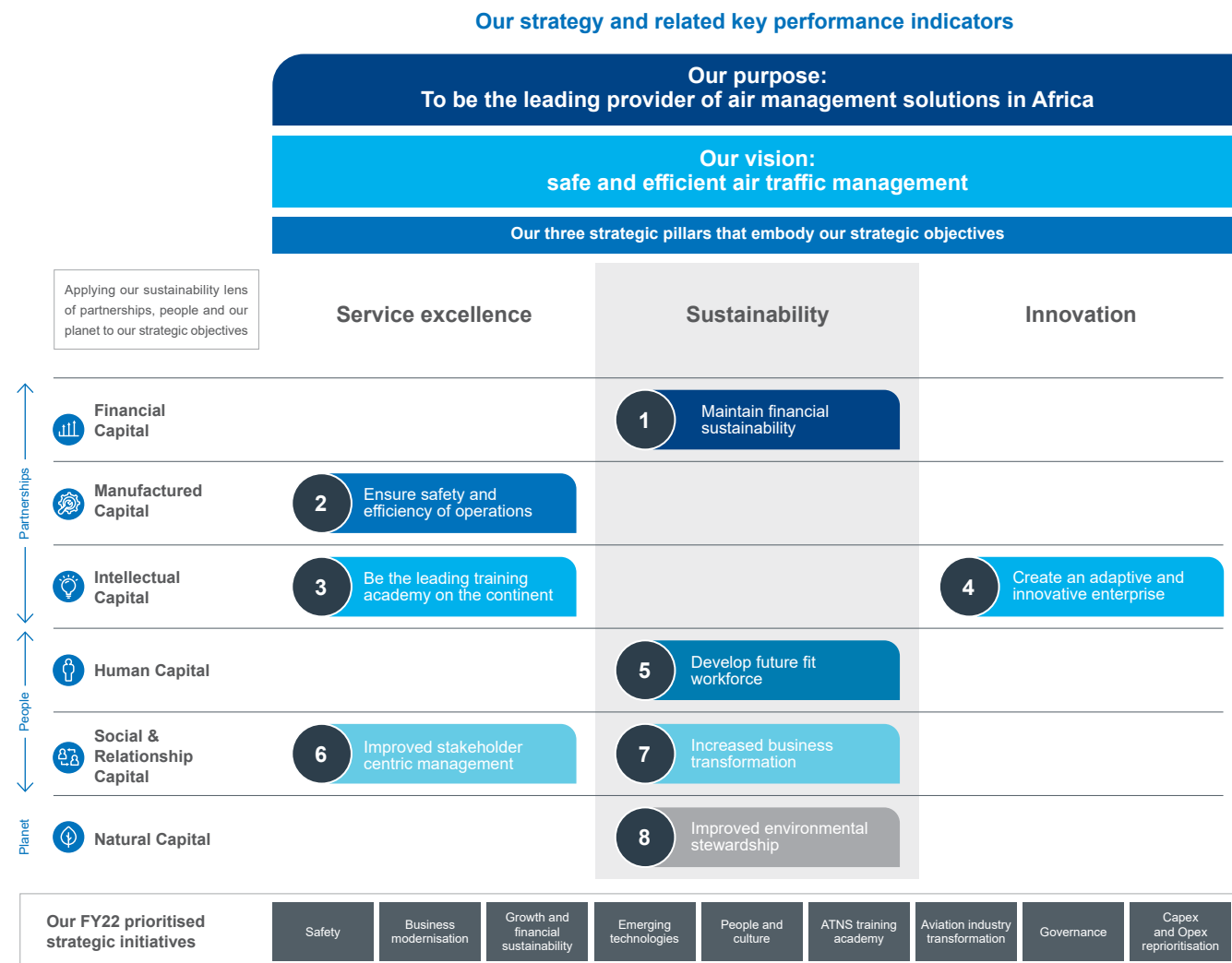
Our sustainability approach

An ethos of sustainability is a key part of ATNS's outlook as we rebuild the organisation. Sustainability is not only a way of operating, it is a core strategic pillar within our strategy, with our objective being to nurture a resilient and responsive organisation that can preserve and create long-term value for all of our stakeholders. Our commitment is not only to secure a prosperous and sustainable future for aviation for South Africa but to contribute to a future-fit aviation industry through our footprint across the African continent and beyond.



Leadership for sustainability through the lens of partnerships, people and planet mean the following for us at ATNS

In chapter 03 of this report, we show how our sustainability lens of partnerships, people and planet cut across our strategic pillars and relate to specific strategic objectives. For convenience, we are also including part of the infographic here. In this section of the report, we highlight the broader context in which we apply our sustainability lens of: partnerships, people and planet.



In the context of 'partnerships', it refers to:

- facilitating meaningful and transparent stakeholder relations
- maintaining our high standards of ethics
- evolving integrated, context-based, and transparent reporting
- building strong partnerships to support the future of aviation

In the context of 'people', it talks to:

- caring for the wellness of our people
- fostering the scarce competencies that enable us to rebuild and lead in our field
- investing in infrastructure to serve stakeholders into the future
- considering future sustainability in the management of our financial resources
- ensuring safe skies and the safety of our people, suppliers, customers, and the ATM community

In the context of 'planet', it means:

- being full of care in how we impact our environment
- instilling a sustainability mindset in our daily operations
- developing innovations that make us proud

Our sustainability framework

In pursuit of a culture of sustainability, ATNS has identified three key areas that must be addressed to ensure our business is viable and relevant for the future: economic, social, and environmental sustainability. Relevant to all three areas, we continue to integrate sustainability principles within ATNS activities, products, and services, which enable us to make strategic decisions that consider sustainability impacts across the business's entire life cycle, from our infrastructure and service planning through to the ultimate de-commission stage. That said, we recognise that sustainability is a journey and we are committed to ensuring each of these areas are well-rooted within ATNS moving forward. Our longer-term aim is to achieve corporate citizenship as well as sustainable development, which is crucial for our and society's wellbeing. Doing so will support ATNS to continue to thrive in a changing world.

In developing and positioning our sustainability framework, ATNS has considered economic, social, and environmental outcomes relevant to the broader sustainability requirements, frameworks, and guidance from stakeholders, partners, and global sustainability entities. For us, this has meant a focus on the Minister of Transport's Statement of Strategic Intent, our Shareholder Compact, IATA's Vision for 2050, the South African National Development Plan, and the UN's Sustainable Development Goals. Our thinking around sustainability has benefited from integrating all of these materials.

To support the operationalisation of our sustainability ethos, ATNS has defined its Sustainability Framework in the context of a cyclical representation of our business flow following four phases: enable, engage, grow and preserve. This has enabled ATNS to demonstrate the integrated nature of our business and to frame how our business outcomes contribute to sustainable development.

Our sustainability framework has also supported us in:

- Building an integrated and intelligent view of the synergies and trade-offs between the various areas of performance in our business.
- Reporting sustainability performance progress to stakeholders holistically and transparently.
- Continuing to innovate our reporting mechanisms to better assess the interrelatedness of material performance information.
- Planning as we rebuild for a future based on a candid analysis of our sustainability outcomes.

Safety enabling sustainability

Our approach to sustainability demonstrates our ability to manage our economic, social and environmental impacts while enhancing operational efficiencies and fostering innovation.

Safety remains the first and overriding priority in air traffic management, to ensure safe service provision to our customers and safe operations for our employees, partners, suppliers, and the air traffic management community. The implementation of our safety management strategy, with the support all key stakeholders, enables us to continue to provide safe and efficient services to our customers.

At ATNS, we use various metrics to measure safety to better understand, address and mitigate against safety risks.

Serious Incident Rate (SIR): the serious incident rate measures the number of serious incidents (Category A and Category B), which are safety incidents with a high severity level that are attributable to ATNS (that is to say, those incidents that occur due to air traffic control operations) against the cumulative number of flights recorded. ATNS has set a maximum target of 3 serious incidents per 100 000 flights, calculated over a twelve-month period.

Accident Rate (AR): an accident is 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 all such persons have disembarked, and in which:

- a person is fatally or seriously injured; or
- the aircraft sustains significant damage or structural failure.

Safety Ratio (SR): the safety ratio is the number of safety incidents attributed to ATNS per 100 000 flights based on the total number of flights recorded. ATNS has set a maximum target of seven incidents per 100 000 flights, calculated over a twelve-month period.

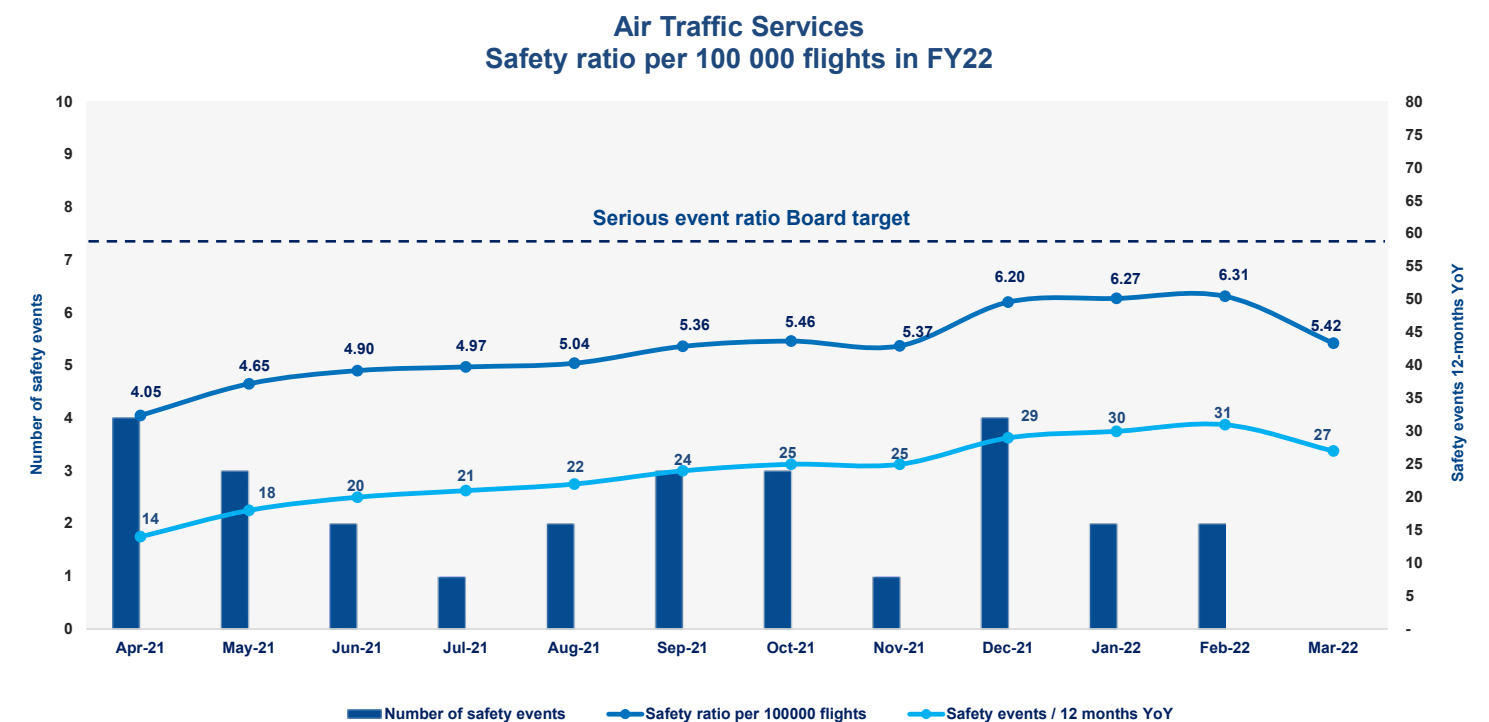
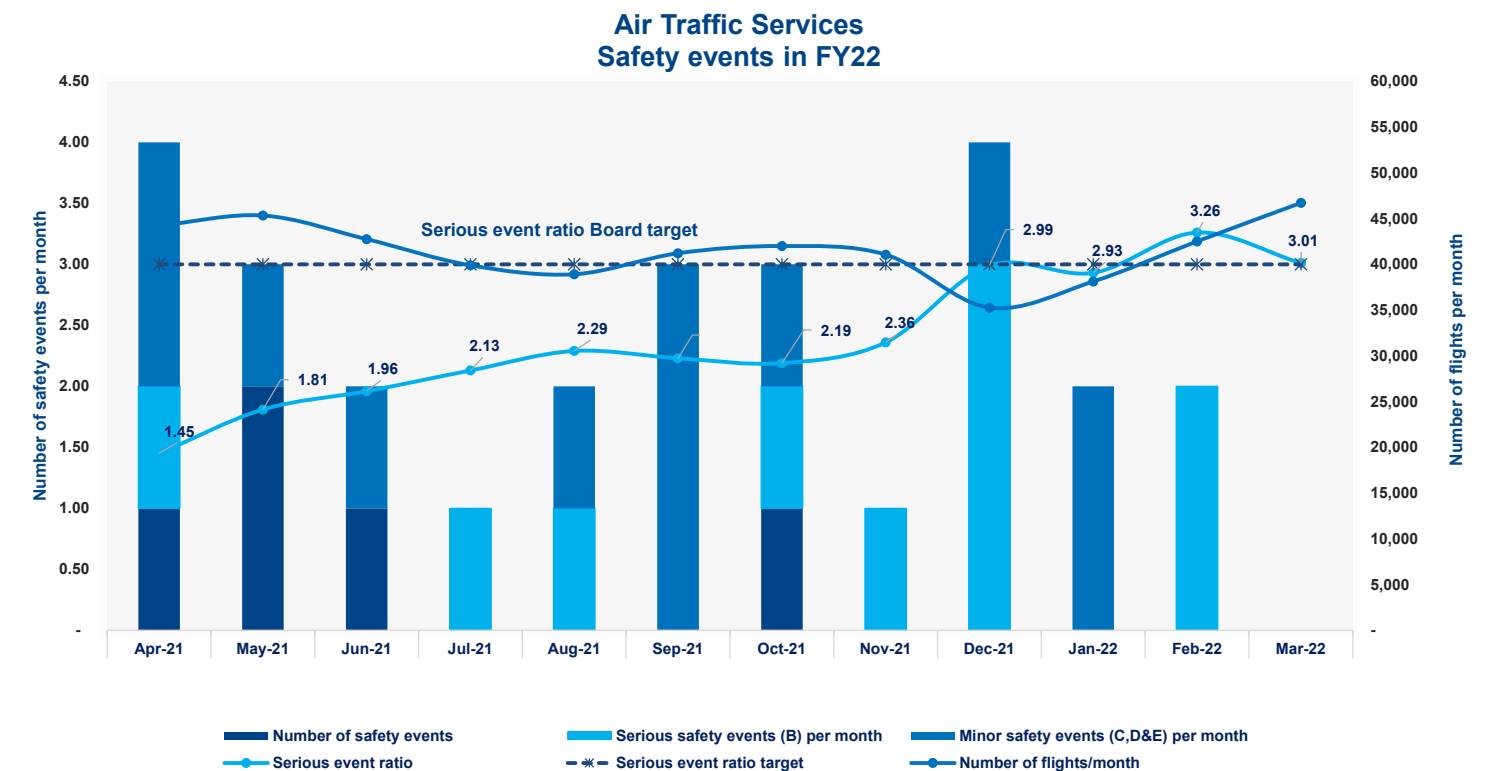
During FY22, our safety management system (SMS) recorded a total of 27 safety events, which consisted of 10 loss of separation (LoS) events, 8 runway incursions, 6 AIRPROX* events and 3 air traffic controller operational events.

* an AIRPROX is defined as 'a situation in which, in the opinion of a pilot or air traffic services personnel, the distance between aircraft, as well as their relative positions and speed, have been such that the safety of the aircraft involved may have been compromised.

Our safety performance for FY22

Safety metric	FY22 achievement	FY22 target
Accident rate (AR)	Zero	Zero
Serious incident rate (SIR)	3	3
Safety ratio (SR)	5.42	7
SMS maturity level	Level C with 59% above Level C	Level C with 50% above Level C

The graphs below summarise our safety performance per month for the 2022 financial year.



Governance for sustainability

Integrated within ATNS's governance approach, sustainability governance reporting is directed through the appropriate ATNS Board committees according to their core areas of accountability. For example, our Social and Ethics Committee provides overall steer and direction on our sustainability framework and related policies. In turn, our Audit and Risk Committee has oversight of our sustainability-related risks and opportunities.

Each of our Board committees also review the actions taken to address the various threats to our sustainability, which we explain in greater detail under our materiality themes in chapter 03 of this report. These threats, in the context of ATNS and the aviation industry, include but are not limited to climate change imperatives, cyber-threats, competition for skilled employees and severe weather events.

To help us to address these threats, we ascribe to and integrate the various plans, outcomes and goals outlined in the fact box to the right of this page.

Integrating thinking on sustainability for the future

In considering ATNS's rebuild and reset plans, we have integrated the following materials into how we perceive and seek to achieve sustainability in aviation.

The Minister of Transport's Statement of Strategic Intent and Shareholder Compact

ATNS's activities are informed by the Minister of Transport's Statement of Strategic Intent as well as our Shareholder Compact. The Compact is a performance and operational agreement signed with the Department of Transport. We are further guided by the Medium-Term Strategic Framework (MTSF) 2014 – 2019, which is the first five-year implementation plan of the South African National Development Plan. The Department of Transport and ATNS focus on the implementation of five of the 14 MTSF outcomes:

- **Outcome 3:** All people in South Africa are and feel safe
- **Outcome 4:** Decent employment through inclusive economic growth
- **Outcome 5:** A skilled and capable workforce to support an inclusive growth path
- **Outcome 6:** An efficient, competitive, and responsive economic infrastructure network
- **Outcome 10:** Protect and enhance our environmental assets and natural resources

South African National Development Plan 2030

ATNS's Strategy 2025 supports the following National Development Plan enabling milestones:

- Increase employment from 13 million in 2010 to 24 million in 2030
- Raise per capita income from R50 000 in 2010 to R120,000 by 2030
- Increase the share of national income of the bottom 40% from 6% to 10%
- Establish a competitive base of infrastructure, human resources, and regulatory frameworks
- Ensure that skilled, technical, professional, and managerial posts better reflect the country's racial, gender, and disability makeup
- Establish effective, safe, and affordable public transport
- Play a leading role in continental development, economic integration, and human rights

IATA Vision for 2050

Just as the past decade has seen airlines become leaner, greener, safer, and stronger, IATA, the global trade association of airlines, envisages that the aviation industry will change significantly in the next few decades. Numerous drivers will impact value creation and preservation within the aviation industry of the future, not least of all the consequences of the COVID-19 pandemic.

IATA categorises possible change according to four cornerstone principles: profitability, the consumer, infrastructure, and technology. However, specific drivers impacting industry sustainability are likely to include:

- Changes in the customer base, supplier profile, new market entrants, and substitutes for aviation
- Increases in the intensity of rivalry, alongside altered bargaining power of customers and suppliers
- Possible changes in how aviation is governed and regulated
- Changes in aircraft configuration potentially impacting air traffic volumes
- Improved efficiency engines and engine architectures
- Quiet and clean technology, and alternative fuels
- Increased aircraft operating capabilities through improved information sharing
- Environmental protection becoming an assumed fundamental requirement

The UN's Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015, provides a blueprint for peace and prosperity for people and the planet, now and into the future. The agenda is operationalised through 17 Sustainable Development Goals (SDGs), and each represents an urgent call for action by all countries through global partnership.

ATNS has adopted 10 of the most directly relevant SDGs to our role in helping combat society's largest global sustainability challenges:



Our transformation approach

The importance of transforming our business and the aviation sector within South Africa, the African continent and beyond are underpinned by our mandate, as a state-owned company, to support effective and sustainable socio-economic change. We are particularly cognisant of the contribution we can make through business transformation to goals, outcomes and objectives outlined within South Africa's National Development Plan and the United Nations Sustainable Development Goals.

Our primary business transformation objective is to promote skills development and the development of small and medium enterprises who participate in the economic activities of the country to create further employment opportunities and sustainable growth.

Our aims for transformation are also about positioning ATNS to adopt new technologies and innovations, and ensuring we maintain our infrastructure and research and development projects sufficiently such that we can rebuild and take advantage of opportunities the future

aviation landscape presents. As such, despite financial constraints, ATNS continues to execute core infrastructure projects and to advance research and development activities. Our core infrastructure projects enable us to maintain our current infrastructure while rebuilding our capabilities and planning for further expansion into Africa. Similarly, our research and development initiatives are underpinned by the need to maintain our competitive edge in the provision of air traffic navigation and management services into the future. Our work plays a key role in supporting both the public and private sector through directed research aligned with the country's priorities, ATNS's mandate, our science, engineering, and technology competencies, and our manufactured and intellectual capitals.

The following sections illustrate with examples how we are realising our sustainability and transformation approaches using our sustainability lens of partnerships, people and our planet.

Key performance indicators to support our transformation approach

Strategic objective: develop a future-fit workforce

ATNS requires an operating model that can respond to an evolving external environment and improve decision-making abilities within an ever-changing world. Our ability to create long-term sustainable value is linked with the capabilities, knowledge, skills and experience of a future-fit workforce.

Strategic objective: increase business transformation

From a supplier and enterprise development perspective, our overarching goal is to create the platform for inclusive and stable growth that supports new suppliers, small businesses and the aviation sector through focussed interventions.

Strategic objective: improve environmental stewardship

Environmental stewardship is important to many of our stakeholders. Not only will this strategic objective support ATNS in preserving the world's natural capital, environmental stewardship often also improves operational efficiencies, minimising the erosion of financial capital.



Detail of our performance beneath these three and our other five strategic objectives can be found in [chapter 04, pages 52 to 56](#), of this report.



Transformative research and development

During the year under review, the following research areas were advanced to harness innovative products and business operational efficiencies:

- Passive radar collaboration for the Council for Scientific and Industrial Research (CSIR) together with an SMME aimed at stimulating the development of a new sector.
- Bonaero Integrated Situational Awareness prototype (BONISA) programme aimed at developing ATS display systems to improve situational awareness by providing useful information to air traffic controllers. Market launch date of 2027.
- Off-the-grid site installations (renewable energy initiatives) completed at Kruger, De Aar and Upington.
- Runway Occupancy Alert System (ROAST) research into an AI-based application aimed at using speech recognition technology to prevent runway incursions by alerting tower controllers of impending conflicts during a small error correction window. Market launch date of 2027.



Our people

Capitals impacted



Human capital



Intellectual capital

Prioritised UN SDGs impacted



3 – Good health and wellbeing



8 – Decent work and economic growth



10 – Reduced inequalities

Our people are central to sustainable value preservation and value creation, both now and in the future, and they will remain a key part of any transformation plans. ATNS seeks to recruit, develop and retain the right skills within the organisation to ensure we have a future-fit workforce to execute our Strategy 2025 and beyond.

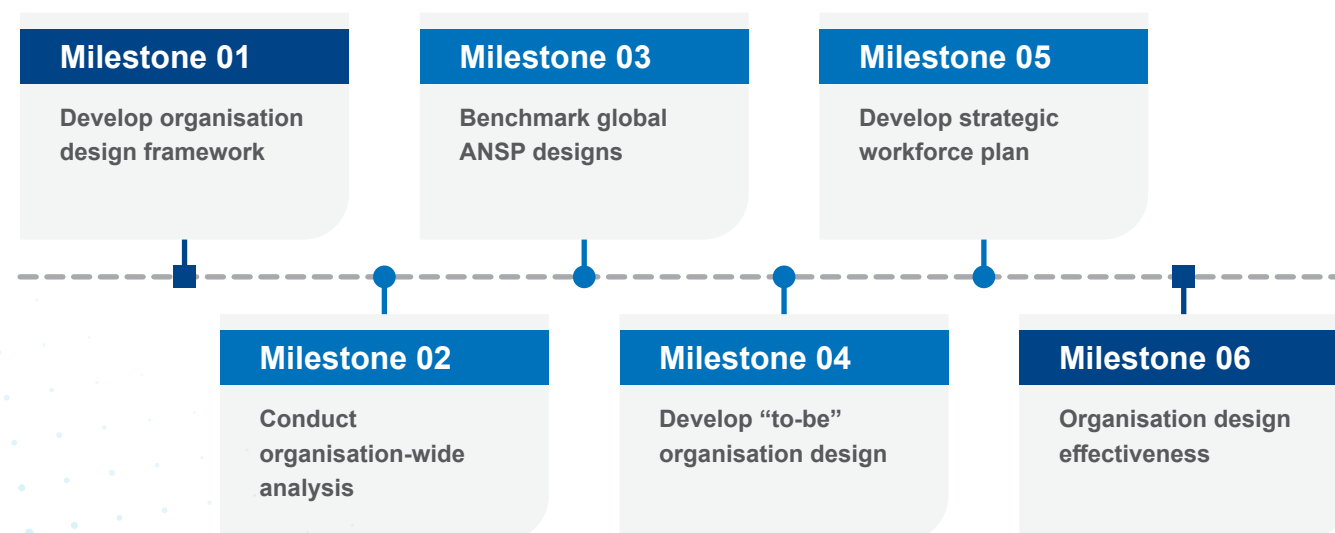
As much as core skill sets are vital, it is equally important to us at ATNS that our people share our organisational values and enable us to achieve our aspirational culture and longer-term strategic objectives. These are aspects we are increasingly aligning with our sustainability ethos, including through strong leadership for sustainability, and through our business transformation approaches.

Our core activities relevant to our outlook for our people are summarised in this spread.

Transforming our culture and values

Taking account of new ways of working, which have impacted staff morale, engagement, and cultural dynamics within the workplace, last year we embarked on an initiative to evaluate key organisational elements essential to executing our strategy, including our culture and values.

One of the key drivers for our Strategy 2025 implementation is having the required skills and appropriate organisational design that supports the intended outcomes. Accordingly, ATNS requires an operating model that can respond to external factors and improve decision-making abilities. The operating model also plays a role in improving employee morale and engagement, while creating a high-performance culture. The review and realignment of our organisation design followed a milestone approach, in line with global best-practice. The following are the high-level milestones for the organisation redesign programme.



Skills development for the future

In the context of a transforming aviation sector, investment in training and development continues to remain a high priority within ATNS. Our skills development initiatives embed 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. A priority for ATNS remains the accreditation of people in the sector through the South African Qualifications Authority (SAQA) and National Qualifications Framework (NQF).

The current challenging financial environment has had a knock-on effect on the funding we have been able to dedicate towards training. Currently, we are prioritising existing bursaries, short courses and conferences covering a broad spectrum of topics.

Transformation that secures equality of opportunity

A key priority in relation to our people is transformation of the workplace to become representative of the demographic profile of South Africa. Our ongoing equal opportunity initiatives have a specific focus on the African, Indian, Coloured (AIC) designated group, women, youth, and people with disabilities. In line with the Employment Equity Act, our five-year employment equity plan (2020-2025) encompasses the following objectives:

- Working towards creating a balanced profile of employees across 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

Future skills needs in a technologically advancing world

ATNS's long-term planning has identified future challenges around the skills that we will need to evolve within a globally-competitive, technologically-driven aviation environment. The outlook of the sector suggests that present skills will either be replaced by technological functions, thereby rendering them redundant, or those skills will have to be adapted to match yet unknown competency requirements.

This awareness forms an integral part of our long-term infrastructure and human resource planning. Accordingly, we have initiated an organisational realignment process, spanning until 2030, to help us transition into an environment where we can counterpoise our exploration of advanced technologies to create greater operational efficiencies with our directive as a state-owned company, to address the challenges of structural unemployment and poverty in South Africa. The plan coincides with the South African Government's National Development Plan timeframe and it further aligns our social developmental efforts with Government, as we balance the development needs of our country with the growing infrastructure and efficiency requirements of our industry globally. It also aligns with our adopted and prioritised UN SDGs.

Employment equity performance in FY22

Occupational levels	Male					Female							
	African	Indian	Coloured	White	Foreign Nationals	African	Indian	Coloured	White	Foreign Nationals	Total	AIC%	Female%
Top management (CEO & CFO)	1	0	0	0	0	0	0	0	0	0	1	100.00	0.00
Senior management (Execs)	6	0	0	0	0	5	0	0	0	0	11	100.00	45.45
Professionally qualified and experienced special (grade 5-6)	20	4	0	3	1	9	1	2	1	0	41	87.80	31.71
Skilled technical workers junior managers (grade 7-8)	281	41	44	134	6	393	31	32	61	1	1024	80.27	50.49
Semi-skilled and discretionary decision (grade 9-12)	12	0	2	0	0	3	0	0	0	0	17	100.00	17.65
Unskilled and defined decision making (grade 13-17)	9	0	0	0	0	21	0	0	0	0	30	100.00	70.00
Sub-total	329	45	46	137	7	431	32	34	62	1	1124	81.58	49.73



Our partnerships

Capitals impacted

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

Prioritised UN SDGs impacted

-  3 – Good health and wellbeing
-  4 – Quality education
-  7 – Affordable and clean energy
-  8 – Decent work and economic growth
-  9 – Industry, innovation and infrastructure
-  10 – Reduced inequalities
-  11 – Sustainable cities and communities
-  12 – Responsible consumption and production
-  13 – Climate action
-  17 – Partnerships for the goals

To enable a sustainable future, the importance of building stronger partnerships and relationships across the continent and throughout the broader aviation sector has been elevated. Despite the challenging environment, ATNS and our partners have a critical role to play in the long-term, sustainable success of the aviation industry in South Africa and across the African continent. In addition to the research and development partnerships outlined previously, some of ATNS's key partnerships for supporting our sustainability and transformation objectives are highlighted in this spread.

Partnership to sustain aviation and health during the pandemic

Under the leadership of the Transport Minister, ATNS collaborated with the Department of Transport, Airports Company South Africa (ACSA), and the South African Civil Aviation Authority (SACAA), to monitor and put in place measures to mitigate the risks and impacts caused by the pandemic. Assessment exercises were carried out across all nine ACSA airports, in accordance with the WHO advisory, ensuring screening measures were implemented to limit the risk of exportation or importation of the disease, without unnecessary restrictions on domestic and international air traffic.

Strategic partnerships with selected technology vendors, original equipment manufacturers and other air navigation service providers hold the key to unlocking and seizing additional revenue opportunities in support of the company's Strategy 2025. Key partners in areas of air traffic management solutions and associated services, including, aeronautical surveys, simulators, training platforms and safety management systems, were identified during this reporting period and collaboration agreements are in process of being finalised.

Transformation through enterprise and supplier development

We recognise the importance of an integrated approach to broad-based black economic empowerment, to transform the aviation sector and to promote inclusive economic growth in South Africa. This also aligns with UN Sustainable Development Goal 10 – 'reduced inequalities'. We hold a level 2 B-BBEE contributor status with the certificate in place until January 2023.

In an effort to drive value-adding transformation, one of our areas of transformation focus relates to our enterprise and supplier development partnerships. As part of our enterprise and supplier development strategy, we focus on:

- Procuring goods and services from black-owned, women-owned, youth-owned and owned by people living with disabilities, guided by the provisions of the Preferential Procurement Policy Framework Act and the Broad-Based Black Economic Empowerment Act and their associated regulations and codes of good practice
- Providing training to existing and new suppliers with the potential to provide a wider range of specialist and technical services required by the aviation sector
- Reaching out to the communities through carefully considered corporate social initiatives with a focus on education
- Earmarking skills development spend for previously disadvantaged employees with high potential

Partnership for climate change

As an ANSP, ATNS recognises the role it plays in climate change-related emissions as a result of aviation activities. Reducing carbon emissions is aligned with UN SDG 13 – 'climate action' and it is one of the national outcomes identified for ATNS by the Department of Transport.

As part of ATNS's response to climate change, we are one of the founding members of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE). INSPIRE is a collaborative network of airlines, ANSPs, and airport partners across the Arabian Sea and Indian Ocean region dedicated to improving the efficiency and sustainability of aviation and reducing aviation's impact on our environment.

Important projects taken forward by INSPIRE include an initiative to develop recommended procedures, practices, and services with potential to improve fuel efficiency and emissions reduction during the departure phase, the oceanic phase, and the arrival phase. The work produced as part of this partnership has helped inform ATNS's practices and our adoption of new technologies.

Corporate social investment partnerships for sustainability and transformation

Notwithstanding cash conservation measures, we continue to invest in quality education to reduce inequality and to make careers in the aviation sector both sought-after and possible. We also continue to invest in the local communities within which we live and work. Much of our CSI activities are delivered in partnership, which supports ATNS in reaching those we seek to support and delivering greater value than what we could deliver alone.

For ATNS, our corporate social investments represent a key means of ensuring that any value we create also contributes to the sustainable value creation of our wider communities and society, one of our key stakeholder beneficiaries and relevant to our adopted UN SDG 11 – 'sustainable cities and communities'.

Our supply chain partnership approach

Our supply chain management is aligned with our approved supply chain policy, which is in line with the national regulatory framework to ensure transparent management of our supply chain and procurement of goods and services, in accordance with our approved governance requirements. Through our supply chain policy and our supplier engagements and partnerships, we strive to contribute to the advancement of lives of previously disadvantaged individuals while facilitating sustainable development. The promotion of socio-economic objectives through public procurement is guided by the provisions of the Preferential Procurement Policy Framework Act and the Broad-Based Black Economic Empowerment Act and their associated regulations and codes of good practice.

Socio-economic development

ATNS drives socio-economic development through the following focus areas:

- Education focussing on science, maths and technology (SMT) subjects
- Skills development and training
- Environmental management
- Staff initiatives and support
- Sports, arts and culture within schools

As our CSI priority, ATNS invests in education with special focus on SMT subjects. This is achieved by forging a strategic partnership with the Department of Basic Education in the donation of learning infrastructure in the form of computer and science labs.

The initiatives embarked on in the 2021/2022 financial year all serve to support the National Development Plan's (NDP) goal of investing in quality education with the intention of reducing inequality, especially where it refers to careers in aviation. This also serves to advance one of our prioritised U.N. SDGs of quality education.

Another goal adopted from the NDP relates to the economy and employment where our programmes are directly advancing employment and business opportunities to communities in which our adopted schools are situated.

Our various initiatives are also influenced by the implications of the COVID-19 pandemic that have called for a heightened priority on e-learning. As a result, most of the initiatives undertaken during the year in review focussed on information and communications technology (ICT) donations.

ATNS supports CSI initiatives as a moral imperative. Despite our declining corporate profitability margin (a direct negative result of the COVID-19 pandemic), ATNS maintained our CSI budget allocation of R5 million.

In the previous financial year, ATNS shifted some funding outside of our main focus areas to respond to the COVID-19 pandemic crisis. In the year under review, all initiatives undertaken are in line with the company's CSI policy and, therefore, our value creation in areas of focus have not been eroded.



Our planet

Capitals impacted



Natural capital

Prioritised UN SDGs impacted



3 – Good health and wellbeing



7 – Affordable and clean energy



11 – Sustainable cities and communities



12 – Responsible consumption and production



13 – Climate action

The aviation industry's impacts on the environment are evident globally and appropriate legislative frameworks are being adopted by the ATM sector worldwide. ATNS aims to promote environmental sustainability through continuously improving air traffic management practices. We are integrating our sustainability practices into our operations and services to enhance our ability to achieve our purpose as well as contribute towards the achievement of our strategic objectives, including in relation to environmental stewardship.

As an ICAO member state, ATNS supports and complies with standards and regulations set out to reduce the aviation sector's harmful impacts on the natural environment. ATNS supports the activities of ICAO's Technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and producing recommendations for minimising the impact of aviation on the environment.

By continuously improving processes, ATNS has an opportunity to provide added value and value preservation to airspace users through, for example, a decrease in fuel usage, a reduction in fuel costs, and reduced CO₂ emissions.

We are looking to:

- design, develop and operationalise a tool to report and monitor carbon emissions and operational performance.
- develop a software system that will assist in monitoring operational performance and carbon emissions of flights
- develop a system to assess noise pollution, fuel burn and aircraft emissions and to improve the reporting on aircraft emissions

Promoting efficiencies and reduced carbon emissions

ATNS uses energy and fuel to provide communication, navigation, and surveillance services to airlines and to facilitate the safe movement of aircraft in controlled airspace. We are continually conscious of the need to effectively manage electricity consumption within our daily operations to minimise the risk of inefficiencies and operational cost increases.

We promote various operational efficiencies, including fuel-efficient routing, optimal traffic flow management and Performance-Based Navigation (PBN). PBN utilises improved navigation capabilities to enable more accurate operations in the departure, en-route, and arrival phases of flight, which enables reduced separation between aircraft and facilitates optimum trajectories, resulting in reduced fuel burn and a reduction in CO₂ and noise emissions. ATNS worked in partnership to develop a National PBN Roadmap and National PBN Implementation Plan in collaboration with the ATM community.

As an air navigation service provider, ATNS exerts influence on carbon emissions from aircraft, mainly in terms of the efficiency of the ATM network.

Airspace quality and noise reduction

On an ongoing basis, we assess the effectiveness of our air traffic management interventions to reduce aircraft emissions and noise impacts. Aircraft produce noise during various phases of flight - on the ground while parked (such as auxiliary power units), while taxiing, on run-up from the propeller and jet exhaust, during take-off, underneath and lateral to departure and arrival paths, over-flying while en-route and during landing. ATNS is mindful of this and takes steps to reduce noise pollution and maintain airspace quality as part of our operations. We are also in the process of developing an operational efficiency tool that will assist in deciding upon optimal routes for aircraft, along with providing estimations of fuel burn.

In partnership and through thought-leadership as part of the CANSO Environmental Committee, ICAO's technical Committee on Aviation Environmental Protection (CAEP) and related technical working groups, ATNS is contributing to establishing global standards for minimising airspace noise and improving air quality.

Waste management

We are committed to continually improving our waste management practices. Key activities for sustainable waste management include:

- Training and awareness campaigns on waste management across the organisation
- Integration of waste management aspects in the corporate objectives of ISO 14001:2015 EMS
- Collaboration with external parties, for example, our landlord, ACSA, and municipalities for the collation and analysis of waste management information, where applicable
- Scheduled audits to assess and improve waste-related activities

As a circular-economic ethos is embraced globally, ATNS anticipates opportunities for moving towards more environmentally accountable waste management practices.

Water efficiency

While water usage relates mainly to consumption purposes, South Africa remains a water-stressed country and we aim to manage our water consumption with due care. Various water conservation measures are implemented across the organisation including:

- Collaboration with external stakeholders (ACSA and municipalities) to collate data related to water consumption for ATNS operations, where applicable, so that we have a better understanding of how to improve usage.
- Integration of water efficiency elements in new and refurbishment projects. Most notably, water efficiency elements have been incorporated into both the Aviation Training Academy and OR Tambo Centre refurbishment projects.

Biodiversity management

ATNS is prioritising organisational activities with potential impacts on biodiversity. We have infrastructure sites located across South Africa, with some sites located within or close to conservation areas. These sites require a more focussed approach to biodiversity management. The Radar Replacement Project in Blesberg is one such site, situated in the Cape Nature Reserve in the Swartberg Mountains of the Western Cape. Developmental activities for both new and existing (expansion) projects are screened for potential biodiversity impacts, and the necessary mitigation measures are implemented, including the development and implementation of environmental management programmes.

Sustainable development trade-offs

ATNS manages both modern and older aircraft, particularly on the African continent. Older aircraft serve a direct purpose on the continent, whether that be in supporting global food programmes or peace endeavours. There is, therefore, a trade-off for ATNS and partners alike ensuring the airspace can continue to accommodate older aircraft while being cognisant that they may be less fuel-efficient. The carbon emissions of the older aircraft are weighed against the much-needed contribution they are making toward socio-economic development on the continent.

Educating our people on environmental impacts

Training and education on environmental impacts form an integral and strategic part of our overall drive to create long-term environmental sustainability. Our training programmes relate not only to our sector's need to curb carbon emissions, but also extend to the responsible management of our natural resources, such as airspace quality and protected habitats, as well as our management of energy, in the form of electricity and non-renewable resources, such as fuel. To execute this, the organisation has implemented the sustainability (e-learning) training programme with content that aligns to ATNS operations, including our air traffic services, technical services and other organisational functions. We further drive awareness through the ongoing commemoration of key environmental and sustainability calendar days and other global events. These examples illustrate how our sustainability agenda for our planet and transformation agenda for our people are beneficially colliding to help shape the future of aviation.

Our sustainability performance in FY22

Our carbon footprint

ATNS, as a state-owned company, is mandated by our shareholder, the Department of Transport, to respond to climate change by implementing measures to reduce emissions. This imperative is also in line with the aviation sector and ICAO's goal of reducing aircraft emissions.

Our carbon footprint reporting is conducted in line with the greenhouse gas protocol and aligns to the CANSO carbon footprint reporting guideline. The reporting includes both direct and indirect emissions from company-owned mobile, stationary sources, electricity and business travel. In supporting the credibility of our report and data management processes and providing assurance, we initiated a carbon footprint verification assessment during our 2021 financial year. Phase 1 of the project was aimed at assessing greenhouse gas emissions and reporting over a three-year period (April 2019 to March 2022). At the start of the 2023 financial year, we initiated phase 2 of the project aimed at addressing the outcomes of phase 1 and to assess our reporting alignment to other carbon disclosure requirements such as relating to carbon tax, the Carbon Disclosure Project and the Task Force on Climate-related Financial Disclosures.

Our performance is summarised in the tables below.

Carbon emissions

Tonnes CO ₂ e	FY22	Comments
Scope 1 (fuel)	436.02	Increase in the diesel intake by the fleet (vehicles) has significantly resulted in the large proportion of emissions for Scope 1. The addition of 4 more vehicles using petrol slightly contributed to the increase as well.
Scope 2 (electricity)	7 876.29	In comparison with average performance, Scope 2 emissions reduced. This is attributed to a reduction in the consumption of electricity from three accounts (Eskom, ACSA, and municipalities). ACSA was the biggest contributor, with over 50% of the electricity reduction, while Eskom and the municipalities have contributed 37% and 19%, respectively.

NOTE: Calculations are based on Scope 1 and Scope 2 information only

Emissions intensity

Emissions intensity	Unit measure	FY22
Per air traffic movement	CO ₂ e/ATM*	0.01
Per revenue (R billion)	CO ₂ e/Revenue*	8.13
Per employee	CO ₂ e/Employee*	7.17

Energy management

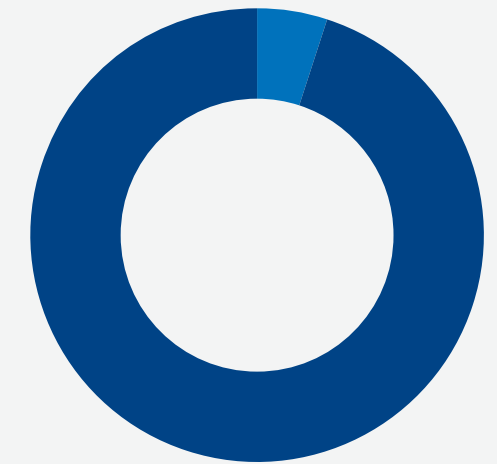
FY22 Key performance indicators	FY22
Energy consumption	
Total electricity consumption (MWh)	7 721.85
Total fuel consumption (l)	162 339
Energy intensity	
Per employee (employee/MWh)	0.15
Per revenue (R/MWh)	0.13
Per air traffic movement (ATM/MWh)	104.06
Per air traffic movement (ATM/l)	4.95

Electricity reduction intervention

With most of our company's carbon footprint being attributed to electricity consumption, electricity management is one of the key focus areas which we prioritise within ATNS. On an ongoing basis, we evaluate various ways of improving energy efficiency, including through:

- collaboration with key stakeholders, most notably ACSA and regional airports management, on energy management programmes; and
- solar photovoltaic installations at three of our CNS remote sites.

FY22 carbon footprint



■ Scope 1 ■ Scope 2

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 and where the acronym is more commonly used. This page outlines the abbreviations used in this report.

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

Our company information

ATNS Head Office

Postal address

Private bag X15
Kempton Park
1620

Street address

Block C, Eastgate Office Park
South Boulevard Road
Bruma
2198
Gauteng
Republic of South Africa

Contact details

Tel: +27 11 607 1000
Fax: +27 11 607 1570
Website: www.atns.com
Email: marketing@atns.co.za

Southern Region

Postal address

Private bag X17
Cape Town International Airport 7525

Air Traffic Management contact details

Tel: +27 21 937 1122
Fax: +27 21 934 5530

Technical Services contact details

Tel: +27 21 937 1153
Fax: +27 21 937 1181

Northern Region

Postal address

Johannesburg International Airport Private bag X1
Bonaero Park
1622

Air Traffic Management contact details

Tel: +27 11 928 6439
Fax: +27 11 395 1045

Technical Services contact details

Tel: +27 11 928 6469
Fax: +27 11 395 1049

Aviation Training Academy

Postal address

Private bag X1
Bonaero Park
1622

Contact details

Tel: +27 11 570 0400
Fax: +27 11 395 3347

Bankers

RMB address:

12th Floor
1 Merchant Road Cnr Rivonia Road & Fredman Drive
Sandton
2196

Contact details

Tel: +27 11 282 1421

Auditors

Nexia SAB&T auditors address:

119 Witch-Hazel Avenue, Centurion
Techno Park
Pretoria
0157

Contact details

Tel: +27 12 682 8800

