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21

INTEGRATED REPORT

AIR TRAFFIC AND
NAVIGATION SERVICES (SOC) LTD

Towards a sustainable future

In many ways, our 2021 financial year was bittersweet for ATNS and certainly more bitter than sweet. In the face of an extremely tough year, we were heartened that we could continue to work with our regulators and partners, serve our customers and support the broader ATNS team during the COVID-19 crisis. Our leadership and our ATNS employees are to be commended on a job well done in managing the health and safety of our many stakeholders, while progressing with essential business activities.

Despite the very many challenges, we proved the underlying strength and resilience of our business model, and our agility to take proactive steps to respond to a volatile external environment. We remain focussed on our aspiration of transforming our organisation and the broader aviation sector, seeking to achieve our goal of building a sustainable future for the company, the aviation sector on the African continent and the people we work with and work for.

For us, 'sustainability' is about how we build and manage the resources at our disposal: how we invest in capacity, capabilities, infrastructure, technologies and know-how; how we transform our organisation and the sector in which we operate; how we care for the wellness of our people; and how we counter our impact on the environment.

In reading this year's integrated report, you will see how we are building a sustainable future exemplified through four focus stories:

- Building resilience amid COVID-19 challenges (pages 18 to 19)
- Building stronger relationships across the continent and throughout the broader aviation sector (pages 58 to 59)
- Capability-building (focussing on the right people with the right skills) both within the organisation and for the sector (pages 102 to 103)
- Capacity-building in the context of technology advancement and innovation (pages 136 to 137)

Notwithstanding mounting macroeconomic uncertainty, socio-political instability and unforeseen risks (and opportunities), we are confident that our strategy and business model will enable us to mitigate value erosion in the near term, ensure value preservation in the medium term and promote value creation over the long term. We look to the future with cautious optimism as we aim to create new partnerships and explore complementary growth opportunities outside our core regulated business.

Our reporting suite

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



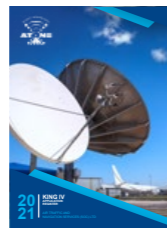
IR INTEGRATED REPORT

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.



AFS ANNUAL FINANCIAL STATEMENTS

Our annual financial statements provide a comprehensive report of ATNS's financial performance for the 2021 financial year (1 April 2020 to 31 March 2021).



IV KING IV REGISTER

Our King IV register is a schedule of our application of the King IV Report on Corporate Governance for South Africa 2016 and is available on our website at www.atns.co.za.



GRI 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.

FEEDBACK

Help us to understand what matters to you by sending your comments and feedback on our integrated report to marketing@atns.co.za.



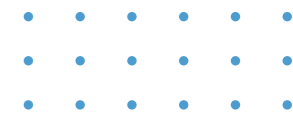
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01

OVERVIEW

The Air Traffic and Navigation Services integrated report, for the year ended 31 March 2021, provides concise and material information on our business, strategy, governance, performance and prospects.

In the 'overview' section of our report, we:

- explain our integrated reporting processes and overarching approach
- list navigational tools to assist the reader in easily identifying the areas that are most relevant to them
- provide an overview of our organisation
- describe our strategy to create sustainable value and to limit value erosion
- summarise the highlights and low points of our 2021 financial year

Our reporting approach

In preparing and presenting our 2021 integrated report, we followed an organisation-wide integrated reporting process. The process is governed by our Board and led by the Executive Committee through the Acting Executive: Strategy and Optimisation. The day-to-day activities of the 2021 Integrated Report Committee and the Integrated Report Working Group are managed by our Company Secretary. In addition, the integrated report preparation process and content are assured through our combined assurance model.

This report is produced and published annually, and covers the financial year 1 April 2020 to 31 March 2021, and is an update of our previous 2020 integrated report, which covered our 2020 financial year from 1 April 2019 to 31 March 2020. The boundary of the report covers any material events up to the Board approval date of 11 August 2021, 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 PURPOSE AND VALUE PROCESS

Our purpose is to deliver safe and efficient air traffic management services.

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 to find ways to mitigate this. Value is created, preserved or eroded as a consequence of how we apply and leverage our capitals as part of our business model and strategy and it is evident in how these capitals change over time.

For us, short term is 12 to 18 months, medium term is between 18 months to 3 years and long term is beyond 3 years.

We describe our value process in relation to the six capitals in chapter 02 of this report. To a large extent, our ability as an organisation to create or preserve value is either aided or hampered by the external environment.

In chapter 04 of this report, we explain the trade-offs applied and indicate the increase, decrease or preservation of our capital stocks.

NAVIGATIONAL TOOLS

During the reporting period, the COVID-19 pandemic had a significant impact on the outputs and outcomes of our value process. We use the following icons to denote value creation, value preservation and value erosion:



We use the following icons to denote the six capitals, which we colour-code as green, red or blue depending on whether the capital stock is increased, eroded or preserved:



OUR STRATEGIC PILLARS, MATERIALITY THEMES AND TOP RISKS

In determining our material matters for the reporting period, our Board evaluated the top risks and opportunities in relation to our 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 opportunities are reassessed on a regular basis to take account of an ever-evolving external environment. This reassessment was conducted more frequently than usual during the current reporting period, given the shifting socio-political and macroeconomic landscape due to the COVID-19 pandemic.

Our material matters, the detailed materiality determination approach and our risk and opportunity management process are outlined in chapter 02 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 COVID-19 matters:



OUR INTEGRATED REPORT PROCESS

Our 2021 integrated report is prepared from minutes of Board and Executive Committee meetings and workshops as well as financial and non-financial reporting information. The report preparation and presentation process is governed by the Board and led by the Executive Committee through its Integrated Report Committee, which is chaired by the Company Secretary. The day-to-day activities are driven by a cross-functional working group, which is comprised of both internal and external subject-matter experts and management, led by the Company Secretary. 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 subcommittees. They are then recommended by the Audit and Risk Committee and approved by the Board.

The Board ensures the integrity of the integrated report through our integrated reporting 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.

NAVIGATIONAL TOOLS

Our integrated reporting approach is guided by the principles and requirements of the International <IR> Framework (2021), IFRS and the King Code of Governance Principles for South Africa (King IV), and is in accordance with the 'core' option of the Global Reporting Initiative (GRI) Standards.

We use the following icons to denote these reporting standards where specific disclosures are provided throughout this report:



OUR STAKEHOLDERS

Our integrated report provides information relating to our financial and non-financial reporting performance, opportunities, risks, trade-offs and outcomes attributable to or associated with our key stakeholders. These have a significant influence on our ability to create and preserve value and to minimise the erosion of value for our stakeholders.

This report is intended to address the information requirements of our key internal and external stakeholders.

NAVIGATIONAL TOOLS

Our relationship with our various key stakeholders is explained in chapter 02 of this report.

We use the following icons to denote our various stakeholder groupings:



APPROVAL BY THE BOARD

The Board acknowledges its responsibility for ensuring the integrity of this integrated report. The Board approved the final report on 11 August 2021 and confirms that it has been prepared substantially in accordance with the International <IR> Framework (2021).

SIMPHIWE THOBELA
(CHAIRPERSON)

SULEMAN BADAT

KHULILE BOQWANA

CHRIS BURGER

THOMAS KGOKOLO

NOMATHEMBA KUBHEKA

MATOME MOHOLOLA

ZENZELE MYEZA

NHLANHLA NGEMA

JANE TREMBATH

KYANSAMBO VUNDLA

‘In building the organisation for future sustainability, we not only need to get the basics right, but we also need to make several difficult choices both in the context of organisational structures and growth business areas.’

Simphiwe Thobela
Chairperson



CHAIRPERSON'S STATEMENT

Future-proofing our organisation

Dear stakeholder

Our 2021 financial year can be characterised as bittersweet for us at ATNS. While we experienced significant personal and organisational challenges given the direct and indirect impacts of the COVID-19 pandemic, as a company of dedicated and focussed individuals, we took important decisions to diversify the ATNS business and to reposition the organisation for longer-term growth.

Building for a sustainable future

With the unknowns continuing to outweigh the knowns, navigating the current environment can be overwhelming. COVID-19 has directly affected the health and wellbeing of millions of people across the world and the number continues to escalate as several countries enter a third wave of the pandemic. Indirectly, the coronavirus continues to place immense strain on our economies and communities. Throughout our 2021 financial year (being 1 April 2020 to 31 March 2021), social-distancing, mask-wearing and limited local and international travel became a new way of life. Against this backdrop, business-as-usual is no longer an option and, while we need to preserve value in the near term, we also had to recalibrate our strategy and our business model to ensure longer-term value creation. After all, the actions we take today will shape our future.

While we have faced unprecedented setbacks in the past year, this report allows us to share with you how we are redefining and building our organisation for a sustainable future. For us, 'building' is seen in the context of putting in place the foundations to create and preserve value, while also mitigating any possible value erosion over the short, medium and long term. To achieve this, we outline in this report distinct focus stories at the end of each chapter:

- **Building resilience amid COVID-19 challenges**
- **Building stronger relationships** across the continent and throughout the broader aviation sector
- **Capability-building** focussing on the right people (with the right skills) both within the organisation and for the sector
- **Capacity-building** in the context of technology advancement and innovation

Of course, in building the organisation for future sustainability, we not only need to get the basics right, but we also need to make several difficult choices both in the context of organisational structures and growth business areas.

Adjusting to our external context

During the reporting period, air traffic movements were heavily impacted by the COVID-19 pandemic, given travel bans and stringent lockdown measures instituted by national governments. In a matter of weeks, international and domestic flights were prohibited in South Africa and in most parts of the world, with only limited repatriation flights, cargo flights and essential services travel permitted.

Driven by a health-and-safety-first mindset, national governments instituted strict protocols relating to important self-isolation measures, which limited human interactions to the necessary and eroded local and international traffic demand significantly and suddenly. As a consequence, during our financial year, based on the IATA 2021 Report and our ATNS billing information, total air traffic movements declined by more than 66.9% globally, 73.7% on the African continent and 54.9% in South Africa. These alarming statistics do not only translate into significant losses for the aviation sector but also place hundreds of thousands of jobs at risk.

Outside of the aviation sector and from a broader macroeconomic perspective, COVID-19 has triggered extraordinary financial market conditions, with global output in 2020 falling to -5.1% and South Africa's gross domestic product contracting to -7%. In South Africa, the pandemic intensified the country's pre-existing challenges of inequality, poverty and low economic growth and resulted in driving an already-fragile economy into a recession with widening social inequality.

While there have been signs of some improvement towards the end of our reporting period, the advent of a third wave of the pandemic has resulted in the reintroduction of strict lockdown measures in several parts of the world. Economic recovery in the short to medium term depends on the speed and success of the vaccine roll-out globally, and alleviating negative impacts of subsequent waves of the pandemic. Unsurprisingly, the outlook for the 2021 calendar is unlikely to be much rosier with estimates at -5.6% for global GDP growth and -3.9% for South Africa's GDP.

OUR ORGANISATIONAL PURPOSE

- We have been reinforcing our purpose to deliver safe and efficient air traffic management services.
- While, in the near term, we need to focus on avoiding and, where not possible, limiting value erosion, our overarching organisational purpose is to create meaningful value not only for ATNS as an organisation but for our broader stakeholder base.



Recalibrating our strategic response

While the context may remain challenging for some time, our customers, business partners and communities will continue to rely on the critical support we provide, even if frequent global travel may continue to be somewhat limited. The services and solutions we offer facilitate the transportation of much-needed food, medical and vaccine supplies to city centres and more remote locations, enabling essential travel and, in due course, more regular business and leisure travel in a new-normal.

Given the ever-shifting external landscape, an increasing range of known-unknowns, the end of business-as-usual and the beginning of a new-normal, as individuals and as an organisation, we need to be adaptive and resilient. Similarly, the focus can no longer be on short-term gains alone but has to be on driving long-term stakeholder value.

Underpinned by our organisational purpose, our strategy is formulated for five-year cycles, with our most recent 2025 strategy implemented mid-way through the reporting period.

Our strategy is an essential plan which takes account of our mandate and longer-term growth objectives. Within five-year cycles, our strategy and broader corporate plan are updated to proactively respond to the macro-environment.

During our 2021 fiscal year, as part of an iterative strategy review process, the Board engaged the Executive Committee in a series of scenario-planning, strategy and risk workshops. In our deliberations, the Board emphasised the need to balance short-term cost optimisation initiatives while ensuring that our core regulated business continued to run safely and efficiently. Additionally, the Board highlighted the importance of proactively seeking out new revenue-generating opportunities within the non-regulated parts of the business, which will remain viable despite mounting macro-economic uncertainty and global socio-political instability.

Across our strategic response areas, our priority is to limit short-term value erosion while taking decisions and actions that will ensure longer-term value creation – thereby future-proofing the organisation.



RECALIBRATING OUR STRATEGIC RESPONSE

Although our strategic pillars of service excellence, sustainability and innovation remain unchanged, we recalibrated our strategic response that forms part of each pillar, given the impacts of the COVID-19 pandemic.

Service excellence

- Extend permission 2017
- Revise Capex and Opex
- Develop growth strategy
- Establish collaborative platforms with our customers and stakeholders
- Develop strategic partnerships with technology providers, OEMs, peers and new product developers to enhance growth

Sustainability

- Drive liquidity management
- Revise budget and procurement plan
- Explore opportunities for growth of non-regulated business
- Manage Opex
- Secure additional cash funding
- Manage cash reserves
- Review our culture and organisational design

Innovation

- Utilise emerging technologies to enable safe, smart and efficient operations
- Create an agile and innovative enterprise
- Strengthen and streamline R&D
- Drive digital transformation
- Define IT governance and enterprise architecture
- Implement cyber-resilience and business continuity strategy



A THREE-PHASED STRATEGY EXECUTION PLAN

Similarly, with an extremely volatile and largely uncertain outlook, we formulated a three-phased strategy execution plan, which concludes in 2025 and which enables our ongoing and necessary strategy review and refinement.

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

WEATHERING THE FINANCIAL PERFORMANCE STORMS

Against the backdrop of bleak macroeconomics and negative global growth, for the financial year under review, we recorded a decrease in total revenue of 67% to R547 million (FY20: R1 673 million), largely due to:

- our core revenue arising from aerodrome, en-route and approach fees decreasing by 70.7% to R428 million (FY20: R1 463 million)
- revenue-generating air traffic movements decreasing by 33% to 102 000 (FY20: 306 000), adversely impacting our regulated revenue streams
- no tariff increases within the financial year
- travel restrictions as a result of the COVID-19 pandemic for the full year under review

Given our weakened financial position, the Board approved the following cost containment initiatives throughout the company:

- not paying any performance bonuses
- limiting non-essential local and international travel
- freezing salary increases across the Executive Committee
- implementing a hiring freeze for non-critical positions
- undertaking an organisational redesign exercise
- cutting marketing and discretionary spend



Promoting ethical leadership

To be successful and sustainable over the long term requires tough decision-making, uncomfortable trade-offs and ethical leadership across our organisation.

To ensure that we have the right corporate culture in place, during the year under review and as part of the Board's ongoing commitment to continuous improvement, we commenced a culture review to assess the current organisational culture and to determine the interventions required to establish a culture that will ensure a future-fit organisation and ongoing ethical practices.

Appreciation

While the global pandemic continues to impact all of our lives, the Board and I remain immensely proud of our ATNS executive team and our broader employee base who continue to rise to every challenge and who remain committed and focussed during these extremely difficult times. The tenacity and can-do attitude of the whole ATNS team allows us to continue to support our customers, business partners, regulators and governments during times of crisis and to maintain our high service standards, despite ongoing uncertainty.

In parallel, our Executive Committee, as mandated by the Board, continues to work with our Minister and Deputy Minister and their advisors in evaluating sector-related proposals, which will serve to limit job losses and financial hardship while ensuring that the health and safety of people always come first.

Outside of the support we receive from the executive team, I extend my gratitude to my fellow Board members for their perspectives and energy in guiding ATNS during these turbulent times.

Lastly, on behalf of the Board, I would like to thank the Honourable Minister, Mr Fikile Mbalula, the Honourable Deputy Minister, Ms Dikeledi Magadzi, and their teams for their ongoing counsel and our partners and colleagues for their never-failing dedication.

Simphiwe Thobela
Chairperson
11 August 2021

To be successful and sustainable over the long term requires tough decision-making, uncomfortable trade-offs and ethical leadership across our organisational layers.



Overview of our business

Airspace safety is our business

At Air Traffic and Navigation Services SOC Limited (ATNS), we are responsible for providing safe and expeditious flights across 6% of the world's airspace.

We are proud of our African heritage and the strong reputation we created during our 28-year history, offering leading air traffic management services, fostering trusted stakeholder relationships and supporting the African developmental agenda.

Our work is founded on people, partnerships and the planet, which encompasses a core purpose of making a significant and sustainable contribution to the aviation industry, the South African and African continent development goals and society as a whole.

We serve Africa and beyond

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

While air traffic control and safe skies remain our primary business, we also fulfil a broader role.

- We provide vital aeronautical information for flight planning purposes.
- We are involved in search and rescue coordination activities.
- We maintain a world-class communications, navigation and surveillance infrastructure.
- We foster thought-leaders who are dedicated to service excellence, technological innovation and sustainability.
- We attract, develop and retain highly skilled personnel and air traffic controllers.

We are a member of the Civil Air Navigation Service Organisation (CANSO). Our aviation academy is a full member of the ICAO TRAINAIR Plus and is recognised as being a regional training centre of excellence.

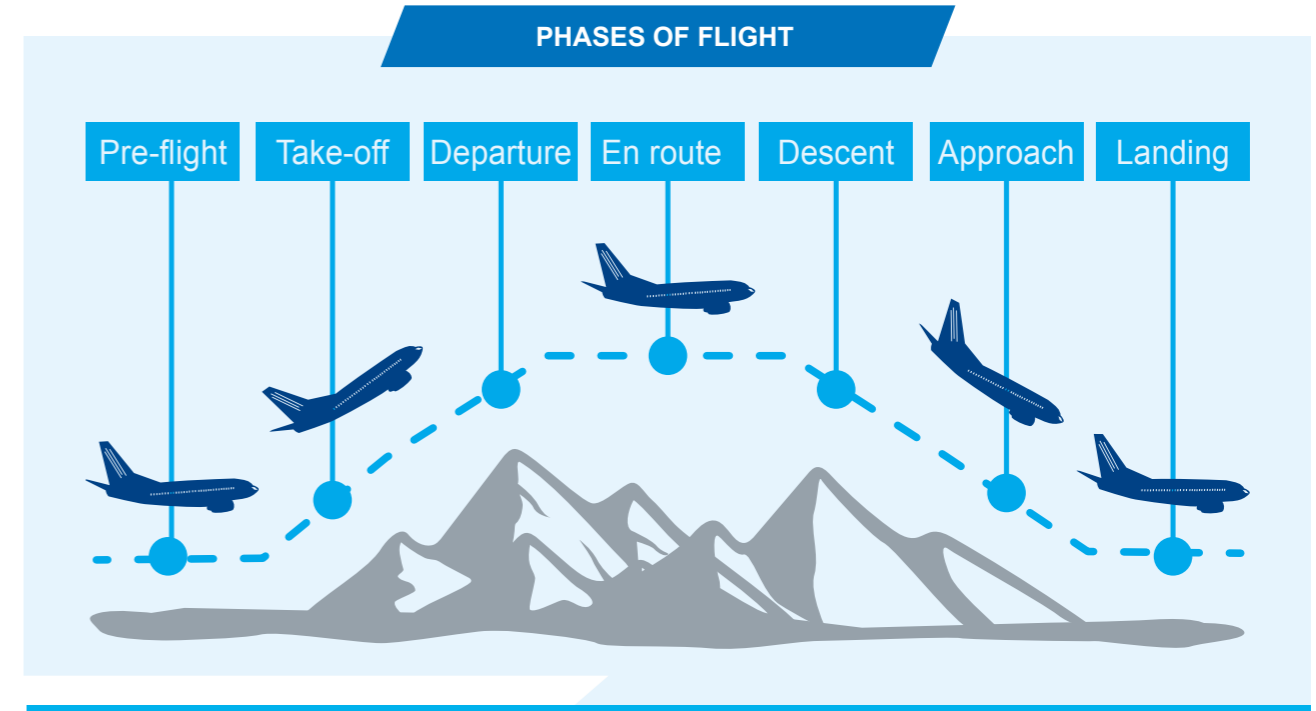
Our air traffic services cover over **22 million square kilometres** of airspace - **6% of the global airspace.**

We serve **nine South African statutory airports** operated by the Airports Company of South Africa (ACSA) and **twelve regional airports** (including St Helena, which is outside South Africa).



What we do

Through our airspace service provision, we are uniquely positioned to assist airline and airport customers to realise value. To support smooth and efficient gate-to-gate operations, we also provide services such as taxi-out and departure, climb-out, cruise, descent, arrival, landing and taxi-in phases of a flight.



Our advanced air traffic management system is deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units. These units use enabling technologies including communication, navigation and surveillance systems.

We understand the complex interactions between airlines, airport operators and aviation navigation service providers at each stage of a flight. We provide fuel-efficient flight profiles, approaches and departures. Through rigorous arrival and departure management, we minimise delays.

Our Aviation Training Academy is the world-class provider of air traffic management training on the African continent and surrounding regions. We equip our students with the skills and knowledge to meet the challenges of air traffic management and to implement best-in-class aviation safety systems and processes.

Our external students, many of whom are employed by our client companies, come from across parts of Africa and the Middle East.

WE ARE WEATHERING THE STORM



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 are still largely uncertain. Notwithstanding the challenging external environment, we are managing the following factors within our control:

- Reprioritising our Capex and Opex
- Developing a broader growth strategy that includes new markets and new products
- Conserving cash during times of uncertainty
- Developing strategic partnerships with technology providers, OEMs, peers and new product developers to enhance growth

In selecting new markets for our services, we draw on external market research and insight gained through customer engagements in countries where we already have an established client-base and positive working relationships.



Our business divisions

We are governed by the ATNS Company Act (No. 45 of 1993) as amended, which specifies our key deliverables of safe, efficient, economic and profitable operations.

OUR PRIMARY BUSINESS

Our **regulated business**, which operates within South Africa, consists of **three main streams**:

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

As a state-owned company and monopoly service provider of air traffic and navigational services in South Africa, these business activities are regulated from an economic perspective by the Economic Regulating Committee of ATNS and ACSA, a statutory body formed and appointed by our shareholder, the Department of Transport. The Economic Regulating Committee is empowered by the ATNS Company Act to issue a permission to ATNS. The permission specifies tariffs we can charge to aircraft operators and determines minimum service standards for our regulated South African business.

The permission authorises us to levy air traffic service charges on aircraft operators for the provision of an air traffic service and the use of air navigation infrastructure. Each permission has a five-year cycle.

The Regulating Committee has allowed the current permission to run its full five years' course until 2023 due to the impact of COVID-19, which posed challenges with user engagements.

OUR ANCILLARY BUSINESS

Our **non-regulated business** focusses 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 satellite communication technologies. These technologies are referred to as VSAT in 28 countries across the continent, VSAT II in 15 states within SADC and NAFISAT in 13 east and northern African states.

Both our regulated and non-regulated business divisions are supported by our enabling functions (finance, compliance, risk, human capital, strategy, and information technology).

During the reporting period, our regulated business contributed approximately 78% to the total turnover of the company. Our non-regulated business activities contributed 22% of turnover.

With a decrease in tariff-generating movements due to COVID-19 pandemic-induced global travel restrictions, we have seen a 67% decline in revenue from our previous financial year.

Our Aviation Training Academy is a world-class provider of air traffic management training on the African continent and surrounding regions.

FOCUS STORY

Building resilience amid COVID-19 challenges



COVID-19 had a profound impact on the world at large, including the global aviation sector and our business. It required us to stress-test our business model for both our regulated and non-regulated businesses and to assess our strategy and reprioritise certain strategic initiatives. The speed and magnitude of the impact of the pandemic resulted in an unprecedented economic slowdown and it is expected that we will continue to operate in a period of extreme uncertainty for the short to medium term.

While the many material risks presented by the global pandemic are self-evident, it also created opportunities to accelerate business priorities, preserving value in the short term and fostering sustainable growth over the longer term.

AVOIDING AND LIMITING VALUE EROSION

Key actions to effectively respond to the impact of the pandemic on our business included the following:

- Actively monitored and assessed the risk exposure and appropriate business response, following initial reports of the outbreak in China in December 2019
- Instituted effective crisis management and business continuity protocols as the pandemic reached Africa
- 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
- Maintained the provision of our core business operations and services, albeit at reduced levels, given the drastic reduction in air traffic movements
- Implemented daily meetings of our crisis management team with representatives from across our organisation
- Provided regular updates to our Board and Executive Committee
- Facilitated the review of various business continuity practices, scenario-planning exercises and risk assessments, to ensure well-informed and agile decision-making
- Ensured continuous engagement with all key external stakeholders, including governments, aviation sector industry bodies and specialist advisory services

SUPPORTING OUR STAKEHOLDERS

Key stakeholder solutions activated included the following:

- Prioritised the health, safety and wellbeing of our people, business partners and customers
- Implemented a work-from-home solution for all office-based personnel
- 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 that all risks were identified and managed effectively as governments eased lockdown regulations and allowed greater operational activity
- Educated and supported our teams in life management, work effectiveness, financial management and counselling, managing employee and business partner anxiety, low morale and overall wellbeing
- Engaged in transparent supplier commercial processes across our business to maintain continuity of essential services
- Reviewed customer payment terms and the provision of payment holidays and related support solutions
- Took immediate action to reduce our cost base, capital expenditure and cash commitments
- Engaged with the Economic Regulating Committee to extend our permission and to prevent any near-term tariff increases
- Continued to provide safe and reliable essential services
- Engaged our shareholder and our Board on an updated corporate strategy and refinements to our business model



KEY TO OUR STAKEHOLDER ICONS

- Colleagues
- Customers
- Business partners
- Regulators, governments and associations
- Shareholder and Board
- Communities and society

CAPITALS IMPACTED

All of our capitals were adversely impacted, given the challenging global context, with the exception of our natural capital.

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

Our year in review

Our 2021 financial year (1 April 2020 to 31 March 2021) was characterised by unprecedented challenges for our business, the aviation sector, local communities and countries. While the full impact of the COVID-19 pandemic remains largely uncertain, the ATNS team remained steadfast in our commitment to manage the factors within our control. Our 2021 highlights and low points are summarised here while details of our performance against our 2021 strategic targets are more fully described in chapter 04 of this report.

Leading 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.

COVID-19 IMPACTS ON THE AVIATION SECTOR

Global annual passenger traffic declined by

66% in 2020

(back to 1998 traffic levels)

Africa air traffic movements down to

28% since January 2020

(CANSO traffic analysis, June 2021)

250 000

Jobs impacted in the South African aviation sector

(as reported by IATA)

Arrival and departure movements decreased by

55.9%

(comparing YTD 2019 with YTD 2020)

FOSTERING A FUTURE-FIT WORKFORCE

Commenced a **culture review** and **organisational design** programme

Initiated a **section 189 consultation process** with our unions to discuss possible restructuring implications

Ramped up our **skills development plans** to attract and retain the next generation aviation professional

Reassessed the **skills mix and core competencies** required to execute our 2025 strategy

ACCOLADES

'Top Employer' certification

for four consecutive years including 2021

SAFETY IMPROVEMENTS LARGELY DUE TO TRAVEL DECLINE

Safety ratio

3.29

(target of 7)

Accident rate

ZERO

(target of ZERO)

WEATHERING THE FINANCIAL STORMS

Total revenue decreased by

67%

to R547 million (FY20 R1 673 million)

Necessitated the implementation of **cost containment measures** with operational costs decreasing by

30%

to R1 101 million (FY20 R1 569 million)

Balance sheet remains sound with liquidity ratio of

3.3:1

(FY20 5.6:1)

Return of capital employed (ROCE)

-26%

(Regulated ROCE -55.5%)

02

OUR BUSINESS

Our purpose is to deliver safe and efficient air traffic management services.

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

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 values are what connect us

- 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

AIR TRAFFIC & NAVIGATION SERVICES

‘Overall, the year under review was characterised by both known and unexpected challenges. While FY21 was a period of sacrifice and hard work, I have every confidence that we will emerge stronger as a team and as an organisation.’

Dumisani Sangweni
CEO Delegated



CHIEF EXECUTIVE OFFICER DELEGATED'S REVIEW

Getting the basics right

Dear stakeholders

Our 2021 financial year placed our stakeholders at the forefront of all we do, prioritising the health, safety and wellbeing of our ATNS team and partners and supporting our customers, regulators and government in minimising the socio-economic fallout brought about by the COVID-19 pandemic.

During the year in review, we reassessed our priorities by managing the factors within our control, safeguarding our business and maintaining our assets and infrastructure. Given the significant impact of the pandemic on the global aviation sector, we stepped up our collaboration efforts with our customers, industry associations, regulators and governments. We understood quite early on in the process that only a sector-wide response would enable us to navigate our way through the turbulence, coordinating a framework of relief measures and by extending our 2017 permission.

The far-reaching societal impacts of COVID-19 have accentuated pre-existing macroeconomic and geopolitical challenges and have heightened the importance of economic resilience, organisational agility and human adaptability. What we had understood to be business-as-usual would no longer be possible as the unrelenting spread of the virus served as a catalyst that has forever changed the way we live, work and travel. The following are a few of the key statistics that shaped our FY21 performance:

- **Air passenger traffic**, according to ICAO, reduced by between 52% and 59% in 2020 when compared with 2019
- **Air traffic movements** declined by 43% in FY21 to 540 020 (FY20: 960 802)
- **Airports** estimated a loss of over USD 97 billion in airport revenues in 2020 compared with what would have been business-as-usual
- **Airline revenues**, according to IATA, declined by 54.7% in 2020 compared with 2019
- **Global merchandise trade**, according to the WTO, fell by between 13% and 32% in 2020 compared with 2019

At ATNS, the crisis gave us an opportunity to reassess our strategy, and more particularly, our strategic focus areas and business delivery model, as we came to grips with what is meant by the new normal for society, our sector and our business.

In terms of our business model, we have two broad business divisions: our regulated business and our non-regulated business. While the key focus of our regulated business remains efficient, safe and reliable air traffic and navigational services, we have a unique opportunity to expand our non-regulated training and commercial advisory services offering as a global as opposed to a regional player. However, to remain viable and relevant over the long term, we need to not only extend our geographic reach, we also need to adapt our portfolio of services to address changed societal and industry requirements. Instead of developing only tried and tested services and traditional training programmes, we are now obliged to proactively evaluate step-out digital product lines that are not currently part of our core business.

Building for a sustainable future

Our ability to create long-term sustainable value is linked to the following:

- **Getting the basics right** through effective cost containment and sustainable cost savings measures.
- **Prioritising key projects** to the essential, the urgent and those that will enable us to compete in markets we are seeking to enter.
- **Extending the scope of our geographic reach and product offering** outside of our regulated mandate.
- **Organising ourselves for future success** through an organisational redesign programme that looks not only at structures and headcount but that targets issues relating to capabilities, culture and values.

Looking at the list above, it is clear that there is no quick-fix, especially with our operating environment continuing to be challenging across the continent in the foreseeable future. That notwithstanding, we know that the work we do now and the people we invest in today will define our future. We provide more context to these key areas in the blue fact boxes that follow on pages 26 to 27.

GETTING THE BASICS RIGHT

Given a subdued economic outlook and air travel being replaced by many local and international commuters working remotely and embracing technologies to e-meet and connect virtually, we expect air traffic movements to only reach 2019 levels again by 2024, compelling us to reduce discretionary spend and to contain costs to the essential. During the 2021 financial year, and under our **sustainability strategic pillar**, we:

- reduced operating expenditure relating to travel, contract services, professional services, property rental, marketing, enterprise development and CSI
- did not pay performance bonuses
- froze salary increases across the Executive Committee
- reduced salary increases in the organisation
- postponed bursary programmes for all new applicants

With reports of a third and subsequent waves of the virus, at the start of our 2021 calendar year, we took the decision to introduce a salary freeze across all organisational levels and have placed a moratorium on new appointments outside of the filling of critical positions.

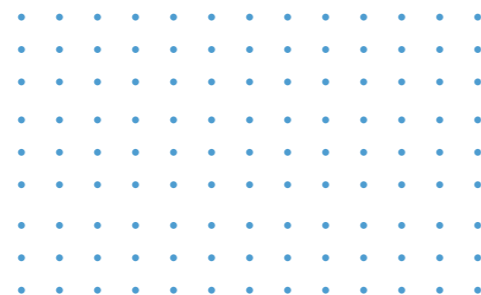
From FY21, our cost containment measures will result in sustainable, annual cost savings of between R97.7 million and R109 million.



PRIORITISING KEY PROJECTS

While our aim is to continue to drive crucial digital and modernisation projects across the organisation, we have had to delay several of these to 2024. For the next 3 years, instead, we are prioritising what we refer to as the 'safety of life' projects under our **innovation and sustainability strategic pillars**, which include:

- advancing the ATFM system replacement project, which will address the service delivery limitations experienced with our current system
- modernising the Aviation Training Academy and its product offering
- establishing a subsidiary to run and promote the non-regulated business
- rearranging our technology offerings and expanding our broader product range
- improving CNS availability reporting within the organisation through WASI and RAM statistics
- progressing air traffic service digitisation projects (including EFS, digital towers, and integrated tower suite) to reduce air traffic controller workload and to improve efficiency

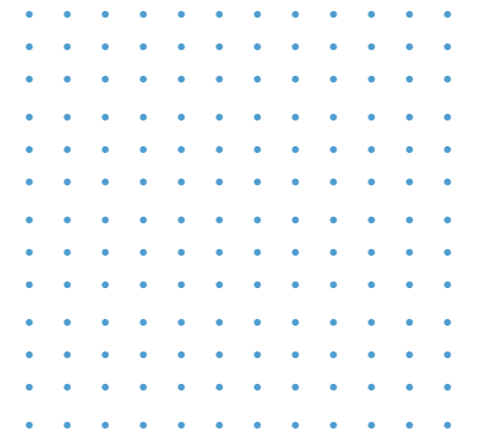


EXTENDING OUR PRODUCT OFFERING

Our non-regulated business, which contributed 22% towards our overall revenue in FY21, has become increasingly critical for our company's growth and long-term positioning on the African continent.

Through our ATNS commercial services division, and as part of our **service excellence and innovation strategic pillars**, we are seeking to further leverage strategic joint venture opportunities on the African continent; extending our service, product offering and geographic reach.

To support this area, formally and legislatively extending the scope of our geographic reach and product offering outside of our regulated areas became more crucial. Here, in March 2021, the Amendment Act to our enabling legislation, the ATNS Act (No 45 of 1993), which extends our service and product scope to that beyond the South African borders, was promulgated.



ORGANISING OURSELVES FOR FUTURE SUCCESS

Our ability to secure continued success whatever the external context is inextricably linked to our organisational structures, culture and human capital capabilities.

As an organisation, our growth is largely dependent on air traffic controller technical, specialist and engineering skills. Consistently over the years, approximately 60% of our staff costs have pertained to air traffic control-related expertise.

Taking account of digital and artificial intelligence advancement, through our **strategic pillar of innovation**, we are looking to balance a people-intensive business with increased technology utilisation in the global aviation sector. Our organisational redesign programme is in the process of identifying important opportunities in this area over a 15-year time horizon.

The 15-year timeline for our resource planning dovetails the South African government's National Development Plan timeframe, which enables us to work alongside government to balance the development needs of our country with the growing infrastructure and efficiency requirements of our industry globally.

In parallel, and as part of ensuring a future-fit organisation, we are also contemplating a wide range of mechanisms to restructure ATNS while minimising job losses, including:

- Offering voluntary severance packages to those in identified redundant positions
- Agreeing to early retirement
- Reviewing our remuneration structures going forward
- Evaluating the benefits and risks of a hybrid/career-slicing model
- Other agreed upon mechanisms

In terms of the Labour Relations Act, we commenced a section 189 process in June 2021 and have stepped up our staff and union engagements to find solutions that are in the best interests of the company.

We will provide a further update as part of our FY22 integrated report.



Ensuring financial resilience

In FY21, our financial and business performance was underpinned by tough market conditions for the global air travel sector, coupled with limited travel, given the pandemic-related state of emergency measures. Across geographic regions, both large and small airlines grounded much of their fleet, which led to downsizing and related corporate restructuring plans. In parallel, given negative economic growth for the year and reduced disposable income, limited discretionary consumer spending continued to hamper both international inbound tourism and domestic travel, despite the easing of lockdown measures in the second half of the year under review.

Our 2021 financial results reflect the challenges facing our industry, with a total revenue of R547 million (FY20: R1 673 million), representing a year-on-year decline of 67%.

Our strong balance sheet at the start of the financial year with healthy cash reserves enabled us to meet our financial commitments and will enable us to continue to do so for the 2022 financial year. However, in the absence of a significant uptick in air traffic movements during the latter half of this calendar year and despite our cost containment and organisation redesign work, we may soon find ourselves needing to raise external funding.

Appreciation

Overall, the year under review was characterised by both known and unexpected challenges. While FY21 was a period of sacrifice and hard work, I have every confidence that we will emerge stronger as a team and as an organisation.

To take advantage of the opportunities the current volatile environment presents requires the courage and wisdom of a knowledgeable and insightful Board. Here, I would like to extend my deep gratitude to our Chairperson and all of our Board members for the vital guiding role they continue to play and to our Honourable Minister, Honourable Deputy Minister and their team at the Department of Transport led by the Director-General for their support and steer.

I would like to thank my fellow executives (depicted on pages 30 and 31 of this report) and our extended team of ATNS employees and business partners for putting in the long hours to enable us to gain traction on our priority projects while safeguarding and protecting our core business. Although our successes were limited this past year, they were hard-earned through the commitment of each member of the ATNS team who worked tirelessly every day to make meaningful progress in advancing our focus areas.

To our customers, regulators and broader stakeholder base, thank you for your continued support. As we look ahead, we know that through collaboration, innovation and foresight we can make a sustainable and meaningful difference to our sector and to the continent.

The new normal requires ongoing vigilance and adapting to evolving dynamics. Those who are resilient and adaptable today will be able to deliver long-term sustainable value



Dumisani Sangweni
CEO Delegated
11 August 2021



The new normal requires ongoing vigilance and adapting to evolving dynamics. Those who are resilient and adaptable today will be able to deliver long-term sustainable value.

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



NOTE: This Executive Committee image constitutes a composite of individual photographs taken one-on-one.

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 him 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.

Top from left to right:

| | | | | | | |
|---|---|---|--|---|--|--|
| DUMISANI SANGWENI AGE 52 CEO DELEGATED | MATOME MOHOLOLA AGE 42 CHIEF FINANCIAL OFFICER | LINDELWA MNGOMEZULU AGE 37 COMPANY SECRETARY | THABANI MYEZA AGE 56 EXECUTIVE: COMMERCIAL SERVICES | JEFFREY MATSHOBA AGE 50 EXECUTIVE: AIR TRAFFIC MANAGEMENT /CNS | THANDEKA MDEBUKA AGE 41 LEGAL COUNSEL | ERNEST MWALE AGE 58 ACTING EXECUTIVE: STRATEGY AND OPTIMISATION |
|---|---|---|--|---|--|--|

Bottom from left to right:

| | | | | | | |
|--|--|---|---|--|---|--|
| SANDILE MALINGA AGE 53 CHIEF OPERATIONS OFFICER | RICHARD MADLALA AGE 42 CHIEF TECHNOLOGY OFFICER | TENDANI NDOU AGE 51 PRINCIPAL: AVIATION TRAINING ACADEMY | MBONGENI MAQASHELANA AGE 44 CHIEF RISK EXECUTIVE | LULEKWA NGCWABE AGE 44 EXECUTIVE: HUMAN CAPITAL | VERONICA SEBONA AGE 44 CHIEF INFORMATION OFFICER | LESEGO MAHAMBA AGE 36 CHIEF AUDIT EXECUTIVE |
|--|--|---|---|--|---|--|

DEMOGRAPHICS



NOTE: These demographics include personnel in acting positions

Our external environment

As a provider of essential air navigation services in South Africa and across parts of Africa, our operating environment provides both risk as well as unique opportunities. For the reporting period, we identified four broad trends that had and continue to have a material impact on our business model and strategy.

1

MATERIAL TREND

Unprecedented impact of COVID-19 on the aviation sector

The context

During the reporting period, air traffic movements were heavily impacted by the COVID-19 pandemic, given travel bans and stringent lockdown measures instituted by national governments. In a matter of weeks, international and domestic flights were prohibited in South Africa and in most parts of the world, with only limited repatriation flights, cargo flights and essential services' travel permitted.

Driven by a health-and-safety-first mindset, national governments instituted strict protocols relating to important self-isolation measures, which limited human interactions to the necessary and eroded local and international traffic demand significantly and suddenly. As a consequence, air traffic movements in most regions of the world declined by more than 80%, with regional movement declines varying from 90% in South America to 56% in North Africa.

According to the International Air Transport Association (IATA), the 2020 calendar year recorded a drop of approximately 60% in the number of international and domestic passengers compared with 2019. In terms of passengers, this amounted to a reduction of around 2.7 billion passengers across all types of aviation for the 2020 calendar year, resulting in an airline industry loss of close to USD 391 billion in gross passenger operating revenues. Air traffic on the African continent plummeted by 54%, when comparing 2020 with 2019, amounting to a reduction of over 80 million passenger journeys.

Closer to home, in South Africa, we saw a year-on-year drop in passengers of 16.6 million, putting approximately 287 700 jobs at risk. As a key contributing factor, South Africa's 2020 GDP fell by USD 5.8 billion (R101 billion).

Direct impact on ATNS

The disruptive global shifts and prioritisation of health and safety considerations, due to COVID-19, had an unprecedented and unexpected impact on our:

- business viability, impacting revenue derived from both our regulated and non-regulated businesses
- service delivery to our customers and business partners, given restrictive lockdown measures
- ability to implement and execute our original 2025 strategy, corporate plan and transformational goals and targets

Our response

- We put in place robust measures, including a focussed committee, to ensure employee safety while continuing to provide essential services during the nationwide lockdown in South Africa
- We maintained sound cash and liquidity management processes to conserve cash
- We formulated cost containment initiatives
- We reviewed our capital and operating expenditure programmes
- We updated our strategic and business performance targets, taking account of new ways of working and engaging in a new normal
- We introduced industry support measures

Materiality themes impacted



Strategic objectives impacted

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

2

MATERIAL TREND

Uncertainty regarding world economic growth

The context

An already-ailing macroeconomic environment compounded the effect of the COVID-19 pandemic. While the scale of the outcome remains uncertain, it is clear it will have lasting ramifications for the global economy and society as a whole.

In 2020, the South African economy grew by the lowest levels since 2009. In the face of weak demand conditions, lacklustre levels of economic activity prevailed across all broad sectors of the economy. Household consumption remained constrained by a rising unemployment rate as well as sharp increases in the cost of fuel and electricity. Contributing to the dismal economic conditions, all three ratings agencies downgraded South Africa to junk status; Moody's moved South Africa to junk status on 27 March 2020 after revising the outlook on the country's last investment-grade credit rating to negative due to a slowdown in economic growth and a rising debt burden.

In the context of a third wave of the pandemic and possible subsequent waves, we anticipate that large-scale quarantines, travel restrictions and changed travel protocols will persist in 2021. Unsurprisingly, the uncertainty surrounding the pandemic will significantly influence the South African and global economic outlook for 2022.

As a consequence, any economic reboot in South Africa and the broader continent will be slow, with 2019 gross domestic product growth levels only likely to be reached again around 2023/2024. Low GDP growth will result in lower wage growth, high unemployment and consumer debt levels, and sustained pressure from rising energy, fuel, and food costs. These factors all serve to further constrain consumer and business spend and exacerbate unemployment levels, which were sitting at 32.5% during Q4 2020, increasing by 0.1 of a percentage point to 32.6% in the first quarter of 2021, the highest since 2008.

Direct impact on ATNS

With grave uncertainty regarding the economic growth outlook for the foreseeable future, the following areas of our strategy and business model have been directly impacted:

- Low demand for air travel due to a fear factor and use of technology platforms to conduct business
- Reducing customer base with airlines filing for bankruptcy and entering into business rescue arrangements
- Decline in our regulated business with limited air traffic movements and ongoing requests for industry concessions, such as debt holidays for struggling airlines
- Training and advisory support, as core components of our non-regulated business needing to shift to a virtual offering

Our response

- We had to rethink the key focus areas of both our business model and strategy, seeking to grow our non-regulated business offering and thereby attracting new customers to our business
- We reviewed our current capital and operation expenditure programmes to focus only on the 'safety of life' projects until 2024
- We adjusted our 2020/21 budget and are implementing measures such as cost containment, cash preservation and a moratorium on new appointments
- We continued to provide air traffic services during lockdown level 5 to aircraft providing essential services such as cargo, repatriation, humanitarian and emergency flights
- We provided concessions to airline operators to alleviate their financial pressures with support from the Economic Regulator

Materiality themes impacted



Strategic objectives impacted

- Maintain financial sustainability
- Create an adaptive and innovative enterprise
- Improve stakeholder-centricity

3

MATERIAL TREND

Evolving ways of working

The context

While the COVID-19 pandemic began as a health crisis in the early part of the 2020 calendar year, it rapidly evolved into a socio-economic crisis. South Africa's already high unemployment levels increased even further given ongoing macroeconomic challenges and a weakened fiscal position. With stringent isolation measures in place globally, the pandemic also impacted how we work, live and interact.

In the context of business interactions and operations, society adapted by relying more and more on digital communication and engagement channels. As at the end of our reporting period, a large proportion of the global workforce continues to work-from-home with some employees adopting a hybrid approach of working partially from home and partially on-site. This way of working is likely to become the norm in what many call 'the new normal'.

A more virtual and dispersed staff base requires organisational leaders to maintain open digital channels of communication, motivating both small and large teams remotely and on-site. This new work approach demands a far more agile business operating model. Workspaces will become increasingly virtual, with a choice of enabling digital and creative tools.

Direct impact on ATNS

The changing workplace landscape has impacted us by:

- narrowing the skills gaps with a combination of on-the-job learning and self-learning
- needing to attract, grow and retain top talent who are now available to a global job market
- highlighting the need to re-evaluate core versus non-core business activities, roles and office space requirements
- supporting remote working

Our response

- We are supporting our teams and customers by offering new digital learning programmes, to ensure the ongoing upskilling of scarce and critical skills
- We commenced an organisational redesign project, to ensure that we have the right people in the right roles doing the right work from the right locations
- We are supporting our leaders in leading multi-disciplinary teams remotely and in driving empowered accountability and decision-making within smaller organisational teams

Materiality themes impacted



Strategic objectives impacted

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

4

MATERIAL TREND

Transformation driven through collaborative efforts

The context

Given the unexpected, sudden and dire impacts of COVID-19 on the South African economy, in 2020, the National Economic Development and Labour Council (Nedlac) outlined in the 'Social Compact on Economic Recovery' the urgent need for government, business, labour and civil society to work together to reshape the country's economic landscape.

In October 2020, President Cyril Ramaphosa announced the 'Economic Reconstruction and Recovery Plan', which incorporates the 'Social Compact on Economic Recovery'. The plan sets out eight priority interventions that together should improve the underlying investment environment, foster economic growth and unlock job creation:

- Infrastructure investment
- Energy security
- Presidential employment stimulus
- Strategic localisation, industrialisation and export promotion
- Tourism recovery and growth
- The green economy
- Gender equality and economic inclusion

Direct impact on ATNS

The implementation of the plan requires collaboration and a reprioritisation for all organisations operating within South Africa, including ATNS. Its successful operationalisation, although complementary to many of our transformational goals, also necessitates a delay of some of our short-term transformational projects.

Our response

- We conducted scenario-planning and stress-testing exercises to future-proof the organisation and the broader aviation industry
- We held Capex and Opex review workshops to formulate ways to contain costs and to preserve cash
- We reprioritised projects that will have maximum impact on fostering economic growth, despite the challenging environment
- We formulated client-relief programmes
- We implemented our research and development strategy
- We continued to accelerate our transformation agenda on supplier and enterprise development through our transformation framework

Materiality themes impacted



Strategic objectives impacted

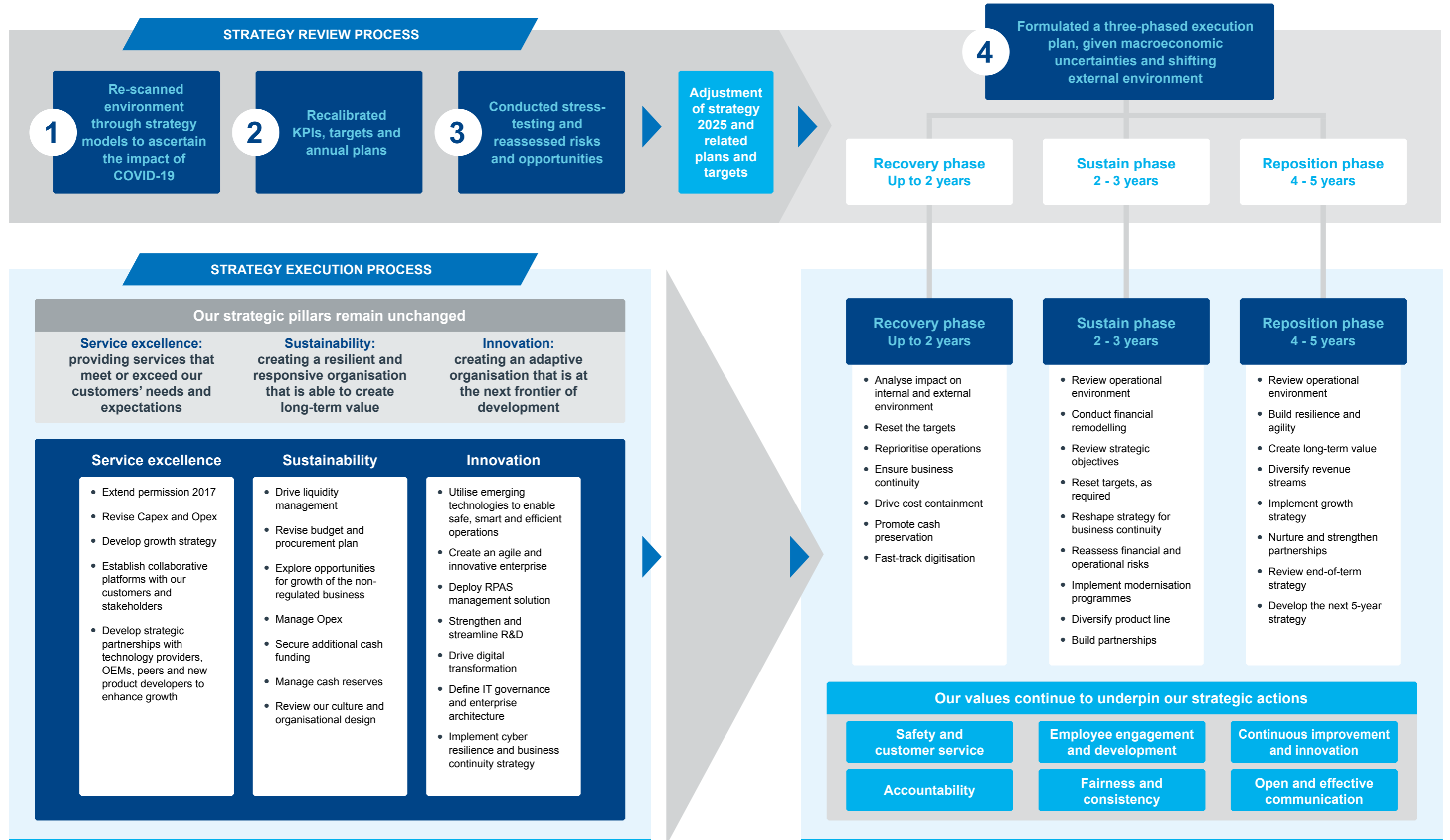
- Drive business transformation
- Maintain financial sustainability
- Ensure business modernisation, technology and innovation

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Executing on our 2025 strategy

Our strategy is an essential plan that takes into account our mandate and longer-term growth objectives. Within five-year cycles, our strategy and broader corporate plan are updated to proactively respond to the macro-environment. During the reporting year, we held a number of strategy and scenario-planning workshops and adjusted our 2025 strategy, taking account of the volatile macroeconomic landscape, given the impacts of the COVID-19 pandemic.

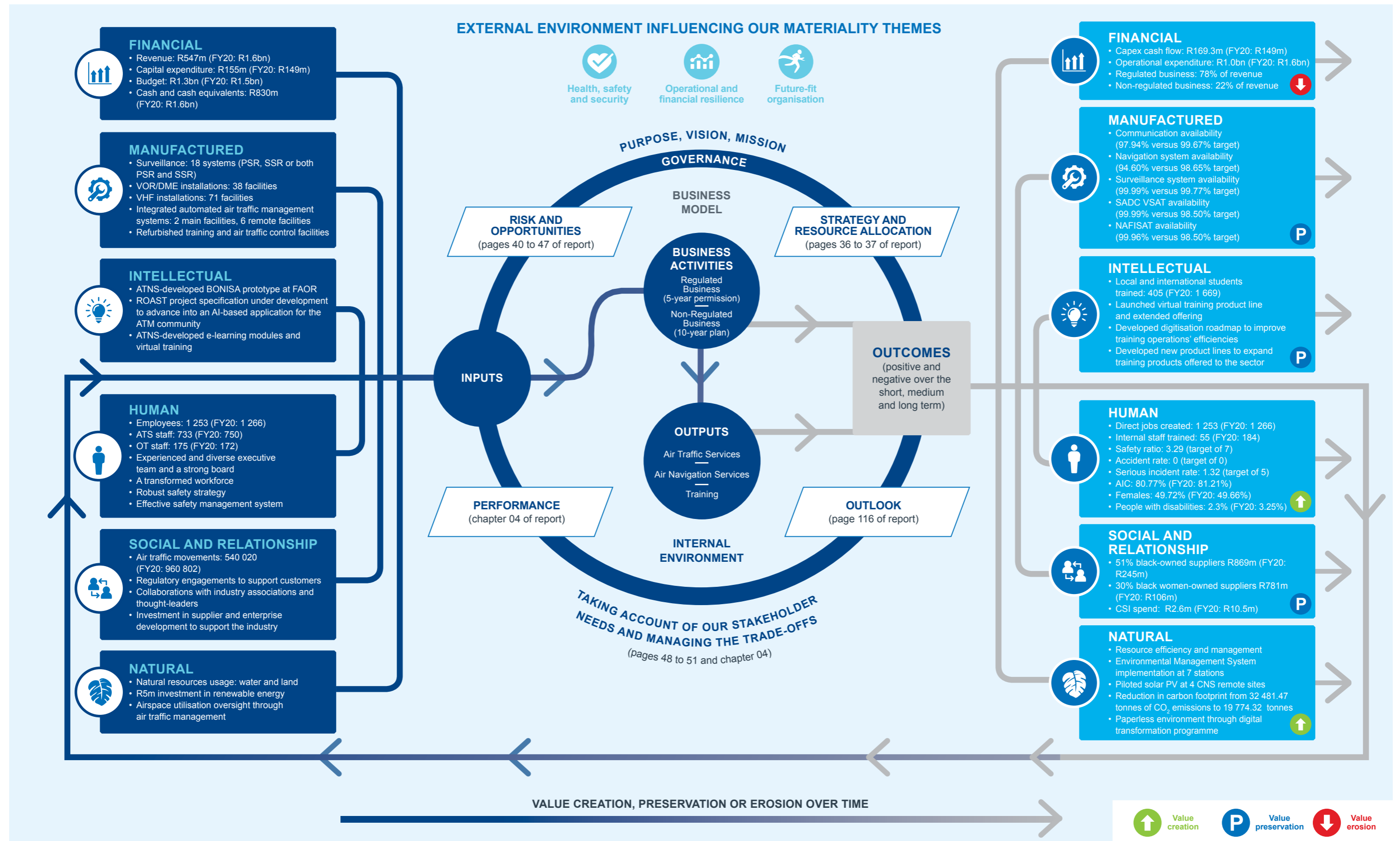
Although our strategic pillars of service excellence, sustainability and innovation remain unchanged, we recalibrated the strategic focus areas that form part of each pillar. Similarly, given the extremely volatile and largely uncertain outlook, we formulated a three-phased strategy execution plan, which concludes in 2025.



Our business model

Driving value preservation during uncertain times

Over the past financial year and despite the challenging external environment, including the impact of the COVID-19 pandemic, ATNS remained resilient. While our financial performance may have suffered, we continued to maintain momentum across our strategic objectives relating to the other capitals. Through the measured and prudent steps we took in FY21, we are well-positioned to create value for our stakeholders in the coming years.



Our risks and opportunities

Our Board sets the direction for the manner in which risk and opportunity management is approached and addressed at ATNS, ensuring that our assessments are aligned with our company’s strategy and overarching performance. As such, the process involves a formalised and well-embedded system to identify and assess risks and opportunities at both strategic and operational levels within the company.

Our Audit and Risk Committee oversees and directs the implementation of an effective three-year risk management strategy and framework, which is underpinned by a Board-approved risk management policy and risk management strategy.

Risk management process

We apply an integrated risk management approach that is aligned with international best practice frameworks. As part of our ongoing risk assessment process, we focus on trending risks and opportunities against an ever-changing macroeconomic context. The sound management of risks and opportunities enables us to anticipate and respond with agility to shifts in our operating environment and to take well-considered decisions under conditions of uncertainty, in line with our risk appetite and tolerance.

Our risk management framework is reviewed annually, to ensure it remains fully aligned with evolving business needs and our governance responsibilities. Our risk function facilitates an annual top-down and bottom-up review of risks with each of our business areas followed by our Executive Committee and, thereafter, our Board.

In conducting the annual review, we identify and assess our risks, measuring them against defined criteria, and consider the likelihood of occurrence and the potential business impact. These risk perspectives are combined to create a consolidated top-level strategic risk profile, which facilitates oversight over our material risks.

Our top-level risk exposures are measured against formalised risk appetite statements that are further aligned with our strategic pillars and objectives. Risk appetite and tolerance are core considerations for our risk response plans as they consider the relationship between the potential impact of key risks and the effectiveness of mitigating controls and management actions. Our risk management process is outlined below.



Our top risks

Through our risk management process, we identified our top risks, which provides our Executive Committee and our Board with a robust assessment of these top risks facing ATNS. The risk appetite for each top risk is reviewed and approved by our Audit and Risk Committee and our Board to enable informed risk-based decision-making.

The identified risk rating correlates with the nature of the action required as well as the decision-making authority level within the organisation. Our Priority 1 risks require input, oversight and steer by our Chief Executive Officer and the Board, although the mitigation steps taken relating to these risks are managed by a member of the Executive Committee. The priority ratings, actions required and authority levels are summarised in the table below.

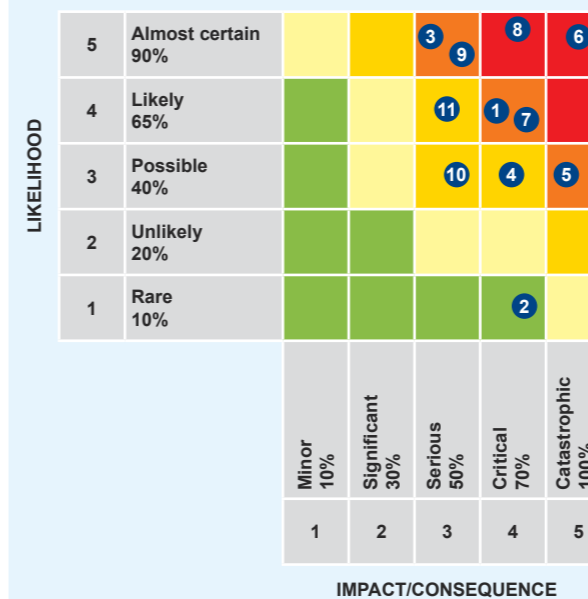
OUR RISK RATING KEY

| Action required | Risk rating | Authority level |
|--------------------------------|-------------|-----------------------------------|
| Immediate action | Priority 1 | CEO and Board level |
| More controls required | Priority 2 | Executive Managers' level |
| Monitor risk exposure | Priority 3 | Senior Managers' level |
| Acceptable risk exposure | Priority 4 | Managers' and Specialists' level |
| Ongoing monitoring of controls | Priority 5 | Supervisors' and Employees' level |

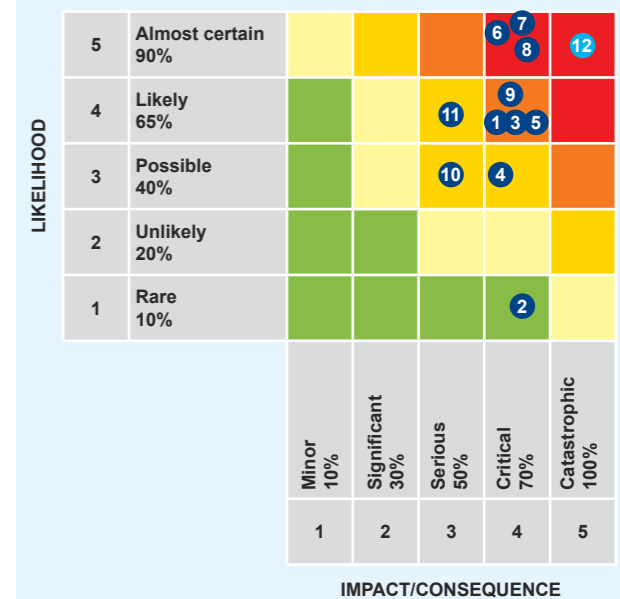
Our risk heat map

The ATNS risk heat maps set out the top risks as identified through our risk management process. The heat maps depict the residual risks for the reporting year and the prior period, after taking into account mitigating risk factors. The risks are explained in greater detail on pages 42 to 46 of this report. In FY21, the risk highlighted in turquoise was a new risk that was added in the year.

RISK HEAT MAP FY20



RISK HEAT MAP FY21



1 SAFETY RISK (SAFETY INCIDENTS)

Risk rating: **Priority 2 (Previous year: Priority 2)** | Inherent risk: ● | Residual risk: ●

Opportunity

Provide advisory support to enhance safety protocols, standards and training within the sector as part of our non-regulated business

Context

Safety incidents, including 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

COVID-19 exposure

Air traffic movements declined dramatically over the reporting period, which served to minimise the safety risk with fewer flights operating in Southern Africa

Mitigating actions

- Maintain and monitor infrastructure and equipment performance
- Implement approved ATNS Safety Strategy
- Implement safety initiatives to improve the safety maturity to a Level C
- Adhere to ATNS Safety Management System

Capitals impacted



Strategic objectives

- Ensure safety and efficiency of operations
- Maintain financial sustainability

2 SAFETY RISK (AIRCRAFT ACCIDENTS)

Risk rating: **Priority 5 (Previous year: Priority 5)** | Inherent risk: ● | Residual risk: ●

Opportunity

Provide advisory support to enhance customer and business partner safety protocols, standards and training within the sector as part of our non-regulated business

Context

Aircraft accidents attributed to ATNS; as a result of human error; malfunction of aircraft structures, engines, and/or systems; inadequate or ineffective maintenance; and hazardous environments, including adverse weather, volcanic ash, bird strikes

COVID-19 exposure

Air traffic movements declined dramatically over the reporting period, which served to minimise the risk of these incidents occurring with fewer flights operating in Southern Africa

Mitigating actions

- Monitor, inspect, and maintain equipment
- Review contingency plans
- Implement approved ATNS Safety Strategy
- Implement safety initiatives to improve the safety maturity to a Level C

Capitals impacted



Strategic objectives

- Ensure safety and efficiency of operations
- Maintain financial sustainability

3 ICT RISK

Risk rating: **Priority 2 (Previous year: Priority 2)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop strong business partnerships with the appropriate technical know-how and expertise

Context

Inability of our Information Technology Team to support operations and strategic initiatives; as a result of obsolete and/or legacy applications and infrastructure, lack of architecture-driven solutions, inadequate management of third-party supplier contracts and relations and an inadequate capacity to run IT operations and deliver critical projects

COVID-19 exposure

Remote working practices limited day-to-day interactions and delayed the establishment of appropriate governance structures; cost optimisation requirements delayed certain IT projects and the hiring of specialists

Mitigating actions

- Monitor third-party service level agreements
- Review IT governance framework and disaster recovery plan
- Implement approved ATNS IT strategy
- Stabilise Wide Area Network (WAN) through upgrade and redundancy implementation
- Establish and operationalise a Technology and Information Steering Committee
- Capacitate IT division with critical resources and skills
- Develop an enterprise architecture capability

Capitals impacted



Strategic objectives

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

4 BUSINESS CONTINUITY RISK

Risk rating: **Priority 3 (Previous year: Priority 3)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop enhanced off-site support and virtually activated business continuity plans

Context

Significant and prolonged disruption to our critical business activities as a result of inadequate business continuity management arrangements and inadequate site-to-site replication

COVID-19 exposure

Prevailing instability and working-from-home arrangements have delayed access to on-site support

Mitigating actions

- Implement business continuity management roadmap and programme across entire network
- Review and improve disaster recovery arrangements
- Enhance site-to-site replication of critical business processes

Capitals impacted



Strategic objectives

- Maintain financial sustainability
- Ensure safety and efficiency of operations

5 SECURITY RISK

Risk rating: **Priority 2 (Previous year: Priority 2)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop a collaborative, aviation sector security programme

Context

Threats and vandalism on physical infrastructure, given vulnerability of sites and infrastructure in remote locations; design specifications of the infrastructure placing limitations on physical security infrastructure; prohibitive cost implications of deploying security personnel at all sites and existence of high demand and high value materials at sites

COVID-19 exposure

The economic impact of the country caused by the pandemic has resulted in the increase of our facilities/ infrastructure vandalism

Mitigating actions

- Deploy security personnel to the critical and most vulnerable sites
- Collaborate with law enforcement agencies and other affected stakeholders to improve overall security measures
- Review and improve physical access control and security systems
- Enhance security at CNS sites

Capitals impacted



Strategic objectives

- Maintain financial sustainability
- Ensure safety and efficiency of operations

6 FINANCIAL SUSTAINABILITY RISK

Risk rating: **Priority 1 (Previous year: Priority 1)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop longer-term partnerships and accelerate growth of non-regulated business

Context

- Inability to remain financially sustainable in the long term due to:
- subdued growth in the airline industry and ongoing challenges for airline operators
 - slow growth in non-regulated business
 - inability to implement growth strategies in the regulated and non-regulated businesses
 - loss of business to competitors providing similar services
 - escalation of cost of doing business

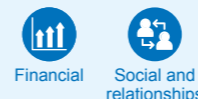
COVID-19 exposure

Decline in air traffic movements and revenue-generation activities coupled with internal cost optimisation pressures and customer payment challenges

Mitigating actions

- Proactive review and pursuit of opportunities in the non-regulated business
- Drive cost containment and review budgeting framework
- Implement effective debt collection measures
- Source external funding for Capex programme

Capitals impacted



Strategic objectives

- Maintain financial sustainability
- Ensure safety and efficiency of operations

7 CYBERSECURITY RISK

Risk rating: **Priority 1 (Previous year: Priority 2)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop improved data protection protocols and related training

Context

An external cyber-attack, insider threat or supplier breach whether malicious or accidental, resulting in service interruption or the breach of confidential data. This could negatively affect customers, business partners' revenue and our reputation, and lead to costs associated with fraud or extortion.

COVID-19 exposure

Increase in cyber threats targeting customers and suppliers through phishing, social engineering, and malicious or insecure apps and services; remote working has also introduced a rise in cyber threats

Mitigating actions

- Implement and enforce cybersecurity policy
- Conduct mandatory information security awareness campaigns
- Conduct regular penetration testing and vulnerability scanning
- Review and implement cybersecurity strategy and plan
- Conduct regular baseline maturity assessments on information security governance and operations
- Conduct annual cybersecurity risk assessments

Capitals impacted Intellectual Financial Social and relationships

Strategic objectives

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

9 PROJECT RISK

Risk rating: **Priority 2 (Previous year: Priority 2)** | Inherent risk: ● | Residual risk: ●

Opportunity

Develop in-house project management capability and promote advisory support services in this area

Context

Growth opportunities and safety management may be missed if we fail to execute strategic projects within existing and growth markets and permission plans given:

- ineffective project co-ordination and business process integration
- the lack of an integrated change management framework into projects
- the non-implementation of our Capex delivery framework
- failure to effectively identify project interdependencies across the value chain

COVID-19 exposure

Financial constraints and cost containment measures brought by the pandemic due to government lockdown measures limit our ability to execute some of the planned projects

Mitigating actions

- Monitor adherence to the Capex delivery framework
- Operationalise project governance structure
- Implement business process plans
- Implement the PPMO and change management frameworks

Capitals impacted Intellectual Financial Human Social and relationships

Strategic objectives

- Maintain financial sustainability
- Ensure safety and efficiency of operations
- Increase business transformation

8 THIRD PARTY RISK

Risk rating: **Priority 1 (Previous year: Priority 1)** | Inherent risk: ● | Residual risk: ●

Opportunity

Diversify supplier base and develop new niche suppliers through a multi-vendor strategy

Context

Macroeconomic challenges and regulatory constraints could impact our key IT and technology suppliers; lack of supply by key suppliers and access to a limited number of pre-approved suppliers may negatively impact on operational activities and delivery of safe and reliable service; reliance on limited third party service providers for most of our critical equipment

COVID-19 exposure

Increased the risk of supplier unreliability, potentially impacting our ability to source critical equipment, skills and resources; macroeconomic challenges influence our IT/OT vendor strategies, and have placed increased pressure on operational costs

Mitigating actions

- Implement supplier transformation framework
- Develop and implement a future technology acquisition strategy

Capitals impacted Intellectual Financial Social and relationships

Strategic objectives

- Maintain financial sustainability
- Ensure safety and efficiency of operations
- Increase business transformation

10 HUMAN CAPITAL RISK

Risk rating: **Priority 3 (Previous year: Priority 3)** | Inherent risk: ● | Residual risk: ●

Opportunity

Proactively upskill future aviation professionals through the Aviation Training Academy

Context

Given human resource pressures, inability to attract and retain the right people with the right skills; inadequate training and development programmes; ineffective talent management and succession planning; low organisational morale

COVID-19 exposure

Presented a dramatic shift in the way training is conducted and teams work and connect; cost pressures are influencing recruitment and training plans; in line with the growing shift to digital disruption, we are also likely to see a sustained impact on our talent and structures, requiring skills that place us in strong stead for future growth

Mitigating actions

- Implement an adaptive and intuitive strategy to attract and retain the next generation of aviation professionals
- Review structures and capability to ensure optimal resourcing and skills required for the future needs of the business
- 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

Capitals impacted Intellectual Human Social and relationships

Strategic objectives

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

11 OCCUPATIONAL HEALTH AND SAFETY RISK

Risk rating: **Priority 3 (Previous year: Priority 3)** | Inherent risk: ● | Residual risk: ●

Opportunity

Accelerate organisational restructure and culture change initiative

Context

Employee occupational health and safety, moral and mental health risks, given the stressful and volatile external environment and remote working arrangements

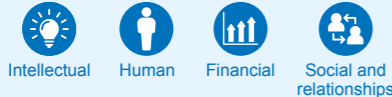
COVID-19 exposure

Work-from-home measures create productivity, staff morale and connectivity challenges; cost optimisation initiatives impact salaries, bonuses and job security

Mitigating actions

- Implement COVID-19 occupational and safety measures across the organisation
- Engage regularly with employees through leadership dialogues
- Implement support structures for remote work
- Introduce a clear flexi-work, flexi-place policy
- Screen all employees at all site and workplace entry points
- Provide ICAS services on employee psycho-social counselling and financial and life management

Capitals impacted



Strategic objectives

- Develop a future-fit workforce
- Maintain financial sustainability

12 ORGANISATIONAL PERFORMANCE RISK (NEW)

Risk rating: **Priority 1** | Inherent risk: ● | Residual risk: ●

Opportunity

Accelerate organisational restructure and culture change initiative

Context

Poor organisational performance due to inadequate monitoring and reporting on agreed performance targets; ineffective planning and strategy execution and delays in decision-making processes

COVID-19 exposure

Cash flow strain and macroeconomic uncertainty places additional pressure on the organisation, which impacts the company's ability to plan for the long term

Mitigating actions

- Appoint executives to champion delivery of critical organisation-wide programmes
- Provide regular communication on organisational performance and strategy to all personnel
- Improve management accountability by monitoring and reporting on corporate performance at various governance structures

Capitals impacted



Strategic objectives

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



Airspace safety performance continues to be at the core of our business and requires our unwavering focus, notwithstanding the macroeconomic challenges within the external environment.



Our stakeholders

Strong, trust-based stakeholder relationships form the foundation of our ability to create and preserve value in the short, medium, and long term and to mitigate against any value erosion.

We aim to engage openly and inclusively with our stakeholders who connect with us through our services and initiatives and on whom our business has an impact. In our interactions, we seek to better understand and benefit from our stakeholder perspectives, concerns and priorities. In our discourse, we also identify the issues that are material to our stakeholders and that could significantly impact our business model, strategy, performance and sustainability.

OUR COLLEAGUES

Our workforce and organised labour

Their 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 inclusivity

Related KPIs

- Employee engagement scores

Value creation, preservation and erosion

- Provided meaningful work as part of the aviation sector
- Offered wellness services and on-site occupational health and safety assistance
- Maintained fair and responsible remuneration, including equal pay for equal work
- Reduced workforce training and development given COVID-19 restrictions and cost containment measures
- Limited progress on promoting workforce diversity given a moratorium on new appointments

Engagements frequency

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

OUR SHAREHOLDER AND BOARD

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

Their 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

Related KPIs

- Return on capital employed
- Free cash flow
- Delivery against strategic pillars and targets
- Management and integrated reporting

Value creation, preservation and erosion

- Ensured adequate funding to meet financial obligations and business objectives
- Limited investment for long-term growth and sustainability
- Implemented a range of cash preservation initiatives
- Limited success in meeting financial and non-financial performance targets, due to challenging macroeconomics and substantially reduced air traffic movements
- Ensured relevant, timely and transparent financial and non-financial reporting with successful virtual meetings
- Enhanced risk assessments and scenario-planning, given volatile external environment

Engagements frequency

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

OUR CUSTOMERS

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

Their needs, expectations and concerns

- Safe and reliable services
- Innovative solutions and services
- Convenient access to support services through digital channels
- Excellence in customer service and relief measures provided
- Value-for-money that is competitive for non-regulated services

Related KPIs

- Net promoter score
- Number of customer complaints in the regulated business
- Safety and reliability scores
- Number of new customers in the non-regulated business
- Market share for non-regulated services

Value creation, preservation and erosion

- Delivered safe and reliable solutions
- Had to temporarily curtail investment in innovative solutions, given challenging macroeconomics
- Ensured convenient access to virtual support services
- Drove customer service with relief measures instituted
- Negotiated an extension of the current permission
- Delivered value-for-money non-regulated services

Engagements frequency

- Customer surveys
- Collaborative aviation customer engagements

OUR REGULATORS, GOVERNMENTS AND ASSOCIATIONS

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

Their needs, expectations and concerns

- Compliance with all legal and regulatory requirements and managing 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

Related KPIs

- Extension of permission
- Aviation recovery plan
- Organisational restructure

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 COVID-19 projects in our communities
- Amended user agreements to include relief measures as approved by the regulator
- Contributed to industry risk assessment and scenario-planning workshops
- 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 frequency

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

OUR BUSINESS PARTNERS

Suppliers, non-permanent employees and incubator businesses

Their needs, expectations and concerns

- Partnering to provide solutions that help to 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

Related KPIs

- Enterprise development spend
- Number of strategic sourcing arrangements concluded
- Accounts payable book over 60 days

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
- Honoured all agreements
- Continued to contribute to industry enterprise development initiatives

Engagements frequency

- Regular virtual meetings and engagements
- Monthly update sessions

OUR COMMUNITIES AND SOCIETY

Communities, society at large, including the media

Their needs, expectations and concerns

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

Related KPIs

- Safety incidents
- Reliability metrics
- Enterprise development initiatives
- CSI spend

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

Engagements frequency

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

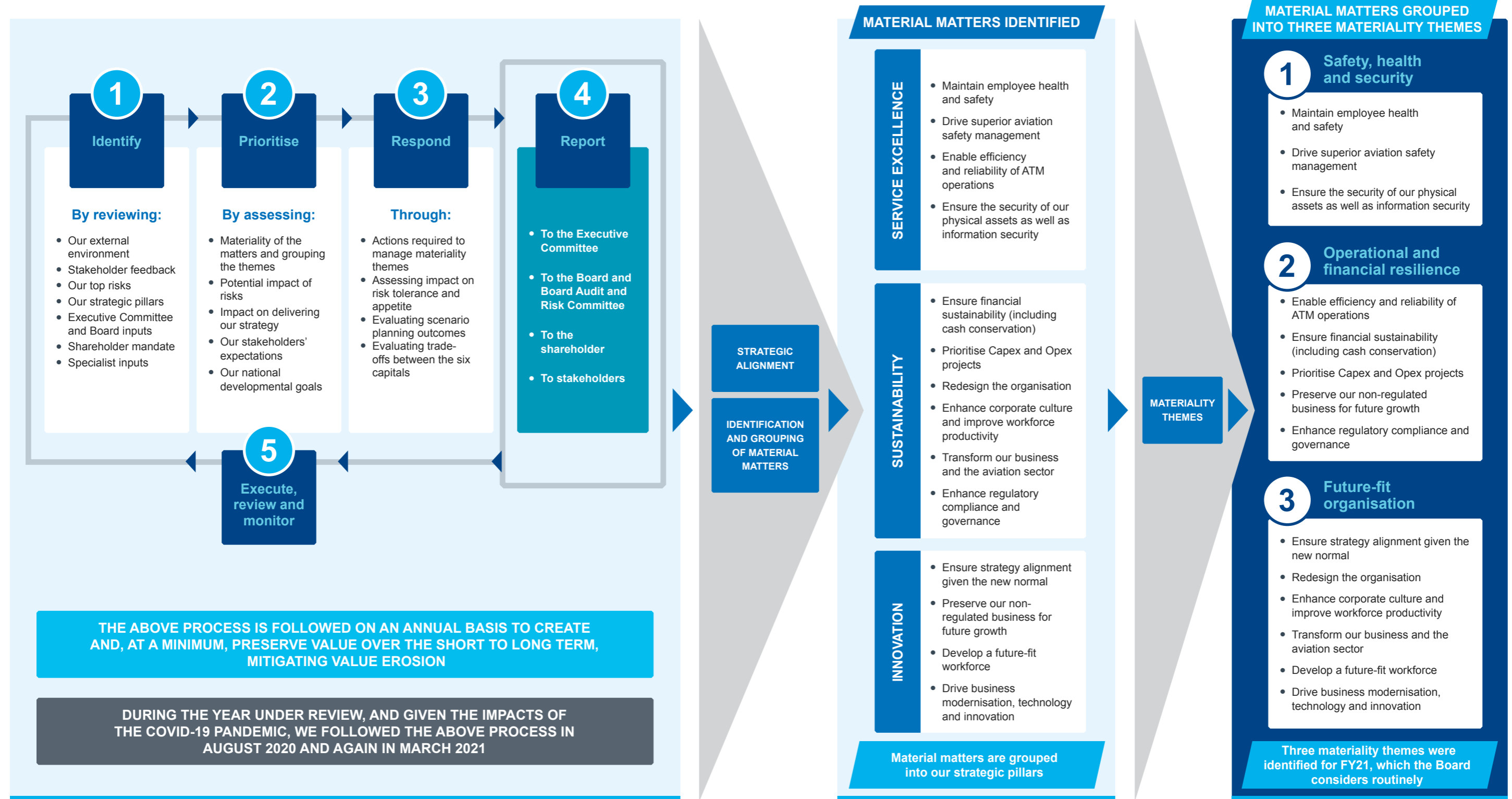
Our ongoing engagements with our broad range of stakeholders serve to ensure that we foster and maintain relationships, which are **key to building a more sustainable organisation for the future.**

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. These themes take account of our risk and opportunity assessments, strategic objectives, stakeholder issues and the volatile external environment.

In managing these materiality themes effectively, we are better able to operate our business with resilience and agility and to adapt our strategic direction and business model as may be required from time to time.

The following diagram outlines the materiality determination process we follow at ATNS.



Our material matters identified in FY21, are in many respects, similar to the material matters identified during FY20. As part of an alignment process led by our strategy, risk and sustainability teams, our material matters are then grouped into materiality themes to facilitate coordination and integration and routine reporting to our Audit and Risk Committee and to our Board. During our 2021 fiscal year, the COVID-19 pandemic impacted each of our material matters and materiality themes to some or a greater extent, influencing our short and longer-term responses. We provide a more detailed summary of each of the materiality themes on pages 54 to 56 of this report.



MATERIALITY THEME

Safety, health and security

Why is this materiality theme important for us?

Sky safety is core to our business, safe and reliable operations are critical to value creation and preservation and in supporting our strategy. Given the COVID-19 pandemic, we are aware of the importance of health and wellbeing not only amongst our ATNS team but also our broader stakeholders.

Similarly, threats to the security of our employees, external stakeholders and to our physical assets and data are critical to the organisation's business continuity. While the global technology revolution is positive, cyber-crime has dramatically increased, evidenced by the number, intensity and sophistication of high-profile cyber-attacks. These attacks are usually aimed at accessing, changing or destroying sensitive information, extorting money from users or interrupting normal business processes. These threats come in many forms and require continuous monitoring, supervision and management.

OUR RESPONSE

We work to build a strong safety culture within ATNS and strive to reduce risks and minimise the potential impact of any incidents. We have adopted a series of proactive measures to safeguard the safety and security of our employees, and our other stakeholders by ensuring organisation-wide and airspace safety.

To ensure sustainable operations, we implement seamless processes and procedures that drive enhanced safety and security (both of physical assets as well as data), improved customer experiences and the increased efficiency of our existing operations.

Our long-term actions

- Promote safety and wellbeing best practice through focussed training on the African continent
- Leverage technologies to reduce the risk of safety and security incidents
- Develop digital solutions to monitor assets and processes allowing for improved predictability and greater automation
- Promote a health and safety first and foremost culture of engaged and motivated employees
- Ensure a safe and secure work environment
- Enhance asset security through improved monitoring and supervision
- Implement action plans for recovering from a cyber-breach
- Develop leading aviation safety strategies in collaboration with the industry through working groups thought-leadership

Material matters forming part of this theme

- Maintain employee health and safety
- Drive superior aviation safety management
- Ensure the security of our physical assets as well as information security

Our performance indicators

- Safety ratio: 3.29 incidents per 100 000 flights
- Accident rate: Zero accidents and ≤ Cat A incidents
- Serious incident rate: 1.32 Cat A+B
- SMS maturity level: Level C with 59% above Level C
- Approved information security roadmap
- No major health and wellbeing incidents
- Response plans in place to curtail the spread of COVID-19 within the workplace
- No major health and safety incidents related to employees and improvement in self-assessment based on NOSA audit to >80%

Capital trade-offs

- 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
- In some instances, with enhanced health, safety and security protocols, people movements are curtailed, which could impact negatively on the social and relationships 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
- 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
- We are required to increase aircraft trackmiles for us to adhere to aviation safety standards while also meeting environmental legislative requirements



Link to top risks

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



Strategic objectives advanced

- Ensure safety and efficiency of operations
- Develop a future-fit workforce



MATERIALITY THEME

Operational and financial resilience

Why is this materiality theme important for us?

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 severely hampered during the 2021 financial year. Uncertainty as to the extent and nature of possible third and future waves of the virus as well as its longer-term impact on our sector and the global economy have required a rethink of our business model and strategic objectives in both the immediate term as well as longer term.

OUR RESPONSE

Our revenue stream is predominantly (78%) derived from our regulated business, which is directly linked to air travel and air traffic movements and indirectly to business and leisure travel trends. Preserving our non-regulated business, and particularly our training offering, is a key enabler in our economic recovery expansion plans. To be the leading air navigation service provider and training academy in Africa, developing modernised, cost-effective innovative in-house air traffic management solutions and training programmes in South Africa and abroad continue to be important focus areas.

In the context of our regulated business, we are focussed on enhancing the overall efficiency and reliability of our air traffic management business operations. Operational efficiency includes limiting discretionary spend while still ensuring high-quality service and support. We have improved our regulatory compliance and governance protocols, following an independent assessment and gap analysis. Here, we focus on a high quality service offering while reducing our environmental impact; supporting our stakeholder objectives of reducing aircraft emissions and noise through efficient air management systems and technology.

Our long-term actions

- Achieve growth targets as set out in our 2025 strategy
- Expand products and services through a needs analysis in the aviation space with a focus on training programmes
- Enhance regulatory compliance and governance protocols
- Promote ethical leadership
- Take actions to make our operations resilient in a lower-carbon future
- Continue to improve the way we operate to identify and then minimise or avoid adverse environmental and social impacts while creating inclusive stakeholder value
- Respond to stakeholder needs through innovative, virtual solutions
- Continued investment in leading technology in line with the Global Air Navigation Plan and with our research and development strategy and plan

Material matters forming part of this theme

- Enable efficiency and reliability of ATM operations
- Ensure financial sustainability (including cash conservation)
- Prioritise Capex and Opex projects
- Preserve our non-regulated business for future growth
- Enhance regulatory compliance and governance

Our performance indicators

- Key financial ratios including ROCE
- The ATNS average delay per flight: below 1 second per flight
- Communication availability (97.94% vs 99.67% target)
- Navigation system availability (94.60% vs 98.65% target)
- Surveillance system availability (99.99% vs 99.77% target)
- SADC VSAT availability (99.99% vs 98.50% target)
- NAFISAT availability (99.96% vs 98.50% target)
- Implementation of an environmental management system
- PBN operational enhancements
- Development of new training academy product lines

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
- Similarly, although costs are curtailed, the external environment continues to place a strain on financial capital
- Restricted travel movements in the year had an adverse impact on all of our capitals, with the exception of natural capital



Link to top risks

- Business continuity risk
- Financial sustainability risk
- Organisational performance risk



Strategic objectives advanced

- Maintain financial sustainability
- Ensure safety and efficiency of operations
- Create an adaptive and innovative enterprise
- Be the leading training academy on the continent
- Improve environmental stewardship



MATERIALITY THEME

Future-fit organisation

Why is this materiality theme important for us?

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 to 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 critical and scarce in-house skills and know-how and accelerating business modernisation and innovation.

OUR RESPONSE

We have implemented a phased recovery and repositioning programme, to ensure that we can adapt to the changing external environment.

We launched an organisational redesign and culture programme, enhancing our organisational resilience and our ability to adapt to changing operating conditions.

Through our preferential procurement and enterprise development, we are broadening and transforming our supplier base.

We transform our people by promoting employment equity and diversity and inclusion and by providing skills development opportunities, despite the challenging macroeconomic.

Our long-term actions

- Ongoing review and refinement of our strategy given the new normal
- Promote an inspiring organisational culture
- Ensure enhanced skills and organisational resilience
- Implement an approved IT strategy and roadmap
- Implement a transformation/incubation strategy
- Work with industry players to transform the aviation industry on the continent
- Implement the CANSO standard on human performance
- Implement the ATA modernisation roadmap

Material matters forming part of this theme

- Ensure strategy alignment given the new normal
- Redesign the organisation
- Enhance corporate culture and improve workforce productivity
- Transform our business and the aviation sector
- Develop a future-fit workforce
- Drive business modernisation, technology and innovation

Our performance indicators

- Deliver against approved ICT strategy and roadmap
- Supplier and enterprise development spend
- Roll out enterprise resource plan
- Implement digital transformation programmes
- Commence organisational design framework work and culture assessment
- Develop ATA modernisation roadmap

Capital trade-offs

- 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
- We have had to reduce short-term spend on socio-economic development programmes, reducing this aspect of our social and relationship capital
- 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



Link to 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
- Increase business transformation



Change is inevitable.
At ATNS, we are seeking to expand our service offering to pre-empt the needs of the aviation sector of the future.

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

FOCUS STORY

Relationship-building for the future



To enable a sustainable future, the importance of building stronger relationships across the continent and throughout the broader aviation sector has been elevated.

The context

The COVID-19 pandemic has fundamentally reshaped the world. Personal lives, socio-economic activities, and the way we interact and travel have changed dramatically since the onset of the pandemic. Undoubtedly, the aviation industry is one of the hardest hit sectors since the outbreak of the novel strain of the coronavirus. Despite the challenging environment, ATNS and our partners have a critical role to play in the long-term success of the aviation industry in South Africa and across Africa.

Following the declaration of the disease as a global pandemic by the World Health Organisation (WHO) and the subsequent declaration of COVID-19 as a national disaster by the South African government on 15 March 2020, aviation was identified as one of the high-risk subsectors of transport, which enables high levels of mobility and, by extension, the rapid spread of the coronavirus.

Collaboration with stakeholders to curb the pandemic

Under the leadership of the Transport Minister, ATNS collaborated with the Department of Transport (DoT), 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 to domestic and international air traffic. Throughout the more stringent level 5 lockdown in South Africa and related global lockdown measures, ATNS continued to provide our full suite of air traffic control services, delivering safe and expeditious flights.

Deferral of the 5% tariff increase

Given the extensive socio-economic impacts of the COVID-19 pandemic, a number of airline operators approached ATNS requesting various interventions or concessions due to the significant and sudden decline in passenger movements.

Despite our own financial challenges, as mandated by our Board, members of the ATNS Executive Committee engaged with various industry players, including IATA, BARSAA and AASA, and jointly agreed to defer the 5% tariff increase to airlines for the 2020/21 financial year. Additionally, we engaged with a few of the constrained regional airport owners, looking at ways to reduce air traffic service fees.

Measures introduced by ATNS to alleviate stakeholder challenges

Customers with a security deposit or guarantee were offered a three-month payment holiday, effective May 2020. Interest charges were also waived during the payment holiday, provided that the terms were adhered to.

Customers without a security deposit were offered a two-month payment holiday, also effective May 2020. Interest charges were also waived during the payment holiday, provided that the terms were adhered to.

Postponement of permission application: our Board approved the postponement of our Permission Application, thereby extending our current 2017 Permission by a further year without any increases being introduced.

Review and scrutiny of investments, with postponement of those having less impact: our Board supported the Executive Committee's recommendation to reprioritise Capex, in particular, deferring non-critical investments without negatively affecting the quality of our service to the industry.



CAPITALS IMPACTED

While our social and relationships, natural and human capital stocks increased, value was eroded in relation to our manufactured, intellectual and financial capitals as important trade-offs.



Social and relationships



Natural



Human



Manufactured



Intellectual



Financial

03

OUR GOVERNANCE

We seek to implement robust governance processes and practices to ensure that we can provide our services in a reliable, efficient and safe manner, while remaining agile enough to adapt to changes in our operating environment.

In the 'our governance' section of our report, we:

- explain our governance approach and outline the core components of our governance framework
- provide a summary of the governance of our functional areas
- 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
- outline our remuneration practices for the year under review
- showcase progress made on our three-pronged transformation approach

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Our governance approach

The way we approach governance and leadership at ATNS supports our ability to create and preserve value while limiting possible value erosion.

We seek to create maximum shared value by delivering on our purpose and ensuring the relevance, good governance and sustainability of our business model and strategic pillars despite a challenging macroeconomic context. We seek to implement robust institutional governance and risk frameworks to ensure that we can provide our services in a reliable, efficient and safe manner, while remaining agile enough to adapt to changes in our operating environment. We review our governance structures and practices on an ongoing basis, ensuring that these remain robust and fit-for-purpose.

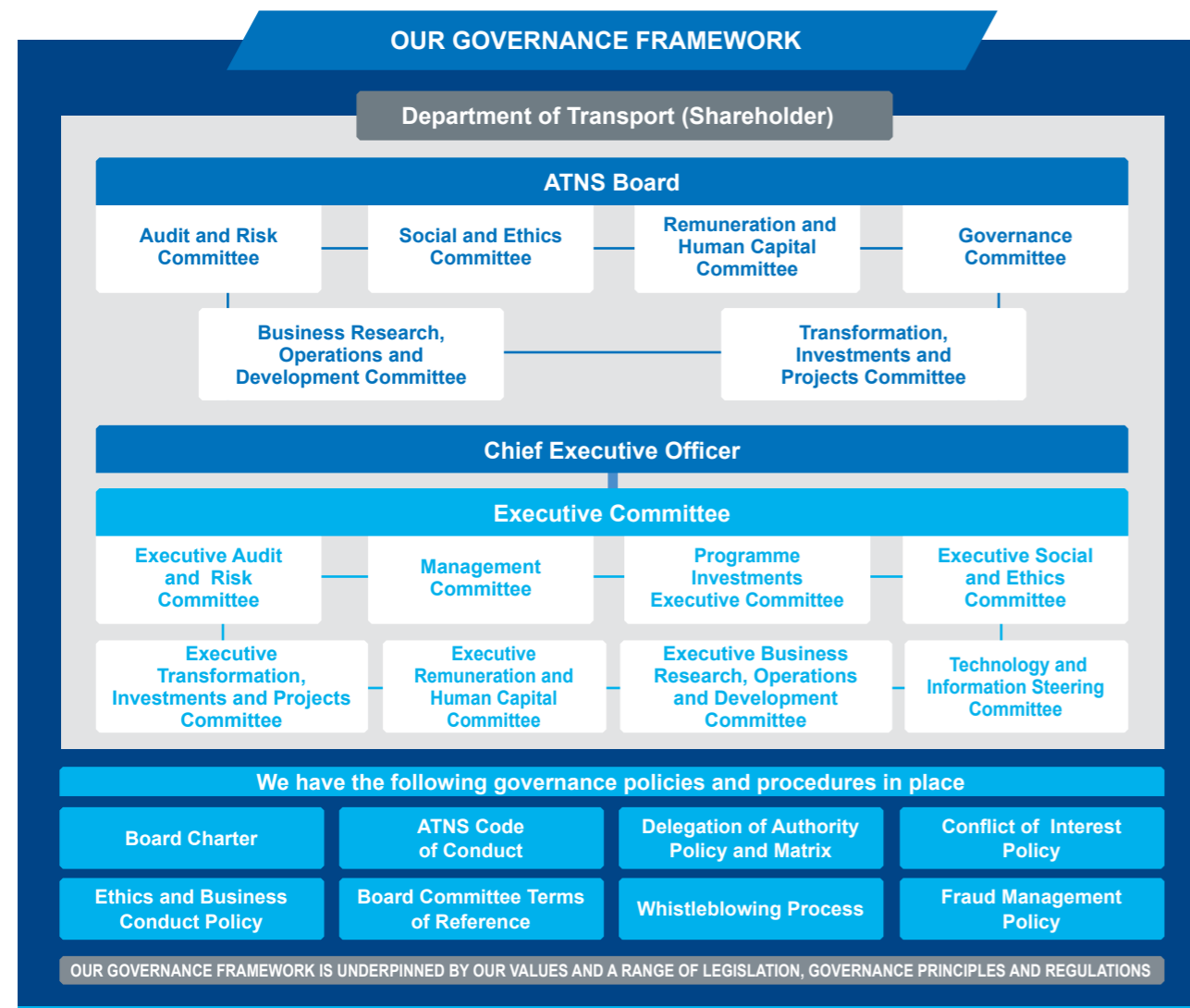
Our Board is accountable for approving and providing oversight of the governance framework, processes and practices, while our Executive Committee is responsible

for executing on the policies and procedures through which governance occurs within our organisation.

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 and regulations:

- 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' or **IV**) throughout this report)
- National Treasury Regulations

The Board approved ATNS's updated Governance Framework in March 2021, as depicted below.



Our Board and Executive Committee strive to lead by example, setting the tone at the top. In parallel, we considered how our governance approach can enable us to better respond to our operating environment and support the execution of our strategy and the achievement of our business model drivers. In the context of the COVID-19 pandemic, we also considered the leadership mindset and capabilities required to manage and thrive in a volatile, fast-paced and customer-centred world.

Our Board's governance oversight is informed by their responsibilities and governance objectives. These objectives provide a mechanism to measure and evaluate performance in applying the King IV principles and outcomes. Our King IV application register for our 2021 financial year is available on our website www.atns.co.za.

IV

KING IV APPLICATION

Leadership, ethics and corporate citizenship (principles 1 to 3) **IV**

Our Board sets the tone and leads ATNS ethically, effectively and responsibly. During the reporting period, the Board approved the commencement of 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. As a strategic initiative, plans are in place to acquire and develop a future-fit workforce. Additionally, the Board provides leadership and vision to ATNS. This ensures our sustainable growth and delivery of our strategic initiatives for the benefit of our shareholder and stakeholders.

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. The Board ensures that ATNS continues to play a key transformation and developmental role in South Africa and on the African continent as a skills provider and facilitator of economic growth. We provide an update on our transformation approach on pages 90 to 101 of this report.

Strategy, performance and reporting (principles 4 and 5) **IV**

The Board holds accountability for ATNS's business and financial performance. In so doing, the Board supports ATNS in setting our purpose, vision and mission and in framing our strategic pillars of service excellence, sustainability and innovation and strategic focus areas that ensure strategy execution.

Information relating to required disclosures are contained in our various reports, including in this report, and are available at www.atns.co.za.

Governing structures and delegation (principles 6 to 15) **IV**

The Board provides guidance and oversight to ATNS in our management of regulatory compliance, ethics, remuneration practices, as well as our organisation-wide risk management activities, which support good governance fundamentals. They consider and assess best practice principles and seek ways to ensure that our governance structures are streamlined and effective, enabling delegated decision-making thereby eliminating bureaucratic red tape.

During the reporting period, our Board approved the review of our corporate and governance structures, which was initiated to ensure that we remain agile and resilient as our operating context continues to change.

Stakeholder relationships (principles 16 and 17) **IV**

The Board ensures a stakeholder-inclusive approach to inform our decision-making and to align with our stakeholder expectations, enabling us to adequately respond to and sometimes even pre-empt their needs. We address this in more detail under our stakeholder approach on pages 48 to 51 of this report.

Our ability to respond to a shifting regulatory landscape

We institutionalise robust governance and risk frameworks, taking into account relevant changes within the regulatory landscape, to ensure our air traffic management and related services are secure and stable. Given the ever-evolving global landscape, we know the importance of entrenching good governance practices and managing our material matters, while retaining the flexibility to respond proactively to the fast-changing regulatory environment. Our risk management process is outlined on pages 40 to 47 of this report, while our materiality determination process is explained on pages 52 to 57.

Ongoing Board skills training

Given the wide range of issues our Board assesses within a year, we provide ongoing Board skills and awareness training, assisting the Board to make well-considered and informed decisions.

BOARD TRAINING IN FY21

As part of the Board's ongoing skills development and awareness training, two sessions were held in the reporting period:

- **Session 1: June 2020**
 - Effective chairing
 - Effective committee management
 - Public Finance Management Act and Treasury Regulations
 - Public Audit Act
 - Directors insurance
- **Session 2: October 2020**
 - King IV requirements
 - Statutory and fiduciary duties of directors
 - Leadership, ethics and corporate citizenship
 - Strategy performance and reporting
 - Governance structures and delegation
 - Board dynamics
 - Conflict of interest
 - Role of the Board, Board committees, management and specific role players



Our Board focus areas

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

- set and steer the strategic direction of the organisation
- approve internal policies in line with regulatory and business environments and oversee their implementation and monitoring
- ensure management accountability

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

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

The fact box outlines the Board's FY21 focus areas.



BOARD FOCUS AREAS FOR FY21

Strategy, risk and transformation

- Considered, reviewed and amended the corporate plan, shareholder's compact and strategy
- Approved the updated growth strategy
- Considered and reviewed the broad-based black economic empowerment strategy
- Considered and approved the risk appetite and tolerance
- Considered and assessed the material matters and materiality themes
- Noted and received progress on the enterprise supplier development framework and transformation strategy

Governance

- Recommended to the shareholder the approval of the amendments to the ATNS memorandum of incorporation
- Approved the ATNS governance framework
- Approved the IT governance strategy and cybersecurity roadmap
- Reviewed and approved policies for the organisation including the conflict of interest policy, IT security and information policy
- Approved various operational policies for the business
- Reviewed and approved the mandate of each Board committee

Performance targets and remuneration

- Considered and approved the Department of Transport quarterly performance reports on key performance indicators
- Considered and reviewed the short-term incentive scheme and salary increases for 2020/21

Financials and statutory reporting

- Approved the 2020 audited annual financial statements
- Approved the 2020 integrated report
- Considered and assessed the credit risk exposure – status of debtors
- Approved the updated procurement plan
- Considered and confirmed that the entity was a going concern, assessed its status of solvency and liquidity and recommended not to declare a dividend

Diversity and succession planning

- Approved the Board diversity and gender targets
- Approved and made recommendation to the shareholder regarding the appointment of a candidate as the ATNS Chief Executive Officer (with the interviews being completed in August 2020)

COVID-19

- Considered and assessed the impact of COVID-19 on the ATNS business, including the related interventions and plans
- Considered and approved the deferral of the 5% tariff increases
- Considered and approved policies in relation to responding to the new normal and working-from-home arrangements, including the remote work and flexible hours policy and the COVID-19 policy

Our risk governance approach ^{IV}

Our Board is ultimately accountable for the governance of risk and the assessment of opportunity. 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. Internal audit undertakes an annual audit of the risk management process at ATNS. 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 organisation-wide risk assessment is performed, and mitigation controls are assessed and reviewed. These are described in greater detail on pages 40 to 41 of this report.



OUR LEVEL 1 RISKS FOR THE REPORTING PERIOD

During the course of our 2021 financial year, our Board reassessed the risks to our strategy and business model on a more routine basis, taking into account the material matters we identified and given the still largely unknown impact of the COVID-19 pandemic.

The key risks identified for the reporting period are as follows:

- Organisational performance risk
- Financial sustainability risk
- Cybersecurity risk
- Third party risk

These risks are explained in greater detail on pages 42 to 46 of this report.



Our regulatory compliance function ^{IV}

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

The compliance function empowers the business to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures 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.

REGULATORY COMPLIANCE FY21 FOCUS AREAS

During the year under review, the regulatory compliance team focussed on the following core areas to create and/or preserve organisational value:

- Compliance implementation plan for the Protection of Personal Information Act
- Development of the information technology regulatory universe
- Implementation of risk mitigation processes associated with sections 11 to 13 of the Electronic and Communication Transaction Act
- Assessment and review of the impact on ATNS of the following proposed and existing legislation:
 - Critical Infrastructure Protection Act
 - Disaster Management Act
 - Public Finance Management Act
 - Control of Access to Public Premises and Vehicles Act
 - Firearms Control Act
 - Astronomy Geographic Advantage Act
 - Occupational Health and Safety Act



The COVID-19 pandemic and its likely longer-term impacts influenced all of our material matters, risks and opportunities.

Our internal audit function ^{IV}

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the 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

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.

INTERNAL AUDIT FY21 FOCUS AREAS

During the year under review, the internal audit team focussed on the following core areas to create and/or preserve organisational value:

- Developed a risk-based audit plan for the 2021 financial year aligned to our top risks, material matters, materiality themes and strategic objectives
- Evaluated risk, controls and governance throughout the organisation, including the implementation of new governance and ethics processes and protocols
- Collaborated with assurance partners to streamline and effectively coordinate assurance through a combined assurance model
- Aligned with professional standards, including the Code of Ethics of the Institute of Internal Auditors and King IV principles

Our governance and ethics commitment ^{IV}

We are committed to sound governance and ethical conduct. During FY21, we reviewed and updated several of our core governance practices, ensuring streamlined and effective controls.

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

GOVERNANCE, ETHICS AND COMPANY SECRETARIAL FY21 FOCUS AREAS

During the year under review, the governance, ethics and company secretarial team focussed on the following core areas to create and/or preserve organisational value:

- Developed a governance framework and updated the delegation of authority policy
- Implemented an ethics management programme
- Reviewed and assessed the Board and its committees, including updating committee work plans and terms of reference
- Reviewed and amended the ATNS memorandum of incorporation
- Developed core governance and ethics policies and processes including the conflict of interest policy, Board code of conduct, directors' remuneration policy and gifts policy
- Convened shareholder meetings and related engagements, including the annual general meeting
- Prepared the 2020 integrated report and King IV application register
- Facilitated ongoing Board skills and awareness training
- Implemented electronic meeting tools
- Conducted a Governance Week engagement to create awareness and a better understanding of ATNS's governance environment

The governance of information technology ^{IV}

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.

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

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.

INFORMATION TECHNOLOGY FY21 FOCUS AREAS

During the year under review, the information technology team focussed on the following core areas to create and/or preserve organisational value:

- Maintained and updated the IT governance and related risk management framework
- Ensured ongoing information and cybersecurity management
- Implemented an information technology (IT) strategy
- Enabled workplace digital transformation
- Facilitated business process automation



Independent Board assessment

With an independent review conducted in the previous reporting period, during the current financial year, the Board conducted a self-assessment peer review, assessing their fellow Board members' contribution to the Board. While the Board and its committees were seen as functioning well and are effective, the following were noted as areas of improvement:

- Enhanced agenda and meeting time management
- Heightened focus on stakeholder engagement and management
- Nomination of members with diverse expertise and specific technical skills to ensure appropriate interrogation of matters within the particular committee's mandate
- Encouraging diverse and inclusive opinions by all members of the Board when reaching key decisions
- Improving communication and engagement between the various Board members and the Executive Committee

Chairperson

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

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

Chief Executive Officer

Pending the appointment of a permanent Chief Executive Officer, as approved by our shareholder, and to ensure continuity and effective executive management, the Board delegated the accountabilities and the authority of the Chief Executive Officer to Mr Dumisani Sangweni, the Executive: Strategy and Optimisation.

We refer to Mr Sangweni in this report, for ease of reference, as the CEO Delegated or Chief Executive Officer Delegated. Mr Sangweni was appointed Chief Executive Officer Delegated effective 1 April 2020 and assumed the management accountabilities assigned to this role from this date.

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

Chief Financial Officer

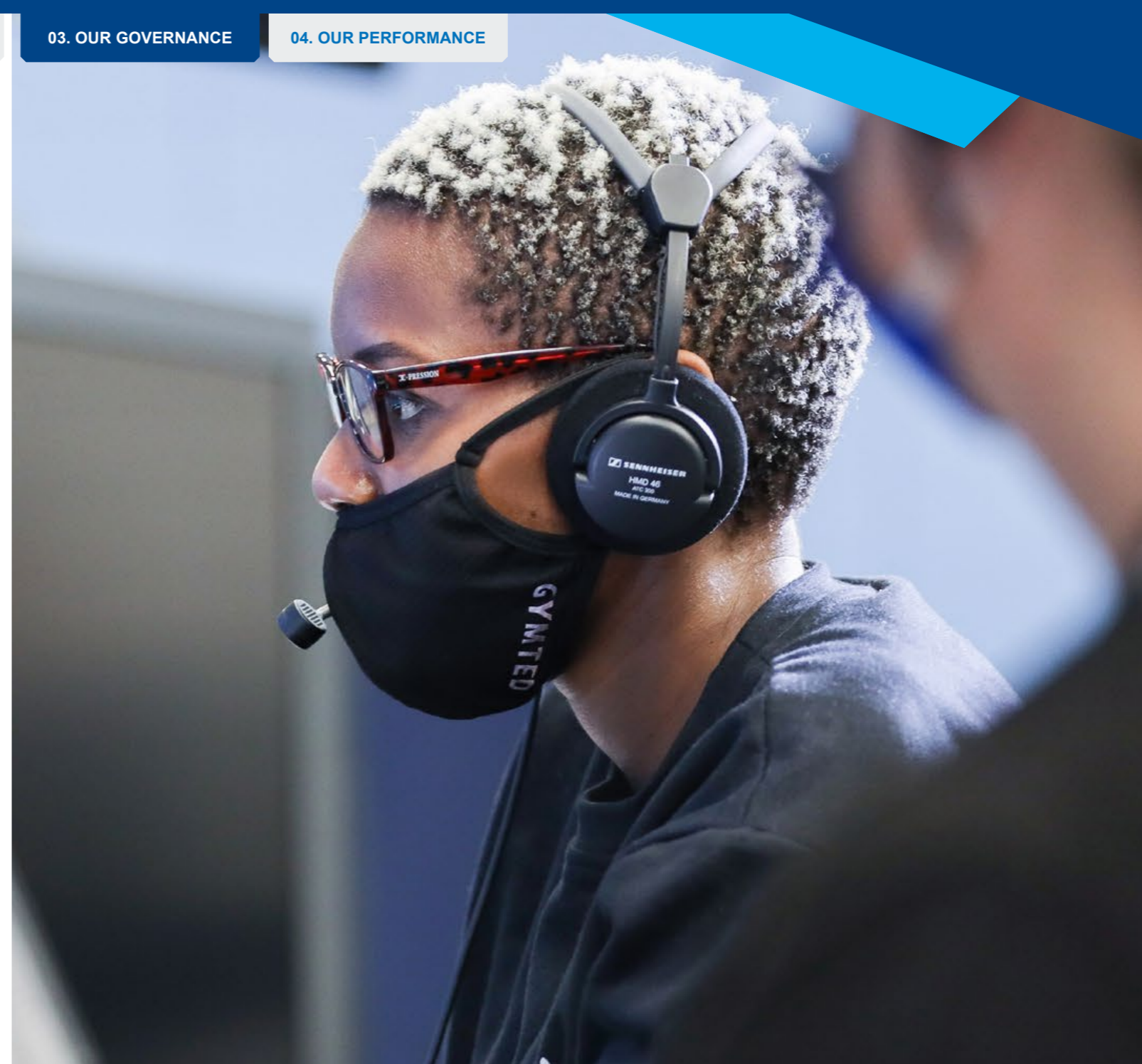
Mr Matome Moholola was appointed Chief Financial Officer and Executive Director, effective 1 August 2019.

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

Company Secretary

Ms Lindelwa Mngomezulu was appointed as the Company Secretary effective 1 January 2020.

Having considered her competence, qualifications and experience at its meeting held on 18 September 2020, the Board is satisfied that she is competent and has the appropriate qualifications and experience to serve as the Company Secretary. The Board also considered the interactions between the Company Secretary and the Board during the year under review, and is satisfied that there is an arms-length relationship between the Board and the Company Secretary.



Our Board and Executive Committee members strive to lead by example, ensuring sound governance and ethical practices.

Our Board

Our Board is led by our Chairperson who provides overall leadership to the organisation, ensures the integrity and effectiveness of the Board and sets the ethical tone at the top. 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 their all-important role.

Our Board comprises non-executive directors and executive directors and operates within the governance framework established to enable them to execute their mandate. During the year under review, our Board engaged our shareholder on a range of topics, including the appointment of the Chief Executive Officer and the organisation's response to the COVID-19 pandemic.

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



NOTE: This Board image constitutes a composite of individual photographs taken one-on-one.

Top left to right:

SIMPHIWE THOBELA
AGE 49
NON-EXECUTIVE DIRECTOR AND CHAIRPERSON

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

SULEMAN BADAT
AGE 58
NON-EXECUTIVE DIRECTOR

Bachelor of Accountancy, CA(SA)

NHLANHLA NGEMA
AGE 70
NON-EXECUTIVE DIRECTOR

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

NOMATHEMBA KUBHEKA
AGE 54
NON-EXECUTIVE DIRECTOR

Bachelor of Arts in Education, MSc in Building

THOMAS KGOKOLO
AGE 37
NON-EXECUTIVE DIRECTOR

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

Bottom left to right:

ZENZELE MYEZA
AGE 60
NON-EXECUTIVE DIRECTOR

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

JANE TREMBATH
AGE 55
NON-EXECUTIVE DIRECTOR

Airline Transport Pilot Licence

MATOME MOHOLOLA
AGE 42
CHIEF FINANCIAL OFFICER

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

CHRIS BURGER
AGE 56
NON-EXECUTIVE DIRECTOR

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

KYANSAMBO VUNDLA
AGE 42
NON-EXECUTIVE DIRECTOR

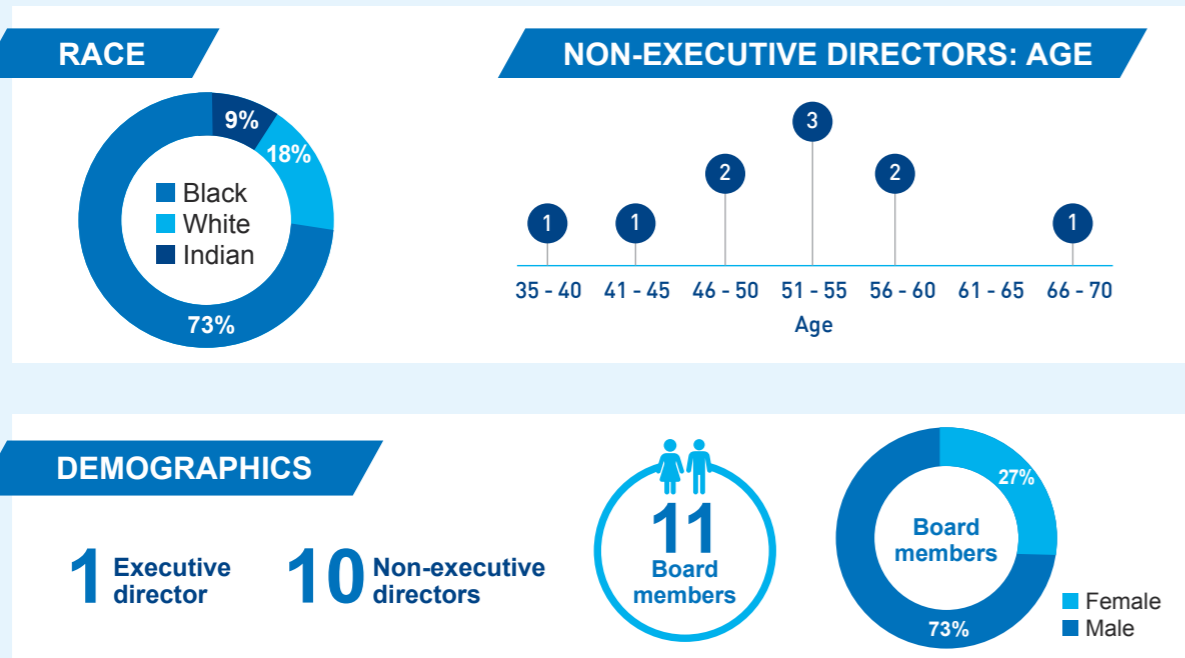
BCom Accounting, Higher Postgraduate Diploma Accounting, Postgraduate Diploma in Mechanics of Project Finance

KHULILE BOQWANA
AGE 48
NON-EXECUTIVE DIRECTOR

Senior Teacher's Diploma, B Compt, MBL

Our Board demographics

Against the backdrop of a volatile macro-environment, Board diversity is important to remain agile, resilient and sustainable. At ATNS, we consider diversity of race, gender, ethnicity, age, independence and skill sets, to ensure more robust debate and better decision-making. The Board numbers below are as at the end of our current reporting period (31 March 2021).



Our Board committees

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.

To assist it in fulfilling its duties, the Board has established various committees, as described in the governance structure:

- 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.

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 that they remain in line with best corporate governance principles. The charter and TORs are available on request from the Company Secretary.

To support our Board, as governing body, with its broader steer and oversight role, the Board has constituted six Board committees. The composition of all Board committees are reviewed annually by the Governance Committee and appropriate recommendations are made to the Board for consideration and approval.

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.

The high level summaries of the Board committees list the focus areas for the 2021 financial year as well as fiscal year 2022 and are on pages 76 to 82 of this report.

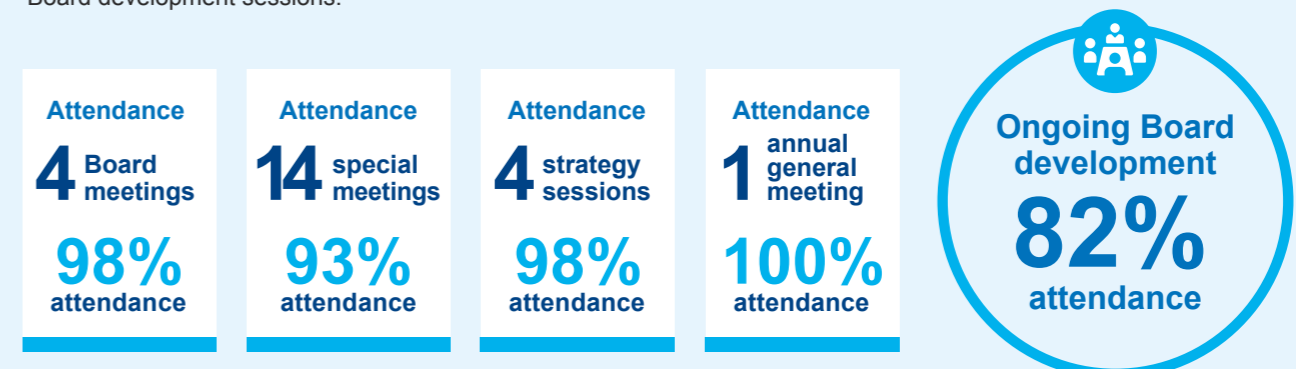
Throughout this chapter 03, references to the Board committees are denoted as follows:



Our Board meeting attendance

| Directors | Board meeting attendance | Special Board meeting attendance |
|---------------|--------------------------|----------------------------------|
| S.Thobela | 4/4 | 14/14 |
| S. Badat | 3/4 | 14/14 |
| K.S. Boqwana | 4/4 | 14/14 |
| C.R. Burger | 4/4 | 14/14 |
| T. Kgokolo | 4/4 | 8/14 |
| N. Kubheka | 4/4 | 14/14 |
| M. Moholola | 4/4 | 11/14 |
| Z.G. Myeza | 4/4 | 14/14 |
| L.N. Ngema | 4/4 | 14/14 |
| J.C. Trembath | 4/4 | 13/14 |
| K.N. Vundla | 4/4 | 13/14 |

The commitment and engagement of our Board members are of paramount importance. The percentages below show the ongoing dedication of our Board to attending routine Board meetings as well as workshops and ongoing Board development sessions.





AUDIT AND RISK COMMITTEE

Committee mandate

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.

Committee Chairperson and attendance

- S Badat
(4/4 ordinary meetings; 3/3 special meetings)

Committee members and attendance

- K Boqwana
(4/4 ordinary meetings; 3/3 special meetings)
- Z Myeza
(3/4 ordinary meetings; 3/3 special meetings)
- J Trembath
(4/4 ordinary meetings; 3/3 special meetings)
- K Vundla
(2/4 ordinary meetings; 2/3 special meetings)

Committee management attendees

- L Mahamba (Chief Audit Executive)
- S Malinga (Chief Operations Officer)
- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Aviation law
- Compliance
- Finance
- Governance
- Leadership
- Risk management
- Strategy
- Supply chain management

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 by:

- Reviewing and updating the 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
- Reviewing policies and recommending them to the Board for approval
- 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
- Monitoring the implementation of the enterprise resource planning project
- Reviewing compliance with the legislative environment and approving legal reports
- Reviewing the COVID-19 impact on the company together with recovery plans and risk reports

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Drive the closer management of ATNS's cost base, ensuring financial sustainability
- Consider cost containment measures and make a recommendation for Board approval



Risks and opportunities reviewed by the Committee

- ICT risk
- Business continuity risk
- Security risk
- Financial sustainability risk
- Cybersecurity risk
- Occupational health and safety risk
- Organisational performance risk
- Human capital risk
- Project risk

Given the impacts of the COVID-19 pandemic, an **agile service delivery model** will be an important outcome of our organisational redesign work.



BUSINESS RESEARCH, OPERATIONS AND DEVELOPMENT COMMITTEE

Committee mandate

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.

Committee Chairperson and attendance

- Z Myeza (4/4 ordinary meetings)

Committee members and attendance

- S Badat (4/4 ordinary meetings)
- C Burger (4/4 ordinary meetings)
- T Kgokolo (4/4 ordinary meetings)
- N Ngema (4/4 ordinary meetings)
- S Thobela (4/4 ordinary meetings)
- J Trembath (4/4 ordinary meetings)

Committee management attendees

- L Mahamba (Chief Audit Executive)
- S Malinga (Chief Operating Officer)
- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Aviation and aerospace
- Air traffic control
- Compliance
- Engineering
- Governance
- Leadership
- Risk management
- Strategy

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 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
- Assessing quarterly operations including implementation of the safety strategy and matters pertaining to calibrations' status and the implications thereof
- Monitoring the reporting of investment projects (Capex and Opex)
- Reviewing and monitoring risk management as it relates to the non-regulated business, research development and operations
- Reviewing the COVID-19 risk reports on a quarterly basis
- Reviewing the business case and monitoring progress relating to key projects, including that of the:
 - GNSS Threat Model research project (for analysing the ionospheric effects in South Africa)
 - ATNS UTM system development research project
 - Fourth Industrial Revolution research project

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Oversee the implementation of the growth strategy
- Oversee the study on future navigational systems in South Africa
- Oversee, manage and make recommendations regarding the calibration process



Risks and opportunities reviewed by the Committee

- Safety risk
- Organisational performance risk
- ICT risk
- Business continuity risk
- Security risk



GOVERNANCE COMMITTEE

Committee mandate

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 the responsibility for ensuring that there are adequate processes, policies, systems and procedures to ensure sound governance.

Committee Chairperson and attendance

- S Thobela (4/4 ordinary meetings)

Committee members and attendance

- S Badat (4/4 ordinary meetings)
- K Boqwana (4/4 ordinary meetings)
- N Ngema (4/4 ordinary meetings)
- K Vundla (4/4 ordinary meetings)
- Z Myeza (3/4 ordinary meetings)

Committee management attendees

- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Accounting
- Aviation
- Aviation law
- Engineering
- Governance
- Leadership
- Strategy

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 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 and its committees
- Assessing the Board as a whole and its committees, with assessment coordinated by the Chairperson of the Board, assisted by the Company Secretary
- Assessing the conduct and competence of the directors (executive and non-executive) and Board committees, and the overall effectiveness of the Board
- Developing a plan for identifying, assessing and enhancing director competencies, including the review and approval of onboarding programmes and ongoing Board training
- Approving policies including the stakeholder management policy, Board development policy, and Board code of conduct
- Setting targets relating to Board diversity to:
 - maintain a minimum of 70% for racial diversity at Board level, with an aspiration to achieve and retain 82% by 2025
 - maintain a minimum representation of 30% female representation at Board level with a target of 50% representation at Board level by 2025

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Review stakeholder management and the quality of stakeholder relationships
- Consider and recommend the succession plan for the CEO and CFO roles



Risks and opportunities reviewed by the Committee

- Business continuity risk
- Financial sustainability risk
- Organisational performance risk
- Human capital risk



REMUNERATION AND HUMAN CAPITAL COMMITTEE

Committee mandate

The Human Resources Committee was renamed the Remuneration and Human Capital Committee in March 2021 to emphasise the Committee's work relating to remuneration practices. The Committee is responsible for overseeing the management of human resource matters, for providing and making recommendations regarding the company's performance targets in the form of a company balanced score card and for 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.

Committee Chairperson and attendance

- K Boqwana
(4/4 ordinary meetings; 2/2 special meetings)

Committee members and attendance

- C Burger
(4/4 ordinary meetings; 2/2 special meetings)
- T Kgokolo
(4/4 ordinary meetings; 1/2 special meetings)
- N Kubheka
(4/4 ordinary meetings; 2/2 special meetings)
- N Ngema
(4/4 ordinary meetings; 2/2 special meetings)
- S Thobela
(4/4 ordinary meetings; 1/2 special meetings)

Committee management attendees

- L Mahamba (Chief Audit Executive)
- S Malinga (Chief Operating Officer)
- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Accounting
- Air traffic control
- Aviation and aerospace
- Aviation law
- Engineering
- Governance
- Leadership
- Strategy

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 by:

- Reviewing and recommending the ATNS human capital strategy and monitoring its implementation and execution
- 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 the Executive Committee and the CEO succession plans
- Reviewing and recommending performance incentive policies applicable to the executive directors and employees to ensure that they are fairly rewarded for their individual and joint contribution to the overall organisational performance
- Determining remuneration, retention incentives and termination policies and procedures for the Executive Committee
- Recommending to the Board, for approval, the aggregate annual staff salary increase
- Reviewing the quarterly COVID-19 risk reports
- Ensuring employer obligations for workplace safety
- Approving the COVID-19 policy and the remote-work and flexible hours policy

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Monitor and recommend cost containment measures relating to human capital aspects
- Monitor progress and the implementation of the organisation's culture review project
- Monitor, review and recommend the outcomes relating to the organisational redesign



Risks and opportunities reviewed by the Committee

- Human capital risk
- Organisational performance risk
- Occupational health and safety risk
- Financial sustainability risk



SOCIAL AND ETHICS COMMITTEE

Committee mandate

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.

Committee Chairperson and attendance

- N Ngema
(4/4 ordinary meetings; 1/1 special meeting)

Committee members and attendance

- S Badat
(4/4 ordinary meetings; 1/1 special meeting)
- T Kgokolo
(4/4 ordinary meetings; 1/1 special meeting)
- N Kubheka
(4/4 ordinary meetings; 1/1 special meeting)
- S Thobela
(4/4 ordinary meetings; 1/1 special meeting)
- J Trembath
(4/4 ordinary meetings; 1/1 special meeting)
- K Vundla
(3/4 ordinary meetings; 1/1 special meeting)

Committee management attendees

- S Malinga (Chief Operations Officer)
- L Mahamba (Chief Audit Executive)
- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Aviation and aerospace
- Governance
- Leadership
- Strategy

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 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 health and safety, including the risks and liabilities
- Considering progress in ATNS's sustainability reporting process and assessing the disclosure on sustainability issues aligned to the GRI
- Reviewing quarterly COVID-19 update reports
- Monitoring and tracking B-BBEE targets
- Monitoring the OHS plans in place in response to COVID-19 to ensure a healthy and safe working environment

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Update its terms of reference, adding to its scope the review and assessment of strategies, plans and policies to transform the aviation industry
- Review the organisation's ethical risk profile and develop an ethics management strategy to address the ethical risks identified
- Consider, comment on and approve the sustainability strategy and sustainable development goals
- Assess and prioritise corporate social investments
- Evaluate occupational health and safety of employees, taking into account lessons learnt during the COVID-19 pandemic



Risks and opportunities reviewed by the Committee

- Human capital risk
- Business continuity risk
- Occupational health and safety risk



TRANSFORMATION, INVESTMENTS AND PROJECTS COMMITTEE

Committee mandate

The Transformation, Investments and Projects Committee oversees transformation initiatives of the organisation, supply chain management processes, procurement matters and any potential transformation and procurement risks. The Committee monitors that all procurement spend incurred by ATNS is in accordance with the appropriate authority levels set out in the delegation of authority matrix. Additionally, it 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 and investment in equipment.

Committee Chairperson and attendance

- K Vundla
(4/4 ordinary meetings, 1/1 special meeting)

Committee members and attendance

- 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)

Committee management attendees

- L Mahamba (Chief Audit Executive)
- S Malinga (Chief Operating Officer)
- L Mngomezulu (Company Secretary)
- M Moholola (Chief Financial Officer)
- D Sangweni (Chief Executive Officer Delegated)

Committee core skills

- Accounting
- Air traffic control
- Aviation and aerospace
- Engineering
- Facilities management
- Finance
- Governance
- Leadership
- Strategy
- Supply chain management

VALUE CREATION AND PRESERVATION

The Committee created and preserved value in FY21 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
- Monitoring the activities of the Bid Adjudication Committee at executive management level
- 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
- Reprioritising Capex projects
- Reviewing the COVID-19 risk reports on a quarterly basis

Over and above the focus areas the Committee considered in FY21, in FY22, the Committee will also:

- Monitor and oversee the implementation of the transformation strategy
- Monitor and oversee the implementation of the enterprise supplier development framework
- Monitor and approve the implementation of the cybersecurity roadmap



Risks and opportunities reviewed by the Committee

- Third party risk
- Project risk
- Organisational performance risk



The **foundation of a sustainable organisation** is the effective implementation of our business modernisation and technology strategy and plans.

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.



Our remuneration practices

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.

The Committee name was changed in March 2021 from the Human Resources Committee to the Remuneration and Human Capital Committee to emphasise the remuneration-related activities performed by the 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 Chairperson are assessed every two years.

ATNS complies with the relevant remuneration governance codes and statutes that apply in South Africa. All recommended practices stated under Principle 14 of King IV are applied and are explained throughout this report, with further details provided in our King IV application register and in our AFS.

Our remuneration decisions have a direct impact on operational expenditure and profitability, including on our 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 is fully integrated into our overarching governance framework and remuneration-related processes, which includes 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.

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 FY21 due to the introduction of cost containment measures 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. 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 2025 strategy of ensuring a future-fit workforce. 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, we limited this, given a moratorium on new appointments, which was instituted in June 2020.

The benchmarking of executive positions within the South African labour market poses several challenges to enable effective compensation comparability, 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.



Our ATNS people are the lifeblood of the organisation. To be sustainable over the long term, we need to continue to invest in skills development.

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Components of remuneration

Our remuneration policy is linked to our organisational strategy and it 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.

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, annual salary increases of 2.4% were implemented for employees belonging to the collective bargaining units in line with the renegotiated salary agreement. Salary increases of 2.4% for specialists and managers and 1.2% for the senior management level were also implemented. No salary increases were implemented for executive management, as part of the approved cost containment measures.

Retirement benefits

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

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

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

Healthcare benefits

Healthcare-provider membership is a condition of service for all permanent ATNS employees and is a fixed component of the employees' 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, variable allowances were implemented in line with the renegotiated salary agreements and policies within the organisation.



Short-term performance incentive

Our annual short-term incentive scheme is a funded scheme and is dependent on the achievement of specified performance 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.

Incentive pool structure

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

Measurement and payment periods

The measurement and payment periods are annual and aligned with ATNS's financial year. The incentive is only

paid after the audited financial statements have been approved by the Board. Provisions for the incentive are made monthly.

Modifiers and triggers to qualify

The payment of the short-term incentive is triggered based on the achievement of Board-approved targets. The size of the incentive pool approved and provided for is modified by the average actual performance against target performance of modifiers as approved annually by the Board.

The Board approved the FY21 triggers and modifiers for the short-term incentive scheme as follows:

- A minimum weighted average of 85% on the Corporate Balanced Scorecard as opposed to 90% for the 2020 financial year
- Meeting the BSC target for cash as cover for current liabilities
- The final modification to be the average combined percentage achieved on the following two KPIs, as outlined below:
 - Unqualified audit outcome
 - Capex cash flow as indicated in the tables below

MEASURE: UNQUALIFIED AUDIT OUTCOME

| Level of performance | Percentage of target achieved | Percentage of target incentive (TI) pool (%) | Incentive pool |
|----------------------|--|--|----------------|
| Stretch target | Unqualified with no material adjustments | 120% | Capped |
| Target | Unqualified | 100% | Capped |
| Threshold | Qualified | 70% | |

BSC MEASURE: CAPEX CASH FLOW TARGET: 80%

| Level of performance | Percentage of target achieved | Percentage of target incentive (TI) pool (%) | Incentive pool |
|----------------------|-------------------------------|--|----------------|
| Stretch target | >100% - 120% | 120% | Capped |
| Target | >90% - 100% | 100% | Target |
| Threshold | <85% - 90% | 90% | |

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

TARGET INCENTIVE EXPRESSED AS PERCENTAGE OF COST-TO-COMPANY

| Peromnes grade | Levels | Target incentive (TI) (% of ctc) |
|----------------|---------------------------------------|----------------------------------|
| 1 | CEO | 30% |
| 2 - 3 | Executives | 25% |
| 4 - 6 | Senior Managers | 20% |
| 7 | Managers | 15% |
| 8 - 10 | Supervisors and Technical Specialists | 12.5% |
| 11 - 12 | Technical Skills | 12.5% |
| 13 - 17 | Non-Technical Skills | 12.5% |

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

FINAL ASSESSMENTS USED TO DETERMINE INCENTIVE RATINGS

| Individual performance | KPA or stretch target score (final assessment) | Incentive rating |
|------------------------------------|--|------------------|
| Significantly exceeds expectations | 4.51 - 5.00 | 150% |
| Exceeds expectations | 3.51 - 4.50 | 125 - 149% |
| Meets all expectations | 2.76 - 3.50 | 100 - 124% |
| Meets some expectations | 2.51 - 2.75 | 50% |
| Meets some expectations | <=2.50 | 0% |
| Does not meet expectations | <2 | 0% |

No short-term incentives were granted for FY21 as certain triggers had not been met in respect of the targets set for the financial year.

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, which are aligned with the delivery of our strategy, we make executives accountable through key performance indicators aligned with our strategy and also align their remuneration with these indicators. Our annual key performance areas are proposed by the Executive Committee with input from the Board, whereafter they are approved by our shareholder, the Department of Transport.

Our detailed key performance indicators for the year under review are outlined in chapter 04, Our Performance. These indicators are directly linked to our ability to create value over the short, medium and long term.

Non-executive director remuneration

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

Salaries and related costs

The table below provides a summary of ATNS's cost of employment for the year under review. All remuneration policies and procedures are fully compliant with relevant legislation. In addition, payroll is audited annually by both internal and external auditors, and any discrepancies identified are addressed.

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

During FY21, we renegotiated a substantive salary agreement with the Administration Bargaining Unit, and we entered into an agreement with the Air Traffic Services and Operations Technology Bargaining Units, for a period of one year.

We have 976 employees who are members of the bargaining units, with 123 employees being non-unionised members. 519 bargaining unit employees are part of SATAWU and 334 form part of Solidarity. In terms of percentages, 77.9% of our employees are part of a bargaining unit, while 22.1% are non-bargaining unit members.

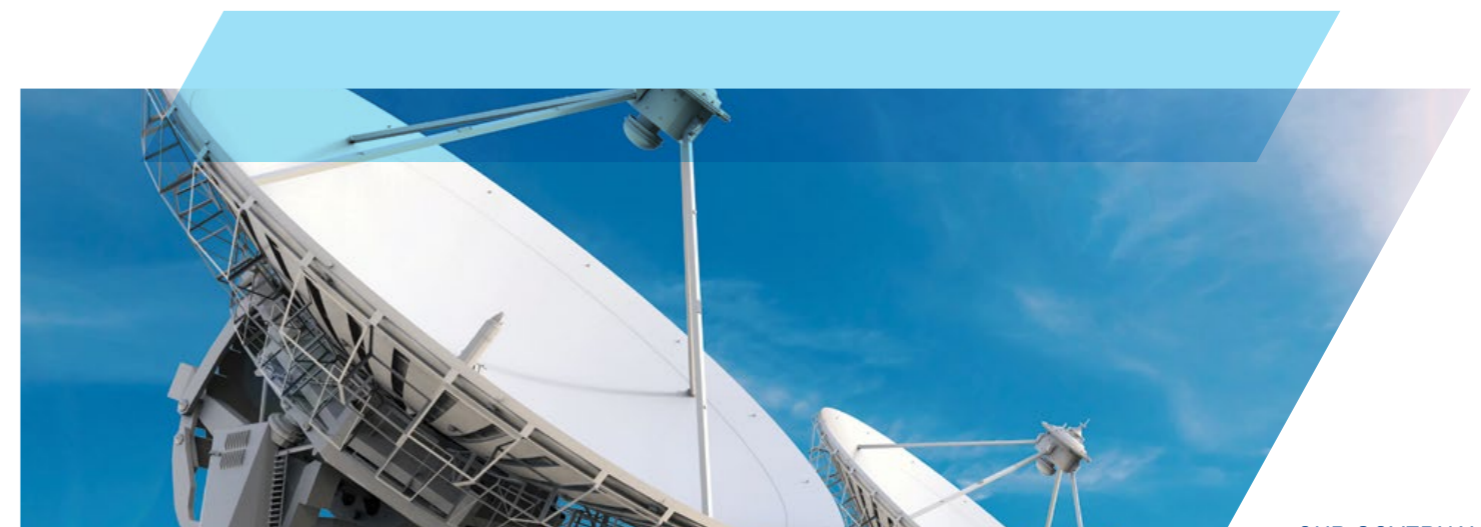
The tables below provide a summary of executive remuneration and total expenditure on salaries in FY21.

SALARIES AND RELATED COSTS

| | Other related costs | Incentive scheme | Training and development | Pension fund contribution |
|-----------|---------------------|------------------|--------------------------|---------------------------|
| 2020/21 | R738 066 504 | R- | R4 434 018 | R83 800 275 |
| 2019/20 | R839 514 697 | R81 276 346 | R8 407 244 | R82 789 389 |
| Threshold | qualified | | 70% | |

EXECUTIVE REMUNERATION

| | Salaries and related cost | Incentive scheme |
|---------|---------------------------|------------------|
| 2020/21 | R31 203 603 | R- |
| 2019/20 | R34 501 260 | R5 256 727 |



Our transformation approach

The importance of transforming our business and the South African and African aviation sector are underpinned by our mandate as a state-owned company, supporting effective and sustainable socio-economic change.

Our business transformation imperative seeks to promote skills, small business development and environmental stewardship in a way that creates the platform for inclusive and stable growth in an operating context where our environmental impact is minimised and our societal contributions are elevated.

In aiding and facilitating the socio-economic advancement of previously disadvantaged South Africans, we commenced initiatives that go beyond legislative requirements and that increase the capabilities within South Africa to support the aviation sector. They are also intended to foster skills transfers across the African continent, in a sustainable and environmentally conscious manner.

As a provider of air traffic management and navigation services, we know that our activities have the ability to reduce the impact on the environment through the efficient and effective delivery of our services.

Our transformation approach is aligned with South Africa's National Development Plan and the United Nations Sustainable Development Goals. It is informed by our strategic objectives and sustainability policy and follows a three-pronged approach:

- Transformation within ATNS through human capital and skills development interventions (our strategic objective to develop a future-fit organisation)
- Business transformation of the aviation industry from an enterprise development and supplier development perspective (our strategic objective to increase business transformation)
- Transformation within the context of environmental stewardship (our strategic objective to improve environmental stewardship)

KEY PERFORMANCE INDICATORS TO SUPPORT OUR TRANSFORMATION APPROACH

Strategic objective: develop a future-fit workforce

As a key enabler for our 2025 strategy, ATNS requires an operating model that can respond to an evolving external environment and improve decision-making abilities.

As a starting point, the focus was on having the required skills and appropriate organisational design that supported the intended outcomes of a future-fit workforce and organisation. The right operating model also plays a role in improving employee morale and engagement, while creating a high-performance culture.

As a second key performance area, ATNS has undertaken to assess the current organisational culture and define the desired culture and values that will enable the achievement of our 2025 strategy. Key to this process are the outcomes of our culture and values survey, to better understand the current organisational culture and the interventions required.

Strategic objective: increase business transformation

From a supplier and enterprise development perspective, our overarching goal is to develop existing and new suppliers and small businesses to support the aviation sector, through focussed interventions, thereby maintaining our level 2 contributor status.

Strategic objective: improve environmental stewardship

The implementation of our environmental management system in the 2020 calendar year was an important milestone for us, against the backdrop of improving our environmental stewardship. Notwithstanding several procedural delays relating to the COVID-19 pandemic, we remain on track to receive our environmental management system certificate in 2021.

Furthermore, we continuously review airspace efficiency procedures to enhance operational efficiency, while improving safety performance through programmes such as performance-based navigation, currently focussing on the Gauteng Airspace Performance-Based-Navigation Plan (GAPP).



TRANSFORMATION PLAN PERFORMANCE OVERVIEW

Employment equity figures

| Male | | | | | |
|--|---------|--------|----------|-------|-------------------|
| Occupational levels | African | Indian | Coloured | White | Foreign nationals |
| Top Management (CEO & CFO) | 1 | 0 | 0 | 0 | 0 |
| Senior Management (Execs) | 6 | 0 | 0 | 0 | 0 |
| Professionally Qualified and Experienced Special | 20 | 4 | 0 | 4 | 0 |
| Skilled Technical Workers Junior Managers | 306 | 46 | 48 | 159 | 8 |
| Semi-Skilled and Discretionary Decision | 17 | 0 | 3 | 0 | 0 |
| Unskilled and Defined Decision-making | 7 | 0 | 0 | 0 | 0 |
| Sub-total | 357 | 50 | 51 | 163 | 8 |
| % | 28.49 | 3.99 | 4.07 | 13.01 | 0.64 |
| Female | | | | | |
| Occupational levels | African | Indian | Coloured | White | Foreign nationals |
| Top Management (CEO & CFO) | 0 | 0 | 0 | 0 | 0 |
| Senior Management (Execs) | 7 | 0 | 0 | 0 | 0 |
| Professionally Qualified and Experienced Special | 13 | 1 | 2 | 1 | 0 |
| Skilled Technical Workers Junior Managers | 436 | 35 | 37 | 68 | 1 |
| Semi-Skilled and Discretionary Decision | 3 | 0 | 0 | 0 | 0 |
| Unskilled and Defined Decision-making | 20 | 0 | 0 | 0 | 0 |
| Sub-total | 479 | 36 | 39 | 69 | 1 |
| % | 38.23 | 2.87 | 3.11 | 5.51 | 0.08 |

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

| ATNS EE targets | FY19 actual | FY20 actual | FY21 actual | |
|----------------------------|-------------|-------------|-------------|-------------|
| ATS - AIC | 72.94% | 75.11% | 80.77% | |
| ATS - females | 47.40% | 50.38% | 49.72% | |
| People with disabilities | 3.22% | 3.25% | 2.30% | |
| ATNS EE targets | FY19 actual | FY20 actual | FY21 actual | FY22 target |
| ATS - AIC | 72.94% | 75.11% | 80.77% | 74.75% |
| ATS - females | 47.40% | 50.38% | 49.72% | 48.50% |
| Organisation-wide - AIC | 79.24% | 81.21% | 80.77% | 82.2% |
| Organisation-wide - female | 49.40% | 49.66% | 49.72% | 48.30% |
| People with disabilities | 3.22% | 3.25% | 2.30% | 3.50% |

Transformation within ATNS through our transformation plan

Our strategic objectives support ongoing equal opportunity initiatives, with specific emphasis on the African, Indian, Coloured (AIC) designated group, women, youth, and people with disabilities. Our current transformation plan, which was implemented in April 2020, runs until March 2025 and coincides with the conclusion of our 2025 corporate strategy.

Our transformation plan is championed by our Chief Executive Officer and the Executive Committee and is then cascaded to the middle, lower and operational levels in the company. This top-down approach ensures that the tone is set by our organisational leaders and then filtered to the departmental levels to drive empowered accountability.

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

- Working towards creating a balanced profile of employees within the company through all occupational categories and levels in the workforce
- Eliminating any discriminatory practices in terms of race, gender or disability
- Providing for the company's present and future requirements for skilled employees, in line with our business plan
- Implementing, monitoring and evaluating appropriate measures to ensure we achieve and even exceed our employment equity targets

Pivotal to our 'develop a future-fit workforce' strategic objective is our talent management strategy, which endeavours to attract and retain the best talent and skills available in the market. For us, talent management is a continuous process that reinforces our corporate brand, ensures ongoing talent attraction and retention, and facilitates impactful employee rotation while developing the next generation of aviation professionals. Through these interventions, we are able to work towards and achieve true sector-wide transformation within South Africa.



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Transformation within ATNS through skills development

Skills development plays a critical role in the achievement of our strategic objectives. Investment in training and development continues to remain a high priority within ATNS, despite the challenging macroeconomics. Our skills development initiatives further entrench 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.

Transformation in the aviation sector remains a challenge, with the 2021 financial year aviation statistics showing that no meaningful progress has been made in terms of transformation, particularly for previously disadvantaged individuals.

Priority areas remain:

- The transformation of the workplace to become representative of the demographic profile of South Africa with a specific focus on those previously disadvantaged.
- The accreditation of people in the sector through the South African Qualifications Authority (SAQA) and National Qualifications Framework (NQF).

Looking at our organisational and sector-specific requirements, specialist skills will be key to our sustainability, given the globally-competitive, technologically-driven aviation operating environment.

In tandem, the outlook for the sector suggests that present-day skills and competencies will either be replaced by automated systems, thereby rendering them redundant, or those skills will have to be adapted to match yet unknown competency requirements. This future reality requires us to focus on balancing a human capital-intensive business with the increased emphasis on digitalisation and automation in the air traffic management space.

The current macroeconomic environment, impacted by the COVID-19 pandemic, has had a knock-on effect on training funding within ATNS. Currently, funding is geared at existing bursaries, short courses and conferences covering a broad spectrum of topics and not necessarily limited to specialist skills including those relating to digitalisation and automation. Our learning and development model relies on each individual completing an individual development plan together with their line manager, to assess the skills that are most critical for their roles including upskilling for future roles.

SKILLS DEVELOPMENT PERFORMANCE OVERVIEW

In line with our employment equity plan, we progressed several remote, e-learning programmes during the year under review together with the following critical skills development programmes:

- ATNS Core Content Training
- ATNS External Training Bursary Programme
- Child of Employee Bursary Programme
- Sexual Harassment Training for all ATNS employees

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

During the year, the company's overall training investment amounted to 4.5% of our salary bill, which is in line with our COVID-19-impacted marginally reduced training budget of R5 million.

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. In an effort to drive value-adding transformation, we focus on the following elements of the broad-based black economic empowerment scorecard to support our employment equity plan discussed earlier in this chapter: preferential procurement, corporate social investment, and enterprise and supplier development.

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, 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.

As part of our enterprise and supplier development strategy, we focus on:

- Procuring goods and services required by the company from black-owned, women-owned, youth-owned and owned by people living with disabilities
- Providing training to existing and new suppliers with the potential to provide a wider range of specialist and technical services required by the aviation and broader transport 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

Our internal B-BBEE report is measured against the Transport Public Sector Sub-Sector Codes, Gazette 21, August 2009, while the draft Amended Transport Public Sub-Sector B-BBEE Codes are awaiting approval by the Minister and Parliament. Additionally, we are progressing with stakeholder engagements relating to the national aviation transformation strategy. The adoption of this strategy by our shareholder, the Department of Transport, will ensure that South Africa has an adequate number of highly skilled aviation professionals.

Our enterprise and supplier development spend in FY21 was as follows:

- 51% black-owned suppliers R869 million (FY20: R245 million)
- 30% black women-owned suppliers R781 million (FY20: R106 million)

In parallel, we also set clear targets relating to our enterprise and supplier development programmes, to encourage multinational corporations to partner with local industry suppliers and also to procure services from 51% black-owned companies, 30% women-owned companies and ventures involving the youth and people living with disabilities.

ENTERPRISE AND SUPPLIER DEVELOPMENT PERFORMANCE OVERVIEW

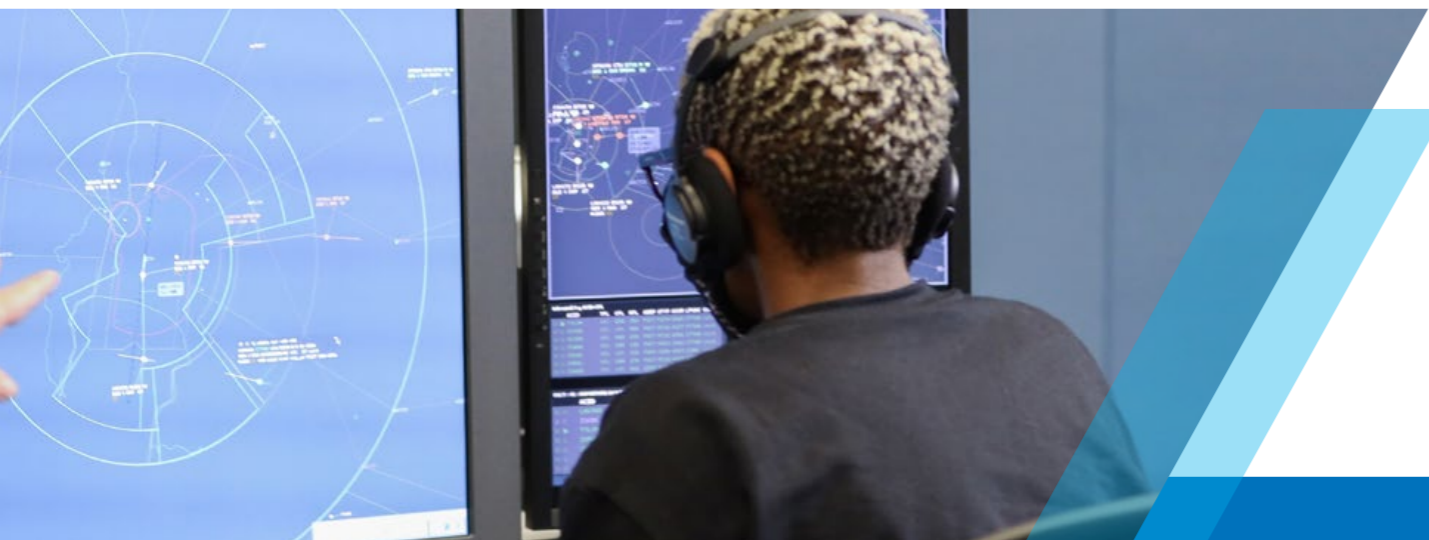
During the year, we made a concerted effort to further transform the aviation sector and maintained our overall target of level 2.

B-BBEE measurement scorecard

| B-BBEE element | Generic B-BBEE public sector targets | ATNS target FY21 | ATNS actual FY20 | ATNS actual (as at 31 March 2021) |
|----------------------------|--------------------------------------|------------------|------------------|-----------------------------------|
| Management control | 10.00 | 7.00 | 7.28 | 6.28 |
| Skills development | 25.00 | 22.00 | 19.95 | 14.46 |
| Employment equity | 15.00 | 14.00 | 14.49 | 14.69 |
| Preferential procurement | 30.00 | 25.00 | 27.54 | 31.39 |
| Socio-economic development | 5.00 | 5.00 | 5.00 | 5.00 |
| Enterprise development | 15.00 | 12.00 | 15.00 | 15.00 |
| Total points | 100.00 | 85.00 | 89.26 | 86.82 |
| B-BBEE level | | Level 2 | Level 2 | Level 2 |

During the reporting period, we further developed and engaged black-owned service providers to support us on the following key projects:

- Renewable energy sources (solar initiatives) to provide uninterrupted power supply to our equipment (mitigating against power outages), thereby ensuring safe and efficient operations
- A passive radar (provides the necessary surveillance without utilising the spectrum, which is more costly), ensuring an affordable alternative to the primary radar, in collaboration with the CSIR, with the system to be developed for ATNS by a selected SMME or a group of SMMEs with the necessary capabilities
- The maintenance of our information technology/operational technology infrastructure to avoid out-of-service equipment and to ensure ongoing sky safety



OUR CORPORATE SOCIAL INVESTMENTS

We have partnered with the Department of Basic Education on a strategic collaboration that allows ATNS to realise the full potential of our CSI flagship core area of 'education' at a national level. The collaboration enables tailored investments in schools in alignment with the Department's strategy. It also provides both partners with a cohesive approach towards a common goal, elevating the exposure of various educational resources and establishing innovative ways of creating a conducive environment for the education sector to thrive.

In the context of our CSI education drive, we prioritise the promotion of maths, science and technology subjects within the basic education sector, which are critical entry requirements for careers in air traffic control. We also seek to address the challenges that exist between the educator and learner through targeted educator and learner empowerment programmes. These programmes are intended to address shortcomings in understanding the subject-matter for learners and improving subject-matter delivery by educators.

In support of the Joint Aviation Awareness Programme, we collaborate on career awareness opportunities in conjunction with the Department of Transport as well as other aviation industry agencies. Learners are given first-hand exposure through exhibition displays that offer them an almost-real experience of the aviation industry that they would otherwise not be exposed to.

Notwithstanding cash conservation measures, we continued to invest in quality education to reduce inequality and to make careers in the aviation sector both sought-after and possible. During the reporting period, our corporate social investments, which amounted to R3 million, benefited over 3000 learners and 18 educators.

In addition to our work in advancing education and despite the challenging macro-environment, we continued to support the local communities we live and work in. During the 2021 financial year, we supported several COVID-19 relief programmes, which focussed on health and hygiene requirements in COVID-19 hotspot areas.

COVID-19 RELIEF PROJECTS

| | |
|--|--|
| Rand Water Foundation Partnership | Creating awareness about the COVID-19 pandemic and providing water containers and water tanks |
| Solidarity Fund Partnership | Providing detergents to all municipalities in the Gauteng, Mpumalanga, Free State and North West Provinces |
| Solidarity Fund Partnership | Contributing towards combined efforts to stopping the spread of COVID-19 through health responses, humanitarian efforts and solidarity campaigns |
| COVID-19 School PPE Drive | Providing COVID-19 supplies to ATNS-adopted schools in Gauteng, Western Cape, Eastern Cape and Kwa-Zulu Natal |



OUR SUSTAINABILITY FRAMEWORK

Our sustainability framework enables us to:

- align with the Minister of Transport's statement of strategic intent, the shareholder compact and the Department of Transport's green agenda, ensuring ATNS pursues sustainable economic, social and environmental outcomes
- build an integrated and intelligent view of the synergies and trade-offs between the various sustainability performance areas
- report performance progress and our response to material matters to our stakeholders
- demonstrate the integrated nature of our sustainability outcomes
- build sustainability intelligence and innovations, which will enable ATNS to become a leader in the industry while responding to the broader socio-economic objectives of the country and continent
- prioritise certain adopted Sustainable Development Goals (SDGs), which aim to alleviate poverty, protect the environment and ensure prosperity

Transformation through improved environmental stewardship

While our direct impact on society and the environment is relatively low, our indirect positive impact is potentially significant for our stakeholders. Equally important, is the integration of 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.

Ultimate responsibility for our sustainability practices resides with our Board, assisted by the Board's Social and Ethics Committee. Our Social and Ethics Committee also provides overall steer and direction on our sustainability framework and related policy. In turn, our Audit and Risk Committee has oversight of our sustainability-related risks and opportunities.

U.N. SUSTAINABLE DEVELOPMENT GOALS

We are in the process of adopting prioritised and relevant SDGs to ensure our business is environmentally, socially and economically sustainable.

ENVIRONMENTAL STEWARDSHIP FOCUS AREAS

Our sustainability approach complements our transformation agenda by:

- ensuring safe skies and the safety of our people, customers, business partners and the broader air traffic management community
- working towards a decrease in fuel usage, a reduction in fuel costs, and reduced CO₂ emissions, through the more efficient management of air traffic movements, which can play an important part in keeping global mean surface temperatures below a 2°C increase
- enhancing our data management systems and improving our adherence to leading practice sustainability reporting frameworks so that we can more accurately measure our direct and indirect positive and negative impacts
- providing thought-leadership to the CANSO environmental committee, ICAO's technical Committee on Aviation Environmental Protection

(CAEP) and related technical working groups, in establishing global standards and recommendations for minimising the impact of aviation on the environment, specifically the reduction of airspace noise and the improvement of airspace air quality

- ensuring flexible optimisation of the airspace in a safe and an operationally-efficient manner, as air traffic movements increase with the improved containment of COVID-19
- managing scarce and vulnerable resources including reducing negative impacts in sensitive biodiversity areas, reducing our waste and conserving natural water resources across our business value chain

ATNS supports the precautionary approach to environmental management that strives to anticipate and prevent potential environmental degradation and harm to communities.

ENVIRONMENTAL METRICS OVER THE LAST 3 YEARS

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 requirement is also aligned with the industry and ICAO's goal of reducing aircraft emissions.

Our carbon footprint reporting is conducted in line with the greenhouse gas protocol and the CANSO carbon footprint reporting guideline. Our reporting includes both direct and indirect emissions from company-owned mobile and stationary sources, electricity and business travel.

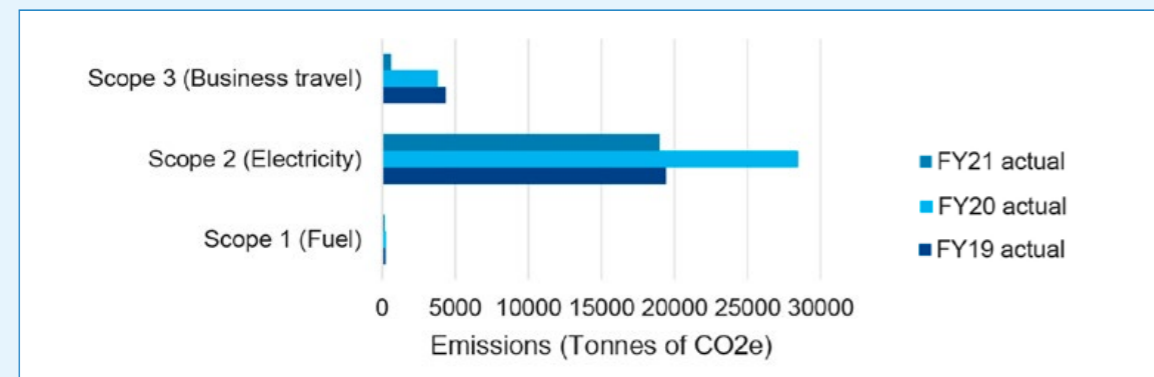
We initiated a carbon footprint verification assessment, which will be completed in the middle of FY22. Apart from reviewing reporting processes and data, the assessment will also evaluate our indirect carbon tax exposure, assess regulatory and technical requirements and standards, plan our carbon disclosure reporting and develop science-based targets.

Our performance over the past 3 years is summarised in the tables and graphs below.

Carbon emissions

| Tonnes CO2e | FY19 actual | FY20 actual | FY21 actual |
|---------------------------|-------------|-------------|-------------|
| Scope 1 (Fuel) | 252.76 | 254.57 | 187.4 |
| Scope 2 (Electricity) | 19 417.54 | 28 460.45 | 18 965.67 |
| Scope 3 (Business travel) | 4 335.31 | 3 766.45 | 621.25 |
| Annual emissions | 24 005.61 | 32 481.47 | 19 774.32 |

Emissions performance per scope



Emissions intensity

| Emission intensity | Unit measure | FY19 actual | FY20 actual | FY21 actual |
|--------------------------|----------------------------|-------------|-------------|-------------|
| Per air traffic movement | CO ₂ e/ATM | 0.02 | 0.03 | 0.02 |
| Per revenue (R bn) | CO ₂ e/revenue | 14.35 | 19.29 | 19.47 |
| Per employee | CO ₂ e/employee | 4.76 | 6.25 | 3.73 |

ENVIRONMENTAL METRICS OVER THE LAST 3 YEARS

Electricity and fuel consumption

We require electricity and fuel to provide communication, navigation and surveillance services to airlines, facilitating the safe movement of aircraft in controlled airspace. The failure to manage electricity consumption within our daily operations can lead to inefficient operations (and energy inefficiencies), including escalating costs. We are currently piloting the use of renewable energy sources, particularly solar, to reduce reliance on fuel-based energy. Additionally, we are reviewing the efficiency of our building and airport facilities.

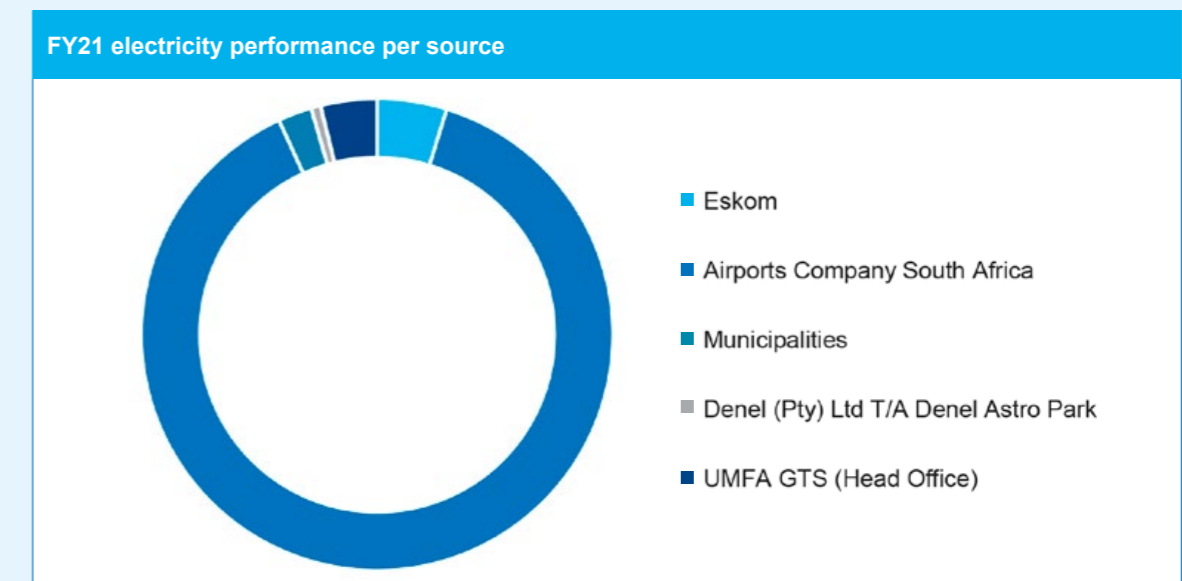
Energy efficiency

| | FY19 | FY20 | FY21 |
|-------------------------------------|--------|--------|--------|
| Energy consumption | | | |
| Total electricity consumption (MWh) | 20 439 | 27 365 | 18 236 |
| Total fuel consumption (kℓ) | 95 376 | 95 837 | 66 821 |
| Energy intensity | | | |
| Per employee (MWh/Employee) | 0.06 | 0.19 | 0.29 |
| Per revenue (R/MWh) | 0.08 | 0.06 | 0.03 |
| Per air traffic movement (ATM/MWh) | 50.87 | 35.32 | 29.66 |
| Per air traffic movement (ATM/ℓ) | 10.9 | 10.49 | 7.83 |

Electricity consumption

| | FY19 | FY20 | FY21 |
|-------------------------------------|-----------|-----------|-----------|
| Total electricity consumption (MWh) | 20 439.52 | 27 365.82 | 18 236.23 |

Electricity performance by source



WATER, WASTE AND BIODIVERSITY CONSERVATION INTERVENTIONS

Water

Water usage at ATNS is primarily for domestic purposes; however, we recognise that we have a responsibility to support the conservation of water resources. There are various water conservation measures implemented across the organisation, including the following:

- 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 as to 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.

Waste

We are committed to continually improving our waste management practices. Key activities that are prioritised to achieve 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

Biodiversity conservation

Conservation of biodiversity is essential and therefore organisational activities with potential impacts on biodiversity are being prioritised. 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.

Projects are further screened for environmental impact assessment (EIA) requirements, where applicable. A comprehensive action plan is then developed and/or implemented in ensuring that the organisation fully adheres to EIA requirements.

AIR QUALITY INTERVENTIONS

Airspace air quality

We continuously review the effectiveness of air traffic management and operational efficiencies, in contributing to environmental performance. On an ongoing basis, we assess the effectiveness of our air traffic management interventions to reduce aircraft emissions and noise impacts. Through our efforts, we are supporting the ICAO - South African State Action Plan and industry targets, promoting carbon neutral growth.

In measuring impacts, we are in the process of developing an operational efficiency tool that will assist in measuring air traffic management operational efficiency key performance indicators. The tool will also assist in the reporting of environmental performance in relation to emission estimation from an ANSP perspective. The tool will extract the generalised route between city pairs (or origin to destination), and the optimal route between city pairs (or origin to destination) given various data sources and ultimately provide:

- a comparison of the generalised route, optimal route and actual route
- an estimation of the fuel-burn and possible savings

The data will enable us to report on the value added to our stakeholders in addressing aviation aircraft emissions.



We are in the process of developing an **operational efficiency tool** that will assist in measuring air traffic management operational efficiency key performance indicators.

FOCUS STORY

Capability-building for the future



Capability-building is about recruiting, developing and retaining the right people with the right skills in the organisation, ensuring that we have in place a future-fit workforce to execute our 2025 strategy 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.

The context

During our 2021 financial year, and taking account of the impacts of the COVID-19 pandemic on ways of working, staff morale and engagement, and cultural dynamics within the workplace, we embarked on an organisational redesign initiative to evaluate the following key elements that are essential to enable us to execute our 2025 strategy:

- Our current organisational culture and our aspirational culture.
- Our current values and our desired values.
- Our operating model and the changes required to succeed in the post-pandemic new-normal.
- Our value chain and how we are best able to create and preserve value in the short to longer term.
- Our people and their skills and experience versus the skills and experience we need in the future.

Culture and values

When we consider our organisational values and culture, we know that both need to place a premium on adaptability, flexibility, resilience, high-performance, creative-thinking and seeing around corners.

Given the global volatility, complacency and business-as-usual are not ingredients for future success. Rather, they stifle innovation, growth, development and performance and limit the organisation's ability to take short-term prudent decisions for longer-term gain.

To excel in 2025 and beyond, our aspirational culture and desired values must espouse those principles that will inspire, motivate and move into action our entire ATNS team – encouraging everyone to be better and to do better.

Operating model

An operating model is more than structures, work flows and processes. It is the vehicle through which we can instil our aspirational culture and desired values and execute our 2025 strategy.

An effective operating model promotes value creation and seeks to limit or avoid any value erosion. It enables improved employee engagement, buy-in and morale through:

- Visible and ethical leadership.
- Clear and effective decision-making.
- Empowered accountability.
- Efficient and effective processes and support systems.
- The constant reinforcement of a single and clear purpose and common goal.

Success factors for our organisation redesign programme

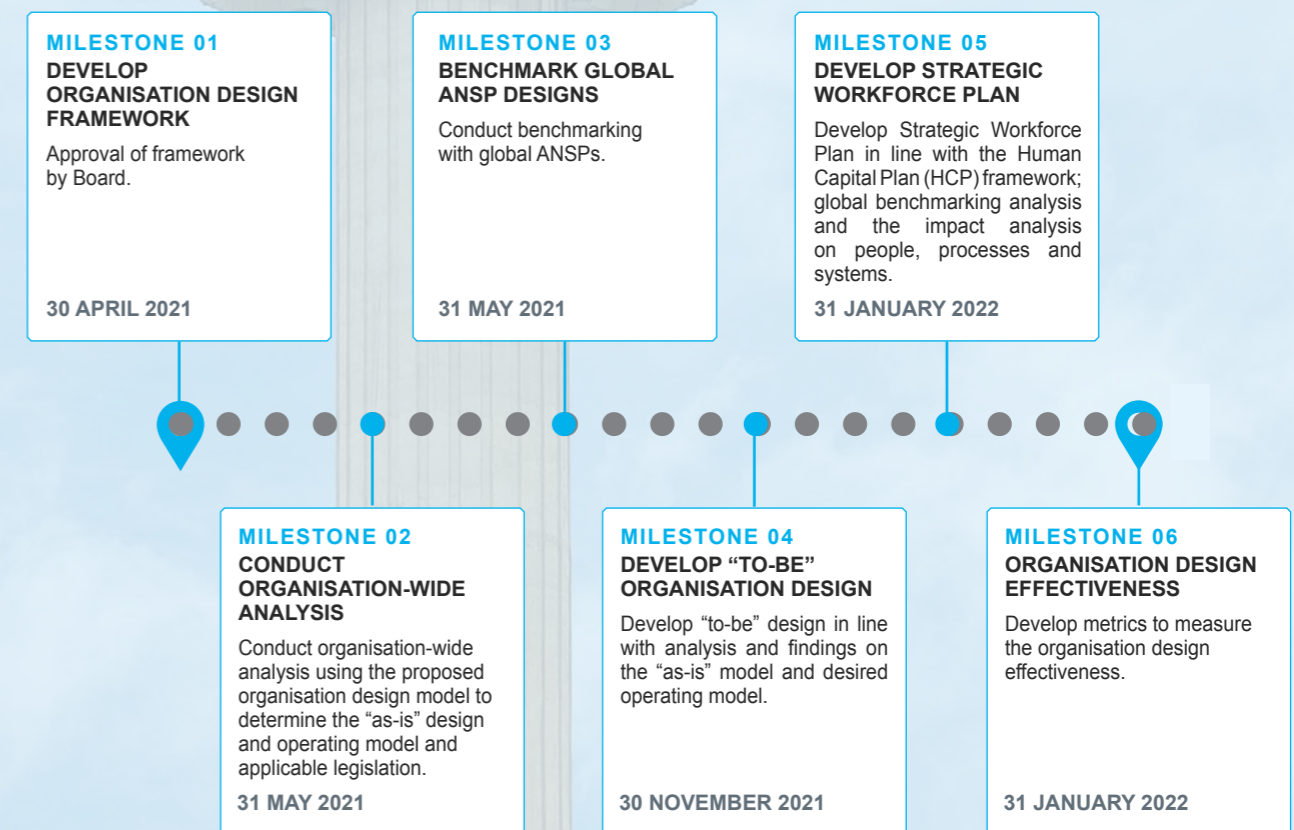
We have attempted to initiate an organisation redesign programme in recent years and have learnt from our past mistakes. To ensure a future-fit workforce, we need to have:

- a robust case for change and a time-based and measurable plan of action
- committed leaders at Board, Executive Committee and senior management level
- an effective change management process
- regular and clear communications and engagements with our ATNS people and other key stakeholders
- clarity on the bigger picture, the role of values and culture as key enablers of success



Roadmap towards a future-fit workforce

The roadmap below sets out our key milestones, which we will report on in greater detail in FY22.



CAPITALS IMPACTED

Our focus is on creating an inspired, high performance organisation by FY23. We are taking proactive steps to increase our human, intellectual and social and relationships capitals.



04

OUR PERFORMANCE

Despite the unprecedented challenges and uncertainty brought about by the global pandemic, as a team, we continued to work hard to deliver on our financial and non-financial targets.

In the 'our performance' section of our report, we:

- provide an overview of our financial and business performance
- outline how we created and preserved value across our strategic pillars
- explain how we sought to limit or avoid value erosion
- describe the key trade-offs in relation to each of our strategic pillars

‘Despite the bleak operating context, our focus at ATNS remained on the factors within our control: ensuring safe and efficient operations, developing a resilient organisation, utilising technologies to our advantage, maintaining tight cost discipline and driving a more holistic aviation industry transformation agenda.’

Matome Moholola
Chief Financial Officer



CHIEF FINANCIAL OFFICER'S OVERVIEW

Prioritising our strategic initiatives

Dear stakeholders

All aspects of the global aviation sector have been seriously and adversely affected by the socio-economic consequences of the COVID-19 pandemic. During the 2020 calendar year, air traffic movements in most regions of the world declined by more than 80%, with an overall reduction in air passengers (both international and domestic) ranging from 52% to 59% in 2020 compared with 2019.

The global effect of the pandemic is best captured by the contraction in world gross domestic product in 2020, -3.3%, being far worse than during the 2008 and 2009 financial crisis. Looking closer to home, South Africa's gross domestic product for the year contracted to -7% in 2020 with the hospitality and travel sectors being the hardest hit. While COVID-19 contributed to the disappointing South African GDP decline, it also served to exacerbate an already-dismal outlook with lacklustre levels of economic activity across sectors, rising fuel and electricity charges, worsening debt levels, rolling blackouts, low investor confidence and constrained household consumption.

Although vaccination programmes are being rolled out across continents, subsequent waves of the virus, including new variants are creating ongoing international uncertainty and anxiety. What appears to be clear is that large-scale quarantines, travel restrictions and changed travel protocols are expected to persist throughout the 2021 calendar year resulting in a slow uptick in consumer and business spending.

Despite the bleak operating context, our focus at ATNS remained on the factors within our control: ensuring safe and efficient operations, developing a resilient organisation, utilising technologies to our advantage, maintaining tight cost discipline and driving a more holistic aviation industry transformation agenda.

Strategy review outcomes

Taking account of South African macroeconomics as well as the broader impacts of the COVID-19 pandemic, we had cause to further reflect on our 2025 strategy, which was approved by our Board in December 2019 and then adjusted in April 2020 and again August 2020. To ensure a robust review process, the Executive Committee together with the Board, supported by our strategy and finance teams, applied a range of assessment models and frameworks before concluding on the required strategy execution adjustments to be implemented. The process confirmed that while our strategic pillars of service excellence, sustainability and innovation remain unchanged and our strategic objectives continue to be relevant, we need to strike the right balance between future-proofing our organisation while ensuring that our day-to-day operations are safely and efficiently run. At the same time, we considered how best to prioritise and phase in our various strategic initiatives while taking account of our budget constraints and the disappointing economic outlook.

Our prioritised strategic initiatives were further informed by the Board and management's collective assessment of what the so-called new normal will entail for ATNS and for the aviation sector. This led us to identify five prioritised initiatives to focus on in the year under review as well as in our 2022 financial year. As a consequence, our annual operation plan, annual performance plan and corporate plan were adjusted to respond to the five initiatives. We summarise the prioritised areas in the fact box on page 108 of this report.



PRIORITISED STRATEGIC INITIATIVES

1 Safety and efficiency

At our core, we will always be a provider of air navigation services and this requires an unwavering focus on safety, reliability and related efficiencies.

2 Financial sustainability

The Board approved cost-containment initiatives throughout the company, which will ensure that we preserve value, to the extent possible, to weather the negative impacts of the COVID-19 pandemic and to avoid value erosion.

3 Opex and Capex reprioritisation

In the short term to medium term, we are looking at ways to contain our costs while managing our Capex, focussing spend on essential technologies and infrastructure maintenance. Longer term, we will evaluate which initiatives will have the greatest impact on ensuring that we future-proof the organisation.

4 Business modernisation, technology and innovation advancement

We continue to aspire to transform our business from a conventional air traffic management business into a future-proofed, digital company that plays a leading role in the aviation sector on the African continent. To this end, we must continue to invest in both research and development and in our CNS and IT infrastructure. While the aviation sector may be hampered by a challenging macroeconomic context, we know that these investments will be crucial to our future success.

5 People and culture

In line with the National Development Plan 2030 and the Medium-Term Strategic Framework, ATNS is redefining our organisational values, culture and structures to ensure that these will enable us to achieve our adjusted 2025 strategy and to flourish in the post-pandemic world. The work, commenced in FY21, is scheduled to be completed by the end of FY23.

Our financial performance

During the year under review, total revenue decreased by 67% to R547 million (FY20: R1 673 million). The significant decline in revenue is largely attributed to the impact of the COVID-19 global pandemic on the aviation sector globally, including strict lockdown protocols implemented by the South African government in the first six months of our 2021 financial year.

Given the consequences of the pandemic, accentuated by an already-ailing South African economy, we reviewed our budget and instituted cost containment measures. As a result, operating costs were reduced by 30% to R1 101 million (FY20: R1 569 million).

Capital expenditure for the fiscal year was slightly higher at R155 million (FY20: R149 million), mainly due to infrastructure charges to refurbish our world-class training academy.

Despite the challenging operating environment, our balance sheet remains sound with a liquidity ratio of 3.3:1 (FY20: 5.6:1) and gearing at 4.25% (FY20: 3.4%).

The return of capital employed (ROCE) was -26%, with the regulated ROCE at -55.5%. 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 decreased by 393% to R567 million (FY20: R115 million), directly attributed to the impact of the COVID-19 pandemic on air traffic movements. Accordingly, ATNS's cash reserves deteriorated significantly to R830 million (FY20: R1.6 billion), exacerbated by the worsening credit profile of our major customers and fewer air traffic movements.

Against the backdrop of a tough macro-environment and given ongoing global uncertainty regarding the timelines for a full economic recovery, no dividends were declared or paid to our shareholder, the Minister of Transport, during the year (FY20: R nil).

Going concern status

Globally, the aviation sector has been hard-hit by the impact of the COVID-19 pandemic, including the ongoing restrictions placed on local and international travel and the poor global economic outlook for the remainder of the 2021 calendar year.

As ATNS's revenue is directly linked to the number of air traffic movements, the company recorded extremely low tariff revenues during FY21, which did not enable us to cover our full operating costs for the year under review.

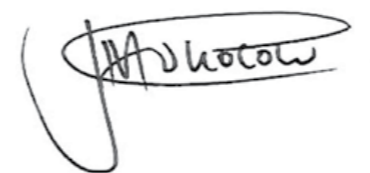
Our current 2017 permission to levy charges is expected to remain in effect for a full five-year period. The Board and management team have considered the impact of tariffs determined five years ago, as well as the further consequences of the COVID-19 pandemic on the company's status as a going concern. However, having assessed the following factors, the Executive Committee is of the view that ATNS remains a going concern:

- ATNS's ability to raise a borrowing facility
- Monitoring of cash flow and liquidity requirements on a regular basis, using rolling forecasts, with cash reserves at the end of the reporting period being R830 million (FY20: R1.6 billion)
- Reprioritisation and deferral of certain capital expenditure
- An ongoing review of operating costs with clear cost-containment measures in place

Our appreciation

On behalf of the finance team, I would like to extend my personal gratitude to the Minister of Transport, the Deputy Minister of Transport and their advisors, my fellow Board members and my colleagues on the Executive Committee for their ongoing counsel, guidance and support. Your inputs and deliberations are crucial during these times of uncertainty and challenge as we forge ahead to preserve value in the immediate term and look to limit value erosion over the short term.

While the year ahead may continue to be difficult for many, I wish all of our stakeholders and my finance team, strength and good health.



Matome Moholola
Chief Financial Officer
11 August 2021



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.



Our financial performance

Overview

During the year under review, total revenue decreased by 67% to R547 million (FY20 R1 673 million). The adverse decline in revenue is entirely attributed to the impact of the COVID-19 pandemic that led to air travel restrictions in South Africa and in most parts of the world in the first six months of our 2021 financial year.

In addition, the impact of the global pandemic necessitated that we review our budget and implement cost containment measures. As a result, operational costs decreased by 30% to R1 101 million (FY20: R1 569 million).

Capital expenditure was at R155 million (FY20: R149 million) mainly due to capital infrastructure to refurbish our world-renowned Aviation Training Academy.

Our balance sheet is still sound with a liquidity ratio of 3.3:1 (FY20 5.6:1) and gearing at 4.25% (FY20: 3.4%).

The return on capital employed (ROCE) is -26% (Regulated ROCE -55.5%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits. Regulated ROCE is based on the Regulating Committee formula.

Cash generated from operations decreased by 393% to -R567 million (FY20: R115 million), mainly due to the negative impacts of the global pandemic. As a result, ATNS's cash reserves deteriorated significantly to R830 million, attributed to:

- Significantly fewer aircraft movements due to travel bans and reduced capacity by airlines.
- The poor credit profile of major customers resulting in lower collections.



Abridged financial statements

Abridged statement of profit and loss and other comprehensive income

| Description | FY21 | FY20 |
|----------------------------|----------------------|-------------------|
| Revenue | 547 439 448 | 1 673 405 977 |
| Other income | 4 231 846 | 160 938 094 |
| Total expenditure | (1 307 172 777) | (1 739 674 304) |
| Profit before taxation | (755 501 483) | 94 669 767 |
| Income tax expense | 177 273 011 | (27 371 649) |
| Profit for the year | (578 228 472) | 67 298 118 |

Abridged statement of financial position

| Description | FY21 | FY20 |
|---|----------------------|----------------------|
| Assets | | |
| Non-current assets | 1,705,912,539 | 1 537 137 615 |
| Cash and cash equivalents | 830,370,712 | 1 601 786 955 |
| Current assets excl cash and cash equivalents | 159,762,482 | 197 566 274 |
| Total assets | 2,696,045,733 | 3 336 490 844 |
| Equity and liabilities | | |
| Total equity | 2,320,695,918 | 2 898 924 390 |
| Non-current liabilities | 77,539,297 | 113 982 055 |
| Current liabilities | 297,810,518 | 323 584 399 |
| Total equity and liabilities | 2,696,045,733 | 3 336 490 844 |

Abridged statement of cash flows

| Description | FY21 | FY20 |
|--|----------------------|------------------|
| Net cash flows from operating activities | (533,186,873) | 160 578 119 |
| Net cash flows from investing activities | (155,456,851) | (148 690 358) |
| Net cash flows from financing activities | (12,447,367) | (9 047 499) |
| Total cash movement for the year | (701,091,091) | 2 840 262 |

Creating and sustaining financial capital

ATNS provides air traffic management solutions for South Africa as well as 6% of the world's airspace and creates financial value in the short, medium and long term through our regulated and non-regulated business activities. Our industry is directly linked to air traffic movements, which increase when we are experiencing economic growth, and these have a high correlation with the gross domestic product.

Despite the challenging macro-environment, we maintained sound financial management by retaining distributable profits for reinvestment. We aim to maintain a minimum cash balance of two months' operating expenditure plus capital loan payables. Cash flow is monitored daily to ensure there are sufficient funds to cover operational expenses and loan obligations.

Our material financial and economic outcomes continue to be:

- Maintaining long-term financial sustainability by optimising revenue in both 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.

Key financial capital outputs

| | FY20 actuals | FY21 actuals |
|--------------------------------------|---------------------|---------------------|
| Total revenue | R1.7 billion | R0.5 billion |
| Operating costs | R1.6 billion | R1.1 billion |
| Capital expenditure | R149 million | R155 million |
| SADC VSAT revenue | R52 million | R18 million |
| NAFISAT revenue | R53 million | R28 million |
| Total assets | R3.3 billion | R2.7 billion |
| Total equity | R2.9 billion | R2.3 billion |
| Cash generated from operations | R115 million | R-567 million |
| Total invested in CNS technology | R291 million | R130 million |
| Employee wages and benefits | R1 012 million | R826 million |
| Total borrowings as at 31 March 2021 | 0 | 0 |
| Payment to government as income tax | R27 million | R-177 million |

Increasing our non-regulated revenue streams

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

Our non-regulated business currently contributes 22.3% of the company's revenue and encompasses a long-term strategy to facilitate regional expansion. Notwithstanding our growth aspirations, our non-regulated revenue decreased by 43.3% in comparison with the prior year, largely due to the impact of the COVID-19 pandemic.

Non-regulated revenue

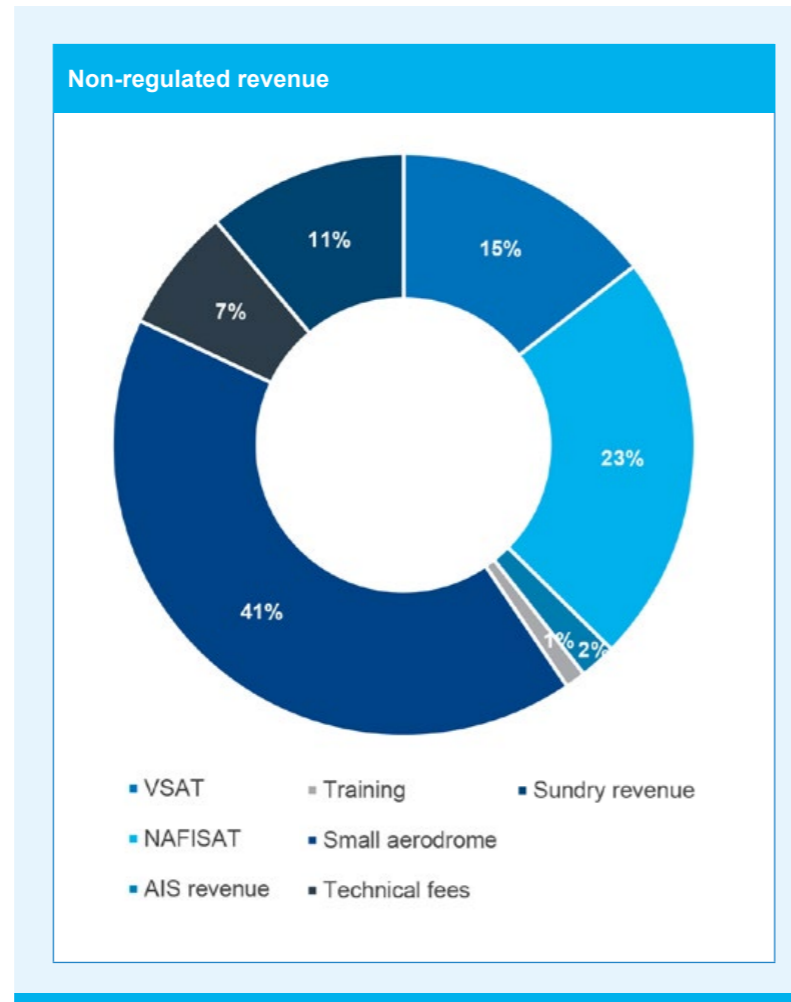
| Revenue | FY20 | FY21 | FY21 target |
|-----------------|---------------|---------------|---------------|
| VSAT | R51.9 million | R17.9 million | R20.7 million |
| Nafisat | R53.0 million | R28.2 million | R25.5 million |
| AIS revenue | R5.6 million | R2.5 million | R4.6 million |
| Training | R20.8 million | R1.4 million | R7.4 million |
| Small aerodrome | R55.0 million | R51.2 million | R56.1 million |
| Technical fees | R13.9 million | R8.5 million | R12.6 million |
| Sundry revenue | R17.4 million | R13.7 million | R10.7 million |

Our approach to creating financial value for the business through our non-regulated business streams focusses on:

- A long-term strategy to expand in Africa.
- Our experience and brand reputation in entering new markets.
- Expansion of our non-regulated training and commercial advisory service offering without undue risk to our regulated business and our shareholder.
- Joint ventures and partnerships with external suppliers to harness market opportunities.

Revenues are accrued through:

- **VSAT 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 surveys carried out for various countries.
- **Training revenue:** earned by offering IATA diplomas 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 and technical consulting services rendered to ACSA and other third parties.
- **Sundry revenue:** income from billing services provided for various clients, data link revenue and services provided outside of published hours at various airports.



Capital investment performance

Our capital expenditure for FY21 was R155 million against a target of R166 million. This shortfall was due to delays in the execution of projects as part of our Capex project reprioritisation initiative.

Capital expenditure - commitments

| Description | FY20 actuals | FY21 actuals | FY21 target | FY22 target |
|---|--------------|--------------|--------------|--------------|
| Commitments - Capex contracts awarded in FY21 | R550 million | R539 million | R105 million | R424 million |

Capital expenditure performance - cash flow

| Objective measures | FY20 actuals | FY21 actuals | FY21 target | FY22 target |
|---|--------------|--------------|--------------|--------------|
| Cash flow from Capex projects implemented | R149 million | R155 million | R166 million | R344 million |



Outlook

Tariff revenue

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

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

Capital expenditure projections

ATNS is in the process of reviewing and reprioritising some of the planned capital expenditure in the permission for FY21 and FY22, given the current economic situation as a result of the COVID-19 pandemic.

Our key infrastructure investment projects planned include:

- WAM and ADS-B surveillance
- DME-DME
- Navigation aid replacement
- S-Band 2 radar replacements at Cape Town and OR Tambo airports
- Air Traffic Flow Management System replacement
- Electronic flight progress strips
- Coastal VHF infrastructure replacement



Materiality and significance framework

As per 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 table below:

PARAMETERS FOR SIGNIFICANCE AND MATERIALITY LEVELS

| Indicators | 2021 Finance statements* | Lower limits | Upper limits |
|----------------------------------|--------------------------|--------------|--------------|
| 1%-2% of total assets | 2 696 045 733 | 26 960 457 | 53 920 915 |
| 0.5%-1% of total revenue | 547 439 448 | 2 737 197 | 5 474 394 |
| 2%-5% of profit (loss) after tax | (578 228 472) | (11 564 569) | (28 911 424) |

*Based on the recent audited annual financial statements

In arriving at the significance and materiality levels, 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; and
- Benchmarked within the transport sector.

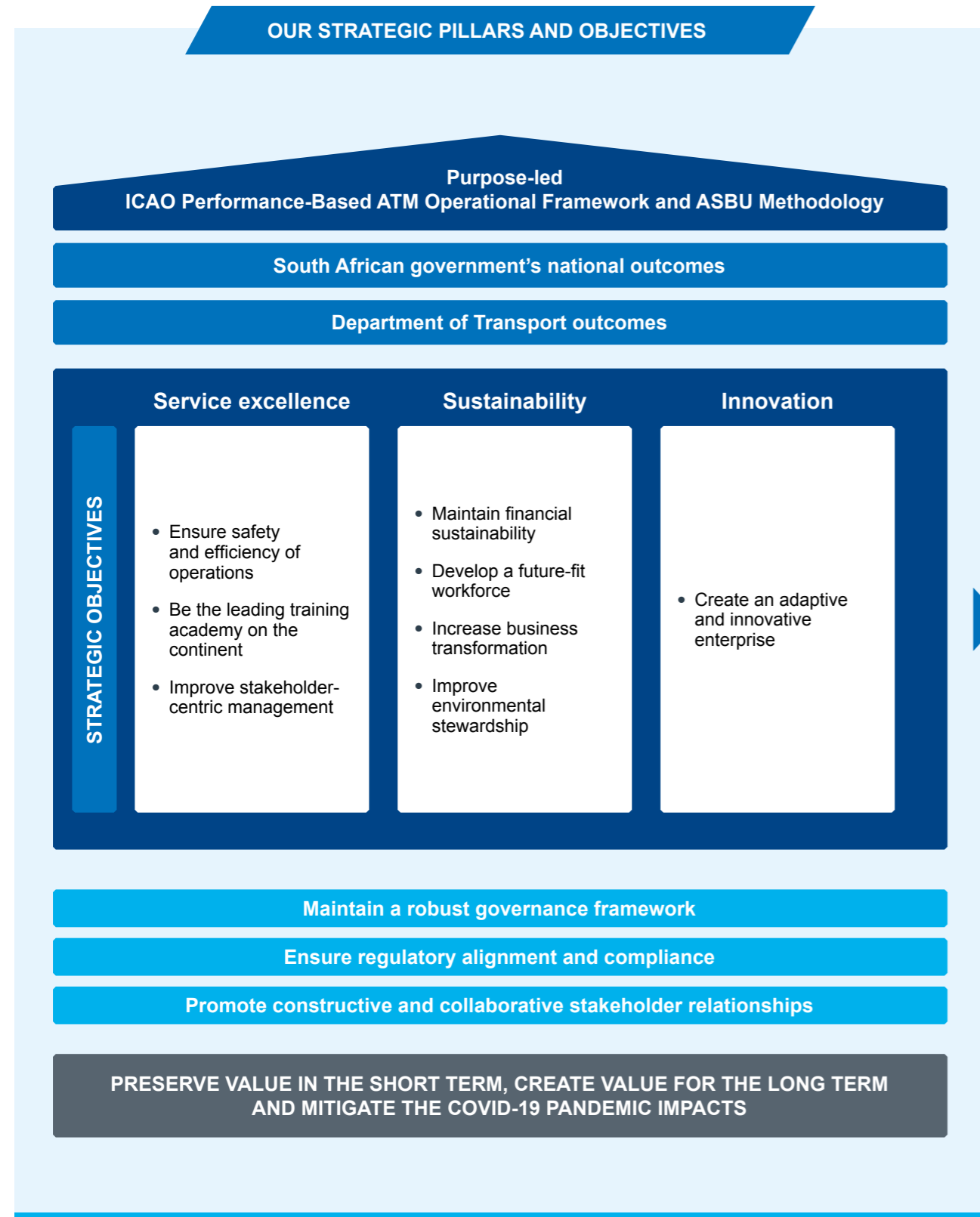
From a company perspective:

- The **significance level** is set at four hundred million (R400m), based on a process embarked upon by the company during the permission application process which includes consultation with the industry as well as approval by the Economic Regulating Committee.
- The **materiality level** is set at five and half million-rand (R5.5m), based on the upper level of revenue to ensure prudence and efficiencies within the decision-making process.

Our strategic pillars and targets

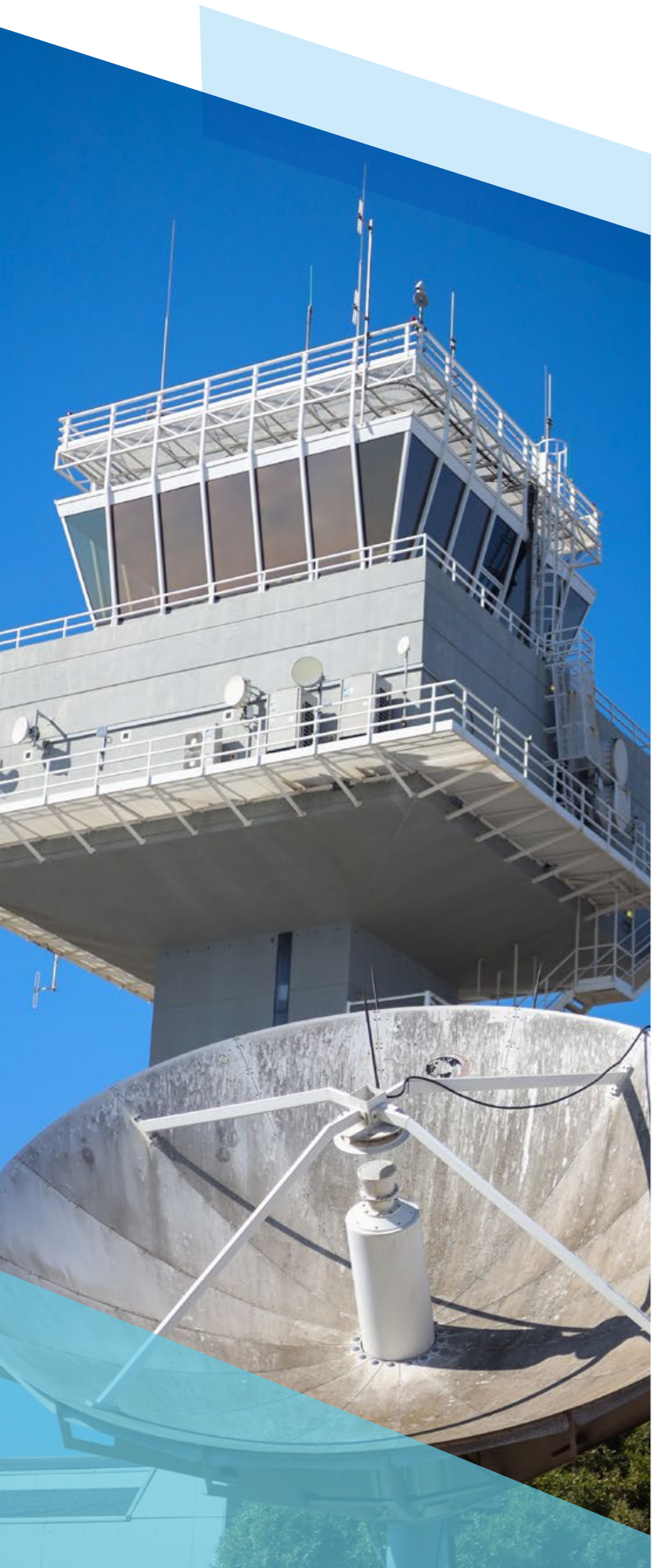
Our strategy is formulated for five-year cycles, with our most recent 2025 strategy implemented mid-way through the reporting period. We measure our performance against our overarching strategy, using relevant key performance indicators. In tracking our performance for the year under review, we reflected on the progress made relating to the key performance indicators that are relevant to each of the eight strategic objectives embodied in our 2025 strategy.

The table below summarises our adjusted targets, which were approved in August 2020, together with the five strategic initiatives that we use as vehicles to reallocate our resources and to execute our targets. Our performance against our adjusted FY21 targets is summarised on pages 120 to 135 of this report. Our KPIs are measured against our strategic objectives, which form part of our strategic pillars.



STRATEGIC REALLOCATION OF OUR RESOURCES

| | STRATEGIC OBJECTIVES | ADJUSTED TARGETS | CAPITALS IMPACTED | FY21 STRATEGIC INITIATIVES |
|---------------------------|--|---|---|---|
| SERVICE EXCELLENCE | <ul style="list-style-type: none"> Enhance safety and efficiency of operations Be the leading training academy on the continent Improve stakeholder-centric management | <ul style="list-style-type: none"> Safety ratio Accident ratio Serious incident rate SMS maturity Cybersecurity Diversification of training product line and offering Modernisation and digitisation to deliver adaptive and efficient learning Deferred to FY22 | <ul style="list-style-type: none"> Human Manufactured Social and relationships | <ol style="list-style-type: none"> Safety and efficiency |
| SUSTAINABILITY | <ul style="list-style-type: none"> Maintain financial sustainability Develop future-fit workforce Increase business transformation Improve environmental stewardship | <ul style="list-style-type: none"> Current ratio Cash as cover for current liabilities Cost to income ratio Capex commitment Capex cash flow Capex capitalisation Non-regulated business Organisation redesign Culture review programme B-BBEE level Environmental management system (EMS) | <ul style="list-style-type: none"> Financial Intellectual Human Social and relationships Natural | <ol style="list-style-type: none"> Financial sustainability Capex and Opex reprioritisation |
| INNOVATION | <ul style="list-style-type: none"> Create an adaptive and innovative enterprise | <ul style="list-style-type: none"> ERP system implementation Digital transformation R&D projects to enhance safety, efficiency and innovation | <ul style="list-style-type: none"> Intellectual Human Manufactured | <ol style="list-style-type: none"> Business modernisation, technology and innovation advancement |



Performance against our strategic pillars

In this section of our report, we summarise our performance against our strategic pillars of service excellence, sustainability and innovation. In reviewing our performance across our strategic pillars for our 2021 financial year, we reflect on the impacts of COVID-19 on each pillar and how we sought to create and preserve value while minimising value erosion. We also include the progress we made against the adjusted key performance indicators relating to each of our strategic pillars. Separately, on pages 110 to 117 of this report, we summarise our financial performance for the year under review.

It should be noted that the various KPI tables in this section of the report summarise our adjusted targets, which were approved in August 2020. Our adjusted targets continue to be measured against our strategic objectives, which form part of our strategic pillars.

Our sustainability pillar

Our strategic pillar of 'sustainability' focusses on ensuring that we create a resilient and responsive organisation to enable long-term value through the following strategic objectives:

- Maintain financial sustainability
- Develop a future-fit workforce
- Increase business transformation
- Improve environmental stewardship

To achieve sustainability and resilience and mitigate risks, it is essential that we manage not only our financial impact but also our environmental and social impacts through an integrated approach to doing business. Our shareholder mandate requires ATNS to act as a primary catalyst for economic growth and job creation in South Africa. In addition, we are to deliver considerable economic outcomes for society. During times of increased economic activity and gross domestic product growth, as a company, we are able to thrive and to also positively contribute to our broader societal goals. However, during a time of economic decline and uncertainty regarding recovery timelines, given the impacts of the COVID-19 pandemic, our focus must be on short-term value preservation.



MAINTAIN FINANCIAL SUSTAINABILITY

As a provider of air traffic management solutions in South Africa as well as 6% of the world's airspace, we largely create value through our regulated and non-regulated business activities. The success of the aviation sector is directly linked to air traffic movements, which decreased dramatically to 504 200 in FY21 compared with 960 802 in FY20, given the unprecedented impacts of the COVID-19 pandemic.

As a result, under our strategic objective of 'maintain financial sustainability', we sought to preserve value by:

- driving liquidity management
- revising our budget and procurement plan
- managing our opex through cost containment initiatives
- monitoring our cash reserves

In parallel, and despite the tough environment, we continued to identify ways in which we could grow our revenue base, thereby creating value over the medium and long term by:

- exploring opportunities for the growth of our non-regulated business, primarily by expanding our training offering
- securing additional cash funding to advance key Capex projects, which enable us to provide efficient, safe and reliable services

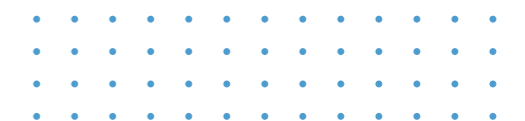
We provide full details of our financial performance for the year under review on pages 110 to 117 of this report.



CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- 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
 - 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.

CAPITALS PRESERVED, CREATED AND/OR ERODED





DEVELOP A FUTURE-FIT WORKFORCE

At ATNS, we know that our ability to create long-term sustainable value is inextricably linked to the individual capabilities, knowledge, skills and experience of a future-fit workforce.

When we consider our organisational values and culture, we know that both need to place a premium on adaptability, flexibility and resilience. Global volatility, complacency and business-as-usual are not ingredients for future success. To excel in 2025 and beyond, we need to create a future-fit organisation that is founded on high performance.

In our endeavour to foster high-performance, we initiated a two-pronged process during the 2021 financial year:

- a culture review exercise, to determine our as-is culture and what is required to attain our aspirational culture by 2025
- an organisational redesign programme to streamline our processes and structures so that they are better-aligned with our 2025 strategy and our strategic objectives

Ultimately, through both of these initiatives, we are seeking to limit value erosion in the short term while supporting long-term value creation. In June 2021, and just after the close of our 2021 financial year, we formally engaged our union and our staff on the steps we are initiating for a possible organisational restructure, which would seek to minimise job losses while enabling voluntary retrenchments and early retirements where positions may become redundant in the coming months and years. While some may see this exercise as one linked with our cost containment drive, the strategic focus is one of developing a future-fit workforce.

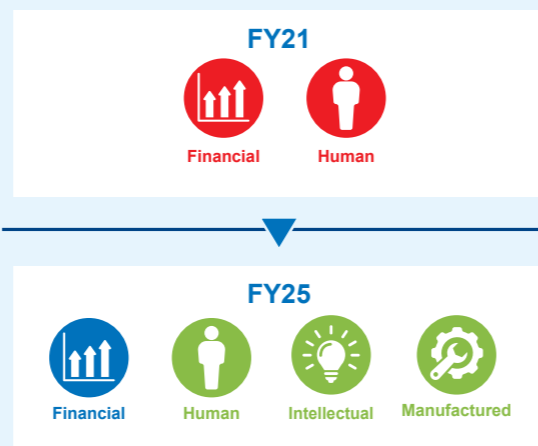
In parallel, we are also looking at ways to enhance our skills development initiatives, which we outline in greater detail on page 94 of chapter 03 of this report.



CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- To develop a future-fit workforce, and despite limited financial stocks given cost and cash pressures, our Board approved measures to:
 - review the organisational culture and operating model structures
 - initiate section 189 proceedings in terms of the South African Labour Relations Act
 - consider voluntary retrenchments and early retirements
- As a result, our human capital stock will decline in the short term, while we are seeking to create long-term financial, intellectual and manufactured capital

CAPITALS PRESERVED, CREATED AND/OR ERODED

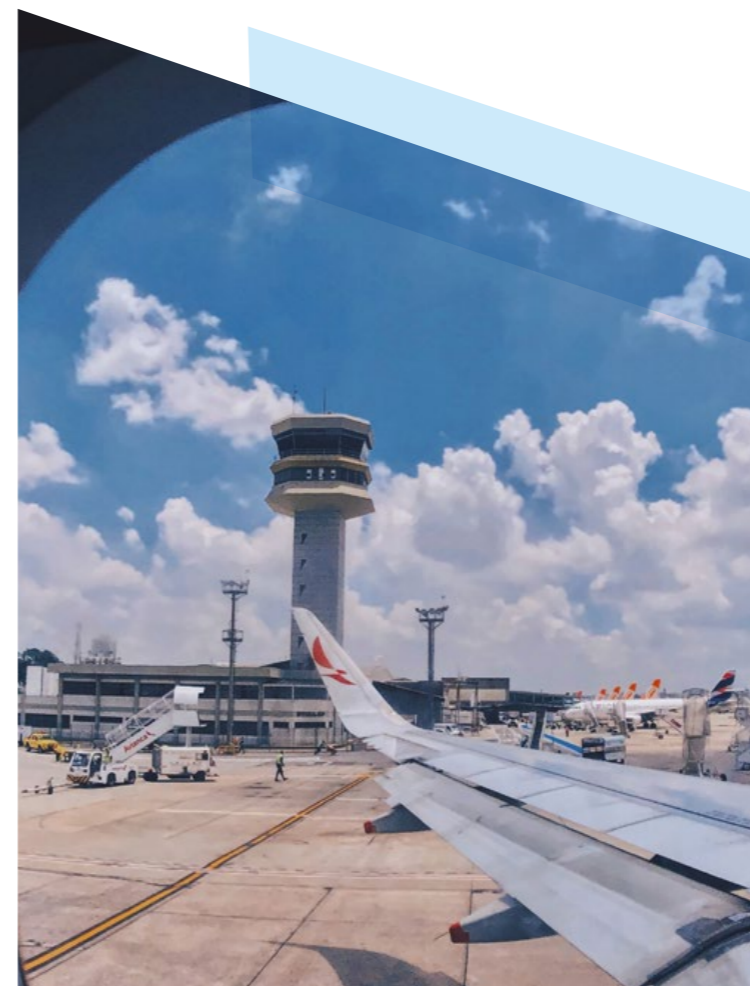


INCREASE BUSINESS TRANSFORMATION

The importance of transforming our business and the South African and African aviation sector are underpinned by our mandate as a state-owned company, enabling effective and sustainable socio-economic change.

Our business transformation strategic objective seeks to promote small business development that creates the platform for inclusive and stable growth to support the aviation sector. In aiding and facilitating the socio-economic advancement of previously disadvantaged South Africans, we commenced initiatives that go beyond legislative requirements but that serve to increase the capabilities within the South African aviation sector and that foster skills transfers across the African continent.

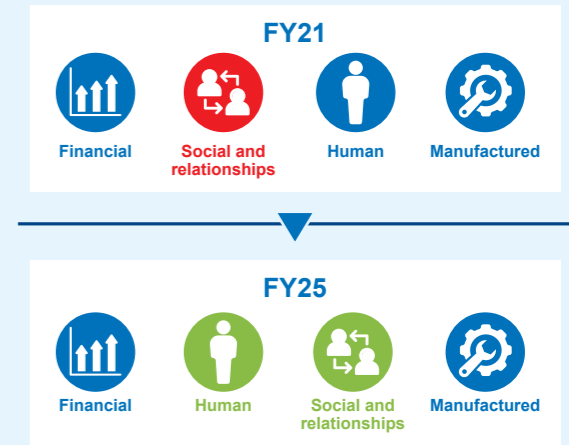
Our 'business transformation' strategic objective forms part of our broader transformation approach, which we address in detail on pages 95 to 96 of chapter 03 of this report.



CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- To limit value erosion and preserve our financial stocks, our Board supported management in reducing CSI spend and supplier and enterprise development spend until FY25.
- This enabled the organisation to rather invest in 'safety of life' projects where the funding was more crucial.
- As a consequence, our social and relationships stocks declined, while we preserved value in terms of our financial capital with a view to increasing the relevant spend in FY25.

CAPITALS PRESERVED, CREATED AND/OR ERODED





IMPROVE ENVIRONMENTAL STEWARDSHIP

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

We are committed to sustainable business practices to manage risk and optimise opportunities to further enhance efficiencies. For us, sustainability is not only a strategic pillar but the way we do business over the short, medium and long term. This being said, integrating sustainability into day-to-day business practices is paramount. Sustainability is influenced by many factors such as international markets, social issues, legislation and stakeholder expectations. Regular benchmarking is important to allow us to introduce best-practice policies, procedures and technologies to minimise our impact on our natural environment.

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

Our 'improve environmental stewardship' strategic objective forms part of our broader transformation approach, which we address on pages 97 to 101 of chapter 03 of this report. Although not part of our annual key performance indicators, we also provide a summary on pages 98 to 100 of this report on how we manage the following environmental matters:

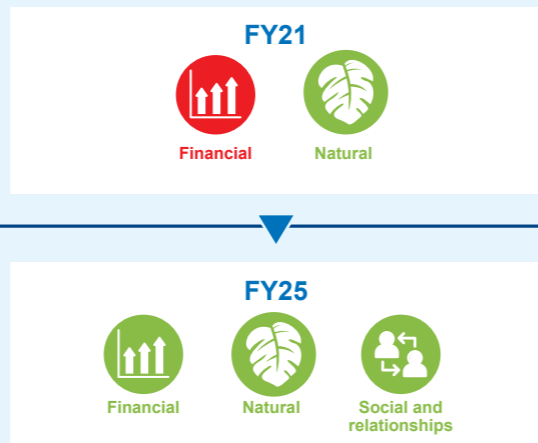
- Carbon emissions
- Energy consumption (electricity and fuel)
- Waste, water and biodiversity
- Airspace air quality



CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- An important positive impact of the COVID-19 pandemic has been the improvement in the natural environment as a result of lockdowns, quarantines and border closures, leading to a reduction in air pollution through decreased travel and economic activity.
- While this has had a negative financial impact across most sectors, and in particular, the aviation industry, it has provided evidence of the need to accelerate the green aviation economy while remaining economically viable.
- Closer to home, ATNS has seen a reduction in our overall emissions and energy consumption, largely as a result of local and global travel restrictions. This has resulted in a reduction in carbon emissions and electricity consumption attributable to ACSA and Eskom.

CAPITALS PRESERVED, CREATED AND/OR ERODED



SUSTAINABILITY STRATEGIC PILLAR KPI DASHBOARD

| Strategic objective | Key performance indicator | Actuals as at 31 March 2021 | Annual target |
|---|--|--|--|
| Maintain financial sustainability | Current ratio | 2.89 | 5 |
| | Cash as cover for current liabilities | 2.79 | 3 |
| | Cost to income ratio | 213% | 153% |
| | Capex commitment | R141.25m | 80% |
| | Capex cash flow | R155m | 80% |
| | Capex capitalisation | R215.3m | 80% |
| | Non-regulated business | R123.43m | R94m - R105m |
| Develop future-fit workforce | Organisational redesign | Organisational redesign framework developed | Development of an organisational redesign framework |
| | Culture and values | The 'as-is' assessment is in progress, with change activities implemented to ensure project buy-in | Culture change programme and new values approved by the Board |
| Increased business transformation | B-BBEE level | Level 2 with 100% points on enterprise development | Level 2 with 100% points on enterprise development |
| Improved environmental stewardship | Implement environmental management systems | Implementation of environmental management system at 7 stations | Implementation of environmental management systems at 4 stations |

Key performance indicators' key

■ Not achieved (not met expectations)
 ■ Partially achieved (met some expectations)
 ■ Achieved (met all expectations)



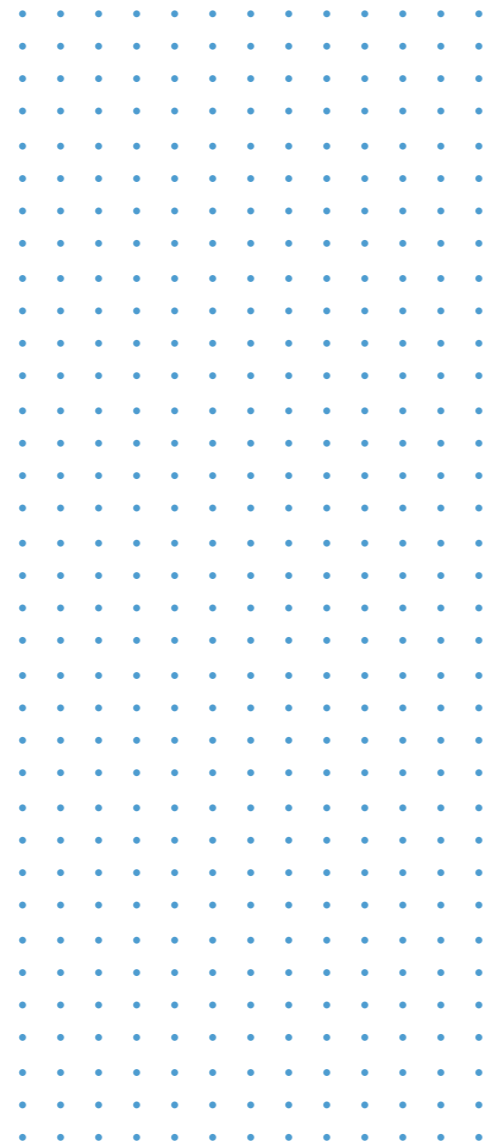


Our service excellence pillar

Our strategic pillar of 'service excellence' focusses on providing services that meet or exceed our customers' needs and expectations and comprises the following three strategic objectives:

- Ensure safety and efficiency of operations
- Be the leading training academy on the continent
- Improve stakeholder-centric management

To maintain service excellence while mitigating the risks brought about, in large part, by the impacts of the COVID-19 pandemic, our efforts during FY21 were on securing our licence to operate and prioritising our 'safety of life' projects. Importantly also, and in the context of building for a sustainable future, we increased our stakeholder collaborations.



ENSURE SAFETY AND EFFICIENCY OF OPERATIONS

Given the challenging external context and in an effort to support both our customers and to conserve cash, under our strategic objective of 'ensure safety and efficiency of operations', we sought to preserve value by:

- extending our 2017 permission from the Economic Regulating Committee to 2023
- revising our Capex and Opex budgets
- improving our safety performance

As a state-owned company and monopoly service provider of air traffic and navigational services in South Africa, our regulated business activities are governed from an economic perspective by the Economic Regulating Committee. The Economic Regulating Committee is empowered by the ATNS Company Act to issue a permission to ATNS. The permission specifies tariffs we can charge to aircraft operators and determines minimum service standards for our regulated South African business. The permission authorises us to levy air traffic service charges on aircraft operators for the provision of an air traffic service and the use of air navigation infrastructure. Each permission has a five-year cycle.

During FY21, the Regulating Committee allowed the current permission to run its full five years' course until 2023, thereby aiding our customers with no tariff increases until our permission is extended next year.

Similarly, in looking at our Capex and Opex budgets at the start of the 2021 financial year, we reprioritised what we determined to be 'safety of life' Capex projects and limited our Opex budget to the essentials.

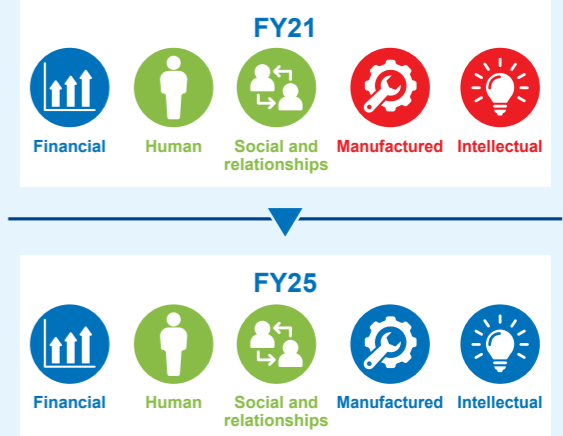
Notwithstanding the challenges, we will be seeking to create value over the medium term by:

- advancing the ATFM system replacement project, which will address the service delivery limitations experienced with our current system
- improving CNS availability reporting within the organisation through WASI and RAM statistics
- progressing air traffic services' digitisation projects (including EFS, digital towers, and an integrated tower suite) to reduce air traffic controller workload and to improve efficiencies

CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- In an effort to aid our customers, our Board supported the Executive Committee's recommendation to engage the Economic Regulating Committee on extending our 2017 permission to 2023. This extension was granted.
- However, while our social and relationships stocks increased, our financial and manufactured capitals reduced given no increased tariffs to fund current and new Capex projects during the financial year.
- Similarly, we had to reduce our Opex, which negatively impacted our manufactured and intellectual capital while preserving our financial capital.
- With significant safety improvements given substantially less air travel, our human and social and relationship capitals increased.

CAPITALS PRESERVED, CREATED AND/OR ERODED



Safety remains of paramount importance, irrespective of the socio-economic challenges. For details of our safety performance, refer to pages 132 to 133 of this report.



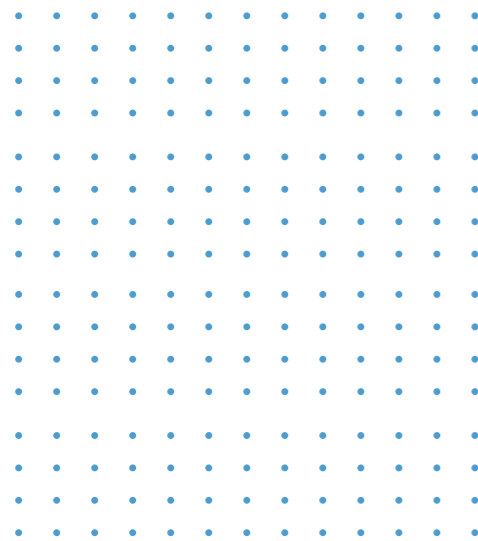
BE THE LEADING TRAINING ACADEMY ON THE CONTINENT

In FY21, our non-regulated business accounted for 22% of our total revenue, primarily due to the growth drive initiated within our world-renowned Aviation Training Academy and our commercial services division. Of course, to be the leading training academy on the African continent requires ongoing investment in human, intellectual and manufactured capital.

During the year under review, and to create value over the short to long term, our academy and commercial services division advanced the following key projects:

- Concluding the academy's refurbishment project as part of its modernisation drive
- Developing new training courses and product lines to compete in an e-learning space
- Looking at ways to further extend our commercial services offering
- Establishing the parameters of a subsidiary to run and promote the non-regulated business

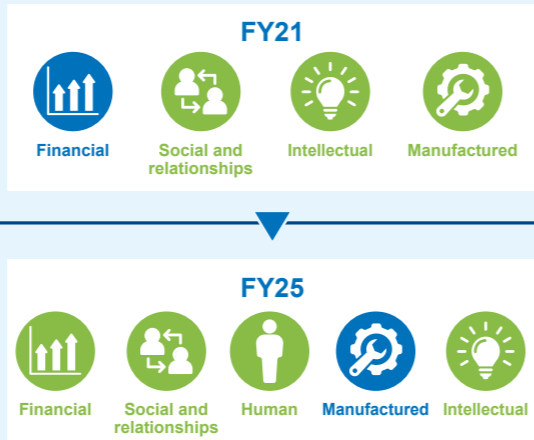
Our non-regulated business has become increasingly critical for our company's growth and long-term positioning on the African continent. In March 2021, the Amendment Act to our enabling legislation, the ATNS Act (No 45 of 1993), was promulgated, which allows us to extend our service and product scope to that beyond the South African borders, expanding our non-regulated business's potential.



CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- To be the leading training academy on the continent, we prioritised our limited financial stocks to modernise and expand our service offering by:
 - developing new training courses and product lines to meet customer needs in new and existing markets, growing our intellectual capital and our social and relationship capital
 - refurbishing our training academy, enhancing our manufactured capital
 - evaluating ancillary commercial services, thereby further expanding our intellectual capital and future financial stocks
- Over the long term, all of our capital stocks should increase, most notably our financial and social and relationship stocks.

CAPITALS PRESERVED, CREATED AND/OR ERODED

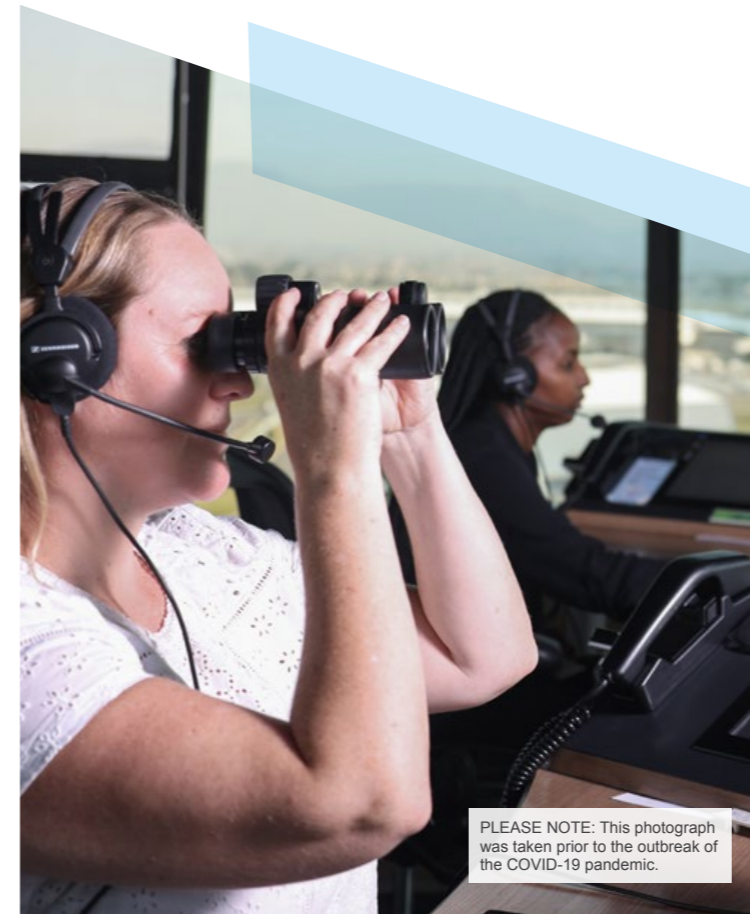


IMPROVE STAKEHOLDER-CENTRIC MANAGEMENT

Our stakeholders are integral to our success both in the short term as well as over the long term. In all that we do, we consider the needs, expectations and concerns of our broader stakeholder base, which we explain in greater detail on pages 48 to 50 of this report.

Under our 'service excellence' pillar, the stakeholder advancements to create long term value we prioritised in our 2021 fiscal year related to:

- engaging industry role players, including our shareholder and the Economic Regulating Committee, on finding sector solutions to weather the impacts of the COVID-19 pandemic crisis
- establishing collaborative platforms with our customers to formulate relief measures, to the extent possible, to support them during the first year of the pandemic crisis
- developing strategic partnerships with technology providers, OEMs, peers and new product developers to enhance our long-term growth prospects

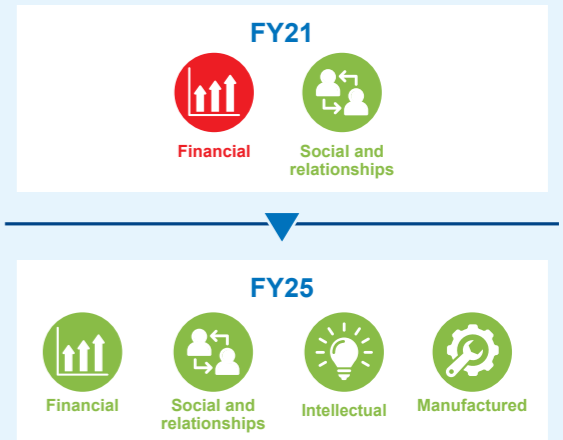


PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- To support our customers, our Board approved the Executive Committee's relief proposals, which reduced our financial capital in the short term but ensured that our customers and the sector as a whole could be supported during the first several months of the pandemic.
- Long term, we expect to see improvements across our financial and social and relationship capitals.
- Through new partnerships and collaborations, we also expect to grow our intellectual, manufactured and financial capitals by FY25.

CAPITALS PRESERVED, CREATED AND/OR ERODED



SERVICE EXCELLENCE STRATEGIC PILLAR KPI DASHBOARD

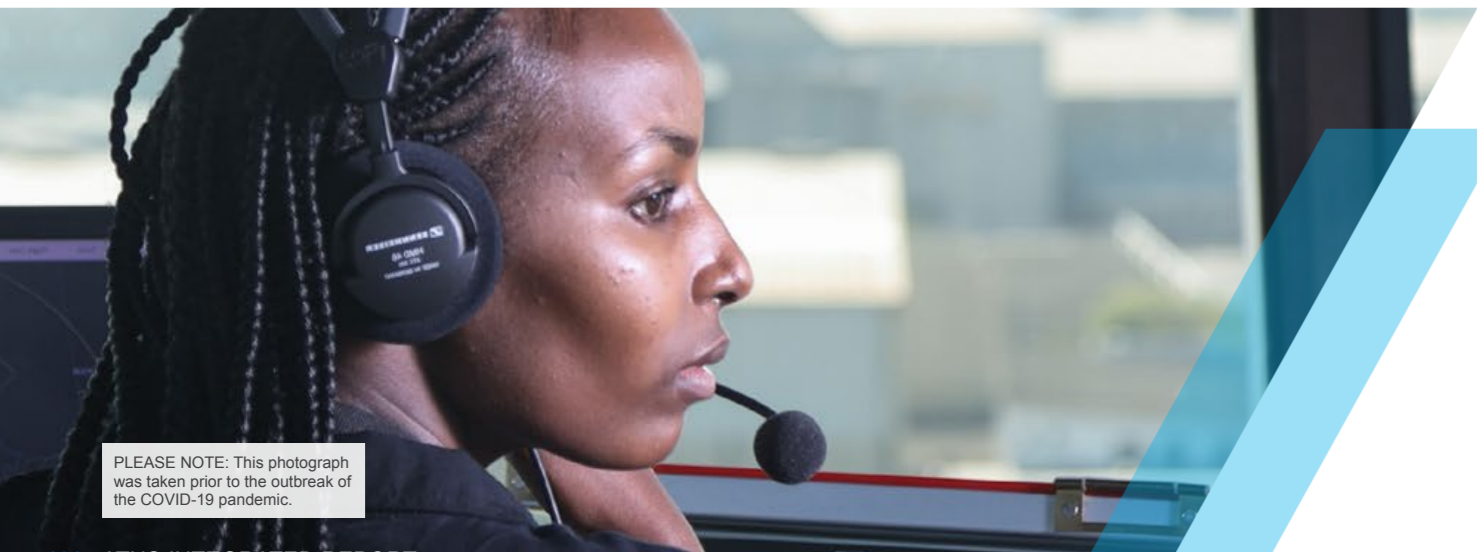
| Strategic objective | Key performance indicator | Actuals as at 31 March 2021 | Annual target |
|---|--|---|--|
| Ensure safety and efficiency of operations | Safety ratio | 3.29 | 7 |
| | Accident rate | 0 | Zero accidents and ≤ 5 Cat A incidents |
| | Serious incident rate | 1.32 | 5 |
| | Safety management system (SMS) maturity | Level C with 59% above level C | SMS Maturity level C & >30% above level C |
| Be the leading training academy on the continent | Diversification of training product line and offering | New product lines developed and approved | Approval of new training product lines |
| | Modernisation/ digitisation to deliver adaptive and efficient learning | Training academy modernisation roadmap approved | Approval of training academy modernisation roadmap |

NOTE: During FY21, we took the decision to defer any specific KPIs relating to our strategic objective of 'improving stakeholder-centric management' as all of our activities included a stakeholder dimension.

NOTE: We provide a detailed summary of our safety performance on pages 132 to 133 of this report.

Key performance indicators' key

■ Not achieved (not met expectations)
 ■ Partially achieved (met some expectations)
 ■ Achieved (met all expectations)



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.



SAFETY MANAGEMENT

As safety is core and paramount to the aviation sector as whole, ATNS prioritises safety in all aspects of our business. ATNS uses various metrics to measure safety to better understand, address and mitigate against safety risks.

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
- the aircraft sustains significant damage or structural failure
- the aircraft goes missing or becomes completely inaccessible

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 (i.e. those that occur due to air traffic control operations) against the cumulative number of flights recorded.

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.

Safety Management System (SMS) Maturity: the SMS Maturity metric helps ANSPs build, implement and improve their SMSs to suit the size and operational complexity of their organisation, reflect industry best practice and meet international standards. The SMS is aligned with the International Civil Aviation Organisation's (ICAO's) Annex on Safety Management (Annex 19). The SMS maturity is measured against the Civil Air Navigation Services Organisation (CANSO) Standard of Excellence in SMS. The SMS maturity metric provides ANSPs with the tools to:

- measure and understand SMS maturity against industry standards
- make a business case for safety improvements
- build and develop an SMS that meets their requirements and harmonises global operations
- demonstrate alignment with regulation, including ICAO's Annex 19
- share key learnings and best practice across the industry

A total of ten safety events were recorded for FY21; five of these were LoS events, two Runway Incursions (RI), one AIRPROX and two ATC operational events.

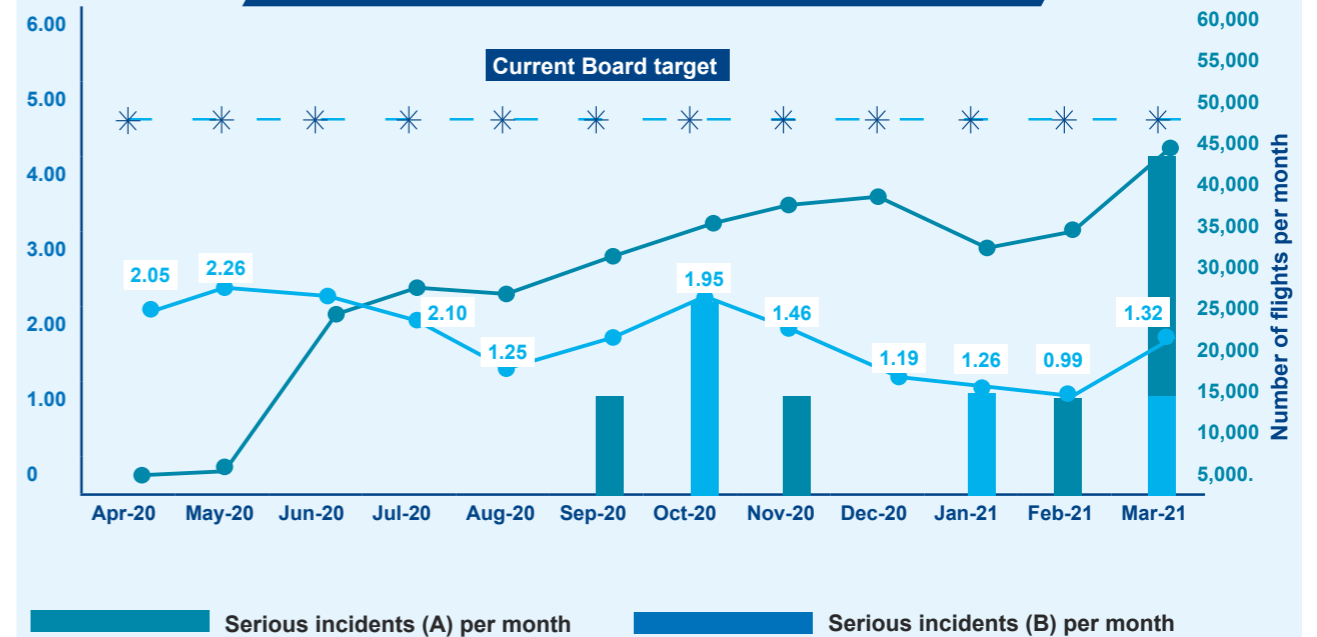
OUR SAFETY PERFORMANCE FOR FY21

| Safety metric | FY21 achievement | FY21 target |
|-----------------------|--------------------------------|--------------------------------|
| Accident Rate | Zero | Zero |
| Serious Incident Rate | 1.32 | 5 |
| Safety Ratio | 3.29 | 7 |
| SMS Maturity level | Level C with 59% above level C | Level C with 30% above level C |

ATS SAFETY RATIO PER 100 000 FLIGHTS



ATS SERIOUS INCIDENTS (A&B), RATE PER MONTH



Our innovation pillar

Our strategic pillar of 'innovation' takes a long-term view on our prospects as an organisation as many of the initiatives and interventions will come to fruition closer to FY25. This strategic pillar comprises one all-encompassing strategic objective of creating an adaptive and innovative enterprise. For the most part, this overarching strategic objective combines elements of our strategic pillars of 'service excellence' and 'sustainability' but from the perspective of building a sustainable future for ATNS as opposed to day-to-day operations.



CREATE AN ADAPTIVE AND INNOVATIVE ENTERPRISE

In FY21, and as part of our stress-testing and strategy recalibration exercise, we identified the following areas as being the most essential in creating an adaptive and innovative enterprise:

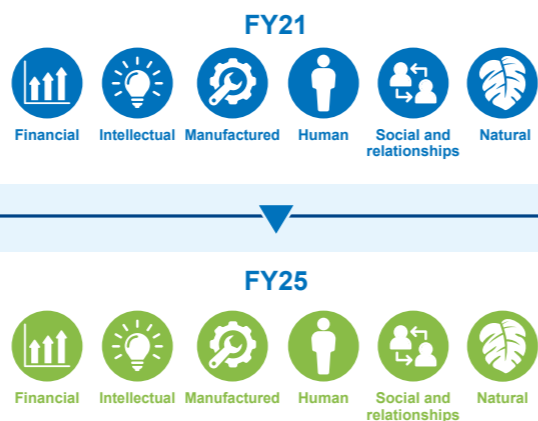
- Utilising emerging technologies to enable safe, smart and efficient operations
- Creating an agile and innovative enterprise
- Deploying the RPAS management solution
- Strengthening and streamlining our research and development endeavours
- Driving digital transformation
- Defining our IT governance and enterprise architecture
- Implementing a cyber resilience and business continuity strategy

Most of the areas listed above form part of a broader 'business modernisation' initiative, which focusses on information technology and operations technology enhancements. Another core component is the operationalisation of several of our R&D efforts. We provide more context on these capacity-building areas in our focus story on pages 136 to 137 of this report.

CAPITALS IMPACTED AND TRADE-OFFS APPLIED

- 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.
- In the short term, we are preserving our financial capital to sustain us during the COVID-19 recovery period.
- As a modernised company, in the long term, we are optimistic that all six capitals will increase.

CAPITALS PRESERVED, CREATED AND/OR ERODED



INNOVATION STRATEGIC PILLAR KPI DASHBOARD

| Strategic objective | Key performance indicator | Actuals as at 31 March 2021 | Annual target |
|--|---|-----------------------------|---|
| Create an adaptive and innovative enterprise | Completion of R&D projects to enhance safety and efficiencies | 92% | 71 - 80% implementation as per approved research plan |
| | Digital transformation | 84% | Develop and obtain Exco approval of business modernisation project with 40 - 49% implementation |
| | Enterprise Resource Planning system implementation | 98% implemented | 100% implementation of Phase 1a: Oracle Human Capital, Finance and Supply Chain approved scope |

Key performance indicators' key

■ Not achieved (not met expectations)
 ■ Partially achieved (met some expectations)
 ■ Achieved (met all expectations)



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

FOCUS STORY

Capacity-building for the future



Capacity-building is about maintaining, enhancing and expanding our infrastructure and related assets, operationalising key research and development projects, and future-proofing the organisation.

While our current focus is on our 'safety of life' projects, we are also looking longer term, ensuring that we remain competitive in our non-regulated markets.

The context

Our 2021 financial year was particularly volatile, with sustained pressure on business and consumer spend in South Africa and across our other markets, compounded by the outbreak of the COVID-19 pandemic early in 2020 and its lingering impacts.

Despite the strain placed on our financial performance, and the introduction of organisation-wide cost-containment and cash conservation measures, we continued to execute our core infrastructure and research and development projects. These projects are referred to as 'safety of life' projects and enable us to maintain our current infrastructure while also planning for further expansion into Africa in the near future. 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.

Infrastructure maintenance, enhancement and expansion

We spent R155 million in developing infrastructure this year, focussing on improving efficiencies and safety performance and enhancing the overall customer experience across our markets with infrastructure modernisation and capacity upgrade initiatives.

A significant milestone this year was the accelerated development of new products in all our growth markets and the continued progress in enhancing efficiencies and sky safety. Unfortunately, national load-shedding and vandalism in South Africa remained a challenge during the year, negatively impacting our infrastructure and operations. We are mitigating the impact by investing in alternative sources of energy as well as implementing increased security features to reduce theft and damage.

By 2030, our intention is to be a future-fit organisation, expanding our coverage across all our markets.

Important role of research and development

We look to advance our strategic objective of **creating an adaptive and innovative enterprise** by extending our stewardship beyond the arena of air traffic management services, contributing to the technology innovation value chain and developing domestically consumed technologies. Our work in this field dates back to 2018 when our research strategy was first approved.

In addition, we continue to support the South African government's goals, as expressed in the National Development Plan 2030, by working with our enterprise and supplier development team to explore potential collaborations with SMMEs. One such collaboration relates to the passive radar, which we are developing for the Council for Scientific and Industrial Research (CSIR) together with an SMME, which will stimulate the development of a new sector.

The CSIR is a leading scientific and technology research organisation that researches, develops, localises and diffuses technologies to accelerate socio-economic prosperity in South Africa. The organisation's work contributes to industrial development and supports a capable state. The organisation plays a key role in supporting public and private sectors through directed research, which is aligned with the country's priorities, the organisation's mandate and its science, engineering, and technology competences.



Advancing research - new products and services

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

- **Bonaero Integrated Situational Awareness prototype** was launched. BONISA is a programme that aims to research 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) were completed at De Aar and Upington.
- **Runway Occupancy Alert System (ROAST)** is research into an AI-based application for the air traffic management community. The ATNS research team is developing an artificial intelligence solution, which uses speech recognition technology that would effectively prevent runway incursions by alerting tower controllers of impending conflicts. Runway incursions normally have a high-risk rating because of the small window of opportunity available to either the air traffic controller or pilot for error correction. **Market launch date of 2027.**

Looking further ahead

Longer term, we are exploring the use of machine-learning to automatically measure the workload of area controllers. A project was started in collaboration with an Original Equipment Manufacturer (OEM) where eye-tracking technology is used to quantify the workload and use situational analysis to predict controller actions.

The second runner up to the ATNS 2019 Innovation Ideas competition proposed a novel method of reducing runway incursions using new technologies and air traffic controller behaviour-encouraging techniques. This will greatly assist with human error especially during traffic and airspace changes. The technology will be applied to speech recognition to act as a safety net, foreseen as an essential tool that will be integral to future air traffic management operations.

CAPITALS IMPACTED

While we have had to reprioritise our Capex spend, we have preserved our manufactured and intellectual capital.



Manufactured



Intellectual

Our consolidated five-year review

In this section of our integrated report, we review ATNS's financial performance for our regulated business over a five-year period, commencing with the 2017 financial year and culminating in this, our 2021 financial year.

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

The year-on-year performance of revenue, operating costs, staff costs and capital expenditure compared with our 2017 performance are outlined in this section.

Overview of performance of permission against actual revenue for the 5-year period

| R million | FY17 | FY18 | FY19 | FY20 | FY21 |
|------------|-------|-------|-------|-------|-------|
| Actual | 1 557 | 1 594 | 1 668 | 1 673 | 547 |
| Permission | 1 425 | 1 554 | 1 665 | 1 815 | 1 943 |

The permission process has been facilitated under challenging economic conditions over the past five years, with South Africa's low economic growth placing pressure on domestic carriers. Furthermore, the recent downgrade of South Africa by rating agencies is likely to negatively impact the already-subdued traffic movements, which could adversely affect ATNS's revenue prospects going forward. In addition, the impact of COVID-19 has severely impacted the ATNS performance.

Overview of operating costs for the 5-year period

| R million | FY17 | FY18 | FY19 | FY20 | FY21 |
|------------|-------|-------|-------|-------|-------|
| Actual | 1 300 | 1 310 | 1 421 | 1 569 | 1 001 |
| Permission | 1 120 | 1 185 | 1 269 | 1 570 | 1 683 |

The actual compound annual growth rate (CAGR) on operating costs from FY17 to FY21 was below the expected 8.5% at -5.1%. Operational costs remained high at around 226% of revenue and this is expected to continue into the short term while South Africa is still dealing with the pandemic and slow economic growth. A significant portion of this relates to staff costs at 83% of the total operational expenditure.



With ATNS competing globally to attract and retain critical air traffic management skills, we often pay a premium for employees due to the scarcity of their skills in the market and their value to the business. During the year under review, operating costs increased to R1.0 billion, and this included ATNS' staff cost of R826 million (FY20: R1 012 million).

Overview of staff costs for the 5-year period

| R million | FY17 | FY18 | FY19 | FY20 | FY21 |
|------------|------|------|------|-------|-------|
| Actual | 817 | 885 | 949 | 1 012 | 826 |
| Permission | 785 | 832 | 889 | 1 109 | 1 194 |

Approximately 47% of staff costs are for air traffic control-related services. ATNS competes with international peers for air traffic controllers, resulting in high salaries offered to retain these skills. We have considered several mitigating options, including clearing the congestion in the training pipeline to have a sufficient pool of air traffic controllers. A moratorium on filling of vacancies and other cost containment measures have assisted us in reducing staff costs - these costs are expected to remain relatively stable as management continues with its cost containment efforts.

Overview of Capex (based on cash flow) performance for the 5-year period

| R million | FY17 | FY18 | FY19 | FY20 | FY21 |
|------------|------|------|------|------|------|
| Actual | 307 | 305 | 252 | 149 | 155 |
| Permission | 301 | 248 | 374 | 200 | 282 |

Profit before tax for the 5-year period

| R million | FY17 | FY18 | FY19 | FY20 | FY21 |
|------------|------|------|------|------|-------|
| Actual | 326 | 263 | 251 | 95 | (756) |
| Permission | 220 | 256 | 290 | 157 | 118 |

As stated previously, actual CAGR on operating costs for the five-year period was below the expected 8.5% at -5.1%. Operational costs were much higher at around 226% of revenue and this is expected to improve in the future with revenue improvement and continued cost containment measures.

The variance between 'actual' and 'permission' is mainly due to the decrease in revenue, which was the result of global travel restrictions. The losses incurred are expected to improve in the next financial year as travel restrictions are eased with the rollout of vaccination programmes.

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.

AASA Airlines Association of Southern Africa

ACSA Airports Company of South Africa

AFI African Indian Ocean

AFS Annual Financial Statements

AI Artificial intelligence

AIC African, Indian, and Coloured

AIM Aeronautical Information Management

AIS Aeronautical Information Service

ANSP Air Navigation Service Provider

ATA Aviation Training Academy

ATC Air Traffic Controller

ATCOs Air Traffic Control Officers

ATFM Air Traffic Flow Management

ATM Air Traffic Management

ATS Air Traffic Services

BARSA Board of Directors of Airline Representatives of South Africa

B-BBEE Broad-Based Black Economic Empowerment

BONISA Bonaero Integrated Situational Awareness

CAEP Committee Aviation Environmental Protection

CANSO Civil Air Navigation Services Organisation

CAPEX Capital Expenditure

CAGR Compound Annual Growth Rate

CEO Chief Executive Officer

CFO Chief Financial Officer

CNS Communication, Navigation and Surveillance

CONOPS Concepts of Operations

CSI Corporate Social Investment

CSIR Council for Scientific and Industrial Research

EE Employment Equity

EFS Electronic Flight Strips

EMS Environmental Management System

ERM Enterprise Risk Management

ERP Enterprise Resource Planning

FACT Cape Town International Airport

GANP Global Air Navigation Plan

IATA International Air Transport Association

ICAO International Civil Aviation Organisation

IFRS International Financial Reporting Standards

IIRC International Integrated Reporting Council

IT Information Technology

ITC Information and Communication Technology

KPI Key Performance Indicator

LAAS Local Area Augmentation System

MOI Memorandum of Incorporation

NAFISAT North Eastern African-Indian Ocean VSAT Network

OEM Original Equipment Manufacturers

OPEX Operating Expenditure

PBN Performance-Based Navigation

PFMA Public Finance Management Act, No. 1 of 1999

R&D Research and Development

ROAST Runway Occupancy Alert System

ROCE Return on Capital Employed

S-Band Short-band

SACAA South African Civil Aviation Authority

SADC Southern African Development Community

SCM Supply Chain Management

SDGs United Nations Sustainable Development Goals

SMS Safety Management System

SOC State-Owned Company

TIPC Transformation, Investment and Projects Committee

VHF Very High Frequency

VOR Very High Frequency Omni Directional Range

VSAT Very Small Aperture Terminal

WAM Wide Area Multilateration

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RP167/2021

ISBN: 978-0-621-49481-5