



# 2020

KING IV APPLICATION REGISTER



# KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA – APPLICATION REGISTER

| Application of the King IV principles   |   | Current Status |
|---|---|----------------|
| <b>Leadership, ethics and corporate citizenship</b>   |   |                |
| <b>Leadership</b>   |   |                |
| <b>Principle 1</b>  | <b>The Board should lead ethically and effectively</b>  | Applied        |
| <p><b>IV</b><br/>PRINCIPLE<br/>1</p> <p>Air Traffic Navigation Services (ATNS) board of directors (the Board) as a governing body, is committed and subscribes to good governance principles as set out in King IV™. The directors have the necessary competence to discharge their responsibility to provide strategic direction and control of the Company as provided for in the Board Charter and the Company's MOI<sup>1</sup>.</p> <p>The Board operates in terms of written Terms of Reference which outline the policies and practices of the Board on matters such as declarations of conflicts of interest.</p> <p>The Board supported by the Company Secretary, oversees and monitors compliance with the conflict of interest policy.</p>   |   |                |
| <b>Organisational ethics</b>  |   |                |
| <b>Principle 2</b>  | <b>The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture</b> | Applied        |
| <p><b>IV</b><br/>PRINCIPLE<br/>2</p> <p>The Board through the Social and Ethics Committee has oversight of and monitors ATNS activities regarding governance of ethics and ensuring it is integrated and embedded in the operations and culture of the organisation.</p> <p>ATNS' Ethics and Business Conduct Policy enables a culture of entrenched values and norms that guide the behaviour of the Company's employees. The Policy aims to instil ATNS' shared value system which includes the broad values of accountability; safety and customer service; continuous improvement and innovation; employee engagement and development; fairness and consistency; open and effective communication; and zero harm to self, others and the environment.</p> <p>The Executive Human Capital is responsible for the development, review and implementation of the Policy. The Code informs fraud and corruption awareness training; it is accessible to all ATNS employees on the Company's intranet. The board monitors whistleblowing reporting through the Audit and Risk Committee. The hotline is manned by an external service provider.</p> <p>The office of the Company Secretary is in the process of establishing a comprehensive ethics programme to assist in strengthening and entrenching a culture of ethics across ATNS as well as formulating and implementing the governance framework accordingly.</p> |   |                |

<sup>1</sup> Memorandum of incorporation

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| <b>Responsible corporate citizenship</b>   |   |                |
| <b>Principle 3</b>   | <b>The Board should ensure that the company is and is seen to be a responsible corporate citizen</b>  | Applied        |
| <p><b>IV</b><br/>PRINCIPLE<br/>3</p> <p>ATNS have several segments responsible for corporate social responsibility focusing on rural development, community development, enterprise development and socio-economic development. ATNS is a good corporate citizen as it is committed to improving the quality of life in the communities in which it operates. This is done through the co-ordination and execution of the company's corporate social investment initiatives.</p> <p>The AVI Afrique initiative aims to encourage students from different backgrounds and schools to be innovative in the Aviation field thus affording them opportunities to grow their skills in technological sector. The initiative also looks to developing innovation in the monitoring of ATNS's footprint in emissions, and how these emissions can be reduced.</p> <p>The Environmental and Sustainability department has processes and procedures in place that ensures that ATNS acts responsibly when it comes to the environment and sustainability. All these activities are imbedded in ATNS's policies.</p> <p>The Board ensures compliance with relevant legislation and regulations through the audit and risk committee.</p> |   |                |
| <b>Strategy, performance and reporting</b>   |   |                |
| <b>Strategy and performance</b>  |   |                |
| <b>Principle 4</b>   | <b>The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</b> | Applied        |
| <p><b>IV</b><br/>PRINCIPLE<br/>4</p> <p>The Board approves the Company's strategy which is aligned with the purpose of the Company, the value drivers of its business and the legitimate expectations of its stakeholders and aimed at ensuring sustainability; and which takes into account the risks and opportunities.</p> <p>The Board enters a shareholder compact with the Minister of Transport on an annual basis and the key performance indicators are based on the shareholder compact which are the objectives set by the Shareholder. This is reported to the Shareholder on a quarterly basis once considered by the Board.</p>  |   |                |





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| <b>Reporting</b>  |   |                |
| <p><b>Principle 5</b></p> <p><b>The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>5</b></p> | <p>The Shareholder and National Treasury provides reporting requirements and ATNS conducts the organisation's reporting in line with that as overseen by the Board.</p> <p>The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual financial statements and reports; and any other disclosures. The Company complies with all required disclosures. In addition, the external audit provide the assurance on the reporting and disclosure process.</p> <p>The integrated annual report provides appropriately balanced business and sustainability reporting in line with the principles of the King IV Report while meeting the information needs of the ATNS' diverse stakeholders. The Board provides its assurance on the integrity of the integrated annual report having reviewed the content prior to approval. There are effective controls in place to enable the Board to verify and safeguard the integrity of its integrated annual report.</p> | Applied        |
| <b>Primary role and responsibilities of the Board</b>   |   |                |
| <p><b>Principle 6</b></p> <p><b>The Board should serve as the focal point and custodian of corporate governance in the company</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>6</b></p>  | <p>The board serves as the focal point and custodian of corporate governance within the Company. The Board is regulated by a terms of reference which set the parameters within which it operates by defining its powers, roles and governance responsibilities, membership requirements, procedural conduct structure and board processes as well as the process to be followed to obtain independent external advice. The Board has an approved Terms of Reference which it reviews annually.</p> <p>Furthermore, the Board convenes its meetings quarterly within the financial year. The Board has various sub-Committees which report to it on a regular basis. The board members attendance of meetings is included as a key performance indicator and reported to the Shareholder on a quarterly basis.</p> <p>The Company's governance framework and corporate governance practices are disclosed in the Integrated Report.</p>   | Applied        |

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| <b>Composition of the Board</b>   |  |                |
| <p><b>Principle 7</b></p> <p><b>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>7</b></p> | <p>The process of appointing Board members at ATNS is formal and transparent. In terms of section 7 the ATNS Act 45 of 1993.</p> <p>The Minister appoints Non-Executive Directors. The Board's requirements in terms of knowledge, skills, experience, diversity and independence is considered to enable the Board to discharge its governance role and responsibilities objectively and effectively.</p> <p>Non-Executive Directors have a three (3) year fixed term of appointment. In terms of the Company's MOI, a third of directors retire by rotation each year and are eligible for re- election by shareholders at the annual general meeting (AGM).</p> <p>Membership of the Board consists of majority of independent non-executive directors and Chief Executive Officer and Chief Financial Officer who are executive directors. .</p> | Applied        |
| <b>Primary role and responsibilities of the Board</b>   |  |                |
| <p><b>Principle 8</b></p> <p><b>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>8</b></p>        | <p>The Board and its sub-Committees apply the principles of good governance. There is a clear balance of power to ensure that no individuals have undue decision-making powers.</p> <p>The Board Committees are appropriately constituted and have formal terms of reference which clearly outlines the roles and responsibilities of the Committees. These are established and approved for each Committee and reviewed annually.</p> <p>There is an approved delegation of authority matrix applied within the Company.</p>  | Applied        |



| Application of the King IV principles  |   | Current Status   |
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| <b>Primary role and responsibilities of the Board continued</b>  |   |  |
| <p><b>Principle 8</b></p> <p><b>Audit and Risk Committee</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>8</b></p> | <p>The Board has an Audit and Risk Committee which is established in line with King IV™ recommendations. The Audit and Risk Committee is constituted as a statutory committee of the Company in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the Board in respect of all other duties assigned to it by the Board.</p> <p>This Committee has been established and has formal terms of reference which clearly outlines the mandate of Committee. ATNS being an organ of state is governed by the ATNS Act and the Public Finance Management Act. Members of the Committee collectively have necessary financial literacy, skills and experience. The Chairperson of the Audit Committee is an independent non-executive director. The Audit Committee meets with the internal auditors and external auditors in a closed session.</p> <p>The Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Committee in providing oversight and ensuring the integrity of financial reporting and internal control.</p> <p><b>Committee Responsible for Nominations of Members of the Governing Body</b></p> <p>The Board comprises of non-executive members appointed by the Minister of Transport and the CEO and CFO are executive members of the Board. The Human Resources Committee fulfils the role of the Nominations Committee.</p> <p><b>Committee Responsible for Risk Governance</b></p> <p>The Audit and Risk Committee is the committee responsible for the risk governance of the organization.</p> <p><b>Committee Responsible for Remuneration</b></p> <p>The Human Resource Committee is the committee responsible for oversight of remuneration in the organization.</p> <p><b>Committee responsible for social and ethics matters</b></p> <p>The Social and Ethics Committee is responsible to oversee and report on ethics, responsible corporate citizenship, and sustainable development and stakeholder relationships. It is also responsible to execute on the statutory duties set out in the Companies Act.</p> | <p>Applied</p> <p>Explained</p> <p>Applied</p> <p>Applied</p> <p>Applied</p> |

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| <b>Evaluations of the performance of the Board governing body</b>       |   |                |
| <p><b>Principle 9</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>9</b></p>   | <p><b>The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</b></p> <p>The performance of the Board and its committees are annually evaluated. An independent service provider was procured to conduct the performance assessment to ascertain the effectiveness of the Board, its Committees and the contributions by each individual Board member. No major concerns were raised by any director in respect of the functioning of the Board or any of its committees.</p> <p>The results of this assessment are discussed with each individual board member and reported to the Board as a whole.</p> <p>The performance of the Board, its Committees and the directors are disclosed in the integrated report.</p> | <p>Applied</p> |
| <b>Appointment and delegation to management</b>                         |   |                |
| <p><b>Principle 10</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>10</b></p> | <p><b>The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</b></p> <p>The Board approved a delegation of authority matrix which outlines the levels of materiality in relation to the ATNS business and it has reserved specific powers for its decision making and delegated certain powers management. The Board reviews the delegation of authority annually.</p> <p>The Board is satisfied that ATNS is appropriately resourced and that its delegation to management contributes to an effective arrangement by which the authority and responsibilities are exercised.</p>  | <p>Applied</p> |
| <b>Governance functional areas</b>                                      |   |                |
| <b>Risk governance</b>  |   |                |
| <p><b>Principle 11</b></p> <p><b>IV</b><br/>PRINCIPLE<br/><b>11</b></p> | <p><b>The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives</b></p> <p>The Board is ultimately accountable for governance of risk and assessment of opportunity. The responsibility for risk oversight by the Board is assigned in terms of the Board Charter and finds expression in the Risk Management Policy as approved by the Board. Risks are identified, rated and monitored through the Risk Register. Internal Audit undertakes the audit of the risk management process at ATNS.</p> <p>The Audit and Risk Committee is an integral component of the risk management process in that it is within the Audit Committee's mandate.</p>   | <p>Applied</p> |

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| <b>Technology and information governance</b>   |  |                |
| <b>Principle 12</b><br><br>   | <b>The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives</b><br><br>The Board has approved the IT governance framework. The responsibility for implementation of IT governance framework was delegated to Management and this is monitored through the IT Governance report which is presented to the Audit and Risk Committee and the Board on a quarterly basis. The Internal Audit function provides assurance on IT internal controls to the Audit and Risk Committee   | Applied        |
| <b>Compliance governance</b>   |  |                |
| <b>Principle 13</b><br><br>   | <b>The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives</b><br><br>ATNS has systems in place to ensure compliance with all applicable laws, regulations, codes and standards. The Board provides a statement of compliance in the integrated annual report confirming that it satisfied itself with the extent of the ATNS' compliance to all applicable laws, regulations, codes and standards. The Audit and Risk Committee receives regulatory and compliance reports on a quarterly basis.   | Applied        |
| <b>Remuneration governance</b>   |  |                |
| <b>Principle 14</b><br><br> | <b>The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</b><br><br>The Non-Executive Directors are remunerated according to the provisions of the Board Remuneration Policy approved by Board. The Shareholder advises on the rates to be paid as board fees annually.<br><br>The Human Resource Committee on behalf of the Board assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The remuneration of executive management is disclosed in the integrated annual report. | Explained      |
| <b>Assurance</b>   |  |                |
| <b>Principle 15</b><br><br> | <b>The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports</b><br><br>ATNS maintains a system of internal financial control that is designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.  | Applied        |

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| <b>Principle 15</b><br><br>   | A combined assurance approach has been implemented that assists in addressing control over the key risks facing the Company. Such risks and their mitigating controls are identified and controlled by management, within a risk framework determined by the Board, and the process is monitored and evaluated by both the risk and internal audit functions. The traditional three lines of defence have also been expanded as recommended in King IV where appropriate.   |                |
| <b>Stakeholder relationships</b>   |   |                |
| <b>Stakeholders</b>  |   |                |
| <b>Principle 16</b><br><br>   | <b>In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time</b><br><br>The Board considers the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company in order to drive a sustainable and long-term value strategy for ATNS. ATNS has fostered and strengthened its relationships with various stakeholders it interacts with.<br><br>Environmental, social and governance factors in investment decision-making and practice affect the value of an investment and these are considered essential by the Board for responsible investments to promote good governance and creation of value by the companies in which it invests. The Board is responsible for monitoring the Company's relationship with stakeholders and is assisted by the Social and Ethics Committee.<br><br>The Social and Ethics Committee has oversight of stakeholder engagement and management. Through regular reporting by the Social and Ethics Committee, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making. | Applied        |
| <b>Responsibilities of Institutional Investors</b>   |   |                |
| <b>Institutional Investors</b>   |   |                |
| <b>Principle 17</b><br><br> | <b>The governing body of an institutional investor organization should ensure that responsible investment is practiced by the good governance and the creation of value by the companies in which it invests.</b><br><br>ATNS is governed by its own Act and its corporate mandate does not include any of the activities described in the definition of an Institutional Investor.   | Explained      |