

Shareholder's Compact

Key Performance Indicators (KPIs) have been created to monitor SAA's performance against the pre-determined objectives as agreed upon between the airline and the Shareholder. These KPIs are reported on a monthly and quarterly basis, with regular feedback sessions held with the Shareholder.

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| Key Performance area | Key performance indicator by 31 March 2015 | FY 2015 Target | FY 2015 Actual | Explanations |
|---------------------------------|--|----------------|----------------|---|
| Financial Value Creation | Net operating profit/(loss) (Excluding aircraft impairment) | R(1 156)m | R(3 269)m | <p>KPI not achieved</p> <p>KPI not achieved as revenue was marginally lower than the previous year, while costs, although well controlled, increased. Revenue was significantly impacted by the outbreak of Ebola during the year as passenger numbers on SAA fell 5 percent compared to 2013/14. Mango passenger numbers increased by 10 percent, but these would have been at lower average fares. The decline of 10 percent in the rand over the year would also impact on costs – during the year 60 percent of costs were denominated in hard currency while only 40 percent of revenue was in hard currency, leaving SAA with a net exposure.</p> <p>There was a provision for litigation made which was not assumed when the KPI target was set.</p> |
| | Net retained earnings movement | R(1 599)m | R(5 737)m | <p>KPI not achieved</p> <p>This is directly related to the operating profit and, in addition, this target did not exclude the entry for impairment of aircraft.</p> |
| | Net cash flow from operating activities | R(43)m | R(2 3)m | <p>KPI not achieved</p> <p>Driven by the operating profit – refer comment 1.</p> |
| | Cargo revenue as a percentage of operating revenue | 5% | 8% | KPI achieved |
| Customer Service | Customer satisfaction | 84% | 85% | KPI achieved |
| Fleet Utilisation | Daily block hours | 10.7 | 10.29 | <p>KPI not achieved</p> <p>SAA did not achieve the target utilisation of its aircraft. This is mainly as a result of unplanned maintenance on aircraft as well as flight schedule changes to</p> |

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| | | | | optimize route profitability. |
| On-time Performance | On-time performance | 86% | 86% | KPI achieved |
| Safety | Implementation of Safety Management System as per CAA and ICAO requirements | 70% | 43% | KPI not achieved A safety system was acquired in March 2014 and the roll out thereof was deferred. This has subsequently been implemented. |
| Skills Development | Training spend | 3% of personnel costs | 3.11% | KPI achieved |
| | Cadets | 30 | 4 | KPI not achieved. The Cadet Pilot Programme is under review with the intention of improving the sustainability of its funding model which may include collaboration with relevant external partners. |
| | Technician trainees | 140 | 160 | KPI achieved |
| | Sector specific interns | 60 | 41 | KPI not achieved Due to freeze on headcount |
| Education / Aviation awareness / Other CSI initiatives | Total CSI budget | R7m | R3.75m | KPI not achieved This KPI was not achieved as a result of re-prioritising SAA's cash flow allocation. |
| Procurement | %Spend locally | 75% | 77% | KPI achieved |
| | Spend on BBEE compliant companies as a % of local eligible spend | 83% | 94% | KPI achieved |
| | % of local spend on Black owned entities | 15% | 7% | KPI not achieved SAA's focus is to increase its spend on Black owned entities as well as the development of the supplier database was protracted. The growth of SAA's spend on Black-Owned Supplier limited mainly by the size of the database of Black-owned suppliers. |

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| Energy Efficiency | <p>Provide a plan relating to the Energy Self-sufficiency Programme delivering clean energy to the SAA Johannesburg campus through energy interventions such as hydrogen fuel cells, photo voltaic panels and gas turbines to be housed in the SAA Technical area by 31 March 2015.</p> | <p>KPI not achieved</p> <p>Not achieved because of the delays in appointing a panel of service providers.</p> <p>SAA has since appointed a panel of service providers to provide the required energy efficiency and energy generation technologies and solutions to meet the needs of SAA.</p> |
| | <p>Provide a plan for the supplementary clean energy and bio-fuels to Air Chefs through an anaerobic digestion or gasification plant utilizing airport organic and other waste and waste from surrounding locations and properties (e.g. PicknPay) by 31 March 2015.</p> | <p>SAA and the WWF-SA developed a contract to enable multiple programs including the supplementary energy program to be developed and discussed between SAA and the WWF. This contract is still subject to the finalisation of payment mechanisms.</p> |

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