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INTEGRATED REPORT 2023

Taking flight into the future:
Navigating change with sustainable innovation

AIRPORTS COMPANY
SOUTH AFRICA

ABBREVIATIONS

AASA	Airlines Association of Southern Africa
ACI	Airports Council International
ACSA	Airports Company South Africa SOC Ltd
AFRAA	African Airlines Associations
AI	Artificial Intelligence
AMSIS	Airport Management Share Incentive Scheme
ASQ	Airport Service Quality
ATM	Air Traffic Movements
BARSA	Board of Airline Representatives of South Africa
B-BBEE	Broad-based black economic empowerment
BMS	Building management system
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CISO	Chief Information Security Officer
Companies Act	Companies Act, No. 71 of 2008
COO	Chief Operating Officer
CPI	Consumer price index
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DoT	Department of Transport
EBITDA	Earnings before interest, tax, depreciation, and amortisation
EME	Exempt micro enterprises
EPM	Enterprise performance management system
EPMO	Enterprise Project Management Office
ESG	Environmental, Social and Governance
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GE	Group Executive
HR	Human Resources
IAR	Integrated Annual Report
IATA	International Airlines Transport Association
IBU	Inside Bargaining Unit
ICAO	International Civil Aviation Organisation
ICASA	Independent Communications Authority of South Africa
ICT	Information, communication, and technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Standards Organisation
IT	Information technology
King IV™	King Code of Governance for South Africa 2016™
KPI	Key performance indicator
LBITDA	Loss before interest, tax, depreciation, and amortisation
MIAL	Mumbai International Airport Private Limited
MICE	Meetings, incentives, conferences, and exhibitions
MISS	Minimum Information Security Standards
MOI	Memorandum of Incorporation
NDP	National Development Plan
NEHAWU	National Health Education and Allied Workers Union
NGO	Non-governmental organisation
NUMSA	National Union of Metalworkers of South Africa
OBU	Outside Bargaining Unit
OHS	Occupational Health and Safety
OPEX	Operational Expenditure
PCI DSS	Payment Card Industry Data Security Standards
PFMA	Public Finance Management Act, No. 1 of 1999
PIC	Public Investment Corporation
POPIA	Protection of Personal Information Act, No. 4 of 2013
PPE	Personal protective equipment
(Pty) Ltd	Proprietary Limited
QES	Qualifying small enterprises
ROCE	Return on capital employed
SAA	South African Airways
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SAQA	South African Qualifications Authority
SDG	Sustainable Development Goals
SED	Socio-economic development
SETA	Sector Education and Training Authority
SMME	Small, medium, and micro enterprise
SOC	security operations centre
SOC	State-owned company
SPE	Special purpose entity
TETA	Transport Education and Training Authority
UN	United Nations
VFR	Visiting friends and relatives
WHO	World Health Organisation
WSP	Workplace Skills Plan

AIRPORTS

CTIA	Cape Town International Airport
KSIA	King Shaka International Airport
ORTIA	O.R. Tambo International Airport
PLZ	Chief David Stuurman (Gqeberha) International Airport

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Introduction

Your guide to our integrated report. Learn about our reporting philosophy and reporting suite on page 6.

Group overview

Get to know us by having a look at our Group Overview on page 9. This will give you a comprehensive overview of who we are and what we do. In this section, you'll learn about our vision, mission, values and mandate, and will be able to review key metrics related to our business.

Our leadership

Meet the people who set our company's course and lead it in the process of implementing its strategic objectives. Read our Chairman's Message on page 22 for top-level commentary on the key events of the reporting period. Meet our Board on page 26, our Executive Committee on page 28 and the various Committees of the Board on page 31. This section also provides easy-to-read graphics illustrating the composition of the Board, fills you in on the Board's key focus areas and gives you a report back on its performance.

Corporate governance

We pride ourselves on stringent compliance with both local and international best practice in corporate governance. Read about how our corporate governance approach, structures and procedures enable us to secure our brand, reputation and sustainability on page 36.

How our strategy creates value

Our strategy defines our direction as a business as well as our key objectives and the actions we plan to take in order to fulfil those objectives in the short-, medium- and long-term. Read about how we create value through our strategy and about how we adopt a flexible approach to changing circumstances on page 40. This section also contains our CEO's message for the reporting period on page 41 and our CFO's report on page 45.

Our operating environment

Gain a detailed understanding of the environment in which we operate and how that impacts on our own operations. You'll be able to read about the context within which we operate on page 57, the Top risks we face as a business on page 59, our processes for identifying and managing risk on page 69 and the ways in which we engage with our stakeholders on page 79.

Transformation

Transformation is woven into the very fabric of our business and informs everything we do, so we have a dedicated section in our IAR to tell you all about that. Read about our approach to transformation and how we're working to transform our own organisation and to contribute to broader transformation in our country on page 83.

Performance review

Read about how we performed in the 2022/23 financial year on page 98.

Abridged financial statements

View our consolidated annual financial statements and all commentary related to them on page 130.

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ICONS

Stakeholder groups

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- Commercial
- Employees
- Airlines

Six capitals

- Financial capital
- Human capital
- Intellectual capital
- Natural capital
- Social and relationship capital
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Sustainability framework

- Our business
- Our people and society
- Our environment

Strategic pillars

- Run airports
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ABOUT OUR INTEGRATED ANNUAL REPORT

Your guide to our Integrated Annual Report

"Airports Company South Africa is the owner and operator of South Africa's nine key airports, which include the three main airport gateways, O.R. Tambo International, Cape Town International and King Shaka International."

Our reporting philosophy

Our Integrated Annual Report is designed to provide accurate and balanced commentary on our strategy, performance, and future outlook as these relate to material financial, economic, social and governance issues. The report primarily addresses value-creation considerations for long-term investors but also provides important information for all of our key stakeholders.

Our reporting suite

Our reporting suite consists of the Integrated Annual Report (IAR), which includes our Consolidated Annual Financial Statements (AFS), as well as a separate Governance and Remuneration Report. Both are available in digital format at www.airports.co.za.

Integrated Annual Report

Governance and Remuneration Report

Annual Financial Statements

Supplementary information

Our results presentation is also available on our website and provides stakeholders with a high-level summary of the following:

- Strategy
- Operational performance
- Financial performance

Integrated annual report and governance and remuneration report

Purpose and framework

Airports Company South Africa's IAR is a report to all stakeholders. It presents our approach to value creation in the short-, medium- and long-term.

The Governance and Remuneration Report provides further details of our governance structures, procedures, and performance as well as of our remuneration practices.

These reports are written with reference to the following frameworks and standards:

- International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- Companies Act (No. 71 of 2008) (Companies Act)
- Public Finance Management Act (No. 1 of 1999) (PFMA)
- King Code of Governance for South Africa 2016™ (King IV)
- ISO/ South African National Standards (SANS) 31000

Scope and boundary

The IAR and Governance and Remuneration Report contain material information on the Group's performance for the financial year 1 April 2022 to 31 March 2023 (the year under review/reporting period).

Our method for determining materiality is explained on page 69.

We disclose all relevant internal and external factors that substantially influence our business.

There were no restatements to comparatives unless otherwise indicated.

The financial reporting framework was determined in accordance with IFRS.

Assurance

Assurance is provided by executive and management oversight as well as by the following external sources:

- Strategic goals and essential performance benchmarks undergo internal and external assurance processes, subject to audits conducted by both internal audit teams and the Auditor-General of South Africa, in strict adherence to the regulations outlined in the Public Audit Act of South Africa (No. 25 of 2004).
- The National Treasury's Framework for Managing Programme Performance Information confirms that performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time-bound, and relevant. We consider all of these elements in finalising the information presented in each IAR.
- The external audit opinion of the Consolidated Annual Financial Statements for FY2022/23 includes a summary of the work performed.

ABOUT OUR INTEGRATED ANNUAL REPORT continued

Consolidated annual financial statements

Purpose and framework

This section of the report focuses on the financial results for FY2022/23 as well the prior year's financial results and contains the following:

- Annual Financial Statements (AFS)
- Auditor-General's Report
- Directors' responsibilities and approval
- Directors' Report
- Audit and Risk Committee Report
- Company Secretary's Certificate

The report was developed using the following frameworks and standards:

- IFRS
- Companies Act
- PFMA

King IVScope and boundary

The AFS contain consolidated financial results for the Group for the financial year ending 31 March 2023.

The financial reporting boundary was determined in accordance with IFRS.

Assurance

Assurance includes reports on:

- Board
- Executive Committee
- Board subcommittees
- Internal controls
- Management and governance oversight
- Internal audit
- External audit opinion

Board approval

The Board acknowledges responsibility for overseeing the integrity and completeness of this IAR and exercises this responsibility with the support of the various Board committees. The Board approved the reporting frameworks and materiality determination process applied in the report. The Board confirms that it considers this report to be accurate, reliable, and complete in presenting information and material matters. The Board concludes that this IAR is presented as per the <IR> Framework and confirms that it was approved on 17 August 2023.

Feedback

Should you have any queries about our report, wish to comment on the report or make any suggestions as to how it could be improved, you are invited to contact Ms Laurene Less, Group Executive: Corporate Services by e-mail on laurene.less@airports.co.za.

Forward-looking statements

The forward-looking statements in this report – or any verbal statements that may be made by Directors, prescribed officers or employees acting on the Group's behalf – constitute or are based on certain assumptions that may change or be subject to revision. They relate to events or circumstances that may or may not occur and are therefore uncertain by nature.

Factors that could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to:

- Global and domestic economic conditions
- Geopolitical tensions
- The nature of the aviation sector and, specifically, the performance of airline operators
- Changes in passenger profiles and choices
- Retail offerings at our airports
- Interest rates
- Credit and the associated risks of borrowing and funding
- Rating agencies' statements and determinations
- Gross and operating margins
- Capital management
- Economic regulatory framework and permission application processes and outcomes

Airports Company South Africa does not undertake to update or otherwise revise any of these forward-looking statements based on new information or future events. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

HOW TO NAVIGATE OUR REPORT

How to find your way around our Integrated Annual Report

The graphic below illustrates how our business processes interrelate and is intended to help you navigate our IAR:

Get to know us

Get to know us by having a look at our **Group Overview** on page 8. This will give you a comprehensive overview of who we are and what we do. In this section, you'll learn about our vision, mission, values, and mandate, and will be able to review key metrics related to our business.

Meet our leadership

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Find out how we are governed

We pride ourselves on stringent compliance with both local and international best practice in corporate governance. Read about how our corporate governance approach, structures and procedures enable us to secure our brand, reputation, and sustainability on page 36.

Gain insight into our strategy and how we create value

Our strategy defines our direction as a business as well as our key objectives and the actions we plan to take in order to fulfil those objectives in the short-, medium- and long-term. Read about how we create value through our strategy and about how we adopt a flexible approach to changing circumstances on page 40. This section also contains our CEO's message for the reporting period on page 41 and our CFO's report on page 45.

Understand our operating environment

Gain a detailed understanding of the environment in which we operate and of how that impacts on our operations. In this section, you'll be able to read about the context within which we operate on page 56, the key risks we face as a business on page 59, our processes for identifying and managing risk on page 69 and the ways in which we engage with our stakeholders on page 79.

Read about how we fared in FY2022/23

Read about how we performed in the 2022/23 financial year on page 97 and find out what we foresee for the 2023/24 financial year.

Join us on our transformation journey

Transformation is a primary objective for our business and informs everything we do, so we have a dedicated section in our IAR to tell you all about that. Read about our approach to transformation and about how we're working to transform our own organisation as well as about how we're contributing to broader transformation in our country on page 83.

View our Annual Financial Statements

View our consolidated annual financial statements on page 130.

02 GROUP OVERVIEW

Who we are and what we do

ABOUT US

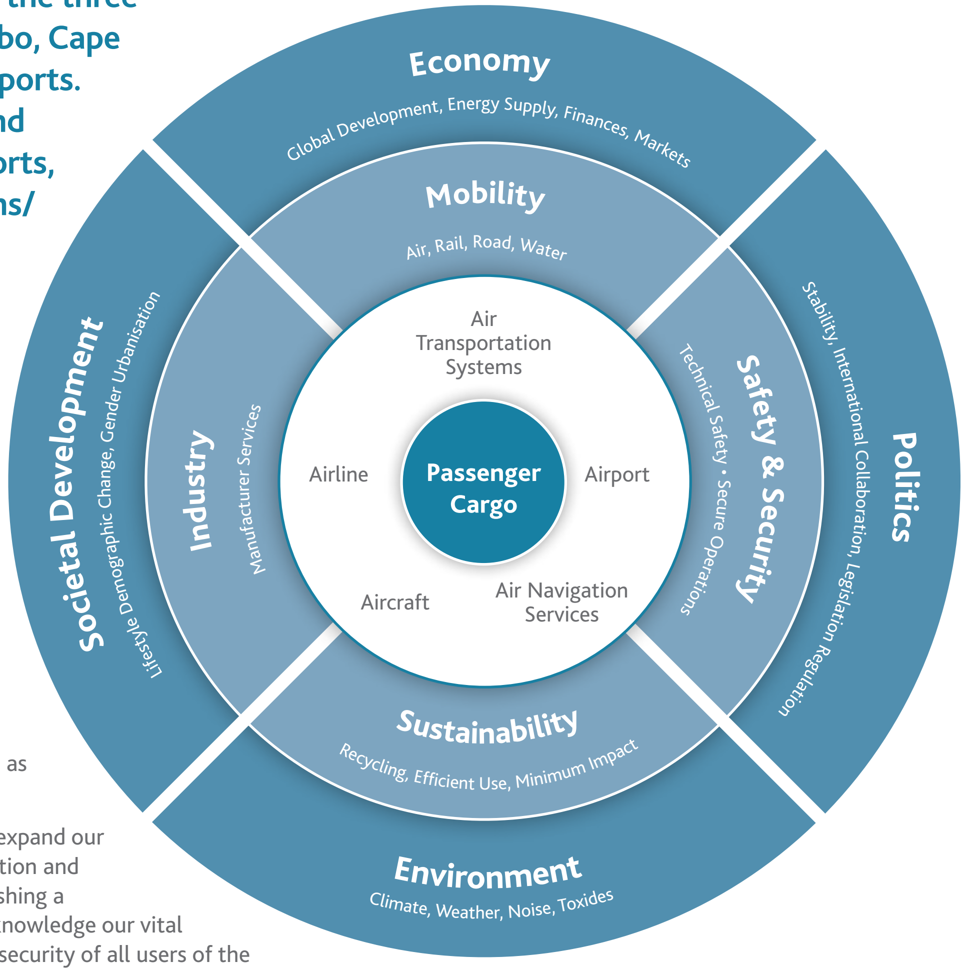
ACSA conveys a strong dedication to national goals, with a primary emphasis on nurturing value generation for socio-economic change and enduring expansion. Our primary purpose centers around providing cutting-edge airport infrastructure, ensuring smooth facilitation of trade and tourism both domestically and globally. We derive our developmental direction from the National Development Plan 2030 (NDP) goals. Our ongoing mission is to manage airports, enhance and expand our presence, and actively foster inclusive economic participation and growth.

Airports Company South Africa SOC Ltd (ACSA Group) is the owner and operator of South Africa's nine key airports which include the three main international gateways: O.R. Tambo, Cape Town, and King Shaka International Airports. ACSA Group's offering includes local and cross-border investments in other airports, as well as provision of airport operations/ management technical and advisory services.

The Group is predominantly owned by the South African Government, holding a significant 74.6% stake. Our objectives are closely aligned with the national developmental goals, focusing on creation of value for shareholders, socio-economic transformation, and sustainable growth. Our primary responsibility is to provide state-of-the-art airport infrastructure for civil aviation to facilitate seamless flow of trade and tourism within the country and with global markets. Our developmental mandate is guided by the principles set out in the National Development Plan 2030 (NDP). Aviation is integral to building a sustainable social, economic, and political system, and ACSA has an important role to play in supporting the development, safety, and security of our country's people as well as the sustainability of the natural environment.

Our ongoing mission is to manage airports, enhance and expand our presence, and actively foster inclusive economic participation and growth. Recognising the importance of aviation in establishing a sustainable social, economic, and political system, we acknowledge our vital role in supporting civil aviation development, safety, and security of all users of the national air transport system while ensuring the preservation of the natural environment.

The role of aviation in socio-economic development and environmental sustainability



ABOUT US continued

Our mandate

In terms of the Airports Company Act (No. 44 of 1993, as amended), the Group is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport that is related to the normal functioning of that airport.

Vision

To be the most sought-after partner in the world for the provision of airport management solutions by 2030.

Mission

To acquire, develop and manage world-class airports and related businesses for the benefit of all our stakeholders and the socio-economic development of South Africa.

Values

We define our values through the acronym PRIDE:

Passion
Results
Integrity
Diversity
Excellence

Value proposition

Connecting people to people, places, dreams, and opportunities.

Our revenue is generated from aeronautical, non-aeronautical and non-core sources.

AERONAUTICAL REVENUE

is derived from government-regulated charges or tariffs paid by airlines. These include fees for aircraft landing, aircraft parking and passenger services.

NON-AERONAUTICAL INCOME

is derived from multiple sources that include retail sales, concession fees, property leases, parking fees, hotel operations and advertising.

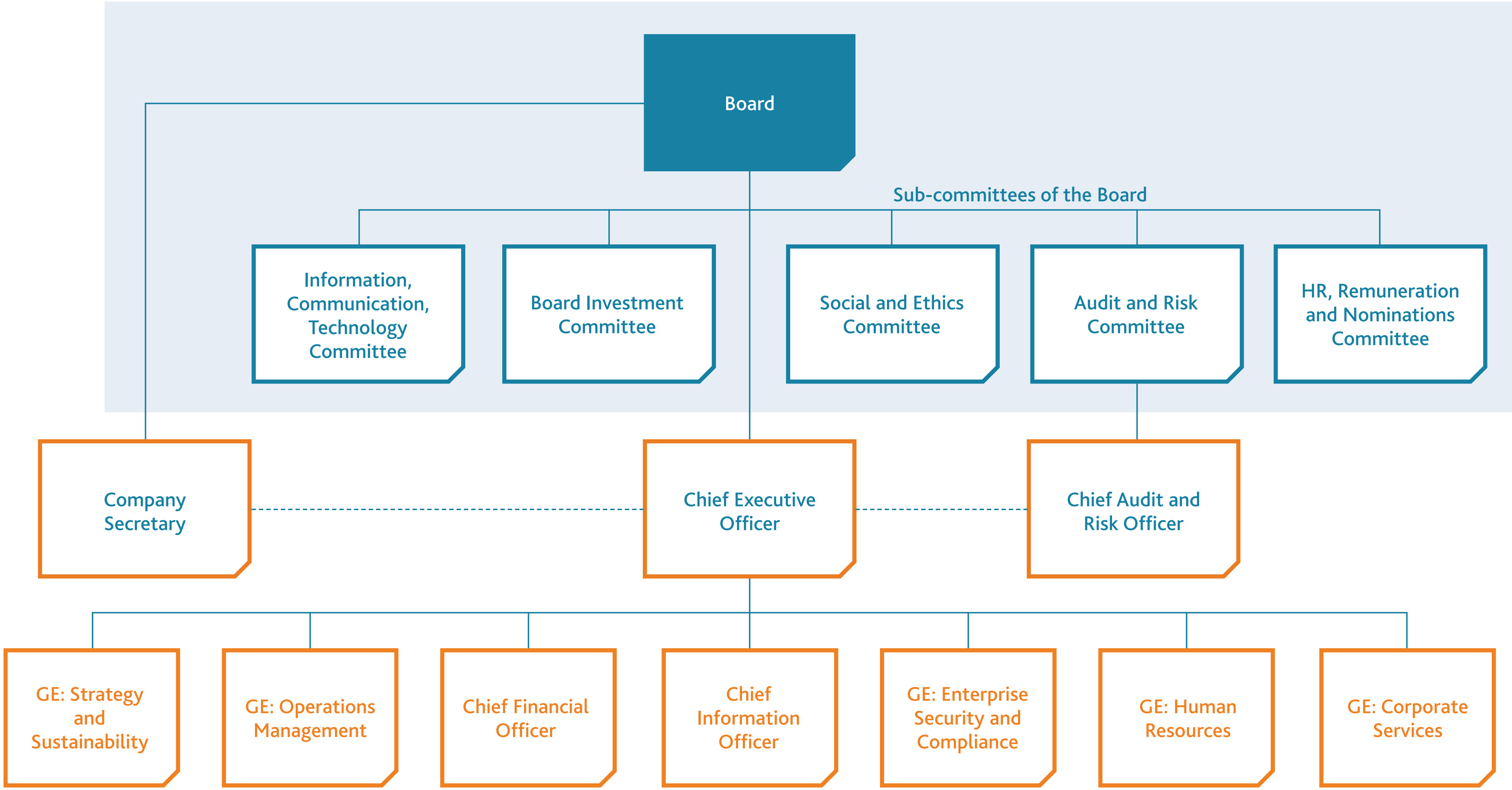
NON-CORE REVENUE

is derived from equity investments abroad and from providing technical advisory and consultancy services to airports.

OUR STRUCTURE

ACSA operates under the governance of a Board of Directors, adhering to the guidelines outlined in the Group's Board Charter.

The Board is supported by the Committees of the Board and the Company Secretary, and delegates responsibility for the development and implementation of Group strategy to the Chief Executive Officer (page 38). Our organisational structure is as follows:



OUR OPERATING MODEL

Our operating model is structured around four core strategic goals, to ensure business and financial sustainability, delivering consistent customer and stakeholder satisfaction, optimising internal processes, and fostering superior organisational capabilities.

STRATEGIC FOCUS

Strategic guidance to the operations and outward looking

BUSINESS STRATEGY AND GROWTH

- Strategy and Business Development
- Infrastructure and Property Development
- Integrated Governance and Transformation
- Enterprise Security and Compliance

ENGINE ROOM

Delivery of operations and adhering to licence requirements

OPERATIONS

- O.R. Tambo International Airport
- Bram Fischer International Airport

REGION 1

- Cape Town International Airport
- George Airport
- Kimberley Airport
- Upington Airport

REGION 2

REGION 3

- King Shaka International Airport
- Chief Dawid Stuurman (Gqeberha) Airport
- King Phalo (East London) Airport

- Commercialisation including Advisory Services
- Information Technology
- Technical Aviation Standards

OVERARCHING SUPPORT TO ACSA

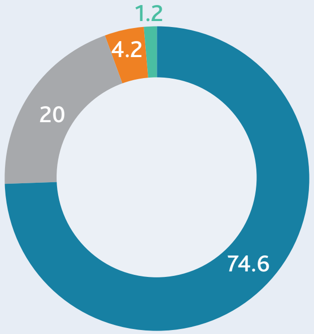
BUSINESS SUPPORT

- Human Resources
- Finance
- Corporate Services

OUR SHAREHOLDING

ACSA is a State-owned company, established under Schedule 2 of public entities as defined in the Public Finance Management Act (PFMA). Our shareholders consist of the South African Government, primarily represented by the Department of Transport (DoT), the Public Investment Corporation (PIC), five empowerment investors, and employees share incentive scheme.

SHAREHOLDERS (%)

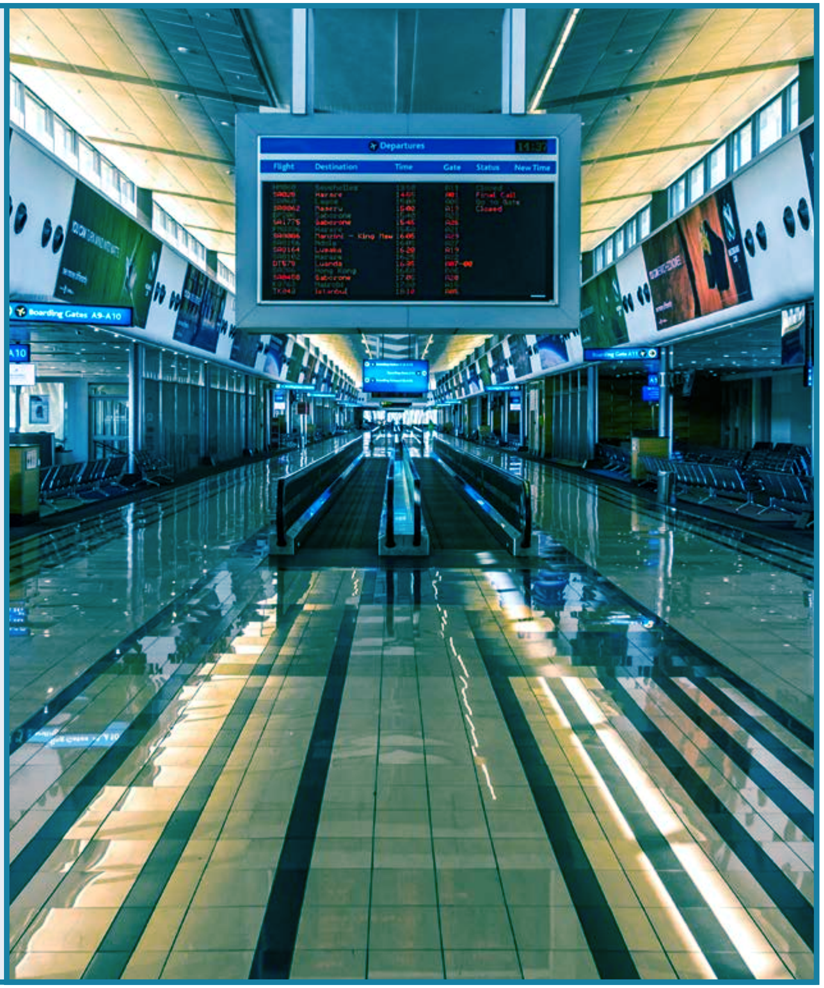


Our Shareholders

- South African Government
- Public Investment Corporation[1]
- Staff share incentive scheme
- Empowerment investors[2]

[1] The PIC shareholding is held through ADR International Airports SA (Pty) Ltd, a wholly-owned subsidiary of PIC.

[2]
- 1.2% G10 Investments (Pty) Ltd
- 1.4% Oppressed ASCA Minority[1]
- 0.4% Pybus Thirty Four Investment (Pty) Ltd
- 0.8% Telle Investments (Pty) Ltd
- 0.4% Upfront Investments 64 (Pty) Ltd



OUR SUBSIDIARIES

ACSA group has established several special purpose subsidiaries with the aim to enhance creation of value and strategic partnerships.

Name	100% owned subsidiaries[1]				Investments in joint ventures[5]
	ACSA Global Ltd*	Airports Consultancy and Advisory Services SOC Ltd	JIA Piazza Park (Pty) Ltd	Precinct 2a (Pty) Ltd*	Airport Logistics Property Holdings (Pty) Ltd
Purpose of existence	The investment holding company through which Airports Company South Africa held a 10% interest in the Mumbai International Airport Private Limited, which was disposed of in the current financial year.	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidiary will be leveraged to provide services for future prospects.	The holding company through which we operate the Inter-Continental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow revenue.	A property holding company, held with the Bidvest Group, that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.
Year of inception	2005	2016	1998	1998	2003
Airports Company South Africa shareholding	100%	100%	100%	100%	50%
Other shareholders and their respective shareholdings	N/A	N/A	N/A	N/A	Bidvest Holdings Ltd (50%)
Equity injections	R100	Nil	R100	R100	Nil
Net asset value at 31 March 2023	R186 million	Nil	R33 million	R89 million	R240 million

1 *Subsidiaries are all entities – including special purpose entities (SPE) – over which the Airports Company South Africa has control, generally evidenced by a shareholding of more than half of the voting rights.*

2 *A SPE is a ring-fenced entity that isolates financial risk to the holding company.*

3 *The Airports Company South Africa Kagano Trust was formed under the Trust Property Control Act to administer the staff share scheme (until they were paid out in 2013) and to be a holding company with its two subsidiaries: Lexshell 342 and Lexshell 343. Lexshell 343, currently dormant, was specifically formed to hold Group share options should Airports Company South Africa list on the JSE. We intend to repurchase our ordinary shares from Lexshell 342 and possibly winding up the Kagano Trust, Lexshell 342 and Lexshell 343. The Kagano Trust is dormant and has no beneficiaries.*

* *ACSA Global Ltd and Precinct 2a SOC Ltd are in the process of being wound up.*

4 *Airport Management Share Incentive Scheme (AMSIS) exists only as a special purpose vehicle for the Management Trust and holds ordinary shares in Airports Company South Africa as an investment on behalf of its holding company, the Management Trust. The Management Trust is dormant and has no beneficiaries, as all beneficiary shares were bought back during 2009. We intend to repurchase our ordinary shares from AMSIS and thereafter possibly winding up the Management Trust and AMSIS.*

5 *Joint ventures are entities over which Airports Company South Africa has joint control over the economic activity through a contractual planning arrangement. Airports Company South Africa recognises its interests in the joint venture using equity accounting.*

6 *Associates are all entities over which Airports Company South Africa has significant influence but not control, generally with a shareholding of between 20% and 50% of the voting rights. Investments in associations are accounted for using the equity method of accounting and are initially recognised at cost.*

* *The sale of our shares in Guarulhos International Airport is currently under consideration.*

OUR SUBSIDIARIES continued

Name	Special purpose entities[2]			Investments in associates[6]	
	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd	Sakhisizwe Community Programme	La Mercy JV Property Investments (Pty) Ltd	Guarulhos International Airport Private Limited*
Purpose of existence	An employee share option entity wholly-owned by the Airports Company South Africa Kagano Trust[3].	Employee share incentive scheme that holds investments (specifically Group ordinary shares.	Sakhisizwe is a special purpose entity that seeks to transform the aviation industry by providing study bursaries to financially and academically deserving students from previously disadvantaged backgrounds.	A land development and property investment company held in collaboration with Dube Trade Port Corporation. Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port – through land-lease agreements.	A company in which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo. We also provided technical advisory and consultancy services for the first five years of the concession. The Technical Services Agreement terminated in 2017, owing to effluxion of time.
Year of inception	1999	1999	1996	2009	2012
Airports Company South Africa shareholding	SPE	SPE	SPE	40%	10.2
Other shareholders and their respective shareholdings	Airports Company South Africa Kagano Trust	Airports Company Management Share Incentive Scheme Trust	N/A	Dube Trade Port Corporation (60%)	A joint venture between Investments e Participações em Infrastructura S.A (Invepar) (80%) and Airports Company South Africa (20%), which together hold 51% of Guarulhos Participações S.A (GRUPar). The other 49% is held by State-owned airport authority Infraero.
Equity injections	Nil	Nil	Nil	R38 million	R1.2 billion
Net asset value at 31 March 2023	(R42 million)	R17 million	R541 000	R187 million	R0

1 *Subsidiaries are all entities – including special purpose entities (SPE) – over which the Airports Company South Africa has control, generally evidenced by a shareholding of more than half of the voting rights.*
2 *A SPE is a ring-fenced entity that isolates financial risk to the holding company.*
3 *The Airports Company South Africa Kagano Trust was formed under the Trust Property Control Act to administer the staff share scheme (until they were paid out in 2013) and to be a holding company with its two subsidiaries: Lexshell 342 and Lexshell 343. Lexshell 343, currently dormant, was specifically formed to hold Group share options should Airports Company South Africa list on the JSE. We intend to repurchase our ordinary shares from Lexshell 342 and possibly wind up the Kagano Trust, Lexshell 342 and Lexshell 343. The Kagano Trust is dormant and has no beneficiaries.*
4 *Airport Management Share Incentive Scheme (AMSIS) exists only as a special purpose vehicle for the Management Trust and holds ordinary shares in Airports Company South Africa as an investment on behalf of its holding company, the Management Trust.*
The Management Trust is dormant and has no beneficiaries, as all beneficiary shares were bought back during 2009. We intend to repurchase our ordinary shares from AMSIS and thereafter possibly winding up the Management Trust and AMSIS.
5 *Joint ventures are entities over which Airports Company South Africa has joint control over the economic activity through a contractual planning arrangement. Airports Company South Africa recognises its interests in the joint venture using equity accounting.*
6 *Associates are all entities over which Airports Company South Africa has significant influence but not control, generally with a shareholding of between 20% and 50% of the voting rights. Investments in associations are accounted for using the equity method of accounting and are initially recognised at cost.*
* *The sale of our shares in Guarulhos International Airport is currently under consideration.*

OUR FOOTPRINT

Our presence in South Africa encompasses airports strategically located in nine major business and tourism hubs, with the airline route network serving Gauteng, Mpumalanga, Limpopo, Free State, KwaZulu-Natal, Western Cape, Eastern Cape and Northern Cape.

Globally, we have sister airport agreements with the Munich Airport Group (Germany) and Airports of Thailand. The sale of our stake in the Guarulhos International Airport in São Paulo (Brazil) is currently under consideration. We have decided to relinquish our stake in the consortium holding airport investment concession in the São Paulo's Guarulhos International Airport in Brazil and offers are being considered.

Our footprint in South Africa has grown considerably, marked by a five-year service level agreement between ACSA and Umhlathuze Municipality for Airport Management services at Richards Bay Airport, as well as an independent service level agreement for technical consultancy services at Wonderboom National Airport in collaboration with the City of Tshwane.

AIR TRAFFIC AND PASSENGER STATISTICS

Aircraft landings

Flight Type	FY2019/20	FY2020/21	FY2021/22	FY2022/23
International	40 707	10 330	22 792	**33 156**
Regional	12 134	2 619	6 732	**9 354**
Domestic	132 324	43 674	91 026	**109 075**
Unscheduled	65 726	43 340	56 267	**60 202**
Total	250 891	99 963	176 817	**211 787**
Percentage increase year-on-year		(60%)	77%	**20%**
Performance vs FY2019/20		40%	70%	**84%**

Departing passengers

Flight Type	FY2019/20	FY2020/21	FY2021/22	FY2022/23
International	5 821 311	412 322	1 684 486	**4 267 938**
Regional	517 641	37 189	187 174	**357 813**
Domestic	14 527 118	4 023 639	8 614 021	**11 115 618**
Unscheduled	57 275	97 268	52 521	**71 846**
Total	20 923 345	4 570 418	10 538 202	**15 813 215**
% increase Y/Y		(78%)	131%	**50%**
Performance vs FY2019/20		22%	50%	**76%**

OUR STAKEHOLDERS

Our stakeholders are at the heart of everything we do, and we are intensely aware of the role that stakeholder engagement has to play in value creation and our long-term sustainability. Guided by our Stakeholder Relations Management Strategy, we continue on our journey towards becoming stakeholder-centric by consistently increasing our levels of engagement, being more proactive in all situations and doing so in an outcomes-based manner.

For a comprehensive understanding of our stakeholder groups and our engagement approach, kindly refer to the *"How Our Strategy Creates Value"* section on page 40 of this report.

THE POST-COVID-19 LANDSCAPE

The lingering impact on air travel

As we reported in our FY2020/21 and FY2021/22 Integrated Annual Reports, the aviation industry was one of the hardest hit by the pandemic, which triggered a precipitous and complete cessation of air travel in 2020. While there was a slow recovery during the 2020/21 financial year, it was only when lockdown restrictions at home and abroad were relaxed just prior to the festive season that this began to pick up pace. By 31 March 2022, passenger throughput had reached 50% of pre-COVID-19 levels.

Certain restrictions nevertheless remained in place until the State of Disaster was lifted on 22 June 2022, creating a more solid platform for the implementation of our Recover and Sustain Strategy.

Recovery was hampered by the liquidation of the Comair Group which operated Kulula and British Airways through a franchise agreement. This includes cessation of Mango airlines operations, a subsidiary of South African Airways. The Comair Group ceased operations on 1 June 2022, and together with Mango led to a contraction of domestic supply of airline seats by over 40%. This necessitated a structural reform of the domestic air travel market, which continues to evolve.

This setback was nevertheless offset by a steady increase in both domestic and international flights throughout the reporting period, with regional capacity being augmented by South African Airways' expansion and other airlines from the African continent. Cape Town International, in particular, benefited from the increase in international travel during the period, with airlines such as Air Belgium, Condor, United Airlines, Qatar, Emirates and South African Airways contributing greatly to the recovery of the international market segment. By 31 March 2023, the network as a whole had reached 76% of its pre-pandemic throughput.

ACSA's three flagship airports, O.R. Tambo International, Cape Town International and King Shaka International, collectively account for 85% of all air passenger traffic in South Africa. Of these, O.R. Tambo accounts for 49% of the network's departing passengers but Cape Town International saw the most significant recovery in departing passengers during the course of the year, with passenger throughput increasing by 80% over the prior period. Air traffic movement and passenger throughput is expected to reach pre-pandemic levels during the 2023/24 financial year, a year earlier than projected at the start of the 2022/23 financial year.

This is partly because the ACSA network of airports remains one of the world's largest network of airports under a single authority, with O.R. Tambo International in Johannesburg being the only mega hub on the African continent. As air travel slowly returns to normal, the local aviation industry has unique opportunities to develop new routes and expand into new markets, all of which will support the Group's growth strategy.

A full analysis of passenger traffic trends and statistics during the reporting period is given in the Our Operating Environment section on page 56.

The health and safety of our stakeholders

As in the previous period, ACSA adhered to all of the regulations for the management of the COVID-19 pandemic as issued by the South African Civil Aviation Authority (SACAA) throughout the first half of the reporting period.

Our first priority, as always, is to protect the health and safety of our staff, passengers, suppliers, and the other stakeholders working in our airports. This compelled us to adapt within the context of an uncertain and constantly changing operating environment.

We continued to implement rigorous health and safety protocols at all of our airports in order to detect, manage and prevent the spread of the virus. This was done within the framework of the pandemic management processes and procedures we had put into place in 2020 in compliance with all South African and international regulations and protocols. In addition, as ACSA is a registered member of the Airport Council International (ACI) Airport Health Accreditation Programme, we work closely with all of our airport stakeholders to ensure that they comply with the full range of our health and safety requirements.

Recovering and sustaining our business

As soon as the State of Disaster was declared in 2020, we undertook a full review of our Group strategy and business model in order to manage the impact of the pandemic, define our path towards recovery and secure value creation in the short-, medium- and long-term. This, in turn, led to the development of our supplementary Recover and Sustain Strategy, which was supported by a revised Financial Plan. These allowed for measures such as increasing our short-term banking facilities, stringently managing working capital, and reducing both operational and capital expenditure.

Our strategic pillars, which define our core focus on running airports, developing airports, and growing our footprint, nevertheless continued to define and guide our business throughout the pandemic, as they still do. They have remained securely in place and continue to be aligned to global best practice.

During the FY2019/20 reporting period, we went on to develop a Revised Governance Framework and Operating Model, a Capability Model, a new People and Culture Strategy and a new organisational structure, engaging with relevant stakeholders throughout the process. The implementation of these strategies, models and structures enabled us to achieve a solid recovery position by the end of the FY2022/23 reporting period and we are now able to look forward not only to full recovery but to resuming the implementation of our Growth Strategy.

Our business has shown remarkable resilience over the past three periods in the face of a once-in-a-lifetime sustainability challenge. Now, as the air travel and cargo transportation markets recover from the compounded impact of the COVID-19 pandemic and other high-impact external events, we remain as committed as ever to our strategic objectives and our role as a driver of transformation and socio-economic development.

THE POST-COVID-19 LANDSCAPE continued

Stakeholder engagement

ACSA Group operates within a dynamic ecosystem, where all our stakeholders play an integral role in shaping our business and operations. The aviation industry faced its most significant disruption during the pandemic, leading to the partial or complete collapse of numerous aviation-related businesses and markets. Throughout the past three reporting periods, we have demonstrated unwavering support for our stakeholders by empathising with the challenges they encountered. Through constructive dialogue, we reached agreements that showcased our commitment to their well-being.

In return, our stakeholders actively stood by us as we evaluated and adjusted our strategy and operating model in response to the crises. This collaborative effort resulted in a highly positive evolution of our partnerships and a reinvigoration of these essential relationships. Together, we faced and navigated through various significant challenges, strengthening our bond as we continue to move forward.

AWARDS AND RECOGNITION

ACSA is consistently recognised as a leading global airports operator.

SKYTRAX WORLD AIRPORT AWARDS 2022

The Skytrax World Airport Awards are made based on a customer satisfaction survey conducted in 500 airports around the world.

- Best Airports in Africa: **Cape Town International**
- Best Regional Airport in Africa: **King Shaka International**
- Best Airport Staff in Africa: **Cape Town International**
- Cleanest Airport in Africa: **Cape Town International**
- Best Airport Hotel in Africa: **Intercontinental Hotel, O.R. Tambo International**

STAT TRADE TIMES AWARDS 2022

The STAT Trade Times Awards recognise and honour excellence in the global air cargo industry.

- African Cargo Airport of the Year: **O.R. Tambo International**

OFFICIAL AIRLINE GUIDE (OAG) TOP 20 AIRPORTS 2022

OAG tracks and recognises on-time performance in airports around the world. In 2022, the top four positions were taken by Japanese airports. There were no North American or European airports in the Top 20.

- OAG Top 20 Airports 2022: **King Shaka International (5)**
- OAG Top 20 Airports 2022: **Cape Town International (16)**

AIRPORTS COUNCIL INTERNATIONAL (ACI) AIRPORT CARBON ACCREDITATION

Four airports met the requirements for Airport Carbon Accreditation at Level 2, which recognises a reduction in the carbon emissions on a year-on-year basis.

- **O.R. Tambo International**
- **Cape Town International**
- **King Shaka International**
- **Chief Dawid Stuurman International**

INSTITUTE OF RISK MANAGEMENT SOUTH AFRICA (IRMSA) AWARDS 2022

The IRMSA Awards acknowledge and celebrate excellence achieved by individuals and organisations in the risk management industry.

- Industry-specific award transport and logistics risk initiative: **ESG INITIATIVE**

03 OUR LEADERSHIP

Leading from the front

MESSAGE FROM THE CHAIRMAN OF THE BOARD

While recovery has been slower than projected, ACSA has shown remarkable resilience and adaptability in navigating the many challenges we have had to face since 2020.

Dr Sandile Ngoxina *Chairman*

The 2022/23 financial year proved to be more challenging than we had anticipated, partly due to the ongoing impact of the pandemic, especially during the first half of the year. This was exacerbated by the far-reaching impact of the war in Ukraine. At home, we faced the knock-on effects of the severe flooding in KwaZulu-Natal in April and, for various reasons, also experienced constraints on our supply chains throughout the year. The situation was further exacerbated by precipitous increases in the price of jet fuel and the cessation of operations by two of domestic airlines, which put constraint on supply of seats by over 40%. While recovery has therefore been slower than projected, ACSA has shown remarkable resilience and adaptability in navigating these and the many other challenges we have had to face since 2020.

Despite these – and the uncertain economic situation within which we are operating – we managed to attain a secure recovery position by year-end and can now begin to look positively towards the future again.

The implementation of our Recover and Sustain Strategy and our revised Corporate Plan has placed us in a firm position to remain sustainable in the short-term and to develop and grow in the medium- and long-term.

We have seen improvement in the financial performance of the Group, with positive cash generated from operations due to the increase in air traffic movements and passenger numbers. Our liquidity has been further supported by a successful R1,7 billion bond issue in the third quarter of the 2022/23 financial year. This is an indication that investors have confidence in the Group and recognise the progress made on our Recover and Sustain Strategy. Our loan covenant ratios are within the required thresholds for the first time in three periods.

I am confident that our fundamentals remain robust and will continue to support the business to full recovery and beyond. We are secure in strong leadership and have solid strategic pillars in place, as well as adaptable operational procedures, a well-managed financial base and sound, cooperative relationships with our stakeholders.

It is within this context that we are beginning to implement the Growth Strategy and strategic initiatives we approved during the previous period, which we are using to create a bridge between our recovery phase and the growth phase we envisage beyond that. This is focused on rebooting the large infrastructure projects we have had to put on hold since 2020 and on diversifying our revenue stream.

The integrated roadmap that is built into this plan also allows for our focus on transformation, both within our business and in our society as a whole, to again receive the attention and financial support it requires and deserves. In addition, we have put in place new partnership models that will promote a holistic approach to broad-based transformation. These models allow for partnerships with state entities as well as for service contracts, management contracts, alternative financing, alternative value creation, public-private partnerships, and

MESSAGE FROM THE CHAIRMAN OF THE BOARD continued

concessions. They are intended to reflect the fact that we strive to be not only a sustainable business but an ethical business; one that supports the objectives of the National Development Plan and the UN's Millennium Development Goals. As one of the largest network of airports under a single operating authority in the world, we continue to recognise our role as a change agent and are mindful of this in everything we do.

Leadership

The Board and management responded to the challenges we were confronted with in a proactive and practical way without losing sight of our strategic pillars and goals. We defined clear priorities under difficult circumstances and made swift and necessary decisions even in the face of great uncertainty.

We have embedded a culture of agility and decisive action while always recognising the impact that the decisions we have had to make have on our staff and other stakeholders. This has not only enabled us to attain a solid recovery position but has also positioned us to develop into a stronger, more diversified business in the years to come.

A strategic approach

Our Recover and Sustain Strategy, which is the framework we have been using to manage the business through these challenges and into the post-COVID-19 recovery phase, was put into place after rigorous engagement with our investors and lenders, the international ratings agencies, the Regulating Committee, our shareholders, the Portfolio Committee on Transport, our employees, and organised labour. All of these stakeholders have been unfailing in their support of our efforts, and this has enabled us to move forward decisively.

While we have naturally had to adapt to events in the external environment, our approach has always been informed by our three strategic pillars: Run Airports, Develop Airports and Grow Footprint.

In the short-term, we are continuing to focus on our core business of running airports to secure financial and operational sustainability. Within the framework of existing infrastructure and capabilities, we are also focusing on diversifying our revenue streams to offset the impact that the pandemic and various macroeconomic factors have had on aeronautical revenue. And, as we secure our recovery, we are simultaneously resuming our plans for infrastructure development, which have been on hold since the start of the COVID-19 pandemic. In the medium- to long-term, our aim is to derive approximately half of our revenue from aeronautical sources and half from non-aeronautical sources.

More immediately, our intention is to regain our share of international passenger traffic, develop our footprint in the African continent and promote a firmer recovery in the leisure and "friends and family" segments of the domestic market. Income from cargo is, of course, an important part of this equation and, with a notable recovery in load factors during the reporting period, we will continue to focus strongly on this area of our business. We will, in particular, be working to increase the aviation share of the total cargo market.

To support these objectives, we will continue to focus on our digitalisation journey and on implementing innovations such as smart security systems, touchless check-in facilities and app-based features and benefits for passengers and other airport users alike. We will also remain responsive to advances in technology and will continue to monitor and manage the risk of cyber-attacks diligently.

MESSAGE FROM THE CHAIRMAN OF THE BOARD continued

In doing this, we remain mindful of our responsibilities and role as a catalyst for the recovery in air passenger travel, the growth in air cargo volumes and the economic recovery and development of our country. We continue to work with our strategic partners, stakeholders, and government agencies to implement our strategies and plans. Our primary objective at this stage is to consolidate our recovery and to return to planning for growth in the future.

For further information on our strategy, please see the CEO's Message on page 41 and the section on "*How Our Strategy Creates Value*" on page 40.

Collaborating with our stakeholders

Constant engagement with our stakeholders throughout the past three periods has enabled us to strengthen and cement these relationships and build platforms for future collaboration and development.

Going forward, we will continue to prioritise active engagement with our stakeholders, including strategic partners and government agencies, in order to realise the objectives of our Recover and Sustain Strategy and Growth Strategy. As always, we remain committed to building win-win partnerships with our stakeholders in a way that will benefit both our country's aviation sector and the economy at large.

Transformation

We also remain deeply committed to transformation, both at business level and throughout society. Our focus on sustainability and growth will always be supported by a parallel focus on economic transformation because we believe that our success as a business depends on the degree to which we deliver value in society.

We therefore continue to play a critical role in the transformation of the aviation industry and supporting industries by maximising commercial opportunities in the short- and medium-term.

We also continue on a purposeful, values-driven journey to enhance procurement from black-owned businesses and to facilitate their development. While uncontracted capital development projects were put on hold during the pandemic, we are planning to resume many of these projects in line with the latest version of our Corporate Plan. Projects currently underway in commercial operations are continuing.

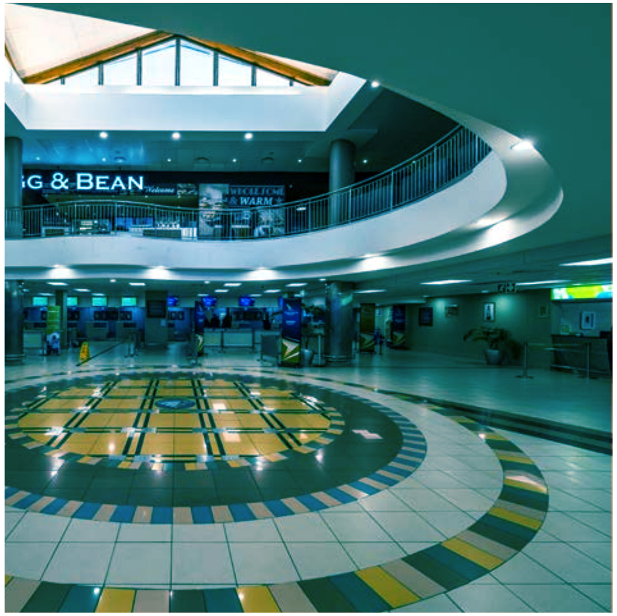
Electricity Crisis

As a Group, we understand that reliable and accessible electricity is the lifeblood of modern society and a critical driver of economic growth. Over the past year, we have witnessed the repercussions of electricity shortages on industries, households, and overall development. We acknowledge the importance of addressing this challenge head-on and want to assure you that we are fully committed to finding sustainable solutions to negative effects of load-shedding and energy insecurity.

Governance

Our governance processes have proven their strength and agility over the past three financial years, not least in the seamless transition to conducting meetings and other business virtually.

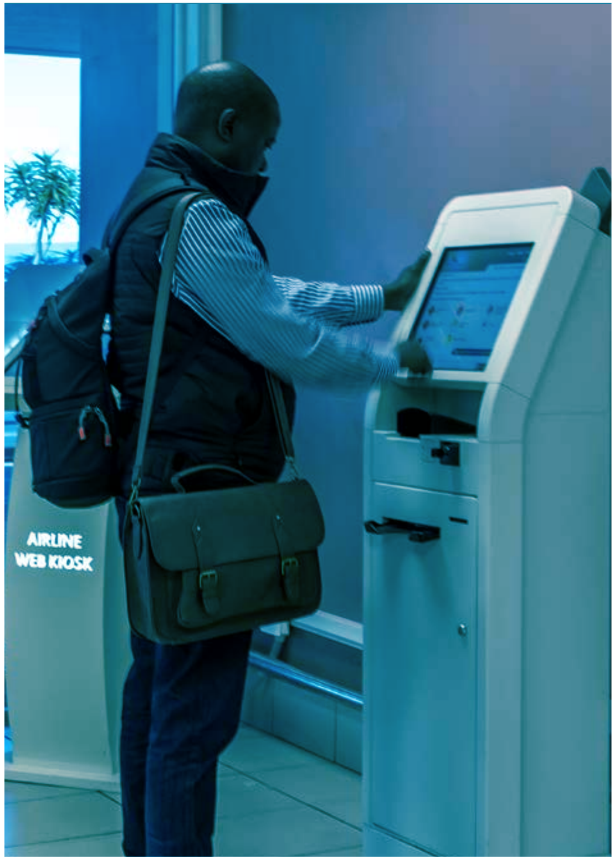
Apart from the regular schedule of Board and Board Committee meetings, special meetings were held throughout the reporting period to deal with evolving challenges and urgent matters. Our executive and management teams continue to operate in an interconnected and interdisciplinary way that helps us to identify and mitigate risks timeously, operate effectively and plan for future growth.



Looking ahead

Regretfully, the global economic outlook remains uncertain. This is largely due to the sharp downturn in growth expected during the current financial year, with the World Bank having lowered growth forecasts for 95% of advanced economies and nearly 70% of emerging and developing economies. The latter are expected to face a multi-year period of slow growth driven by heavy debt burdens and low levels of direct foreign investment as capital is absorbed back into advanced economies that are dealing with extremely high levels of government debt and rising interest rates. This will undoubtedly have an impact globally and we will be monitoring this closely.

MESSAGE FROM THE CHAIRMAN OF THE BOARD continued



Together with disruptive global shifts in living, working, and travelling patterns as well as operational constraints in key markets, this is almost certain to affect the recovery in global air traffic volumes. It is for this reason that we will continue to focus on diversifying our revenue and on re-defining the role of airports within the broader city or metropolitan environment.

Planning for the implementation of our Aerotropolis Strategy is continuing within the context of current financial constraints and capital projects related to this strategy will be commissioned as revenue allows. The concept behind this strategy is to significantly develop our three largest airports, which will vastly improve both their passenger and cargo handling capabilities.

At home, consumers continue to be under considerable pressure, with unemployment remaining high and the cost of living rising relentlessly. This will almost certainly impact on domestic recovery, and we are putting measures in place to address this.

Astute management of risks, expenditure and operational capability will continue to be fundamental to the way in which we do business. This will, in turn, support our post-pandemic recovery as well as our future prospects.

Appreciation

While there was a notable drop in the number of deaths attributed to the COVID-19 pandemic during the reporting period, deaths did nevertheless continue to occur, especially during the first half of the year. On behalf of the Board, I would like to extend my deepest condolences to the employees and stakeholders who lost loved ones during this period.

Special thanks are due to our employees, who dealt with the many difficulties they had to face with grace and dedication. Their commitment to our purpose and values as an organisation is recognised and appreciated. Above all, it is their work in helping to keep the airport environment safe for passengers and other users that has been essential to our recovery.

Special thanks are due to our employees, who dealt with the many difficulties they had to face with grace and dedication. Their commitment to our purpose and values as an organisation is recognised and appreciated. Above all, it is their work in helping to keep the airport environment safe for passengers and other users that has been essential to our recovery.

I would like to thank the CEO, CFO, and executive management for their dedication, wisdom, and insight during the period, as well as for keeping the business steady through yet another very difficult year. Their judicious leadership and considered decision-making have been critical to maintaining our sustainability.

I would also like to thank the retired Board members, Ms Nosizwe Nokwe-Macamo, Ms Kemira Esterhuizen and Mr Graeme, who have steered the Company as it navigated through uncharted waters. I extend a special welcome to the newly appointed Board members, Mr Gcobani Mancotywa, Mr Andile Khumalo, Ms Sibongile and Ms Sambo. We are looking forward to a successful journey with them and their expertise will be of great use to the Company and its success.

Finally, thanks are due to our shareholders, investors, business partners and suppliers for their unwavering support throughout the past three periods. As a business, we look positively towards the future again.

Dr Sandile Ngoxina
Chairman

OUR LEADERSHIP

The full curriculum vitae of each Board Director is available online at:
www.airports.co.za/about-us/executive-management/board-of-directors

Non-executive directors

Dr Sandile Nogxina [64 ^]

Independent Non-executive Director

Effective date of appointment: 9 November 2018

Chairman of the Board

- PhD Law Public Governance and Development Management
- Advocate of the High Court
- Bachelor of Law
- Post Graduate Diploma: Management
- Higher Diploma: Tax Law
- Master of Law: Law Development

Ms Ntombifuthi Zikalala Mvelase [58 ^###]

Lead Independent Director

Effective date of appointment: 1 September 2018

- BProc
- LLB
- Attorney of the High Court of South Africa

Dr Kgabo Badimo [63 ^^]

Independent Non-executive Director

Effective date of appointment: 6 August 2020

- PhD Information Systems Knowledge Management
- MSc Data Engineering
- BSc Computer Science
- Diploma in Business Administration
- Diploma in French Language

Ms Kemira Esterhuizen [34 *]

Independent Non-executive Director

EEffective date of appointment: 19 December 2019

- CA (SA)
- B.Com Accounting

Ms Dudu Hlatshwayo [59 ^^]

Independent Non-executive Director

Effective date of appointment: 6 August 2020

- B.SocSc (Honours)
- Masters in Business Leadership

Ms Nosizwe Nokwe-Macamo [61 **]

Lead Independent Director

Effective date of appointment: 1 September 2018

- MSc Chemical Engineering
- Diploma: Chemical Engineering

Mr Andile Khumalo [45 #]

Independent Non-executive Director

Effective date of appointment: 3 March 2023

- CA (SA)
- Post Graduate Diploma in Accountancy
- B.Com (Accounting)

Mr Gcobani Mancotywa [55 ##]

Independent Non-executive Director

Effective date of appointment: 2 March 2023

- Masters in Management
- Post Graduate Diploma in Management
- B.Com (Economics and Commercial Law)

Mr Yershen Pillay [39 ^]

Independent Non-executive Director

Effective date of appointment: 1 September 2018

- MBA
- B.SocSc Politics and Economics
- Post Graduate Diploma in Business Administration

Ms Sibongile Sambo [49 ##]

Independent Non-executive Director

Effective date of appointment: 2 March 2023

- MBA
- Post Graduate Diploma in General Management
- B. Admin Honours
- B. Admin

^ *Reappointed for a second term on 2 March 2023*
^^ *Reappointed for a second term on 2 March 2023 (term to commence on 6 August 2023)*
* *Retired on 18 December 2022*
** *Retired on 2 March 2023*
# *Appointed on 3 March 2023*
Appointed on 2 March 2023
Appointed on 5 April 2023 as Lead Independent Director

OUR LEADERSHIP continued

Non-executive directors

Ms Nonzukiso Siyotula [39 ##]

Independent Non-executive Director

Effective date of appointment: 2 March 2023

- CA (SA)
- MBA
- BAcc

Mr Graeme Victor [67 **]

Independent Non-executive Director

Effective date of appointment: 15 December 2019

- CA (SA)
- MBA
- BAcc

Company secretary

Ms Fefekazi Sefara [50]

Effective date of appointment: 1 July 2018

- LLM
- LLB
- BLuris
- Post Graduate Diploma in Interpretation and Drafting of Contracts
- Admitted Attorney of the High Court

Executive directors

Ms Nompumelelo Mpofu [57]

Executive Director

Effective date of appointment: 1 February 2020

Chief Executive Officer

- Post Graduate Degree of Town Planning, Coventry University
- BA Honours Urban and Regional Planning

Mr Siphamandla Mthethwa [48 *]

Executive Director

Effective date of appointment: 1 May 2020

Chief Financial Officer

- CA (SA)
- Post Graduate Diploma in Accounting/CTA
- BCompt Hons
- BCom Accounting
- Advanced Management Programme

Ms Lindani Mukhudwani [40 #]

Executive Director

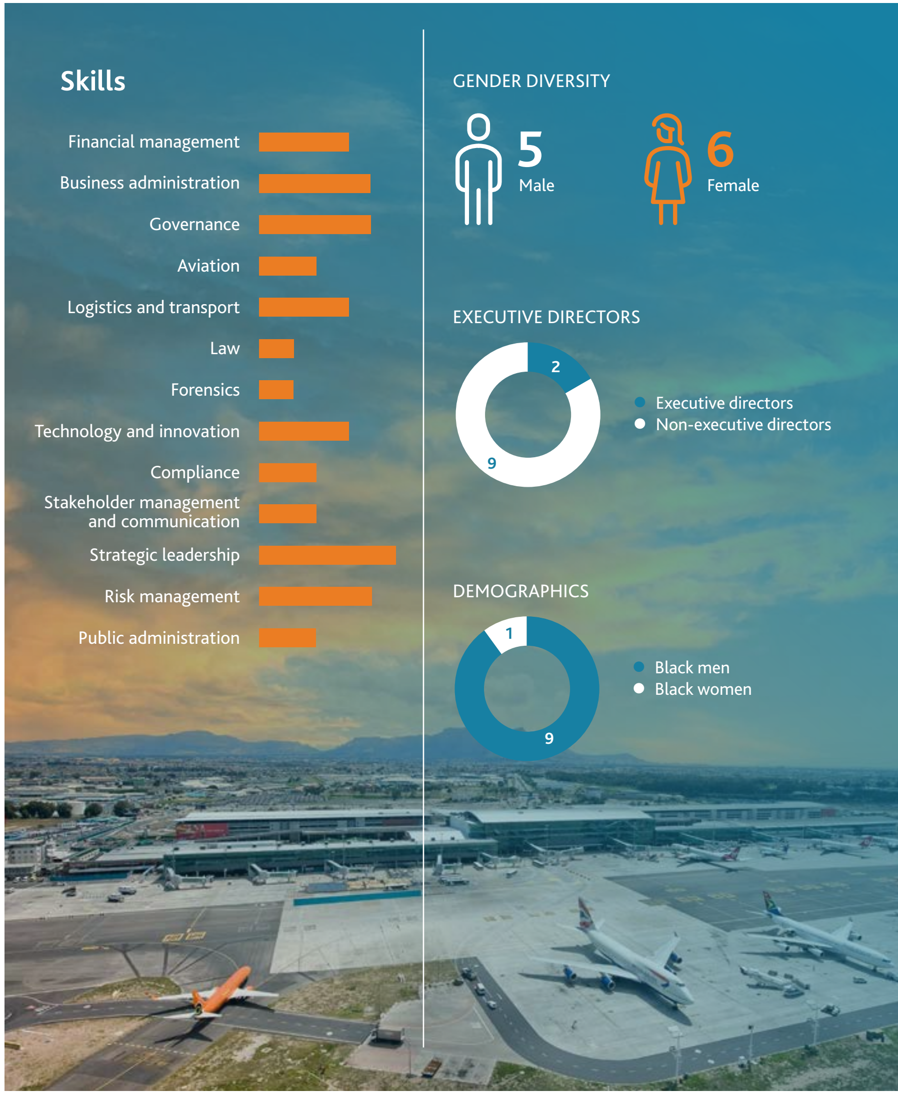
Effective date of appointment: 1 June 2023

Acting Chief Financial Officer

- CA (SA)
- Post Graduate Diploma in Accounting/CTA
- BCom Hons Accounting
- BCom Financial Accounting

*   *Resigned with effect from 1 June 2023*
**   *Retired on 14 December 2023*
#   *Appointed with effect from 1 June 2023*
Appointed on 2 March 2023

Board demographics



OUR LEADERSHIP continued

Our executive committee

Ms Nompumelelo Mpofu [57]
Chief Executive Officer

Effective date of appointment: 1 February 2020

Executive Director

- Post Graduate Degree of Town Planning
- BA Honours, Urban and Regional Planning

Mr Siphamandla Mthethwa [48 *]
Chief Financial Officer

Effective date of appointed: 1 May 2020

Executive Director

- CA (SA)
- Post Graduate Diploma in Accounting/CTA
- BCompt Hons
- Advanced Management Programme

Ms Lindani Mukhudwani [40 #]
Acting Chief Financial Officer

** Appointed June 2023*

- CA (SA)
- Post Graduate Diploma in Accounting/CTA
- BCom Hons Accounting
- BCom Financial Accounting

Mr Mthoko Mncwabe [46]
Chief Information Officer

- BSc Computer Science, Mathematics
- BSc Hons Computer Science
- MBA

Ms Laurene Less [56]
Group Executive: Corporate Services

- BA
- Masters Public Administration

Mr Terence Delomoney [55]
Group Executive: Operations Management

- CA (SA)
- BCom Accounting

Ms Lungile Langa [45]
Group Executive: Human Resources

- BA
- Masters Diploma in Human Resources Management
- BA (Hons) Industrial Psychology
- MPhil Industrial Psychology

Mr Mzwandile Petros [63]
Group Executive: Enterprise Security and Compliance

- NQF Level 8
- Advanced Diploma in Public Administration
- Secondary Teachers Diploma

Mr Charles Shilowa [51]
Group Executive: Strategy and Sustainability

- BSc Chemistry
- BSc Chemical Engineering
- MBA
- Higher Diploma (HDip) (Tax)

Mr Sthembiso Ngwenya [40]
Chief Audit and Risk Officer

- CA (SA)
- BCom Hons Accounting

* Resigned with effect from 1 June 2023
# Appointed with effect from 1 June 2023

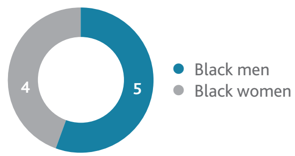
Executive commitee demographics

Skills

- Financial management
- Business administration
- Governance
- Aviation
- Logistics and transport
- Forensics
- Technology and innovation
- Compliance
- Stakeholder management and communication
- Strategic leadership
- Risk management
- Public administration

GENDER DIVERSITY

DEMOGRAPHICS



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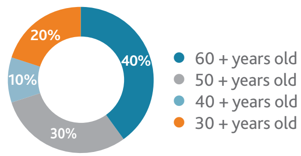


ABOUT OUR BOARD

The composition of our Board adheres to the specifications outlined in our Memorandum of Incorporation (MOI). The roles and responsibilities of our Directors are clearly defined in the Board Charter, subject to an annual review to ensure its relevance and effectiveness consistent with global best practice.

As an entity, the Board holds the overall responsibility for the leadership, control, and performance of the Group in line with legislation, regulation, and best practice. Each Board member has a fiscal and fiduciary responsibility to act in good faith and in the best interests of the Group and all its stakeholders.

The Board delegates certain responsibilities to the Committees of the Board without abdicating any of its responsibilities. There are five permanent Committees and one ad hoc Committee. The five permanent Committees met as scheduled and the details of their activities are provided below. The ad hoc Board Economic Regulation Committee only meets as required and did not meet during the reporting period. Each Committee operates within formal terms of reference, which are reviewed annually.

The Board is satisfied that the delegation of authority framework provides role clarity and supports the effective exercise of authority and responsibilities.

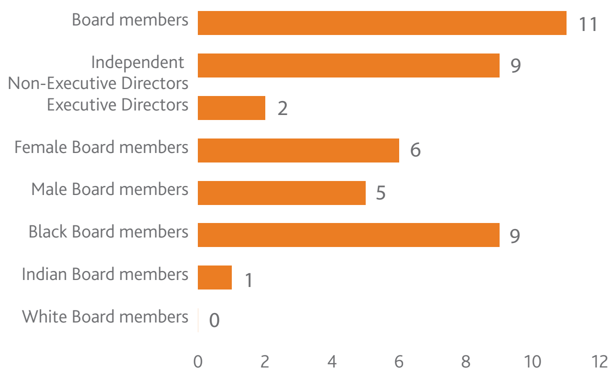
Diversity

The Board embraces gender, ethnic, race and age diversity as a prerequisite for ensuring its continuing relevance and effectiveness in a complex business landscape. Our shareholders, who are responsible for the nomination and appointment of Board members, recognise the need for diversity and support its application.

In addition, a diverse and inclusive culture is embedded within the Board. Our directors are confident that robust discussion results in the deliberation of wide-ranging views and that, as directors, they serve in an environment where bias, discrimination and harassment are not tolerated.

The majority of Board members are independent directors, as recommended by King IV.

Board Demographics as at 31 March 2023



Skills and experience

Board members are appointed based on their knowledge and experience, providing the broad base of skills necessary to achieve the Group's objectives. The capacity of individual members continues to be enhanced on an ongoing basis with skills that are directly relevant to the business. These include competencies in aviation, law, policy, strategy, finance, corporate finance, accounting, auditing, economic regulation, governance, asset and risk management, stakeholder relationship management, international relations, and information and communications technology (ICT), among others.

Focus areas and performance

Many of the Board's key focus areas during the reporting period followed on from those in the previous period. These included:

- Monitoring the implementation of the Group's strategy
- Monitoring the Group's performance
- Monitoring the security of our airports
- Review of the strategic initiatives concomitant to the Growth Strategy
- Implementation of the new operating model
- Reviewing the action plans from the Board evaluation
- Implementation of the Zondo Report recommendations
- Monitoring the governance of subsidiaries
- Reduction of irregular, fruitless and wasteful expenditure
- Approval of policies to ensure good governance
- Monitoring the macroeconomic outlook
- Monitoring ACI Africa and ACI world matters
- Monitoring and assessing geopolitical issues
- Assessment of the impact of the COVID-19 pandemic on aviation and, in turn, the Group
- Alignment of the Delegated Levels of Authority Manual to the approved Governance Framework and Operating Model and Macro Structure
- Diversification of revenue within the framework of existing infrastructure to mitigate the impact of the COVID-19 pandemic and the resulting changes in the operating environment

The Board held a strategy review session on 22 and 23 November 2022, which culminated in the corporate strategy in the FY2023/24 to FY2025/26 Corporate Plan.

ABOUT OUR BOARD continued

Board evaluation

The annual Board evaluation was conducted. This included an assessment of the Board as a whole as well as assessments of the Chairman of the Board, the individual Directors, the Board Committees, and the Chairmen of the Board Committees.

The evaluation of the Board covered the application of governance principles in the following areas:

- Board attributes and culture
- The role of the Chairman
- The role of the Chief Executive Officer
- The role of the Company Secretary
- The responsibilities of the Board
- The Committees of the Board
- Access to line management and records
- The flow of information to the Board
- Succession planning
- Stakeholder relationships
- Board meetings and processes
- IT governance
- Individual director assessment (peer review)

The assessment for the period under review covered Committee members who were members of the Committees by 28 February 2023. In assessing the Committees, consideration was given to, amongst others, culture and mindset of the Committees, (both collectively and individual members), productivity of meetings of the Committees, Chairpersons' role in ensuring effective functioning of the Committees, access to information, compliance with the terms of reference of the Committees and fulfillment thereof, clear understanding of the roles and responsibilities of the Committees and of its members, competency, skills and experience of the Committee members.

Committee members indicated that the performance of the Committees met best practice and did not identify areas of concern. A recommendation made by the ICT Committee is for the Committee to continue its focus on innovation and latest technology advancement and trends.

The Board members concurred that they have the necessary trust and faith in the Committees and are satisfied that the Committees fulfilled their mandates and added value to the Board and ACSA.

The office of the Company Secretariat continues to provide unfettered guidance and support to the Board and the Committees.

Details relating to these focus areas are available in the ACSA Governance and Remuneration Report for 2023.

Board attendance

The Board held eight meetings during the course of the reporting period:

	Board							
Number of meetings	Schedule meeting	Spec scheduled meeting	Schedule meeting	Spec unscheduled meeting	Spec unscheduled meeting	Schedule meeting	Spec scheduled meeting	Spec unscheduled meeting
Name of Director	9 June 2022	27 July 2022	8 September 2022	14 November 2022	23 November 2022	2 December 2022	20 February 2023	17 March 2023
Dr Sandile Nogxina (Chairman)	x	x	x	x	x	x	x	x
Ms Nosizwe Nokwe-Macamo*	x	x	x	x	x	x	x	Retired 2 March 2023
Dr Kgabo Badimo	x	x	x	x	x	x	x	x
Ms Kemira Esterhuizen**	x	x	x	x	x	x	Retired on 18 December 2022	
Ms Dudu Hlatshwayo	x	x	x	x	x	x	x	x
Mr Andile Khumalo***	Appointed on 3 March 2023							x
Mr Gcobani Mancotywa****	Appointed on 2 March 2023							x
Ms Nompumelelo Mpofu	x	x	x	x	x	x	x	x
Mr Siphamandla Mthethwa	x	x	x	x	x	x	x	x
Ms Ntombifuthi Zikalala-Mvelase	x	x	x	x	x	x	x	x
Mr Yershen Pillay	x	x	x	x	x	x	x	x
Ms Sibongile Sambo****	Appointed on 2 March 2023							x
Ms Nonzukiso Siyotula****	Appointed on 2 March 2023							x
Mr Graeme Victor	x	x	x	x	x	x	Retired on 14 December 2022	

* *Retired effective 2 March 2023* ** *Retired effective 18 December 2022* *** *Appointed effective 3 March 2023* **** *Appointed effective 2 March 2023*

ABOUT OUR BOARD continued

Committees of the Board and their work

Audit and Risk Committee — **Chair: Ms Dudu Hlatshwayo ***

Attendance: 100% **Number of Meetings – 9**

Members

Ms Nosizwe Nokwe-Macamo**	Mr Graeme Victor***
Mr Yershen Pillay	Ms Ntombifuthi Zikalala-Mvelase

Committee Focus for the Year

The Committee's focus for the year was on considering and evaluating the following:

- The FY2021/22 to FY2023/24 Corporate Plan
- The Group's performance
- The Group's financial sustainability
- Reduction of irregular expenditure
- The Group's going concern status
- Elimination of fruitless and wasteful expenditure
- Alignment of the delegated levels of authority to the Governance Framework and Operating Model
- External Audit Strategy
- External Audit Reports
- Risk management and the Group's risk appetite and tolerance levels
- Performance of Internal Audit
- Internal audit and combined assurance reports
- Assessment of the independence of the external auditor
- Evaluation of the CFO and the Finance function
- Integrated Annual Report for FY2021/22
- Plans, policies, and frameworks within the mandate of the Committee
- The 2023/25 Combined Assurance Plan
- Compliance
- Governance matters

Relevant Material Matters

- Business sustainability
- Financial sustainability
- Business growth
- Business integration and operational planning
- Legal and regulatory compliance
- Governance

* *Ms Dudu Hlatshwayo was retired as Chairman on 5 April 2023 and has remained as a member. Ms Nonzukiso Siyotula was appointed as Chairman on the same date.*

** *Ms Nosizwe Nokwe-Macamo was retired as a member on 2 March 2023 subsequent to her retirement as a non-executive director on the same date.*

*** *Retired on 14 December 2022*

ABOUT OUR BOARD continued

Board Economic Regulation Committee — Chair: Dr Sandile Nogxina

Attendance: 100% **Number of Meetings – 2**

Members

	Ms Nosizwe Nokwe-Macamo*
Dr Kgabo Badimo	Ms Ntombifuthi Zikalala Mvelase
Ms Dudu Hlatshwayo	Mr Yershen Pillay

Committee Focus for the Year

The Committee's focus for the year was on considering and evaluating the following:

- Implementation of the economic regulation strategy
- 2024 to 2028 permission application
- Permission application roadmap
- Impact of permission decisions on the sustainability of the Group
- Monitoring of risks pertaining to economic regulation
- Review of the terms of reference of the Committee and implementation of the FY2022/23 annual work plan
- ACI interventions on economic regulation policy

Relevant Material Matters

- Business sustainability
- Financial sustainability
- Business growth
- Stakeholder engagement
- Legal and regulatory compliance

* Ms Nosizwe Nokwe-Macamo was retired as a member on 2 March 2023 subsequent to her retirement as a non-executive director on the same date.

Board Investment Committee — Chair: Ms Nosizwe Nokwe-Macamo*

Attendance: 100% **Number of Meetings – 5**

Members

Dr Kgabo Badimo	Mr Yershen Pillay
Ms Nompumelelo Mpofu	Ms Ntombifuthi Zikalala-Mvelase

Committee Focus for the Year

The Committee's focus for the year was on considering and evaluating the following:

- Implementation of the growth strategy
- The business cases for the ground handling services strategy, fuel infrastructure and management strategy, aerotropolis and airport cities strategy, cargo strategy, commercial strategy, passenger experience and mobilisation strategy
- The Non-aeronautical Revenue Strategy
- Disposal of ACSA shares in Aeroporto De Guarulhos
- Treasury activities
- Consideration of policies within the mandate of the Committee
- The 2022 Board and Committee Evaluation Action Plan
- The Group's commercial activities
- Updates on the Group's operational performance
- Updates on the Group's investments and property developments
- Economic regulatory matters
- Risk monitoring

* Ms Nosizwe Nokwe-Macamo was retired as a member on 2 March 2023 subsequent to her retirement as a non-executive director on the same date. Ms Dudu Hlatshwayo was appointed as Chairman on 5 April 2023.

ABOUT OUR BOARD continued

Human Resources, Remuneration and Nominations (RemNom) Committee | **Chair: Ms Ntombifuthi Zikalala-Mvelase**

Attendance: 100% **Number of Meetings – 7**

Members

Ms Kemira Esterhuizen*
Mr Gcobani Mancotywa#
Dr Sandile Nogxina
Ms Nosizwe Nokwe-Macamo**
Ms Sibongile Sambo#
Ms Nonzukiso Siyotula#
Mr Graeme Victor***

Committee Focus for the Year

The Committee's focus for the year was on considering and evaluating the following:

- Implementation of the staff cost reduction programme
- Implementation of the macro structure
- Succession management
- Skills development
- Progress on the RemNom Committee evaluation action plan
- Constitution of the committees of the Board
- Policies, plans and frameworks within the mandate of the committee
- Monitoring human resources management
- Risk monitoring

Relevant Material Matters

- Business sustainability
- Financial sustainability
- Business growth
- Business integration and operational planning
- Acquisition and retention of skills
- Legal and regulatory compliance
- Governance

* *Retired on 18 December 2022*
** *Retired on 2 March 2023*
*** *Retired on 14 December 2022*
\# *Appointed on 29 March 2023*

ABOUT OUR BOARD continued

Information, Communication and Technology Committee

Chair: Mr Yershen Pillay

Attendance: 100% **Number of Meetings – 4**

Members

Dr Kgabo Badimo

Ms Kemira Esterhuizen*

Ms Dudu Hlatshwayo

Mr Graeme Victor**

Committee Focus for the Year

The Committee's focus for the year was on:

- Implementation of the IT Strategy
- Monitoring of the governance of technology and information and the risks related to this
- Monitoring cybersecurity maturity
- Monitoring management of the Group's overall information and communication strategy and systems
- Monitoring progress of ICT projects
- Monitoring ICT audit findings
- Progress on action plan on ICT Committee evaluation
- Risk monitoring

Relevant Material Matters

- Business sustainability
- Financial sustainability
- Business growth
- Business integration and operational planning
- Digital transformation
- Cyber security
- Safety and security of ICT assets
- Legal and regulatory compliance
- Governance

* *Retired on 18 December 2022*

** *Retired on 14 December 2022*

ABOUT OUR BOARD continued

Social and Ethics Committee | **Chair: Dr Kgabo Badimo****

Attendance: 100% **Number of Meetings – 4**

Members

Ms Kemira Esterhuizen*

Ms Dudu Hlatshwayo

Ms Nompumelelo Mpofu

Committee Focus for the Year

The Committee's focus for the year was on:

- Economic transformation
- Stakeholder relations
- Ethics
- The Group's response to the recommendations pertaining to ACSA in the Zondo Report
- The reputation of the Group
- Socio-economic development
- Passenger mobilisation
- Environmental, health and public safety
- Security
- Consequence management
- Risk monitoring

Relevant Material Matters

- Business sustainability
- Financial sustainability
- Brand, reputation, and stakeholder management
- Transformation
- Safety
- Security
- Legal and regulatory compliance
- Consequence management
- Governance

* *Retired effective 14 December 2022*

** *Retired as Chairman on 5 April 2023 and remained a member. Mr Gcobani Mancotywa was appointed as Chairman on the same date*

04 CORPORATE GOVERNANCE

How our corporate governance secures our brand, reputation and sustainability

OUR GOVERNANCE APPROACH

Our strong corporate governance framework has enabled us to adopt an agile approach to the challenges of the past three periods and to adapt as necessary to meet those challenges.

This framework provides role clarity and delineation and also clearly defines areas of accountability.

In line with the Airports Company Act, ACSA's mandate includes the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to the functioning of that airport.

Our governance framework reflects this mandate and adheres to best practice.

Our strong corporate governance framework has enabled us to adopt an agile approach to the challenges of the past three periods and to adapt as necessary to meet those challenges. This framework provides role clarity and delineation and clearly defines areas of accountability.

It enabled us to implement a rapid and well-coordinated response to the COVID-19 pandemic and to put new strategies and plans into place to deal with the entirely new business and social landscape it has left in its wake.

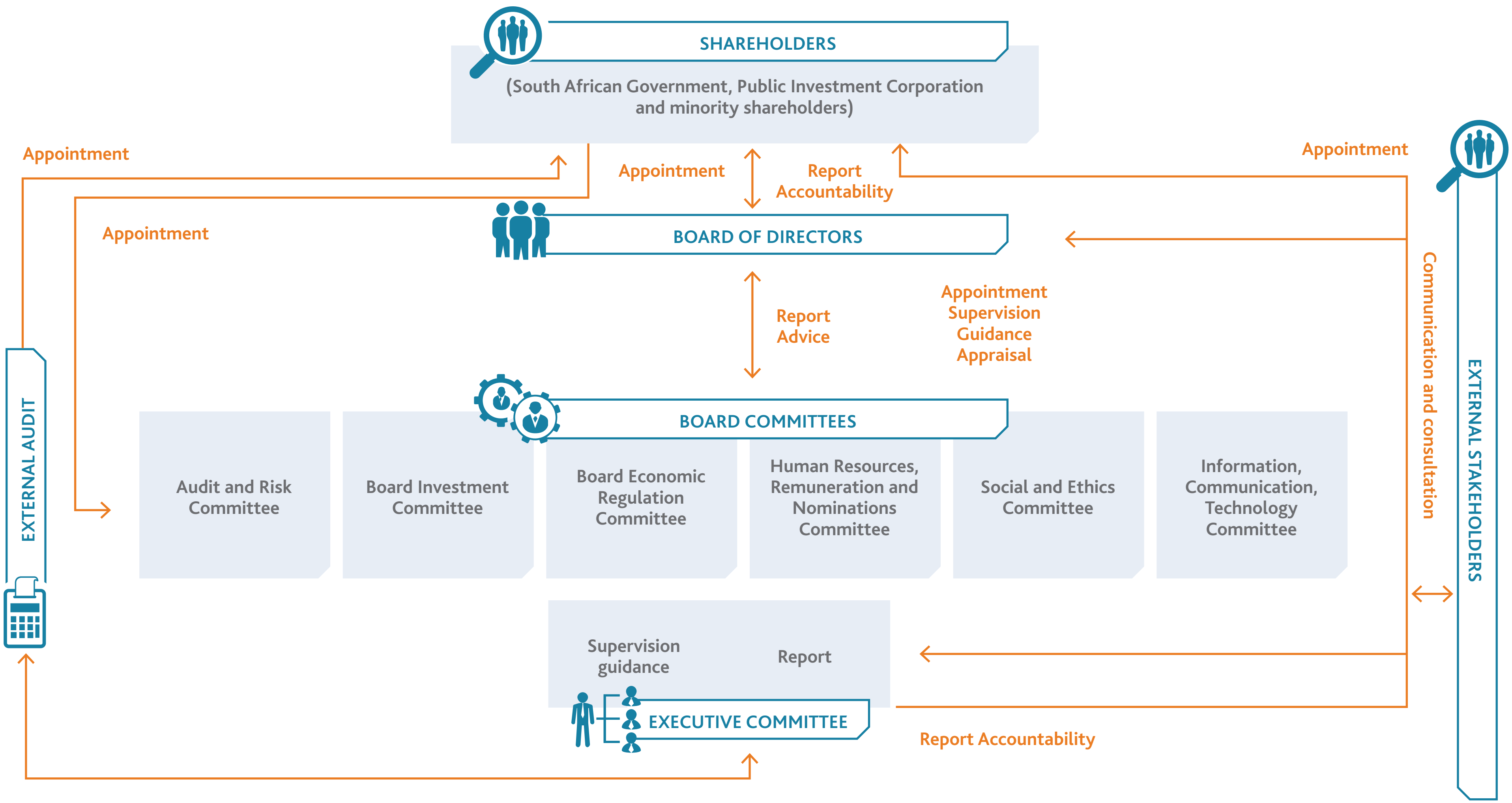
The Board is responsible for the strategic direction, control, and sustainability of the Group. The Directors provide independent, informed, and effective judgement, which facilitates transparency and enables appropriate and relevant decision-making. The Board works closely with the Minister of Transport, the Auditor-General of South Africa and other relevant state institutions to ensure that ACSA is an efficient and well-governed entity that fully adheres to principles of good governance. We focus keenly on scrutinising high-risk areas of the business, ensuring that robust risk-mitigation measures are put in place and monitoring activities such as irregular, wasteful, and fruitless expenditure.

It is the Board's responsibility to uphold good corporate governance and it remains committed to the highest standards of governance, ethics, and integrity. The Board sets an ethical tone for the Company by clearly defining strategy, structures, roles, policies, procedures, and key performance measures, as well as by creating and sustaining an enabling and transparent culture. The Board members have signed an ethics pledge to demonstrate their commitment to ethical leadership.

In all our activities, we adhere to the principles of good governance as set out in the King Report on Corporate Governance for South Africa™ (2016) (King IV™). A full analysis of how we adhere to these principles is given in our Governance and Remuneration Report, which complements the Integrated Annual Report and forms part of our annual reporting suite. Full details of the mandates, activities and performance of the Committees of the Board are also provided in that report as are full details of our remuneration policies and practices.

OUR GOVERNANCE STRUCTURE

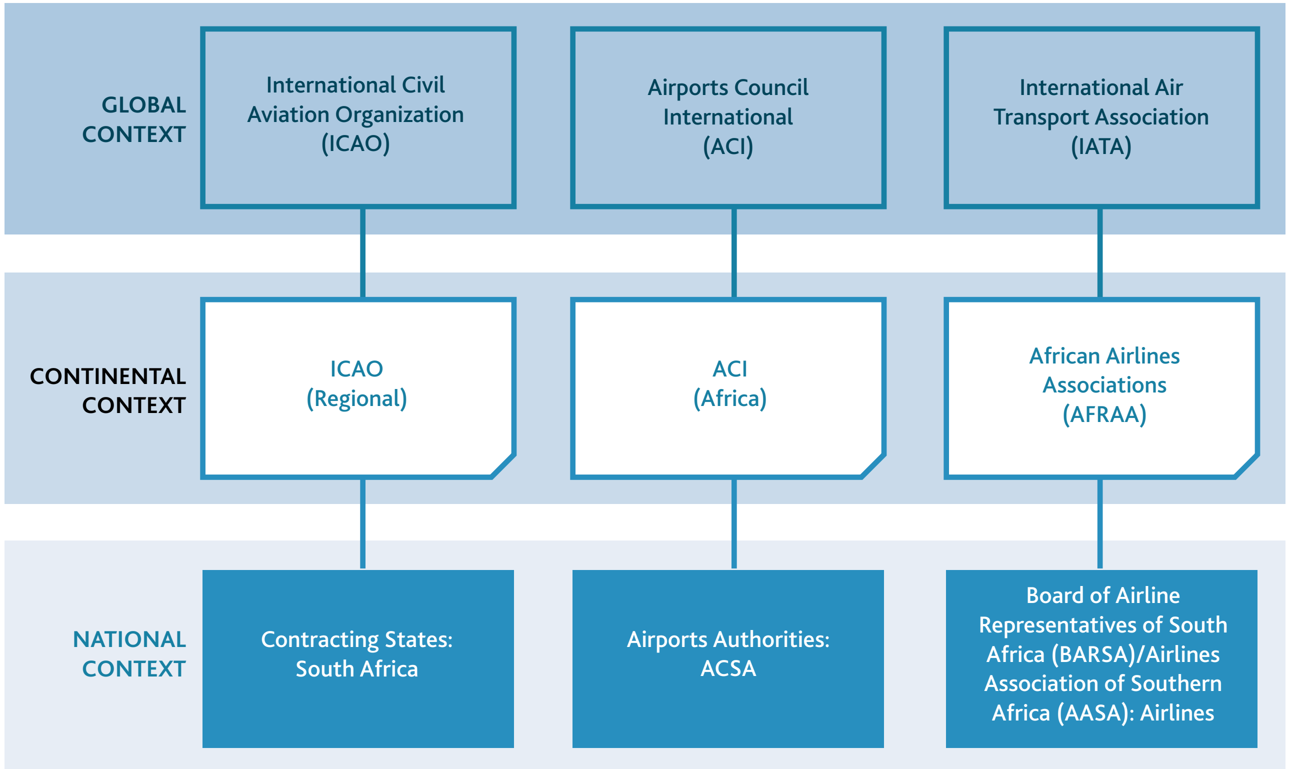
As the following graphic illustrates, our Board and its committees are responsible for the strategic direction of the Group and for financial and fiduciary oversight. The Executive Committee, under the leadership of the CEO, is responsible for the day-to-day management of the Group.



OUR GOVERNANCE STRUCTURE continued

In line with changing realities and the amended strategies and plans that were developed in response to the pandemic, we have extensively strengthened and expanded all our internal governance structures, especially those relating to the efficient functioning of the Executive Committee. This process was specifically designed to support the focus and direction of the business in the post-COVID-19 pandemic operating environment.

In addition to our internal governance structures, ACSA is linked to three international governance institutions, all of which operate on a global, regional, and national level. The following graphic illustrates the channels through which these institutions operate on all three levels.



FOCUS AREAS

Good corporate governance is about ethical, transparent, and effective leadership. We create enabling structures within which our leadership, management and staff can operate to the benefit of all our stakeholders. Areas of focus are clearly defined, as is accountability for all deliverables.
In every aspect of our business, we aim to foster an ethical culture characterised by the highest standards of professionalism and our leadership is committed to setting an example of this in its attitude, mindset, and behaviour.

Our areas of focus and accountability for each area are outlined in full in our Governance and Remuneration Report.

OUR PERFORMANCE

Our governance performance in all areas of our business is presented in detail in our Governance and Remuneration Report.

05 HOW OUR STRATEGY CREATES VALUE

Creating value by defining, implementing, and monitoring strategy

MESSAGE FROM THE CEO

Despite ongoing challenges, the strategic, financial and operational responses we put into place at the start of the pandemic continue to provide a sound and reliable framework within which to sustain our business and to begin looking towards a post-COVID-19 future.

Ms. Nompumelelo Mpofu *Chief Executive Officer*

The 2022/23 financial year presented a complex array of challenges both in the macroeconomic environment and within our business. While the COVID-19 pandemic restrictions were eased considerably in December 2022, it was only on 22 June 2022 that government lifted the pandemic-related State of Disaster, which allowed us to fully embark on the journey to recovery in earnest. It was from this date that travellers entering South Africa were no longer required to produce either negative PCR tests or vaccination certificates, which provided a much-needed stimulation of demand for international travel. These positive developments were, however, offset by the impact of the war in Ukraine, which began in February 2022 and continues unabated. This has affected international food and fuel supply chains significantly, triggering a cost-of-living crisis across major global regions and, specifically in relation to aviation, resulted in precipitous increases in jet fuel prices. In turn, this led to increases in air fares across all segments throughout the reporting period. In our Country, related increases in the cost-of-living, inflation and interest rates had the effect of reducing household disposal income, which had a direct impact on our still-fragile domestic air travel recovery. Additional factors, such as the demise of Comair and its subsidiary Kulula, the continued uncertainties resulting from the halted operations and the potential sale of Mango Airlines, were an added blow.

The protracted period of severe loadshedding that started in September 2022 brought with it further challenges, not just on a practical level but also because it deeply affected investor, business, and consumer confidence. Globally, however, the recovery in air traffic continued to be firm, which supported our own recovery. By the end of March 2023, industry-wide revenue passenger-kilometres "RPKs" (a measure of air passenger traffic) increased by 52.4% year-on-year (YoY) and reached 88.0% of March 2019 levels.

The strategic, financial, and operational responses ACSA put in place at the start of the pandemic continued to provide a sound and reliable framework within which to sustain the business and to begin looking towards a post-COVID-19 future. By year-end, we had managed to establish a solid recovery position, with the total air passenger traffic through our network having increased by 50% over the previous period, which saw the network recover to 76% of pre-COVID-19 passenger throughput.

Our primary consideration at this point therefore remains to recover our pre-pandemic position and to rapidly diversify our revenue streams to mitigate against the risks that continue to exist in aviation.

In this period, we started to plan for the implementation of our Growth Strategy, especially, to resume planning on some of the large capital infrastructure development projects that have been on-hold since the advent of the COVID-19 pandemic. Within this context, our priority remains the safety and security of our staff, passengers, and other airport users. We continue to adhere to the Department of Health and World Health Organisation guidelines to minimise the spread of new variants of the coronavirus and to apply all public and occupational health regulations.

We are also actively assessing, with the aim to mitigate the impact that cost-cutting measures have had on our staff over the past three periods and are beginning to normalise our human resources capacity again, albeit within the existing financial limitations. The early retirement and voluntary separation packages offered between 2020 and 2022, had unintended consequences of loss of key skills, capacity, and institutional knowledge, which we are addressing as a priority. In addition, we are beginning to reintroduce some of the employee benefits, we were unable to offer during the pandemic as part of employee value proposition.

MESSAGE FROM THE CEO continued

I would like to extend my sincere thanks to our staff for their input, engagement, resilience during the process of implementing the early retirement and voluntary separation packages, which was difficult for everyone involved. Our remaining staff have had to offset the loss of capacity this caused within the organisation, and they have done so admirably. I am humbled by their commitment and grateful for everything they have done to keep ACSA afloat throughout this difficult time.

While the outlook for the next two periods remains uncertain, we have much to celebrate in having achieved the relative recovery position – and we look forward to the future that we have envisioned.

Our recovery trajectory

Although our recovery trajectory has been inconsistent, the notable increase in traffic through our network during the reporting period gives cause for optimism. While capacity constraints and related air fare increases resulted in flat recovery in the domestic segment, the situation is now normalising as incumbent airlines such as Fly Safair, Airlink, Lift, Cemair and South African Airways continue to increase supply to offset the deficit left by the closure of Airlines including Comair, Kulula and Mango.

Further, in all three of our market segments – domestic, regional, and international – new routes and route expansions by both local and foreign airlines continue to support the recovery of passenger traffic. This is evident from the fact that, in FY2022/23, the overall growth of 33% in capacity led to a 50% increase in passenger traffic.

> Globally, air traffic – and passenger traffic in particular – continues to improve, driven by an adaptable and resilient airline industry. In addition, while the Asia-Pacific region remained closed for much of the period due to China's zero-COVID-19 policy, the country's easing of this policy in December 2022 has accelerated recovery in traffic from that region, which is a key growth market for South Africa. This is especially relevant as ACSA's airports account for 95% of the country's total airlift capacity and 99,9% of all international airlift capacity.

During FY2022/23, the recovery of international passenger traffic through O.R. Tambo International continued to lag other competing hubs in Africa, largely due to the fact that a significant portion of the airport's capacity – including the direct links to Hong Kong and Brazil – is yet to be restored.

As at year-end, a large proportion of the international route network was also operating below pre-pandemic levels, which included traffic to and from the United Arab Emirates, Germany, the United Kingdom, the United States and China. The progressive resumption of services – together with new routes and route expansions – is, however expected to add more than 20 000 seats to O.R. Tambo's current supply. We therefore anticipate being able to regain much of our pre-pandemic capacity by the end of FY2023/24.

Threats to recovery

Uncertainty relating to the war in Ukraine and the impact on both the global and local economies is, however, a notable threat to recovery, as is sluggish economic growth, irregular power supply and low levels of business confidence at home.

Both the World Bank and the International Monetary Fund have adjusted global growth predictions for 2024 down, with developed economies expected to take a particularly hard knock. National Treasury has also predicted a growth rate of just 0.9% for South Africa in 2023, with this expected to increase to only 1.8% in 2024.

At the beginning of 2022, the global growth rate was adjusted down from 6.1% to 3.6% and finally came in at 3.4% (IMF). Present predictions vary, but growth of around 2.8% is generally expected for 2023. This indicates the extent of the economic challenges we are facing and, while optimistic about our own business prospects, there can be no doubt that we continue to face external headwinds.

Our response

With this in mind, we will continue to operate within the framework of the Recover and Sustain Strategy we put into place in 2020 while simultaneously beginning to plan for the development envisaged in our Growth Strategy. In the short-term, we will continue to focus on our core capabilities and on supporting a recovery in passenger traffic. We will also be focusing on identifying and maximising opportunities in the cargo segment of our aeronautical business.

MESSAGE FROM THE CEO continued

In line with our strategic pillar of developing airports, we will also continue to focus on the planning necessary to make the airport environment more attractive and engaging for both passengers and the communities living around our facilities, naturally within budget constraints. This planning focused on our Aerotropolis Strategy which is to ensure related developments on our land at the three largest airports, which will vastly improve both their passenger and cargo handling capabilities. We also intend to develop six airport cities at the smaller local airports also aimed at redefining the role and function of airports as economic hubs in the cities and towns they serve.

To ensure that we are able to deliver on our objectives over all timeframes, we will continue to implement the Revised Governance Framework and Operating Model, Capability Model and Organisational Structure we developed in FY2021/22. These allow for the regional integration of our airports at operational level to rationalise costs, maximise opportunities for revenue generation and secure sustainability of our airport network.

While large, uncontracted infrastructure development projects will remain on hold during FY2023/24, we will resume the planning phase wherever possible and financially feasible. Planning for growth is essential in order to secure the long-term sustainability for our business and to fulfil our broader objective, which is to facilitate economic prosperity, social equity, and environmental integrity.

Financial performance

As our results show, revenue increased by 55% to R6 billion (FY2021/22: R3.9 billion) during the reporting period, largely due to the increase in air traffic movement, the recovery in passenger numbers and the implementation of the approved 3.1% tariff increase for the year. This nevertheless remains well below the revenue of R7 billion reported in FY2019/20, prior to the onset of the COVID-19 pandemic. Earnings did, however, improve for the second year in a row and we have reported an EBITDA of R2.0 billion (FY2021/22: R342 million).

Aeronautical revenue, which is derived from regulated charges or tariffs related to aircraft landing and passenger service charges, improved by 64% to R3 billion (FY2021/22: R1.8 billion), while non-aeronautical revenue, which is derived from commercial activities at our airports, increased by 46% to R3.1 billion (FY2021/22: R2.1 billion). As in the previous period, there were some cost savings due to curtailed operations.

An unexpected COVID-19 related negative impact on our financial performance was with respect to value of our investment properties decrease to R7.7 billion (FY2021/22: R7.9 billion) due to fair value loss. This reflects harder trading conditions, slow recovery of the commercial property market, increasing capitalisation rates and sub-optimal leasing regime. Alternative models in our commercial property business are now being pursued to match current favourable market conditions.

With respect to our audit outcomes, we acknowledge the improvement required in expenditure management particularly with respect to procurement and contract management. Our interventions in procurement include the segregation of functions to eliminate conflict of interest and the establishment of an integrated contract management system also utilizing our existing IT systems as recommended by the Auditor General for speedy implementation. Our aim is to eliminate all material findings in financial management and continue to reduce irregular expenditure.

Economic regulation

With respect to Economic regulation, we will continue to actively engage with the Regulating Committee established in terms of the Airports Act (No. 44 of 1993) to ensure that the regulatory model supports fair tariffs for airport services. The regulatory permission for FY2018/19 to FY2022/23 expired on 31st March 2023 with tariffs adjustment of 3.1% from 3.3% prior year, thus an application for interim review resulted in a 4.4% CPI adjustment on tariff effective prior to new permission. We have submitted application for the new permission in November 2022 and expect new tariffs to be approved at most by October 2023 to be effective from 1 April 2024.

Run airports

Regarding our core business of running airports, although improvements in passenger numbers were irregular during the reporting period, year-on-year recovery was positive. This was not, however, consistent across the network.

Our three main airports continue to account for 85% of all air passenger traffic in South Africa, with O.R. Tambo International accounting for 49% of all departing traffic. Regional inland airports, such as Upington, Kimberley and Bram Fischer (Bloemfontein) continue to record good recovery rates, largely due a slow normalisation in business travel and the core 'visiting friends and relatives' (VFR) segment. Coastal airports, which are more reliant on leisure traffic, have not fared as well due to a significant reduction in leisure travel during the reporting period, which resulted from increases in ticket prices as well as the impact high inflation and high interest rates had on discretionary spending.

Cape Town International was the major beneficiary in terms of international passengers, with throughput exceeding pre-COVID-19 levels for the first time in February and March 2023. This was partly due to the normalisation in the number of visitors from Europe during our summer months and partly due to route expansions and new capacity favouring Cape Town. The city is also actively marketed as an all-year-round tourist destination and as a prime destination for the MICE (meetings, incentives, conferences, and exhibitions) segment.

MESSAGE FROM THE CEO continued

Our Journey in Environmental, Social, and Governance (ESG) Initiatives

Throughout the financial year under review, we have achieved a significant milestone on our path towards a more sustainable and responsible future. As we navigate the ever-evolving landscape of aviation and air travel, it has become increasingly evident that our commitment to sustainability is not only crucial for our group's success but also for the well-being of our planet and society. It is with immense pride that I confirm our collective dedication to sustainability, marked by the adoption of a robust Environmental, Social, and Governance (ESG) framework.

It is imperative to underscore the foundational concept of "double materiality" that forms the basis of our sustainability approach. We recognise that our operational activities extend beyond their financial implications, exerting influence on the broader global landscape. This dual perspective on materiality emphasises the interconnectedness between financial performance and the far-reaching societal and environmental impacts of our decisions.

Considering this profound interconnectedness, we have embarked on an extensive journey to seamlessly weave sustainability into every facet of our organisation. In the upcoming reporting periods, our sustainability programme will no longer remain a peripheral endeavour, it will ascend to a pivotal role within our overall strategy. By integrating sustainability into our organisational DNA, we signal our unwavering determination to generate a positive societal and environmental impact while ensuring our enduring success.

Despite being in the initial stages of our ESG roadmap, we persistently engage in meticulous analysis to steer our strategic planning. This includes benchmarking against global airports and engaging in consultations with key stakeholders. These efforts will culminate in the establishment of a comprehensive ESG reporting system that captures the intricate dimensions of our sustainability endeavours.

As we set forth on this transformative path, let us be guided by our shared commitment to a greener, more equitable future. Together, we shall harness the power of sustainability to shape not only our organisation's trajectory but also the trajectory of our planet and society for generations to come.

Outlook

> The easing of global travel restrictions since late December 2022 is supporting a recovery in air traffic worldwide, although markets and travel patterns have changed over the past three years, and this will have a lasting effect on passenger travel in particular. We anticipate that domestic recovery will continue to be flat throughout the 2023/24 financial year as pressure on the price of leisure travel continues.

We do, however, foresee an uptick in regional travel as airlines servicing the SADC region increase their capacity. Markets such as Botswana, Mozambique and Madagascar are, for example, experiencing growth in both demand and capacity. This will reinforce O.R. Tambo International's status as a hub for the southern African region to the extent that the airport is expected to recover 100% of its pre-COVID-19 international passenger traffic in August 2023.
This nevertheless needs to be seen in light of deteriorating global economic conditions, which pose a notable downside risk to recovery prospects.

Within this context, we will continue to provide a safe, secure, efficient, and convenient environment for passengers and all other stakeholders as well as to engage with businesses and government departments in the aviation and related sectors to support recovery.

We will also resume our process of planning for growth in the future and will focus on our strategic intent of diversifying our revenue streams and upweighting our activities in the commercial and cargo segments. This process is already underway within the confines of existing infrastructure and budgets. In the medium- and long-term, we will focus on expanding our infrastructure and capacity in order to support our growth and revenue diversification objectives.

Appreciation

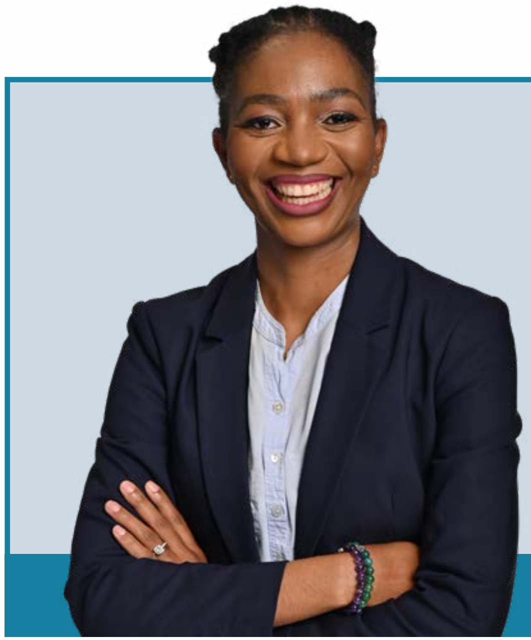
In concluding, I would again like to extend my sincere gratitude to our staff for their ongoing commitment shown to our business throughout the challenges of the past three periods. A special thanks are due to the staff members who were willing to take early retirement or enter into voluntary separation agreements, which enabled us to secure the Company's long-term sustainability.

I further commend the executive and management teams for their agile approach to managing a very complex business in such uncertain circumstances. To all our airport stakeholders, thank you for your contribution to keeping our airports safe and running efficiently under exceptional circumstances.
I would also like to extend my appreciation to our Board for its unwavering dedication and guidance during yet another challenging year.

Finally, to our shareholders, investors, and lenders, thank you for your ongoing support and confidence in our business.
In line with our strategy, we remain committed to being one of the world's leading airports operators.

Ms Nompumelelo Mpofu
Chief Executive Officer

CFO'S REPORT



Throughout the previous two reporting periods, we showed remarkable agility and resilience in overcoming a multitude of external challenges, paving the way for ACSA to achieve a firm post-pandemic recovery position. This demonstrates the Group's commitment to adapting and thriving in a rapidly changing environment.

Ms. Lindani Mukhudwani *Acting Chief Financial Officer*

REVENUE
↑55%
R6 billion
(FY2021/22: R3.9 billion)

EBITDA
↑497%
R2.0 billion
(FY2021/22: R342 million)

CAPITAL EXPENDITURE
↓23 %
R422 million
(FY2021/22: R546 million)

TOTAL ASSETS
↑5%
R31.7 billion
(FY2021/22: R30.1 billion)

LOSS FOR THE YEAR
↓86%
R143 million
(FY2021/22: R1.0 billion)

INVESTMENT PROPERTY BALANCE
↓3%
R7.7 billion
(FY2021/22: R7.9 billion)

CFO'S REPORT continued

CONCESSION INVESTMENTS
↓6%
R187 million
(FY2021/22: R199 million)

GEARING RATIO
↓11%
24%
(FY2021/22: 26%)

OPERATIONAL EXPENDITURE
↑6%
R3.5 billion
(FY2021/22: R3.3 billion)

AIRCRAFT LANDINGS
↑20%
211 787
(FY2021/22: 176 817)

DEPARTING PASSENGERS
↑50%
15 815 213
(FY2021/22: 10 538 341)

In the 2022/23 financial year, ACSA achieved a notable improvement in earnings before interest, tax, depreciation, and amortisation (EBITDA), reaching R2.0 billion (compared to R342 million in the 2021/22: financial year). This growth can be attributed to the gradual recovery of air traffic movements and passenger numbers globally, including in South Africa, as COVID-19 pandemic related travel restrictions were progressively lifted in all major air travel markets.

While we observed an uneven recovery across the different market segments we serve throughout the year, our Recover and Sustain Strategy and our revised Financial Plan, adopted in the middle of FY2020/21, provided us with the framework to achieve a 55% increase in revenue, amounting to R6.0 billion for the period (FY2021/22: R3.9 billion). Our efforts to closely manage operating expenditure, which amounted to R3.5 billion (FY2021/22: R3.3 billion), also contributed to the reduction of our loss to R143 million, a significant improvement from the previous year's loss of R1 billion. Profitability was nevertheless impacted by high credit losses on trade receivables and fair value loss on investment properties.

CFO'S REPORT continued

Despite the challenges we had to face, we maintained a solid financial position and reported total assets of R31.7 billion for the year ending 31 March 2023 (FY2021/22: R30.1 billion), primarily driven by an increase in cash and cash equivalents as well as short-term investments.

The improvements in our financial performance are testament to our unwavering dedication and relentless pursuit of sustainable development and growth in our business. The entire team across all divisions has diligently worked towards optimising our operations, continuously streamlining our value creation and delivery processes. This has successfully secured a strong footing for our business in the post-pandemic landscape. We remain committed to our long-term goals and will continue to adapt and thrive amid evolving market demand and supply conditions.

We had to contend with significant levels of uncertainty during the year driven by the after-effects of the pandemic, sluggish global economic growth, inflation, and the unfolding geopolitical situation caused by the war between Russia and Ukraine. Both local and global uncertainties made it challenging to accurately predict demand for air travel and other revenue streams as these events increased the complexity of our business planning and funding processes.

The Recover and Sustain Strategy and the revised Financial Plan nevertheless provided us with a structured management approach and a means of resourcing the business in a way that has enabled us to secure and safeguard the Group's long-term sustainability.

Revenue

Aeronautical revenue improved significantly by 64% to R3 billion (FY2021/22: R1.8 billion). This was due to a 20% increase in aircraft movements to 211 787 (FY2021/22: 176 817) and a 50% increase in the number of departing passengers to 15.8 million (FY2021/22: 10.5 million). The implementation of the 3.1% tariff increase approved by the Regulating Committee also contributed to the increase in revenue.

Non-aeronautical revenue followed a similar trend, increasing by 46% to R3.1 billion (FY2021/22: R2.1 billion) and reflecting a significant improvement in trading conditions during the year. The bulk of this income was derived from property rentals (R982 million) and retail activities (R848 million).

Operating expenditure

Employee expenditure decreased by 6% to R1.2 billion (FY2021/22: R1.3 billion) as total headcount decreased to 2 448 from 2 439 in the previous year. This takes into account a mid-year cost-of-living adjustment of 6.5% and 7.5% for executive management and employees respectively as well as a one-off cost-of-living relief package amounting to R54 million, which was paid to all employees.

Other operating expenditure increased by 10% to R2.2 billion (FY2021/22: R2 billion). This was largely due to increases in the cost of maintenance and information systems, reflecting the full reopening of airports and supporting services. Utilities costs, in particular, increased due to higher consumption and higher energy prices.

Property, plant, and equipment

Capital expenditure for the year amounted to R422 million (FY2021/22: R546 million). This was limited to airport maintenance and resilience, with most uncontracted projects remaining on hold until funding is available.

The value of property, plant and equipment decreased to R16.5 billion (FY2021/22: R17.5 billion), primarily due to wear and tear as well as the minimal expenditure on improvements and additions during the year.

CFO'S REPORT continued

Investment properties

The value of investment properties decreased to R7.7 billion (FY2021/22: R7.9 billion) as at 31 March 2023 due to a fair value loss of R209 million (FY2021/22: R91 million), which was offset by R9 million in additions and transfers from the property, plant, and equipment category.

The decline in the fair value of investment properties reflects the slow recovery of the commercial property market in the aftermath of the pandemic and the difficult trading conditions prevalent during the financial year.

Trade and other receivables

Trade and other receivables closed with a balance of R1.7 billion (FY2021/22: R1.7 billion). Although higher revenues were recorded, we wrote off R463 million (FY2021/22: R197 million) in irrecoverable debts. We did, however, improve debtors' collections, with cash from operations collected during the financial year amounting to R6.4 billion (FY2021/22: R4.0 billion). The debt book value determination is based on the probability of collection, which reflects prevailing economic realities.

Funding

Cash and cash equivalents, including short-term investments, closed with a balance of R4.9 billion on 31 March 2023 (FY2021/22: R2.2 billion). The increase of R2.7 billion over the previous period was largely due to cash of R2.2 billion being generated from operations and the inflow of R264 million in interest income. Liquidity was further supported by a successful R1.7 billion bond issue in the third quarter of the year.

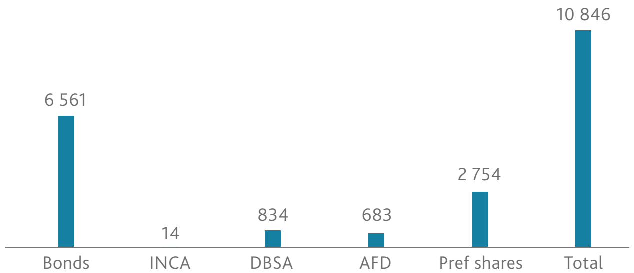
Further, our gearing ratio for the 2022/23 financial year was 24%, down from 26% in the previous period and well below the debt covenant limit of 65%. The year-on-year improvement in this ratio was partly due to the fact that we repaid R296 million in debt comprised of amortising loans during the reporting period. Interest payments over the same period amounted to R617 million, resulting in debt servicing costs being R913 million.

The AIR02 fixed-rate bond (R1.7 billion) matured on Sunday, 30 April 2023 and was repaid on 2 May 2023 in line with the following business day convention. The payment was made from the funds raised through the bond issuance proceeds between November and December 2022.

A dividend of R429 million accrued to preference shares, bringing the balance outstanding to R2.7 billion on 31 March 2023. The Group anticipates paying the dividends on preference shares from the 2024/25 financial year.

The Group is expected to maintain a positive cash position over the next 12 months and to end the period with a cash balance of R3.2 billion. New debt funding will not be required over the forecast period.

INTEREST BEARING BORROWINGS (Rmillion)



Credit metrics

All loan covenant ratios, including the Net Debt-to-EBITDA Ratio and the Debt Service Coverage Ratio, for which AFD granted ACSA an extension of the waiver period to March 2024 on historical and projected breaches, fell within the required thresholds for the first time in three financial years. The projection for the forecast period is as follows:

Covenant	Requirement	FY2022/23 (Actual)	FY2023/24 (Projected)
Credit Ratings Requirement	Above investment grade BBB (national scale)	Aa2.za	Aa2.za*
Net Debt Capitalisation	Shall not exceed 65%	24%	27%
Net debt/ EBITDA	Shall not exceed 4 times	2.9X	3.3X
Government Shareholding	At least 50% plus one share	74.6%	74.6%*
Debt Service Cover Ratio by Available Cash	Not less than 1.5 times	8.1X	2.0x

* *Reflects information as 31 March 2023 and not estimate*

Credit rating

The Group's rating outlook remains negative which, according to Moody's, reflects significant uncertainties around air traffic recovery prospects and the determination of regulatory tariffs.

CFO'S REPORT continued

		Ratings		
Agency	Rating action	Long term local currency	Long-term national scale	Outlook
Moody's	Affirmed	Ba2	Aa2.za	Negative

Irregular expenditure

Irregular expenditure of R59.1 million was incurred in the current financial year (FY2021/22: R36.7 million). The Group has implemented National Treasury's Irregular Expenditure Framework through its loss control function for detection, assessment, investigation, and performance of determination tests. As a result, the Board of Directors removed cumulative expenditure of R130 million relating to previous years, and R124 million was de-recognised. This brought the cumulative balance to R285 million as at 31 March 2023 (FY2021/22: R442 million).

ACSA complies with the National Treasury Irregular Expenditure Framework as updated from time to time. Compliance is monitored through the Group's loss control function, which performs detections, assessments, determinations, and investigations of expenditure transactions.

Full reconciliations of the cumulative irregular fruitless and wasteful expenditure balances from 31 March 2022 to 31 March 2023 can be found on page 133 of this report, in line with National Treasury's reporting guidelines for irregular, fruitless and wasteful expenditure.

Outlook

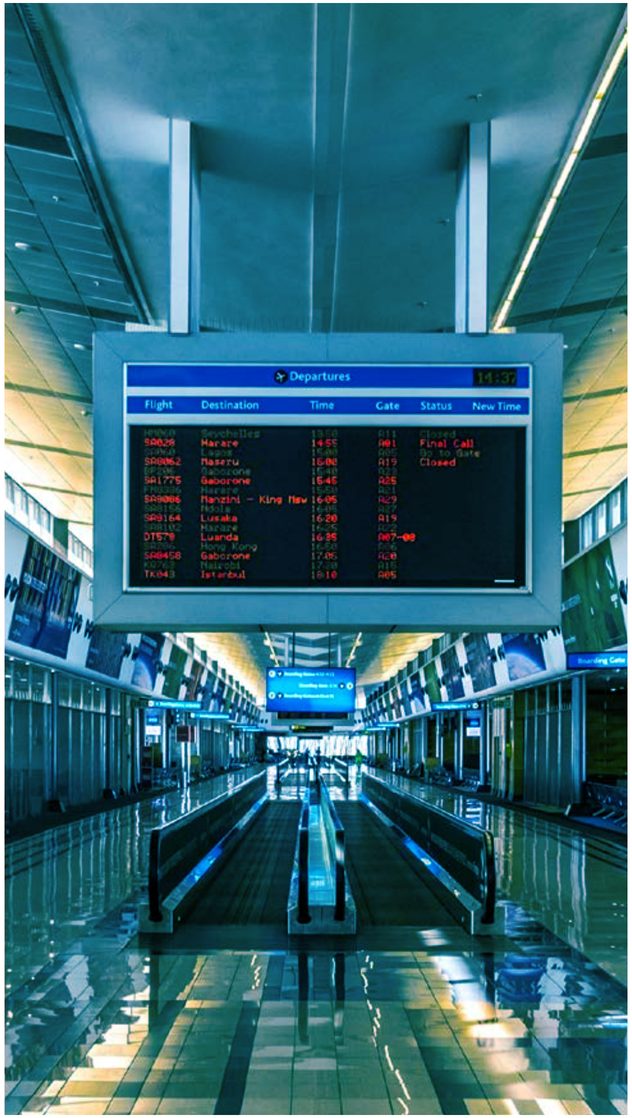
Profitability is expected to improve during the two-year period from FY2023/24 to FY2025/26, as outlined in the current Corporate Plan. This improvement is expected due to a moderate traffic volume growth forecast of 16.7 million departing passengers, up from a 15.8 million in the reporting period.

The Regulating Committee granted the Company an interim tariff increase equivalent to CPI of 4.4% at the end of January 2023. The tariffs were effected from 1 May 2023 to allow for the three months' notice required by the Airports Act.

The capital expenditure programme provides for investments of approximately R3.6 billion over the next three years. Up to 70% of this spend has been allocated for refurbishments and replacement projects.

The Group continues to monitor the business environment to determine appropriate responses and to ensure long-term financial sustainability. It also continues to identify efficiencies in its operations, keeping operating expenditure to a minimum.

Ms Lindani Mukhudwani
Acting Chief Financial Officer



OUR STRATEGY

Context

Following the declaration of the State of Disaster in response to the COVID-19 pandemic in March 2020, we initiated a comprehensive review process of our Strategy 2025.

The resulting Recover and Sustain Strategy and revised Financial Plan provided the necessary framework for us to manage the Group through the early, acute phase of the pandemic and, after the roll-out of the national vaccination programme, in the initial stages of recovery. This integrated framework enabled us to undertake stringent measures to manage working capital and to limit both operational and capital expenditure as well as to define a way forward over three timeframes from 2021 to 2030.

Despite the unprecedented situation, the strategy nevertheless remained centred around our three core pillars: Run Airports, Develop Airports and Grow Footprint. These define our reason for being as an organisation and give expression to our key areas of strategic focus.

Our strategy at a glance

2021 to 2025	2026 to 2030	2030 and beyond
Secure our core business of running airports and develop a diversified business model with the potential to transform the Group and increase revenue	Implement the diversified business model to secure business and financial sustainability and drive revenue growth	Operate the newly configured Airports Group South Africa with a redirected focus and a strong growth trajectory based on a diversified business model
Key actions: • Rationalise business expenses • Minimise capital expenditure • Focus on replacement and refurbishment rather than infrastructure development	**Key actions:** • Focus on initiatives that secure the Group's long-term future and contribute to economic growth • Secure and enhance development partnerships in order to increase capacity and diversify focus	**Key actions:** • Pronounced business growth

OUR STRATEGY continued

2021 to 2025	2026 to 2030	2030 and beyond
RUN AIRPORTS		
Run our airports efficiently, optimally, and innovatively		
Focus areas: • Restructure the Group • Enhance productivity • Reduce costs • Maintain financial sustainability	**Focus areas:** • Enhance productivity • Reduce costs • Improve financial sustainability	**Focus areas:** • Enhance productivity • Reduce costs • Improve financial sustainability
DEVELOP AIRPORTS		
Groundwork, research, and planning	Optimise assets and plan for new capacity and growth opportunities	
Focus areas: • Explore diversification opportunities that could transform the Group and increase revenue • Identify future growth opportunities • Cement partnerships that will unlock financial and other support to accelerate our planned growth strategies	**Focus areas:** • Revisit deferred development projects to meet increased capacity demands • Add additional capacity to support growth initiatives and/or traffic growth	**Focus areas:** • Implement additional capacity in line with growth trajectory
GROW FOOTPRINT		
Groundwork, research and planning	Seek growth opportunities on the continent and round the world	
Focus areas: • Help municipal and provincial airports to maintain their licences to operate • Offer airport management services • Explore opportunities to market our services outside South Africa	**Focus areas:** • Implement growth initiatives to build new revenue streams that will complement or replace our current core business in the medium term	**Focus areas:** • Implement growth opportunities to ensure the Group's long-term growth

OUR STRATEGY continued

As detailed in this analysis, the Recover and Sustain Strategy focuses on the diversification of our aeronautical business model in order to derive greater value from non-aeronautical and non-core revenue streams in the short-, medium- and long-term.

The successful implementation of this strategy over the past two reporting periods has enabled us to achieve a firm recovery position sooner than initially projected, largely due to the recovery in international passenger throughput. We will continue to build on this throughout the defined strategic timeframe in order to reach full recovery in relation to our pre-pandemic performance and to begin implementing further strategies aligned to our vision of being the most sought-after partner in the world for the provision of airport management solutions by 2030.

Initiatives during the reporting period

We have been actively refining our strategy to focus on growth and sustainability, and our new Growth Strategy was finalised during the reporting period. We also reviewed our Corporate Plan and the latest version of the plan was approved by the Board on 27 February 2023.

The Growth Strategy builds on the Recover and Sustain Strategy, which continues to serve as a roadmap for our recovery from the impact of the pandemic as well as a framework within which to grow and develop our business, ensuring long-term sustainability and success.

In addition, we continue to implement ACSA's Global Strategy, developed in the previous period, in order to enhance South Africa's trade and tourism. The strategy provides for improvements to the air transportation network as well as infrastructure upgrades to our airports in order to enhance productivity and enrich the passenger experience. In particular, we are pursuing opportunities throughout Africa with the aim of fostering regional integration and maximising the African Open Skies initiative for the Group.

These macro strategies are complemented by detailed strategies and models focused on organisational design and capacity development. They include the revised Capability Model, Governance Framework and Operating Model, People and Culture Strategy, ICT strategy, Innovation Strategy and Stakeholder Management Strategy. Together, they are empowering us to navigate our post-pandemic recovery and drive future growth.

To engage and serve our customers better, we have also developed a Passenger Experience and Mobilisation Strategy. This is designed to attract and connect with smaller and township communities and to make air travel more accessible and affordable for them.

We have further recognised the resilience of cargo operations, especially in times of crisis, and have adopted a new Cargo Strategy aligned to our overall mandate, especially to take advantage of developments in e-commerce.

In our pursuit of non-aeronautical revenue, we continue to work within the framework of our Aerotropolis Strategy. This provides for the development of three aerotropolis installations and six smart airport cities, which will stimulate infrastructure and property development and foster economic growth for areas and communities around our airports. Supported by our Innovation Strategy, the Aerotropolis Strategy positions the Group for sustainable growth and future competitiveness.

During the reporting period, we also reviewed and updated our Ground Handling Strategy and Fuel Strategy to align with external developments and to remain consistent with ACSA's mandate as outlined in the Airports Group Act. These strategies, together with the Aerotropolis Strategy, aim to facilitate a recovery in passenger numbers and significant growth in export activities across various industries.

Throughout the formulation of these strategies, models, and plans, we have engaged extensively with key stakeholders and partners, including local communities. This collaboration is vital for successful implementation and it ensures that our Socio-Economic Development and Transformation Strategy addresses important socio-economic imbalances in the communities within the Group operates.

Going forward

In the 2023/24 financial year, we will continue to actively review our strategic direction in order to respond effectively to changing market and operational conditions. Our goal is to seize new opportunities that arise. As part of this process, we are currently evaluating our Commercial Strategy to enhance our ability to create, harness and deliver value to our key partners and customers.

A specific area of focus is the repositioning of our Training Academy with the aim of establishing it as a leading and preferred provider of aviation training. Through strategic partnerships, collaborations, acquisitions and amalgamations, our objective is to offer access to a single, integrated aviation academy. This will, in turn, enable us to provide comprehensive and high-quality training services to meet the evolving needs of the industry.

To improve accessibility and inclusivity, we are also developing a robust marketing and communications strategy specifically targeting passengers from historically disadvantaged and marginalised communities. The aim of this is to facilitate access to airport infrastructure and air travel by diversifying our service offerings extensively and integrating with various transportation modes. By doing so, we aim to enhance airport utilisation and create a more inclusive travel experience for all.

As we embark on these strategic initiatives, we remain dedicated to maximising value for our stakeholders, adapting to market dynamics and delivering exceptional service to our customers. We look forward to embracing the opportunities that lie ahead and to having a positive impact on the aviation industry.

THE SIX CAPITALS

Leveraging six key capital inputs, we enhance value through innovation, streamlined processes, efficient procedures, and effective governance, ultimately resulting in a diverse array of quantifiable outputs.

Our Sustainability Framework, depicted in the following graphic, is aligned with the International <IR> Framework. It demonstrates the way in which we use our inputs to secure the sustainability of our business, contribute to the communities we serve and protect the natural environment in which we operate.

Sustainability Framework

Focus area	Capital inputs	Intended outcomes
Business Sustainability and Growth	Financial Capital Manufactured Capital Intellectual Capital	Business and financial stability A diversified business model An extensive geographic footprint Purpose-built and well-managed infrastructure Consistently superior passenger and visitor experiences A reputation for good governance, innovation, and excellence Sustainable business growth
Our People and Society	Human Capital Social and Relationship Capital	Ongoing business transformation A diverse, well-trained, properly supported, suitably rewarded and satisfied workforce Informed and satisfied stakeholders A valuable contribution to socio-economic transformation as a whole
Our Environment	Natural Capital	Stringent management of our environmental impact as a business Consistent progress towards becoming carbon neutral

OUR VALUE-CREATION PROCESS

Connecting people to people, places, dreams, and opportunities

Focus areas *As defined in our Sustainability Framework*	**Key inputs** *The financial, physical, intellectual, human, social, relationship and natural resources we make use of in running the Group*	**Business activities** *What we do*	**Our key outputs** *What we deliver*
Business Sustainability and Growth	**Financial Capital** • Equity • Debt financing **Manufactured Capital** • Nine airports and the related infrastructure, equipment and systems needed to process arriving and departing aircraft, passengers, and cargo. **Intellectual Capital** • Nearly three decades of knowledge and experience directly related to running airports successfully • Robust governance structures rooted in an ethical culture • Proprietorial systems and procedures	• Comply with local and international principles of good governance • Participate in and contribute to legal and regulatory processes • Develop, implement, monitor, and assess strategies and plans • Develop, implement, monitor, and assess budgets and financial reports • dentify and mitigate business risks • Manage infrastructure and assets • Manage operations and the quality of service delivery • Engage with all stakeholders • Manage the business's finances • Manage the business's human resources • Manage the business's information technology • Create and environment for innovation • Manage the business's supply chains • Manage the delivery of corporate services	• Demonstrably compliant corporate governance • Legal and regulatory compliance • Fit-for-purpose corporate and divisional strategies and plans • Well-managed budgets at organisational, divisional, and departmental level • Fit-for-purpose risk management protocols • Infrastructure and asset management processes, procedures, and controls • Operational management processes, procedures, and controls • Stakeholder engagement protocols and procedures • Financial management processes and procedures • Human resources management processes and procedures • Training and development • Fit-for-purpose and secure Information technology • Technological, process and management innovations • Secure supply chains management • A well-recognised and respected corporate brand
Our People and Society	**Human Capital** • Knowledgeable and highly experienced key personnel • A lean, well-trained, and productive workforce • An employee profile that reflects national demographics • An ethical culture • An active business transformation programme **Social and Relationship Capital** • Strong relationships with all stakeholders • Memberships of local and international industry bodies • Proactive engagement with the communities in which we operate	• Develop, implement, monitor, and assess strategies and plans • Maintain an extensive training and skills development programme • Engage with all stakeholders • Deliver a full range of passenger and stakeholder services • Provide technical advisory and consulting services • Engage with local and international regulatory and industry bodies • Engage with the communities in which we operate	• Fit-for-purpose people, engagement, and culture management strategies and plans • Input into legal and regulatory frameworks • Integrated passenger and airport management services • Service innovations • Technology innovations • An active CSI Programme
Our Environment	**Natural Capital** • Land • Water • Air • Fuel • Electricity	• Manage the land we own and contribute to the management of the land around our airports • Manage our water usage • Manage our emissions and the impact of our business on air quality • Manage our fuel usage • Manage our use of grid electricity and supplement it with energy derived from alternative sources • Manage noise in and around our airports • Manage waste and recycle all materials that can be recycled • Manage the impact of our operations on birds and wildlife and minimise the possibility of bird and wildlife strikes on aircraft	• Fit-for-purpose environmental management strategies and plans • Engaged, compliant and cooperative environmental management policies and practices • Consistent reduction in the use of grid electricity • Incremental increase in the use of alternative energy sources • Humane and ecologically sound bird and wildlife management practices • Consistent innovation in environmental management

OUR VALUE CREATION PROCESS continued

Focus areas

As defined in our Sustainability Framework

Our key outcomes

How we create, preserve, or erode value internally and externally in the short-, medium- and long-term

Business Sustainability and Growth

Financial outcomes

Added value
- Aeronautical revenue
- Non-aeronautical revenue
- Clean audits
- A significant contribution to GDP

Diminished value
- Over the past three periods, external factors have impacted on our revenue and therefore also on our contribution to GDP

Infrastructure outcomes

Added value
- Well-managed and maintained airports that provide a level of service aligned to our vision and corporate plan
- Future-focused growth and development plans
- ACI Health Accreditation at all of our airports
- Compliance with local and international environmental standards

Diminished value
- During the pandemic, much of our infrastructure had to be mothballed and many maintenance projects had to be put on hold, which impacted on our infrastructure's functional value
- Over the past three periods, many infrastructure development projects have had to be shelved or cancelled, which has diminished the net value of our infrastructure

Intellectual outcomes

Added value
- Established and compliant governance structures
- A strong culture of ethics that is constantly reinforced
- Exceptionally strong data collection and management protocols
- Valuable intellectual property

Diminished value
- Over the past three periods, tactical reductions in staff numbers and certain other cost reductions have eroded our institutional knowledge and intellectual capabilities

Focus areas

As defined in our Sustainability Framework

Our key outcomes

How we create, preserve, or erode value internally and externally in the short-, medium- and long-term

Our People and Society

Human resources outcomes

Added value
- A lean and flexible organisational structure
- Measurable skills development programmes
- Comprehensive employee well-being programmes
- Recognition, incentives, and awards
- Bursaries for employees and dependents of employees

Diminished value
- Over the past three periods, tactical reductions in staff numbers have impacted on employee well-being and eroded our service delivery capabilities
- Over the same period, certain employee benefits also had to be pout on hold

Social and relationship outcomes

Added value
- A substantial contribution to GDP
- Income for employees, suppliers, and other partners
- Employee advancement
- Level 2 B-BBEE accreditation
- Education and social development through our CSI programme
- Support for the National Development Programme and the UN Millennium Development Goals

Our Environment

Environmental outcomes

- ACI airport carbon accreditation certification at all nine airports
- ISO 14001: 2015 Environmental Management accreditation at all nine airports
- Corporate headquarters that are accredited by the Green Buildings Council
- Recycling of hundreds of tonnes of waste annually
- Four of our airports are equipped with solar farms

06 OUR OPERATING ENVIRONMENT

Maximising value and managing risk in our operating environment

OUR OPERATING ENVIRONMENT

Overview

In alignment with our operating model, our strategy delineates and guides our operational methods, shaping our responses to both internal and external factors within our operating landscape.

This section aims to give a thorough overview of how we do this as a prelude to the following section, in which we present a performance review for the reporting period. Here we examine the major environmental factors that impacted on our operations during the course of the reporting period and present factual information about our most significant risks, the ways in which we handle those risks and the ways in which we engage with our stakeholders.

Macroeconomic issues

As in the previous period, our operating environment continued to be defined by the impact of the pandemic during the first half of the year and this was exacerbated by further external shocks throughout the year. Until 22 June 2022, the country remained under a COVID-19 pandemic related State of Disaster and, although restrictions were being eased following the roll-out of the national vaccination programme in 2021, recovery in passenger travel was slow, which naturally impacted on revenue.

Some of our infrastructure continued to be mothballed during the first two quarters of the year but, as threat levels were reduced, we were faced with the challenge of having to bring it back into service, often at short notice. Constrained by the drag on revenue resulting from the slow recovery in passenger travel and by the impact of the staff reduction programmes implemented in 2020 and 2021, this meant that previous service levels could not be immediately restored and, as a result, some passengers were affected.

At global level, supply chains continued to be constrained and this situation worsened as the war in Ukraine intensified, as fuel and food supplies began to come under pressure, and as developed countries began to feel the economic impact of the sanctions they had imposed on Russia. The rand also continued to be highly volatile, a situation that was only to become more marked after a sustained period of severe load-shedding was introduced in September 2022.

While South Africa's economy had begun to recover in late 2021 and had reached pre-pandemic levels in the first quarter of 2021/22, the 2022/23 financial year proved to be much more challenging than anticipated. The knock-on effects of the war in Ukraine soon resulted in a cost-of-living crisis in all of the world's mature economies; a crisis that South Africa could not escape.

As inflation rose in response to rapid increases in the prices of fuel, commodities and consumer goods, household budgets were affected and discretionary spending compromised. Locally, this had a direct impact on the uptick in "friends and family" travel, which had been spearheading ACSA's recovery. This was further affected by the closure of the Comair Group in June, which reduced domestic seating capacity by 36%.

With this ongoing uncertainty, especially in travel and tourism, we continued to implement our Recover and Sustain Strategy and, in particular, to focus on diversifying our business into areas of non-aeronautical revenue to secure long-term sustainability. The new operating model, developed in tandem with the strategy and illustrated below, is being used to give form to this effort.

By year-end, we had managed to establish a solid recovery position, with total passenger traffic through our network having increased by 50% over the previous period, bringing recovery to 76% of pre-COVID-19 passenger throughput.

While we had not regained our pre-pandemic position, the business has managed to secure a firm recovery footing, which will give purchase to the implementation of our Growth Strategy and supporting strategies and plans during the 2023/24 and 2024/25 periods.

In terms of outlook, the IMF's global baseline forecast is that growth will fall from 3.4% in 2022 to 2.8% in 2023 before settling at 3.0% in 2024. Mature economies are, however, expected to see an especially pronounced slowdown, with growth dropping from 2.7% in 2022 to 1.3% in 2023. Further, while headline inflation is set to fall, it is likely to decline slowly, with a return to target levels unlikely before 2025.

At home, higher domestic interest rates and inflation will continue to weaken consumer confidence and reduce discretionary expenditure. This will largely impact on the outbound South African air travel market and will make South Africa as a whole – excluding the Western Cape – a less attractive market for international airlines.

Within the aviation sector itself, capacity constraints within the domestic market have resulted in a flat recovery trajectory for that segment of the market. This is being offset by the fact that SAA's resurgence, which has seen the airline resume several regional routes, continues to have a positive impact on the regional segment. Eswatini Air's recent launch of flights into O.R. Tambo International is further supporting the recovery of this segment.

The inbound international market segment has also been on a consistent grow trajectory since the IATA Northern Winter season of 2022. New routes and route expansions are the largest contributors influencing the recovery in the international market, with Cape Town International Airport being the largest beneficiary of the additional international capacity. Airlines such as Air Belgium, Condor, United Airlines, Qatar, Emirates and South African Airways have all contributed considerably to the recovery of the international market segment.

OUR MISSION

STRATEGIC FUNCTIONS

ACSA BUSINESS

ACQUIRE AIRPORTS → DEVELOP AIRPORTS → MANAGE AIRPORTS →

ACQUIRE STRATEGIC ASSETS → COMMERCIALISE → MANAGE THE COMMERCIAL BUSINESS →

DEVELOP ADVISORY SERVICE → SELL THE SERVICE → DELIVER THE SERVICE →

SUPPORT FUNCTIONS

FOUNDATIONAL ELEMENTS

- INTEGRATION
- CUSTOMER SERVICE EXCELLENCE
- INFORMATION AND TECHNOLOGY ENABLEMENT
- PEOPLE AND CULTURE
- RESEARCH, INNOVATION AND KNOWLEDGE MANAGEMENT
- LEADERSHIP
- STAKEHOLDER AND PARTNERSHIP MANAGEMENT

VALUE CREATION/ OUTCOMES

1 Financial Sustainability

2 Operational Efficiency

3 Growth in Footprint

4 Fourth Industrial Revolution

KEY RISKS

The practice of recognising the most critical threats to our company is a fundamental operational procedure. However, in recent times, this process has gained unprecedented significance. The outbreak of the pandemic has transformed our risk landscape into a constantly evolving and unpredictable terrain, influenced by numerous external elements at both the global and national scales.

Our vigilance and adaptability in assessing and mitigating risks during the 2022/23 reporting period have become paramount for the continued success and resilience of our business.

We continued to manage the risks we had to confront within the framework of the Recover and Sustain Strategy and the revised Financial Plan that we had put into place in 2020. In our response to the pandemic, we continued to adhere to all management protocols mandated by the World Health Organisation (WHO), the International Civil Aviation Organisation (ICAO) and IATA. Crisis committees remained in place throughout the business to ensure full and complete compliance at all of our airports, while operations adopted an exceptionally agile approach in order to deal with the challenges of upscaling the business as the pandemic abated and as new challenges presented themselves.

Cognisant of the complexity of the challenges that lie ahead in a post-COVID-19 pandemic world, we also put a new Corporate Plan and Growth Strategy into place, which allow for the many new realities that we face. These provide a strategic and operational framework for recovery and growth over three timeframes to 2030 as well as for the development of infrastructure to support diversification into non-aeronautical revenue streams.

A full risk assessment is undertaken annually, and risk reviews are conducted quarterly to ensure that our risk management processes remain relevant and are being fully implemented. The key risks we faced during the reporting period are detailed in the tables below, as are the mitigation measures and control we have in place to manage each risk.

KEY RISKS continued

01 BUSINESS SUSTAINABILITY

Nature of Risk	Mitigation Measures and Controls
Not being able to adapt and recover quickly from adverse external events such as the impact of the COVID-19 pandemic or major supply chain disruptions due to diminishing opportunities to generate revenue, which could threaten the sustainability of the business as a whole.	We conduct ongoing assessments of our strategies, plans and models to ensure that the business is flexible enough to adapt to the impact of crises and changing operating conditions. We have a Recover and Sustain Strategy, a Growth Strategy, a Commercial Strategy, and an in-depth Corporate Plan in place to provide a framework for managing our post-COVID-19 pandemic recovery and growth to 2030. The principles in the Corporate Plan inform our response to all adverse events. We have established and well-defined corporate governance structures, systems and procedures that are aligned with the guidelines given in King IV™. These enable us to respond quickly to all sustainability threats and risks. We have proven long-term financial planning capabilities as well as the ability to adapt our financial planning to accommodate unforeseen events. We actively manage costs and liquidity.
Not being able to manage and/or recover quickly from an adverse event with serious environmental, social and/or governance impact.	All our airports are ISO 14001: 2015 certified for compliance with international environmental management standards. We are currently reviewing and updating our Environmental, Social and Governance (ESG) Framework. All management measures currently in place are being adhered to. Our environmental management programme focuses on energy conservation, climate change mitigation, water usage, waste management, air quality, noise management and biodiversity. It is a key strategic aim for the Group to become carbon neutral as soon as financially and technologically possible. Environmental risk is closely monitored and a report on this area of risk is presented to the Board on a quarterly basis.

KEY RISKS continued

02 FINANCIAL SUSTAINABILITY

Nature of Risk	Mitigation Measures and Controls
Not being able to execute our strategic objectives and/or operational obligations due to constraints on revenue, which could increase our safety and security risk, lead to a weaker financial position and result in poorer financial performance.	We have well-established and proven long-term financial planning capabilities. We have strong economic regulatory specialist capabilities. We adhere to a constructive engagement process that complies with and goes beyond the requirements of the economic regulator. We actively participate in the Economic Regulatory Review Process led by the Department of Transport (DoT). We have a conservative approach to financial planning. We conduct regular, in-depth scenario planning to mitigate financial risk.

KEY RISKS continued

03 ENERGY INSECURITY

Nature of Risk	Mitigation Measures and Controls
Not being able to adapt to and mitigate the impact of load-shedding (planned rolling power blackouts) at our airports and on our stakeholders.	Extensive on-site back-up generators are in place to provide power during the periods in which we do not have grid electricity. Our capex budgets will include provision for additional generator capacity, as needed, and our operating budgets will allow for the purchase of the diesel required to run them. Four of our airports have extensive solar farms specifically designed to reduce our reliance on grid electricity and enable us to manage the impact of load-shedding. The Enterprise Asset Management Department has developed a framework to mitigate the risk of the national grid collapsing, should this happen. The framework outlines a six-point response consisting of: *(i) prioritising load requirements, (ii) sustaining the load, (iii) maintaining availability, (iv) securing and sustaining supply, (v) engaging with stakeholders, and (vi) monitoring responsibilities and accountability.* Carbon Neutrality: Our Roadmap to Carbon Neutrality includes medium- to long-term solutions intended to enhance our energy security through the use of various forms of renewable energy.
Inability to manage challenges in the jet fuel supply chain, which could result in shortages and have a critical impact on operations.	The South African Petroleum Industry Association Fuel Forum has been reformed to ensure that all stakeholders are kept fully informed of the constraints affecting the supply of jet fuel at airports. Supply is vulnerable for a number of reasons including reduced local refining capacity, changing international market dynamics, the impact of load-shedding, intermittent logistics and labour issues, and the fact that South Africa does not hold strategic reserves of jet fuel. ACSA mitigates this risk by identifying and making use of multiple jet fuel suppliers including the only refinery in South Africa that still produces jet fuel. We have also recently increased jet fuel storage capacity at our busiest airports, namely Cape Town International and O.R. Tambo International by 7 and 8 million litres respectively.

KEY RISKS continued

04 REGULATORY UNCERTAINTY

Nature of Risk	Mitigation Measures and Controls
Not being able plan for recovery, growth, and development due to uncertainty related to the regulations governing aeronautical revenue, which could impact on our ability to develop and maintain appropriate infrastructure in order to meet present and future demand.	We actively participate in the Economic Regulatory Review process led by the Department of Transport (DoT). We have proposed amendments to the Airports Company Act (No. 44 of 1993) which, if approved, will introduce a mechanism for appealing new or amended regulations. We adhere to a constructive engagement process that complies with and goes beyond the requirements of the economic regulator. We have a Partnership Strategy designed to inform engagement with all stakeholders, including our engagements with the economic regulator. In the short-term, the permission process for the FY2023/24 to FY2027/28 financial years is currently underway, and proposals for tariff increases have been submitted to both the regulatory body and the aviation industry. The Regulatory Committee has granted an inflationary increase on the tariffs granted for FY2022/23 and these are being applied in the current financial year. This increase serves as an interim permission for the FY2023/24 to FY2027/28 period and is allowing the Regulatory Committee sufficient time to review ACSA's application for full permission. The interim permission allows for a 4.4% increase in FY2023/24, with a subsequent increase of 4.5% in each year from FY2025 to FY2027/28. With a long-term perspective in mind, ACSA is making submissions to the Government of South Africa which, in turn, is making submissions to the International Civil Aviation Organization (ICAO) Economic Commission. The objective of these submissions is to supplement or expand ICAO Doc 9082 on airports and air navigation services charges for international civil aviation. The position of global airport operators, including ACSA, is that governments must recognise the need to maintain economic equilibrium in times of disaster or in the face of unexpected shocks – and that the regulated formula must consider market and demand conditions. The current single-till approach does not afford ACSA this much-needed equilibrium, hence the need to relook at the method and to move to a double-till approach.

KEY RISKS continued

05 BUSINESS DIVERSIFICATION

Nature of Risk	Mitigation Measures and Controls
Not being able to diversify our revenue stream by leveraging opportunities to generate non-aeronautical revenue, which could impact on the long-term success and sustainability of the business.	There is a strong legislative framework to support business diversification. We are in the process of implementing our Recover and Sustain Strategy and our Growth Strategy, both of which focus strongly on revenue diversification. We have a Board-approved Commercial Strategy, which is reviewed regularly and updated if and as necessary. We are reviewing all infrastructure development plans that were shelved during the pandemic in order to ensure that the business is suitably equipped to diversify its revenue streams not only in the short-term, but also in the medium- and long-term. We have standardised processes and procedures for rental case negotiations.

06 DIGITAL TRANSFORMATION

Nature of Risk	Mitigation Measures and Controls
Not being able to adopt and deliver innovative, resilient, and secure digital platforms and technologies that support our digital transformation and business growth objectives, which could erode our reputation and standing as an operator of world-class airports.	We have a Digital Strategy in place that is aligned with the Knowledge and Innovation Strategy, the Enterprise Security Strategy, the Enterprise Risk Management Strategy, and the Business Continuity Framework. We also have an Information Management Plan in place, which is monitored by our Information Management Committee, which provides the Board with quarterly reports. We have a secure and fit-for-purpose IT architecture in place. This is regularly assessed and updated in order to keep pace with rapid technological developments. Our digitalisation journey focuses on building, securing, maintaining, and developing an integrated system that is compliant, secure, and resilient.

KEY RISKS continued

07 CYBER SECURITY

Nature of Risk	Mitigation Measures and Controls
Not being able to protect our digital systems and data from the growing threat of cyber attacks, which could compromise both our ability to operate and our reputation as a trusted airports operator.	We have a Cyber Security Strategy in place and implementation is constantly monitored. We have best-of-breed digital security systems, both on-site at all of our airports and in the Cloud. We have a team of cyber security experts on permanent staff, led by a Chief Information Security Officer (CSIO). We monitor for cyber security threats 24/7/365. We undertake biannual assurance assessments to supplement the annual cyber security audits undertaken by the Auditor General. We have cyber security insurance to mitigate against the threat posed by increasingly sophisticated cyber criminals. We comply fully with the Protection of Personal Information Act (POPIA), the General Data Protection Regulation (GDPR), the Payment Card Industry Data Security Standards (PCI DSS) and the Minimum Information Security Standards (MISS). We have technology security tools in place to prevent data leakages and connectivity incidents. We use unique usernames and passwords to authenticate and authorise access to systems and information.

08 PEOPLE MANAGEMENT

Nature of Risk	Mitigation Measures and Controls
Misalignment of our people management approach with the overall corporate strategy and/or mismanagement of our relationships with our staff and other stakeholders.	We have a Board-approved People and Culture Strategy in place. The implementation of the strategy is closely monitored and reports are made to the Social and Ethics Committee on a quarterly basis. Training and refresher courses on ACSA's values are regularly provided for all staff. We also have a Change Management Framework in place, which provides all of the appropriate tools for implementing the change management process that was put into place in response to the COVID-19 pandemic. Awareness of both the framework and the change management process is closely monitored and measured. Capacity modelling has been allowed for in our new Operating Model and Governance Framework and this will be used to develop a strategic workforce plan.

KEY RISKS continued

09 REGULATORY COMPLIANCE

Nature of Risk	Mitigation Measures and Controls
Not complying with all relevant legislation, regulations, policies, and procedures, which could compromise safety and security, threaten our licence to operate and damage our reputation.	We have fully mapped our compliance universe. We conduct training and awareness programmes regularly. Policies, frameworks, manuals, and procedures are carefully monitored and regularly reviewed. We have compliance risk management and compliance assurance plans in place. We have a compliance management system in place.

KEY RISKS continued

10 BRAND AND REPUTATION

Nature of Risk	Mitigation Measures and Controls
Not being able to manage and improve our reputation through the effective management of the brand and our stakeholders, which could cause reputational damage, compromise relationships with stakeholders and impact on our ability to raise capital.	We have a comprehensive Communications Strategy, a Partnership Strategy, and a Stakeholder Engagement Strategy in place to support and protect our brand and reputation. We proactively profile ACSA from an external perspective in order to monitor our reputation with all stakeholder groups, including the general public. We conduct focused engagements with all critical stakeholders. We have strong stakeholder risk intervention policies and procedures in place. We have a proactive internal and external stakeholder communications programme in place. We conduct airport stakeholder feedback surveys. We have a proactive programme of brand communications in place. We have approved social media procedures in place and a strong social media presence. We have formal external communications procedures in place. We have formal crisis management procedures in place. We have approved ethics and anti-corruption policies in place. We have ethics risk assessment and a management plan in place. We conduct an annual internal communications survey.

KEY RISKS continued

11 BUSINESS INTEGRATION AND OPERATIONAL PLANNING

Nature of Risk	Mitigation Measures and Controls
Not being able to effectively execute operational objectives as a result of a lack of strategic and operational planning, an erosion of skills, a lack of business intelligence, poorly managed project implementation and incorrect resource allocation could impact on our services offering and reputation and cause stakeholder dissatisfaction.	Various strategies are in place to provide a framework for business recovery and growth to 2030. Our Operational Plan is fully aligned with our Recover and Strategy and our Growth Strategy. We review performance against the Operational Plan on a biannual basis and submit reports to the Board for review. We have reviewed all our business processes to allow for the impact of the COVID-19 pandemic and other external events and they have been adapted to enable us to deliver on our strategic objectives. We have well-established operational governance procedures. Our governance structures and the delegation of authority is regularly reviewed. We conduct regular customer and stakeholder surveys to continuously align our infrastructure and services with changing demand.

OUR MATERIALITY CONTEXT

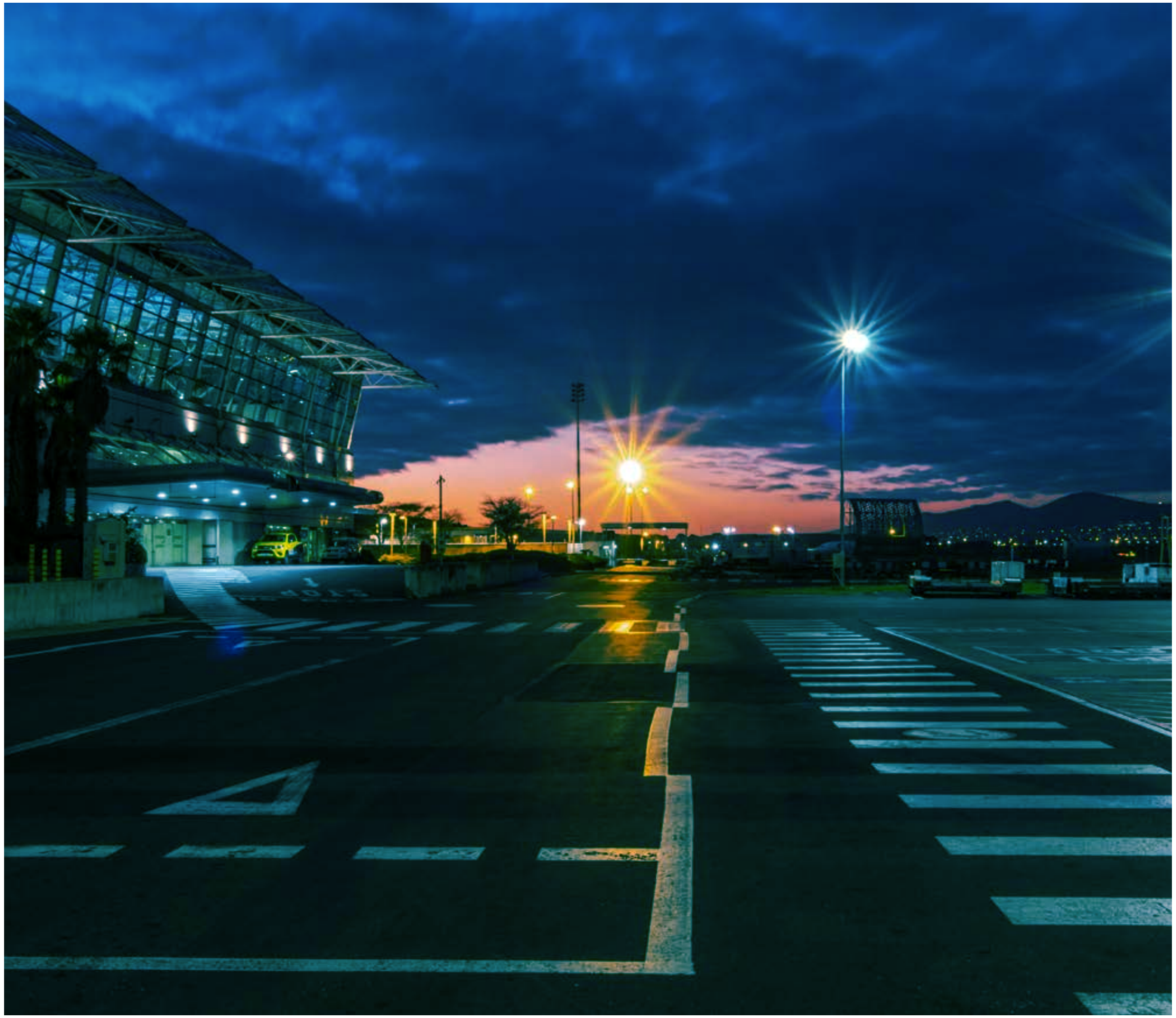
In addition to identifying the top risks we face in the current operating environment, we identify the most significant economic, environmental, social and governance matters that have the potential to impact on our ability to create sustainable value.

Matters that are material to the sustainability of our business relate to our internal and external operating environment, key stakeholder concerns and the risks that may or do impact on our business. Consideration of these matters informs our business model, strategy, capital resource allocation and stakeholder engagement process.

Material matters are identified by drawing information from a range of sources, as indicated in the analysis below.

Material matters analysis

The advent of the COVID-19 pandemic, together with subsequent events like the war in Ukraine, the global cost-of-living crisis and jet fuel shortages, have radically changed the environment in which we operate as well as stakeholder expectations and perceptions. The following analysis examines matters that are material to the sustainability, success, and growth of our business. In each case, we describe the nature of the matter, our response to it, the impact of our response on our stakeholders, the strategic objectives of that response, the risk areas it relates to and the immediate considerations or outcomes we have to consider as a business.



OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Macroenvironmental Instability

Description	The process of globalisation, rapid technological development, the impact of the COVID-19 pandemic, the effects of the war in Ukraine and the global cost-of-living crisis have all resulted in greater socio-economic instability around the world. As societies and economies are now so interconnected and interdependent, no single economy can be said to be insulated from external shocks, over which they may have little or no control. The COVID-19 pandemic, in particular, has had a fundamental impact on the way in which societies are organised and operate. While South Africa as a nation and we as a Group are slowly recovering from this disruptive event, it is difficult to determine how long it will take to regain the ground that has been lost, especially with added complications ate home. This makes accurate predictive modelling difficult and mitigation strategies are therefore provisional by nature.
Our response	Our response to both external and internal shocks during the past three reporting periods has been to adopt a scenario planning approach to strategy and operational planning in order to ensure that we remain flexible and agile as an organisation. We continue to use this approach within the greater framework of our three strategic pillars: Run Airports, Develop Airports and Grow Footprint.
Impact on stakeholders	COVID-19 pandemic-related lockdowns around the world closed off certain markets altogether, influenced passengers' ability to travel and affected the ability of suppliers and service providers to operate. Locally, this was exacerbated by dips in both investor and consumer confidence following such significant events as the civil unrest of July 2021, the flooding in KwaZulu-Natal in April 2022 and the implementation of the country's most severe and persistent period of load-shedding in September 2022. More specifically, the aviation sector was impacted by the reduction in the number of international flights during the height of the COVID-19 pandemic and by the closure of Comair and Kulula in June 2022, which reduced domestic seating capacity by 40%. We nevertheless managed to gain a firm recovery position during the 2022/23 financial year and continue to focus on sustaining and growing our business, diversifying our revenue streams, delivering innovative digital solutions, engaging all our stakeholders, building our brand, and providing service excellence that reflects international best standards.

Strategic objectives	• Secure business and financial stability • Maintain a clear focus on our three strategic pillars • Plan for future growth • Transform and diversify our business • Maintain operational excellence • Manage safety and security • Focus on digital innovation • Strengthen our reputation • Manage the impact of change on our people and culture
Risk areas	• Business sustainability • Financial sustainability • Regulatory uncertainty • Business diversification • Safety and security • Digital transformation • Cyber security • People strategy • Business integration and operational planning

Immediate considerations and/or outcomes

Ongoing uncertainty, both locally and internationally, means there is inevitably some level of ambiguity in our predictive models and risk mitigation strategies. We nevertheless continue to manage the business according to the Recover and Sustain Strategy and the revised Financial Plan adopted in 2020, the Growth Strategy approved by the Board in 2021 and by the most recent iteration of our Corporate Plan, which was approved by the Board in February 2023.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Transformation

Description	Our mandate requires us to make a positive contribution to the socio-economic transformation of South Africa by promoting inclusive growth that boosts the economy, creates jobs, and empowers people. We strive to transform our business, our people, our society, and our environment in order to address inequality, strengthen our democracy and promote sustainable use of environmental resources.
Our response	Internally, we are consistently transforming our organisation through our People and Culture Strategy, our approach to employment equity, our policies and procedures, our management controls, and our educational and skills development programmes. Externally, we focus on forming empowerment partnerships through preferential procurement agreements and enterprise development programmes in seven different sectors. As a State-owned Group, we believe our approach to value creation must be focused on addressing the legacies of the past as well as on current socio-economic imbalances. We also aim to deracialise our organisation and our society to achieve broad-based fairness and equity. In order to advance our transformation agenda, we focus on five priority areas: Strengthening black-owned businesses through our procurement practices; improving market access for new black entrants in the aviation and related sectors; promoting access to funding through strategic partnerships with financial institutions; providing training and upskilling opportunities; and building capacity in the small and medium enterprise sector. We work to achieve this through skills development programmes, enterprise, and supplier development programmes, sustainable socio-economic development programmes and corporate social investment within our business, communities, and the country.
Impact on stakeholders	Our focus on broad-based transformation provides advancement opportunities for our employees in line with legal requirements and our transformation agenda. It also provides access to transformation opportunities for our suppliers, particularly local small, medium, and micro suppliers and service providers as well as black-owned businesses. On a broader basis, we empower communities through our socio-economic development programmes.

Strategic objectives	• Secure business and financial recovery, sustainability, and growth • Contribute to broader socio-economic transformation
Risk areas	• Transformation • Business sustainability • Financial sustainability • Business diversification • Regulatory compliance • Brand and reputation • Business integration and operational planning

Immediate considerations and/or outcomes

Reduced revenue and profits due to the impact of the COVID-19 pandemic and other external events will inevitably result in constraints within the Group and lower contributions to transformation and socio-economic development. As revenue improves, these contributions will also improve.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Economic Regulation

Description	Our aeronautical income is derived from regulated charges or tariffs. These comprise aircraft landing and parking charges and passenger services charges, which are reviewed in three-year cycles. The Airports Company Act (No. 44 of 1993) provides for an independent statutory body, the Regulating Committee, to oversee the economic regulation of the Group but the unpredictability of decision-making regarding regulated charges impacts on long-term financial and infrastructure planning and decision-making. We have submitted a new permission application for the 2023/24 to 2027/28 financial years. An increase of 17.5% has been applied for in each of the first two years followed by zero increases. There were delays with the submission of the application and, to mitigate this, the Regulating Committee has granted an interim increase linked to CPI for the 2023/24 financial year.
Our response	We consistently engage with the Economic Regulator regarding the best regulatory framework within which to facilitate our road to recovery and to create a platform for future growth. We also engage with the Department of Transport on an ongoing basis.
Impact on stakeholders	A lack of predictability relating to our aeronautical revenue impacts on our ability to plan and invest in the necessary infrastructure to meet future demand. This, in turn, impacts on stakeholders that operate within our aviation ecosystem such as airlines, passengers and tenants, as well as on the broader South African economy.

Strategic objectives	• Secure business and financial recovery, sustainability and growth • Support internal and external transformation
Risk areas	• Business sustainability • Financial sustainability • Regulatory uncertainty • Business diversification • Business integration and operational planning

Immediate considerations and/or outcomes

Constraints on revenue generation resulting from the regulatory model limits growth opportunities and places pressure on the generation of non-aeronautical revenue.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Digital Technologies and Cyber Security

Description	Rapidly evolving digital technologies enable us to improve our operational efficiencies, levels of innovation, stakeholder satisfaction, and our safety and security. Most of our stakeholders continue to demand innovation and readily embrace new initiatives. While advances in technology and digitalisation represent many opportunities, we are alert to the risks associated with these, especially the risk of cyber attacks, which has increased exponentially since the advent of remote and hybrid working.
Our response	Our Digital Strategy ensures that we adopt and leverage appropriate digital technology in order to enhance operational efficiencies and the customer experience while simultaneously protecting our systems and information. During the pandemic, several initiatives in the Digital Strategy were placed on hold because of financial constraints. Key initiatives were nevertheless identified and prioritised and funds were made available for these to ensure that our operations remained safe and efficient. Microsoft has since committed an investment of USD10 million, (approximately R180 million to R200 million) to the ACSA Security Operations Centre (SOC), which is to be disbursed over the four years from 2023 to 2027. This is to assist with the process maturing our business as a whole and securing our systems against evolving cyber threats. This investment is being used to: • Formalise a Target Operating Model for the SOC • Facilitate the development of the SOC Change Management and Awareness Strategy • Define efficiency processes and streamline existing SOC processes • Define current state architecture and future state architecture for the ACSA Cloud and On-Premises Microsoft estate • Align, detect, respond, and recover capabilities within ACSA Cyber Security Strategy with international best practice and baselines • Embed a DevSecOps capability into the ACSA IT environment
Impact on stakeholders	Our increased use of digital technology has enabled us to process passengers more safely, efficiently, and conveniently, engage with multiple stakeholders online, and provide a digitally enabled working environment for our employees. It has vastly improved our operational, financial management and communications capabilities.

Strategic objectives	• Increase business efficiency, stakeholder satisfaction, and safety and security • Comply with all legal and regulatory requirements • Constantly introduce new innovations • Protect our business against cyber attacks • Secure our reputation as a leading airports management group • Create a solid and sustainable digital platform for growth
Risk areas	• Business sustainability • Financial sustainability • Business Diversification • Safety and Security • Digital Transformation • Cyber Security • Regulatory Compliance • Brand and Reputation • People Strategy • Business Integration and Operational Planning

Immediate considerations and/or outcomes

Technological advancement and digitalisation require a high level of capital investment. While some investments have been postponed in the short-term in order to secure liquidity, higher cost implications will begin to become evident in the medium- to long-term.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Digital Technologies and Cyber Security

Description	Growth in the domestic, regional, and international environments remains a key focus of our strategy. While our short-term focus is on securing our post-COVID-19 pandemic recovery and navigating current challenges, our medium- to long-term focus is on rebuilding and extending our network, especially in the wake of so many routes having been suspended during the COVID-19 pandemic. In order to secure and develop our footprint, we will continue to actively seek opportunities that provide alternative sources of revenue and improve our long-term sustainability in South Africa, Africa and around the world. Among other measures, we will respond to the opportunities presented by the African Continental Free Trade Agreement (AfCFTA), support tourism growth both locally and internationally, and increase our infrastructural capacity to support the import and export of cargo. We will continue to improve the overall passenger experience, develop digital innovations, and diversify our business. The implementation of our Aerotropolis Strategy will present opportunities for smart technology-based developments around O.R. Tambo, King Shaka and Cape Town International. The development of these facilities, supported by a focus on business intelligence, digitalisation, technical advisory and consultancy service capability will enable us to grow our footprint significantly.
Our response	To support our Recover and Sustain Strategy and our Growth Strategy, an enhanced operating model backed by a fit-for-growth Capability Model has been developed and is being implemented.
Impact on stakeholders	The diversification of our revenue streams is reducing our dependence on aeronautical revenue and our debt-to-finance ratios. The recovery and growth of our business is creating employment opportunities and stimulating economic activity both within and beyond our operations.

Strategic objectives	• Secure recovery and create a solid platform for growth • Secure business and financial sustainability • Diversify our business • Transform our business and contribute to broader socio-economic transformation • Grow our footprint • Support economic growth and job creation
Risk areas	• Business sustainability • Financial sustainability • Business diversification • Safety and security • Digital transformation • Cyber security • Regulatory compliance • Brand and reputation • Business integration and operational planning

Immediate considerations and/or outcomes

By diversifying our revenue sources, we are reducing our dependence on aeronautical revenue and creating a more robust and sustainable business.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Safety and Security

Description	We constantly review our safety and security model and benchmark it against international best practices. We continuously engage with our law enforcement partners and invest in security enhancements, including integrated communications systems. Prevention and threat response procedures are in place to deal with crises should they arise and to ensure both personal safety and continuity of operations. This integrated safety and security approach throughout our environment is essential to provide airport security and aviation security in general.
Our response	We continue to engage with various stakeholders, including the South African Civil Aviation Authority (SACAA) and our law enforcement partners, and to invest in security advancements to mitigate safety and security risks. Preventative and threat response procedures are in place at all our airports to deal with crises should they arise and to ensure personal safety and the continuity of operations.
Impact on stakeholders	Our airports continue to remain free of major safety incidents or security breaches.

Strategic objectives	• Provide a safe and secure environment for all of our stakeholders including our staff • Ensure that we have robust threat identification and prevention measures in place • Ensure that we have well-defined crisis response procedures in place • Ensure that we are able to secure business continuity in the events of a crisis • Secure our data and IT systems
Risk areas	• Business sustainability • Financial sustainability • Safety and security • Digital transformation • Cyber security • Regulatory compliance • Brand and reputation

Immediate considerations and/or outcomes

Increased safety and security measures come at a financial cost but also improve efficiency and have a positive influence on the overall passenger experience. It is therefore necessary to balance the need for best-practice levels of safety and security against the financial cost of implementing these measures.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Funding

Description	Negative perceptions of South Africa's economic prospects and of poor financial management in the public sector continue to be a significant issue. Together with current constraints on our core revenue, our ability to access affordable funding may be affected by this and it may become a significant material threat to the long-term financial sustainability of our business.
Our response	Throughout the past three periods, we have been able to secure affordable funding, most notably by taking a loan from the Development Bank of Southern Africa (DBSA) and by issuing preferential shares. We sold our stake in Mumbai International Airport Private Limited in FY2021/22. During FY2022/23, the Group maintained a positive cash position and new debt funding will not be required during the current period.
Impact on stakeholders	The quality of the services we provide could be affected by ageing infrastructure and/or a lack of capacity. This, in turn, would impact negatively on our business and financial sustainability,

Strategic objectives	• Secure business and financial sustainability • Fund the diversification of the business • Maintain and develop infrastructure • Support innovation • Provide quality services aligned with international best practice • Provide optimal safety and security • Fund digital transformation and cybersecurity • Secure our reputation • Support internal and external transformation
Risk areas	• Business sustainability • Financial sustainability • Regulatory uncertainty • Business diversification • Safety and security • Digital transformation • Cyber security • Regulatory compliance • Brand and reputation • Business integration and operational planning

Immediate considerations and/or outcomes

Our ability to access affordable funding influences our ability to maintain our existing assets and embark on major infrastructure projects and programmes. Limited capacity to secure funding would affect our ability to implement our strategic objectives, earn revenue and remain financially sustainable. Conversely, the cost of funding means that we need to be selective about the projects we undertake.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Acquisition and Retention of Skills

Description	Our employees are an essential component to our value-creation process as they have the skills needed in all aspects of our business. In order to manage our skills mix effectively, we attract, retain, and appropriately develop employees with critical skills, which supports our long-term sustainability. The COVID-19 pandemic did, however, impact on our ability to retain, develop and acquire skills and the effect of this is still being felt.
Our response	The human resources cost-reduction programme we had to undertake in FY2020/21 and FY2021/22 resulted in many experienced employees leaving the Group and required both a freeze on recruitment and a reduction in training and development spend. Although these changes impacted on the organisation, our HR Optimisation Procedures mitigated their effect and enabled us to ensure business continuity. For example, they gave us the flexibility to deploy resources to areas of the business in which there were serious constraints and to insource certain activities that had previously been outsourced. This process presented us with the opportunity to re-evaluate the skills needed to ensure long-term sustainability in line with our Recover and Sustain Strategy, Operating Model and Governance Framework. Our People and Culture Strategy has provided a strong framework that has enabled us to retain institutional knowledge, develop skills where necessary and attract key employees as our recovery gains momentum. We continue to support our employees through a competitive remuneration mix. Additional benefits such as our housing and transport schemes and our bursary initiatives have, however, undergone several changes to ensure the long-term sustainability of the programmes. Externally, we have continued our support of skills development initiatives through our enterprise development programmes. While these programmes have also been affected by financial constraints brought on by the COVID-19 pandemic, we remain committed to contributing to job creation, in particular for the youth and within areas where there is a skills scarcity.
Impact on stakeholders	Through active consultation with our staff and other stakeholders, we were able to implement our human resources cost-reduction programme ethically and effectively, with many employees opting to take voluntary retrenchment packages. Our remaining employees did, however, experience increased work pressure in the wake of this and we are now working to normalise this situation.

Strategic objectives	• Secure business and financial sustainability • Manage human resources ethically and effectively within the constraints of a dramatic reduction in revenue • Manage the impact of the pandemic on our people and culture • Put appropriate measures in place to recover from the impact of the pandemic
Risk areas	• Business sustainability • Financial sustainability • Safety and security • Brand and reputation • Business integration and operational planning

Immediate considerations and/or outcomes

As a result of the organisational realignment necessitated by the pandemic, the nature of some roles has changed, and we foresee that others will cease to exist as the environment in which we operate changes. We are therefore focusing on continuous training and re-skilling, not only to retain our employees and the institutional knowledge they have, but also to reduce the need to acquire skills at significant cost.

OUR MATERIALITY CONTEXT continued

MATERIAL MATTER: Natural Environment

Description	We consistently strive to reduce the impact our operations have on the environment through the effective management of aircraft noise, air pollution, bird and wildlife strikes, land, water, electricity, fuel, and waste but our environmental impact is nevertheless linked to operational intensity. In times of growth, our impact increases and in times of reduced operations – such as in the past three reporting periods – our impact decreases.
Our response	We are proactive in the management of our impact through our environmental management system, which is ISO 14001 accredited. We also participate in the ACI's Airport Carbon Accreditation programme to ensure that we manage our carbon emissions optimally and are aiming to reach net zero emissions by 2050. In addition, we generate our own power at four of our airports, which have fully operational solar farms. A fifth is currently in development. Finally, we are investing in research to explore long-term green energy and even green fuel options. We aim to be carbon neutral by 2050. Despite the financial constraints resulting from the COVID-19 pandemic, we have remained compliant with all legislative and regulatory requirements and continue to implement measures to manage our impact on the environment.
Impact on stakeholders	ACSA's environmental impact was significantly reduced during the pandemic due to reduced operations, but this is naturally increasing as operational levels recover.

Strategic objectives	• Maintain compliance with legislation, regulation, and international best practice in environmental management • Maintain the power generating capacity at our current solar farms and work towards commissioning the one currently under development • Maintain existing ACI accreditation and continue to reduce emissions in a phased manner • Maintain and consistently improve our skills capabilities in environmental management • Explore innovations in green energy and green fuel
Risk areas	• Business sustainability • Financial sustainability • Safety and security • Regulatory compliance • Brand and reputation • Business integration and operational planning • People strategy

Immediate considerations and/or outcomes

While our negative impact on the environment was significantly reduced during the past three periods, we recognise that it is now increasing again as operations recover. We therefore continue to strengthen our strategies, systems, and procedures to mitigate this impact, which we are doing in partnership with various stakeholders.

STAKEHOLDER ENGAGEMENT

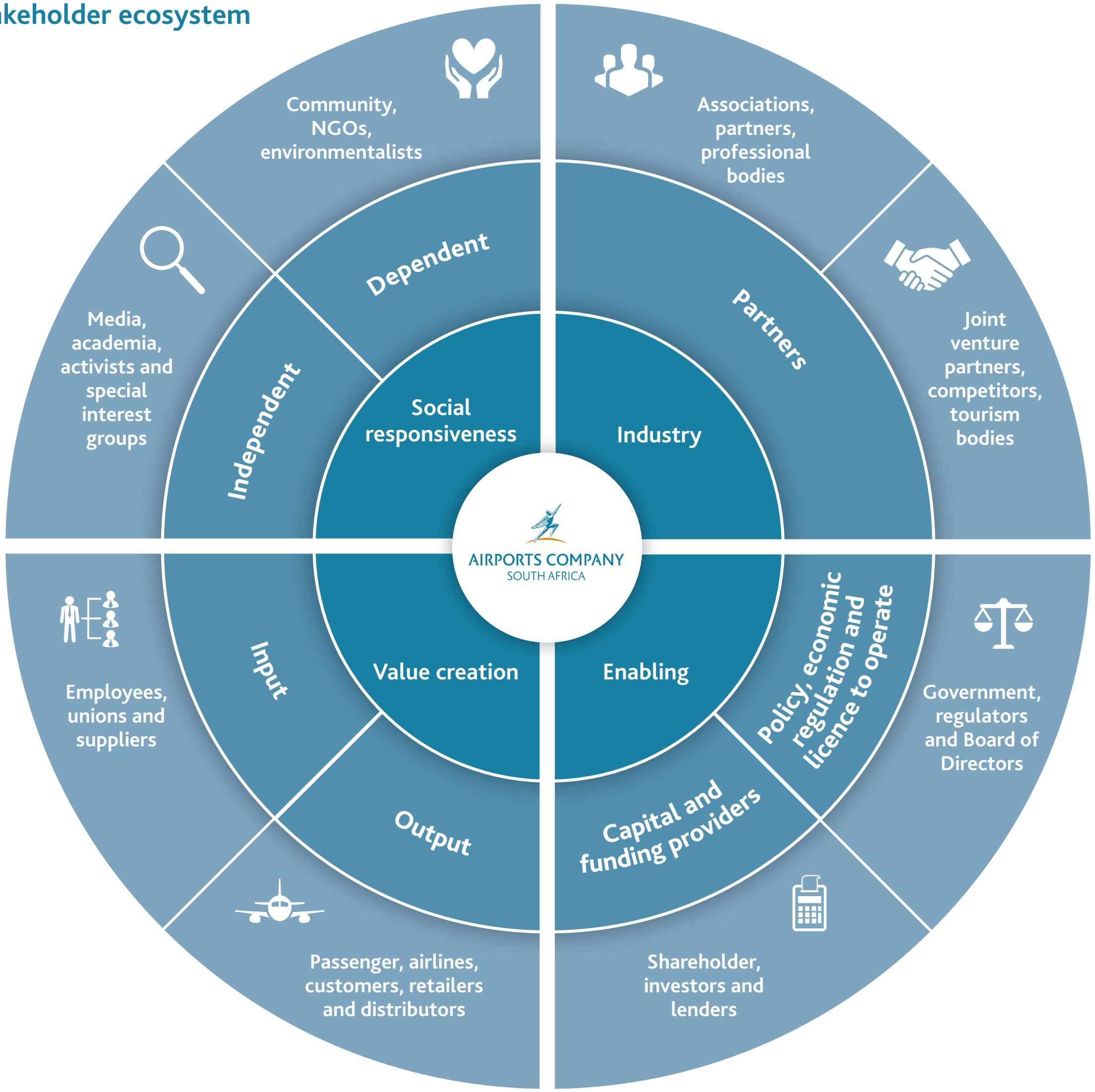
Stakeholders are at the heart of everything we do and, since 2018, we have been working to become more stakeholder-centric throughout our organisation. Guided by our Stakeholder Relations Management Strategy, which is aligned with our Recover and Sustain Strategy and our Growth Strategy, we are increasing our level of stakeholder engagement and being more proactive in all situations. We are aware of the critical role that stakeholders play in value creation and our long-term sustainability, and we are playing an active role in nurturing and enriching those relationships.

In particular, we continue to prioritise engagement with government, the financial community, the aviation industry, and the private sector about key issues such as business sustainability, funding, and the operation of airports according to best-practice operational and environmental guidelines.

Stakeholder groups

As the operator responsible for running the country's nine largest public airports, our stakeholder groups extend throughout society and the economy. The following diagram broadly illustrates the stakeholder ecosystem we engage with on an ongoing basis.

The Stakeholder ecosystem



STAKEHOLDER ENGAGEMENT continued

Stakeholder categories and methods of engagement

During the review of our Strategy 2025 in 2020, we updated the way in which we categorise our stakeholders in order to facilitate more active and effective engagement. The following tables illustrate how we categorise our stakeholder groups and the strategies we employ to engage with them.

Value Creation

Stakeholder category					
Passengers, airlines, tenants and concessionaires			Internal stakeholders		
Stakeholder group					
Passengers and customers	Domestic and international airlines	Tenants and concessionaires	Employees	Unions	Board of Directors
Engagement approaches					
Traditional media, digital platforms	Meetings	Meetings and group presentations	• CEO live broadcast • Virtual Town Hall sessions	Consultation sessions	Board meetings

Enabling

Stakeholder category							
Oversight and regulation				Shareholders	Finance community		
Stakeholder group							
DoT National Treasury	Economic Regulating Committee	National Treasury	Portfolio Committee on Transport	DoT, PIC, minority	Investors	Lenders	Moody's
Engagement approaches							
• Annual general meetings • Shareholder meetings • Quarterly meetings • Parliament presentation	• Quarterly scheduled Meetings • One-on-one update meetings	Quarterly scheduled meetings	Oversight visits Parliament presentation	• AGMs • Scheduled update meetings on business recovery, corporate plan and financial plan	• Investor virtual Conference • Meetings	• Investor Roadshows • One-on-one meetings	One-on-one meetings

STAKEHOLDER ENGAGEMENT continued

Social Responsiveness

Stakeholder category				
Independent stakeholders	Dependent stakeholders			
Stakeholder group				
Media	Community	NGOs	Environment	Activists and special interest groups
Engagement approaches				
• Interviews • Media briefings meetings	Meetings			

Industry

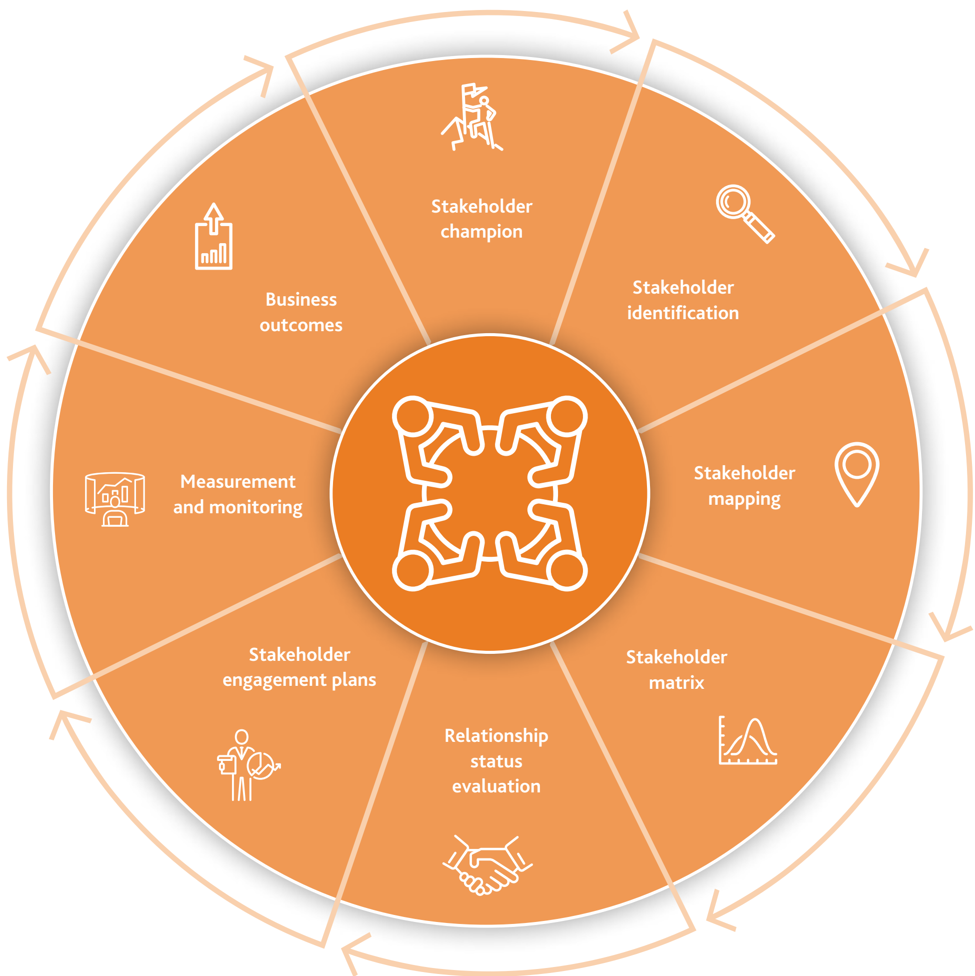
Stakeholder category				
Industry bodies			Private sector	
Stakeholder group				
Associations	ACI, ICAO, IATA	Tourism bodies	Partners Air Access	Joint venture partners
Engagement approaches				
Meetings	Conferences and forums	Meetings and forums	Meetings	Meetings

STAKEHOLDER ENGAGEMENT continued

Stakeholder engagement cycle

Engagement with our stakeholders is conducted according to established procedures. The following diagram outlines the way in which we continuously engage with our stakeholders.

Cycle of stakeholder engagement plan development



07 TRANSFORMATION

Transforming our business and contributing to broader socio-economic transformation

OUR APPROACH TO TRANSFORMATION

We have embedded an integrated, collaborative, and sustainable approach to transforming our business, our people, society, and the management of the natural environment within our strategy and business model. As a state-owned entity, this is aligned with the National Development Plan, and we regard transformation – both within our organisation and in society as a whole – as fundamental to our value-creation story.

Our commitment to improving the lives of historically disadvantaged South Africans through a wide range of initiatives has always gone beyond the requirements specified by legislation, focusing on tangible outcomes to promote socio-economic stability, improve living standards, strengthen our democracy, and manage our impact on the natural environment.

We see transformation as a process that eliminates the barriers to inclusion and creates new opportunities; a process that contributes to inclusive growth and fosters a sustainable future for everyone who lives, works, and travels in our country. We also acknowledge the environmental impact of our operations and are committed to managing this responsibly.

Some of our transformation initiatives naturally had to be curtailed during the COVID-19 pandemic, but we continued to meet all regulatory requirements and to do whatever our resources enabled us to do. Now that we have achieved a firm recovery position, we are slowly resuming our strategic transformation agenda. While the hiatus in the implementation of our transformation initiatives negatively affected our immediate ability to transform our people, supplier base, stakeholders and society, the radical reduction in our operational activities in both the FY2020/21 and FY2021/22 reporting periods had the positive effect of reducing our environmental impact.

Over the past three periods we continued to track progress against our revised transformation policy and barometer, entrenching our objectives in our company KPIs. We also maintained our B-BBEE Level 2 accreditation as well as our ACI Airport Carbon Accreditation.

Transformation Summary

B-BBEE ACCREDITATION

Level 2

(FY2021/22: Level 2)

ACI AIRPORT CARBON ACCREDITATION CERTIFICATION

Level 2 certification

at four airports

(FY2021/22: Level 2 certification at four airports)

BLACK BUSINESS SHARE OF REVENUE GENERATED

50%

(FY2021/22: 42%)

NUMBER OF JOB OPPORTUNITIES SUPPORTED

16 225

(FY2021/22: 17 130)

OUR APPROACH TO TRANSFORMATION continued

Integrated Transformation Agenda

Objectives

1 Develop our people and society

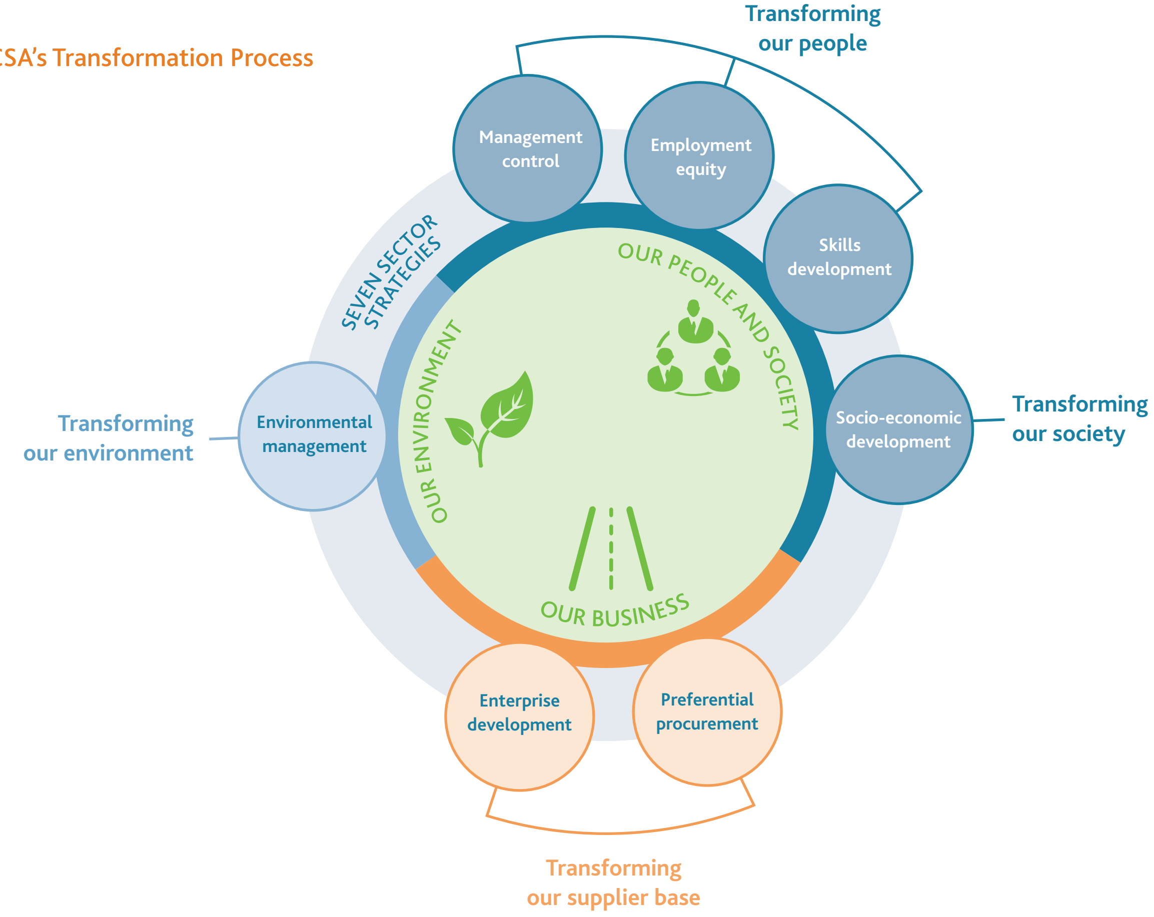
2 Strengthen our democracy

3 Manage our environmental impact proactively and ethically

Commitments

- Support and develop our people through employment equity practices, skills development, an ethical culture, and market-related remuneration.
- Support socio-economic activities that empower and develop the communities located around our airports.
- Develop small, medium, and large enterprises aligned to our strategy in order to support socio-economic stability and growth.
- Manage our impact on the natural environment in a proactive and ethical way.

ACSA's Transformation Process



TRANSFORMING OUR PEOPLE

While our ability to meet the internal transformation objectives originally defined in our Strategy 2025 was curtailed by the pandemic, we have successfully adapted to an entirely new socio-economic and operating environment. Within the framework of our Recover and Sustain Strategy, we are implementing the People and Culture Strategy that was approved by the Board in the previous period. This sets out realistic short- and medium-term transformation objectives.

The key objectives of the plan are to design a smart and flexible organisation, energise our workforce, build high-performance teams with future-focused skills, entrench an ethical culture, enhance our carbon intelligence, continue to enable hybrid working, and strengthen our commercial agility.

The Human Resources division also led the process of developing both our Revised Governance Framework and Operating Model, which take new realities into account. The new framework and model were developed to enable us to become a leaner and more agile organisation without having to compromise our transformation agenda.

Management control

The appointment of a new CEO and CFO in the first half of 2020 brought stability to the business at a critical time. Throughout the period to 31 March 2023, they and the other members of the Board provided the strong and consistent leadership necessary for us to navigate the monumental challenges we had to face. In this, they were supported by the Group's Executive Committee and the Management Committees in all of the operating units.

Employment equity

Budget constraints during the pandemic meant that we had to put all but the most essential appointments on hold and delay the implementation of certain company-wide initiatives to enhance employment equity. However, as soon as the State of Disaster was lifted, we undertook a process of developing a revised Employment Equity Plan, which was approved on 18 November 2022. Further revisions are in progress to address evolving issues within the business.

The focus of the plan is to drive a transformation mindset throughout the organisation by ensuring that we attain and retain a diverse workforce, support the development of black-owned businesses, and promote youth development. These objectives are a day-to-day reality in the organisation where, for example, the Human Resources division spent 98% of its budget for the reporting period with B-BBEE suppliers, significantly exceeding its target of 80%.

As in all aspects of our business, we continue to consult closely with our employees and their union representatives regarding our transformation targets.

Employee demographics

We also remain committed to maintaining a workforce that is representative of the demographics of the economically active population of South Africa. While absolute employment numbers have decreased since the voluntary retrenchment programmes of 2020 and 2021, representation continues to be broadly on a par with national targets for each demographic group, with a few exceptions.

As at 31 March 2023, the total employee population was 2 448 (FY2021/22: 2 439), with black representation being 96.3%, 5.1% higher than the national benchmark for this demographic. Black males are, however, slightly underrepresented, making up 42.3% of the employee population against a national target of 43.7%. White males and white females are more significantly underrepresented, with white males making up 2.2% of the employee population against a target of 5.1% and white females making up 1.5% against a target of 3.9%. The number of employees with disabilities increased from 50 in the previous period to 51 due to the recruitment of three interns on fixed-term contracts.

With this in mind, the Employment Equity Plan will continue to be socialised with line management and organised labour to ensure that targets are achieved within the underrepresented demographics.

TOTAL NUMBER OF EMPLOYEES
2 448
(FY2021/22: 2 439)

BLACK REPRESENTATION
96%
(FY2021/22: 96%)

FEMALE REPRESENTATION
48%
(FY2021/22: 48%)

PERMANENT EMPLOYEES
2 297
(FY2021/22: 2 430)

TEMPORARY EMPLOYEES
72
(FY2021/22: 1)

YOUNG TALENT EMPLOYEES
79
(FY2021/22: 8)

EMPLOYEES WITH DISABILITIES
51
(FY2021/22: 50)

EMPLOYEE TURNOVER RATE
7%
(FY2021/22: 12%)

TRANSFORMING OUR PEOPLE continued

Skills development

In compliance with Transport Education and Training Authority (TETA) requirements, we submitted a comprehensive Workplace Skills Plan for the reporting period. Drawing on input from line managers throughout the business, the plan focused on:

- Fulfilling the business's strategic objectives
- Implementing each division's business plan
- Regulatory training
- Workforce optimisation
- Continuous Professional Development and
- Transformation

> While young people between the ages of 18 and 35 are a primary focus for us, access to skills development and further education and training is available to all employees, up to and including those at executive level.

The realities of budget constraints nevertheless continued to be felt throughout the reporting period and only 40% of the required budget was approved for expenditure. The first tranche of R5.5 million was used to cover outstanding invoices from the previous period, bursary obligations and aviation security training requirements. No new bursaries were offered during the period but, as in the previous two periods, we maintained our commitments to existing bursary holders.

The second tranche of R4.5 million was used to meet regulatory training requirements for 446 employees, TETA learnership requirements and bursary obligations for the 2023 academic year, with the total investment in maintaining bursaries amounting to just over R1.3 million. Training in International Global Report Formatting was also conducted, and 77 employees were trained in this area. Mandatory and regulatory training is conducted through the Training Academy and 1 890 employees were trained in the three core areas of safety, security, and fire and rescue.

In addition to this training, we continued to implement the Board-approved Commercialisation Strategy for the Training Academy, which is focused on nine priority areas. These include the development of the campus itself, the development of the Virtual Academy and the ongoing accreditation of the Academy as a whole.

The Training Academy is the only aviation security training centre in the sub-Saharan region and has been accredited to provide training since 2004. This accreditation is based on ad hoc audits by various authorities throughout the year and has to be renewed annually so that we can continue to offer accredited courses in line with our Commercialisation Strategy.

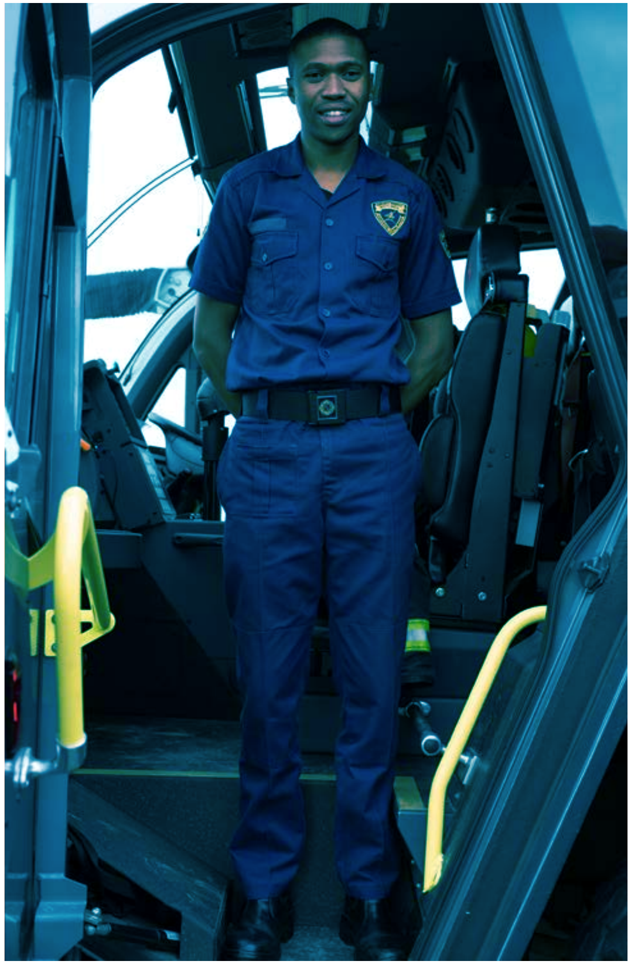
The Academy is also in the process of applying for accreditation with the various SETAs, which will ensure that the courses we offer are certified by the South African Qualifications Authority (SAQA) and count as credits towards various diploma and degree courses.

With our business focus diversifying and shifting to concentrate on building non-aeronautical revenue, we recognise what a critical role the Academy has to play in capacitating the organisation for future sustainability and success.

Skills audit

Similarly, we recognise that the organisation has undergone significant changes during the past three periods and that this has led to a loss of skilled workers, specific capabilities, and organisational knowledge.

As our business recovers from the COVID-19 pandemic, it is therefore necessary to conduct a skills audit, which will help us to assess the capabilities of our current workforce and identify areas for improvement. The results of this audit will help us to develop targeted training programmes, improve employee engagement and retention, and ultimately drive business growth and success. The procurement of an external supplier to conduct the audit is currently being finalised.



TRANSFORMING OUR SUPPLIER BASE

2019

- Assisting black-owned SMMEs in construction, with accessing markets by setting black-owned thresholds and subcontracting terms
- Assisting black-owned SMMEs in construction, and property with accessing funding by setting shorter payment periods and accepting other forms of guarantees

2020

- 40% of IT to black-owned, women-owned, and youth-owned SMMEs
- Spent R1 million from 2020 to 2023 on upskilling black-owned IT SMMEs

2021

- Partnership with Development Finance Institutions (DFI) and commercial banks for funding – Enterprise supplier development Incubation Fund
- ACSA Business Incubation Programme
- Skills transfer through partnership with franchisors, brand owners in commercial sectors

2022

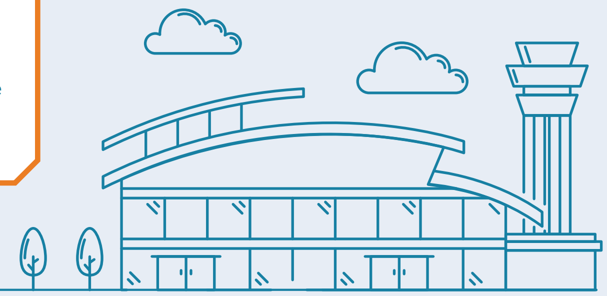
- Began implementing inclusive procurement practices for commercial sector

2023

- Use a property management company as entry for facilities management services

2025

- 60% increase of ownership to black business within the commercial sectors
- Duty-free joint venture with black-owned equity partner



Our Economic Transformation Strategy

– as illustrated by our transformation runway – was developed and adopted in the 2019/20 financial year. This strategy highlights key initiatives in seven sectors, namely advertising, car rental, retail, construction, ICT, property, and ground handling.

TRANSFORMING OUR SUPPLIER BASE continued

Seven key sectors

Our strategies in the seven key sectors we have identified are focused on preferential procurement and enterprise development. In the advertising, car rental and retail sectors, we engage in non-aeronautical revenue-generating commercial activities and contribute to the transformation of suppliers and service providers through various enterprise development initiatives.

In the ground handling sector, we do not engage in any commercial activities but contribute to transformation by setting specific transformation requirements in our ground-handling license agreements and by providing access to enterprise development opportunities.

In the construction, ICT, and property sectors, we support transformation in our supplier base through the preferential procurement of goods and services, setting procurement performance targets that are monitored and reported on using a transformation barometer dashboard.

Transformation dashboard (as at March 2023)

Employment equity progress	BLACK (A, C, I)* REPRESENTATION **96.3%** **2 358 people** EAP – 91.2%	BLACK (A, C, I)* FEMALE REPRESENTATION **46.1%** **1 128 people** EAP 40.8%	AFRICAN FEMALE REPRESENTATION **40.3%** **986 people** EAP 35.8%
Youth representation	BLACK (A,C, I)* YOUTH IN SNR. MGT. (E) AND ABOVE **0.0%** **0 people** Target : 15%	TOTAL YOUTH **29.5%** **722 people**	YOUTH IN D4 AND D5 POSITION **0.7%** **5 people**
Persons with disability	OVERALL PWD REPRESENTATION **2.08 %** **51 people**	BLACK PWD (A,C,I)* REPRESENTATION **1.9 %** **47 people**	BLACK (A,C,I)* FEMALE PWD REPRESENTATION **1.02 %** **25 people**

** African, Coloured, Indian*

Preferential procurement

At the start of the COVID-19 pandemic, we identified our top 100 suppliers and actively engaged with them about the impact the COVID-19 pandemic was having on our business and theirs. We also conducted a B-BBEE analysis of our top 20 suppliers and identified that there was a risk that their B-BBEE ratings could be downgraded due to the measures they had to take in response to the various levels of lockdown.

As part of our ongoing supplier performance monitoring process, we have actively engaged with all of these suppliers throughout the intervening period to ensure that they have been able to remain B-BBEE compliant. We have done this by using the transformation dashboard to monitor actual procurement spend against targets.

> Our revised flagship projects in construction, IT and commercial remained a priority to ensure that we were able to meet our procurement targets in these sectors regardless of the implementation of our Capital and Operational Expenditure Reduction Programme.

Construction

In line with this programme, all capacity projects, such as terminal expansions and the construction of additional aircraft stands, runways and lounges were put on hold during the COVID-19 pandemic, with the Group having to negotiate the cancellation of some 180 project contracts.

While we have now attained a secure recovery position, new passenger forecasts for FY2023/24 indicate growth of below that forecast prior to the pandemic. We are therefore adopting a conservative approach to reinstating capacity projects and those that have been approved for reinstatement will go into the planning phase before proceeding to the procurement stage. Depending on the size and complexity of the project, the planning and procurement phases usually take between six and twelve months.

As at the time of writing, we have Board permission to restart terminal expansion and modification projects at Cape Town International Airport, Chief Dawid Stuurman International Airport in Gqeberha (previously Port Elizabeth) and King Phalo Airport in East London. We have also received permission to reinitiate the refurbishment of the cargo precinct at O.R. Tambo International Airport and the refurbishment of the runways at Bram Fischer International Airport in Bloemfontein as well as at Kimberley Airport.

> Despite budget constraints, we have also continued to contribute to transformation through our key 10-year flagship development projects.

TRANSFORMING OUR SUPPLIER BASE continued

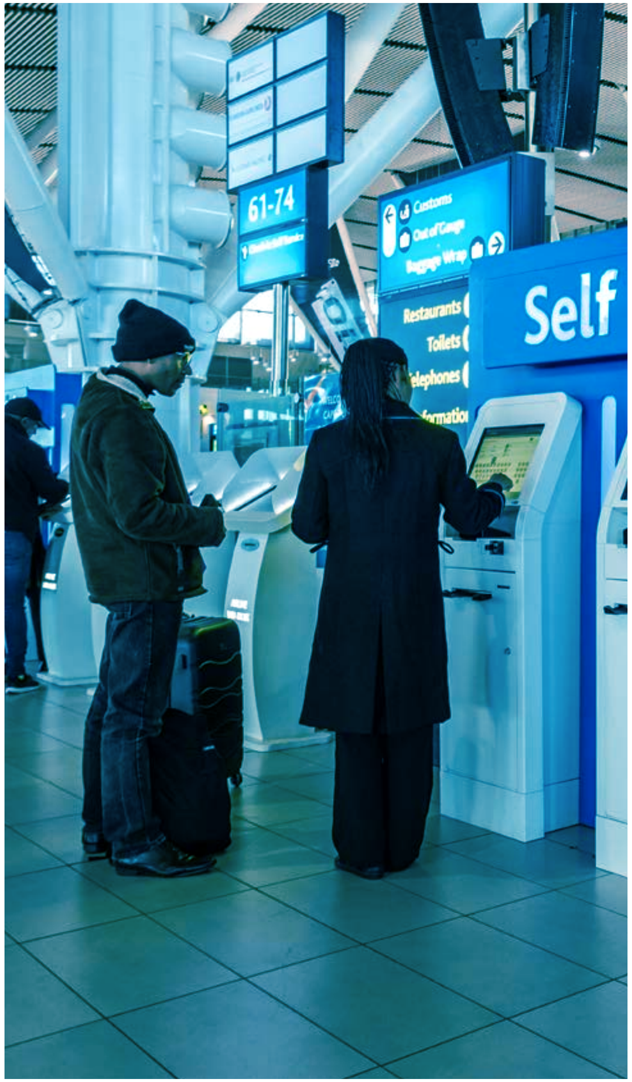
The most significant of these was the construction of the new head office complex at O.R. Tambo International, which was completed in FY2020/21. The complex consists of three buildings, all of which comply with the highest standards set by the South African Green Building Council. The Council is part of a global network of building councils that is leading the transformation of the built environment in order to make it more sustainable and environment-friendly.

Planning on another flagship project, a new mid-field cargo terminal at O.R. Tambo, has also resumed and the environmental assessment phase is currently in progress. This R5.7 billion project will contribute to socio-economic transformation in many ways, not least through job creation and the promotion of trade.

On an on-going basis, we engage with our industry partners to enhance their understanding of our transformation journey and of how this can contribute to the success and sustainability of both our business and their businesses.

During the reporting period, our overall performance in the construction sector met target, with 80% of controllable procurement spend (R701 million) going to B-BBEE suppliers. Of this, 82% (R576 million) went to 51% black-owned suppliers, against a target of 50%, and 56% (R390.7 million) went to 30% black women-owned suppliers, against a target of 15%.

Further, R109.4 million of controllable spend supported exempt micro enterprises (EMEs), representing 15.61% of total spend against a target of 20%; R370 million supported qualifying small enterprises (QSEs), representing 53% of spend against a target of 20%; R58 million supported youth-owned enterprises, representing 8.27% of spend against a target of 20%; and R17.3 million supported enterprises owned and run by people with disabilities, representing 2.48% of spend against a target of 10%.



Information technology

Current performance on all contracted projects is in line with our IT transformation targets. The process of digitalising outdated or redundant processes is ongoing and, during the reporting period, we issued a tender for the digitalisation of our immigration and emigration processes. Our journey towards delivering a contactless check-in experience is also ongoing and a pilot programme for O.R. Tambo International Airport is currently in the planning stage. Strategic projects like these will provide secure, innovative, and resilient digital platforms to meet customer expectations and deliver on our B-BBEE commitments.

The IT sector performance shows that 53% (R567 million) of the IT budget was spent with black-owned companies, of which 26% were owned by black women, 19.9% were owned by QSEs, and 37.05% were owned by black youth or suppliers with disabilities. Of the total spend on black businesses, R397.4 million was OPEX and R170.16 million was CAPEX. Audited expenditure and percentages will be available on completion of the audit by the Auditor-General.

Commercial

Our three flagship commercial sector projects, which were put on hold in 2020, were ultimately abandoned due to prevailing trading and financial conditions as these are not conducive to large-scale transformation projects.

Revenue from black-owned business with a 51% or more black ownership accounted for 50% of all core commercial revenue from the retail, advertising, and car rental businesses. This fell short of the FY2022/23 target of 55% by five points.

TRANSFORMING OUR SUPPLIER BASE continued

Enterprise and supplier development

Our enterprise supplier development initiatives support not only large companies, but SMMEs as well. We include SMMEs in our supplier base and provide both financial and non-financial support to increase economic participation and stimulate job creation. This, in turn, supports the growth and sustainability of the aviation sector while also advancing our own transformation objectives.

With our support, SMMEs can grow into scalable businesses that have the potential to become part of our supplier development programme and, ultimately, to become preferred procurement partners.

During the course of the year, we undertook the following enterprise development initiatives:

The 2022 Entrepreneur Programme

Collaboration with the iLembe Chamber of Commerce, which supports enterprise development initiatives, continued during the reporting period. The Entrepreneur Programme is a business accelerator that aims to uncover the entrepreneurial potential in the iLembe District in KwaZulu-Natal, assist in the development of entrepreneurial enterprises and support them in the process of becoming fully sustainable.

A total of 80 entrepreneurs entered the 2022 competition and 25 finalists were selected to participate in the programme. All of the finalists committed themselves to the rules by signing a participation agreement.

Of the initial 25 entrepreneurs selected, a total of 20 completed the programme. Each of the these received a certificate of completion from the University of KwaZulu-Natal Graduate School for Business and Leadership, as well as an iLembe Chamber of Commerce membership certificate. The winners received business support funding to the value of R75 000, as well as media prizes to the value of R75 000.

Katemo General Trading (Health Food Store)

Katemo Health Food Store is a 100% black-owned business operating at Chief Dawid Stuurman International Airport and is one of the food and beverage spatial portfolio beneficiaries. An enterprise development agreement for a grant to the value of R575 000 is in place to support this SMME with equipment and start-up stock. The business is also benefitting from discounted rental to the value of R578 682 for the first three years of operation.

TRANSFORMING OUR SOCIETY

Our commitment to societal transformation is evident through our support for historically disadvantaged communities situated in close proximity to our airports, in alignment with our Socio-Economic Development Strategy. By diligently implementing this strategy, we were not only able to meet the stipulations of the Broad-Based Black Economic Empowerment Act (No. 53 of 2003), the Department of Trade and Industry's Codes of Good Practice, but also contribute to the goals outlined in the National Development Plan 2030.

AMOUNT INVESTED IN SOCIO-ECONOMIC DEVELOPMENT PROJECTS

R13.7 million

(FY2021/22: R10 million; FY2020/21: R14 million)

During the reporting period, we invested R13.7 million in socio-economic development projects throughout the country (FY2021/22: R10 million; FY2020/21: R14 million), focusing in particular on the communities in which we operate. These included projects in early childhood development, agri-processing and food technology, malaria prevention, renewable energy, food and gardening, nutrition, entrepreneurship training, carpentry and furniture making, waste management and recycling, sewing, brickmaking skills and paving, poverty alleviation, and nature conservation.

List of number of projects and number of people impacted, as at 31 March 2023

	Name of project	Amount spent	Impact (People)
1	Food Gardening Entrepreneurship & Nutrition – Gqeberha	R1 600 000	140
2	Wood Carpentry and Furniture Making – Kimberly, George	R1 396 000	90
3	Waste Management & Recycling Entrepreneurship – Kimberly, PE	R2 436000	90
4	Solar Energy Skills Development	R6846 000	10
5	Early Childhood Development (ECD) Practitioner's Training – Johannesburg	R3 675 000	40
6	Agri Processing and Food Technology – Upington	R650 000	40
7	Skills Development in Paving – Upington	R81 040	20
8	Operation Hunger Poverty Alleviation Programme	R191 529	100
9	Birdline Nature Conservation Programme – Cape Town	R799 410	15
10	Sewing Skills development Programme – Cape Town	R423 800	30

TRANSFORMING OUR SOCIETY continued

Socio-economic impact

We support and enable economic growth, transformation, and socio-economic development through our operations although our ability to do so has naturally been affected during the past three periods.

Our socio-economic impact study for the reporting period once again demonstrated how much our positive impact on communities and the national economy has been compromised by the COVID-19 pandemic, illustrating just how widespread and devastating its effects have been.

Corporate office

GDP contribution
R741 million

Employment contribution
4 734 jobs

Income contribution
R815 million

Total ACSA Group

GDP contribution
R8.4 billion

Employment contribution
16 225 jobs

Income contribution
R2.8 billion

Kimberley Airport

GDP contribution
R43 million

Employment contribution
137 jobs

Income contribution
R25 million

O.R. Tambo International

GDP contribution
R4.1 billion

Employment contribution
5 614 jobs

Income contribution
R872 million

Upington International

GDP contribution
R377 million

Employment contribution
154 jobs

Income contribution
R28 million

King Shaka International

GDP contribution
R847 million

Employment contribution
1 741 jobs

Income contribution
R343 million

Cape Town International

GDP contribution
R1 .7 billion

Employment contribution
2 002 jobs

Income contribution
R397 million

Bram Fischer International

GDP contribution
R84 million

Employment contribution
252 jobs

Income contribution
R42 million

George Airport

GDP contribution
R119 million

Employment contribution
220 jobs

Income contribution
R44 million

Chief Dawid Stuurman (Gqeberha) International

GDP contribution
R211 million

Employment contribution
399 jobs

Income contribution
R78 million

King Phalo (East London) Airport

GDP contribution
R115 million

Employment contribution
259 jobs

Income contribution
R51 million

TRANSFORMING OUR ENVIRONMENT

We proactively assess and manage the environmental impact of our operations in line with our integrated transformation and sustainability objectives. While our impact on the environment was considerably lower during the COVID-19 pandemic, this is directly related to operational activities and, as they pick up pace again, so does our impact.

We are nevertheless deeply committed to managing our environmental impact and have best-practice strategies, policies, processes, and procedures in place to do so. Ongoing engagements are held with the relevant regulators to ensure that ACSA remains compliant with its obligations regarding environmental monitoring and reporting.

ISO 14001:2015

The certification audits for all nine airports took place during the reporting period. All met the requirements of the ISO 14001:2015 Environmental Management System Standard and were duly certified. Audits will continue in line with the usual certification cycle.

Legislation and compliance

In terms of compliance, we have contracted environmental legal consultants to assist with the development and implementation of site-specific environmental legal registers, which take into account primary, secondary, and tertiary legislation in all spheres of government. These registers will provide each airport with the legal requirements pertinent for their location and context, as well as with formal means for tracking compliance.

Key environmental staff

The ongoing impact of the voluntary separation and early retirement packages that were offered during the COVID-19 pandemic continue to be felt. There have, however, been significant improvements in the competency of the incumbents who have had to take on additional work within the environmental management system.

Airport carbon accreditation

O.R. Tambo International in Johannesburg, King Shaka International in Durban, Chief Dawid Stuurman International in Gqeberha and Cape Town International all maintained their Level 2 Airport Carbon Accreditation throughout the reporting period. Level 2 accreditation is only awarded if an airport is able to demonstrate emissions reductions for the accreditation period when compared to the rolling average over the previous three years.

As recovery gains ground, we will investigate the feasibility of expanding this programme to the remaining airports in our portfolio.

Emissions reporting and carbon tax

We also continue to report on the emissions produced by our standby generators as per the requirements of the National Environmental Management: Air Quality Act (No. 39 of 2004) and consequently file for carbon tax in our annual disclosures to the South African Revenue Service.

Roadmap to carbon neutrality

The constraints on capital expenditure resulting from the COVID-19 pandemic have resulted in us having to adjust the timing of the projects that make up our Roadmap to Carbon Neutrality. While the initial goal of achieving carbon neutrality for Scope 1 and Scope 2 emissions at all of our nine airports by 2030 has not changed, the timing of the projects required to reach this goal has been amended, with most energy-reduction projects having been moved into the 2027 to 2030 timeframe.

At present, our focus is on the production of renewable energy, and the optimisation of energy efficiency. This contributes not only to the process of becoming Carbon Neutral but it also reduces ACSA's dependency on the national grid.

The further projects to reduce our carbon footprint are tied to traffic volumes, and these will be implemented in line with the sector recovery.

Noise management

As in the previous period, the number of noise complaints received at all nine airports during the reporting period was very low, numbering only five in total. These were recorded at King Shaka International, O.R. Tambo International and Cape Town International. The low number of complaints is evidence of the successful implementation of noise abatement measures at all of our airports.

Bird strikes

The number of bird strikes reported during the period was 254 (FY2021/22: 195), only four of which caused damage to aircraft. The increase in the number of strikes should be seen in relation to the progressive recovery to normal business operations and the increase in passenger traffic. We have comprehensive and humane bird strike management procedures in place at all of our airports.

Environmental incidents

The were no environmental incidents during the reporting period.

TRANSFORMING OUR ENVIRONMENT continued

Key environmental metrics

Metric	FY21/22	FY22/23	
Total Electrical Consumption	162 448 271 KWh	189 878 771 KWh	With the increases in passenger numbers and flights during the financial year there was an increase in the electrical consumption for the Group.
Total Water Consumption	40 655 406 Kl	1 658 492 Kl	In the previous financial year there were bulk water breakdowns that accounted for very high water consumption. These were rectified and the current financial year indicates more regular water consumption.
Total Waste to Landfill	3 815 368 Kg	5 914 446 Kg	With the increase in passenger numbers, flights, and activities at the airports, more waste was generated.
Total Waste recycled	943 567 Kg	1 804 315 Kg	In accordance with the increase in waste there was a doubling of the amount of recycling undertaken.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS AND THE NATIONAL DEVELOPMENT PLAN

The United Nations Sustainable Development Goals (SDGs) provide a framework for improving the living standards of the world's population, protecting the environment, and eliminating gender and income inequality. Globally, they are used as a benchmark to measure the contributions made by businesses, industry, and other organisations to the process of sustainable development. We measure our development contributions within this framework as well as within the framework of South Africa's National Development Plan (NDP).

The aim of the NDP is to significantly reduce poverty and inequality by 2030. The framework it provides consists of 15 chapters that focus on critical issues such as unemployment, education, infrastructure development, inclusive economic development, access to quality healthcare, environmental sustainability, and corruption.

In line with the SDGs and the NDP, we aim to create sustainable value for all stakeholders and minimise the negative impacts we have on the communities in which we operate as well as on the natural environment.

Legend

- Linked NDP Chapters
- Linked SDGs
- Sustainability Framework
- Our business
- Our people and society
- Our environment

CONTRIBUTIONS TO OUR SUSTAINABILITY FRAMEWORK

Our commitment to the transformation of our business, our people, society, and the environment is integral to our organisation. Our transformation objectives are aligned with our strategic objectives and contribute to our Sustainability Framework in the following ways:

Our business

- Black-owned business shares **50%** of our commercial revenue.
- Interventions across seven sectors, as aligned with our Transformation Strategy, maximise our contribution to the growth of black-owned businesses and the creation of jobs and opportunities.
- We supported **16 225** job opportunities during the reporting period.

Our people and society

- We maintained a **Level 2** B-BBEE level and a **125%** recognition level.
- Black South African employees represent **96.3%** of our workforce.
- **46,1%** of our workforce, while persons with disabilities represent **2.08%.**
- Our socio-economic development investment of **R13.7 million** supported projects in our focus areas of education, philanthropy, youth, and women's empowerment.

Our environment

- All of our airports maintained **ISO 14001:2015** accreditation for environmental management.
- Four of our airports maintained **Level 2** airport carbon emissions certification.

Our Environment, Social, and Governance (ESG) Journey

The company has taken a proactive step towards embracing ESG principles as a key component of our reporting strategy. This approach will be a fundamental element of our upcoming integrated report for the coming years. The ACSA board has officially embraced an ESG framework, and we are currently in the process of refining our integrated thinking methodology. This involves benchmarking our practices with those of other airports and engaging in meaningful consultations with our essential stakeholders.

OUTLOOK

As we navigate the post-COVID-19 pandemic landscape, we are shifting our attention beyond just compliance with legal and regulatory obligations. We are also embracing a pragmatic approach aimed at bolstering our support for our workforce, suppliers, and society at large. Furthermore, our unwavering commitment to sustainable environmental practices remains at the forefront of our efforts.

Moving ahead, our comprehensive transformation agenda, fortified by the dedicated efforts of our transformation working group, will steer these initiatives.

08 PERFORMANCE REVIEW

Our financial and non-financial outcomes

PERFORMANCE REPORT

Key performance indicator information for the period FY2022/23

Our business

Strategic objectives and KPIs		KPI definition	KPI formula	Metric	Annual target	FY2022/23 Actual	Target Achieved
Financial Sustainability	OPEX Allocation	Maximum Company level total operating expenditure allocation inclusive of both employee costs and operating expenses.	Total Company employee costs plus total Company operating expenses for the year.	R million	R3 390m	R3 482m	●
	CAPEX Allocation	Maximum total capital expenditure allocated within the Company budget.	Total Company capital expenditure for the year.	R million	R798m	R422m	●
Diversify the business portfolio	Aeronautical Revenue	Revenue derived from aeronautical activities (landing, passenger fees, and parking fees).	Sum total revenue from air traffic movements, Departing Passenger and aircraft parking.	R million	R2 486m	R2 956m	●
	Non-aeronautical revenue	Company revenue that is not defined as aeronautical revenue, excluding recoveries, including permit and sundry recoveries. The total Company retail, advertising, car rental, car parking, property, consultancy and advisory, training and IT revenues earned.	Company level retail plus advertising plus car rental plus car parking plus property plus consultancy and advisory plus training plus IT revenues for the year.	R million	R2 392m	R3 069m	●

PERFORMANCE REPORT continued

Our business

Strategic objectives and KPIs		KPI definition	KPI formula	Metric	Annual target	FY2022/23 Actual	Target Achieved
	Stakeholder Management Plan	ACSA has developed a stakeholder engagement plan to ensure that its leadership continuously engages its stakeholders on key matters impacting the business. The Executive Committee commits to this plan at the beginning of the financial year and it is approved by the Board.	Calculated as the average percentage score of the completed quarterly engagements in line with the number of engagements that stakeholder owners committed to undertake in the engagement plan.	%	80%	103%	●
	Passenger satisfaction	The Passenger Satisfaction Survey indicator measures the level of satisfaction experienced by passengers while they are travelling through ACSA airports. It illustrates the passenger's view and assessment of service delivery at ACSA Airports.	The scoring scale used is numerical and runs from 1 to 5, with 1 indicating Poor and 5 indicating Excellent. Each airport has a set target and the Group score is calculated as an average of the scores for all nine ACSA airports. Reporting on passenger satisfaction is done monthly, quarterly and annually).	Rating from 1 (poor) to 5 (excellent)	3.67	4.04	●
Increase reputation	ACI Health Accreditation	All of the airports in our network are registered on the ACI Airport Health Accreditation Programme. This provides for airports to be regularly assessed in order to ensure that their health measures are aligned with the ACI Airport Operations and COVID-19 Business Recovery Guidelines as well as with the ICAO Council Aviation Recovery Task Force (CART) recommendations and industry best practice.	Accreditation as per ACI criteria.	Accreditation as per ACI criteria	All 9 Airports Accredited COVID-19 Compliant	All 9 Airports Accredited COVID-19 Compliant	●

PERFORMANCE REPORT continued

Our people and society

Strategic objectives and KPIs				Weight	Annual target	FY2022/23 Actual	Target Achieved
Ensure successful transformation of ACSA operations	B-BBEE Level	The Company's B-BBEE recognition level is based on a public-sector scorecard framework which reflects the Company's contribution to B-BBEE.	B-BBEE rating (use Department of Trade and Industry's qualification scoring and independently approved score).	B-BBEE as per the code	Level 2	Level 2	●
	% Black business share of com. revenue generated	This indicator informs stakeholders of the Company's intent to further black business entrepreneurship through increasing the share of commercial revenue opportunities awarded to black businesses.	(Commercial revenue to black business X 100)/(Total commercial revenue generated) Where "black business" is defined as one where the company has >51% black management control and ownership and commercial revenue is defined as revenue generated from revenue sharing models, i.e., retail, car hire/rental and advertising.	%	55%	50%	●
	# of Job opportunities created	This measure informs the stakeholders of the number of job opportunities created by the Company.	Employment Contribution Model	Number of job opportunities	17 064	16 225	●

Our environment

Strategic objectives and KPIs				Weight	Annual target	FY2022/23 Actual	Target Achieved
Reduce environmental impact	ACI Carbon Accreditation Level	The assessment and recognition of our airports' efforts to manage and reduce our CO_2 emissions.	ACI's Airport Carbon Accreditation recognises and accredits the efforts of airports to manage and reduce their carbon emissions. There are four levels of certification: mapping, reduction, optimisation and neutrality. Airport Carbon Accreditation is based on existing international standards in the reporting and accounting of greenhouse gas emissions. Attain an independent ACI certification.	ACI level as per mapping certification criteria	Maintain Level 2 Reduction Certification for at least three airports (ORTIA, CTIA, KSIA)	Maintained ACI Level 2 Accreditation for at least four Airports (ORTIA, CTIA, KSIA, CDSIA)	●

BUSINESS ENABLEMENT

Human capital

Overview

Throughout the year, our primary emphasis on human capital revolved around executing, overseeing, and assessing the effectiveness of our People and Culture Strategy. This strategy is intricately aligned with our Recover and Sustain Strategy. Our aim is to construct an organisation renowned for its adaptability and exceptional performance. This entails bolstering our talent pool, prioritising the development of future skills, positioning ACSA as an employer of choice, and fostering a transformation-oriented mindset.

We also continue to monitor compliance with our Performance Management Policy to embed a culture of high performance and productivity, and have undertaken several research and special projects to ensure that our human capital management is informed by sound principles and best practice.

With these in mind, we continue to proactively manage the impact of the COVID-19 pandemic on our employees, whatever form that might take. In particular, all of our policies related to the ongoing threat of the COVID-19 pandemic or similar are aligned to national strategies and to the Occupational Health and Safety Act (No. 85 of 1993).

Hybrid Membership Programme

The most notable of the special projects we undertook during the year was the implementation of the Hybrid Membership Programme as the 'new normal'.

After the first severe lockdowns of the COVID-19 pandemic, we introduced a hybrid working model wherever possible which, while successful, had some unintended consequences for our employees. Among other things, we identified that they felt a sense of alienation from the workplace and their colleagues, and also that there was an erosion of organisational culture taking place.

In response, we developed and launched the Hybrid Membership Programme for employees working on a hybrid basis, which is intended to rekindle a sense of engagement with the company culture, the office environment, and colleagues. Employees can attain various levels in the three-tiered programme by achieving performance, management, culture, wellness, and learning targets. This innovative approach is also aimed at driving and encouraging behaviours in line with our PRIDE values. The programme was officially launched on 1 April and the qualifying criteria are illustrated in the diagram below.

Bronze	Silver	Gold
2 days Remote 3 days Office	3 days Remote 2 days Office	4 days Remote 1 day Office
80% Performance Management compliance	**81% - 95%** Performance Management compliance	**96% - 100%** Performance Management compliance
80% Completion of quarterly quiz	**81% - 95%** Completion of quarterly quiz	**96% - 100%** Completion of quarterly quiz
1 Divisional Scorecard Report per quarter	**1** Divisional Scorecard Report per quarter	**1** Divisional Scorecard Report per quarter
1 Quarterly office-bound culture session	**2** Quarterly office-bound culture session	**3** Quarterly office-bound culture session

BUSINESS ENABLEMENT continued

Project Sebenza

Another notable special project introduced during the reporting period was Project Sebenza.

To contextualise this, it is important to note that, due to the impact of the COVID-19 pandemic, we implemented a phased Voluntary Separation Package and Early Retirement Programme in FY2020/21 and FY2022/23. While these interventions were effective in achieving the cost reduction targets that were necessary at the time, the uptake of the opportunities they presented did, however, result in a major loss of critical aviation-related skills and resources. In FY2022/23, as recovery from the COVID-19 pandemic became more sustained, we therefore had to lift the recruitment moratorium that had been put into place in March 2020 in order to rebuild capacity in line with traffic recovery.

To expedite the process of filling priority positions and to mitigate recruitment costs, we therefore developed and implemented a dedicated initiative called Project Sebenza (Recruitment). Under the auspices of this project, the various divisions have conducted a thorough analysis of their human capital needs in order to identify and prioritise positions for which urgent recruitment is required.

We have identified that it is critical to fill 471 vacancies throughout the Group. These positions require individuals with specific skills and capabilities that are necessary to maintain our airport licences and category status as well as to ensure business continuity and growth. Due to the loss of skills during the staff rationalisation process, many of these critical skills and capabilities will need to be sourced externally.

AS OF 31 MARCH 2023, WE HAD SUCCESSFULLY FILLED

95

PRIORITY VACANCIES

Engaging in the Open Talent Economy

During the fourth quarter of the reporting period, the concept of the Open Talent Economy was also raised in and discussed by the Executive Committee.

As the world of work evolves in the post-COVID-19 pandemic environment, novel business trends are emerging and are challenging us to look at new ways of sourcing talent and integrating that talent into the workforce. Driven by the changes that have come about as a result of technological development and greater workforce mobility, we are currently investigating new staffing models and talent sourcing platforms, such as social media, in order to tap into the Open Talent economy. The existing Recruitment Management Policy remains in place to ensure that we remain compliant in all talent sourcing processes.

Governance Framework and Operating Model

As we aim for full recovery from the impact of the COVID-19 pandemic, we continue to implement, monitor, and evaluate the effectiveness of the Governance Framework Operating Model introduced in FY2020/21 and continue to actively engage staff, management, and the executive in the implementation process. In particular, the IT and Finance divisions are engaging with the operating divisions to align cost centres with the revised organisational structure outlined in the model.

This process is currently being tested on our IT system and we are currently sourcing an organisational design and change management service provider to guide us through the implementation process. The provider will work closely with the Governance Framework Operating Model Transition Office to execute strategic transformational initiatives.

Employee relations

Our employee relations environment, which we manage actively, is currently stable. In November and December 2022, ACSA, the National Health Education and Allied Workers Union (NEHAWU) and the National Union of Metalworkers of South Africa (NUMSA) engaged in wage negotiations, resulting in Inside Bargaining Unit (IBU) employees receiving a 7% salary increase. The decision to give increases to Outside Bargaining Unit (OBU) employees with back pay and the payment of second trench to IBU employees has further strengthened relations with organised labour.

The employee relations team has also actively engaged with organised labour to establish both national and local forums to facilitate ongoing engagements.

BUSINESS ENABLEMENT continued

Employment equity and transformation

Detailed information about our employment equity and transformation status is given in the Transformation section of this report.

Learning and development

In line with TETA requirements, we submitted our Workplace Skills Plan (WSP) for the financial year. During the development of this plan, line managers contributed input related to strategic objectives, departmental business plans, regulatory training, workforce optimisation and transformation.

While TETA mandates that 1% of the total wage bill should be allocated to skills development, the advent of the COVID-19 pandemic and its subsequent impact on cash flow resulted in the training budget for the period having to be curtailed, enabling us to cover only regulatory training and the cost of Aircraft Rescue and Fire Fighting learnerships.

Our learning and development initiatives are delivered through two channels, namely the Training Academy, which focuses on commercial development initiatives for external customers, and the Skills Development Programme, which focuses on our internal employee development.

The Training Academy, which is the only aviation security training centre in the Sub-Saharan region, is currently implementing a commercialisation strategy. Detailed information about this and our learning and skills development programme is given in the Transformation section of this report.

Bursary scheme

In addition to the learning and development initiatives we offer for our staff and external academy customers, ACSA offers the children of employees in Grades A to C bursary support to pursue studies in disciplines identified in the South African National Scarce Skills list. The programme also offers workplace exposure through vacation work, which provides students with practical work exposure and, ultimately, with permanent employment where opportunities exist.

DURING THE REPORTING PERIOD,

35

BURSARIES WERE AWARDED TO THE VALUE OF

R1.3 million

Remuneration and performance management

The human resources cost-reduction programme resulted in a freeze on salary increments for the years 2020 to 2021. In the year under review, a decision was taken to pay a cost-of-living bonus equal to a monthly salary to allow employees to recover from the effects of this freeze in salaries over the years. We also gave employees a much-needed market-related salary increase in March 2023, which was backdated to September 2022.

> We continue to support our employees through a competitive remuneration mix.

During the year, we therefore also reviewed additional benefits, such as our housing and transport schemes, and increases were granted on these. In addition, we are looking at restoring other benefits and allowances that have been frozen since 2020 in the next financial year. This will include allowing new entrants into the housing scheme and the payment of acting allowances.

Externally, we are benchmarking our salaries and aligning our remuneration policies with the market. In cases where we find we are below market, we will align our policy with market norms.

In all our activities, we adhere to the principles of good governance as set out in the King Report on Corporate Governance for South Africa™ (2016) (King IV). A full analysis of how we adhere to these principles is given in our Governance and Remuneration Report, which complements the Integrated Annual Report and forms part of our annual reporting suite. Full details of the mandates, activities and performance of the Committees of the Board are also provided in that report as are full details of our remuneration policies and practices.

BUSINESS ENABLEMENT continued

Employee engagement and wellness

Despite budget constraints, we continued to actively engage with our employees and to support their wellbeing through various initiatives as part of our ACSA Cares Wellness Programme. In the 2022/23 financial year, the programme provided the following services to employees:

Engagement sessions	FY2022/23
Financial Well-being Seminar	April 2022
Nelson Mandela Day	July 2022
Breast Cancer Awareness Seminar	October 2022
Employee Value Proposition Interviews with Executive Team	September to October 2022
Employee Referral Workshop	November 2022
Executive Medicals	December 2022 – March 2023

Outlook

In the 2023/24 financial year, the Human Resources division will continue to deliver on the key priorities identified in the People and Culture Strategy and to monitor the implementation of the strategy.

A strategy review session was held in the fourth quarter of the reporting period and was used to set the tone for FY2023/24. Key deliverables and priorities were identified and work towards the delivery of these was undertaken in the first quarter of the new financial year.

Within the context of a more streamlined and agile operating structure, we remain committed to the wellbeing of our staff and other stakeholders, and we continue to actively engage with them in order to fulfil this commitment.

BUSINESS ENABLEMENT continued

IT and digitalisation

Overview

Recognising the imperative to digitise the passenger experience, enhance the airport environment, and streamline our operational processes, we have pinpointed these as central strategic priorities for our organisation. In light of the Covid-19 pandemic's profound impact, we have expedited this transformational journey.

Remote and hybrid working solutions had to be put into place at short notice and we had to rapidly improve our ability to deliver a contactless travel experience. Our operational processes also had to be extremely flexible in order to accommodate changes to lockdown levels.

Our IT Infrastructure and Digital Strategy has provided a robust foundation for the management of these challenges over the past three years. The key objective of this strategy is to adopt and leverage appropriate technology in order to enhance the customer experience and improve operational efficiencies while simultaneously protecting our systems and information. Our IT capabilities are intended to support our value creation process through the delivery of a consistently positive customer experience, paperless travel, automated cost management, greater efficiency, revenue diversification and, ultimately, business growth.

The digital roadmap put into place to support our strategy included an allocation for CAPEX of R1.2 billion for the five years to FY2024/25. Annual allocations have since been adjusted in alignment with the revised Financial Plan adopted in 2020. Of the R397.8 million budgeted for the reporting period, R367.4 million was used.

Despite having to work with a reduced budget, we have continued to honour all of our commitments on existing projects and to implement the projects for which tenders had already been signed prior to the COVID-19 pandemic. Other than these contractual obligations, we have prioritised urgent and high-impact projects intended to secure business security and continuity.

We have, in particular, had to prioritise cyber security as the incidence of cyber attacks worldwide has ramped up considerably since the start of the COVID-19 pandemic, partly due to the rapid implementation of remote and hybrid working solutions, which has resulted in system vulnerabilities across the board. In 2020 alone, malware attacks increased by 358% globally compared to 2019 and the incidence of cyber attacks increased by 125% in 2021. In the same year, nearly a billion emails were exposed to phishing attacks, affecting one in five users.

In 2022, Russia's invasion of Ukraine had a massive impact on the cyber threat landscape. Since the start of the war, Russian-based phishing attacks against email addresses of European and US-based businesses have increased eightfold. Further, as supply chains become more interconnected and complex, 40% of cyber attacks on businesses now occur indirectly through the supply chain.

Our response

ACSA is a critical organ of state that connects South Africa with the international economy. We operate in an industry that has a major appetite for technology, not only for business purposes but also to secure the passengers and other stakeholders who use our airports. In order to fulfil our mandate, we have been leveraging technology and digitalising our operations, which has added extensive capability but has also expanded our threat landscape.

To ensure that Group operations are secure, compliant, and resilient, we have invested extensively in Microsoft security systems, both on-site and in the Cloud. Further investment in additional Microsoft technologies is enabling us to create an operating model customised to the needs of a state-owned company and to mature our overall IT capabilities.

Working in conjunction with Microsoft and South African partners, we have, for instance, established a dedicated cyber security operations centre (SOC) to deal with the threat of cyber attacks. The centre focuses on three key touchpoints, namely people, processes and technology and will receive considerable financial support from Microsoft over the next five years. SOC analysts are on duty 24/7/365 to focus on security incident monitoring and remediation, automation of core SOC processes, and the enablement of our technology investments.

Despite ongoing constraints on budget, we continue to use a zero-trust architecture approach by leveraging off existing investments and making use of a cyber security mesh architecture. This has enabled us to deploy security controls closer to our various assets and to support hybrid workers. While we have a high level of digital security, we continue to prioritise key initiatives throughout the business and to focus heavily on cyber and information security as technology develops.

BUSINESS ENABLEMENT continued

Enhancing the passenger experience

Some notable projects will include:

- Facial biometrics-driven automated border control system, which was first deployed at Cape Town International in the previous period. Similar projects will be implemented at O.R. Tambo International in Johannesburg and King Shaka International in Durban.
- A contactless check-in system, which makes use of biometric information such as fingerprints and facial recognition software to provide a seamless check-in experience.
- Improved AI-enabled security surveillance systems that use intelligent camera equipment and analytics to identify anomalies in human behaviour without human intervention, thereby improving security at our airports.
- A drone-based airport and runway monitoring system, which is currently in the proof-of-concept stage. This will vastly improve our ability to monitor runway conditions and security.
- Extensive enhancements to the parking management system which, among other benefits, will offer passengers and other airport users the option of paying for their parking digitally, by-passing the need to use manual pay stations.
- The ACSA app, which is a downloadable mobile platform that allows passengers and other airport users to check flight information, access changes to the status of flights in real time, subscribe to receive notifications of changes to the status of flights, reserve and pay for parking, explore the facilities at all of our airports and browse the ACSA shop. Enhancements to the app are ongoing and, at present, we are working on introducing e-commerce capabilities. Based on passenger engagement and satisfaction surveys, we are also working towards introducing a feature that will enable passengers to track their luggage within our airports.
- A new eduroam solution was deployed in consultation and partnership with Wits University. This provides free-to-access off-site internet roaming for users in education and research and is currently used by 21 institutions of higher learning throughout the country. Users are authenticated with credentials from their home institution regardless.
- A new public address system, which has been deployed at seven airports. This has improved operational efficiency and provides the ability to make announcements according to regulatory requirements.
- An upgraded enterprise resource planning and queue management system, which has been fully operationalised to improve efficiency. This has introduced the capacity to track queuing hotspots and to monitor passenger security while queues are being processed.

In the medium-term, our priority will be to continue upweighting digital self-service programmes and to automate border control by integrating our systems with those of Department of Home Affairs. We will, in particular, be focusing on security processing systems that use facial recognition capabilities or other biometric information embedded in a bar code in each passenger's passport.

We will also continue to strengthen digital integration across all of our operations in order to improve efficiency and enhance the airport experience for all stakeholders, especially passengers. We will, for instance, be working on backwards integration of the passenger interface, opening up opportunities to interact with passengers and other airport users prior to their arrival at the airport. Using predictive analytics, ACSA is well positioned to offer passengers a range of services such as airline, hotel and car hire packages that are best suited to meet their needs.

Organisational development

At organisational level, we are currently automating all human resources processes, which will vastly improve efficiencies. The new system will provide a range of productivity management tools, which will facilitate the efficient and effective allocation of resources as well as productivity monitoring. This project will be complete and fully operational by the end of the 2023 calendar year.

We are also working on improving the management of parking at all of our airports, which will not only introduce app-based features for airport users, but significantly improve business analytics and management reporting related to parking.

Another major project in progress is the development of a new enterprise performance management system (EPM) for all finance functions, which will significantly improve the time needed to finalise statements.

In addition, we are working on improving telecoms capabilities in our airports. We have, for instance, submitted a White Paper to ICASA with the goal of being able to implement one shared communications infrastructure throughout or airports. This will not only improve connectivity but deliver many economies of scale. We are also working on upgrading from Wi-Fi 3, which is currently in use at our airports, to Wi-Fi 6 or high-efficiency Wi-Fi. The latest iteration of Wi-Fi technology, this is designed to improve bandwidth, decrease network latency, and boost the battery life of wireless devices. Wi-Fi 6, which uses a range of new technologies, is faster, more secure, and more convenient than its predecessors.

BUSINESS ENABLEMENT continued

Staff enablement

Most of our employees had the necessary systems at their disposal to work from home when the first lockdown of the pandemic was announced in March 2020. As soon as that initial 'hard' lockdown had been lifted, we had already rolled out Microsoft 365 across all our operations and introduced Adobe's digital signature to complement existing systems and enhance security.

During the reporting period, we continued to focus on training and support for staff who travel frequently or work on a hybrid basis. Using a dedicated service portal, employees can request IT equipment and services, stay informed with regard to the status of their logged tickets, and engage with the service desk.

We further undertook an extensive programme to improve security on staff devices and also to improve usage of and comfort with such platforms as Microsoft Teams and OneDrive.

All of our activities are implemented within the framework of our Cyber and Information Security Strategy and are operationalised in the form of our structured and formalised Information Security Management System. Cyber and information security awareness sessions have been conducted at all our airports and we did not record any significant cyber security incidents during the reporting period.

Outlook

Information technology, similar to every facet of our business, has undergone the impact of essential cost-containment measures throughout the last three reporting periods. It is only at this juncture that we find ourselves in a position to commence with reevaluation of the key IT capital expenditure projects that were in the planning stage before the onset of the Covid-19 pandemic.

We are therefore engaging with various stakeholders with the intention of executing innovative IT and digitalisation initiatives through collaboration. These engagements have the potential to result in collaborative public-private partnerships.

All current and planned initiatives support the objectives of ACSA's Recover and Sustain Strategy and the Growth Strategy that follows on from that. They are, in particular, designed to enhance the passenger experience, improve vertical integration throughout the Group and increase the proportion of revenue derived from non-aeronautical services.

RUN AIRPORTS

Overview

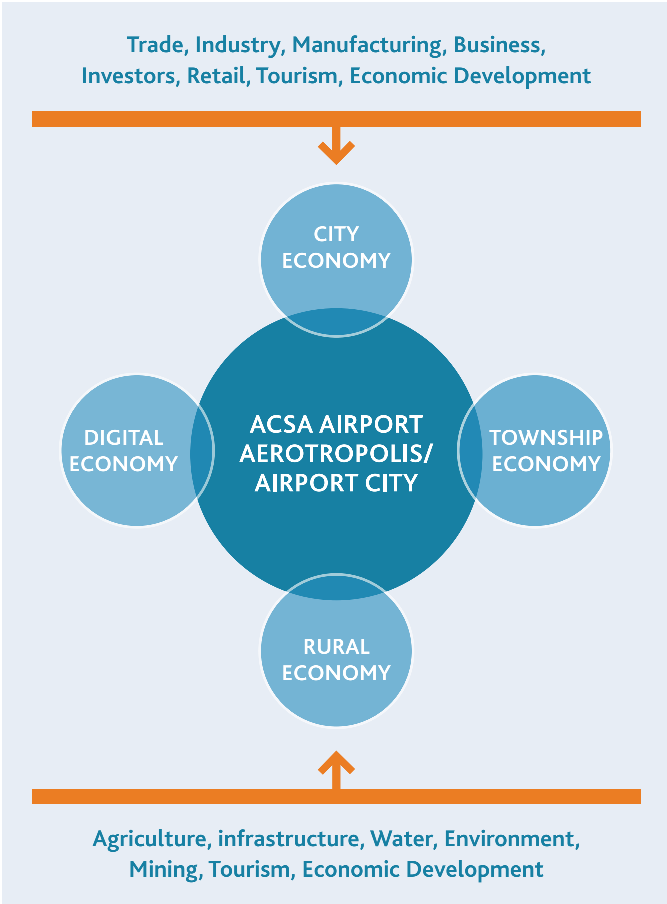
Running airports is our core business and is essential to our value creation process. As we recover from the impact of the COVID-19 pandemic, the subsequent impact of the war in Ukraine, and the low economic growth at home, this remains our primary focus as we work to secure our sustainability and create a viable platform for future growth.

Over the past three periods, we have reimagined the way in which we run our business and have reconfigured our operations to ensure that we are a more flexible, efficient, and adaptable organisation. Within this context, our most immediate task is to restore our operations to full functionality, to build passenger confidence, to diversify our revenue streams in response to the fundamental changes that have taken place in air transportation, and to begin laying the foundation for a new kind of airport network in a new kind of socio-economic environment.

Airports are not only transportation nodes, but have a very important role to play in the country's recovery from the COVID-19 pandemic. We see our network within this broader context and as a means to facilitate economic integration at both local and national level.

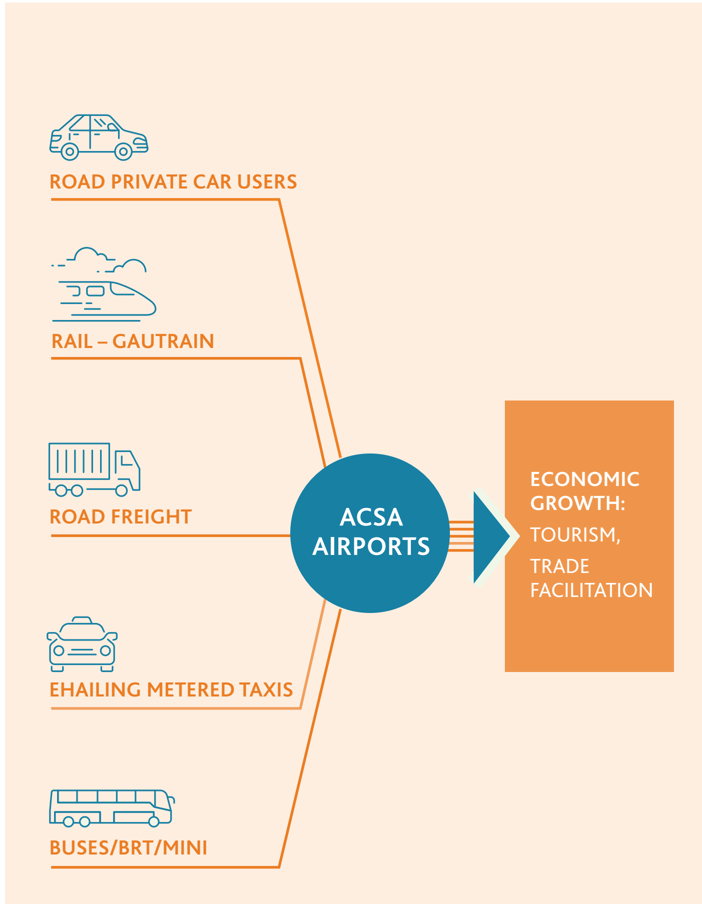
At **local level,** each of our airports is an engine for economic development in the region that surrounds the airport and an integrator of economic opportunities, as illustrated in the following graphic:

Local economic integration



At **national level,** our network is a modal integrator that facilitates trade, tourism, and investment:

National modal integration



RUN AIRPORTS continued

From this, it is clear to see that our network has an essential role to play in supporting national efforts to recover from the COVID-19 pandemic and other, more recent, external events and to rebuild economic activity.

During the reporting period, we were nevertheless faced with the ongoing challenge of having to deal with uncertainties relating to the COVID-19 pandemic during the first half of the year and with its lingering impact on both aeronautical and non-aeronautical revenue throughout the year. We were also faced with having to deal with various external challenges such as the effects of the war in Ukraine and the severe flooding in KwaZulu-Natal.

The recovery in passenger traffic and aircraft movements therefore did not meet expectations for the year and was unpredictable in nature. By year-end, we had, however, reached a firm recovery position and are well placed to build on this in FY2023/24. This does, of course, need to be seen within the context of structural changes to the air travel and air cargo markets since the start of 2020.

Business travel, for instance, continues to recover mainly in the MICE segment as both businesses and government have cut back on more general business travel. Recovery in both business and leisure travel also varies across the network, with Upington International being the fastest to recover, closing the year at 95% of its pre-pandemic traffic. George and Kimberly followed closely behind, having recovered 92% of their pre-pandemic throughput. The recovery at Upington and Kimberly was largely due to business travel, while George saw an increase in the number of leisure travellers.

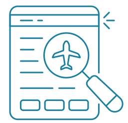
In the international segment, Cape Town International has been the first airport in our network to recover to pre-pandemic passenger numbers. This was driven by a robust recovery in the number of international passengers flying directly into Cape Town, supported by the city's highly active tourism marketing programme.

Sources of revenue

At ACSA, we have three sources of revenue:

Our **core aeronautical revenue**, which is derived from airport operations, includes regulated tariffs for aircraft landing and parking charges as well as regulated charges for passenger services. This revenue is dependent on scheduled airport traffic, which is measured in scheduled aircraft movements.

Non-aeronautical revenue from commercial income streams, such as advertising, retail, car parking, car rental, property leasing, hotel operations and airports management services.



Non-core revenue from the provision of technical advisory and consultancy services, both within South Africa and abroad, as well as revenue from our training academy.

RUN AIRPORTS continued

Core operations indicators

	Annual departing passenger throughput capacity	Total annual departing passengers			Aircraft landings		
		FY2022/23	FY2021/22	FY2020/21	FY2022/23	FY2021/22	FY2020/21
O.R. Tambo International Airport	14 000 000	7 828 651	4 819 924	2 054 468	90 774	70 025	35 235
Cape Town International Airport	7 000 000	4 216 937	2 850 795	1 193 423	45 145	37 767	19 494
King Shaka International Airport	3 750 000	2 166 478	1 613 224	754 405	18 672	14 929	7 330
Chief Dawid Stuurman (Gqeberha) International Airport	1 000 000	597 570	455 748	212 074	20 001	22 052	15 016
Bram Fischer International Airport	300 000	160 120	327 227	161 589	6 868	6 236	5 293
Upington International Airport	50 000	24 671	306 732	134 160	2 825	2 127	1 348
King Phalo (East London) Airport	600 000	364 601	103 197	36 831	8 831	9 284	4 634
George Airport	450 000	384 060	47 222	18 041	14 349	10 213	9 143
Kimberley Airport	100 000	70 127	14 272	5 427	4 322	4 183	2 470
Total	27 250 000	15 813 215	10 538 341	4 570 418	211 787	176 817	99 963

	International	Domestic	Regional	Unscheduled	Total
Total aircraft landings	33 156	109 075	9 354	60 202	211 787
Variance compared to FY2019/20	81%	82%	77%	92%	84%
Total annual departing passengers	4 268 098	11 117 216	356 069	71 832	15 813 215
Variance compared to FY2019/20	73%	77%	69%	125%	76%
Total aircraft landings FY2019/20	40 707	132 324	12 134	65 726	250 891
Total annual departing passengers FY2019/20	5 821 311	14 527 118	517 641	57 275	20 923 345

RUN AIRPORTS continued

Passenger traffic

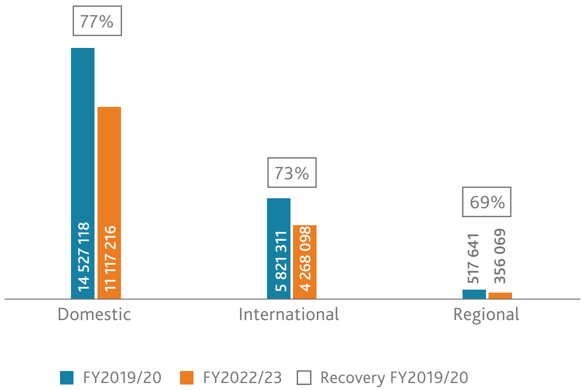
As expected, passenger travel continued to be impacted by COVID-19-related travel restrictions during the first half of the reporting period and by their lingering effect in the second half of the year. Total passenger throughput nevertheless increased by 76% compared to the previous financial year.

Capacity constraints in the domestic market did, however, result in a flat recovery trajectory in that segment. This is slowly being mitigated by the recovery of the route network since the closure of the Comair Group in June 2022. In the regional segment, SAA's resumption of some regional routes, such as the route between Johannesburg and Windhoek, has been bolstering recovery. Eswatini Air, which has recently launched flights to O.R. Tambo International, is further supporting regional recovery.

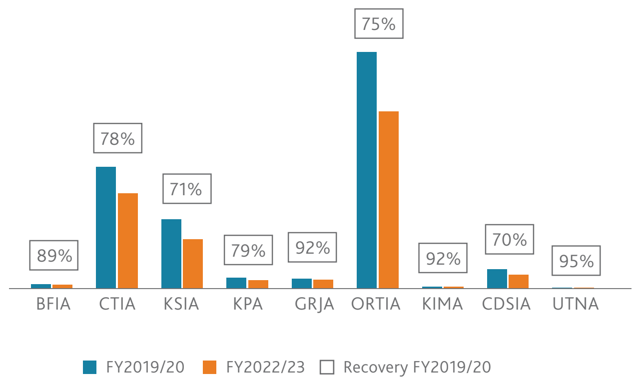
The international market segment, on the other hand, has been on a consistent growth trajectory since the IATA Northern Winter 2022 season. New routes and route expansions have been the largest contributors, with Cape Town International Airport being the largest beneficiary. Airlines such as Air Belgium, Condor, United Airlines, Qatar, Emirates and SAA have all contributed immensely to the recovery of the international segment. This has led to a steady upward recovery trajectory, with international recovery for the reporting period finishing at 73%.

ACSA's three main international airports collectively account for 85% of all air passenger traffic South Africa. O.R. Tambo International accounts for most of this, with 49% of departing traffic, while Cape Town International recorded the highest recovery rate for the period with an overall recovery of 78% in departing passenger numbers. Much of this was due to MICE traffic, with the Western Cape hosting, among others, the Formula E motorsport championship, the Women's T20 Cricket World Cup, and the International Ice Hockey Federation 2023 Senior Women's Ice Hockey World Championship. This trend is expected to continue as the region has secured a further 27 bids for major international events and conferences in 2023.

NETWORK PASSENGER RECOVERY RATE PER SEGMENT



NETWORK PASSENGER RECOVERY RATE PER AIRPORT



Passenger traffic trends analysis shows the international tourism segment continues to be dominated by traffic from Western Europe and North America, which accounted for 39% of international tourist arrivals pre-pandemic. These two markets accounted for 31.35% of international arrivals during the reporting period. We have therefore identified the African market as a focus for development and ultimately aim to connect South Africa with every major city in Africa. This will significantly diversify the international source portfolio and support Africa's integration agenda, as expressed in the Abuja Treaty of 1991.

The impact of the continuing war in Ukraine, mainly through its impact on energy prices and consequently on inflation in large source markets like Europe and the USA, nevertheless has the potential to affect our recovery, although the extent to which this will happen is uncertain.

ACSA'S THREE MAIN INTERNATIONAL AIRPORTS COLLECTIVELY ACCOUNT FOR

85%

OF ALL AIR PASSENGER TRAFFIC IN SOUTH AFRICA.

RUN AIRPORTS continued

Health accreditation and management

All of the airports in our network are registered on the ACI Airport Health Accreditation Programme. This provides for airports to be regularly assessed in order to ensure that their health measures are aligned with the ACI Airport Operations and COVID-19 Business Recovery Guidelines as well as with the ICAO Council Aviation Recovery Task Force (CART) recommendations and industry best practice.

Throughout the COVID-19 pandemic, our health management practices were also aligned with the ACI Aviation Business Restart and Recovery Guidelines and the ICAO Council Aviation Recovery Task Force recommendations. Our participation in the ACI programme demonstrates to passengers, staff, other airport users, regulators, governments, and the public in general that we prioritise health management in a formal, established, and measurable way.

ACSA is also obligated to comply with the SACAA regulations concerning the management of communicable diseases posing a serious public health risk and has to ensure that appropriate precautionary measures are in place to reduce that risk.

Prior to the COVID-19 pandemic, we had exiting procedures in place to deal with public health emergencies, and these were upweighted in compliance with government-mandated measures to prevent the spread of the COVID-19 virus. Before any of our airports could re-open after the initial 'hard' lockdown, our state of readiness had to be approved by SACAA, which conducted thorough inspections to ensure that we were complying with regulatory requirements.

All COVID-19 pandemic-related regulatory requirements were lifted on 22 June 2022 but we remain vigilant to any public health risks that may present themselves and committed to ensuring the safety of passengers and other airport users. As part of this commitment, we continue to develop our digital services in order to minimise the need for physical contact and to improve the overall user experience.

Our COVID-19 pandemic response programme, which was still in place during the first half of the reporting period, is illustrated in the following graphic:

COVID-19 Pandemic Response Programme

Airports Company South Africa's COVID-19 pandemic governance structure

Responsibilities:

- Oversight of the Company's COVID-19 pandemic Response Plan
- Monitor feedback from the aviation industry and align with emerging best practice
- Share learnings with industry and peers

Governance at operational level

Responsibilities:

- Audit of all implementation
- Identify successes and areas of concern
- Identify best practice
- Engage COVID-19 governance structure with findings

Airport operations

Plans in place:

- Passenger capacity and processing
- Flight scheduling
- Employee induction and screening protocol
- Office guidelines

Infrastructure and asset management

Plans in place:

- Cleaning regimes
- HVAC system testing
- Contractor compliance
- Mothballing procedures

People management

Plans in place:

- Provision on PPE
- Staffing plans
- COVID-19 case management employee transport

Client and passenger services

Plans in place:

- Stakeholder engagement
- Staff rosters

RUN AIRPORTS continued

Occupational health and safety

In the 2020/21 financial year, we developed and implemented a new safety management system based on the principles of ISO 45001. All historic data was collected and migrated to a new safety management standard, to which all our airports subscribe.

As well as adhering to strict internal procedures, we manage a large number of infrastructure-related projects, which results in an influx of contractors and service providers. This elevates the risk of injuries within our facilities. We therefore have a stringent contractor management programme, and all of our contractors are screened for compliance with Occupational Health and Safety (OHS) requirements prior to commencing work at any of our airports.

As we also have a large number of stakeholders operating at our airports, it is critical that all of them comply with applicable OHS requirements. We carefully monitored stakeholder operations throughout the COVID-19 pandemic, and this continues in the post-pandemic phase to ensure that compliance is maintained. A total of 141 inspections were conducted during the reporting period in order to maintain compliance at all airports.

In addition, we have on-site OHS clinics at four of our airports: O.R. Tambo International in Johannesburg, Cape Town International, King Shaka International in Durban and Chief David Stuurman International in Gqeberha (formerly Port Elizabeth). These fully equipped clinics had a very important role to play in our frontline response to the COVID-19 pandemic and continue to play an vital role in managing the risk associated with health and safety.

At our other airports, local occupational health service providers are contracted through a nationally appointed service provider to deliver consistent service to all staff and airport users.

Occupational health and safety occurrences

The table below summarises the cumulative safety, health and environmental occurrences reported for the period 2019/20 to 2022/23.

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2022/23			
					Q1	Q2	Q3	Q4
Runway incursions	3	1	6	3	–	–	–	3
Runway excursions	–	–	1	1	–	–	–	1
Runway trespassing events	2	–	5	1	1	–	–	–
Total airside trespassing events (including runway trespassing)	3	–	5	1	1	–	–	–
Airside aircraft-related incidents/ accidents	29	3	13	18	5	3	6	4
Bird strikes	305	172	195	254	52	39	82	81
Non-work fatalities	31	13	–	24	1	6	5	12
Work fatalities	–	–	–	1	–	–	–	1
COVID-19 fatalities	–	4	20	–	–	–	–	–
COVID-19 infections	–	458	463	28	25	1	1	1
Work-related severe injuries	81	6	6	16	3	2	–	11
Medical treatment case (including work and non-work related	322	–	21	745	50	168	217	310
Occupational diseases	–	–	–	2	–	–	–	2
Noise complaints	11	3	5	5	1	1	–	3
Significant spillages	–	–	–	–	–	–	–	–
Non-conformances reported	–	–	1	1	1	–	–	–

RUN AIRPORTS continued

	FY2021/22	FY2020/21	FY2019/20
Property damage incidents	—	5	3
Non work-related fatalities, including COVID-19 fatalities	20	13	31
Work-related fatalities, including COVID-19 fatalities	—	4	—
Disabling and/or severe injuries resulting in lost time, including COVID-19 hospitalisations		6	—
Non-disabling injuries requiring medical treatment, including COVID-19-related quarantine	484	458	87
Non-disabling injuries requiring First Aid, including near misses	—	4	392
Occupational diseases	—	—	—
Total	510	490	514

Security

We have adopted an integrated, multi-agency safety and security approach throughout our environment to enhance airport and aviation security in general. During the reporting period, we rolled out an aviation security model that is vertically and horizontally integrated with other law enforcement authorities. This initially focused on passenger security and was later broadened to include cargo and infrastructure security, relying on internal capacity rather than outsourced security arrangements.

An insourcing framework for screening services at central security points was finalised and this is now in the implementation phase. By using this insourcing framework, we aim to create permanent jobs and sustainable livelihoods for those entrusted with securing our airports

New security screening technology is also in the process of being procured and will create efficiencies that benefit the organisation as a whole. The technological enhancements these provide will ease passenger facilitation, strengthen confidence in our services and enhance the overall customer experience.

Security operations		Actual		Target
		FY2021/22	FY2022/23	FY2022/23
Preventing acts of unlawful interference	Prevent acts of unlawful interference	0	0	Zero acts of unlawful interference
	Protect baggage and reducing pilferage	12%	33%	A 10% reduction in baggage pilfering incidents year-on-year
	Screen of all passengers and baggage	100%	100%	100% screening of passengers and baggage
Crime management	Reduce criminal activities, especially major incidents	1	1	1 major incident (heist, (stowaway/s, armed robbery, or attack)
Security Compliance	Reduce repeat findings by internal audit	3	13	Zero repeat findings
	Reduce SACAA Level 1 findings	172	195	Maximum 20 SACAA Level 1 findings

RUN AIRPORTS continued

Aeronautical revenue

Aeronautical revenue, which is derived from regulated tariffs for aircraft movements and related services, improved by 64% to R3 billion during the reporting period (FY2021/22: R1.8 billion). This was due to increases in the number of aircraft landings and departing passengers as well as the 3.1% tariff increase for the year. Aircraft landings improved by 20% to 211 787 (FY2021/22: 176 817 and departing passenger numbers improved by 50% to 15 813 215 (FY2021/22: 10 538 202).

Non-aeronautical revenue

Our non-aeronautical revenue is generated from two businesses: The core commercial portfolio and the non-core commercial portfolio.

The core commercial portfolio includes seven businesses: advertising, retail, car parking, car rental, property rental, hotel operations and airports management services. The non-core commercial portfolio includes training, consultancy, and the advisory services business. In addition to contributing to revenue, these businesses provide many opportunities to further our broader transformation agenda by supporting black businesses and creating jobs.

The full non-aeronautical portfolio saw a significant improvement during the reporting period, with revenue increasing by 46% to R3.1 billion (FY2021/22: R2.1 billion) and reflecting a significant improvement in trading conditions during the year. The bulk of this income was derived from property rentals (R982 million) and retail activities (R848 million).

While our commercial operations are on the road to recovery, we anticipate that it will take some time for revenue to return to pre-pandemic levels, especially as there has been a realignment of the air travel market and changes in consumer behaviour over the past three years.

Outlook

With the COVID-19 pandemic-related State of Disaster having been lifted on 22 June 2022, we have been able to begin the long journey towards full recovery and, ultimately, towards growth and development.

During the current period and going forward, we will remain focused on our core business of running airports and will continue to strive for continuous improvement in the passenger experience. We will simultaneously focus on extending and developing our cargo handling capabilities and the services we offer to our customers in the cargo and logistics industries.

More ambitiously, we are aiming to redefine the place of the airport in city life and to make airport hubs more attractive leisure destinations for both passengers and the public in general. We intend to do this by diversifying our range of services and by working towards creating an integrated and interconnected aerotropolis at each of our airports. We will continue to do this in cooperation with our shareholder, our business partners and all of our stakeholders.

DEVELOP AIRPORTS

Overview

Developing world-class airport infrastructure that is designed to meet the needs of our customers and aligned with industry requirements supports our vision of being a world-leading airport business. The severe financial impact of the COVID-19 pandemic has, however, meant that we have had to re-look some of our development timelines.

Prior to the COVID-19 pandemic, when many of our airports were operating at or near design capacity during peak hours, we were planning large capital investment programmes to expand and/or eliminate bottlenecks at some airports in the network. The feasibility studies for many of these projects had been completed and we were in the process of making awards for design and development.

> With the onset of the COVID-19 pandemic, we reassessed our capital programme in response to revised traffic forecasts and financial affordability.
> As we have now reached a firm recovery position, we are revisiting these projects to determine a revised sequence and pace for their implementation.

The projects that are currently in implementation align to our Recover and Sustain Strategy and the objectives set out in our Growth Strategy. Priority has been given to projects that:

- protect the airport's license to operate;
- provide a safe, efficient, and attractive environment for passengers and other airport users;
- mitigate risk;
- ensure that facilities remain compliant with regulations;
- allow for equipment to be replaced when we have been unable to secure the operating baseline through overhauls and/or intensified maintenance; and
- were in implementation prior to the COVID-19 pandemic and where the value of the infrastructure on completion will far exceed the cancellation costs.

Larger infrastructure projects that have been on hold since 2020 and are now being reviewed include:

- the terminal expansion and modification projects at Cape Town International Airport, Chief Dawid Stuurman International Airport in Gqeberha (previously Port Elizabeth) and King Phalo Airport in East London;
- the refurbishment of the cargo precinct at O.R. Tambo International Airports;
- the refurbishment of the runways at Bram Fischer International Airport in Bloemfontein and Kimberley Airport; and
- the planning for a new mid-field cargo terminal at O.R. Tambo.

We remain committed to improving and expanding the infrastructure in our network in order to unlock both the commercial and development potential inherent in our airports and to grow our footprint, especially in Africa. We anticipate that this will deliver significant socio-economic benefits at both national and regional level.

DEVELOP AIRPORTS continued

Enterprise project management

Our capital investment programme is managed through our Enterprise Project Management Office (EPMO), which enables us to evaluate and respond to business and financial challenges in a structured and centralised way. Over the past three periods, ACSA has reprioritised its capital expenditure plan to take into account the changes that have taken place in the operating environment since 2020.

Our five-year capital budget, which allows for approximately 1 500 projects, is expected to be R21.7 billion as we reinstate deferred projects. The portfolio prioritises replacement, refurbishment, and safety-critical projects over capacity creation, with capital allocation targets being set at enterprise level.

The EPMO has developed and implemented a standardised EPM environment and a set of 32 project management frameworks, which include roles and functions that support the lifecycle management methodology. These align all project management office functions and gate controls across IT, maintenance and engineering, security, major infrastructure, and fleet. As a result, our project management maturity has improved significantly, resulting in greater efficiency and better cost containment. An online EPM training solution is being developed to provide for the continuous maintenance and improvement of project management skills and capacity.

Infrastructure planning

Master plans that are closely aligned to our overall business strategy are crafted for each airport and duly coordinated with municipal spatial development frameworks and plans. These address the integration of airport development into the local authority's broader spatial development plans and more needs-specific plans such as integrated transport plans.

An airport master plan is an expression of a vision for the ultimate development of the airport and a road map for efficiently meeting aviation demand in the foreseeable future, while still preserving the flexibility necessary to respond to changing industry conditions. Airport master plans also consider infrastructure enablement such as bulk services, access routes and environmental conditions.

At ACSA, we have adopted an integrated approach to airport planning and development, which is expressed in our Aerotropolis and Airport Cities Strategy. An aerotropolis or airport city is an urban area or city centred around an airport, with the airport fulfilling multiple functions.

In terms of this strategy, our aim is to define specific critical success factors for each airport, to support these by creating enabling conditions and to identify appropriate developments, projects, and initiatives for that airport. The master plan for each airport identifies the kind of infrastructure needed at that location, defines the precincts within the airport in which that infrastructure is needed, allows for the development of detailed development plans for areas such as the terminal precinct and the cargo precinct, and provides for the development and implementation of individual projects, such as terminal buildings, parkades or aircraft stands.

The aim of the Aerotropolis Strategy is to promote economic growth and development for the benefit of the Group, the regions in which the airports operate and the country as a whole. On a macroeconomic level, it is aligned to the goals of the National Development Plan, and, from a business perspective, it is intended to improve our competitiveness, maximise revenues, improve the accessibility of our airports and promote connectivity between airports and regional hubs.

Based on extensive research of the aerotropolis concept and its application around the world, as well as a review of South African policies and development frameworks, our strategy can be described as follows:

Outcome	**Bolster economic development of our regions and country**			
Strategic pillars	Shape	Secure	Build	Grow
Major blocks Building	Establish Strategic Partnerships	Focus on Critical Success Factors	Attract Investment Opportunities	Enable Regulatory Framework
Anchor	**Sustainable SMART Principles**			

DEVELOP AIRPORTS continued

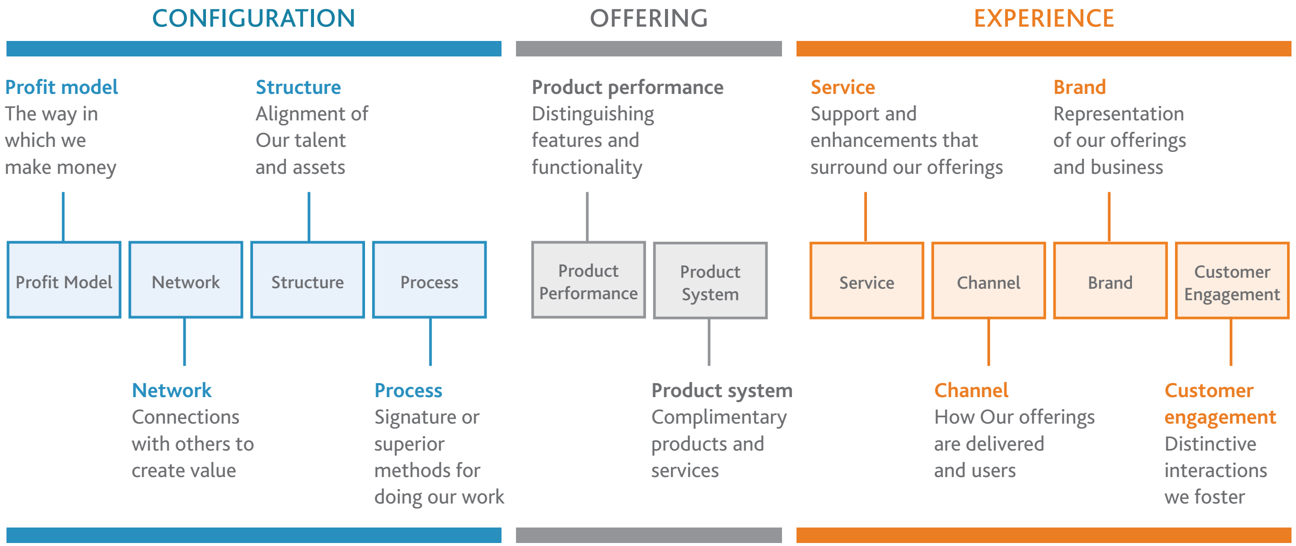
> The vision for our aerotropolis and airport cities is to attract smart, relevant aviation and non-aviation development to our airports in order to diversify our income streams and, ultimately, to secure our long-term sustainability

The execution of this strategy depends on several critical success factors, namely strategic partnerships in both the public and private sectors, suitable investment opportunities, the availability of adequate capital budget, an integrated approach to project planning and implementation, and a responsive regulatory framework.

To date, aerotropolis master plans have been concluded for the City of Ekurhuleni, where O.R. Tambo International is located, and the City of Durban, where King Shaka International is located. In addition, an aerotropolis feasibility study has been conducted for the City of Cape Town and the outcomes of this are being used to inform our strategy for that airport and the Western Cape regional hub.

Innovation

Innovation at all levels is essential to the implementation and success of our Aerotropolis and Airport Cities Strategy as well as our regional integration efforts. We have therefore put a revised Innovation Strategy into place that intends to harness the power of evolutionary innovation, breakthrough innovation and revolutionary innovation, and which takes into account the need for different types of innovation throughout the business:

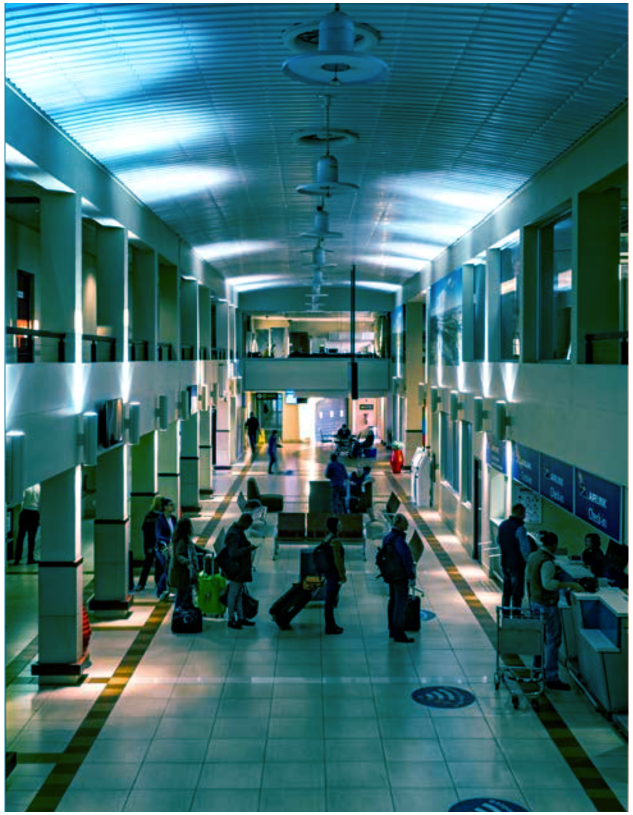


Our value proposition for innovation initiatives is based on leveraging our existing knowledge base by implementing best-practice knowledge management systems and finding strategic ways to incorporate new technologies to align with leading digital airport business trends. We evaluate and prioritise innovation initiatives in line with core business objectives such as reducing costs, improving productivity, and providing better customer satisfaction.

We have therefore undertaken a number of initiatives with these objectives in mind. They include a self-service programme that complements the IATA Fast Travel programme and designed to provide passengers with more extensive automated and touchless services. These are delivered online, via our app or on-site at our airports. New integrated technologies, including biometric identification technologies, are also being used to improve airport security and to provide passengers with robust, swift, and smooth processes. All of these innovations are intended to improve the overall user experience and to promote our post-pandemic recovery.

DEVELOP AIRPORTS continued

In addition, multiple energy-efficiency initiatives are either in place or are being implemented throughout our network. These include active solar farms at four of our airports as well as geothermal, gas-generated, solar, wind and waste-to-power initiatives. A fifth solar farm is currently in development and all of these initiatives not only help to reduce our carbon footprint, but also our dependence on the national grid. In the long-term, we aim to move all of our operations off-grid. We are also aiming to be carbon neutral by 2030 and continue to hold ISO 4001 carbon accreditation from ACI.



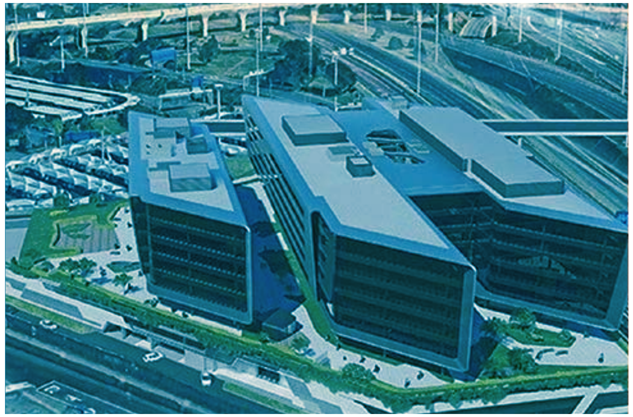
Property development

Property development

The property development portfolio aims to monetise land in and around our airports through the development of infrastructure and opportunities that are adjacent and complementary to our core business of running airports. Typical investments include conference facilities, transportation nodes, cargo facilities, office parks and logistics platforms. The portfolio is vitally important to minimising air travel costs as the revenue generated from these developments reduces or, in some cases, even offsets the cost of operating the airport.

As already mentioned, infrastructure projects deferred in 2020 are now being revisited and prioritised, and we have been incubating projects in the areas of general aviation, aircraft services and premises and facilities for travellers. In contrast, projects that were in progress at the time have largely been completed. These include certain refurbishment projects and ACSA's new office park at O.R. Tambo International. The 33 000m2 Aviation Park campus comprises three buildings, the first of which is used by ACSA while the other two form part of our rental property portfolio.

A world-class facility, the campus has been granted a four-star rating for sustainable building design by the Green Building Council of South Africa. This relates in large part to the use of energy-efficient infrastructure, which features primary lighting by natural light, occupancy sensors to minimise electricity usage, the use of rain water harvesting and vegetated areas that promote natural thermal inertia. There is also a sophisticated building management system (BMS) in place, which ensures all the sub-systems of the building are working in harmony to achieve the most efficient and sustainable outcomes.



Aviation Park is the first major infrastructure development project we have undertaken in the past ten years and is testimony to our ability to manage large infrastructure projects.

Enterprise Asset Management is tasked with managing ACSA's infrastructure and assets throughout their lifecycle. This includes responsibility for optimising the return-on-asset levels through safe and relevant engineering practises and technology selection that is suitable for an airport environment. As we recover from the COVID-19 pandemic, Enterprise Asset Management continues to ensure that infrastructure and operations are scaled to passenger traffic at an acceptable cost.

To achieve this, we are guided by our maintenance regime standards for core, key and supporting assets. This ensures the safety of airport operations and compliance with regulatory standards. The following table indicates how our assets and technologies are categorised:

DEVELOP AIRPORTS continued

Categorisation of various assets and technologies

Category	Examples of Assets/Technology classes	
Core Assets (without these assets ACSA will experience business interruptions with the possibility of a downgrade or airport closure due to non-compliance)	• Airside pavements, i.e. runways, taxiways, and aprons • Airfield navigational aids • Baggage systems • Aircraft fuel hydrant systems • Electrical Power (primary and secondary systems) • Fire fighting systems including detection and PA (airport category dependent systems) • Water systems (under ground and associated pumps) • Terminal building structures	
Key Assets (airport can operate without for 8–48 hrs of asset unavailability)	• Security screening equipment • Waste management • Key assets • People movers (lifts and escalators) • HVAC systems • Emergency lighting • Fire fighting systems (not airport category dependent) • PBBs • Perimeter fence	• Bulk services • Storm water and sewer pumps • UPS • Cleaning • Plumbing • Landscaping and grass cutting • Asset tracking • Inventory • Landside pavements • Baggage trolleys
Supporting Assets (we are able to sustain business without it, minimal influence on operations, however, rectification is needed to sustain the ACSA brand)	• ADS • GPUs • Ablutions • Road blockers, booms, and turnstiles • Roller shutter doors • Building furnishes • Terminal building lighting • BMS	• Complex Maintenance Repair and Overall (cMRO) • Landed cost management • eAM Oracle module • FAR Oracle module • GIS • Property management, Oracle module • Sliding doors

The ability to achieve and sustain reduced cost baselines throughout the past three reporting periods was also attributable to:

- Implementing a revised service catalogue for maintenance services. This catalogue bundles like services so that full-time equivalents needed to service a contract are reduced and the contract specifications are informed by the maintenance regimes to be implemented. In other words, we have adopted an output-based service contracting approach. This will remain in place for the foreseeable future.
- Critical review. This is a process of deciding which maintenance activities can be performed by in-house artisans and technical staff (e.g., weekly generator on-load testing and asset inspections). The tooling, training, and development of the staff necessary for this function is ongoing, with the benefit that first-line maintenance department staff now have enhanced technical skills and equipment know-how.

DEVELOP AIRPORTS continued

In addition, we have implemented an in-house asset assurance programme to ensure the timely completion of maintenance regimes at quality and regulatory standards. In cases in which quality assurance needs to be performed by a certified inspector (e.g., a lift inspector or a refrigeration technician), this is being done. In the current period, we expect to see an increase in cleaning and maintenance costs as passenger traffic recovers, resulting in longer operating hours at all of our airports. Airport infrastructure and equipment redundancy will also reduce in line with recovery.

Reduced allocations for capital expenditure during the COVID-19 pandemic have naturally also impacted on the asset management function. Capex projects have therefore been prioritised according to safety and risk, recurring and/or single points of failure, end of life, technology obsolesce, and modernisation. This approach is likely to continue over the next two years until the business has fully recovered from the effects of the COVID-19 pandemic.

In order to catch up on capital backlog, we are revisiting our plans to implement a rolling capital programme, which was discussed with the aviation industry in January 2020. This will entail a cyclical renewal of infrastructure and assets using replicable implementation standards and processes. The process will eliminate duplication in engineering design and will accelerate execution as a result of lessons learned from prior projects.

ACSA will also be soliciting specialised services that were deferred during the COVID-19 pandemic. These will be in the areas of bulk services planning, fuel master planning, corrosion engineering, energy performance certification, fuel infrastructure rehabilitation costs for NERSA applications, and infrastructure condition monitoring. They are required in order to comply with regulations and/or the Asset Management Strategy.

Outlook

Although we have observed a gradual, albeit uneven, recovery in our business during the past two reporting periods, however, we anticipate that financing limitations and the evolving operating landscape will persistently influence our capital expenditure programme.

With this in mind, we will continue to prioritise projects that minimise business risk, support sustainability and enable us to be responsive to changing market needs. The limited funding available for capital development will be allocated to business-critical projects.

GROW FOOTPRINT

Overview

Our strategic focus on growing our footprint is a response to changing opportunities in the domestic, regional, and international air transportation markets. While growth is currently not a primary focus for the business, it remains a medium- to long-term focus as it is vital for sustainable value creation.

Within the context of our Recover and Sustain Strategy, we are therefore continuing to consider opportunities for growth by re-evaluating our investments and nurturing identified growth areas. Strengthening and expanding our presence in segments such as cargo handling will, for instance, allow us to expand on our core business activities and support our objective of diversifying our revenue streams. We are now also in a position to begin re-examining our plans to expand our route network, particularly in Africa.

This is supported by the fact that air traffic continues to recover globally with airlines continuing to demonstrate resilience and adaptability despite the challenges of the post-pandemic environment.

Industry wide, revenue-passenger kilometres (RPKs) grew by 55.5% year-on-year to February 2023 and bodes well for the current period. From a risk point of view, though, inflation is at its highest level in decades and many central banks have raised interest rates in response.

Higher interest rates and rapid increases in the cost of living have directly impacted on disposable income and this is likely to affect leisure travel as well as travel to visit friends and relatives.

As importantly, air cargo demand fell consistently during the reporting period, with total demand down by 11% compared to pre-pandemic figures in January 2023. This challenging economic environment for air cargo is expected to persist throughout the current period. IATA therefore anticipates that global economic growth will remain weak and that a slowdown in economic activity will be unavoidable in all major economies. This is likely to result in a more protracted period of recovery than we had anticipated.

Business development

We are nevertheless continuing to work closely with our partners to analyse and validate route performance in order to identify opportunities for retention and expansion. We also collaborate with key stakeholders – from tourism authorities to local government and provincial structures – in order to ensure alignment with the national trade and tourism agendas.

Prior to the COVID-19 pandemic, several airlines in North America, Europe and sub-Saharan Africa had announced their intention to commence direct services to and from South Africa, reflecting the importance they placed on growth opportunities inherent in the South African market. These plans were, however, disrupted by the COVID-19 pandemic and the resulting restrictions on international travel.

Over the past two periods, airlines have slowly been resuming or even expanding operations, although some airlines that existed prior to the COVID-19 pandemic no longer exist.

GROW FOOTPRINT continued

The following table presents a comparison between the airlines that were operating flights to and from our airports prior to the COVID-19 pandemic and those that are currently operating flights.

Airlines	Pre-COVID-19	Post-COVID-19
Domestic	**7**	**5**
Comair Ltd [Kulula + British Airways]	✓	
FlySafair	✓	✓
Airlink	✓	✓
Mango	✓	
South African Airways	✓	✓
South African Express Airways	✓	
Lift		✓
Cemair	✓	✓
International	**45**	**39**
Air Namibia	✓	
Emirates	✓	✓
Kenya Airways	✓	✓
Air Botswana	✓	✓
Qatar Airways	✓	✓
Fastjet Zimbabwe	✓	✓
British Airways [Mainline]	✓	✓
Ethiopian Airlines	✓	✓
LAM Mozambique	✓	✓
RwandAir	✓	✓

Airlines	Pre-COVID-19	Post-COVID-19
Turkish Airlines	✓	✓
Singapore Airlines	✓	✓
ASKY	✓	✓
TAAG Angolan	✓	✓
KLM	✓	✓
Malawian Airlines	✓	✓
Lufthansa	✓	✓
Virgin Atlantic	✓	✓
Air Mauritius	✓	✓
Air France	✓	✓
Air Zimbabwe	✓	✓
Cathay Pacific Airways	✓	
SWISS Air	✓	✓
Delta Airlines	✓	✓
Etihad Airways	✓	✓
Air Seychelles	✓	✓
Qantas Airways	✓	✓
Air China	✓	✓
LATAM	✓	
Proflight Zambia	✓	✓
Alitalia	✓	

Airlines	Pre-COVID-19	Post-COVID-19
Congo Airways	✓	
Saudi Airlines	✓	
EgyptAir	✓	✓
Fly Namibia	✓	✓
Israeli Airlines	✓	✓
Air Austral	✓	✓
Edelweiss	✓	✓
Condor	✓	✓
Air Tanzania	✓	
Iberia	✓	
Austrian Airlines	✓	
Air Madagascar	✓	
United Airlines	✓	✓
Joon	✓	
FlyCAA		✓
Air Cote D'Ivoire		✓
Air Uganda		✓
Air Belgium SA		✓
Air Peace		✓
Total	**52**	**44**

GROW FOOTPRINT continued

More specifically, the following airlines have introduced new routes centred around Cape Town International:

Maputo - Cape Town
4 x weekly frequencies

Mauritius - Cape Town
4 x weekly frequencies

London - Cape Town
7 x weekly frequencies

Brussels - Cape Town via Johannesburg
2 x weekly frequencies

Cape Town - Atlanta
7 x weekly frequencies

Washington - Cape Town
3 x weekly frequencies

Frankfurt - Cape Town
3 x weekly frequencies

Durban - Cape Town
14 x weekly frequencies

GROW FOOTPRINT continued

The following airlines have introduced new routes centred around O.R. Tambo International:

AIR BELGIUM

Brussels - Johannesburg
2 x weekly frequencies

Air Côte d'Ivoire

Abidjan - Johannesburg
via Kinshasa
4 x weekly frequencies

Royal Eswatini National Airways Corporation

Manzini - Johannesburg
14 x weekly frequencies

Condor

Frankfurt - Johannesburg
2 x weekly frequencies

ASKY AIRLINES

Lomé - Johannesburg
via Kinshasa & Libreville
5 x weekly frequencies

AIRLINK Freedom of the African Sky

Richards Bay - Johannesburg
7 x weekly frequencies

QANTAS

Perth - Johannesburg
3 x weekly frequencies

GROW FOOTPRINT continued

The following airlines have introduced new routes centred around King Shaka International:

Durban - Cape Town
14 x weekly frequencies

Durban - Cape Town
2 x weekly frequencies

Durban - Harare: 4 x weekly frequencies

Durban - Kruger Mpumalanga: 4 x weekly frequencies

Durban - Gqeberha: 21 x weekly frequencies

The following airlines have introduced new routes centred around two of our regional airports:

Bloemfontein - Johannesburg
4 x weekly frequencies

Kimberley - Cape Town
4 x weekly frequencies

GROW FOOTPRINT continued

The recent and expected resumption of services as well as route expansions and new international routes are expected to add significantly to passenger traffic throughout the network, with O.R. Tambo International expected to recover 100% of its pre-pandemic international passenger traffic by end of 2024.

While O.R. Tambo International's passenger traffic lagged that of Cape Town International during the reporting period, this is because a significant proportion of the airport's capacity is yet to be restored, including the direct links to Hong Kong and Brazil. Further, a large part of the existing international route network is operating below pre-pandemic levels and frequency is expected to increase in FY2023/24. It should nevertheless be noted that deteriorating global economic conditions pose a major down-side risk to the recovery prospects.

Going forward, unserved routes in Africa, Europe, North America, Asia Pacific, and Latin America will be targeted for development.

Route development

ACSA is a founding member of several route development structures, and in collaboration with local government, facilitate wider access to air travel and transportation. Despite restrictions, most of these structures remained active throughout the COVID-19 pandemic.

While air travel activities are concentrated around the country's three largest metropolitans in Gauteng, Western Cape and KZN, however, unlocking air connectivity in/out of smaller communities for integration with the national air transport network remains a top priority for ACSA We therefore continue to work closely with local government to explore various mechanisms that will enable smaller communities to plug into the national air transport network.

During the reporting period, the following structures were active:

- Gauteng Air Access. The Department of Tourism actively drives route development for O.R. Tambo International in partnership with the City of Ekurhuleni, the Gauteng Tourism Agency, the Gauteng Growth and Development Agency and South African Tourism.
- Durban Direct, which operates in partnership with Dube Tradeport and the Department of Economic Development and Environmental Affairs.
- Cape Town Air Access, which operates in partnership with Wesgro (a trade and investment agency), Cape Town Tourism, the Department of Economic Development and Environmental Affairs, South African Tourism, and private sector partners.
- Garden Route Airlift, which operates in partnership with George municipality and the Garden Route District Municipality.
- Nelson Mandela Bay Airlift, which operates in partnership with Nelson Mandela Bay Metropolitan Municipality, the Eastern Cape Development Corporation, the Eastern Cape Parks and Tourism Agency and the Nelson Mandela Chamber of Commerce.
- Upington Airlift, which operates in partnership: in partnership with the Dawid Kruiper local municipality, the Department of Trade and Industry, the Department of Economic Development and Tourism and the local Chamber of Commerce.

Non-core revenue

Non-core revenue generated from business development advisory services and consultancy amounted to R12.9 million for the reporting period.

ACSA played a significant role in the successful operation of Richards Bay Airport by providing comprehensive airport management services. Working closely with Umhlathuze Municipality, we ensured that all aspects of airport operations including security, maintenance, passenger services and overall facility management, were effectively handled.

We also provided technical consultancy services at Wonderboom National Airport, which is owned and managed by the City of Tshwane. Our team provided valuable insights and guidance on various technical issues related to airport infrastructure, aviation regulations, safety protocols and operational efficiency. This collaboration allowed the City of Tshwane to optimise the functioning of the airport and to enhance its services for the benefit of stakeholders.

Advisory and consulting services

Our business model is based on leveraging our expertise in airport management, technical advisory services, business services and the training academy. However, with little or muted demand for technical advisory services since the advent of the COVID-19 pandemic, our approach has been to keep our staffing levels in this area of the business low and rather to partner with external advisors and/or consultants to address any expertise gaps in the provision of advisory services. In the long-term, any material gap in skills will be addressed in line with sustained demand from the market.

At present, our primary objective is to provide comprehensive advisory services to local airports. We recognise the significance of these airports as vital transportation hubs within their respective regions. By offering specialised expertise and industry knowledge, we aim to assist them in navigating complex challenges, optimising their operations, and achieving long-term success.

GROW FOOTPRINT continued

Commercialising our training academy

In order to capitalise on the opportunities available to diversify our revenue streams, we are in the process of transforming our training academy into an industry-wide African regional aviation training centre of excellence. The centre will be a stand-alone entity that will leverage our human capital, institutional knowledge, and experience to offer tailored programmes for both internal and external clients.

Outlook

The prevailing global economic challenges and mounting uncertainties, coupled with South Africa's projected growth for 2023 of below 1%, undeniably pose a significant risk to the overall recovery outlook. Consequently, in the short-term, we anticipate subdued growth in both passenger and cargo traffic. The persisting ambiguity surrounding South African aviation policies (i.e., domestic and international airlines licensing) continues to undermine confidence among airlines, while constraints on bilateral air-service agreements are poised to limit the recovery and expansion potential of air traffic.

Nonetheless, we remain committed to our Recover and Sustain strategy in managing our growth objectives, and when deemed suitable, acceleration of implementation of our Growth initiatives. Our approach involves the continuation of the capacity expansion programme that was already underway at the onset of the COVID-19 pandemic. Moreover, we are directing our 'Grow Footprint' pillar towards optimising capacity to support revenue diversification ambitions. We maintain a steadfast focus on the meticulous planning and execution of our Aerotropolis Strategy, coupled with expansion efforts targeting potentially high-growth markets across Africa.

Furthermore, we are dedicated to strengthening our airline route network, taking into account demand constraints. As of 31 March 2023, over 38 underserved destinations in 29 countries were identified, earmarking them for development in the medium- to long-term. Among these destinations, nine are situated in eight African countries, which represent the most promising region for expanding our footprint over the next decade.

Our ultimate goal is to establish connections to every major city in Africa, thereby diversifying our international source market portfolio and supporting Africa's broader regional integration objectives in line with the Abuja Treaty of 1991.

09 ABRIDGED FINANCIAL STATEMENTS

Our financial and non-financial outcomes

ABRIDGED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	GROUP			
Figures in Rand	March 2023	March 2022	R'000	%
Assets				
Non-current assets	25 014 984	26 172 266	(1 157 282)	(4.4)
Property, plant and equipment, investment property and intangible assets	24 247 713	25 429 939	(1 182 226)	(4.6)
Investments in associates and joint ventures	427 906	421 386	6 520	1.5
Other non–current assets	339 365	320 941	18 424	5.7
Current assets	6 652 230	3 965 391	2 686 839	68
Investments and cash and cash equivalents	4 906 680	2 161 409	2 745 271	127
Other current assets	1 744 365	1 798 294	(53 929)	(3.0)
Non–current assets held for sale	1 185	5 688	(4 503)	(79.2)
Total assets	31 667 214	30 137 657	1 529 557	5.1
Equity and liabilities				
Equity	18 657 015	18 861 468	(204 453)	(1.1)
Non-current liabilities	8 936 338	8 822 572	113 766	(1.3)
Interest–bearing borrowings	8 130 232	8 141 783	(11 551)	0.1
Other non-current liabilities	806 106	680 789	125 317	(18.4)
Current liabilities	4 073 861	2 453 617	1 620 244	(66.0)
Total liabilities	13 010 199	11 276 189	1 734 010	(15.4)
Total equity and liabilities	31 667 214	30 137 657	1 529 557	5.1

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	GROUP			
Figures in Rand	**March 2023**	**March 2022**	**R'000**	**%**
Revenue and other operating income	**6 065 333**	3 898 034	**2 167 299**	55.6
Employee benefit expense	**(1 241 833)**	(1 318 697)	**76 864**	(5.8)
Operating expenses	**(2 240 841)**	(2 026 017)	**(214 824)**	(10.6)
Impairment loss on trade and other receivables	**(541 716)**	(211 631)	**(330 085)**	(156.0)
Earnings before interest, tax, depreciation and amortisation	**2 040 943**	341 689	**1 699 254**	497.3
Fair value losses on investment properties	**(208 781)**	(90 716)	**(118 065)**	(130.1)
Depreciation and amortisation expense	**(1 386 914)**	(1 200 697)	**(186 217)**	(15.5)
Gains from equity accounted investments	**6 519**	980	**5 539**	565.2
Net finance expense	**(473 397)**	(587 558)	**114 161**	19.4
Loss before taxation	**(21 630)**	(1 536 302)	**1 514 672**	98.6
Taxation	**(120 849)**	533 943	**(654 792)**	(122.6)
Profit for the year	**(142 479)**	(1 002 359)	**859 880**	85.8
Effective tax rate	**559%**	35%		
Cost to income ratio	**(57%)**	(86%)		

ABRIDGED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	GROUP			
Figures in Rand	**March 2023**	**March 2022**	**R'000**	**%**
Net cash inflow from operating activities	**2 404 138**	360 203	**2 043 935**	**567.4**
Net cash outflow from investing activities	**(2 019 938)**	(799 523)	**(1 220 415)**	**(152.6)**
Net cash inflow/(outflow) from financing activities	**751 195**	(844 895)	**1 596 090**	188.9
Repayment of derivatives	**(1 111)**	(2 473)	**1 362**	55.1
Interest-bearing borrowings repaid	**(296 355)**	(296 355)	–	–
Interest paid	**(617 083)**	(546 067)	**(71 016)**	(13.0)
Interest-bearing borrowings raised	**1 665 744**	–	**1 665 744**	100.0
Net increase/(decrease) in cash and cash equivalents	**1 135 395**	(1 284 215)	**2 419 610**	188.4
Cash and cash equivalents at the beginning of the year	**1 048 229**	2 332 444	**(1 284 215)**	(55.1)
Cash and cash equivalents at the end of the year	**2 183 624**	**1 048 229**	**1 135 395**	**52.0**

NATIONAL TREASURY COMPLIANCE REPORTING

FOR THE YEAR ENDED 31 MARCH 2023

Reconciliation of irregular expenditure

Description	March 2023 R'000	March 2022 R'000	March 2021 R'000
Opening balance	480 320	392 492	1 186 073
Prior period errors	–	51 114	6 075
As restated	480 320	443 606	1 192 148
Add: Irregular expenditure confirmed	59 086	36 714	274 120
Less: Irregular expenditure condoned	–	–	(130 872)
Less: Irregular expenditure not condoned and removed	(254 469)	–	(942 904)
Closing balance	284 937	480 320	392 492

Reconciling notes to the annual financial statement disclosure

Description	March 2023 R'000	March 2022 R'000
Irregular expenditure that was under assessment in 2021/2022	21 470	12 896
Irregular expenditure that relates to 2021/22 and identified in 2022/23[(##)]		3 307
Irregular expenditure for the current year	37 616	20 511
Total	59 086	36 714

[(##)] During the year ended March 2023, an amount of R3.3 million was identified as irregular expenditure incurred in 2021/22 but was identified in the 2022/23 financial year.

a) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	March 2023 R'000	March 2022 R'000
Irregular expenditure under assessment	13 814	12 896
Irregular expenditure under determination	84 300	172 493
Irregular expenditure under investigation	5 161	30 196
Total	103 275	215 585

b) Details of current and previous year irregular expenditure removed – (not condoned)

Description	March 2023 R'000	March 2022 R'000
Irregular expenditure NOT condoned and removed	(254 469)	–
Total	(254 469)	–

Removals relate to expenditure previously initially classified as irregular for the following reasons:

– documents not found during the audit process

– no evidence of modification approval prior to spending.

Upon further investigation, the relevant documentation was found to exist and be appropriate.

KEY STATISTICS

Group	FY2022/23	FY2021/22	FY2020/21	FY2019/20	FY2018/19	FY2017/18
Aircraft landings						
International	**33 156**	22 792	10 330	40 707	41 604	41 597
Domestic	**109 075**	91 026	43 674	132 324	137 028	142 096
Regional	**9 354**	6 732	2 619	12 134	13 013	13 427
Unscheduled	**60 202**	56 267	43 340	65 726	67 603	67 373
TOTAL	**211 787**	176 817	99 963	250 891	259 248	264 493
Departing passengers						
International	**4 268 098**	1 684 480	412 322	5 821 311	6 026 313	5 969 555
Domestic	**11 117 216**	8 614 009	4 023 639	14 527 118	14 482 705	14 244 015
Regional	**356 069**	187 166	37 189	517 641	547 968	560 568
Unscheduled	**71 832**	52 686	97 268	57 275	61 019	63 871
TOTAL	**15 813 215**	10 538 341	4 570 418	20 923 345	21 118 005	20 838 009
Number of airlines						
International	**46**	36	32	69	46	44
Domestic	**7**	7	6	35	11	10
	53	43	38	104	57	54
Aeronautical tariffs(R) (VAT exclusive)						
Passenger service charges						
Domestic	**80.8**	78.36	75.44	75.44	75.44	71.93
Regional	**167.52**	162.47	157.02	157.02	157.02	148.51
International	**220.75**	214.09	207.02	207.02	207.02	195.61
Landing fees (based on an aircraft with a maximum take-off weight of 60 000kg) (VAT exclusive)						
Domestic	**3501.83**	3 396.23	3 287.47	3 287.47	3 287.47	3 107.27
Regional	**5108.17**	4 954.27	4 795.49	4 795.49	4 795.49	7 820.17
International	**6714.06**	6 511.63	6 303.06	6 303.06	6 303.06	9 236.37
Operational volume (in numbers) aircraft landings						
O.R. Tambo International Airport	**90 774**	70 025	35 235	105 978	109 836	110 336
Cape Town International Airport	**45 145**	37 767	19 494	47 452	49 335	51 499
King Shaka International Airport	**18 672**	14 929	7 330	25 376	25 567	27 056
Chief Dawid Stuurman (Gqeberha) International Airport	**20 001**	22 052	15 016	24 139	22 657	26 974
King Phalo (East London) Airport	**6 868**	6 236	5 293	8 739	12 430	13 521
George Airport	**2 825**	2 127	1 348	3 083	21 506	17 056
Bram Fischer International Airport	**8 831**	9 284	4 634	13 289	9 442	9 935
Kimberley Airport	**14 349**	10 213	9 143	18 391	4 894	4 445
Upington International Airport	**4 322**	4 184	2 470	4 444	3 581	3 671
TOTAL	**211 787**	176 817	99 963	250 891	259 248	264 493

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