

ATNS CELEBRATING



AIR TRAFFIC & NAVIGATION
SERVICES SOC LIMITED
INTEGRATED
REPORT

2019

ATNS MILESTONES OVER 25 YEARS

HOW IT ALL STARTED

About ATNS

Air Traffic and Navigation Services SOC Limited (ATNS) provides air traffic, navigation, training and associated services within South Africa. ATNS is also responsible for Air Traffic Control throughout the African Indian Ocean (AFI) region.

ATNS operates in international and domestic ACSA airports. We also provide air traffic services in selected regional airports.

Our vision

To be the preferred supplier of Air Traffic Management solutions and associated services to the African Continent and selected international markets.

Our mission

To provide safe, expeditious and efficient Air Traffic Management solutions and associated services.

Our services extend beyond air traffic control services into the provision of vitally important aeronautical information used for all flight planning purposes as well as search and rescue coordination activities, and the maintenance of a reliable navigation infrastructure.

1992

The establishment of ATNS in response to the aviation industry's dire need for comprehensive and unified air traffic management (ATM).

1995

The Aviation Training Academy (ATA) was established to ensure a steady stream of competent, skilled and capable air traffic controllers.

1999

Installation of the Satellite Surveillance and Communication System (ADS/CPDLC) for the Indian Ocean area.

2001

ATNS's ATA installs its own 3D air traffic control simulator.



Construction begins on the South African Advanced Air Traffic System.



Global Navigation Satellite System implementation.

Proposed SADC VSAT satellite communication upgrade.



The 2010 FIFA World Cup creates a compounding effect on ATNS's more than R1 billion turnover contribution to the economy – a source of immense pride for the Board, Employees and Shareholder.



Inauguration of NAFISAT Master Back-up Terminal in Uganda.

Launch of the groundbreaking ATNS AVI AFRIQUE Innovation Summit.



The ATNS ATA is designated as an IATA Premier Circle member.



Recognised by the Top Employer Institute (a global authority on excellence in people practices) as an Employer of Choice – ATNS continues to build and sustain an enviable reputation.



ATNS and the South African Council for Scientific and Industrial Research sign a Memorandum of Understanding to collaborate on a national multi-static passive radar facility.

WHERE WE ARE TODAY



ATNS celebrates its 25th year and reflects on its significant financial, social and economic contributions to South Africa and the aviation industry while continuously achieving its mandate – delivering safe skies and ATM to South Africa.

BUILDING FRUITFUL PARTNERSHIPS OVER THE LAST 25 YEARS

AN AWARD-WINNING CULTURE OVER THE LAST 25 YEARS



ATNS, in collaboration with the University of Witwatersrand Business School, launches the Aeronautical Management Development Programme (AMDP) – the first of its kind in Africa.



The ATA receives the IATA Worldwide Top Regional Training Partner Award for the fifth consecutive year. The Academy becomes an ICAO Regional Training Center of Excellence.



ATNS awarded 'Runner Up' in the SACAA awards – Sustainability and Environment Category.

WHERE WE ARE HEADING



Diversification of the ATNS products and services offering to clients both in the regulated and non-regulated business.



Collaboration with aviation stakeholders – across the continent and abroad – towards a single African Air Transport Market.



Capacitating for leadership in Africa and the ATM space which includes ATM service delivery, technology-integrated transport systems, use of satellite technologies and use of robotics.



Implementation and adoption of lean, agile and flat operational policies, processes and structures which are customer centric.



Continued development of the ATNS safety culture.



A transformative organisation with a capable and competent workforce.



Seamless ATM efficiency that enables safety performance through global ATM operational standards.



Enhanced sustainable practices which support the triple bottom line.



Maintaining an impeccable governance framework and compliance.

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Performance highlights

STRATEGIC IMPERATIVES		INDICATOR	2017/18 ACTUAL	2018/19 ACTUAL	
	Ensure long-term financial sustainability	Revenue	R1,6 billion	R1,7 billion	
		Operating costs	R1,3 billion	R1,4 billion	
		Net profit	R187 million	R188 million	
	Enhance operational efficiencies in line with global ATM standards	Total capital expenditure	R305 million	R252 million	
		Average systems availability	Communication	C: 99.78%	C: 99.52%
			Navigation	N: 96.30%	N: 94.81%
			Surveillance	S: 99.97%	S: 100.00%
	Create a transformative organisation	Overall EE representation	<ul style="list-style-type: none"> • ATS AIC: 72.27% • ATS Female: 46.55% • ATNS AIC: 76.98% • ATNS Female: 47.35% • People with disabilities: 3.22% • BBBEE rating: level 2 	<ul style="list-style-type: none"> • ATS AIC: 72.94% • ATS Female: 47.40% • ATNS AIC: 79.24% • ATNS Female: 49.40% • People with disabilities: 3.22% • BBBEE rating: level 2 	
		Safety events per 100 000 air traffic movements	5.19 safety events per 100 000 air traffic movements	3.84 safety events per 100 000 air traffic movements	
	Build a skilled and capable employee resource base	Total number of ATS trainees	68	60	
		Total number of engineering trainees	22 (12 engineering learnerships and 10 graduates)	17 (6 engineering learnerships and 11 graduates)	
		Number of unemployed graduates	7	13	
		Training investment as percentage of salary bill	6.52%	5.70%	
	Manage the organisation's contribution to climate change	Total carbon inventory	23 440.52 tonnes CO ₂ e	24 005.61 tonnes CO ₂ e	
	Manage and preserve scarce and vulnerable resources	Overall annual electricity usage	20 358.98 MWh	20 439.52 MWh	
		Overall annual fuel usage	81 612 Litres	95 376 Litres	
	Ensure constructive and collaborative stakeholder relationships	CSI spend	R2 million	R7 million	

About the integrated report

Scope and boundary of the report

This is our seventh consecutive Integrated Report and covers the financial reporting period from 1 April 2018 to 31 March 2019. The Integrated Report combines financial and non-financial performance in a single report. References to forward-looking information and targets are extracted from the 2018/19 ATNS Corporate Plan approved by the Board of Directors.

The boundary of this report is largely the ATNS legal entity. There may be instances where material

aspects extend to other entities outside of the company, as our operations are located at different airports.

The previous Integrated Report, which covers the period 1 April 2017 to 31 March 2018, was approved by the ATNS board on 22 October 2018. The 2017/18 reporting suite combined performance content, sustainability content and our Annual Financial Statements (AFS) across three reporting volumes. A printed version of the suite of reports was published and a web-based version of each report was made available in PDF format.

Navigating this report

Icons associated with strategic imperatives

Performance commentary in this report pertains to material issues that specifically align with the company's key strategic objectives. Accordingly, performance commentary is linked to our strategic objectives throughout the report by means of the following icons:

- | | | | |
|--|---|--|--|
| | Ensure long-term financial sustainability | | Manage the organisation's contribution to climate change |
| | Enhance operational efficiencies in line with global ATM standards | | Manage and preserve scarce and vulnerable resources |
| | Deploy and use leading technologies to the benefit of the ATM community | | Develop enterprise-wide awareness for accountable environmental impact |
| | Develop leadership capability in Africa ATM space | | Maintain an impeccable governance framework |
| | Create a transformative organisation | | Ensure regulatory alignment and compliance |
| | Build a culture of safety | | Ensure constructive and collaborative stakeholder relationships |
| | Build a skilled and capable employee resource base | | |

Icons referencing KING IV principles applied

Abridged governance disclosures in this report are accompanied, where applicable, by icons referencing the applicable KING IV principle by means of the following icon:

 P = Principle
King IV principles are referenced where appropriate in this report.

Icons associated with material issues

 Denoting one or more of ATNS's material issues.

 Denotes alignment to the United Nations Sustainable Development Goals 2030.

Referencing content online

Our 2018/19 Integrated Report, annual Financial Statements, King IV application register and GRI disclosures are available on our website as downloadable documents: www.atns.com/reports.php.

 **Feedback**

P.16 We welcome feedback on our integrated report to ensure that we continue to disclose information that is pertinent to all our stakeholders.

For further queries or suggestions kindly contact: marketing@atns.co.za.

 **Approach to integrated reporting**

P.5 P.15 The 2018/19 Integrated Report offers a comprehensive account of the company's performance in terms of its ability to create value through the six capitals as defined by the International Integrated Reporting Council (IIRC).

We apply the principle of materiality to:

- Inform disclosures, so that they are both important to the organisation and relevant in terms of our reporting priorities for the year under review.

- Link disclosures on ATNS's financial, social and environmental performance to the company's strategic objectives, top risks and to the six capitals.
- Link performance to the company's developmental context, regulatory context, commercial context and its global business context.

Materiality was determined by the ATNS Executive Committee through a process of extensive consultation under the oversight and approval of the board. The process took into consideration ATNS stakeholder interests and concerns, as well as our strategic objectives, material risks and opportunities and the ATNS value chain.

Read more on the materiality determination process on page 58.

Sustainability statement

As a signatory to multiple global conventions – including the Chicago Convention, which established the International Civil Aviation Organisation (ICAO) as a specialised agency of the United Nations – ATNS's vision for sustainable development is embodied in the relationship between social systems, ecosystems and economic systems and aligns to South Africa's National Development Plan 2030 (NDP 2030).

As a State-Owned Company (SOC) and national provider of Air Traffic Management (ATM) services – ATNS plays a significant role in contributing to South Africa's sustainability agenda. Our Shareholder Mandate, represented by the Minister of Transport and the entire Department of Transport (DoT), directs us to contribute to both departmental and national outcomes by balancing the safe development of civil aviation, with the responsible consideration of our impact on the economy, society and the environment.

We disclose both financial and non-financial performance information in this report as it relates to ATNS's business outcomes and the company's contributions to the country's overall economic efficiency and ATM competitiveness. Our sustainability reporting includes Standard Disclosures from the GRI Standards and is available online.

For the reporting year, the board resolved to discontinue the annual stand-alone sustainability report, as a result it has been enclosed as part of the report available on our website.

Assurance

ATNS's integrated assurance plan and framework encompass the assurances provided by the company's Board of Directors, management, internal specialists, internal and external audit functions and other business advisers.

The integrated report is reviewed by the board to satisfy themselves of the materiality, accuracy and balance of disclosures. In addition, various aspects such as key performance aspects of the integrated report are independently assured by external assurance providers, in this case, Nexia SAB&T Auditors. Refer to the independent auditors report on page 11 to 16 of the 2019 Financial Report.

 **ATNS INTEGRATED ASSURANCE FRAMEWORK FOR THE ANNUAL INTEGRATED REPORTING PROCESS**

P.2 P.10 P.11 P.12 P.13 P.15

ASSURANCE CONTENT	ASSURANCE PROVIDERS	ASSURANCE FRAMEWORKS, STANDARDS AND GUIDELINES	2018/19 OUTCOME
Annual Financial Statements (AFS)	<ul style="list-style-type: none"> • ATNS Board of Directors • The company's directors • External auditors: Nexia SAB & T Auditors 	<ul style="list-style-type: none"> • Financial Reporting Standards • Requirements of the Public Finance Management Act, Act No. 1 of 1999 (PFMA) of South Africa • Companies Act of South Africa • Public Audit Act of South Africa • International Standards on Auditing. 	Unqualified audit report for 2018/19
Risk management and review of the efficacy of internal controls (including fraud and risk)	<ul style="list-style-type: none"> • Audit and Risk Committee (ARC) • Executive Audit and Risk Committee • ATNS Management • ATNS Information Technology (IT) Steering Committee • ATNS Risk Department • ATNS Legal and Compliance Department • ATNS Internal Audit function • External auditors: Nexia SAB & T Auditors 	<ul style="list-style-type: none"> • ICAO Standards and Recommended Practices • The King Code of Governance for South Africa (2016) (King IV) • Requirements of the PFMA • ISO standards relating to safety and environment • Enterprise Risk Management (ERM) and compliance standards including guidelines relating to the Risk Management and Compliance Institute of South Africa • The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards • Key Performance Areas (KPA's) stipulated in the Shareholder Compact. 	The control environment requires improvement to provide reasonable assurance that the organisation's goals and objectives are being achieved.

ASSURANCE CONTENT	ASSURANCE PROVIDERS	ASSURANCE FRAMEWORKS, STANDARDS AND GUIDELINES	2018/19 OUTCOME
Corporate governance and regulatory compliance (including IT governance)	<ul style="list-style-type: none"> • ATNS IT Steering Committee • ATNS's Internal Audit Function • Compliance Function 	<ul style="list-style-type: none"> • ICAO Standards and Recommended Practices • The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards • The King Code of Governance for South Africa (2016) (King IV) • Requirements of the PFMA of South Africa • Companies Act of South Africa • Permission applications as mandated by the Regulating Committee in its Approach Document • Relevant KPAs stipulated in the Shareholder Compact • ATNS Code of Ethics • Any other applicable legislation and regulations in the regulatory universe 	



Statement of precautionary principle

Airspace safety performance continues to be at the core of our business, and air traffic movements are expected to increase in future. Accordingly, the flexible optimisation of airspace will contribute to safety and an operationally efficient environment which aims to proactively minimise environmental impacts and create social and economic value while remaining financially sustainable. ATNS uses a safety ratio to measure the number of safety events attributed to our operations per 100 000 movements. The safety ratio enables us to verify that we are meeting safety performance targets. Data is collected and regularly analysed to assess our levels of safety performance. The safety ratio is calculated using a 12-month rolling average method. Safety performance assurance and investigation activities are both reactive and proactive.

ATNS provides safe operations by applying separation standards based on Instrument Flight Rules (IFR).

With respect to air traffic control, separation refers to the concept of keeping aircraft at a minimum distance from each other to reduce the risk of collision, as well as preventing accidents due to wake turbulence. Air Traffic Services (ATS) authorities stipulate minimum separation standards for airspace based on ICAO standards. Root causes for safety events include human-related errors and fatigue, and extends to external factors such as weather phenomena, airspace design, and complex traffic scenarios. Our Risk Safety Index (RSI) matrix measures the levels of safety risk according to the categories of Probability and Severity. The Index increases risk visibility and supports management decision-making.

Safety meetings are regularly held at unit and regional levels to discuss safety performance, hazards, risks and mitigations. As an entity, safety is core to our business and is never compromised as we seek to balance value add through operational efficiency and environmental sustainability.



P.13
P.15



BOARD OF DIRECTORS: Back row (from left to right): Zenzele Myeza, Chris Burger, Khulile Boqwana, Suleman Badat, Major General Ngema. Seated (from left to right): Captain Jane Trembath, Thomas Kgokolo, Nomathemba Kubheka, Simphiwe Thobela, Kyansambo Vundla.

Board of Directors approval statement

The ATNS board, assisted by its various committees, is ultimately responsible for overseeing the integrity of the 2018/19 Integrated Report.

The board has applied its collective mind to the preparation and presentation of this Integrated Report and has concluded that it is presented in accordance with the International Integrated Reporting Framework. The Integrated Report also contains Standard Disclosures from the GRI Sustainability Reporting Standards.

The Integrated Report was approved by the board on 15 August 2019, and signed on its behalf by:

SIMPHIWE THOBELA
Chairman

2019
Johannesburg



Chairman: Simphiwe Thobela

Report of the Chairman

ATNS is a proud contributor to South Africa's economic development by providing safe, reliable and cost-efficient air traffic navigation services. Our strategic approach considers the domestic aviation needs of the country, while also integrating the needs of the African continent and international players across the industry. As an SOC, we consistently seek to balance the commercial benefits of our operations with the broader contributions we make to our society.

Safety is our main priority. We relentlessly focus on ensuring we adhere to global ATM standards and incorporate leading safety performance benchmarks

into the way we operate. Our proactive approach to continuous safety improvement involves providing the aviation community with efficient and cost-effective technology and services, supported by continuous analysis and learning from safety incidents to mitigate against any potential future impact.

External environment

During the reporting year, the weakening economic climate in South Africa intensified. Economic growth, initially projected at 2.5%, was revised down to 1%, which has had and continues to have an immediate impact on our business. Our revenue on the regulated business is based on aircraft movements, and in times

of subdued economic growth, we feel the financial impact of reduced movements which are linked to declining passenger numbers. In the period under review, billable movements reduced by 2.6% compared to the 2017/18 financial year. In addition, operational challenges, as well as fleet and schedule optimisation by airlines in the market has resulted in schedule and capacity reductions which have negatively impacted our financial performance.

With the South African government as our primary shareholder, we are impacted by changes in leadership structures. In May 2019, the country held national elections, which was followed by the announcement of a new Minister of Transport. We seek to ensure

proactive and positive engagement with the new Minister to continue to deliver on our core purpose.

In terms of the ATM sector and our responsibility to provide air traffic and navigation services, we are acutely aware of the need to adapt our technology landscape to respond to rapid technological advancements. This includes the development of machine learning (ML) and artificial intelligence (AI) by manufacturers, a drive to consolidate and reduce the number of air navigation service providers, as well as a fundamental shift in how ATM services are optimally and cost-effectively provided to lessen the financial burden on our valued users. In anticipation of these developments, ATNS is focusing on how to right-size and position the organisation to be an Air Navigation Service Provider (ANSP) of choice in the future. This includes consideration of the types of partnerships we will require and the technology we need to develop and/or deploy to remain relevant and competitive. Linked to this, collaboration with other ANSPs on the continent is key to building partnerships and capacity through our products and service offerings.

Cybersecurity remains an elevated risk across the aviation industry. As cyber adversaries become ever more skilled, persistent and technologically savvy, leaders are often on the back-foot when addressing the issues associated with cyber breaches. Our focus remains on the detection, prevention and prompt reaction to cyber incidents within the evolving cyber threat environment.

Partnerships and innovation

ATNS acknowledges partnerships as an integral part of our current business, as well as how we position ourselves in the future. We believe in establishing partnerships with researchers, manufacturers, governments and aspiring aviators that promote innovation, present creative solutions to problems, and encourage business improvement.

By establishing the AVI Afrique Innovation Summit, we created a platform to explore such innovation. The summit is attended by a wide variety of representatives, from both the private and public sector. We also invite innovators to present their ideas at the AVI Awards, which aim to provide development assistance and

turn their ideas into commercially viable products and services.

Our partnerships with research institutions such as the Council for Scientific and Industrial Research (CSIR) aim to strengthen the knowledge-base of the organisation and enhance our operational efficiency. One such project currently underway focuses on developing a national multi-static passive radar facility. Passive radar, also known as passive coherent location or commensal radar, is a class of radar that makes use of third-party transmitters to locate and track signals. The technology aims to improve safety and has several other advantages, including its cost-effectiveness and adaptability for small and large airfields. We are also looking into various technologies that have the potential to reduce our dependence on international third-party suppliers in favour of technologies developed in South Africa.

ATNS has hosted the Civil Air Navigation Services Organisation (CANSO) Africa Region Office in Johannesburg since 2012. CANSO aims to help ANSPs to provide services that are safe, technically interoperable, procedurally harmonised, efficient and affordable. This is aligned with our aspiration to achieve a seamless African sky. During the reporting year, we successfully engaged our counterparts across the continent and achieved buy-in from other ANSPs to collectively host the CANSO African regional hub in the future and to contribute to its mandate.

High-level performance overview

During the second half of the reporting year, ATNS appointed Interim CEO, Mr Thomas Kgokolo, following the departure of the former CEO. With a background in governance and accounting, we are confident that the CEOs focus on safety and his vision for how it can be improved across the industry is what is now most needed. Following this new appointment, we focused on stabilising the organisation and reassuring our workforce of our collective strategic direction. We also focused on our operations and keeping our

safety record on track, the latter showing a marked improvement in the second half of the year.

It is important to highlight some of the challenges and improvements that ATNS experienced during the reporting year with regards to capital expenditure (Capex). A significant amount of Capex was allocated to projects deemed necessary to ensure our continued safety track record and sustain our Communication, Navigation and Surveillance (CNS) technology platform. However, the implementation of these projects lagged behind schedule. With the appointment of the Interim CEO, we tasked the executive team with addressing these delays and, through the implementation of a recovery plan, we continue to implement our Capex plan in line with the Regulator approved 2017 Permission.

Transformation

We view transformation in the aviation industry as more than purely transactional. Currently, due to the technology available to us from international third-party suppliers, we have limited capacity to implement our preferential procurement agenda. However, through collaboration with our partners, we are in discussions to create meaningful opportunities for capacity building and skills transfer to build entrepreneurs who can eventually close the gap. We are also exploring opportunities for local part manufacturing and maintenance on the technologies and equipment that we currently use.

From the perspective of ATNS, the executive management team are reflective of the racial demographics of the country. However, we are aware that more can be done to develop and include women in an industry that is currently still dominated by men. In terms of the broader aviation industry, we support a national aviation academy that aims to harmonise the interests of the public and private sectors. Not only does this provide an opportunity to gain a national perspective on the aviation industry, but it will also help to develop and retain the necessary skills to transform the sector.

Board and governance

During the reporting year, the newly formed board demonstrated a high level of competence and dedication. The board comprises critical thinkers who interrogated and debated issues to ensure that the organisation arrives at the best answers for the business. We achieved this without compromising on principles of sound governance, adherence to policy requirements and respect for the rule of law. We regularly conduct internal assessments on the performance of the board, followed by peer reviews among board members with structured outcomes to reduce subjectivity. We have also introduced an independent review of the board, which will take effect in the new financial year. Furthermore, on behalf of the board, I would like to congratulate the ATNS management team on achieving an unqualified audit opinion, an achievement we are proud of and committed to maintaining.

Looking ahead

Looking ahead, ATNS will continue to focus on maintaining our safety record and delivering on our core purpose. We will persist in prioritising our stakeholders and will continue engaging them to better understand their needs and requirements. During the next financial year, we will also fully realise a property development project in Isando. We will continue to intensify our cybersecurity efforts and focus on the transformation of the aviation industry. From a management perspective, we will focus our efforts on improving our financial performance, as well as attaining superior governance and audit results.

Note of appreciation

I would like to thank the former Minister of Transport, Honourable Dr Nzimande, for the support he provided to the entire board and for creating room for the board to execute its tasks without interference. Equally, I am excited to have the new Minister, Honourable Mbalula,

who has displayed energy and support towards ATNS since his appointment to the portfolio. We look forward to working with the new Minister and providing him with the necessary support.

I would like to extend my sincere appreciation to the entire board, not only for the support they provide to me personally, but also for the work they deliver to the organisation as a whole. I would further like to express my gratitude to our Interim CEO, Mr Thomas Kgokolo, for the fantastic results he has delivered to date, and for taking time away from his personal businesses to help steer ATNS in the right direction. I am indebted to the Acting CFO, Mr Matome Moholola, and would like to thank him for his outstanding performance. I would also like to acknowledge the Acting Company Secretary, Ms Ayanda Manqele, for her dedication and the long hours she has given to the organisation and to ensure that the board can function and execute its duties.

In addition, I would like to thank the employees of ATNS for the manner in which they have embraced and accepted the changes in leadership and taken charge of the work that needs to be done. Lastly, my appreciation goes to our partners and stakeholders, especially CANSO Africa Region. We hope to continue our relationships long into the future.



SIMPHIWE THOBELA
Chairman

2019
Johannesburg

Report of the CEO

Our purpose is to provide safe and efficient ATM services and solutions.

We are responsible for air traffic control services throughout South Africa as well as a large part of the Indian and Atlantic Ocean regions, comprising approximately 10% of the world's airspace. Beyond delivering exemplary safety performance, we play a leading role in the development of ATM solutions and services on the African continent, and we aim to be a transformative organisation that invests in people.

Although we are an SOC responsible for contributing to the social and developmental agenda of the country, we are also commercially minded. We seek to be agile enough to respond to the market, and our goal is to enable the development of South Africa by paying a dividend to our shareholder and contributing to the fiscus through royalties and taxes.

External environment

During the reporting year, the political environment in South Africa shifted. National elections were held in May 2019, and subsequently, a new shareholder for ATNS was appointed – a new Minister of Transport. We view this change as an opportunity for continued certainty and renewed energy and look forward to proactively engaging the Minister on our strategic direction and approach.

ATNS serves a predefined market. As a result, we are often at the mercy of external factors influencing fluctuations in the market. Socially, unemployment in South Africa is still a major obstacle for economic growth. Operating in an underperforming economy, compounded by the impact of social issues, we experienced subdued revenue growth. In addition, issues experienced by airlines impacted on our performance.

Globally, we are observing an increase in the competitive landscape, with Europe and Asia reflecting the highest growth figures. Movements on the continent are still comparatively low, with perceptions of safety and security impacting on Africa as a destination of choice.

Performance

The financial year under review was challenging for ATNS, with performance lagging during the first half of the year. In addition, movement in the leadership structures and internal governance issues played an adverse role. However, ATNS demonstrated resilience and recorded improved performance during the second half of the year. From a safety perspective, ATNS performed well compared to the previous year. Our safety ratio is used to measure the number of safety events attributed to our operations per 100 000 movements. During the reporting year, we recorded an improvement in the safety ratio of 3.84 per 100 000 (2018: 5.19 per 100 000).

In implementing our strategy, we focused on securing a firm foundation for the organisation driven through the performance of our people and stabilising processes and systems. We achieved this by driving the change agenda through empowered leadership teams and developing a culture of accountability. With an engaged workforce and management teams, we achieved exceptional improvement in the implementation of projects that were lagging.

From a financial perspective, ATNS posted solid results amid challenging economic conditions. Our total revenue increased by 4.7% to R1,7 billion (2018: R1,6 billion), primarily driven by the 7.5% tariff increase, leading to an increased tariff revenue of R1,4 billion. While total revenue increased, billable movements decreased by 2.6% (2018: 0.43% increase), mainly due to the operating context.

Although numerous cost containment initiatives helped to contain spending, our net operating expenses increased by 8.2% to 1,4 billion (2018: R1,3 billion). The increase is largely due to increased staff costs, telecommunication expenses, corporate social investment projects and the impact of the fluctuating foreign exchange rates on our repairs and maintenance as well as contract maintenance costs.

Capital expenditure was R252 million (2018: R305 million) mainly due to fewer projects carried out during the year under review. Our balance sheet remained strong with a liquidity ratio of 4.61:1 (2018: 4.33:1) and our gearing is at 0.3% (2018: 0.5%). This



Interim CEO: Thomas Kgokolo

puts ATNS in a better position to raise funding for imminent capital expenditure.

The return of capital employed (ROCE) is 11.94% (Regulated ROCE 13.18%). The ROCE is a measure of the extent to which the company utilises our resources efficiently to generate profits. Cash generated from operations increased by 7.9% to R395 million (2018: R366 million) mainly due to cost containment initiatives and improved debt collections.

The tariff revenue is R22 million (1.4%) below budget. The 1.4% negative variance is deemed to be in line with the budget. It must be noted that year-on-year, South African Airways (SAA) average traffic movements declined by 13 350 (26.1%), while the revenue also declined by R71 million (23.1%), its worst performance since 2015. Consequently, the company ranked second on both our billable movements and revenue, the first time in our history. Some of the SAA routes were taken over by Mango Airlines, leading to increased

traffic movements and revenue of 4 538 (22.2%) and R42 million (31.9%) respectively, which increased Mango's ranking to third place on our top 20 customer list.

Increasing our competitive advantage

To improve our air traffic navigation services, and contribute to the safety performance of the industry, we embed principles of innovation. We also invest in new technologies to consistently evolve our business model and ensure we remain competitive. Whilst our current CNS systems comprise of traditional terrestrial based technology, we are gradually migrating to and adopting satellite based CNS systems in line with technology development and our ATM CNS enabling technologies roadmap. We will continue to improve our tracking capability in the near future with satellite technology and to extend this service to other countries on the continent.

The ATNS Aviation Training Academy (ATA) provides a full range of air traffic services, engineering (CNS) and other aviation-related training. Through our training efforts, the ATA is a major contributor towards ensuring aviation safety in South Africa and on the continent. The ATA's commitment to best practice ensures that clients receive the necessary skills and knowledge to successfully take on the challenges faced by ANSPs in the provision of their air traffic services. Our highly proficient instructors, combined with advanced learning aids, ensure that value is added across the entire learning chain. ATA staff members live by the motto of Learn to Succeed, and during the reporting year, the ATA was recognised as an International Air Transport Association (IATA) Premier Circle Member for outstanding performance in 2019.

Investing in exceptional talent

Our employees are our first priority. We engage with our staff on a regular basis and encourage employees to ask questions and pose challenges to the business. We also conduct regular visits to our air traffic service units and ATA to better understand the challenges and opportunities of the employees on the front-line of our organisation. We provide regular updates on issues of safety, remuneration or community issues, and engage our air traffic controllers (ATCs) directly through formal and informal channels.

Looking ahead

Looking ahead to the next financial year, ATNS will focus on revenue enhancement and optimisation. This includes an offensive strategy for securing new revenue streams and developing new products and services to protect our current business. We also want to recapture business we have lost by ensuring efficiency in our cost modelling and embedding a culture of agility to respond quickly to trends, opportunities and market conditions as they arise.

Internally, with the board confirmed for the next three years, ATNS has achieved the required stability in our governance structures to improve our processes and performance. With the appointment of a permanent CEO and CFO, the executive leadership will further

strengthen the future direction of the organisation. We will continue to focus on the recruitment of competent people in key positions where we believe their contributions will help to drive the organisation forward. In addition, we will focus on engaging our workforce to better understand where to invest in infrastructure and which facilities to upgrade to provide a working environment our people can be proud of.

We will also complete the implementation of an Enterprise Resource Planning (ERP) system to tackle inefficiencies. Our training will focus on evolving beyond traditional training methods to secure new revenue streams and products. Above all, we will seek to be bold and show the market that ATNS is open for business.

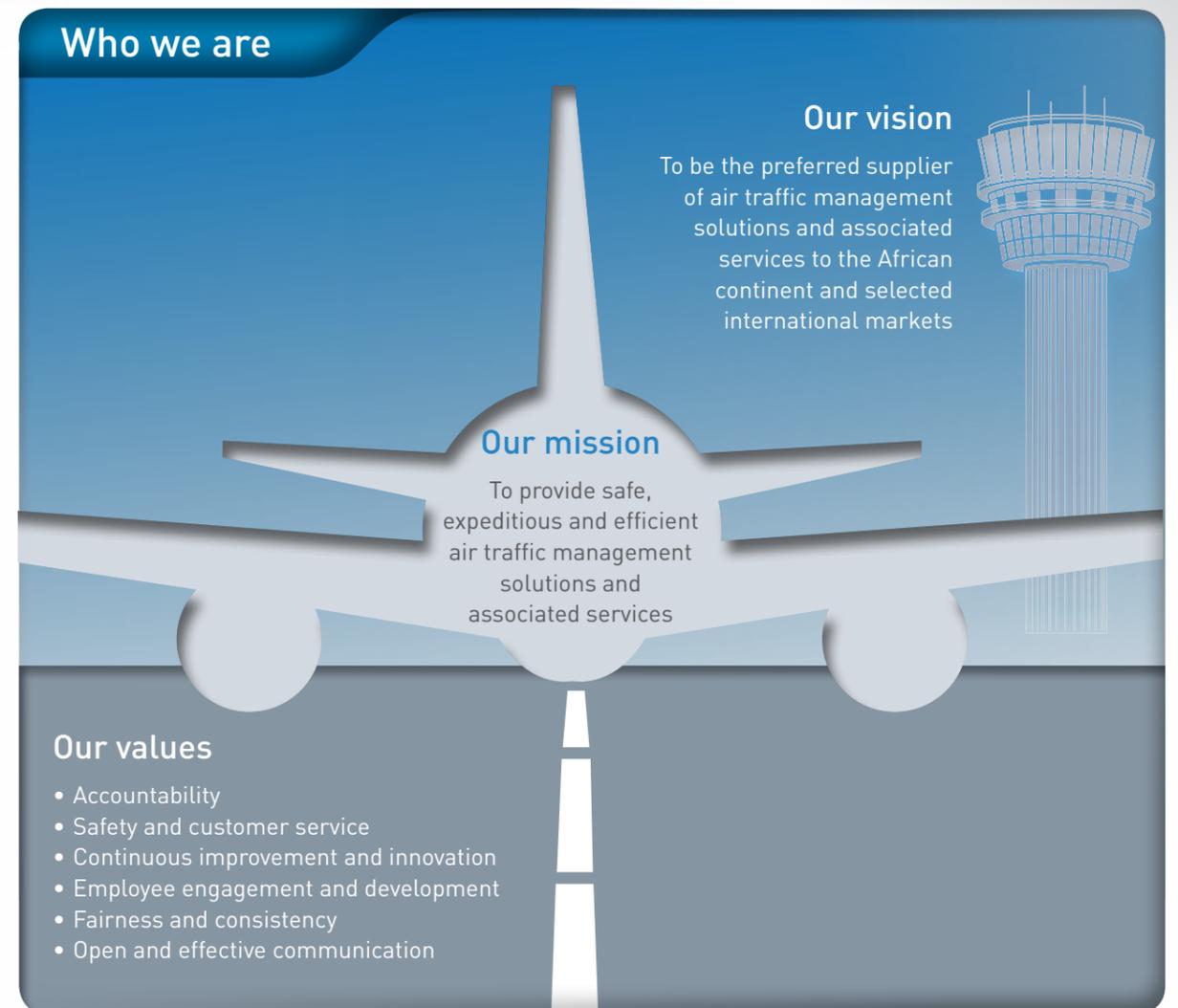
Note of appreciation

I would like to express my sincere gratitude to the people of ATNS for their selfless dedication and unwavering commitment to this organisation and our shared vision. I would like to extend my appreciation to the entire ATNS team on achieving an unqualified audit opinion. I know that this is due to their ongoing commitment to sound governance. The year has been challenging, but I have full confidence that we will continue to shape the future direction and success of this organisation with your valuable contributions. To the board, I express my gratitude for the faith you have placed in me and the rest of the executive team to lead this organisation into a new era of sustainability and success. I would also like to acknowledge the hard work of my predecessor, Mr Thabani Mthiyane, in paving a solid footing for ATNS. Finally, to our partners and customers, please accept my gratitude for your continued support and trust.



THOMAS KGOKOLO
Interim CEO

2019
Johannesburg



Who we are

Our vision
To be the preferred supplier of air traffic management solutions and associated services to the African continent and selected international markets

Our mission
To provide safe, expeditious and efficient air traffic management solutions and associated services

Our values

- Accountability
- Safety and customer service
- Continuous improvement and innovation
- Employee engagement and development
- Fairness and consistency
- Open and effective communication

Nature and purpose of our business

The principal purpose of ATNS is to plan and operate safe and efficient services in the airspace for which the state is responsible through:

- Airspace infrastructure provision
- Development of human capital (ATC, engineering technicians and ATM and related specialists)
- Partnerships and collaboration with other stakeholders.

Organisational structure and business model

The Air Traffic and Navigation Service Company Limited is an SOC. The company was established in 1993 in terms of the ATNS Company Act (Act 45 of 1993) to provide ATM solutions and associated services on behalf of the State.

We provide ATM services in accordance with ICAO standards and recommended practices and our Regulator, the South African Civil Aviation Regulations and Technical Standards.

ORGANISATIONAL OVERVIEW CONTINUED

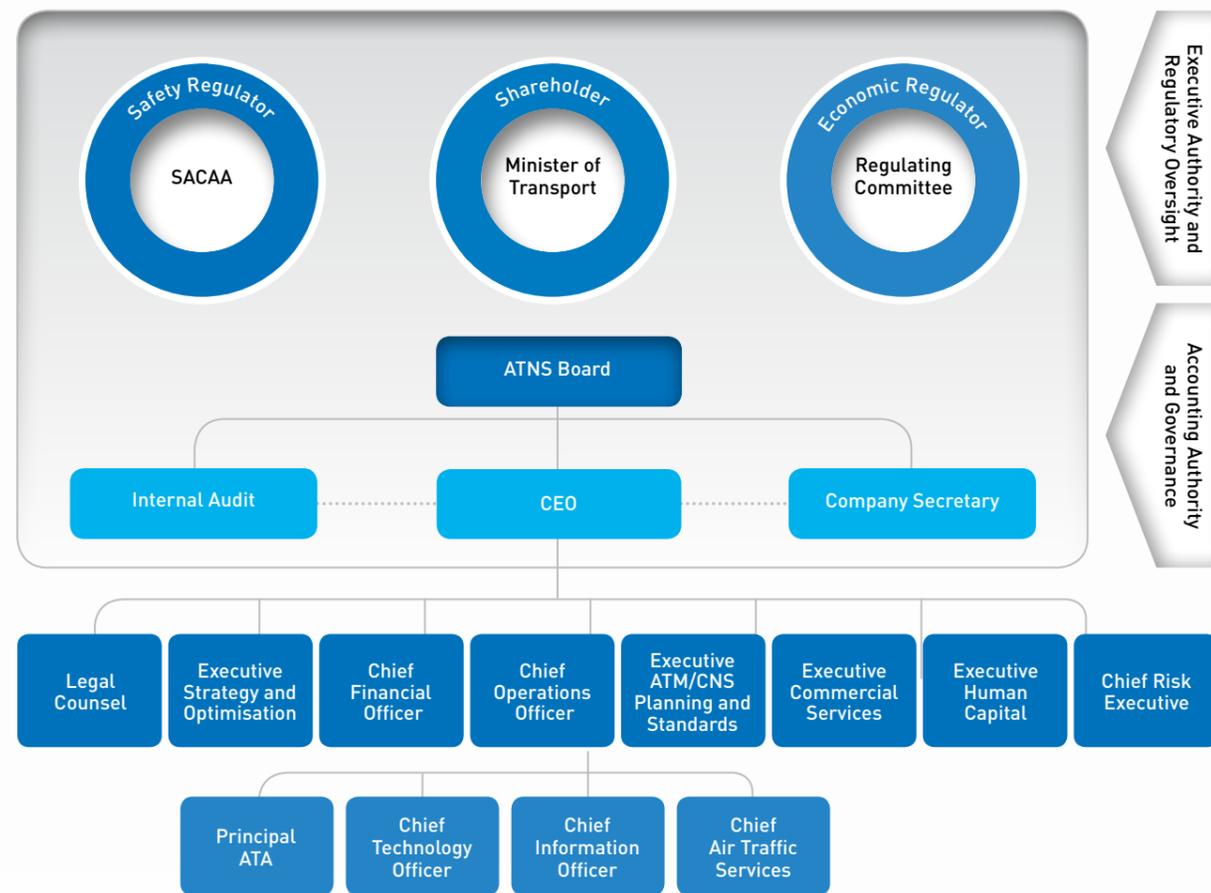
ATNS is a commercialised ANSP operating on the user-pay principle that relies on current revenues and debt funding for its operational and capital expenditure requirements.

ATNS is governed by South Africa's legislative and administrative framework. The economic regulation regime is specified in Section 11 of the ATNS Company Act. ATNS cannot levy an air traffic service charge unless it is in possession of valid written Permission that provides a tariff regime to be charged to users over a five-year cycle. The Permission is issued by the Regulating Committee, which is required to balance

the interests of the company with the interest of our clients, and includes the safe, efficient, economic and profitable operation of the company. This encourages timely investment and ensures that we are well-placed to finance our obligations and have a reasonable prospect of earning a commercial return. A Board of Directors, appointed by the Minister of Transport, provides leadership oversight and guides the implementation of the ATNS mandate.

For more information on our business model, refer to page 21.

ATNS CORPORATE STRUCTURE



ATNS's business comprises of regulated and non-regulated operations.

Regulated business

The principal activities of our regulated business encompass the planning and operation of safe and efficient services in the airspace for which the state is responsible. At present, approximately 90% of ATNS revenue is generated through our regulated business.

The ATNS structure enables its unique value chain, which comprises three main blocks:

- ATM operational concept and global air navigation plan (GANP)
- Enabling/driving technology infrastructure
- ATM and technical support (TS) operations.

Corporate function

The ATNS corporate function determines the direction of the company as mandated by the board. The CEO is responsible for formulating and executing the strategy. This function ensures that ATNS executives adequately plan and utilise resources as guided by the five-year Permission cycle. Departmental, operational and business plans also drive planning.

Support function

The support functions, such as Human Resources, Finance, Information Technology, and Risk and Compliance create an enabling operating environment, governance frameworks, processes and professional practices.

ATNS REGULATED BUSINESS MODEL



Air navigation services and infrastructure

Air navigation infrastructure and services consist of three main components:

- Communication infrastructure, Navigation infrastructure and Surveillance infrastructure
- Auxiliary aviation services, such as aeronautical information publications, flight procedure design and aeronautical surveys
- Air traffic management, ATNS’s infrastructure and service development are informed by user expectations and regulatory requirements at a global and national level, as well as new technologies and the needs of the ATM community.



Aviation Training Academy

G.8

Our ATA provides a full range of air traffic services training, technical support and related training. The ATA is also an ISO 9001:2015 accredited institution and has international cooperation agreements with partners such as the Embry Riddle Aeronautical University and Ecole Nationale de l’Aviation Civile (ENAC) and IATA. This enables the ATA to maintain mutually beneficial partnerships in the presentation and accreditation of ATS international courses. The ATA partnered with local universities of technology to provide the technical training and experience on the CNS equipment for students studying engineering diplomas. The ATA is currently pursuing registration as an academic institute with the Department of Higher Education and Training.



Non-regulated business

G.8

ATNS recognises its significance and role in the Republic of South Africa through the regulated provision of air traffic services within the borders of the country. ATNS has plans to continue providing excellent and optimised services in the regulated business. The organisation also offers a strategically important range of related services throughout Southern Africa and other African countries. Through the strategic planning process, ATNS has recognised that this unregulated international business is essential to the company’s growth and positioning on the continent.

The focus of the market-driven strategy lies in the provision of ancillary services, such as air traffic control, technical, engineering training, procedure design, CNS equipment, installation and commissioning, consulting and sophisticated satellite communication technology through the non-regulated business model. The product and services offering have been carefully selected to enhance the current offering and to proactively provide innovative packages for the future needs of the business and industry. These products and services are the key components of the non-regulated business that position ATNS as a leading transnational supplier of air traffic management solutions and associated services.

Our non-regulated business currently contributes approximately 10% of the company’s revenue, and forms part of our long-term growth strategy through regional expansion. This division enables the company to take a more robust and agile stance in the non-regulated business market without posing undue risks to our regulated market and shareholder. It also enables ATNS to enter into joint ventures and partnerships to harness more valuable market opportunities while extending our regional influence and reach.

The following are some of the regional-based projects that our non-regulated business has embarked on.

VSAT Network Value-added Services

ATNS upgraded the Southern African Development Community (SADC) and NAFISAT (North Eastern African-Indian Ocean VSAT [Very Small Aperture Terminal] Network) platforms from a legacy protocol-based system to an IP enabled platform. The new platform creates an opportunity to provide value-added services into the region, as well as to improve aviation systems and services. The current services on the network include Aeronautical Fixed Telecommunications Network (AFTN), Aeronautical Message Handling Services (AMHS) and voice services. ATNS has finalised the feasibility study of utilising this as a telecommunication platform for services such as Space-Based Automatic Dependent Surveillance-Broadcast (ADS-B) and the Regional Aeronautical database mentioned below. The next step is to sign up potential users of the service in

line with the planned 2020 commercial launch. The launch of other value-added services is dependent on the uptake by regional clients and users.

Space-Based ADS-B

Aireon will provide the first, global air traffic surveillance system using a space-based ADS-B network that makes it possible to extend visibility across the planet in real-time. ATNS signed an agreement with Aireon as part of our research activities to trial the system, and it is expected to be utilised for operational purposes once available. We will conduct a cost benefit analysis to determine if there are financial benefits for deploying the system for operational use as part of our research strategy.

AIS to AIM Roadmap Implementation

ICAO identified the need for global aviation operators to follow unified and integrated processes for ATM as described in its vision statement: “To achieve an interoperable global air traffic management system, for all users during all phases of flight, that meets agreed levels of safety, provides for optimum economic operations, is environmentally sustainable and meets national security requirements”.

Aligned with ICAO’s vision, ATNS focused on co-operating with aviation decision-makers in the region to ensure that the changeover from Aeronautical

Information Service (AIS) to Aeronautical Information Management (AIM) takes place in a planned and measurable manner. This is to ensure that we comply with the overall objectives of global ATM.

ATNS established a regional Aeronautical Information database, which is one of three on the African continent. The goal of the database is to ensure that AIM in the region benefits from high levels of automation and consequently high levels of Aviation Safety. ATNS is working on securing support from other countries for this regional solution with the aim of creating a regional integrated database in pursuit of the ICAO objective of System Wide Information Management (SWIM).

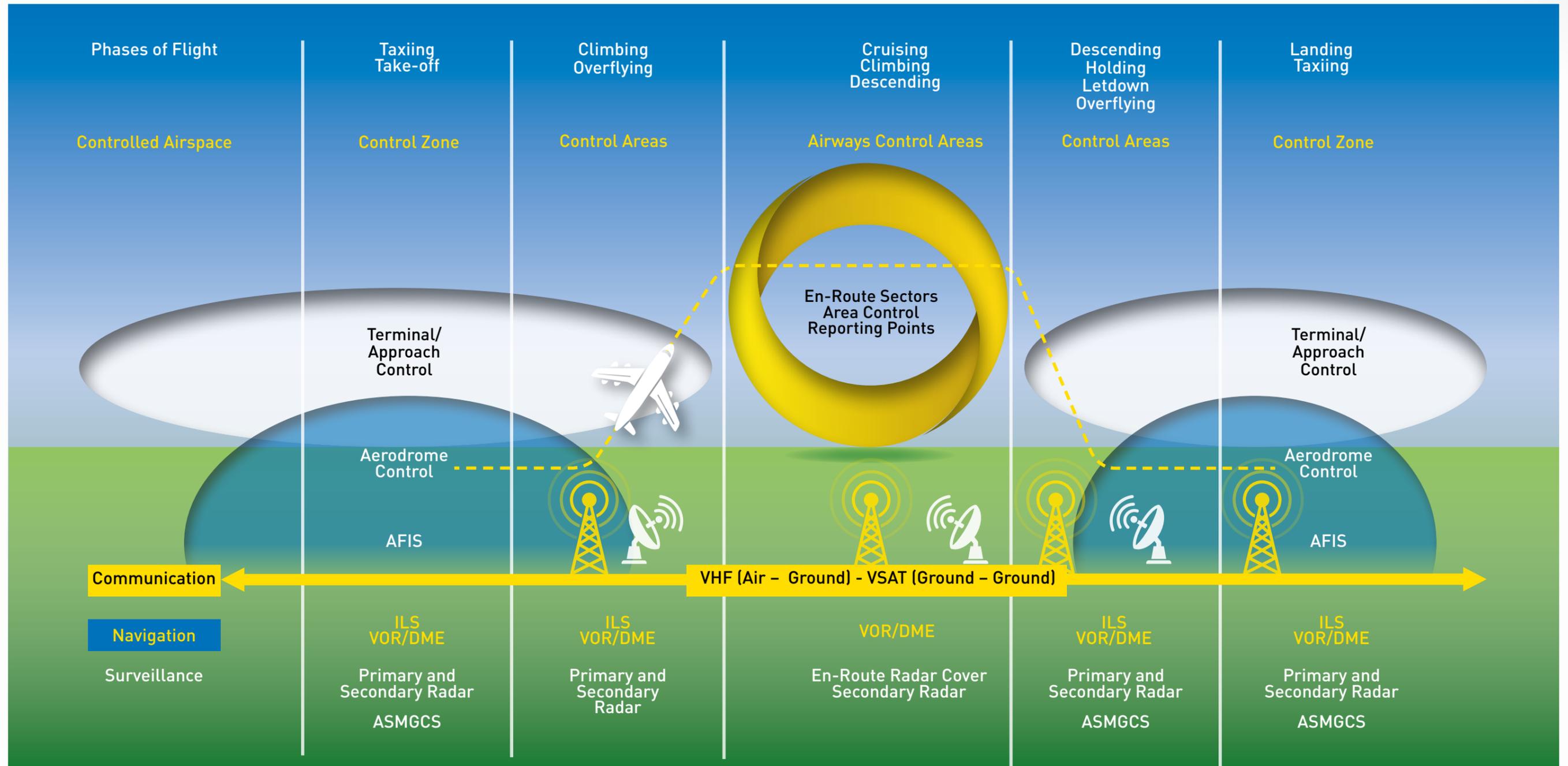
Structure of our operations

Our services support seamless gate-to-gate operations. This concept encompasses the taxi-out and departure, climb out, cruise, descent, arrival, landing and taxi-in phases of a flight. The ATM service delivery component is enabled by an advanced ATM system, which is deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units using enabling technologies encompassing communication, navigation and surveillance systems. The below illustrates the ATM value chain, which is scalable across the total user-demand spectrum in the South African airspace.

Current and new products and services

EXISTING PRODUCTS AND SERVICES	NEW PRODUCTS AND SERVICES IN DEVELOPMENT
Air Traffic Flow Management (ATFM)	Information/knowledge services, (e.g. SMS, A-SMGCS, 4D) management information
Training and related services	NAVAIDS Flight Calibration
Air Traffic Services – Air Traffic Control and Aeronautical Information Management	Consulting services (high visibility ATM event planning e.g. ASBU)
African Centralised Aeronautical Database	AIS to AIM Transition
Engineering and technical support	ATMs Support Tools
Aeronautical Billing and Collection Service	Space Based ADS-B
Aeronautical WGS-84 Survey	
Consultancy Services	

ATNS SERVICE OVERVIEW

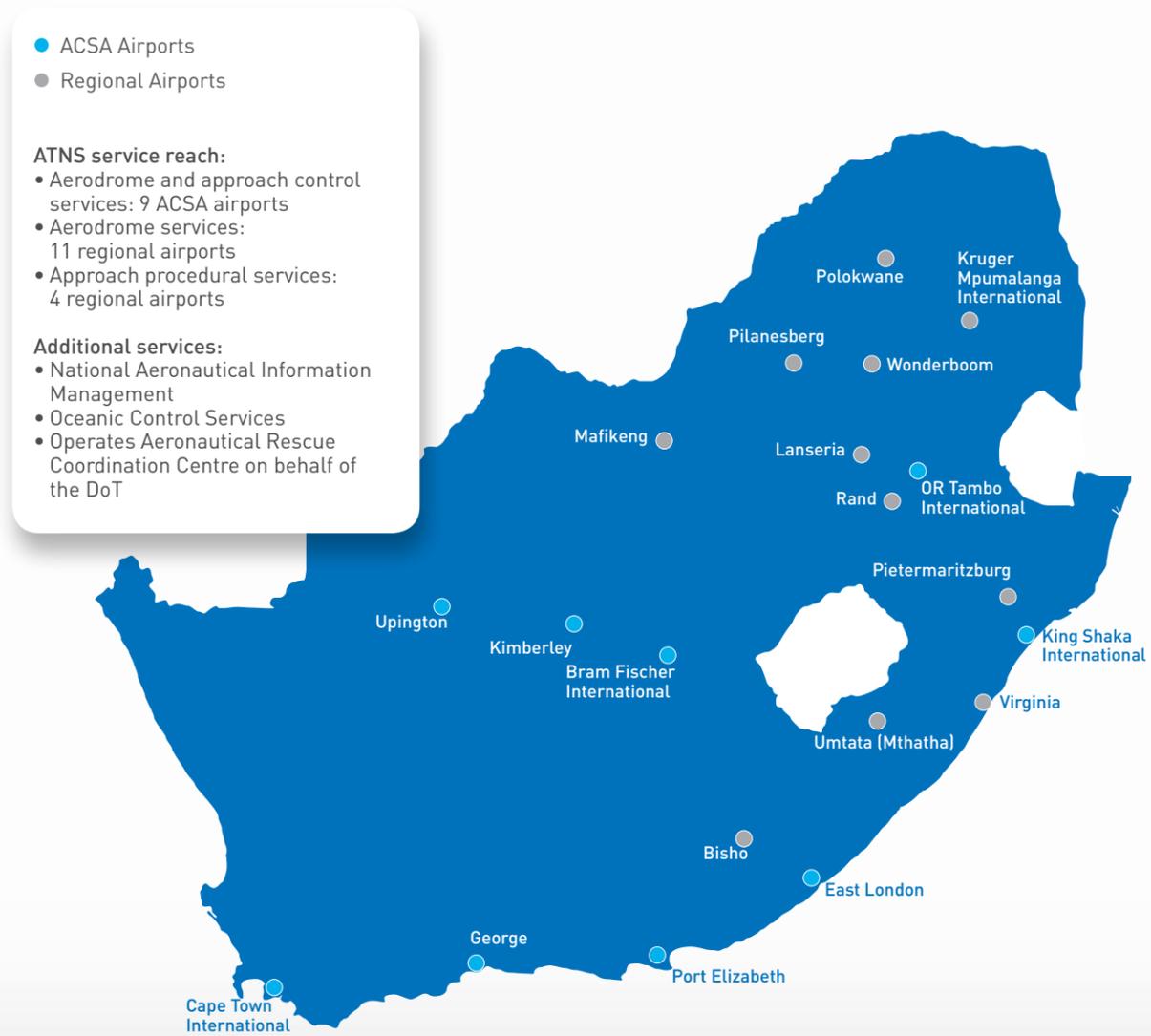


Market segments and geographic markets

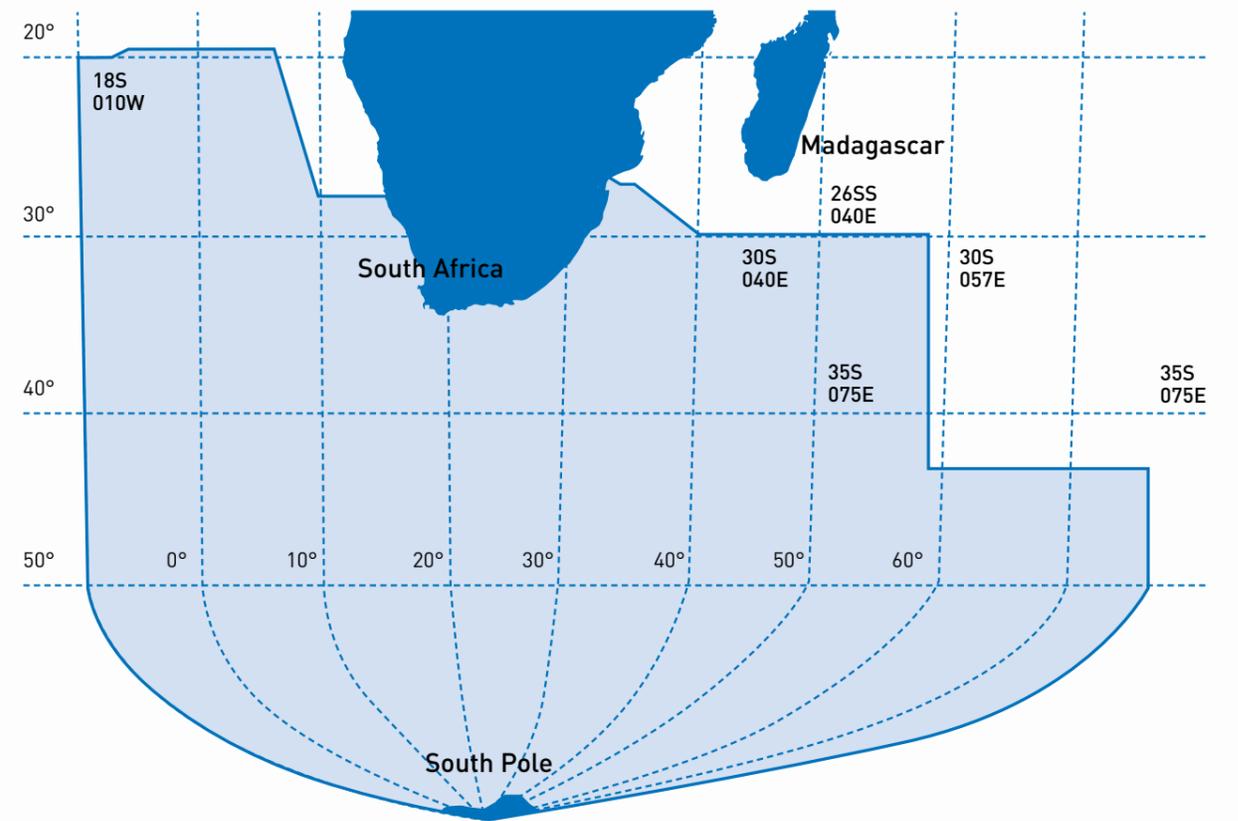
CURRENT MARKETS	NEW MARKETS
RSA – Statutory	African ATM and selected global markets
RSA – Contractual	
SADC (Prioritised) and Sub-Sahara Africa	

Where we operate

OUR PRESENCE IN SOUTH AFRICA

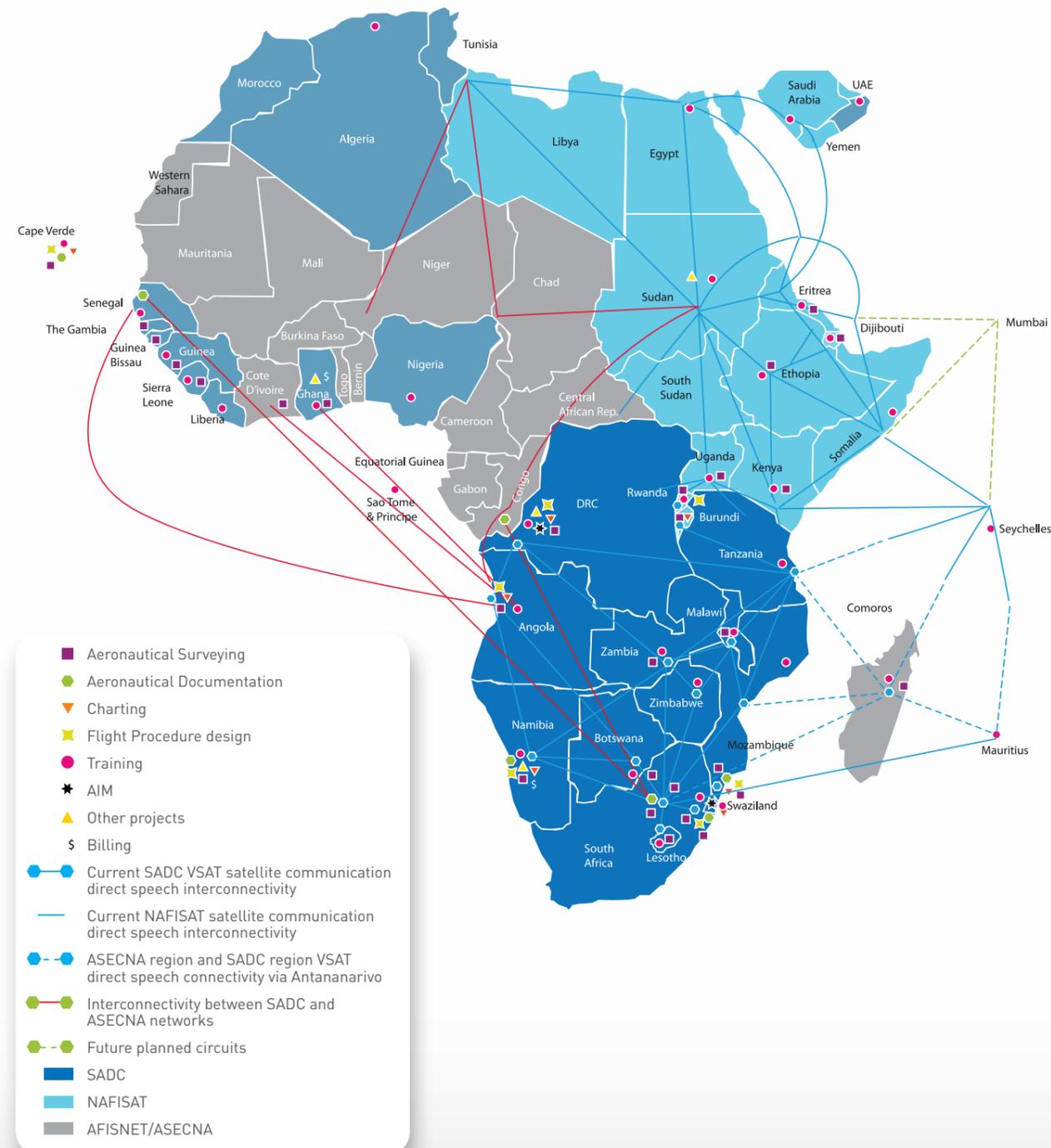


OUR EXTENDED SERVICES ON THE AFRICAN CONTINENT AND BEYOND



ATNS provides services to nine South African statutory airports which are operated by Airports Company of South Africa (ACSA), 11 regional airports and St Helen airport on a contractual basis. Apart from the provision of air traffic services within the South Africa and FIR boundaries, ATNS is mandated though ICAO to provide these services in the oceanic area. Overall, ATNS provides air traffic services in 22 million square kilometres of airspace, equating to approximately 10% of global airspace.

OUR EXTENDED SERVICES ON THE AFRICAN CONTINENT AND BEYOND



The diagram on the left depicts our current and potential new markets in the African Indian Ocean (AFI) region. ATNS bases the selection of markets on the following criteria:

- Analysis of external market research and insight gained through customer engagements
- Countries where ATNS already has an established client base and good working relationships
- ATNS's current capabilities and what is required to build and extend these to new markets
- Current and potential revenue contributors
- Strategic intent for the organisation's long-term aspirations

Our business model in the context of the capitals

Guided by the socio-economic needs of our society, we are aware that our operations and growth should align with the developmental outcomes mandated by our Shareholder. Our mission is to provide safe, expeditious and efficient air traffic management solutions and associated services.

We achieve this by using best-in-class CNS infrastructure. The Africa expansion strategy has been improved by focusing our infrastructure procurement expenditure towards creating and stimulating local manufacturing enterprises to become original equipment manufacturers (OEMs). In the medium term, through linkages with international OEMs, these local manufacturing enterprises will be capable of providing aviation technology components and specifically ATM products and associated services to the industry. The goal is to ensure that these enterprises remain sustainable through partnership opportunities and that they grow with ATNS into new markets.

At present, 90% of our revenue is facilitated through our regulated business. Air navigation services and infrastructure consist of three main components:

- CNS infrastructure
- Auxiliary aviation services, such as AIM, flight procedure design and aeronautical surveys
- ATM solutions and services .

ATNS creates value using the six capitals, as summarised below, and detailed on page 32 to 46.



Creating value through the capitals

P.4

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
FINANCIAL CAPITAL			
<ul style="list-style-type: none"> Investments on Capex and Opex Traffic movements Aviation Training Academy 	<ul style="list-style-type: none"> Sound financial management Capital investment Five-year Permission Implementation of initiatives and programmes to increase revenue in the regulated and non-regulated business 	<ul style="list-style-type: none"> Cash generated by operations: R395 million Turnover: R1,6 billion Net profit: R188 million 	<ul style="list-style-type: none"> Maintaining long-term financial sustainability by optimising revenue in ATNS's regulated and non-regulated businesses Protecting South Africa's economic interests and trade, while creating employment opportunities for South Africans Creating economic value for the country
MANUFACTURED CAPITAL			
<ul style="list-style-type: none"> CNS systems and facilities Safety management 	<ul style="list-style-type: none"> Infrastructure acquisition, support and maintenance Network performance monitoring and management Management of infrastructure reliability Safety strategy implementation 	<ul style="list-style-type: none"> Quality of service to the ATM community Communication systems availability (99.52%) Navigation systems availability (94.81%) Surveillance systems availability (100.00%) RSI: 37 Safety Ratio: 3.84 Zero aircraft accidents 	<ul style="list-style-type: none"> Deploying and using leading technologies that meet the needs and expectations of the ATM community Creating infrastructure value for the South African ATM sector Safe air traffic management
INTELLECTUAL CAPITAL			
<ul style="list-style-type: none"> Aviation Training Academy services Innovation Research and Development 	<ul style="list-style-type: none"> ATA course development and training Research and Development programmes 	<ul style="list-style-type: none"> Number of students trained at ATA: 1 633 New products and/or services Improved services and products 	<ul style="list-style-type: none"> Skilled and competent aviation professionals Exerting more influence and market confidence in our abilities Additional revenue streams ATNS financial sustainability

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
HUMAN CAPITAL			
<ul style="list-style-type: none"> Employee head count Demographics 1 260 permanent headcount (2018: 928) Training and development of employees 	<ul style="list-style-type: none"> Implementation of human capital management strategy, policies and processes ATA for ATS and engineering pipeline 	<ul style="list-style-type: none"> ATS AIC: 72.94% ATS Female: 47.40% ATNS AIC: 79.24% ATNS Female: 49.40% People with disabilities: 3.22% Spend on training and development 5.70% of the salary bill 	<ul style="list-style-type: none"> Maintaining a demographically representative workforce Skilled and competent workforce
SOCIAL AND RELATIONSHIP CAPITAL			
<ul style="list-style-type: none"> Stakeholder management with key strategy partners and institutional alliances Total Corporate Social Investment: R7 million Transformation strategy (incl. Broad-Based Black Economic Empowerment (BBBEE)) 	<ul style="list-style-type: none"> Customer satisfaction surveys Stakeholder management strategy Partnerships in strategic programmes Implementation of our transformation strategy 	<ul style="list-style-type: none"> Customer Satisfaction rating outcome Number of strategic projects implemented BBBEE: level 2 	<ul style="list-style-type: none"> Collaborative stakeholder relationships Deliver on our corporate social responsibility Preferred supplier of air traffic management solutions and associated services
NATURAL CAPITAL			
<ul style="list-style-type: none"> South African sovereign and delegated airspace % global airspace cover: 10% (2018: 10%) Natural resources consumption: biodiversity, land, water, energy (fuel and electricity) 	<ul style="list-style-type: none"> Air traffic management and technology roadmap Sustainability and environmental strategy Resource efficiency management programmes Environmental compliance practices 	<ul style="list-style-type: none"> Total carbon inventory for the year: 24 005.61 tonnes CO₂e 20 439.52 MWh electricity consumption 95 376 Litres of fuel Performance Based Navigation procedures 	<ul style="list-style-type: none"> Improved air quality from reduction in CO₂ emissions and reduction in energy consumed by the business Restoration of natural environment Reduction in ATNS footprint on the environment Efficient and safe airspace operations



Defining value creation

P.3
P.4
P.16

ATNS defines value as the company's ability to create and preserve relative economic, social and natural worth in terms of the six capitals to meet – and exceed – stakeholder expectations.

This includes; financial capital and economic value, manufactured capital and infrastructure value, intellectual capital value, human capital value, social and relationship capital value, and natural capital value.

The company aims to create integrated and sustainable value by providing a single banner of service accountability to clients for ATM solutions and associated services, and to expand this service across the continent.

Our value proposition is supported by:

- the creation of economic value for the country through supply-chain practices
- improved infrastructural systems through leading technology
- a commitment to safety compliance
- the provision of training and career development for our people
- the ability to attract and retain sector-specific staff competencies and critical skills in global demand
- the ability to foster reliable industry partnerships
- a commitment to ethical business practices, environmental impact awareness and proactive corporate social responsibility.

Approach to creating financial capital value

ATNS'S 10-YEAR BUSINESS PLAN AND ACCOMPANYING FINANCIAL MODEL

- Recognises that South Africa's ATM industry is strongly linked to growth in air traffic movements and overall economic growth
- Addresses key strategic and stakeholder concerns
- Ring-fences resources and non-regulated business costs and revenues from the current regulated business in the short to medium term
- Identifies risks and opportunities in both the regulated and non-regulated businesses.



Financial capital

As a provider of ATM solutions for South Africa as well as 10% of the world's airspace, ATNS creates financial value for the company through its regulated and non-regulated business activities. The ATM industry in South Africa is linked to growth in air traffic movements and overall economic growth. The company projects its revenue based on expected air traffic movement growth. Air traffic movement has a high correlation to Gross Domestic Product (GDP).

Every year 390 000 aircraft take off and land from South Africa's main airports. A study by IATA confirms the vital role of air transport in facilitating over R129 billion in exports. About R181 billion in foreign direct investment and around R116 billion in inbound leisure and business tourism for South Africa. The aviation industry also has a significant economic impact across some of the major African markets. ATNS's non-regulated business encompasses a long-term strategy to facilitate regional expansion through a wholly-owned subsidiary vehicle.

We also deliver considerable economic outcomes to society. South Africa's air traffic routes connect the country to cities of more than 10 million inhabitants, with an average of 1.5 outbound flights per day available to passengers. It is estimated that a 10% improvement in air connectivity relative to GDP translates to about R1 billion per annum increase in long-run GDP for South Africa's economy. South Africa's integration into the global air transport network is important for the continued growth of the country's economy.

ATNS NON-REGULATED BUSINESS

- Is a long-term strategy to expand in the Africa region
- Leverages ATNS experience and brand reputation
- Enables expansion in the non-regulated business market without undue risks to the regulated market and Shareholder
- Facilitates joint ventures and partnerships with external suppliers to harness market opportunities.

ALIGNMENT OF TARIFFING AND SERVICE STANDARDS IN THE REGULATED BUSINESS

- Strong correlation between service standards reporting and the Permission application
- The Regulating Committee – sanctioned by the ATNS Act No. 45 of 1993 – prescribes service standards
- Service standards are prescribed in accordance with internationally-accepted practices
- Reporting on quantitative and qualitative results – a necessary counterbalance to economic regulation
- RC determines if ATNS's assets are sufficient, excessive or insufficient
- RC deters companies from implementing excessive charge increases through Consumer Price Index (CPI) – X price-cap regulation
- Monitoring of service standards ensures that the price cap translates into increased efficiency, and not a deterioration of service levels.

ATNS'S BBBEE STRATEGY

- Important driver in achieving ATNS's goals towards economic and social sustainability
- BBBEE strategy developed in accordance with the BBBEE Codes of Good Practice
- Aligns with the South African Government's transformation initiatives
- BBBEE strategy addresses all six elements of the generic BBBEE scorecard
- ATNS's Enterprise and Supplier Development strategy supports and develops emerging black-owned suppliers in the aviation industry.

SOUND FINANCIAL MANAGEMENT

- ATNS raises funds from the market to finance its capital expenditure programme
- The borrowing plan is driven by planned capital expenditure, cash flow, gearing and ATNS's current ratio
- Gearing levels (% of debt capital) of 10 - 45% is acceptable without placing undue risk on the company
- ATNS obtains approval from the Minister of Transport and the Minister of Finance to borrow funds
- Distributable profits are retained for re-investment and to maintain financial sustainability in the short term
- Major share of revenue derived from monthly billings for air traffic control services rendered
- Other revenue derived from less periodic income
- Capex dependent on the requirements of specific projects
- ATNS maintains a minimum cash balance of two months' operating expenditure plus capital loan payables
- ATNS's 20-year capital expenditure plan considers legislation, capacity requirements, efficiency, technological changes and end-of-life replacements of infrastructure
- The capital expenditure plan is reviewed annually and approved by the board
- Where required, ATNS hedges against foreign currency fluctuation by taking forward cover
- Cash flow is monitored daily to ensure sufficient funds to cover operational expenses and loan obligations
- All purchases are approved in accordance with the ATNS mandate matrix and prescripts of the PFMA.

We report on:

- Financial performance
- The Permission planning process
- Performance in the non-regulated business

2018/19 Material issues impacting our ability to create financial capital

For more information, please refer to page 62 to 63.

Key financial capital outputs for 2018/19

	2017/18 ACTUAL	2018/19 ACTUAL
Total revenue	R1,6 billion	R1,7 billion
Operating costs	R1,3 billion	R1,4 billion
Capital expenditure	R305 million	R252 million
SADC VSAT II revenue	R46 million	R49 million
NAFISAT revenue	R36 million	R39 million
Total assets	R3,1 billion	R3,2 billion
Total equity	R2,6 billion	R2,8 billion
Cash generated from operations	R366 million	R395 million
Total investment in CNS technology	R36 million	R89 million
Employee wages and benefits	R885 million	R949 million
Total borrowings as at 31 March 2019	0	0
Payments to government as income tax (including deferred tax)	R75 million	R62 million

Material financial and economic outcomes

- Maintaining long-term financial sustainability by optimising revenue in ATNS’s regulated and non-regulated businesses.
- Protecting South Africa’s economic interests and trade, while creating employment opportunities for South Africans.
- Creating economic value for the country.

Monitoring the trade-offs in the business

ATNS operates in an environment where it is required to pre-empt the future demand for air traffic capacity, services and technology as expected and articulated by its ATM stakeholders and users in the South African regulated and continental non-regulated environments; as well documented in the ATNS Permission framework approved by the Economic Regulating Committee.

Manufactured capital

ATNS provides and maintains reliable airspace infrastructure in South Africa, enabling the delivery of air traffic services in a safe and efficient manner. In line with the Shareholder Mandate to deliver safe skies and customer-centric services, our leading CNS technology creates advanced infrastructural value for the company and the country’s air traffic navigation sector. ATNS invests in new and pioneering ATM technology to manage and control the national airspace system.

Through its manufactured capital and infrastructural value creation, ATNS supports the NDP by facilitating the achievement of the following DoT outcomes:

- A transport sector that is safe
- An increased contribution to job creation
- An efficient and integrated transport infrastructure network for social and economic development and increased contribution of transport to environmental sustainability.

Approach to creating manufactured capital value

COMMUNICATION, NAVIGATION AND SURVEILLANCE INFRASTRUCTURE PROVISION AND MAINTENANCE

- ATS provided at nine statutory ACSA airports and contractual air traffic control services at 11 regional airport and St Helena airport
- Extensive Very High Frequency (VHF) radio network
- Voice communication and control system (VCCS) relays communication between air traffic controllers, pilots and air traffic service units
- 9 ATS sectors; 10 approach radar sectors; and 30 aerodrome control sectors
- 22 Local VHF Sites; 42 Remote VHF sites; and 2 HF Sites
- Navigation infrastructure includes: 35 VOR sites; 10 VDF sites; 20 DME sites; and 12 NDB sites
- Surveillance infrastructure includes: 2 Surface Movement Radar Systems; 8 Primary Radar Systems; and 17 Secondary Radar Systems (9 stand-alone).

ATNS INFORMATION TECHNOLOGY STRATEGY

- Manages end-to-end internal and external client experiences to ensure catalogued IT services
- Spearheaded by business process management and knowledge management
- Online presence management and mobile applications
- Ensures adequate support for various units within ATNS, especially for highly-skilled resources and change management initiatives.

CONTINUOUS SAFETY IMPROVEMENT AND IMPLEMENTATION OF ATNS’s SAFETY MANAGEMENT PLAN

- The ATNS Safety Strategy drives the safety improvement and maintenance initiatives of the organisation
- Safety action plans are created annually and consider the findings of operational analyses
- Operational analyses identify hazards and gaps, as well as factors contributing to previous safety events and new applicable operational safety concepts
- Continuous adjustments and additions are made to safety plans in response to periodic operational demands to reduce event recurrence
- Both national and unit-specific safety plans are in place to address human- and system-related performance
- Safety performance assurance enables ATNS to verify that it is meeting its safety performance targets
- A monitoring programme increases the probability of detecting weaknesses in the safety system’s defences before an active failure leads to a serious safety occurrence or accident
- Investigation of occurrence reports go together with safety performance assurance.

- Safety metrics include:
 - » Safety Ratio
 - » Separation standards based on IFR hours
 - » Risk Safety Index (RSI)
- Safe operation and application of separation standards are based on IFR flight hours
- The IFR metric is comparable to the same metric obtained from the CANSO and serves to support the benchmarking of safety performance.

CAPITAL INVESTMENT STRATEGY

- Key enabler for creating infrastructural value
- Continually enhances operational efficiencies and service reliability
- Informed by regulatory requirements at a global level
- Develops business cases for capital expenditure projects.

INTEGRATED PLANNING THROUGH THE ATNS ATM ROADMAP

- Support ATNS’s strategic plan to implement ATM/CNS systems
- Roadmap provides more detailed guidance for the content of implementation plans
- Provides motivation for Permission requests and a foundation for budgets
- Serves as input into the ATNS Integrated Technology Plan.

REMOTE SERVICE PROVISION

- Consolidated approach control services for various airports terminal areas
- Provides ATS services in remote airports even though traffic volumes are low
- Remote tower technology establishes aerodrome control services without being stationed at an airport
- Reduced capital expenditure requirements on new towers
- Greater staffing flexibility.

We report on:

- Safety performance
- Infrastructure performance
- Infrastructure investment



2018/19 Material issues impacting our ability to create manufactured capital

For more information, please refer to page 63 to 65.

Key manufactured capital outputs for 2018/19

Achievement of CNS Systems Availability	C: 99.52% [2018: 99.78%]
	N: 94.81% [2018: 96.30%]
	S: 100.00% [2018: 99.97%]
Operation of the satellite communication networks SADC VSAT II	SLA: 99.93% [2018: 99.89%]
Operation of the satellite communication networks NAFISAT	SLA: 99.97% [2018: 99.97%]
Reduce overall traffic delays (Average delay per flight)	20 seconds [2018: 22]
Implement ICAO Performance-based Navigation (PBN) concept in South Africa Near-term implementation targets in line with South African PBN Roadmap.	04 RNP APCH Design Reports completed: 14 RNAV 1 SID/STAR Design Reports completed

Material infrastructural outcomes

- Enhancing operational efficiencies and service reliability
- Deploying and use of leading technologies
- Enhancing operational safety performance

Monitoring the trade-offs in the business

For optimal performance and coverage, ATNS’s infrastructure sites are located across the country. Some of these sites are located in protected conservation areas, such as the Blesberg Radar facility situated in the Cape Nature Reserve in the Swartberg Mountains of the Western Cape, which tracks aircraft within a 250 nautical mile radius from the facility. In establishing and maintaining this site, extraordinary caution is taken to comply with all environmental recommendations and considerations to ensure harmonisation between technology and the environment.

This approach to the environment is not only undertaken in biodiversity sensitive areas, such as parks, but is applied to all infrastructure projects through Environmental Impact Assessments for new facilities and environmental management plans for existing and refurbished facilities.

Intellectual capital

Our intellectual capital plays a critical role in the company's future earning potential and encompasses a range of intangibles that interrelate with the other capitals to create sustained value for the business and our stakeholders. ATNS considers three main categories of intellectual capital:

- Intellectual property: R&D (including service and product development) as well as ATM training knowledge and capability.
- Organisational capital: ATNS's business concept, operational model and strategy; core programmes responding to industry dynamics and governance processes, policies and procedures.

- Implicit and embedded knowledge: Market and sector knowledge, areas of excellence (including critical sector skills and capabilities).

ATNS aims to expand its service offerings to become a registered, sector-specific training institution. Our training capacity and expertise are key enablers of industry leadership, innovation and the company's future earning potential. In addition to reporting on our performance in applied research and innovation, this section includes performance reporting on the ATM sector-specific skills training and development provided to staff and third parties by ATNS as an Aviation Training Academy. Organisational training intended to develop ATNS staff competencies (skills enhancement, leadership training and the development of functional competencies) is covered in the Human Capital section that follows.

Approach to creating intellectual capital value

THE AVI AFRIQUE AVIATION INNOVATION SUMMIT

- Founded by ATNS in November 2012, the annual event aims to lead in the areas of ATM innovation
- ATNS continues to host the annual AVI Afrique Innovation Summit to promote thought-leadership and synergy within the African aviation industry
- ATNS innovation seminar promotes innovation within the organisation. The seminar is open to all internal and external candidates who have innovative ideas
- Widely supported by – and represents – key stakeholders:
 - » Technology Innovation Agency
 - » Department of Science and Technology and DoT
 - » Council for Scientific and Industrial Research (CSIR)
 - » Aviation organisations such as IATA, Board of Directors of Airline Representatives of South Africa (BARSA), Airlines Association of Southern Africa (AASA), among others.

RESEARCH AND AVIATION UNIT WITHIN ATNS

- ATNS's R&D Strategy guides all R&D activities that investigate new/emerging concepts and ground-breaking technologies within the aviation environment
- Shifts ATNS from being a user of acquired technologies to contributing to the local technology value chain
- The ATNS Research Steering Committee (ARSC) provides executive oversight of all R&D activities that the organisation undertakes
- The Business, Research, Operations, Development Committee (BRODC) was established at Board Committee level
- We are currently reviewing our Intellectual Property Policy to protect our R&D investments and any other proprietary information.

ATNS'S AVIATION TRAINING ACADEMY

- Provides a full range of air traffic services training, technical support and related training to delegates in South Africa and the broader African continent
- ISO 9001:2015 certified accredited institution
- International cooperation agreements with partners such as the Embry Riddle Aeronautical University, ENAC and the University of the Witwatersrand (WITS)
- Authorised Training Centre and Regional Training Partner for IATA training programs. Awarded the IATA Premier Circle membership for outstanding performance
- Certified as an approved Aviation Training Organisation by several Civil Aviation Authorities across Africa and the Indian Ocean Islands
- Has delivered ATS and Air Traffic Safety Electronics Personnel (ATSEP) training to delegates from over 30 countries in the past year
- Embarked on a multi-year project to register with the Department of Higher Education and Training as an Institution of Higher Learning and to accredit an academic air traffic service qualification with the Council for Higher Education.

AVIATION INNOVATION LABORATORY

- Develops and validates future technology solutions with the potential to be commercialised or operationalised in the ATM environment
- R&D laboratory equipped with relevant software and hardware
- Open to all ATNS employees, suppliers and research institutions
- Future emerging technologies are visualised, simulated and tested
- Outcomes include product and process development and improvement
- Driving and positioning ATNS as an African leader in the 21st-century innovation economy.

We report on:

- Performance in research and innovation



2018/19 Material issues impacting our ability to create intellectual capital

For more information, please refer to page 65.

Key intellectual capital outputs for 2018/19

The Research and Development (R&D) Strategy
R&D Budget
R&D Programme
AVI Afrique Innovation summit held
3 winners identified for AVI Awards
Innovation and Intellectual Property Policy

Material intellectual capital outcomes

- Exerting more influence and market confidence in our abilities
- Additional revenue streams
- ATNS financial sustainability
- Safety and efficiency improvement

Monitoring the trade-offs in the business

Our ATA is a training institution and division within the company that offers sector-specific skills training and development to staff and third parties. Our training is a key enabler of new revenue opportunities both locally and in the rest of Africa. Historically, the ATA has been viewed as a cost-centre. However, in growing ATNS's intellectual capital through the ATA, a combination of financial capital investment, intellectual capital innovation and human capital capacitation, new revenue-generating opportunities are being explored. This will add financial capital value to the company and deliver the social capital value of producing technically-competent ATM professionals.

 Human capital

ATNS builds human capital value by developing individual and collective competencies, knowledge, skills and experience of the company’s employees and managers. We drive organisational effectiveness through our leadership capability and by creating an enabling environment for employees to contribute to organisational goals, while being fairly remunerated for their contribution and initiative.

Our ability to create human capital value in the long term is underpinned by our philosophy of fair remuneration and reward and our commitment to organisational transformation through equitable employment practices. We strive to create an organisation that reflects the diversity of our society and that maximises the potential of our employees. Skills development is at the core of our human capital value creation, as such we run programmes that are aimed at building and enhancing the competencies of employees. In addition, the talent pipeline is built through the bursar programme that recruits young people into the organisation.

Approach to creating human capital value

DEVELOPING SKILLS AND REWARDING PERFORMANCE
<ul style="list-style-type: none"> • Learning programmes are provided for all employees in line with organisational needs • ATNS’s Learning Management System maintains records of training interventions implemented for training conducted at the ATA • KPAs and targets, as agreed upon with the Shareholder, are implemented • We have in place a recognition and reward system designed to cultivate a culture of trust, confidence and shared innovation in the aviation sector • A performance management system, in line with the remuneration policy, is designed to measure and reward performance.
ATNS EMPLOYMENT EQUITY PLAN
<ul style="list-style-type: none"> • Workforce representation is guided by ATNS’s internal Employment Equity (EE) Plan • ATNS’s strategic objectives and prevailing organisational culture support on-going equal opportunity initiatives, with specific emphasis on designated groups • EE Plan is aligned to the Employment Equity Act, 1998 (Act No. 55 of 1998) • A five-year EE Plan came into effect on 1 April 2015 to 31 March 2020 and is reviewed annually • EE Plan is championed by ATNS’s CEO and aims to: <ul style="list-style-type: none"> » Create a balanced profile of employees within the company » Eliminate any discriminatory practices in terms of race, gender or disability » Provide for ATNS’s present and future skills requirements.
CONTINUOUS TRAINING TO MAINTAIN THE SKILLS OF AIR TRAFFIC CONTROLLERS
<ul style="list-style-type: none"> • Training spans various programmes to maintain air traffic controllers’ skills • Refresher courses and emergency training are provided • Training includes theoretical and practical courses, together with simulation training • Recurrent training maintains current competency levels • Skills built by cross-training selected controllers from quieter stations to gain experience in busier stations.

We report on:

- Employment equity
- Skills development
- Rewards and remuneration

 **2018/19 Material issues impacting our ability to create human capital value**

For more information, please refer to page 63 to 65.

Key human capital outputs for 2018/19

Rand value of training Cost to Company	5.70% (2018: 6.52%)
ATS AIC	72.94% (2018: 72.27%)
ATS Female	47.40% (2018: 46.55%)
ATNS AIC	79.24% (2018: 76.98%)
ATNS Female	49.40% (2018: 47.35%)
People with disabilities	3.22% (2018: 3.22%)

Material human capital outcomes

- Maintaining a representative workforce
- Embedding a culture of sustainability
- Promoting an organisational culture that entrenches safety values
- Enhancing skills and building competencies

Monitoring the trade-offs in the business

With ATNS competing globally to attract and retain critical skills, we often pay a premium for employees due to the scarcity of their skills (intellectual capital value) in the market and their value to the business. International demand for highly skilled employees impacts on our staff costs (financial capital), but this cost must be weighed against the value of technically-competent employees in ensuring safe skies for all ATM users (social and relationship capital value).

Additionally, ATNS’s long-term planning has identified developments around skills that will be critical in the future. As such we will need to evolve within a globally competitive, technology-driven aviation environment through acquisition and retention of specialist knowledge and skills.

 **Social and relationship capital**

ATNS considers the value represented by and through our stakeholder relationships as critical to the long-term economic and social sustainability of the business. These relationships are demonstrated by the strength of our supply chain relationships, community partnerships, government and regulatory relations and our relationships with our customers and sector partners.

For ATNS, authentic and accountable stakeholder relations extend to ensuring the highest standards

of safety management, for employees, partners and citizens. We are committed to implementing, developing and improving appropriate strategies, management systems, processes and procedures to ensure that all our activities uphold the highest level of safety performance and meet national and international standards and expectations. Our Safety Management System (SMS) ensures global-standard safe operations through the effective management of safety risks. The SMS is designed to continuously improve safety by identifying hazards, collecting and analysing data and continuously assessing safety risks. The SMS seeks to proactively contain or mitigate risks before they result in aviation accidents and incidents.

Approach to creating social and relationship capital value

ATNS CORPORATE SOCIAL INVESTMENT (CSI) STRATEGY	
<ul style="list-style-type: none"> • Our CSI strategy is driven by the company's requirement to align its strategy to national socio-economic developmental imperatives, national government outcomes and the DoT's outcomes • ATNS's community development programmes are aimed at driving expanded social transformation • Our CSI flagship projects relate to the promotion of mathematics and physical science for grades 10-12 • Future CSI initiatives will encourage among others, research and technology development initiatives driven through the R&D forum developed in 2012 known as AVI Afrique. 	
SOUND SUPPLY-CHAIN PRACTICES	
<ul style="list-style-type: none"> • ATNS's procurement systems are focused on holistic and integrated Supply Chain Management (SCM) • Enterprise Development (ED) stimulates growth for small, medium and micro enterprises (SMMEs) through the up-stream supply chain • ATNS's equipment requirements and infrastructure developments are informed by: <ul style="list-style-type: none"> » Regulatory requirements at a global level » Enabling new technologies » The need to address the specific requirements of the ATM community • ATNS approaches technology sourcing by engaging the expertise of both local and global suppliers • Procurement policies are geared towards localisation • Specific targets are set to transform the provision of aviation-related services • The Procurement Committee oversees ATNS's capital expenditure. 	

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PROACTIVE STAKEHOLDER MANAGEMENT
<ul style="list-style-type: none"> • We focus on issues that are material to both ATNS and stakeholder groups • Underpinned by proactive interactions with stakeholder groups through stakeholder-specific engagement channels, including (but not limited to): <ul style="list-style-type: none"> » Quarterly EXCO meetings » Road-shows » Industry safety workshops » Thought Leadership programmes, such as the annual ATNS AVI Afrique Innovation Summit • ATNS also collaborates with and shares plans and information on material issues of safety, training and ATM; as well as Engineering and Technical Services (ETS).
LEARNERSHIP PROGRAMMES
<ul style="list-style-type: none"> • ATNS runs ATS bursar, engineering learnership and engineering graduate programmes at the ATA • Successful students from the learnership pipeline typically feed into the pool of qualified engineering technicians and junior systems engineers.

We report on:

- Safety service provision
- Supplier development and economic empowerment
- CSI projects

 **2018/19 Material issues impacting our ability to create social and relationship capital**

For more information, please refer to page 65.

Key social and relationship capital outputs for 2018/19

Safety service provision	RSI of 37 against a target of 44-56 Safety ratio of 3.84 safety events per 100 000 (2018: 5.19) movements (target: 2 safety events per 100 000 movements)
Supplier development and economic empowerment	BBBEE Level 2: (2018: level 2)
Total invested in corporate social investment projects	R7 million (2018: R2 million)

Material social and relationship capital outcomes

- Building positive stakeholder relationships to support economic, social and environmental sustainability
- Promoting socio-economic value through community development

Monitoring the trade-offs in the business

ATNS's social licence to operate is based on the company's ultimate impact on society. Our ED initiatives contribute meaningfully towards the creation of a more equitable society. However, many of the emerging technologies and innovations that will form part of ATNS's future operational landscape may only initially be accessible through foreign suppliers. We will have to balance our need for leading-edge technologies and our developmental mandate to promote local supplier development.

 Natural capital

The aviation industry's impacts on the environment are evident globally and appropriate legislative frameworks are being adopted by the ATM sector worldwide. ATNS supports the activities of ICAO's technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and recommendations for minimising the impact of aviation on the environment, and specifically the reduction of airspace noise and improvement of airspace air quality. A reduction of aviation CO₂ emissions can contribute towards keeping global mean surface temperatures below a 2-degree increase.

As an ANSP, ATNS exerts influence on carbon emissions from aircraft, mainly in terms of the efficiency of the ATM network. As air traffic movements are expected to increase, flexible optimisation of the airspace is required to ensure that safety and an operationally efficient environment are achieved. ATNS aims to promote environmental sustainability through continuously improving ATM practices. In aligning with the ASBU concept, ATNS can promote various operational efficiencies, including fuel efficient routing, optimal traffic flow management, PBN and attention to fuel optimal speed control. By continuously improving these processes, ATNS has an opportunity to provide added value to airspace users through a decrease in fuel usage, a reduction in fuel costs, and reduced CO₂ emissions.

Approach to creating natural capital value

IMPLEMENTATION OF AVIATION SYSTEM BLOCK UPGRADES (ASBU)
<ul style="list-style-type: none"> Operational efficiency is enhanced through the implementation of the ASBU concept Maintaining and enhancing aviation safety Harmonising ATM improvement programmes Removing barriers to future aviation efficiency and environmental gains at reasonable cost Improving airspace efficiencies Procedure design Oceanic random routing areas Reduced Vertical Separation Minima (RVSM) ATFM: balancing demand and capacity Collaborative Decision Making (CDM) The Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE) initiative Sustainable energy management Sustainability and Climate Change Strategic Plan.
IMPLEMENTATION OF PERFORMANCE-BASED NAVIGATION
<ul style="list-style-type: none"> Utilises the improved navigation capability of aircraft to enable more accurate operations in the departure, en-route and arrival phases of flights Enhanced navigation capability allows for reduced separation between aircraft and facilitates optimum trajectories, resulting in reduced fuel burn and less CO₂ and noise emissions ATNS developed a National PBN Roadmap and National PBN Implementation Plan in cooperation with the ATM Community which guides our PBN activities PBN procedures are in place at most international airports ATNS services.
SUSTAINABLE ENERGY MANAGEMENT
<ul style="list-style-type: none"> Aims to reduce ATNS's ecological footprint Aims to provide sustainable use of energy and environmentally aware operations Applied in designing procedures and selecting sites for ground-based equipment Aligns with the National Environmental Management Act (NEMA) and Civil Aviation regulation.

THE INSPIRE INITIATIVE
<ul style="list-style-type: none"> ATNS is one of the founding members of the INSPIRE Partnership with airlines, ANSPs and airport partners to identify ways to reduce aviation's impact on the environment.
PROCEDURE DESIGN
<ul style="list-style-type: none"> ATNS applies a design philosophy of clean speed¹ arrivals and departures and shortened routings, whenever flight procedures are being developed The ASBU initiatives of Continuous Climb Operations (CCO) and Continuous Descent Operations (CDO) are applied to all new designs CDO reduces aircraft noise and gaseous emissions at airports and saves fuel consumption without compromising flight safety CCO (aircraft operating technique) can reduce noise, while increasing flight stability and the predictability of flight paths for both controllers and pilots.
OCEANIC RANDOM ROUTING AREAS
<ul style="list-style-type: none"> Random routing implemented within the Atlantic and Indian Ocean areas Initiative allows aircraft to make optimum use of upper winds in route planning and execution, enabling higher efficiencies and reduced fuel burn, with less CO₂ emissions User Preferred Routes (UPR) implemented in Indian and Atlantic Oceanic regions under ATNS's jurisdiction.
REDUCED VERTICAL SEPARATION MINIMA (RVSM)
<ul style="list-style-type: none"> The ICAO RVSM initiative, fully supported and implemented by ATNS, allows for aircraft to operate at optimised cruising levels with reduced vertical separation standards, depending on the aircraft and flight crew certification RVSM contributes significantly to reduced fuel burn and the reduction of emissions.
SUSTAINABILITY AND CLIMATE CHANGE STRATEGIC PLAN
<ul style="list-style-type: none"> Strategic plan to manage long-term environmental sustainability in the organisation Supports the setting of appropriate environmental KPIs.
AIR TRAFFIC FLOW MANAGEMENT (ATFM)
<ul style="list-style-type: none"> Balances demand and capacity to minimise potential delays in the national airspace system. Two techniques reduce delays from operational and weather events: <ul style="list-style-type: none"> » Allocation of arrival and departure slots at slot-coordinated airports » Dynamic allocation of calculated take-off and arrival times on the day of operations Reduces the need for aircraft to hold on the manoeuvring area with engines running, which reduces greenhouse gas (GHG) emissions in the airport environment.
<p>¹ The term 'clean speed' indicates that the aircraft is at a speed and power setting that does not require the use of additional control surface (i.e., a/s, slats, and so forth). The ASBU initiatives of CCO and CDO are applied to all new designs as a matter of course.</p>

We report on:

- Managing carbon emissions
- ATM environmental performance
- Environmental compliance
- Managing natural and non-renewable resources:
- Electricity and fuel
- Airspace quality
- Biodiversity and protected habitats
- Water and waste



2018/19 Material issues impacting our ability to create natural capital

For more information, please refer to page 66.

Key natural capital outputs for 2018/19

*Results based on ICAO Doc 9988 Guidance revision 2016, Table C-2. Rules of thumb for estimating expected results by measure

Continuous Descent Operations	7 220 tonnes of fuel saved; 22 744 tonnes of CO ₂ e
Continuous Climb Operations	60 982 tonnes of fuel saved; 191 525 tonnes of CO ₂ e
Airport-Collaborative Decision Making	15 200 tonnes of fuel saved; 47 881 tonnes of CO ₂ e

Material natural capital outcomes

- Reducing CO₂ emissions
- Promoting sound management of natural resources
- Embedding environmental aspects in our business

Monitoring the trade-offs in the business

ATNS manages both modern and older aircraft – particularly on the African continent. The older aircraft serve a direct purpose on the continent, whether supporting global food programmes or peace endeavours. We need to ensure that our airspace can accommodate these aircraft while being cognisant of the fact that they may be inefficient in terms of fuel burn. The CO₂ emission contribution by the older aircraft is weighed against the much-needed contribution they are making on the continent.

Statement of Strategic Intent and Shareholder Compact

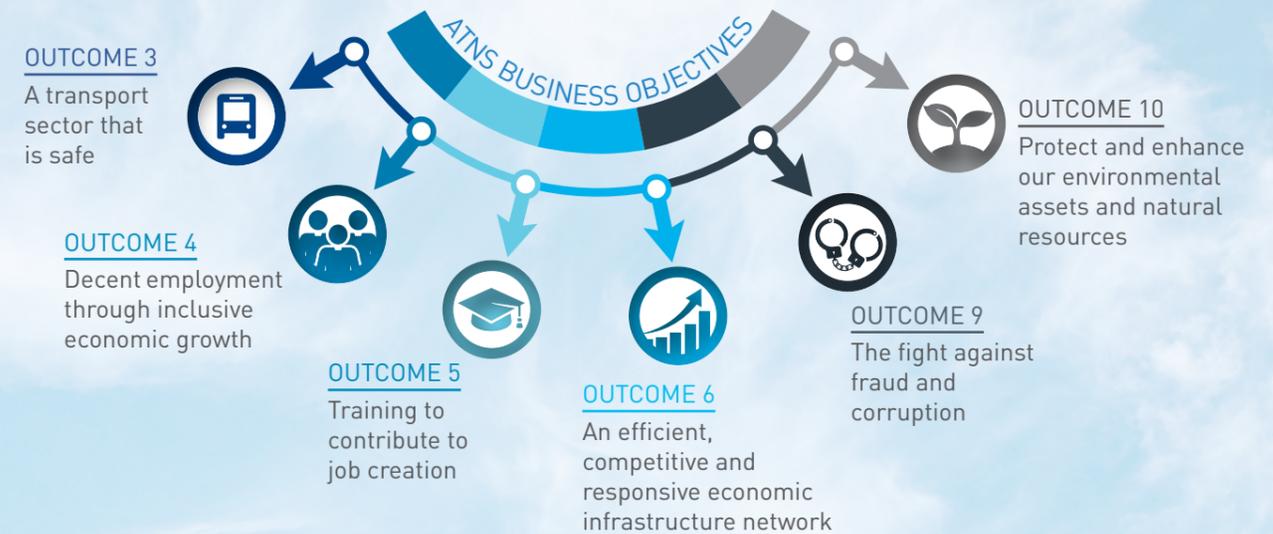
ATNS activities are informed by the Minister of Transport’s Statement of Strategic Intent as well as our Shareholder Compact, concluded annually with the Minister. The business is further guided by the Medium-Term Strategic Framework (MTSF), implemented by the South African Government to measure the NDP’s enabling milestones, which articulates 12 outcomes and associated outputs.

After the national election on 8 May 2019, the president of South Africa outlined seven priorities, anchored in the NDP 2030, in his State of the Nation Address (SONA). These are:

- **Priority 1:** Economic Transformation and Job Creation
- **Priority 2:** Education, Skills and Health
- **Priority 3:** Consolidating the Social Wage through Reliable and Quality Basic Services
- **Priority 4:** Spatial Integration, Human Settlements and Local Government
- **Priority 5:** Social Cohesion and Safe Communities
- **Priority 6:** A Capable, Ethical and Developmental State
- **Priority 7:** A better Africa and World.

To help achieve these seven priorities, the Minister of Transport has called for them to be immediately infused into ATNS’s current Annual Performance Plan (APP) as a bridge towards a revised Strategic Plan for the next five years. The focus in the medium-term period will be on high impact activities and projects, which must also incorporate the Minister’s 100 Days in Office Plan conceptualised since his appointment.

The diagram below summarises how ATNS business objectives support five of the DoT’s 14 outcomes, thereby helping to realise government’s overarching NDP 2030 and associated priorities.



KPA NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES FOR 2018/19
1	DoT Outcome 3: Transport safety and security - Priority 5: Social Cohesion and Safe Communities	
1.1	Risk Safety Index	Reduce the risk associated with safety events
1.2	Safety service provision	Increase successful safe operation
1.3	Operational efficiency	Reduce overall traffic delays
1.4	Operational efficiency	Achievement of CNS Systems availability
1.5	Ensure commercial sustainability	Ensure financial sustainability
1.6	PBN Operational Enhancement	PBN Roadmap implementation
		Independent Parallel Runway operations at FAOR

KPA NO.	BUSINESS OBJECTIVES	OBJECTIVE MEASURES FOR 2018/19
2	DoT Outcome 6: Infrastructure development and high-level investment plan for transport - Priority 1: Economic Transformation and Job Creation	
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Approved Capex cashflow for 2018/19
2.2	Operation of the satellite communication networks: SADC VSAT II	Optimise revenue and ensure network availability
2.3	Operation of the satellite communication networks: NAFISAT	Optimise revenue and ensure network availability
3	DoT Outcome 9: The fight against fraud and corruption – Priority 6: A Capable, Ethical and Developmental State	
3.1	Comply with relevant legislation, regulation and standards	Unqualified audit report to be achieved
3.2	All whistle blowing matters reported are investigated	Fighting corruption and promoting good governance
4	DoT Outcome 10: Environmental protection – Priority 7: A better Africa and World	
4.1	Implementation of environmental plan	Measure ATNS carbon Footprint and ATM Environmental Performance
5	DoT Outcome 5: Training to contribute to job creation – Priority 1: Economic Transformation and Job Creation and Priority 2: Education, Skills and Health	
5.1	Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate	ATS bursaries and engineering learnerships
5.2	Manage the training pipeline for ATS and technical staff	Adoption and approval of Human Capital Plan as per budget
		ATS and TS training plan
		Operational or implementation plan
6	DoT Outcome 4: Broad-Based Black Economic Empowerment - Priority 5: Social Cohesion and Safe Communities and Priority 1: Economic Transformation and Job Creation	
6.1	Achieve BBBEE targets	Achievement of BBBEE targets as per the Transport Charter
	Achieve preferential procurement targets as set by the Transport Charter	Total discretionary Opex budgeted as per procurement plan
		Total Capex budgeted
7	DoT Outcome 4: Employment equity - Priority 2: Education, Skills and Health Priority 6: A Capable, Ethical and Developmental State	
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3)	Achieve representation towards alignment of company staff profile with the demographics of the country
7.2	ATNS EE targets	Increase representation of black (AIC) racial grouping – with a particular focus on African and female representation – towards creating alignment with the demographics of the country

Commitments to external initiatives

THE ICAO AVIATION SYSTEM BLOCK UPGRADES

- ICAO collaborates with member states, industry and international organisations to develop the ASBU concept
- ASBU helps to ensure the following operational imperatives:
 - » Maintaining and enhancing aviation safety
 - » Harmonising ATM improvement programmes
 - » Removing barriers to future aviation efficiency and environmental gains at a reasonable cost
- ATNS fully endorses the ASBU initiative in setting the framework for globally harmonised ATM

CIVIL AIR NAVIGATION ORGANISATION

- ATNS is a founding member of the CANSO in Africa
- ATNS hosts the CANSO Regional Office in Africa

THE GHG PROTOCOL CORPORATE STANDARD

- ATNS Carbon Emission Inventory and footprint is calculated using best practice methodology to account for all GHG emissions released as a result of its operations
- ATNS calculates its carbon inventory in accordance with the GHG Protocol Corporate Standard

PARTNERSHIP WITH EDUCATIONAL INSTITUTIONS

- To ensure superior achievement of absorptive capacity and to promote strategic collaboration, ATNS has established a strong coalition with the University of Pretoria's Department of Electrical Engineering and Computer Systems in the areas of telecommunication
- This initiative builds capacity and learning opportunities for undergraduate and postgraduate engineering students from historically-disadvantaged backgrounds

Contextualising our operations

Regulatory context

Global and continental air traffic indicate a healthy growth. Worldwide airport passenger numbers increased by 7.5% in 2018 to R8,3 billion. International passenger traffic grew by 8.6% while worldwide domestic passenger traffic increased by 5.8%. The increase in passenger numbers translated to an increase in aircraft movements of 3%, totalling R95 million in the same year (Airports Council International, 2018).

Two countries consistently rank as the largest aviation markets in the world: the United States and China. Their combined passenger traffic represents 34.5% of the global total. Airport traffic in emerging markets and developing economies grew faster at 10.3% than in advanced economies at 5.2%.

Regional context

African airlines have witnessed a steady increase of movements (+6.3%) due to expansion of the western African region. In January 2019, 23 African countries signed the Single African Air Transport Market (SAATM), which is an initiative of the African Union. It is envisioned that the SAATM will assist airlines in growing and regulating competition to avoid harmful air trade wars between countries. Liberalising intra-African air transport through the full implementation of the Yamoussoukro Decision (an Africa-based treaty granting freedom transit rights between signatories) to improve air connectivity and lower fares, will ensure the sustainable development of air transport in Africa and its contribution to economic growth, job creation and integration of the continent.

National context

Irrespective of the positive growth in air traffic numbers witnessed in the global environment, what we see in the South African context is different, largely due to the adverse effects of the local macro-economic environment, which has witnessed sluggish GDP growth over the last few years. Additionally, a highly competitive domestic airline environment has seen structural shifts with mainline carriers shedding capacity in favour of Low-Cost Carriers [LCCs]. Other feeder carriers have also struggled due

to operational and sustainability challenges, which has led to shedding capacity as well as experiencing temporary suspension of operations. The result has been a decline in air traffic movements in the 2018/19 financial year, when compared to the previous year.

Stakeholder engagement

Key stakeholders

ATNS recognises the importance of securing stakeholder support for our long-term success by enhancing transparency, sharing knowledge, and generating innovative solutions. The company regularly engages key stakeholder groups that are most relevant to the business. These dialogues inform our material assessment and sustainability framework, and ultimately provide invaluable input into our overall strategic model.

Internal stakeholders are:

- Employees, including organised labour unions
- Board of Directors
- Shareholder

Our external stakeholders include:

- Clients (airlines and airline associations)
- Industry (manufacturer, associations, regulators and professional institutions)
- Financial institutions and financiers
- Governments (local and foreign government institutions)

Our Stakeholder Engagement Policy, which identifies stakeholders and describes our engagement approach, is available online at www.atns.com. Additional information on stakeholder engagements is included in our annual-reports, which are also available online.

For the reporting year 2018/19, we maintained positive relationships with our long-term stakeholders and initiated new stakeholder engagements that will impact on the growth of the business. We acknowledge that improved relations with our strategic partners must be prioritised to ensure we remain a customer-centric organisation and to achieve our strategic objectives. We conduct regular customer surveys to assess the quality of our relationships and the service we provide, and to better design and implement programmes aligned to our strategy.



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ENGAGEMENT PROGRAMME OF ACTION: 2018/19						
COMMUNICATION ACTIVITY	TARGET AUDIENCE	CHANNEL	AREAS OF INTEREST	RESPONSIBILITY		MEASURE
Executive station visits	Internal	Visiting stations and interacting with staff	New Strategy Roadmap explanation	CEO/Executives		Feedback from employees engaging management on the way forward.
CEO engagement sessions	Internal	Video conferencing	New CEO and vision	CEO		Improved business and working relationship Access to CEO.
Company announcements (ad-hoc and crisis-related)	Internal External	Various media	Partnership in resolving crisis	C-Suite and corporate communication		External stakeholders' confidence and employee participation in resolving matters.
Positioning ATNS	External	Print and electronic (online/digital) media	Improving ATNS image	Corporate communication		Enquiries on various social media platforms Requests to meet from various NGOs Schools request support.
Industry events	External	Conferences and meetings	Interaction with clients	CEO		Strengthening relations between CEO, board members and senior managers.
Government-related events	External	Events	Shareholder management	CEO/Board		Create value for the shareholder Improved relationships and efficiency.
Meetings with the Minister and key industry stakeholders	External	AGM Round-tables Consultation	Information sharing and feedback	Company Secretary		Receive policy direction and support on key initiatives that improve ATM.
Staff Recognition Awards	Internal	Events	Reward good performance	Executive: Human capital		Building sustainable relations with employees and enhancing efficiency.
International aviation commemoration events/days	Internal External	Events	Aviation policies Improved ATM solutions	CEO		Being on par with other service providers and recognised as a global player.
Annual report information on performance and financials	External	Integrated Annual Report	All stakeholders	Company Secretary		Showcasing ATNS as a sustainable organisation and building confidence.
ATNS CSI projects	External	Projects	Schools and communities	CEO		Improved relations with communities Contribution to improving pass rate in STEM subjects.

Risks and opportunities

Our ERM process aims to achieve an appropriate balance between opportunities realised for gain, while minimising adverse impacts. General activities include risk identification, evaluation, prioritisation, treatment, monitoring, reporting and integration in decision-making and key business processes. The ATNS strategic risk profile considers King IV™ and the ISO 31000:2018 risk management standard in assessing both strategic and operational risks.

Both internal and external factors are considered to understand the interconnectedness of risks and to appreciate potential impacts. Risk owners are assigned to each strategic risk to ensure mitigation strategies are deployed.

The strategic risk progress report monitored by our Executive Committee, the Audit and Risk Committee and the Board of Directors tracks the progress and effectiveness of risk management by the business. These risks are uploaded to the Governance Risk and Compliance system to ensure monitoring of mitigation plans is in line with timeframes and organisational risk appetite and tolerance levels. The opportunities set out below could have a positive impact on ATNS achievement of its strategic objectives.

Opportunities and responses

OPPORTUNITY	ATNS RESPONSE TO OPPORTUNITIES
Market excellence	<ul style="list-style-type: none"> Leverage the air space market in SADC and African Civil Aviation Commission (AFCAC). Drive our strategy to excel in obtaining, developing, retaining and utilising specialist resources, capabilities and technology to formulate and provide ATM solutions and associated services.
Increased customer and geographic scope	<ul style="list-style-type: none"> Develop and implement a growth strategy for our regulated and non-regulated business. Increase the footprint, scope and impact of ATNS.
Excellent business intelligence	<ul style="list-style-type: none"> Tap into the Unmanned Aerial Vehicles (drones) market. Continually update our understanding of global market dynamics to ensure we have up-to-date and readily available information on technological and business trends, suppliers, products, clients and competitors.
Improved relationship management	<ul style="list-style-type: none"> Excel at building lasting relationships with government and other strategic partners – suppliers, clients, the ATM community and our people.



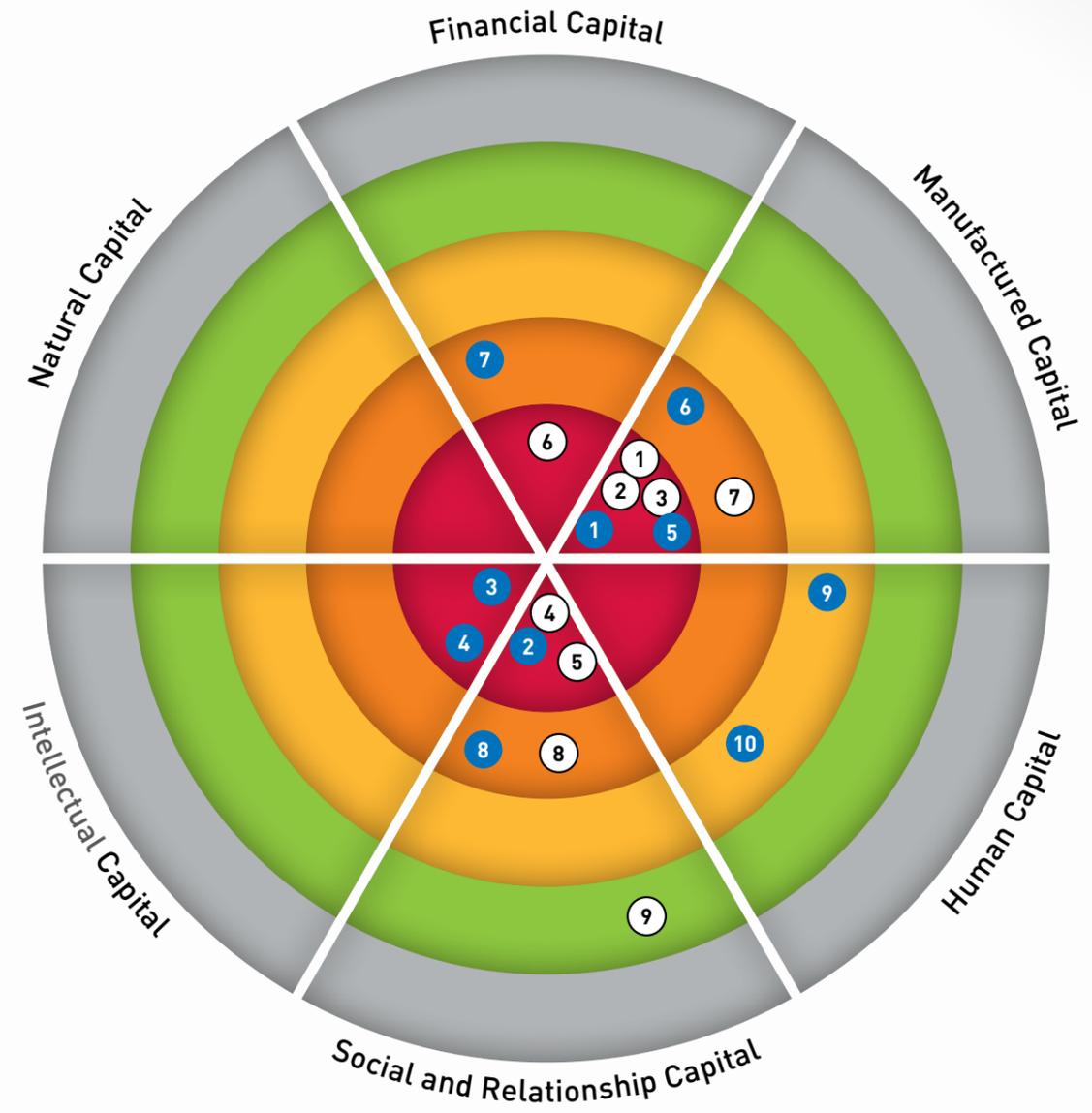
Major risk movements –2017/18 to 2018/19

ATNS residual risk heatmap

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Residual risk profile 2018	Priority
1 Business continuity plans and disaster recovery plans	1
2 IT systems/networks	1
3 Physical security of infrastructure	1
4 Inefficiency in supply-chain management	1
5 Major safety event	1
6 Financial sustainability	1
7 Cyber security events	2
8 Non-compliance with regulatory requirements	2
9 Inability to access and capture the market	5

Residual risk profile 2019	Priority
1 Physical security of infrastructure	1
2 Major safety event	1
3 Technology risk	1
4 Reliance on a single third-party service provider	1
5 Cybersecurity events	1
6 Business systems and processes optimisation	2
7 Financial sustainability	2
8 Non-compliance with regulatory requirements	2
9 Project coordination and implementation risk	3
10 Competencies and skills to support the strategy	3



○ 2018 ● 2019

Residual risk exposure

- Priority 1 – Extreme: Immediate action
- Priority 2 – High: More controls required
- Priority 3 – Moderate: Monitor risk exposure
- Priority 4 – Low: Acceptable risk exposure
- Priority 5 – Insignificant: Reduce controls



ATNS TOP 10 RISKS

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RISK NAME	RELATED MATERIAL ISSUE	ROOT CAUSE OF THE RISK	RESIDUAL RISK EXPOSURE	ACTION PLANS
Physical security of infrastructure	Security of infrastructure and people	<ul style="list-style-type: none"> Most of the sites/ infrastructure are in remote locations. Design specifications of infrastructure place limitations on physical security infrastructure. Viability of deployed security personnel at each site. Vandalism and theft. 	PRIORITY 1	<ul style="list-style-type: none"> Develop a detailed security programme. Roll out security programme at each site.
Major safety events	Safety management	<ul style="list-style-type: none"> Human error and human factors. Non-compliance with standard operating procedures e.g. pilot/ ATC. Equipment and system failures. Terrorist attacks/ sabotage. 	PRIORITY 1	<ul style="list-style-type: none"> Develop a safety climate that will drive a coherent, enterprise-wide safety culture. Improve safety maturity rating. Develop a refurbishment plan of air traffic service units.
Technology risk	Organisational efficiencies by digitisation	<ul style="list-style-type: none"> Obsolete systems and misaligned processes. Inadequate or irrelevant Information and Communication Technology (ICT) skills. System failure (malware, viruses, cyber-attacks, functional crashes). Lack of innovation capabilities. 	PRIORITY 1	<ul style="list-style-type: none"> Develop ATNS research funding model for information technology projects. Develop enterprise architecture. Develop plan to integrate unmanned traffic management into ATM. Implement the revised ICT strategy.
Reliance on a single third-party service provider	Core technical risk and over reliance on single supplier	<ul style="list-style-type: none"> Inadequate alternative supplier penetration into remote areas/ aviation industry. Industry monopoly resulting from a lack of service provision alternatives. 	PRIORITY 1	<ul style="list-style-type: none"> Implement the approved enterprise development plan.
Cybersecurity events	Cybersecurity	<ul style="list-style-type: none"> Hacking and phishing scams System failure/ vulnerability Malicious acts Theft and resale of data Insider threats 	PRIORITY 1	<ul style="list-style-type: none"> Develop an integrated ICT cyber strategy and ensure implementation. Develop and implement a cybersecurity plan.

RISK NAME	RELATED MATERIAL ISSUE	ROOT CAUSE OF THE RISK	RESIDUAL RISK EXPOSURE	ACTION PLANS
Business systems and processes optimisation	Organisational efficiencies by digitisation	<ul style="list-style-type: none"> Misalignment of organisational business systems and processes to support the strategy. Inefficiencies in the Supply Chain Management (SCM). 	PRIORITY 2	<ul style="list-style-type: none"> Develop an integrated business process to the required maturity levels. Implement the SCM model. Implement enterprise resource planning project.
Financial sustainability	Decline of tariffs and revenue Asset management	<ul style="list-style-type: none"> Subdued growth in the airline industry due to lack of economic growth. Loss of business to competitors providing similar services. Decline in tariffs. 	PRIORITY 2	<ul style="list-style-type: none"> Review the funding models to improve business opportunities. Drive cost containment and review budgeting framework. Improve collection of revenue. Raise funding for capital projects.
Non-compliance with regulatory requirements	SCM compliance and cost of compliance	<ul style="list-style-type: none"> Not fully understanding the regulatory requirement and the impact of non-compliance. Misinterpretation of legislation. 	PRIORITY 2	<ul style="list-style-type: none"> Implement Compliance Risk Management Plans. Monitor and report non-compliance with regulatory requirements.
Project coordination and implementation risk	Continuous investment in infrastructure Asset Management	<ul style="list-style-type: none"> Lack of integrated change management framework into project. Inadequate implementation of the Capex delivery framework. 	PRIORITY 3	<ul style="list-style-type: none"> Fully implement the Capex Delivery Framework. Ensure implementation of the change management framework.
Competencies and skills to support the strategy	Investing in people and communities	<ul style="list-style-type: none"> Inadequate succession planning, retention of scarce skills and technical competencies. Inadequate talent management plans. Long lead times required to train staff within the market. Loss of skills to other industries. 	PRIORITY 3	<ul style="list-style-type: none"> Build a competency profile for the organisation. Conduct skills audits for the organisation. Implement learning programmes for future business.

Material issues

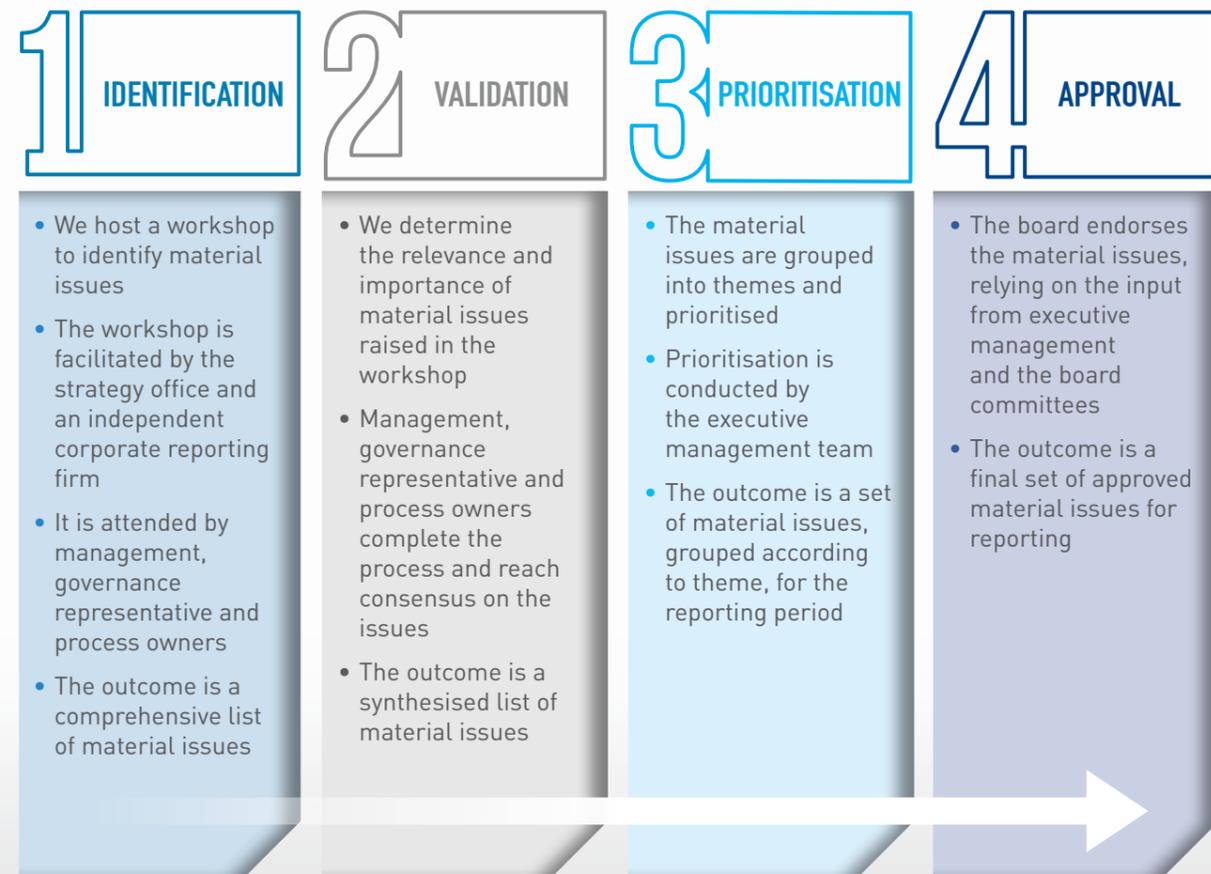
We consider material issues to be matters that substantively impact our ability to create value over the short, medium and long term. For the year under review, ATNS continued to refine our process, including identifying, validating, prioritising and approving the issues most material to our business.

P.16 We use a combination of internal and external criteria to validate whether an issue is material, and consider the following factors:

- Relevance to the external commercial environment
- The business context of ATNS
- Relevance for our partnership landscape
- Relevant issues that surfaced in the regulatory and policy environment
- Stakeholder concerns and interests.

We also filter material issues through the lens of likelihood of occurrence and the magnitude of impact. Furthermore, we consider the area and time-frame of the impact of our material issues, and alignment to our business strategy, as well as our top risks and opportunities.

Our process for determining material issues



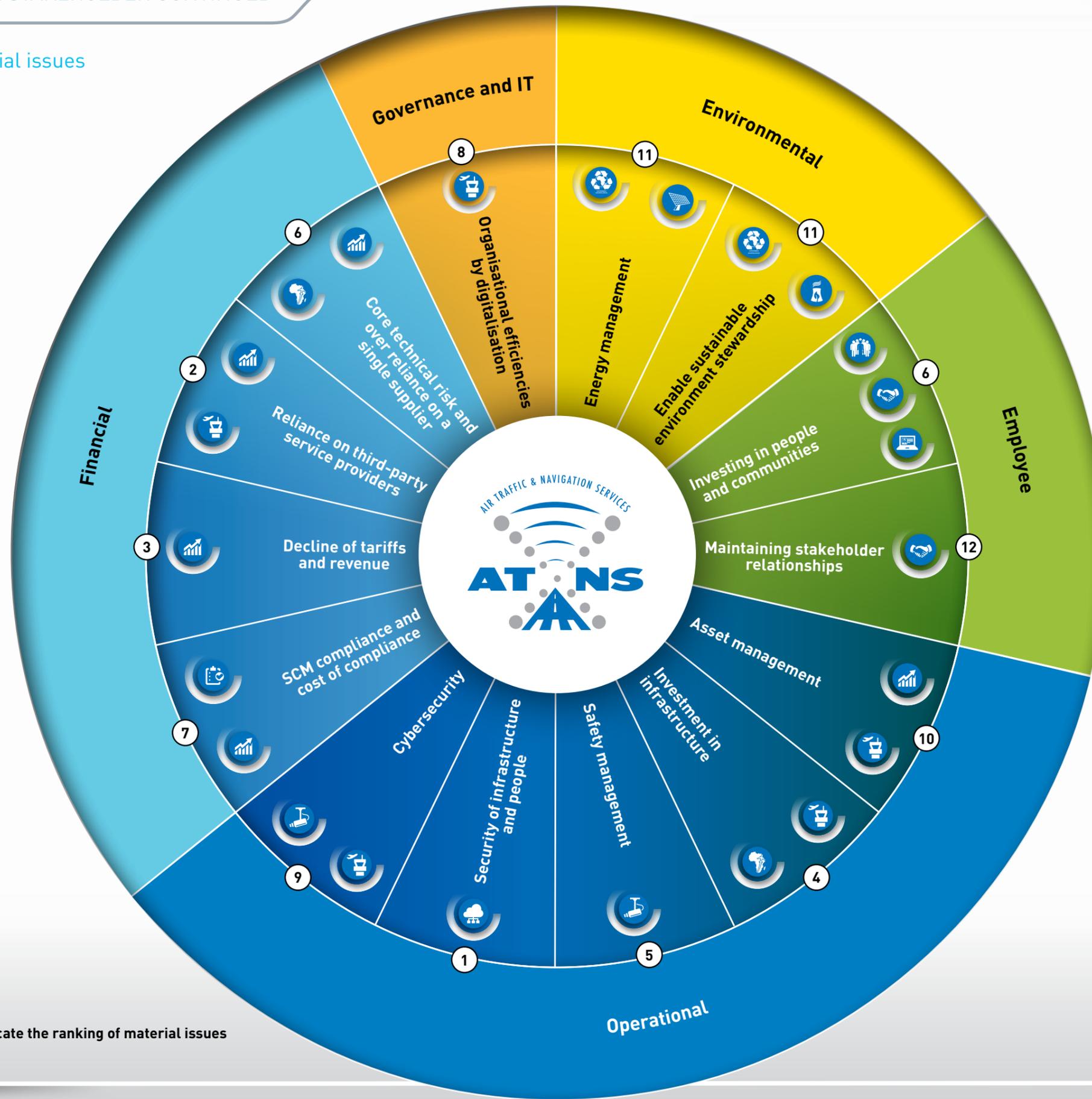
Context for key disclosures and material issues

REPORTING CONSIDERATIONS	INTERNAL CRITERIA	EXTERNAL CRITERIA
Aviation industry requirements	<ul style="list-style-type: none"> • ICAO performance-based ATM operational framework and ASBU methodology • Global aviation regulatory requirements 	<ul style="list-style-type: none"> • Global ATM requirements, trends and standards • Leading practice safety performance benchmarks
National and international standards and agreements	<ul style="list-style-type: none"> • Statement of strategic intent and Shareholder Compact • 12 government outcomes • DoT outcomes 	<ul style="list-style-type: none"> • Changes in the developmental agenda and priorities of national government
ATNS key performance indicators	<ul style="list-style-type: none"> • PBN roadmap and implementation plan • Mission, vision and values • ATNS business concept • Our strategic imperatives, critical issues and programmes 	<ul style="list-style-type: none"> • Socio-economic changes and challenges in key market segments – local and regional • Commercial opportunities • Environmental risks • Factors that have the potential to impact our reputation
Our top 10 organisational risks	<ul style="list-style-type: none"> • ERM process • Governance and compliance frameworks • Our sustainability framework and associated policies and processes 	<ul style="list-style-type: none"> • PFMA • KING IV™ Code on Corporate Governance • Discussion papers issued by the IIRC • International Financial Reporting Standards (IFRS) • GRI Standards • United Nations Global Compact • Carbon Disclosure Project • BBEE Code
Key internal and external stakeholder issues	<ul style="list-style-type: none"> • Stakeholder expectations and feedback on material considerations 	<ul style="list-style-type: none"> • Changes in the national, regional or global political environment • Changing regulatory landscape

Clustering of ATNS's material issues



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• ① – ⑫ indicate the ranking of material issues

Icons associated with strategic imperatives

- Ensure long-term financial sustainability
- Enhance operational efficiencies in line with global ATM standards
- Deploy and use leading technologies to the benefit of the ATM community
- Develop leadership capability in Africa ATM space
- Create a transformative organisation
- Build a culture of safety
- Build a skilled and capable employee resource base
- Manage the organisation's contribution to climate change
- Manage and preserve scarce and vulnerable resources
- Develop enterprise-wide awareness for accountable environmental impact
- Maintain an impeccable governance framework
- Ensure regulatory alignment and compliance
- Ensure constructive and collaborative stakeholder relationships



Our material issues

During the reporting year, ATNS identified 14 material issues, grouped into five themes. Our material issues are linked to the six capitals as well as our strategic imperatives.

THEME	MATERIAL ISSUE	KEY FEATURES	HOW WE MANAGE THEM
FINANCIAL	Core technical risk and over reliance on a single supplier	<ul style="list-style-type: none"> Limited distribution of resources to other suppliers. As an SOC, ATNS is required to align to the Shareholder outcomes on transformation. Over-reliance on single supplier impacts on potential competitive opportunities. Inability to test the market with regards to innovative or technological advancement, which impacts on the organisation's medium to long term strategic objectives. 	<ul style="list-style-type: none"> Review and monitor the supply chain policy regarding enterprise and supplier development to improve and accelerate skills transfer mainly in local suppliers. Increase the threshold for local suppliers. Strengthen partnerships to increase accountability and visibility of local footprint and supplier diversity.
	Reliance on third party service providers	<ul style="list-style-type: none"> Unreliable/unstable infrastructure (CNS) due to service interruption as the network is dependent on third party network provision. Continued interrupted service may affect operations. 	<ul style="list-style-type: none"> Incorporate redundancy planning in the provision of data and voice communication links for remote Radio and Surveillance systems. Use satellite links as a backup for terrestrial communication links in some instances. Service level agreements (SLAs) are in place with all third-party service providers. Where required, SLAs are accompanied by disaster recovery plans and mitigation strategies. Extend VSAT coverage to limit dependency. Review business model regarding network provision and develop a transition plan.
	Decline of tariffs and revenue	<ul style="list-style-type: none"> Our revenue is 90% regulated and 10% non-regulated As a result, the regulated is dependent on increases in revenue generating movements, though the organisation has observed declines in movement. This continued trend may impact the long-term financial sustainability of the organisation, and there is a need to limit reliance and devise other revenue generating opportunities. 	<ul style="list-style-type: none"> Standard cost-saving initiatives in place. Continuous organisational awareness to promote cost-savings and operational efficiency. Focus on driving new revenue sources. Expansion of products and services in the non-regulated business through needs analysis to identify future opportunities in the aviation space. Continuous review and implementation of the 10-year bankable to ensure that it meets the industry road map.

THEME	MATERIAL ISSUE	KEY FEATURES	HOW WE MANAGE THEM
FINANCIAL	Decline of tariffs and revenue (continued)		<ul style="list-style-type: none"> Review of ATNS's billing model to unlock additional opportunities to increase revenue. Diversify our training offering (i.e. partnerships, use of technology for blended learning).
	SCM compliance and cost of compliance	<ul style="list-style-type: none"> Supply chain compliance is an important function, especially in SOCs. There is growing need to comply with SCM and treasury legislative requirements. Current deficiencies in internal processes mean we risk not being aligned to changes in legislation. Lack of proactive planning to ensure alignment to SCM requirements. Lack or limited understanding of SCM requirements internally. Implication of the above may result in adverse audit findings as well as fruitless and wasteful expenditure. 	<ul style="list-style-type: none"> Continuous organisational awareness to promote cost-savings and operational efficiency. Focus on developing world-class supply chain practices. Review current SCM processes to comply with exiting legislation and remove bottlenecks. Organisation-wide training and awareness of SCM at all levels of the business. Establish processes to track and report on fruitless and wasteful expenditure.
OPERATIONAL	Cybersecurity	<ul style="list-style-type: none"> Cybercrime is a global threat if precautionary measures are not put in place, ATNS will be vulnerable to potential attacks, affecting business operations. There is a need to secure information, data and systems owned by the organisation. Protection of infrastructure is critical to service provision and is a shareholder requirement. 	<ul style="list-style-type: none"> Cybersecurity strategy and implementation plan. Adopt an integrated enterprise-wide cyber approach and ensure that security is installed in multiple layers. Implement supplier development cyber strategies that are aligned to ATNS's IT and CNS operational requirements.
	Security of infrastructure and people	<ul style="list-style-type: none"> It is a shareholder requirement and a business imperative to protect our people and infrastructure to ensure business continuity. 	<ul style="list-style-type: none"> Implement ATNS's security policy and strategy. Appoint security service providers for all sites. Use insurance cover in the event of an incident. Asset Management (tracking and reporting of movable and stationary assets). Enable a safety culture through policy development and enhanced organisational processes.

THEME	MATERIAL ISSUE	KEY FEATURES	HOW WE MANAGE THEM
OPERATIONAL	Safety management	<ul style="list-style-type: none"> Safety remains our primary priority, being core to ATNS's mandate of providing safer skies and being the preferred supplier for ATM solutions. 	<ul style="list-style-type: none"> Implement the organisation's safety strategy. Measure safety performance using the safety ratio, the safety risk index and the CANSO safe operations metric. Our RSI matrix measures the various levels of risk in terms of probability and severity. The mechanism increases visibility of risks and assists management decision-making. Participate in CANSO maturity assessments.
	Investment in infrastructure	<ul style="list-style-type: none"> Infrastructure investment is a shareholder expectation and forms part of our service delivery mandate. Failure to adhere to the shareholder and regulating authority requirements will decrease ATNS's regulated asset base and subsequently result in a reduction in tariffs. 	<ul style="list-style-type: none"> On-time hand-over of projects to procurement department enables a streamlined tendering and contract awarding process. A master view of project status through real-time information flow across the phases of commitment, cash flow and capitalisation enable effective monitoring, reporting and control of projects. Ensure adequate planning so that requirements are addressed at the concept/business case stage of projects. Implement the Capex Delivery Framework, which aims to improve delivery of projects by ensuring efficiencies and effectiveness of the Capex value chain, including processes and policies. Implement governance processes to track and monitor Capex implementation in accordance with the Permission. Going forward to review our business model to include changes in technology (ground-base to air space base) which may influence infrastructure investment.

THEME	MATERIAL ISSUE	KEY FEATURES	HOW WE MANAGE THEM
OPERATIONAL	Asset management	<ul style="list-style-type: none"> The management of assets is an important element in the organisation. Safe guarding and verification of fixed assets. 	<ul style="list-style-type: none"> Allocate finance to ensure smooth running of fixed assets administrative processes. Implement technology to assist in tracking assets and recording asset movements. Appoint a consultant for a three-year period to assist with physical verification annually.
EMPLOYEE	Maintaining stakeholder relationships	<ul style="list-style-type: none"> Ensuring proactive and effective communication with both internal and external stakeholders. ATNS is a customer-centric organisation and seeks to deliver the best service, which requires open and transparent communication. We also value employees and continuously strive to maintain good relations as people are our value assets. 	<ul style="list-style-type: none"> Recognising the importance of securing stakeholder support for our long-term success, ATNS regularly engages key stakeholder groups that are most relevant to the business. Implementation of our internal communication strategy streamlines communication between management and employees at all levels of the business. External communication plan to improve where gaps have been identified. Provide training and awareness on internal and external communication processes. Solicit feedback (through customer surveys etc.).
	Investing in people and communities	<ul style="list-style-type: none"> Support the development of our employees and continuously strive to become a transformative organisation. Community development is part of our corporate social responsibility and sustainability objectives. 	<ul style="list-style-type: none"> Implement our female empowerment programme. Implement our people with disability action plan. Maintain a representative structure in line with the approved Permission application. Reduce staff resignation and roll out our Employee Value Proposition (EVP). Implement our EE plan (initiatives and programmes). Ongoing investment in core training for employees. Ongoing investment in corporate social programmes.

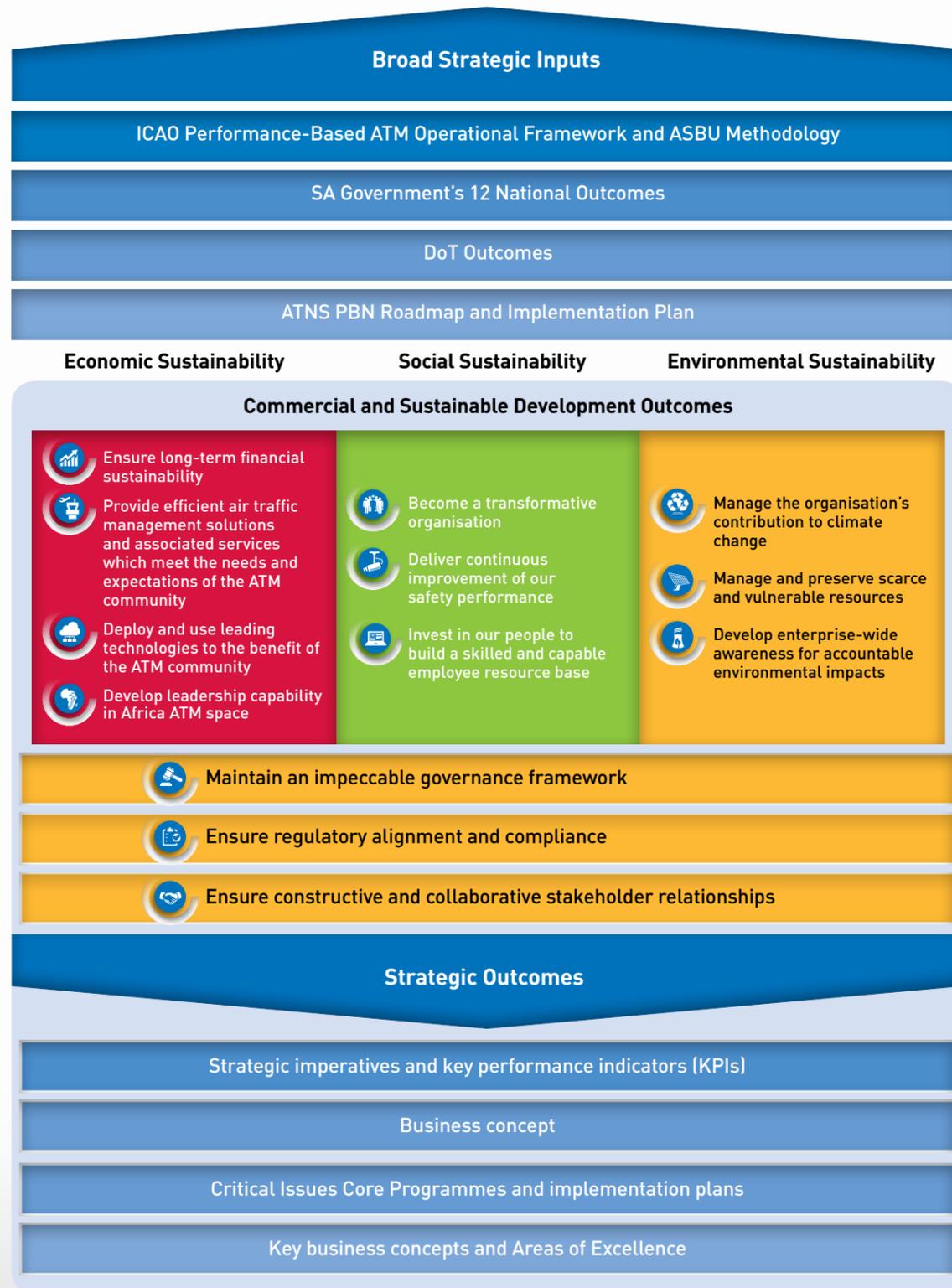
THEME	MATERIAL ISSUE	KEY FEATURES	HOW WE MANAGE THEM
ENVIRONMENTAL	Enable sustainable environmental stewardship	<ul style="list-style-type: none"> Embed environmental awareness and principles in our business practices. Undertaking activities in a manner that avoids or minimises negative impacts on the environment and leaves a positive legacy. 	<ul style="list-style-type: none"> Promote employee awareness of environmental management. Support sustainable procurement practices and SCM compliance. Integrate sustainability into infrastructure project planning. Develop sustainability integration guidelines. Integrate environmental performance into our corporate scorecard. Implement our Environmental Management System. Undertake environmental audits.
	Energy management	<ul style="list-style-type: none"> Securing our energy needs while minimising our carbon footprint is an important element and aligns to the global green agenda and South African emission reduction interventions. Prioritising our contribution in addressing climate change both indirectly and directly is important for us and our stakeholders. 	<ul style="list-style-type: none"> Implement Energy and Carbon Emission Management programmes and improve reporting. Promote employee awareness of environmental management. Air Traffic Management interventions: <ul style="list-style-type: none"> » Implement ASBU » Implement PBN » Improve airspace efficiencies » Procedure design » Oceanic random routing areas » Reduced RVSM » Demand and capacity balancing through ATFM » Strengthen CDM.
GOVERNANCE AND IT	Organisational efficiencies by digitalisation	<ul style="list-style-type: none"> Harnessing the potential of digitalisation. Failure to integrate business processes is likely to have an impact in turnaround time, service delivery and customer satisfaction. 	<ul style="list-style-type: none"> Implementation of organisation-wide operational efficiency programmes including business and market intelligence. Stabilise the environment by upgrading and replacing legacy systems. Optimise the environment through digitalisation.



Dr. Sandile Malinga (Chief Operations Officer), Matome Moholola (Acting Chief Financial Officer) and Thomas Kgokolo (Interim Chief Executive Officer)

 Our strategy

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Our approach to achieving our strategic goals is firmly rooted in our economic, social and environmental sustainability pillars. As drivers of our strategic intent, this holistic approach demands impeccable regulatory compliance by ANSPs worldwide as well as the wider stakeholder community we serve.

Our model depicts the strategic inputs into the business, including (but not limited to) the ICAO performance-based ATM operational framework at a global level; the South African government's national outcomes; the DoT's outcomes; and the ATNS PBN roadmap and implementation plan.

Strategic drivers

The strategy is based on the understanding that the aviation industry plays a major role in driving sustainable economic and social development. In South Africa, the aviation sector comprises airlines, airports, air navigation services and other essential ground services which make up the air transport infrastructure.

Globally, aviation has achieved high levels of macro-economic performance by serving different regions through clear cycles of investment and opportunity. Within our legal mandate, ATNS positions itself to take advantage of opportunities, and minimise threats, in response to four external drivers:

- Macro trends and industry developments that we cannot influence. These include the consolidation of the aviation industry, the regionalisation of air traffic services and the changing technology paradigm as ANSPs become increasingly satellite-based
- Regulatory requirements with which ATNS must comply, including safety regulation, economic regulation, governance requirements and Shareholder needs
- Short- to medium-term business conditions to which ATNS must respond, as manifest in macro-economic developments and associated traffic growth
- The requirements of stakeholder entities, including clients, ACSA and others, with whom ATNS consults

ATNS has adopted a Strategic Thinking Process that provides a framework for formulating, articulating, communicating and implementing a clear, concise and explicit strategy for the organisation. Our strategy is reviewed annually to reflect the development of new critical issues and strategic core projects, as well as to track strategic implementation. The organisation is in the process of reviewing the current 2014 (five-year) corporate strategy. This review includes the development of the future strategic profile and business models, as well as environmental scanning and analysis.

Strategic imperatives

Our strategic perspective is based on seven strategic imperatives and three sustainable development outcomes.

Commercial imperatives and Sustainable Development Outcomes

1. Ensure long-term financial sustainability
2. Provide efficient ATM solutions and associated services which meet the needs and expectations of the ATM community
3. Deploy and use leading technologies to the benefit of the ATM community
4. Develop leadership capability in the African ATM sector
5. Become a transformative organisation
6. Deliver continuous improvement of our safety performance
7. Invest in our people to build a skilled and capable employee resource base
8. Manage the organisation's contribution to climate change
9. Manage and preserve scarce and vulnerable resources
10. Develop enterprise-wide awareness for accountable environmental impacts.

Providing strategic value to South Africa

ATNS recognises the significant strategic value it provides in the Republic of South Africa through the regulated provision of Air Traffic services within the borders of the country. The company will continue to provide excellent and optimised services in the regulated business, and also offers a range of related services that are strategically relevant throughout South Africa and other African countries. These additional, non-regulated international business deliverables are essential to the company's growth and positioning in the African continent.

Our market-driven strategy is largely focused on driving ancillary services, such as ATM training, flight procedure design, consulting and sophisticated satellite communication technology through the non-regulated business model. The products and services offered through the non-regulated business have been carefully selected to enhance our current offerings and to provide innovative packages for the future needs of both the business and the ATM sector. These products and services position ATNS as a leading trans-national supplier of air traffic expertise and technology. Key products and services to be provided through the non-regulated business across the continent will include:

- Consultancy services for ASBU planning and deployment
- Air traffic management
- Aviation related training
- AIS to AIM roadmap products and services
- Flight calibration
- ATFM/ATM Consulting services
- ATM/CNS Systems maintenance/installation/consulting
- Space Based ADS-B.

Strategic vision

ATNS's strategy focuses on the needs and expectations of the ATM community, primarily in South Africa, with

a strong emphasis on the rest of Africa and other selected global markets. The effective implementation of this strategy will ensure a well-equipped resource base, responsible governance, industry transformation, enhanced sustainability and support the global ATM system.

Our strategic vision can be encapsulated as follows:

- Develop a thorough understanding of the global ATM community with emphasis on core products and services, technology developments and client requirements, by providing innovative and relevant ATM solutions and associated services.
- Develop, market, distribute and support a complete range of ATM solutions and associated services that meet the needs and expectations of access, equity, safety, security, efficiency, predictability, environmental sustainability and affordability.
- Continue to enhance our ATM solutions and associated service provision in South Africa to leverage strategic partnerships, the company's global influence, and its harmonised technologies and methods, to become the leading ATM provider in Africa, thereby securing future growth, sustainable revenue sources, long-term profitability and relevance as an ATM provider of choice.
- Expedite our expansion into the rest of Africa and other selected global markets, while expanding our range of ATM services in existing markets.
- Attract, develop, retain and appropriately reward a diverse and motivated professional team that has the right skills, experience, commitment and drive to implement our strategy.

Implementing our strategy

Our strategy is influenced by a number of planning initiatives such as the Industrial Policy Action Plan (IPAP), as well as the developmental prerogatives of the South African government. Strategic delivery aims to meet the increasing demands of longer-term traffic growth and complexity. The strategy seeks to adopt increasingly flexible practices, more efficient operations and more cost-sensitive business processes to counter unpredictable events.

Our strategic imperatives and sustainable development outcomes are further refined and directed into critical issues, core programmes and KPIs to set specific performance targets and guide their practical achievement.



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ATNS critical issues and core programmes

Critical issues bridge the company's current and future strategic profiles. At a more granular level, high-priority critical issues are set to be achievable within a single financial year. Critical issues are reviewed annually and, when required, new critical issues are

developed in line with the company's profile, strategic objectives and risk appetite. Core programmes drive our corporate strategy and are linked to the critical issues as well as strategic imperatives. In 2018/19, ATNS approved critical issues and core programmes for implementation in the current reporting period.

For the period 2019/20, ATNS developed the Strategic Roadmap that will provide the link between the current strategy and business continuity in the new financial year while the new strategy formulation process is underway. The table on page 72 and 73 highlights the 12 key focus areas.



NO.	KEY PERFORMANCE AREA	STRATEGIC OBJECTIVE
1	Financial Sustainability Index	Financially viable ATNS throughout the strategic period <ul style="list-style-type: none"> • Enable appropriate financial resourcing for programmes that align to strategic objectives • Spend in line with the Permission • Drive cost containment and review budgeting framework • Raise funding for capital projects • Enable assets and revenue management • Ensure compliance to PFMA.
2	Aviation Training Academy Index	Elevate the academic status of current ATC training programmes offered <ul style="list-style-type: none"> • Produce qualifications that are academically aligned with the National Qualifications Framework to facilitate portability • Maintain the ATA's status as an internationally recognised training institution.
3	Research and Development Index	Ensure that ATNS's prolonged sustainability and competitive advantage is maintained <ul style="list-style-type: none"> • Conduct critical R&D with a view to develop and deploy innovative aviation technologies and concepts to address security, efficiency and environmental compatibility as embodied in ATM and CNS roadmaps.
4	Social and Environmental Index	Enhance environmental sustainability within ATNS <ul style="list-style-type: none"> • Embed a culture of sustainability by promoting, monitoring and adopting sustainable ATM solutions that enable sustainable development and integrate sustainability at every level in ATNS to benefit current and future generations.
5	Safety performance Index	Uphold a safety climate that drives a coherent, enterprise-wide safety culture <ul style="list-style-type: none"> • All the immediate issues that are negatively affecting safety performance
6	Governance Index	Compliance with regulatory requirements is fully embedded and integrated <ul style="list-style-type: none"> • The principles, standards and guidelines recommended by the Compliance Institute of South Africa are applied wherever appropriate to ensure adherence to both regulatory and supervisory requirements.
7	Unqualified Audit Index	Maintain an unqualified audit outcome by 2019/20 <ul style="list-style-type: none"> • Clear all repeat internal and external audit findings
8	Growth strategy Index	Growth strategy for regulated and non-regulated business <ul style="list-style-type: none"> • 10 Year Bankable Business Plan/AFI Tactical Plan and Regional Airports issues of loss of FARB, FAGC and others.

NO.	KEY PERFORMANCE AREA	STRATEGIC OBJECTIVE
9	People Index	Build a highly skilled and professional ATNS <ul style="list-style-type: none"> • Refine the performance development process to enable alignment of organisational KPAs to individual KPAs • Implement learning programmes that not only solve for the business of today but also the business of tomorrow • Organise and align jobs according to the type of work and level of work required • Develop effective and enabling leadership practices and culture • Build a culture of efficiency through deployment of ERP solutions, a cybersecurity strategy and a record management solution.
10	ICT Index	Develop effective and enabling leadership practices and culture <ul style="list-style-type: none"> • Build a culture of efficiency through deployment of ERP solutions, a cybersecurity strategy and a record management solution.
11	Capex Index	Ensure adequate spending in Capex project and programs <ul style="list-style-type: none"> • Capex Implementation – Status and Outlook/Recovery Plan and Capex Delivery Framework implementation.
12	Change Index	Change Management <ul style="list-style-type: none"> • Establish a discipline to facilitate the efficient and timely implementation of initiatives within the ATNS environment • Formulate a change framework and implementation thereof.



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Monitoring sustainable development outcomes

Our sustainability objectives respond to national, international and industry environmental goals. As the shareholder, the DoT informs environmental sustainability outcomes that ATNS must address. As air travel increases, the aviation industry must prioritise collaborative efforts for meeting the global sustainability agenda. Our Sustainability and Environmental Strategy enables the company to contribute to the United Nations Sustainable Development Goals (SDGs), and is aligned with the South African NDP 2030, as well as ICAO, CAA and other industry related environmental requirements.

ATNS, as one of the leading ANSPs, is committed to addressing socio-economic transformation within national boundaries, but also on the continent, whilst enhancing environmental protection to ensure carbon neutral growth of the industry. Various programmes are implemented, and research initiatives inform the strategic direction of the company.

Our Sustainability and Environmental Strategy aims to align business operations with the requirements of the various legislative and policy frameworks governing sustainability, and which will enable the company to support the global agenda. In responding to these frameworks, ATNS is able to monitor and measure sustainability performance and make informed decisions regarding business growth, socio-economic needs and delivering on environmental objectives. ATNS recognises that to achieve these goals, positive stakeholder relations play a critical role, in conjunction with addressing global challenges and inter-related risks associated with rapid economic, environmental, geo-political, social and technological advancements.

In the current reporting period, the sustainable development Policy was approved. The policy enables delivery of sustainable development objectives and it is guided by the sustainability framework which enables ATNS to successfully achieve the Sustainable Development objectives and support the global sustainability agenda.

Our Sustainability Framework enables us to:

- Align to the Minister of Transport's Statement of Strategic Intent, the Shareholder Compact and DoT's Green Transport Strategy for South Africa (2018-2050)
- Build an integrated and intelligent view of the synergies and trade-offs between the various sustainability performance areas
- Report performance progress and material issues to stakeholders

- Demonstrate the integrated nature of our Strategic Model. The four material outcomes of our Sustainability Framework – Preserve, Enable, Grow, Engage – drive and support integrated thinking
- Build sustainability intelligence and innovations which enable ATNS to be a leader in the industry while responding to the broader socio-economic objectives of the country and continent
- Acknowledge the importance of the SDGs which aim to alleviate poverty, protect the environment and ensure prosperity as the leading drivers of the new sustainable development agenda.

Key sustainability outcomes

- Manage climate change impacts
- Preserve scarce resources
- Invest in green energy technologies
- Sustainability (economic, social and environment) integration into business operations as a key enabler
- Enhance awareness to drive behavioural change amongst employees
- Harvest and retain intellectual capital including knowledge

PRESERVE

-  • Manage organisation's contribution to climate change and environmental protection
-  • Develop organisational sustainability change management and communication
-  • Manage and preserve non-renewable natural resources

Key sustainability outcomes

- Core and critical skills/training and development
- Institutional knowledge
- Culture of safety
- Employee satisfaction and collaborative culture
- Create a representative workforce
- Long-term job creation
- Creating a learning organisation

ENABLE

-  • Build a culture of safety
-  • Build a skilled and capable employee resource base
-  • Create a transformative organisation

Key sustainability outcomes

- Enhance safety, reliability and availability
- Ensure operational efficiency
- Innovation, ICT and R&D
- Ensure working capital
- Leadership development
- Sustainable regulated and non-regulated revenue
- Responding to South Africa's socio-economic objectives

GROW

-  • Develop leadership capability in Africa ATM space
-  • Ensure long-term financial sustainability
-  • Enhance operational efficiencies in line with global ATM standards

Key sustainability outcomes

- Ensure impeccable governance and ethics
- Ensure regulatory compliance
- Develop local suppliers
- Shareholder management
- Strategic partnership development
- Positive community development
- Stakeholder management
- Creating a shared-value perspective
- Investing in communities and developing local community capabilities (e.g. SMME's)

ENGAGE

-  • Maintain an impeccable governance framework
-  • Ensure regulatory alignment
-  • Compliance
- Ensure constructive and collaborative stakeholder relationships

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES



Ensure long-term financial sustainability



Air traffic movements

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In the current reporting period, the total air traffic movement recorded was 1 039 686, which is a 4.51% decline in comparison with the previous financial year of 1 087 694 movements.



G.8

Our regulated business relies on revenue generated from service-based tariffs, with revenue dependent on air traffic movements. Given a set tariff, as air traffic movements increase, revenue increases; conversely, as air traffic movement declines, so does revenue.

During the 2018/19 financial year, the decline in traffic movement was attributable to the adverse effects of the macro-economic environment, which has witnessed sluggish GDP growth over the last few years. Air traffic growth, and by extension air traffic movement, is closely related to GDP growth. Furthermore, a highly competitive domestic airline environment has led to structural shifts and certain carriers cutting domestic and regional routes. Smaller carriers in particular have been affected by operational and sustainability challenges, which include temporary suspension of operations.

Financial performance

During the year under review, ATNS posted solid results considering the tough economic conditions experienced by most airlines. Revenue increased 4.7% to R1,7 billion (2018: R1,6 billion), primarily driven by the 7.5% tariff increase that was affected, leading to increased tariff revenue of R1,4 billion. While revenue increased, billable movements decreased 2.6% compared to the previous year (2018: 0.43% increase), mainly due to the difficult operating context.

A number of cost containment initiatives were implemented throughout the company, which helped curb spending, even though net operating expenses increased. The company's operating cost increased by 8.2% to R1,4 billion (2018: R1,3 billion) largely due to increased staff costs, telecommunication expenses, CSI projects as well as the impact of fluctuating foreign exchange rates on repairs, maintenance and contract maintenance costs.

Capital expenditure (Cashflow) was at R252 million (2018: R305 million) primarily because fewer projects were carried out during the year under review.

Our balance sheet maintained its strength, with a liquidity ratio of 4.61:1 (2018: 4.33:1) and a gearing ratio of 0.3% (2018: 0.5%). This positions the company to raise funding for imminent capital expenditure.

The return of capital employed (ROCE) is 11.94% (Regulated ROCE 13.18%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits.

Cash generated from operations increased 7.9% to R395 million (2018: R366 million) mainly due to cost containment as well as improved debt collection.

Permission Process

The Regulating Committee issued ATNS's Permission for the 2018/19 – 2022/23 Permission cycle in August 2018, after extensive consultation with the aviation industry.

The modular approach adopted by ATNS for the 2018/19 – 2022/23 Permission provided a structured and justified framework for the company's investment plans over a five-year planning horizon and form the core pillars of the Permission Application process. These modules are informed by the current operating environment, as well as the forecasted operating conditions, macro-economic factors, and the ATNS ATM Roadmap. All the initiatives around the Permission are reflective of the collaborative decision-making effort between ATNS and the industry.

Through the Permission Planning unit within the Strategy and Optimisation Department, we continually monitor, evaluate and report to the Permission on a quarterly basis. ATNS reports the financial performance as well as the service standards performance to the Regulating Committee. One of the key milestones in this financial year was the reestablishment of the ATNS financial committee, which is an oversight committee focusing on the financial elements of the Permission. As a regulated entity, it is imperative that the organisation strives to work within the parameters of the Permission, notwithstanding the fact that there could be changes in the business environment.

Increasing revenue in the non-regulated business

As part of our initiative to ensure long-term financial sustainability, ATNS launched a division – ATNS International – through which we conduct our non-regulated business. ATNS's non-regulated business currently contributes 10% of the company's revenue and encompasses a long-term strategy to facilitate regional expansion.

Non-regulated revenue increased by 4.1% in comparison with the prior year, largely due to consulting technical services, training services as well as extended hours provided to various airports.

NON-REGULATED REVENUE

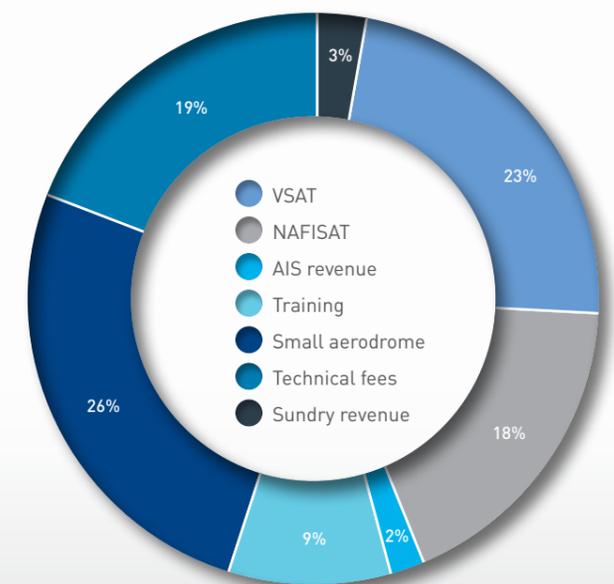
REVENUE	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 TARGET
VSAT	R46 million	R49 million	R51 million
NAFISAT	R36 million	R39 million	R39 million
AIS revenue	R12 million	R3 million	R7 million
Training	R21 million	R20 million	R15 million
Small aerodrome	R50 million	R55 million	R53 million
Technical fees	R9 million	R14 million	R8 million
Sundry revenue	R10 million	R7 million	R8 million

The non-regulated business encompasses a long-term strategy geared at facilitating regional expansion. Revenues comprise:

- VSAT and NAFISAT revenue: earned from the provision of aeronautical ground-to-ground telecommunication services in the SADC and North and Eastern African regions.
- AIS revenue: earned from flight procedure designs, documentation and surveys carried out for various countries.
- Training revenue: earned by offering IATA Diplomas and regulatory courses to ANSPs, CAAs and Airports Authorities on the African continent.
- Small aerodromes revenue: earned by providing Air Traffic Services (aerodrome services) to non-ACSA airports.
- Technical services revenue: earned from maintenance services rendered to ACSA, other third parties and technical consulting services provided.

- Sundry revenue: income from billing services provided for various clients, data link revenue and services provided outside of published hours at various airports.

NON-REGULATED REVENUE



Capital Investment Performance (Commitment)

ATNS's capital expenditure for 2018/19 was R185 million against a target of R306 million. While the target was not achieved, we anticipate that ATNS will finalise and contract on the Navigation aids projects in the 2019/20 financial year, costing approximately R240 million.

CAPITAL EXPENDITURE PERFORMANCE (COMMITMENT)				
OBJECTIVE MEASURES	2017/18 ACTUAL	2018/19 ACTUAL	2018/19 TARGET	2019/20 TARGET
Development of optimised and efficient aviation infrastructure in a cost effective manner – capex contracts awarded in 2018/19	R36 million	R185 million	R306 million	R871 million

CAPITAL EXPENDITURE PERFORMANCE (CASH FLOW)				
OBJECTIVE MEASURES	2017/18 ACTUAL	2018/19 ACTUAL	2018/19 TARGET	2019/20 TARGET
Development of optimised and efficient aviation infrastructure in a cost-effective manner – cash flow from capex projects implemented	R305 million	R252 million	R263 million	R219 million

Abridged Financial Statements

ABRIDGED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME AS AT 31 MARCH 2019

DESCRIPTION	2018/2019 R	2017/2018 R
Revenue	1,667,952,744	1,593,807,972
Other income	116,776,030	84,826,056
Total expenditure	(1,534,066,566)	(1,415,588,384)
Profit before taxation	250,662,208	263,045,646
Income tax expense	(62,374,055)	(75,498,433)
Profit for the year	188,288,153	187,547,211

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

DESCRIPTION	2018/2019 R	2017/2018 R
Assets		
Non-current assets	1,499,304,359	1,483,644,772
Current assets	1,779,850,590	1,634,743,626
Total Assets	3,279,154,949	3,118,388,398
Equity and Liabilities		
Total equity	2,829,843,921	2,641,555,768
Non-current liabilities	63,159,241	99,910,667
Current liabilities	386,151,787	376,921,963
Total Equity and Liabilities	3,279,154,949	3,118,388,398

ABRIDGED STATEMENT OF CASH FLOW AS AT 31 MARCH 2019

DESCRIPTION	2018/2019 R	2017/2018 R
Net cash flows from operating activities	385,418,229	351,760,969
Net cash flows from investing activities	(251,561,452)	(304,855,460)
Net cash flows from financing activities	(4,475,018)	(1,098,815)
Total cash movement for the year	129,381,759	45,806,694

Outlook

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

THREE-YEAR FINANCIAL PERFORMANCE PROJECTIONS

DESCRIPTION	2019/20 BUDGET	2020/21 PROJECTIONS	2021/22 PROJECTIONS	3 YEAR GROWTH
Tariff Revenue	1 492 632 639	1 588 551 962	1 689 296 335	4,2%
Other Revenue	195 088 091	205 591 581	215 173 256	3,3%
Total Revenue	1 687 720 730	1 794 143 542	1 904 469 590	4,1%
Salaries and Related Costs	1 046 783 438	1 115 632 445	1 182 570 391	4,1%
Traveling Expenses	50 000 000	52 500 000	55 125 000	3,3%
Telecommunication Expenses	55 515 635	58 957 604	61 905 485	3,7%
Administration Fees	89 163 989	93 622 189	98 303 298	3,3%
Electronic Maintenance	70 137 939	77 151 733	83 323 871	5,9%
Professional Fees	39 113 519	41 147 422	43 204 793	3,4%
Other Operational Expenditure	149 672 159	148 231 663	160 049 738	2,3%
Total Operating Expenses	1 500 386 680	1 587 243 056	1 684 482 577	3,9%
EBITDA	187 334 050	206 900 486	219 987 013	5,5%
Overhead Expenditure	145 097 197	159 606 916	171 577 435	5,7%
Net Funding	-87 080 856	-91 662 633	-97 357 492	3,8%
Profit Before Tax	129 317 709	138 956 203	145 767 070	4,1%
Tax	36 208 959	38 907 737	40 814 780	4,1%
Net Profit After Tax	93 108 750	100 048 466	104 952 290	4,1%

Tariff increases

The tariff increases and projections, as contained in the financial plan, are as follows:

TARIFF INCREASES

DESCRIPTION	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
CPI	5.5%	5.1%	5.4%	5.6%	5.3%
X	-2.0%	4.6%	0.4%	5.0%	3.2%
Total tariff increase	7.5%	0.5%	5.0%	0.6%	2.1%
Traffic movement increases	2.3%	2.2%	2.2%	2.1%	2.0%

CPI – the consumer price index forecasted at the beginning of the period

X – the subtractive balancing and efficiency factor

Capital expenditure projections

The total planned capital investment for the next four years is estimated at R1,2 billion for the deployment of leading technologies and solutions that meet the needs and expectations of the ATM community in line with the agreed annual investment plans.

CAPITAL EXPENDITURE PROJECTIONS

2019/2020 BUDGET	2020/2021 PROJECTIONS	2021/2022 PROJECTIONS	2022/2023 PROJECTIONS
R219 million	R313 million	R565 million	R172 million



Enhance operational efficiencies in line with global ATM standards

ATNS has two operational efficiency objectives that measure the capability of the organisation’s service delivery to the ATM community in a cost-effective manner while still ensuring high-quality service and support:



- Measuring overall traffic delays
- Measuring CNS system availability performance

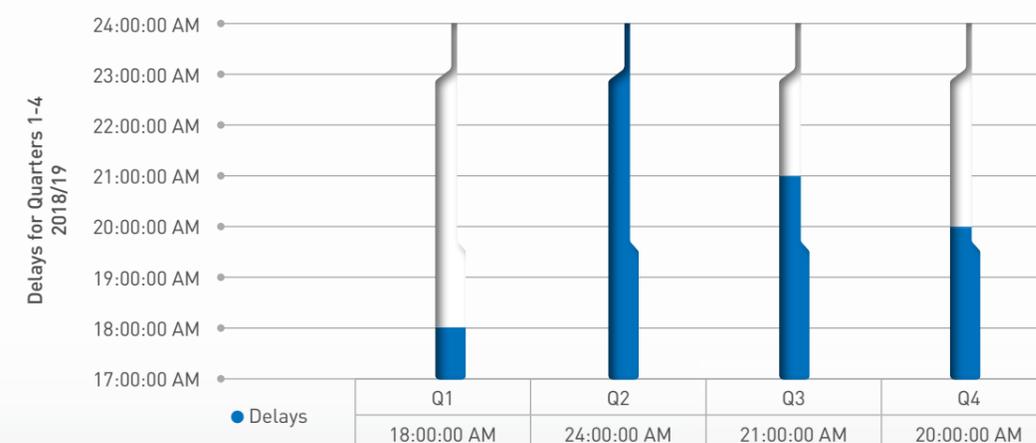
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G.9

Measuring traffic delays

As part of continuous improvement, ATNS strives to measure the operational efficiency of our services such as reducing overall traffic delays at airports and airspace. Delay is typically expressed as the average delay per delayed (ADD) flight. We routinely measure IFR departure delays arising from any operational disruption attributable to among others, airport operators, airline operators, weather, and other ANSPs.

ATNS registered an ADD flight of 20 seconds (2018: 22) against a set target of 120 seconds. We contributed to 5.8% of total delays of which the highest contributors were approach control (75.8%) and technical services respectively.

TRAFFIC DELAYS FOR 2018/19



Performance-based navigation

PBN defines performance requirements for aircraft navigating on an ATS route, in a terminal procedure or within a designated airspace. PBN supports an increase in ATM system capacity and efficiency, as well as bringing about environmental and safety benefits. This is achieved through reduced aviation congestion, fuel conservation, reduced emissions, reduced aircraft noise, improved flexibility, enhanced operating returns and improved safety of regional and national airspace systems.

During the year, ATNS worked towards achieving the targets stipulated in the National PBN Implementation Plan by adding new RNP approaches, RNAV1/2 Standard Instrument Departures (SID), and Standard Terminal Arrival Routes (STAR). Our activities were extended to evolving and maintaining flight procedures at airports where these procedures already exist.

The total number of Design Reports completed from 01 April 2018 to 31 March 2019 are tabled below.

DESIGN REPORTS COMPLETED DURING 2018/19

RNP APCH (GNSS) BARO VNAV	RNAV 1 SID/STAR
4 RNP APCH Design Reports for submission to SACAA ✓ Completed	14 Design Reports for submission to SACAA (RNAV 1 SID/STAR) ✓ Completed

Performance assessment

ATNS compiles an annual performance assessment report to identify environmental benefits from ATM initiatives aligned to the PBN roadmap, in response to the ASBU roadmap. During 2018/19, we continued with the initiatives identified in the previous financial year, namely:

- PBN procedure to support continuous climb and descend operations
- A-CDM
- Operational Efficiency Programme

ATNS will continue to monitor these initiatives to ensure alignment to the South African State Action Plan. These initiatives inherently address the global ICAO goals to achieve carbon-neutral growth by 2020.

OPERATIONAL PERFORMANCE FOR 2018/19

KPI	2018/19 ACTUALS
RNP APCH (APV Baro-VNAV or Augmented GNSS)	• 2 additional RNP APCH designed for Swaziland
Continuous Descent Operations (CDO)*	• 7 220 tonnes of fuel saved • 22 744 tonnes of CO ₂ e
Continuous Climb Operations (CCO)*	• 60 992 tonnes of fuel saved • 191 525 tonnes of CO ₂ e
A-CDM*	• 15 200 tonnes of fuel saved • 47 881 tonnes of CO ₂ e
Gauteng Area PBN Plan (GAPP) RNP FAOR	• Approved 4 Design Reports for submission to SACAA
Gauteng Area PBN Plan (GAPP) SID/STAR FAOR	• Approved 36 Design Reports for submission to SACAA (RNAV 1 SID/STAR)
Independent Parallel Runway operations (GAPP) FAOR	• Approved 4 ILS Design Reports for submission to SACAA

* Calculations based on ICAO rule of thumb_ state action plan document

REGIONAL PERFORMANCE FOR 2018/19

KPI	2018/19 ACTUALS
Development of Instrument Approach Procedures and SID/STAR for Victoria Falls Airport (FVFA)	<ul style="list-style-type: none"> • 1 X ILS APCH for RWY 12 • 2 X VOR APCH for RWY 12/30 • 2 X RNP APCH for RWY 12/30 • 1 X NDB APCH for RWY 12 • 2 X RNAV SID for RWY 12/30 • 2 X RNAV STAR for RWY 12/30 • 1 X Conventional STAR RWY 12

Looking ahead

ATM Planning and Research is currently drafting the following Concepts of Operations (CONOPS) to meet the challenges associated with global ATM Technology Developments.

RATS CONOPS

The Remote Air Traffic Services (RATS) CONOPS provide the ATNS strategy with the ability to review its operations and consolidate services and facilities, to enable centralised remote ATM service provision for Area Control Centre (ACC), Approach Control (APP) as well as Tower Control (TWR) Services.

Technological enhancements in CNS, combined with enhancements in aircraft construction and operations, has ensured that significant progress was made in the modernisation of air traffic infrastructure. It has also transformed the aviation industry on a global level. These advancements enable us to manage en-route as well as terminal air traffic from any location. The current facilities associated with ATM service delivery will no longer require co-location with the respective airspace. Based on this, an entire airspace can be reconfigured and consolidated, expanding its capacity to absorb additional traffic volumes anticipated in future growth predictions without compromising on safety or efficiency.

ATNS RATS CONOPS provides the strategy for enhanced service delivery, offers multiple redundancies in the form of disaster recovery and improves levels of safety. It will also have a positive effect on environmental considerations. We will take a proactive role on the African continent in the development of seamless airspace and service provision. This will ensure that ATNS positions itself as a leader in ATM service delivery and aligns our ATM service structure with global trends.

ATFM CONOPS

The ATFM CONOPS presents our future ATFM Concept to balance the demand and capacity for airports and airspace within South Africa and the surrounding region. The concept builds on existing ATFM/CDM principles and defines the strategy and future CONOPS for the next 15 to 20 years. Central to this CONOPS is the fundamental concept of balancing air traffic demand and capacity.

While ANSPs and airport operators should strive to increase and optimise airspace and airport capacity to meet demand and traffic growth, surges in traffic and capacity constraining events cause imbalances.

The future ATFM strategy and CONOPS will enable ATNS to be at the forefront of ATFM enhancement initiatives in support of the global ATFM concept.

To achieve ATFM objectives, improved connectivity, interoperability and predictability will be crucial to ensure optimised disruption planning and management. The maximised operational efficiencies obtained through ATFM aim to meet the needs of the ATM community as envisioned in the Global Air Traffic Management Operational Concept, with specific focus on a seamless, globally interoperable ATM System.

Performance Based Communication and Surveillance (PBCS)

ICAO, through various meetings, has called for the implementation of performance-based communication and surveillance to reduce separation in the Oceanic Airspace (RNP 4). This will enable states to reduce longitudinal separation from 50NM to 30NM.

To successfully implement this technology, there is a need for a regional monitoring centre. ARMA, which is managed by ATNS, has been tasked with

developing a regional monitoring centre and a cost recovery framework. ATNS is developing a PBCS plan that will enable the company to fully implement this technology and also leverage existing technology.

Ground-Based Augmentation System (GBAS)

Navigational aids (NAVAIDs) must meet accuracy, continuity, availability and integrity requirements specified for each flight phase. Historically, as the traffic flow increased, the conventional NAVAIDs were not able to provide the flexibility in airspace to absorb this growth.

As the development of new concepts and systems occurred, ICAO introduced the Global Navigation Satellite System (GNSS), which allows navigation in all phases of flight and precision approach. The FAA in the United States is the largest deployer of a GBAS system – referred to as a Local Area Augmentation System (LAAS). The advantages of GBAS include the reduction of critical and sensitive areas; curved approach; positioning service; the provision of service in several runways in the same airport; the provision of several approach glide angles, displaced threshold, and guided missed approach. We are in the early stages of investigating the feasibility of deploying GBAS.

Performance-Based Navigation

The South African PBN roadmap details the framework within which the ICAO PBN concept will be implemented in the country going forward. The South African PBN roadmap is guided by ICAO Document 9613 and relevant Standards and Recommended Practices. The primary driver for this plan is to maintain and increase safety, air traffic demand and capacity, and services and technology in consultation with relevant stakeholders. The roadmap also supports national and international interoperability and global harmonisation. South Africa, under the guidance of the DoT, will continue to implement and enhance PBN.

ACC sectorisation

The current area sectors’ configuration is inefficient and likely to present scenarios that may infringe on safety performance. The ACC sectors are configured as follows: NW, NE, SE, and SW. The NE sector has the most efficiency and safety challenges due to the

complexity in airspace layout, traffic flow and the limitations of VHF communication. Challenges are even more prevalent during periods of high traffic volumes. Area Controllers are mainly in favour of re-sectorising the NE sector, (i.e. dissecting the NE sector into two sectors to alleviate complexity, while simultaneously improving safety and efficiency). ACC sectorisation will also alleviate communication limitations (i.e. common-frequency forward-relay stations are prone to interference) and enhance communication through optimised forward-relay deployment and individual sector frequency allocation.

The most efficient and safe sector configuration for the NE sector – considering the limitations of deployed communication equipment – is being developed. This initiative will enhance safety and efficiencies at FAOR in conjunction with existing operational procedures and systems.

Gauteng area PBN Plan (GAPP)

The GAPP project originates from a PBN Go Team initiative that was sponsored by ATNS in August 2013. Changes to and development of procedures are required due to increased traffic demands within the Gauteng airspace, which has also increased the existing controller function’s workload and responsibilities. Measures to enable the workload of the position to be contained within the acceptable level of safety and service provision parameters and also increase efficiencies were considered.

The purpose of GAPP is to, among others, review procedures and the associated airspace to support PBN implementation in line with the ATM roadmap and the National Airspace Master Plan (NAMP).

This project aims to optimise the Gauteng airspace in terms of reduced track miles, enabling greater efficiencies as well as improved safety. Seventeen GAPP project milestones have been identified, and include agreeing on operational requirements, collecting data, procedure design and validation, training, implementation and review.

Once completed, the project will enhance safety, improve efficiencies, support traffic synchronisation, improve conflict management and balance demand and capacity in the airspace where the highest demand is experienced.



Develop leadership capability in the Africa ATM space

System availability as per SLA – CNS



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The CNS SLAs describe our commitment for uptime and connectivity of our CNS systems. The SLA is based on CNS equipment availability.

The CNS equipment availability figures are based on the weighted average of individual availabilities for the different CNS. The systems availability is specified during the design phase and thereafter encapsulated in the various SLAs. From an operational perspective, the relevant availability targets are achieved through ensuring that there is sufficient redundancy incorporated into the individual system design and operational procedures.

The following table summarises the annual performance of the achieved availability against the target level of Average Systems Availability:

SYSTEMS AVAILABILITY

BUSINESS OBJECTIVES	OBJECTIVE MEASURES	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2018/19 TARGET	2019/20 TARGET
Operational efficiency	Achievement of CNS System Availability	C: 99.80% N: 97.98% S: 99.99%	C: 99.78% N: 96.30% S: 99.97%	C: 99.52% N: 94.81% S: 100.00%	C: 99.67% N: 98.65% S: 99.77%	C: 99.67% N: 98.65% S: 99.77%

The primary reason for not achieving the navigation and communication targets is due to increased incidents of theft, infrastructure vandalism and dependency on third party service providers such as the telecommunications and power supply organisations. The dependency on third parties is being mitigated by ensuring improved SLAs with all the third parties and also with the installation of alternate and extended power backup supplies. ATNS also continues to perform a countrywide security assessment and mitigations for all the high risks sites given the increase on vandalism and theft at times to steal the backup batteries.

Operation of the Satellite Communication Networks – SADC VSAT II and NAFISAT

The interconnectivity and interoperability of the AFI VSAT networks is paramount to providing safe and reliable aeronautical fixed services throughout the AFI region. Three major networks are in operation, namely the SADC VSAT II, NAFISAT and AFISNET (operated by ASECNA).

The SADC II and NAFISAT Very Small Aperture Terminal (VSAT) networks fulfil the region’s communication requirements in terms of the ICAO Africa Indian Ocean (AFI) plan. The networks have succeeded in integrating a regional communication network, contributing to increased inter-centre communication and allowing for greater safety on air traffic movements.

The continuation of seamless operations, interoperability and interconnectivity between the AFI VSAT networks remains crucial to ensuring reliable and safe communication throughout the African skies.

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

The SLA performances for both satellite communication networks remain above the target level as indicated in the table below.

SLA PERFORMANCES VSAT II AND NAFISAT

BUSINESS OBJECTIVES	OBJECTIVE MEASURES	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2018/19 TARGET	2019/20 TARGET
Operation of the satellite communication networks SADC VSAT II	Optimise revenue and ensure network availability	SLA: 99.94%	SLA: 99.89%	SLA: 99.93%	SLA: 98.5%	SLA: 98.5%
Operation of the satellite communication networks NAFISAT	Optimise revenue and ensure network availability	SLA: 99.94%	SLA: 99.97%	SLA: 99.97%	SLA: 98.5%	SLA: 98.5%

Research, development and innovation

ATNS supports the government's goals, as expressed in the NDP, by contributing to implementing greater investment in R&D and better use of existing resources. We developed the ATNS Research and Development Strategy that provides guidance for R&D activities to investigate or explore new/emerging concepts and breakthrough technologies within the aviation environment and ensures that maximum benefits are achieved from the organisation's R&D investment.

Following the approval of the R&D Strategy, we initiated two oversight committees. The first is the ATNS Research Steering Committee (ARSC) that provides executive oversight and the Business, Research, Operations, Development Committee (BRODC), a board subcommittee that approves R&D project activities, deliverables and budget. The organisation is reviewing the Intellectual Property policy to protect our R&D investments and any other proprietary information.

ATNS continues to host the annual AVI Afrique Innovation Summit to promote thought-leadership and synergy within the African aviation industry. We also host an internal innovation seminar to promote innovation within the organisation. The Innovation Competition is open to all ATNS employees to submit their innovative, and potentially feasible ideas.

Looking ahead

Research, development and innovation

ATNS has approved several R&D initiatives that will begin in the 2019/2020 financial year. These include Future Air Traffic Management, an Airspace Infringement application, GNSS Augmentation Systems, GNSS Threat Model Development, Electronic Flight Strips (EFS) for non-automated airports and equipping a Research Lab. These developments and others, such as Obstacle Evaluation Software and Duty sign-on tool, will receive an estimated investment of R12 800 000.

RESEARCH PROGRAMME	DESCRIPTION
Future Air Traffic Management	The impact of the fourth industrial revolution (4IR) on ATM systems has prompted many organisations to reevaluate how they will do their business in the future. As an ANSP, ATNS must prepare its operating systems for the 4IR. One major anticipated change is how air traffic will be managed. Different competencies, recruitment and selection, training and development for Air Traffic Control Officers (ATCOs) will be required. The purpose of this research is to determine how people in the profession will be developed within the ATM sphere.
Airspace Infringement Application	There have been incidences where controlled airspace has been infringed by unauthorised vehicles. One possible cause was a lack of updated aeronautical information during flight planning by airlines and general aviation. This project intends to develop a mobile application for use by airlines and general aviation that displays current aeronautical information such as notice to airmen service (NOTAMS) and visual flight rules hotspots.
GNSS Augmentation	Future navigation envisages the primary dependence and transition from conventional terrestrial navigation systems to satellite-based navigation systems in support of PBN. We have studied some of the most promising GNSS augmentation systems and observed that GBAS are the most feasible solution for the South African airspace. We have conducted feasibility studies to compare the GBAS to Satellite-based Augmentation Systems (SBAS), and it was found that the SBAS system requires a larger investment as geostationary satellites are required for the service. GBAS also provides better precision landing capability.
GNSS Threat Model	The use of GNSS requires a thorough understanding of the errors that are attributed to the atmosphere on radio wave propagation. These errors have a negative influence on ranging/timing calculations that are computed on receiving systems. ICAO has recommended that countries develop their own ionospheric threat models and monitor the performance of GNSS signals in their airspace. Hence, the project intends to design and develop an ionospheric threat model for the South African airspace that will be used for error correction in augmentation systems like GBAS.
EFS for non-automated airports	Currently, all regional airports (non-automated airports) use paper-based flight strips to capture flight information. This process is prone to error and lacks the means to perform integrity checks on the captured data. Therefore, the intention of this project is to assess the compatibility of introducing EFS at these airports.
Research Laboratory	An R&D laboratory will be equipped with all the relevant software and hardware necessary to conduct R&D activities. The lab will be used by ATNS employees, suppliers and research institutions.



Capital investments

Capex Investment plans have been identified as a key priority within the organisation. Numerous interventions have been introduced to accelerate Capex delivery including:

- Introducing the Portfolio Programme Management Office (PPMO) to oversee the execution of projects and to ensure adherence to project management principles.
- Establishing the capex delivery framework to provide a structured investment approach and to enhance oversight of Capex implementation projects for both the executive, board and other stakeholders.
- Strengthening SCM to improve the asset-creation value chain within the organisation to ensure the Capex plan execution.

BBBEE CONTRIBUTION

BBBEE ELEMENT	TRANSPORT CHARTER TARGET	2017/18 ACTUAL	2018/2019 ACTUAL	2018/19 ATNS TARGET
Management control	10.00	7.36	7.23	7.00
Skills development	25.00	16.09	20.38	20.00
Employment equity	15.00	13.51	15.73	13.00
Preferential procurement	30.00	30.00	27.57	20.00
Socio-economic development	5.00	5.00	5.00	5.00
Enterprise development	15.00	13.47	12.75	10.00
Total points	100.00	85.42	88.65	75.00
BBBEE level		Level 2	Level 2	Level 3

EMPLOYEE DEMOGRAPHICS					
MALE					
Occupational Levels	African	Indian	Coloured	White	Foreign Nationals
Top management	1	0	0	0	0
Senior management	6	0	0	1	0
Professionally qualified and experienced specialist	20	2	0	5	0
Skilled technical workers and junior managers	308	45	48	177	9
Semi-skilled and discretionary decision	17	0	5	1	0
Unskilled and defined decision-making	8	0	0	0	0
Sub-total	360	47	53	184	9
%	28.57	3.73	4.21	14.60	0.71

Create a transformative organisation

Economic empowerment

ATNS recognises the importance of an integrated approach to BBBEE in the transformation of the aviation sector, as well as for the long-term sustainability of South Africa. The company implemented key structures to assist in growing the economic strength of the country. During the period under review, ATNS obtained a BBBEE score of 88.65 against the Old Public Sector Codes, which translates to a BBBEE level 2.



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EMPLOYEE DEMOGRAPHICS					
FEMALE					
Occupational Levels	African	Indian	Coloured	White	Foreign Nationals
Top management	0	0	0	0	0
Senior management	4	0	0	1	0
Professionally qualified and experienced specialist	15	1	1	2	0
Skilled technical workers and junior managers	405	33	37	76	3
Semi-skilled and discretionary decision	8	0	0	0	0
Unskilled and defined decision-making	21	0	0	0	0
Sub-total	453	34	38	79	3
%	35.95	2.70	3.02	6.27	0.24

ATS and ATNS EE Targets

Employment equity remains a business imperative that ensures our workplace profile is aligned to the national demographics and the Integrated Transport Sector's BBBEE charter. The current ATNS five-year EE plan, which aligns to the EE Act, encompasses the following factors:

- Creating a balanced profile of employees within the company through all occupational categories and levels
- Eliminating any discriminatory practices in terms of race, gender or disability
- Providing for the company's present and future requirements for skilled staff, in line with our business plans.

COMPARATIVE VIEW OF ATNS EE PERFORMANCE AS AT 31 MARCH 2019

ATNS EE TARGETS	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 TARGET
ATS AIC	72.27%	72.94%	71.00%
ATS Female	46.55%	47.40%	45.00%
People with disabilities	3.22%	3.22%	3.5%

Looking ahead

The five-year EE plan is intended to transform the ATNS employee profile to reflect national demographics and will be reviewed annually to adjust targets accordingly. ATNS five-year EE plan encompasses the following objectives:

- Continuing to create a balanced profile of employees within the company through all occupational categories and levels
- Continuing to eliminate any discriminatory practices in terms of race, gender or disability
- Providing for the company's present and future requirements of skilled staff, in line with its business plan
- Implementing, monitoring and evaluating appropriate measures aimed at redressing the effects of the past imbalances created by discriminatory employment policies and practices.

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

ATNS EE TREND AND TARGETS (%) RELATING TO WOMEN AND PEOPLE WITH DISABILITIES

EMPLOYEE CATEGORY	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 TARGET	2020/21 TARGET
Air traffic service – AIC	72.27%	72.94%	71.00%	71.00%
Air traffic service – Female	46.55%	47.40%	45.00%	45.00%
Organisation-wide – AIC	76.98%	79.24%	77.00%	77.00%
Organisation-wide – Female	47.35%	49.40%	48.00%	48.00%
PWD	3.22%	3.22%	3.5%	3.50%



Building a culture of safety

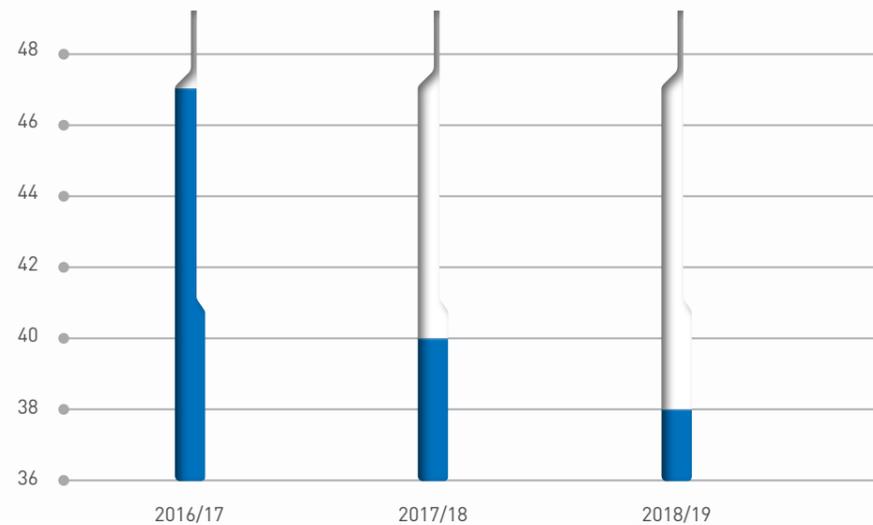
Safety is a critical concern for ATNS and receives the most attention for continuous monitoring and improvement. To this end, a safety culture improvement programme has been initiated which is aimed at improving the safety culture and is based on the CANSO standard of excellence (SOE).



6.3 Risk safety index

We utilise the RSI matrix to measure various levels of risk in terms of probability and severity categories. This is a mechanism to increase the visibility of risks and assist management decision-making. Our performance target is set between 44 - 56, which places it in the mid-tolerable range. The company achieved an RSI of 37 during the year.

RSI HISTORICAL COMPARATIVE VIEW



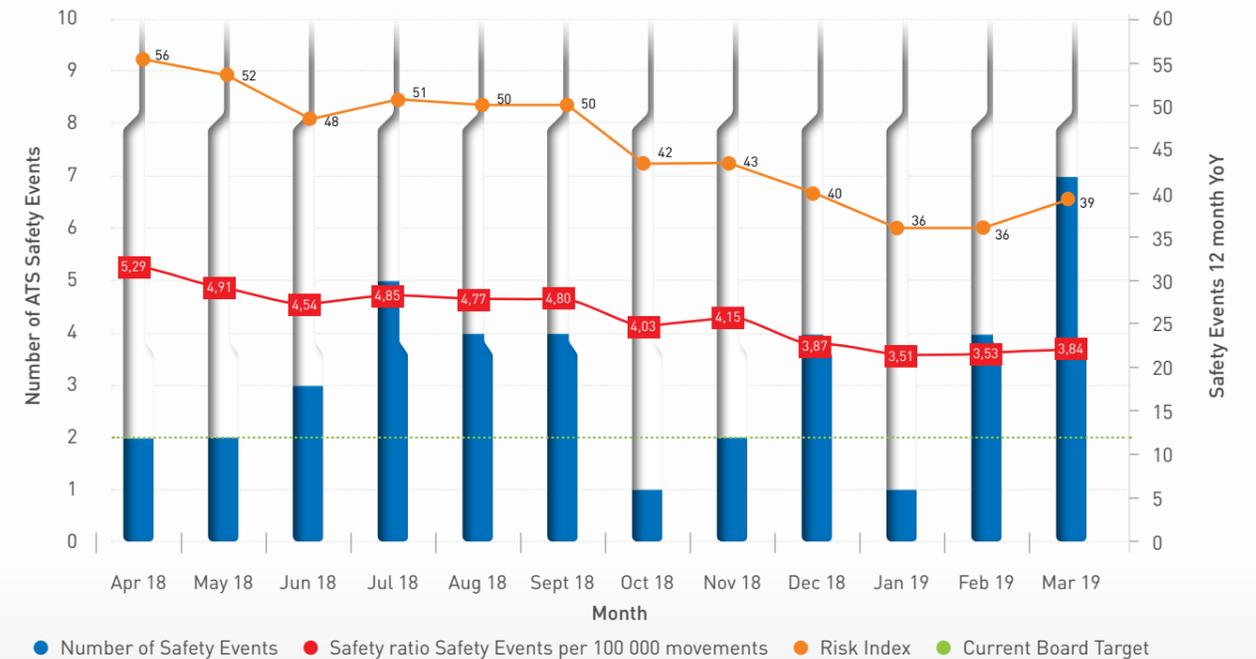
ATNS SAFETY PERFORMANCE – SAFETY RATIO EVENTS

ATNS SAFETY PERFORMANCE – SAFETY RATIO VS SAFETY RISK INDEX



ATNS SAFETY PERFORMANCE – RISK SAFETY INDEX (RSI)

ATS SAFETY EVENTS PER 100 000 MOVEMENTS



Of the total number of safety events recorded during the reporting year, 17 events were classified to be above the set target of 44 - 56, which places these events in the Manageable and Acceptable region of the RSI matrix respectively.

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

Safety ratio

We also utilise a safety ratio mechanism, which calculates the number of safety events per 100 000 movements. In the financial year under review, a total of 39 safety events were reported and investigated (2018: 55). The resultant safety ratio achieved at the end of the financial year was calculated at 3.84 safety events per 100 000 movements (2018: 5.19) against a target of 2.

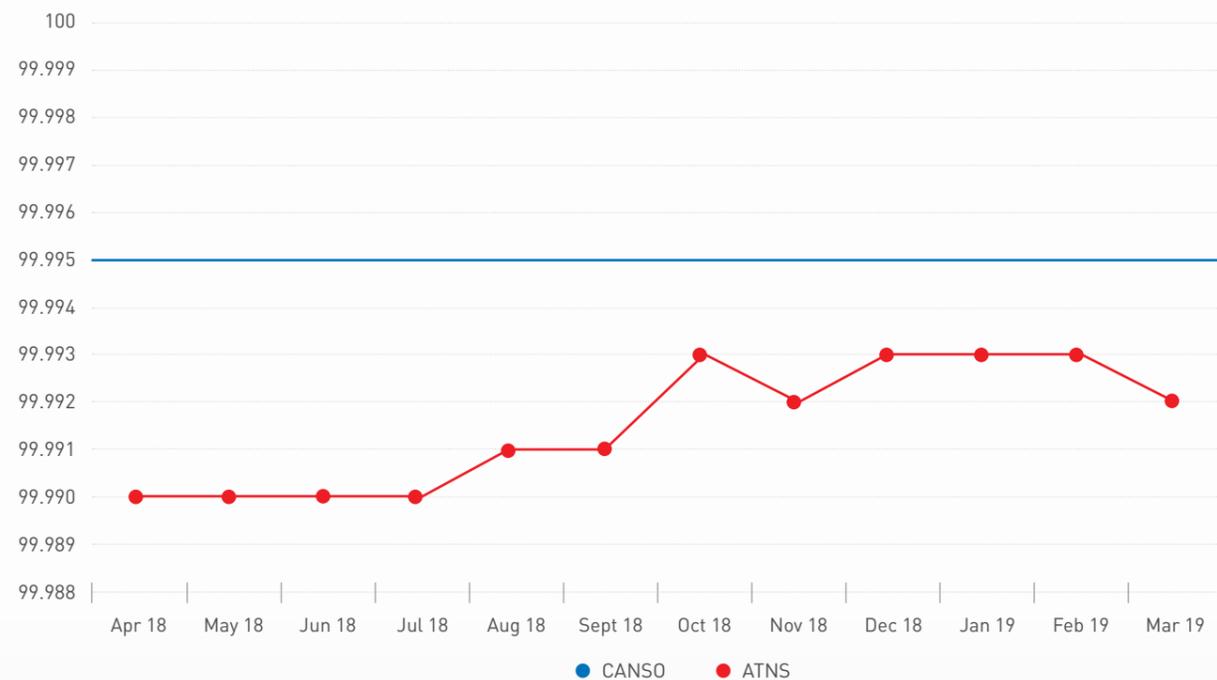
Separation standards based on IFR hours

In air traffic control, separation is the concept of keeping aircraft a minimum distance from each other to reduce the risk of colliding as well as prevent accidents. ATNS controls flights that are predominantly operated under IFR. IFR flight hours are also used as a basis for global benchmarking and safety metrics.

The CANSO safe operations metric calculates the safe operations using the number IFR/IFR losses of separation over 12 months against IFR flight hours. For the year under review ATNS's safe operations benchmark compared with the CANSO benchmark was 99.992% (2018: 99.990%) against a target of 99.995 indicating an error rate of 0.003%.

The safety performance for the 2018/19 year improved compared to the previous year, with the organisation not meeting its targets. To address this, ATNS has embarked on two main projects, the Safety Turn-Around Plan (STAP) and the Safety Culture Improvement Programme (SCIP). These projects have specific action items that address safety inadequacies within the business and seek to strengthen management; improve the workplace environment; increase the capacity and capability of our people; optimise our safety defences including our SMS, training, technology, procedures, and uphold a just culture underpinned by a values-supported model of shared accountability.

ATNS SAFE OPERATIONS VS CANSO BENCHMARK



ATNS OPERATIONS VERSUS CANSO BENCHMARK

	2018/19 ACTUAL
CANSO	99.995
ATNS	99.992

Looking ahead

Safety is the primary driver for the collective efforts of ATNS. Our safety performance remains a priority and will continue to receive management attention. Our Safety Strategy was approved by the board during September 2018, and spans from the 2019 to the 2023 financial years with progressive implementation of the identified safety goals.

2019 – 2023 Safety Strategy

As identified in the STAP, we formalised a safety strategy which provides direction to the medium- and long-term safety efforts of the company. Our mission emphasises the importance of safety in our service offering. To be able to deliver on that, ATNS requires a well-defined safety strategy, over a five-year horizon, that will be supported by a rolling annual safety plan that has a medium-term expenditure framework (MTEF), with a three-year forward-looking view. The implementation of the strategy and the annual safety plan will be monitored, evaluated and reported through a dedicated and comprehensive annual safety report. The objectives of the safety strategy, annual safety plan and annual safety report is depicted below.

SAFETY PLANNING, IMPLEMENTATION AND REPORTING FRAMEWORK

SAFETY STRATEGY	ANNUAL SAFETY PLAN	ANNUAL SAFETY REPORT
<ul style="list-style-type: none"> • Five-year time horizon. • Vision and mission. • Safety philosophy and fundamentals. • Safety governance. • Safety risk management. • Safety strategic goals. • Safety objectives and programmes. • Safety measurement: KPIs, targets. 	<ul style="list-style-type: none"> • Three-year MTEF planning view with detailed outlay of current financial year. • Safety alignment with the strategy. • Annual safety risk assessment. • Annual safety programmes and initiatives. • Annual safety performance targets. • Annual safety assurance plan. 	<ul style="list-style-type: none"> • Detailed reporting for previous financial year. • Report on safety performance against targets. • Multi-year tracking of safety performance against the safety strategy; safety trend analysis; safety intelligence monitoring. • Identification of key positive and negative areas of achievement. • Identification of key issues to be commended or addressed.

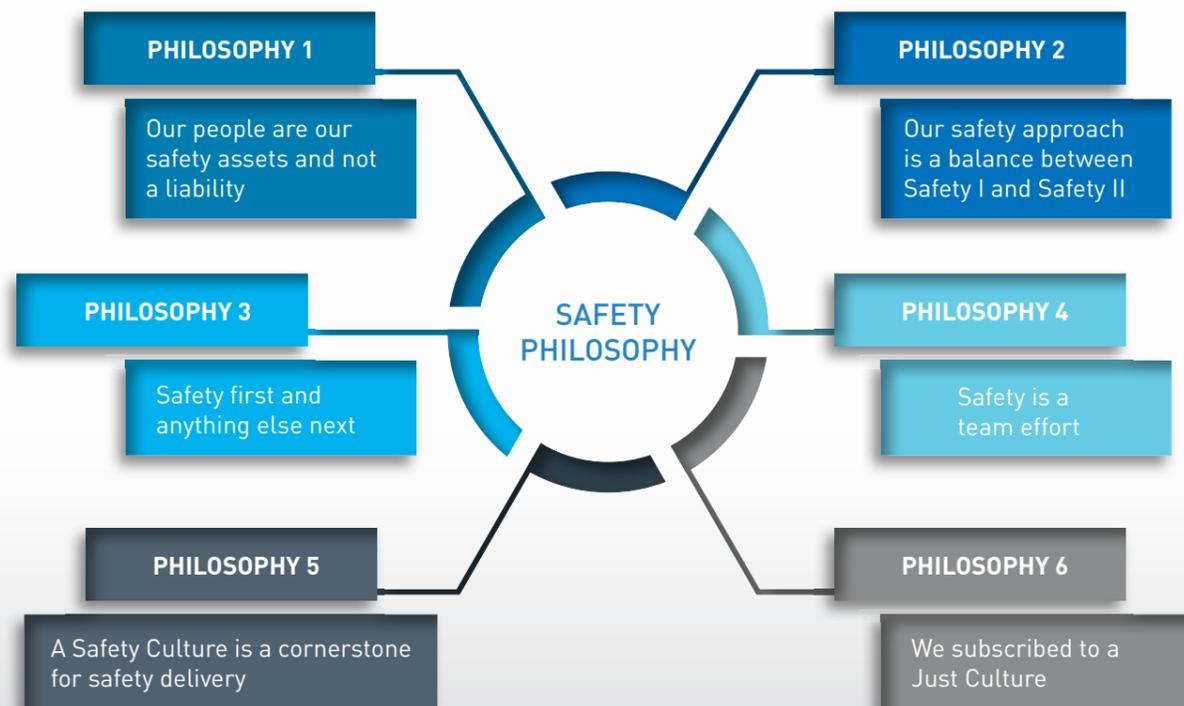
2019 – 2023 Safety principles and code



2019 – 2023 Safety philosophy

The way we deliver safety is guided by six fundamental approaches or philosophies. This means that our plans, our programmes, and our actions should be guided by these overarching ways of doing things.

ATNS SAFETY PHILOSOPHY



2019 – 2023 Corporate safety goals

Our goals have been grouped into five broad themes as indicated below. These goals ensure that safety is incorporated in every element of the business and that the delivery of solid safety performance is managed and administered holistically.

ATNS SAFETY GOALS



Improved business continuity management

Business continuity management is a process that enables ATNS to proactively identify and plan to minimise the impact of risks that could affect our objectives, operations and infrastructure. Business continuity management is concerned with improving the resilience of the organisation. This means developing our ability to detect, prevent, minimise and, where necessary, deal with the impact of disruptive events.

Business continuity management and disaster recovery are an integral part of the risk management process, focusing on our capability to identify potential impacts that threaten the company and to provide a framework for building resilience and an effective response that

safeguards the interests of key stakeholders, our reputation and value-creating activities.

ATNS could suffer severe operational disruptions, loss of revenue, and damage to the organisation's reputation should a large-scale disaster materialise. Our business continuity policy and plans are critical for maintaining operational readiness in the case of a catastrophic event, and these plans are tested annually to ensure relevance for critical business processes. Affected and interested stakeholders include employees, customers, suppliers, investors/ shareholder, and the community in which our company operates.

ATNS continuously improves on our business continuity strategy and processes to address potential shortfalls in operational procedures based on the weaknesses

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

and improvement areas identified during annual business continuity simulations. Based on the gaps identified, we develop action plans to address the limitations for continuous improvement in the entire system. This includes but is not limited to people, infrastructure, security, facility management, IT systems, ATM systems and external stakeholders.

Build a skilled and capable employee resource base

Training and development

ATNS is committed to structuring development programmes for employees to increase the representation of black (AIC) racial groupings, with a focus on African and female representation. During the year, the company's overall training investment amounted to 5.7% of the annual budget against a target of 6%.

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Manage the training pipeline for ATS and technical staff

ATNS manages the training pipeline for ATS and technical staff at the ATA. The table below reflects staff training numbers achieved during the year.

ATS AND TECHNICAL STAFF TRAINING NUMBERS

TECHNICAL STAFF ON TRAINING	2018/19 ACTUAL	2018/19 TARGET	VARIANCE
ATCO1	114	121	-7.00
ATCO2	45	37	8.00
ATCO3	222	226	-4.00
Engineering technicians (Incl. satellite technicians)	77	79	-2.00

The ATNS ATCO numbers are driven through the ATS training pipeline. The pipeline depends on the development of personnel through the ranks and obtaining enough experience to be successful at the next level of their career development. This implies that the ATCO 1 staffing component will feed into the ATCO 2 and ATCO 3 levels. The ATCO 1 targets were not achieved because ATNS pursued the ATCO 2 targets and ensured that the target was exceeded by a total of eight. This allows for career development of existing ATCO 2 staff members. The ATCO 3 targets were not achieved because of the available validation training slots in ATS and as a result of resignations.

Talent management

ATNS is committed to ensuring that employees develop their potential to meet their aspirations, aligned to the objectives of the organisation. We endeavour to attract and retain the best talent and skills available in the market. ATNS believes that talent management is a continuous process that reinforces the company's brand, ensures ongoing talent attraction and retention, and facilitates impactful employee rotation.

Talent management remained a focus for the 2018/19 financial year, with emphasis on the top two levels of the organisation. The executive committee succession plan was finalised, and critical roles were identified for talent management implementation. A talent management framework was designed and approved by the Executive Committee, and the focus for 2019/20 will be to implement this framework, including talent management for executives, senior managers and critical positions.

Change management

Change management was identified as a focus area for 2018/19. A change management framework was included in the Corporate Balanced Scorecard to ensure ATNS adopts a uniform approach to change management. The Awareness Desire Knowledge Ability Reinforcement (ADKAR) methodology was proposed and approved by the Executive Committee. Going forward, the focus will be on implementing this methodology.

Wellness

The organisation is committed to the overall health and well-being of our employees. We established a wellness framework by identifying the mechanisms and resources necessary to promote and encourage wellness among employees.

The Employee Wellness Programme involves health promotion activities, promotes early identification, provides referral to wellness services, supports employees affected by ill-health, and facilitates employee rehabilitation. The programme, together with health care and employee wellness service providers, enables access to professional advice, medical-aid services, and follow-up assistance to identify and manage health issues and preventable illness.

During the period under review, several interventions were conducted, including programmes focusing on financial well-being, health and employee engagement. Wellness days, workshops and a variety of initiatives were conducted to improve employee engagement.

Looking ahead

- Create structures to support in-house response to incapacity and enable proactive solutions
- Establish a Health and Wellness Committee
- Proactively identify at-risk individuals and provide targeted information and education
- Promote healthy activities and behaviours
- Encourage executive leadership involvement in programmes and employee rewards

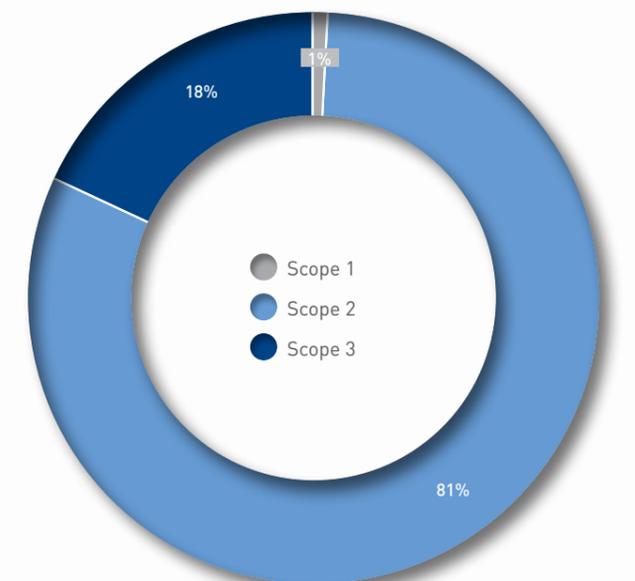
Manage the organisation's contribution to climate change

Carbon footprint reporting has enabled ATNS to recognise the environmental impacts resulting from the company's operations which contribute directly or indirectly to GHG emissions. Reporting includes facilities, ATNS operations at regulated airports, head office and training academy, and remote sites (CNS equipment).

Scope 1 reporting includes all stationary and mobile emission sources owned by the entity. Scope 2 emissions are indirect and attributed to electricity procured from Eskom and Scope 3 emissions are attributed to organisational business travel (air, road, and accommodation).

For the 2018/19 financial year, 24 005.61 CO₂e resulted from our operations. The emission distribution resulted in 81% CO₂e from Scope 2, 18% from Scope 3 and 1% from Scope 1. Therefore, Scope 2 emissions account for the majority of our carbon footprint.

ATNS ANNUAL CARBON FOOTPRINT 2018/19



The graph above illustrates the annual carbon footprint over three-years for Scope 1, 2 and 3.



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ATNS'S CARBON FOOTPRINT INVENTORY FOR 2016/17 – 2018/19

TONNES CO ₂ e	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL
Scope 1 (Fuel)	233.34	251.62	252.76
Scope 2 (Electricity)	20 720.62	20 092.17	19 417.54
Scope 3 (Business travel)	1 755.18	3 096.73	4 335.31
Annual Emissions	22 709.14	23 440.52	24 005.61

EMISSION INTENSITY	UNIT MEASURE	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL
Per Air Traffic Movement	CO ₂ e/ATM	0.03	0.02	0.02
Per Revenue	CO ₂ e/Revenue	13.15	14.7	14.35
Per Employee	CO ₂ e/Employee	16.46	19.2	19.05

KPI	2017/18 ACTUAL	2018/19 ACTUAL
Continuous Descent Operations	<ul style="list-style-type: none"> • 7 413 tonnes of fuel saved • 2 3349 tonnes of CO₂e 	<ul style="list-style-type: none"> • 7 220 tonnes of fuel saved • 22 744 tonnes of CO₂e
Continuous Climb Operations	<ul style="list-style-type: none"> • 62 421 tonnes of fuel saved • 196 627 tonnes of CO₂e 	<ul style="list-style-type: none"> • 60 802 tonnes of fuel saved • 191 525 tonnes of CO₂e
A-CDM	<ul style="list-style-type: none"> • 15 605 tonnes of fuel saved • 49 157 tonnes of CO₂e 	<ul style="list-style-type: none"> • 15 200 tonnes of fuel saved • 47 881 tonnes of CO₂e

We are committed to implementing more efficient measures in designing procedures which will ensure that aircraft optimise the airspace to gain not only fuel savings, but also cost savings and ultimately emission reductions. The company aims to ensure that the deployment of aviation infrastructure has minimal environmental impacts and that alternative energy sources contribute to the industry goal. Furthermore, ATNS compiles an annual performance report which aims to provide information regarding the environmental performance that results from ATM service provision and in support of the ICAO global environmental sustainability goals. The report further outlines environmental benefits as a result of implementation of operational efficiency and ATM planning processes such as PBN in line with ICAO standards.

We have implemented the following operational improvements to meet our required objectives and to benefit to our customers:

- CCO and CDO – Improved Flexibility and Efficiency in departure and descent profiles designed in line with the PBN road map, however the Tactical CCO and CDO are performed at the airports
- Increased Runway Throughput through optimised Wake Turbulence Separation
- Improve Traffic flow through Runway Sequencing (AMAN and DMAN)
- A-CDM implemented at the FAOR, FACT, FALE

An operational efficiency programme is aimed to maximise the efficient use of airspace and airport capacity and therefore facilitate the efficient flight concept for the benefit of airspace users and ultimately minimise aircraft emissions. In the current reporting year, operational trials were conducted for flights between Cape Town and Port Elizabeth as well as East London.

Looking ahead

As the majority of the company's carbon emission is attributed to Scope 2, going forward, the company will analyse data received from smart energy-meters to:

- Measure and analyse current energy consumption trends
- Determine energy reduction targets for each site
- Monitor energy consumption for an efficient energy saving plan

We will undertake a carbon footprint inventory to explore and prepare for voluntary carbon disclosure programmes (CDP) to support the 2019 Carbon Tax Act as well as legislative and policy developments articulated in the 2018 National Climate Change Bill and Green Transport Strategy.

The South African National Treasury commenced with the implementation of the carbon tax in June 2019, ATNS will review the carbon tax exposure assessment conducted in 2015 to reconfirm direct or indirect carbon tax exposure.

Furthermore, one of the elements in Scope 3 emission reporting is aircraft emissions and ATM impacts in reducing emissions. ATNS has been implementing programmes to enhance the efficiency of ATM operations and improve gate-to-gate operations, thereby supporting environmental objectives such as reduced aircraft noise and improved air quality and emission.

The focus in the near term will be the continuous tracking of ASBU road map initiatives aligned to the ATM/CNS road map. These include implementation of CCO and CDO aligned to PBN, A-CDM, effective implementation of wake re-categorisation at various airports and assessment on how these impact on emission reduction objectives. ATNS will continue implementing PBN as a strategic programme in supporting environmental improvement of aircraft emission and other initiatives implementation by operations from an ANSP perspective.

Manage and preserve scarce and vulnerable resources

We manage the impact of our business operations on natural resources through initiatives that address water, waste, biodiversity and emissions, and communicate these to all internal stakeholders that have direct and indirect impacts on the natural environment. Moreover, site resource efficiency surveys have been conducted to indicate gaps that require measures to be implemented and/or enhanced to better monitor and manage environmental aspects.



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OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

Energy management

In the reporting period, ATNS initiated a smart metering project in response to the electricity audit conducted in 2015. The objective of the metering system is to:

- Measure and analyse current electricity consumption trends
- Determine a baseline for major electricity users to assist in implementing interventions to lower the company's energy footprint
- Monitor and track electricity consumption for an efficient electricity saving plan.

The first phase of the project involved the deployment of smart meters at selected ATNS business units and sites, while the second phase will include the rest of our locations. Data from the selected centres and equipment sites will enable the company to report monthly power consumption, ensuring that electricity usage is monitored. The meter installations were

completed, and integration of the system is being carried out with full usage planned to commence in the 2019/20 financial year. The meters were installed at nine ACSA sites and six equipment (CNS) sites.

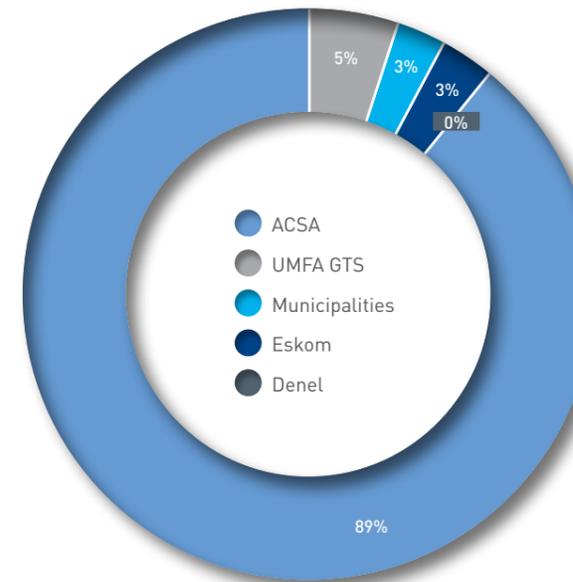
During the reporting year, ATNS conducted a feasibility study on the utilisation of renewable energy sources (as the primary or secondary source of power supply) for en-route CNS infrastructure. The feasibility study provided the following for consideration:

- The installation of stand-alone hybrid power systems including battery backup or diesel generators
- Grid-tied or off grid connection for off-grid power connection of the CNS
- Reasonable assessment of environmental and security conditions and safety requirements at the selected sites prior to implementation
- Selection of pilot sites in the first phase of implementation.

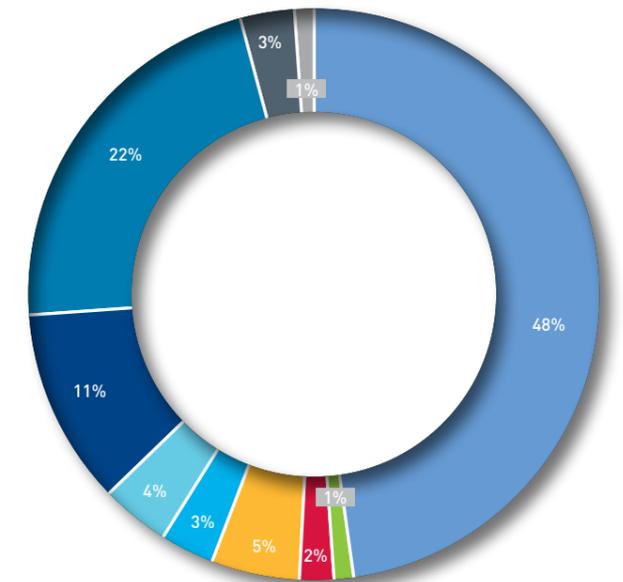
ENERGY EFFICIENCY PERFORMANCE

KPI	2017/18 ACTUAL	2018/19 ACTUAL
Total Electricity Consumption (MWh)	20 358.98	20 439.52
Total Fuel Consumption (Litres)	81 612.00	95 376.00

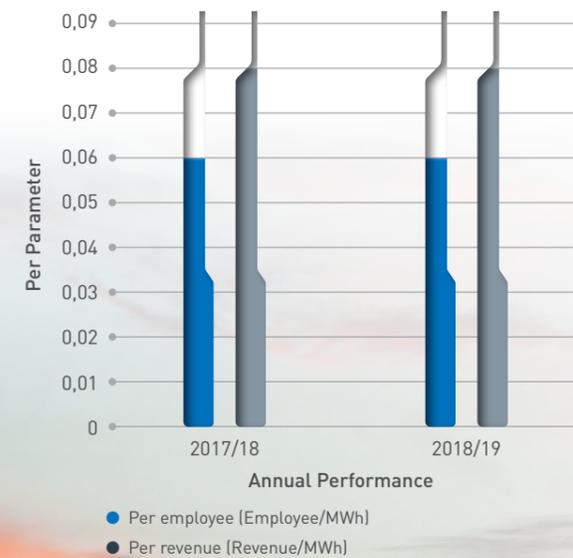
ELECTRICITY CONSUMPTION FOR 2018/19



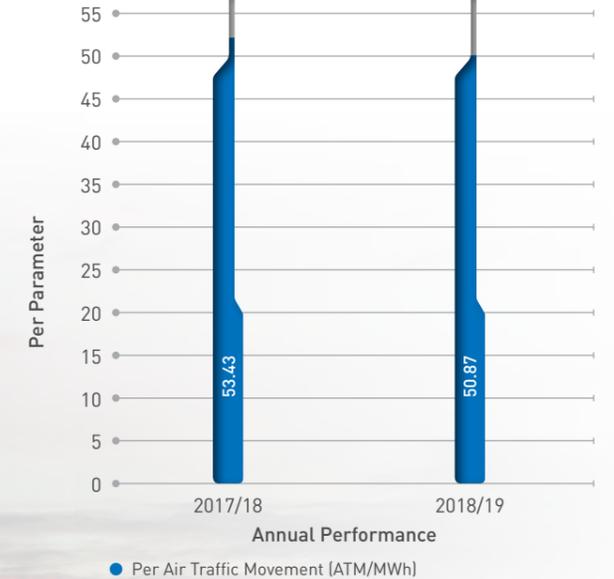
TOTAL ELECTRICITY CONSUMPTION AT ACSA AIRPORTS



ELECTRICITY CONSUMPTION PER EMPLOYEE AND REVENUE

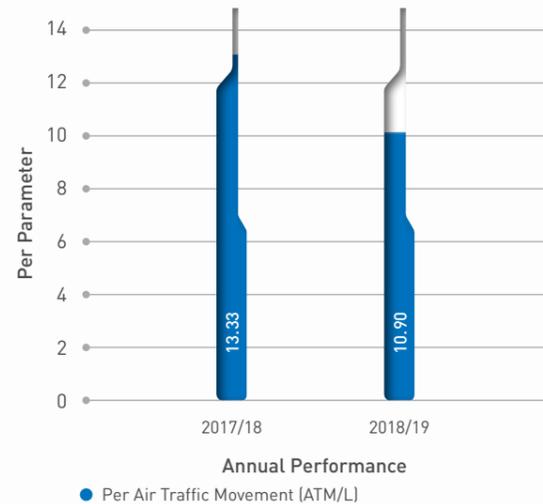


ELECTRICITY CONSUMPTION PER AIR TRAFFIC MOVEMENTS

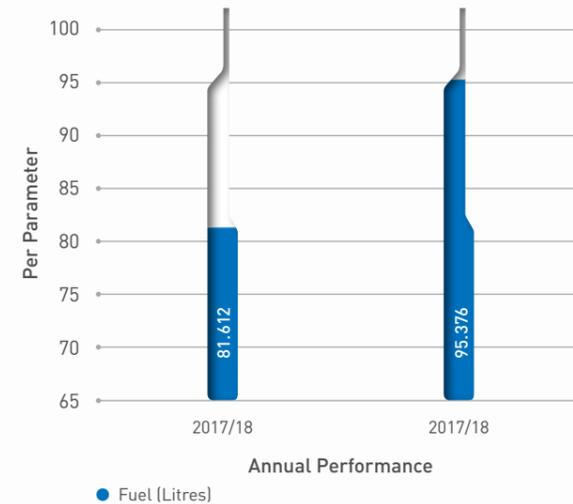


OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

FUEL EFFICIENCY PER AIR TRAFFIC MOVEMENT (ATM/L)



ATNS ANNUAL FUEL CONSUMPTION



Water management

As an SOC, ATNS recognises the drive to conserve water in the midst of the national water crisis, and in particular the Western Cape province. Even though the company's water consumption is mainly for domestic use, water conservation is prioritised in the overall management of water at all our sites and we aim to implement various interventions to manage water accordingly. ATNS integrates water efficiency in projects that require building refurbishments and promotes green building principles such as flow-regulating taps and toilets as well as rainwater harvesting.

During the year, we investigated the benefits of installing water at our operations as well as the installation of water tanks as alternative water sources. This involves investigating suitable methods to continuously conserve water at all our operations to meet our conservation objectives and achieve our targets. ATNS also integrates water efficiency in infrastructure projects and buildings such as ATA and OR Tambo building refurbishment, which will be implemented in the 2019/20 financial year.

Waste management

Our approach to waste management is aligned with the waste hierarchy principles. Our integrated Waste Management Policy aims to enforce effective waste management practices at our building and project sites. General waste and hazardous waste are addressed to ensure compliance with the business'

sustainability objectives, and internal audits were conducted at operational sites to monitor compliance. Our waste management is yet to be fully implemented, and data collected will be used in the inception phase.

Biodiversity management

ATNS sites exist within or in close proximity to protected areas or high conservation areas. As part of infrastructure projects, we develop environmental management plans to ensure compliance with sustainability requirements. This proactive measure ensures minimal impact in the project implementation phase. In the period under review, numerous specialist studies were conducted as part of the project screening process for site selection and to fulfil environmental impacts assessment requirements. Recommendations from these studies are integrated in internal and authorisation environmental management plans and continuous monitoring of compliance and remediation is being conducted.

Environmental compliance

In the period under review, ATNS conducted a compliance assessment for CNS equipment sites to ascertain the compliance level of the various sites in accordance with the National Environmental Management Act (No. 107 of 1998) and associated legislation and regulations. For the company to ensure adherence to legislation, it is necessary to measure and monitor the impacts of various environmental aspects.

To fully address our environmental impacts, an ISO 14001:2015 Environmental Management System (EMS) readiness exercise was performed to prepare for the implementation of an EMS. The management system will enable ATNS to manage our environmental risks and achieve and control the expected level of environmental performance through internal and external assurance, thus providing a structured process for continual improvement.

Looking ahead

Looking ahead, we will establish a baseline for our water consumption and electricity consumption, which will enable reduction targets to be determined. Furthermore, we foresee that each site will measure waste generated and recycled, which will enable the measurement of the company's diverted waste from landfill. In addition to waste, compliance to the National Environmental Management Act (No. 107 of 1998) and associated legislation and regulations is integrated into our approach to managing biodiversity.

In an effort to address environmental impacts, ATNS is in the process of implementing ISO 14001:2015. In 2019/20, we will pilot at four sites as part of phase two of the rollout plan. Implementation of EMS will enable ATNS to manage environmental risks, achieve the expected level of environmental performance and provide a structured process for continual improvement. ATNS has certification for an ISO 9001:2015 and thus an integrated management system will be investigated in the future.



Develop enterprise-wide awareness for environmental impacts



Embedding environmental sustainability

6.12

To ensure sustainability is fully integrated into the organisation at all levels, a paradigm, mind-set and culture shift is required to prioritise sustainability in the organisation. ATNS developed a sustainability change and communication plan that includes:

- Changing the mind-set of employees to understand the indirect financial and social benefits of sustainability
- Information sharing and embedding knowledge

- Enabling employee ownership and leadership
- Aligning to employee performance, incentives, policies and programmes to achieve overall strategic performance.

During the year, we transitioned sustainability and environmental training from a class-room training model to an e-learning model. The training content, organised into four course modules, supports the organisation's sustainability change efforts and includes support, management, technical and air traffic services awareness. The training is also aligned to EMS as one of the EMS standard requirements.

Enabling integration of environmental aspects to our business

As guidance material, the organisation developed a sustainability guideline, which supports the Capex delivery framework and the ATNS supply chain model expected sustainability outcomes. The guideline was approved by the Executive Committee and will be implemented in phases.

During the year, ATNS also intensified the integration of environmental sustainability into infrastructure project planning to ensure that all projects have minimal environmental impacts. Currently, projects are assessed from the planning phase. The actual implementation and maintenance are monitored through environmental management plans, and the decommissioning phase is also aligned to environmental objectives.

Looking ahead

For the year ahead, ATNS will implement various enterprise-wide awareness initiatives and enhanced processes as outlined below.

Training and communication

- Continuous development and review of sustainability and awareness programmes, including e-learning training performance
- Environmental communication plan
- Environmental knowledge bank

Procedures and processes

Environmental assessments of projects are enhanced through the introduction of procedures and processes to assess all projects from the planning stage. Environmental compliance audits will be prioritised

in the coming year to ensure compliance with legal requirements and support of the Environmental Management System ISO 14001:2015 implementation plan.

Furthermore, the priority for the next period is sustainable procurement. Sustainable procurement practices empower the organisation to ensure that its products and services have minimal environmental impacts. Existing practices relating to the assessment of our suppliers during the project procurement phase will be investigated to enhance the company's environmental performance.

Supplier assessments, manufacturing processes, transportation, operational phases as well as end-of-life considerations need to be environmentally sustainable.



Accordingly, the integration of environmental sustainability into the overall supply chain model is critical to enhance environmental performance.

Operational practices

The following operational practices will ensure environmental compliance – in both daily practice and Capex investment projects:

- Performance monitoring scorecard
- Sustainability policy implementation
- Integration of our Sustainability and Environmental Strategy with the new corporate strategy
- Environmental Management System ISO 14001:2015 implementation plan
- Sustainability guidelines implementation
- Measuring operational efficiency to support a green agenda (noise, emissions) in ATM Planning and Operations.

Ensure constructive and collaborative stakeholder relationships

Address societal challenges

ATNS adopted a social transformation strategy where education is a fundamental tool in addressing a variety of socio-economic development challenges within communities. We adopted the promotion of Mathematics, Physical Science and English as the company's flagship CSI initiatives, as these are an entry requirement for careers in ATC. We also aim to promote and improve the pass rates in STEM subjects as well as English. The table below outlines CSI investments for the 2018/19 financial year.

ATNS CSI PROGRAMMES FOR 2018/19

ATNS has invested over 1% of Net Profit After Tax, which is the legislated financial investment in community and social development. During 2018/19, the following projects were identified, and financial capital of R7 million was allocated.



- G.1
- G.3
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- G.10
- G.17

BENEFICIARY	PROJECT DESCRIPTION	PROVINCE
Cala Senior Secondary School DM Skosana Secondary School Bathandwa Ndondo Secondary School Jentile Secondary School Masikhuthale Secondary School Sifundile Secondary School	This Winter School Revision Camp focused on Mathematics and Science revision. It also covered educator stipends, learner accommodation and catering, learning material, branded clothing and stationery.	Eastern Cape
Dondashe Secondary School	Teacher and Learner Development Programme	Eastern Cape
Balondo Secondary School	General infrastructural renovations	Kwazulu-Natal
Amahlubi Secondary School	General infrastructural renovations and ICT equipment donations and installation	Kwazulu-Natal
Akademia Secondary School	Renovations of the Life Science and Physical Science laboratories, provision of science apparatus and donation and installation of ICT equipment.	Free State
DSM Malotle Primary School	Conversion of a classroom into a computer laboratory with a donation of ICT equipment. Installation of a strong room.	Free State
Pelo ya Jesu ya Jewa	The Mandela Day Project included donations to an orphanage	Free State
Uxolo High School	Renovation of the Physical Science and Life Science laboratories, provision of science apparatus and donation of ICT equipment.	Western Cape
Hoplang Primary School	Donation of ICT equipment and computer laboratory chairs	Western Cape
Nelson Mandela Centenary Foundation	Donation to the Nelson Mandela Foundation	Gauteng
GFFA Foundation	Donation to the Seminar of Women in Aviation	Gauteng
Diepsloot – Muzomohle Primary School	Donation of 50 computer laboratory chairs	Gauteng
3D Mobile Vehicle Simulator Screen and Registration	Purchase of a 3D Mobile Vehicle Simulator Screen simulator and registration of the vehicle and building a solar carport for the vehicle simulator.	-
Department of Transport	Provision of transportation towards a DoT project	-
Nkuri Primary school	Conversion of a classroom into a computer laboratory and donation of ICT equipment	Limpopo
Matsambo Secondary school	Conversion of classrooms into a Computer and Science Laboratory and Science Lab as well as a donation of ICT equipment.	Limpopo
Tshireleco Secondary school	Donation of Science resources and ICT equipment	Northern Cape
DoT	Donation of bulk groceries to child-headed households in Mpumalanga, Kwa-Zulu Natal, and Limpopo for disaster relief.	-
International Civil Aviation Day	Sponsorship towards transport and catering	Mpumalanga

ATS bursars enrolled in learnership programmes

Our business objectives include implementing interventions to address key societal challenges thereby building a meaningful legacy in the communities in which we operate. We support an ATS Bursar and Engineering Learnership Programme at the ATA, which hosted 60 ATS bursars, six engineering learnerships, and 11 engineering graduates for the 2018/2019 financial year. The table below indicates the demographic representation of the ATS bursars enrolled at ATA during the 2018/2019 financial year.

DESCRIPTION OF ATS BURSARS ENROLLED IN LEARNERSHIP PROGRAMMES

	FEMALE				Female Total	MALE				Male Total	Grand Total
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Total	43	2	4	2	51	7	0	0	2	9	60

ATNS continues to facilitate the development of engineers by offering experiential learning opportunities through learnerships and the Graduate Engineering Development Programme (GEDP). The Graduate programme and Learnership duration are 24 months and one year respectively.

During 2018/19, ATNS enrolled 11 engineering graduates. Contracts for five of the graduates that had joined the GEDP in January 2017 ended on 31 March 2019, after which they were absorbed into the company as Junior Engineers. The remaining six graduates were enrolled in February 2019 on a 24-month contract. Their subsequent absorption into the business depends on attrition rates.

In February 2019, six engineering learners were enrolled with contracts for a one-year period. In addition, 13 unemployed graduates were enrolled in a development programme in different disciplines across the business.

Looking ahead

Through our social transformation strategy, we seek to partner with the Department of Basic Education (DBE) in achieving the following:

- Aligning ATNS's annual roll-out plan with the DBE's Annual Performance Plan
- Entering into MOUs with the DBE that inform effective handover and maintenance of projects, directly translating into sustainability
- Aligning with the DBE's educational strategic plan in respect to annual focus areas.

Ensuring regulatory alignment and compliance

ATNS continues to comply with relevant legislation, regulations and standards. The organisation has identified and assessed the top high and extreme rated legislation in our regulatory universe in accordance with legislative requirements applicable to our business. Control gaps or inadequate processes are being reviewed and will continuously be monitored to ensure that we are a business with an embedded compliance culture. Emerging legal risks relating to other legislation are monitored through the Compliance Risk Management Plan (CRMP). For more information, refer to page 120 to 122 for our governance report.



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OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

Performance against targets as set in the Corporate Plan 2018/19

The following table presents a summary of performance against targets for the fourth quarter and is prepared in line with National Treasury Guidelines for quarterly performance reporting.

● Not achieved ● Partially achieved/Annual target ● Achieved

ITEM NO.	BUSINESS OBJECTIVES	ANNUAL PERFORMANCE INDICATORS	ANNUAL 2016/17 ACTUALS (FULL YEAR)	ANNUAL 2017/18 ACTUALS (FULL YEAR)	ANNUAL 2018/19 ACTUALS (FULL YEAR)	ANNUAL 2019/20 TARGETS (FULL YEAR)
1.	TRANSPORT SAFETY AND SECURITY					
1.1	Risk Safety Index	Risk associated with safety events at a level of 40 or higher in accordance with the Risk Assessment Tool	RSI: 47	RSI: 40	RSI: 37	N/A
1.2	Safety service provision	Providing successful safe operation and application of separation standards based on IFR flight hours to equate to 99.995% and an error margin of 0.005%	99.995% successful safe operation and an error margin of 0.005%	99.990% successful safe operation and an error margin of 0.010%	99.992% successful safe operation and an error margin of 0.008%	N/A
1.3	Accidents	No accidents attributed to ATNS	New for 2019/20	New for 2019/20	New for 2019/20	0
1.4	Risk Assessment Tool	Less than 25% of safety events will have a high-risk bearing rating (Cat A, B)	New for 2019/20	New for 2019/20	New for 2019/20	≤ 25%
1.5	Safety service provision	Actual number of safety incidents of 2 or less events per 100 000 air traffic movements	New for 2019/20	New for 2019/20	New for 2019/20	≤ 2 safety incidents per 100 000 air traffic movements
1.6	SMS maturity	ATNS will maintain a safety maturity survey rating of C (at least 50% above C)	New for 2019/20	New for 2019/20	New for 2019/20	SMS maturity survey rating of C (at least 50% above C)
1.7	Operational efficiency	Average delay per delayed flight (off block time)	33 seconds	22 seconds	20 seconds	360 seconds
1.8	Operational efficiency	Average CNS Systems Availability	C: 99.80%	C: 99.78%	C: 99.52%	C: 99.67%
			N: 97.98%	N: 96.30%	N: 94.81%	N: 98.65%
			S: 99.99%	S: 99.97%	S: 100.00%	S: 99.77%
1.9	Ensure commercial sustainability	Meeting financial target as per Budget	D/E = 0.3%	D/E = 0.5%	D/E = 0.3%	D/E = 2.6%
			C/A = 5.1:1	C/A = 4.33:1	C/A = 4.61:1	C/A = 3.9:1
			ROCE = 14.4%	ROCE = 16.84%	ROCE = 13.18%	ROCE = 2.5%
		Meeting financial target as per Budget – SADC VSAT II	Revenue: R49 million	Revenue: R46 million	Revenue: R49 million	Revenue R51 million
		Meeting financial target as per Budget – NAFISAT	Revenue R42 million	Revenue R36 million	Revenue R39 million	NAFISAT: Revenue R39 million

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

ITEM NO.	BUSINESS OBJECTIVES	ANNUAL PERFORMANCE INDICATORS	ANNUAL 2016/17 ACTUALS (FULL YEAR)		ANNUAL 2017/18 ACTUALS (FULL YEAR)	ANNUAL 2018/19 ACTUALS (FULL YEAR)	ANNUAL 2019/20 TARGETS (FULL YEAR)
1.10	PBN Operational Enhancement	4 Design Reports for submission to SACAA	3 Design Reports for submission to SACAA (RNP APCH) RNP APCH in 100% of instrument runways located at ACSA airports		4 Instrument Flight Procedures Design Reports completed	4 RNP APCH Design Reports for submission to SACAA completed	4 Instrument Flight Procedures Design Reports
		16 Design Reports for submission to SACAA (RNAV 1 SID/STAR)	10 Design Reports for submission to SACAA (RNAV 1 SID/STAR)		12 Instrument Flight Procedures Design Reports completed	14 Design Reports for submission to SACAA (RNAV 1 SID/STAR) completed	16 Instrument Flight Procedures Design Reports
2.	INFRASTRUCTURE DEVELOPMENT AND HIGH-LEVEL INVESTMENT PLAN FOR TRANSPORT						
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Compliance with the cash flow for 2018/19 Capex (R263 million)	R318 million		R305 million	R252 million	R219 million
2.2	Operation of the satellite communication networks SADC VSAT II	Achievement of the revenue and network availability as per SLA targets	SLA: 99.94%		SLA: 99.89%	SLA: 99.93%	SLA: 98.5%
2.3	Operation of the satellite communication networks NAFISAT	Achievement of the revenue and network availability as per SLA targets	SLA: 99.94%		SLA: 99.97%	SLA: 99.97%	SLA: 98.5%
3.	THE FIGHT AGAINST FRAUD AND CORRUPTION						
3.1	Comply with relevant legislation, regulation and standards	Sound internal control systems for identified/rated critical (top 10) non-compliances on the universe	Qualified audit report		Qualified audit due to irregular expenditure	Unqualified audit outcome	Unqualified audit outcome
3.2	All whistle blowing matters reported are investigated	Matters investigated as per policy	8 whistle blowing matters were reported for the year 4 were completed within 90 days The remaining four were under investigation at the time of writing the 2016/17 report		4 whistle blowing issues were reported for the year 3 were completed within 90 days and the last was completed after 90 days	20 whistle blowing matters were reported during 2018/19	Investigation of whistleblowing matters reported to be completed within 90 days from the date of receipt
4.	ENVIRONMENTAL PROTECTION						
4.1	Implementation of environmental plan	ATNS 2018/19 Carbon footprint inventory report	ATNS carbon footprint calculated and reported on quarterly in 2016/17		Carbon Footprint Report completed	4 Quarterly Carbon footprint reports completed	N/A
		Environmental performance assessments	Annual ATM Environmental performance report compiled for 2016/17		Environmental Assessment report completed	2018/19 Environmental Assessment report completed	N/A
		Implementation at four stations	New		New	New	Implementation of EMS at four stations/units

OUR PERFORMANCE AGAINST OUR STRATEGIC IMPERATIVES CONTINUED

ITEM NO.	BUSINESS OBJECTIVES	ANNUAL PERFORMANCE INDICATORS	ANNUAL 2016/17 ACTUALS (FULL YEAR)		ANNUAL 2017/18 ACTUALS (FULL YEAR)	ANNUAL 2018/19 ACTUALS (FULL YEAR)	ANNUAL 2019/20 TARGETS (FULL YEAR)
5.	TRAINING TO CONTRIBUTE TO JOB CREATION						
5.1	Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate	Trained ATS and engineering learnerships	ATS: 81		ATS: 68	ATS: 60	ATS: 20
			Engineering learnership: 6		Engineering learnership 12	Engineering learnership: 6	Engineering learnership: 6
			ETS GEDP: 10		ETS GEDP: 10	ETS GEDP: 11	ETS GEDP: 5
			Unemployed graduates: 12		Unemployed graduates: 7	Unemployed graduates: 13	Unemployed graduates: 10
5.2	Manage the training pipeline for ATS and technical staff	Achievement of the numbers as per Budget Adoption and approval of training plan Compliance with the milestones in the plans	ATCO 3: 210		ATCO 3: 221	ATCO 3: 222	ATCO 3: 226
			ATCO 2: 30		ATCO 2: 37	ATCO 2: 45	ATCO 2: 37
			ATCO 1: 136		ATCO 1: 134	ATCO 1: 114	ATCO 1: 121
			Eng. Techs: 78		Eng. Techs: 78	Eng. Techs: 72	Eng. Techs: 74
			Eng. Satellite Techs: 5		Eng. Satellite Techs: 5	Eng. Satellite Techs: 5	Eng. Satellite Techs: 5
5.3	Review and implement the Human Capital Plan to recruit, develop, retain, and reward employees across all disciplines	Training investment as percentage of a Cost to Company	8.13% Rand value of personnel Cost to Company		6.52% Rand value of Cost to Company	5.70% Rand value of Cost to Company	6% Rand value of Cost to Company
6.	BROAD-BASED BLACK ECONOMIC EMPOWERMENT						
6.1	Achieve BBBEE targets Achieve preferential procurement targets as set by the Transport Charter	Achievement of BBBEE targets as per the Transport Charter	BBBEE level 2		BBBEE level 2	BBBEE level 2	Maintain BBBEE level 2
7.	EMPLOYMENT EQUITY						
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3)	5% increase: 2017/2018 ATS AIC Target	70.01% ATS AIC		72.27% ATS AIC	72.94% ATS AIC	71% ATS AIC
			42.43% ATS Female		46.55% ATS Female	47.40% ATS Female	45% ATS Female
7.2	ATNS EE targets	1% increase: 2017/18 ATNS AIC Target	75.12% ATNS AIC		76.98% ATNS AIC	79.24% ATNS AIC	77% ATNS AIC
			44.88% ATNS Female		47.35% ATNS Female	49.40% ATNS Female	48% ATNS Female
			3.31% PwD		N/A	3.22% PWD	3.5% PwD



Governance and assurance

ATNS is committed to sound corporate governance practices, which are continuously reviewed to ensure that leading practice standards are maintained as recommended by the King Code of Governance for South Africa (2016) (King IV™). The company's governance practices are underpinned by the values and principles that inform our day-to-day activities, including responsiveness, collaboration, transparency, integrity and accountability.

As an SOC, ATNS's governance relationship with its sole Shareholder – the government of the Republic of South Africa, exercised through the Minister of Transport – is managed through the Shareholder's Compact. This sets out the shareholder's commercial and developmental requirements and expectations.

The Board of Directors is the custodian of the company's governance framework through its committee structures, its relationship with management, its shareholder and other company stakeholders. The primary purpose of the board is to provide strategic direction to ensure the company fulfils its statutory, commercial and developmental objectives, thereby promoting long-term financial and organisational sustainability.



Application of King IV™

We are committed to the principles of King IV™ and continue to review and develop policies, practices and procedures in line with an integrated governance, risk and compliance framework. We maintained our application of King IV™ during the year and have considered the impact that King IV™ will have on processes and policies going forward. The Board of Directors is satisfied that every effort has been made in 2018/19 to apply all material aspects of King IV™ as far as appropriate. In terms of best practice, a King IV™ gap analysis was conducted in the year under review by the Internal Audit department, which established the following:

- A detailed gap analysis
- Training for the board, executive management and key staff
- Detailed planning to address identified gaps, which will include reviewing governance

structures, processes, policies and relevant company documentation. Please refer to our King IV application register available on our website: www.atns.com/reports.php.

Ethical leadership and corporate citizenship

The board and senior management are committed to the highest standards of corporate governance and strive to achieve moral and ethical operational and behavioural standards, as well as sound and transparent business practices. The board met 14 times during the year under review. Its primary responsibility is to ensure that the company creates value by setting direction through strategic objectives and key policies. In doing so, the board appropriately considers the legitimate interests and expectations of all its stakeholders.

Code of Ethics

The ATNS Code of Ethics enables a culture of entrenched values and norms that guide the behaviour of the company's employees. The Code aims to instil ATNS's shared value system which includes the broad values of:

- Accountability
- Safety and customer service
- Continuous improvement and innovation
- Employee engagement and development
- Fairness and consistency
- Open and effective communication
- Zero harm to self, others and the environment

The Code commits the executive directors and employees to the highest standards of ethical behaviour and all ATNS employment contracts reference the Code. The company's service providers, suppliers and trade partners are also subject to the Code in that they are required to sign the Procurement Code of Conduct, which is based on the company's Code of Ethics.

During the period under the review, the Company Secretariat embarked on an ethics management programme roll-out, to strengthen the ethics culture within the organisation. Activities, such as training on

ethics, ethics-focused communication, awareness and reporting on ethics performance will be used to establish a sustainable ethics management structure that is inclusive of the company's ethics management strategy, governance and ethics structures.

The executive for human capital is responsible for the development, review and implementation of the Code, which is reviewed annually. The Code informs fraud and corruption awareness training and is accessible to all ATNS employees on the company's intranet.

Board of Directors



Appointment of directors

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The appointment of directors to the board is a formal and transparent process and a matter considered by the Shareholder and cabinet as a whole. The appointment of directors is facilitated by the DoT's Corporate Governance unit. All appointments are approved by the Minister of Transport. Vetting and competency tests are conducted in terms of the PFMA, the Companies Act, and any other applicable legislation.

The ATNS board is governed by a Board of Directors Charter, which outlines the principal provisions of the ATNS Act, the fiduciary responsibilities of directors, the relationship with executive management, and matters of policy that the shareholder and the board must comply with to ensure good corporate governance. The board regards the charter as a living document, updated periodically to align with changes required by relevant legislation and regulation.

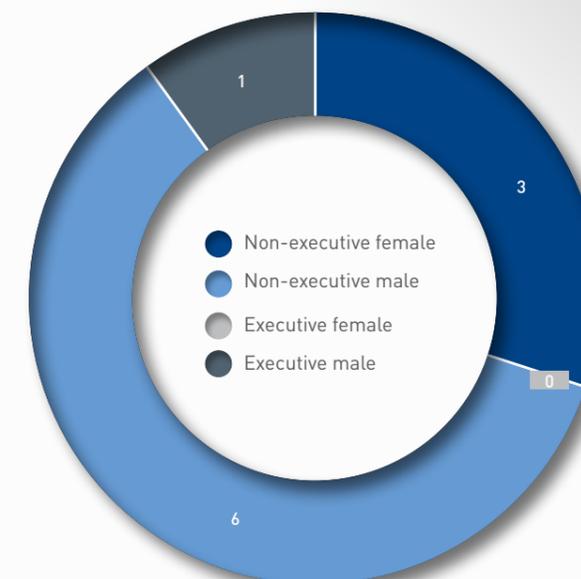


Period of office

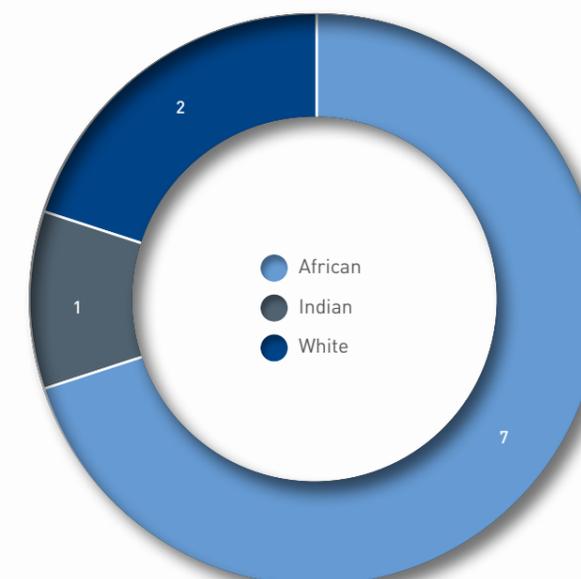
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The appointment of ATNS directors is governed by the company's Memorandum of Incorporation (MOI). Non-executive directors have a three-year fixed term of appointment. A third of the directors retire by rotation each year and are eligible for re-election by the Shareholder at the Annual General Meeting (AGM). Directors appointed to fill a vacancy on the board during the year retire at the next AGM, enabling the Shareholder the opportunity to confirm their appointment.

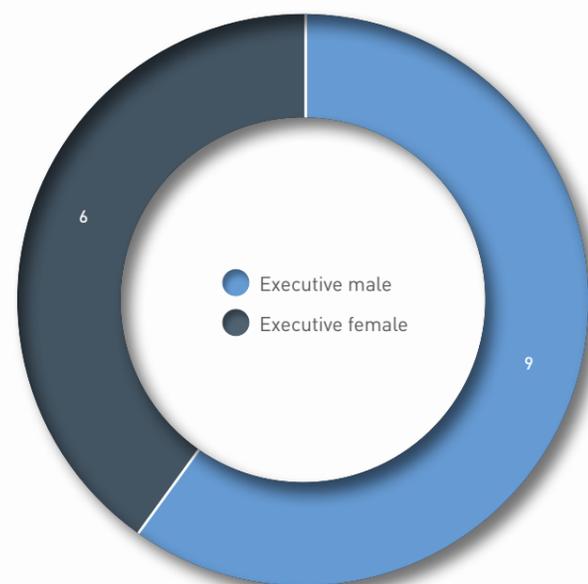
BOARD REPRESENTATION – GENDER PROFILE



BOARD REPRESENTATION – ETHNICITY PROFILE



EXECUTIVE COMMITTEE REPRESENTATION



Composition of the Board of Directors

The company has a unitary board structure comprising two executive directors (Chief Executive Officer and Chief Financial Officer) and nine non-executive directors. Two other executive members, being the Chief Operating Officer and the Chief Audit Executive, serve as invitees on the board.

The board drives and directs strategy and has ultimate responsibility for monitoring organisational performance. The board comprises members with a wide range of skills, experience and knowledge required to meet organisational requirements. The appointment of ATNS's directors is governed by the company's MOI and guided by the prescripts of the applicable legislation such as the PFMA 1 of 1999 and the Companies Act 71 of 2008.

The independence of the chairman and the separation of the chairman's responsibilities from those of the CEO ensures a balance of authority precluding any one director from exercising unencumbered powers of decision-making. The chairman derives his power from the company's MOI and leads the board in objective and effective discharge of governance roles and responsibilities.

The chairman is the link between management and the board. The roles of the CEO and chairman are separate to ensure a balance of power and authority.

The chairman is responsible for leading the board and the CEO's responsibility is to ensure that the company's strategy is executed.

Changes to the Board of Directors

During the period under review, the following directors were appointed on an interim basis from April 2018 to October 2018, which was further extended by three months in October 2018 to January 2019:

- Mr Suleman Badat
- Mr Khulile Boqwana
- Mr Thomas Kgokolo
- Ms Esther Letlape
- Mr Zenzele Myeza
- Major General Lucky Ngema
- Ms Kyansambo Vundla

Mr Simphiwe Thobela was appointed as a Non-executive Director on 21 May 2018 and subsequently appointed chairman of the board on 14 August 2018. Ms Nomathemba Kubheka was appointed to the board on 22 August 2018.

Ms Esther Letlape resigned from the board on 10 May 2018. Mr Daniel Mwanza's term on the board ended on 31 August 2018 and Advocate Edwin Mphahlele's service was terminated by the Minister of Transport, on 8 August 2018.

The Minister of Transport appointed the following directors for a three-year term, commencing 1 February 2019 to 31 January 2022:

- Mr Suleman Badat
- Mr Khulile Boqwana
- Mr Chris Burger
- Mr Thomas Kgokolo*
- Ms Nomathemba Kubheka
- Mr Zenzele Myeza
- Major General Lucky Ngema
- Mr Simphiwe Thobela as Chairman of the board
- Captain Jane Trembath
- Ms Kyansambo Vundla

* Mr Thomas Kgokolo has been appointed as Interim Chief Executive Officer and accordingly released from his official Non-Executive Director role



The fixed term contract of the former CEO, Mr Thabani Mthiyane ended on 30 June 2018. It was subsequently extended for a further three months from 1 July 2018 to 30 September 2018. The board, with the approval of the Minister of Transport resolved to appoint Mr Thomas Kgokolo as an Interim CEO from 1 October 2018 until the recruitment process for a permanent CEO is finalised.

Roles and responsibilities

The board conducts its business in accordance with the principles of King IV™, which include exercising discipline, independence, responsibility, fairness, social responsibility and transparency, and the accountability of directors to all stakeholders.

The board's formal charter sets out its roles and responsibilities:

- Providing effective leadership based on an ethical foundation.
- Ensuring that the company has an effective and independent Audit and Risk Committee.
- Contributing towards and approving the strategic direction of the company.
- Satisfying itself that the strategy and business plans proposed for the achievement of the ATNS's objectives do not give rise to risks that have not been thoroughly assessed.
- Ensuring that the strategy will result in sustainable outcomes, considering financial, environmental and social objectives.
- Ensuring the integrity of the company's integrated annual report.
- Defining levels of authority and areas of materiality, and approving a framework for delegating authority.
- Reporting on the effectiveness of the company's system of internal controls.
- Taking responsibility for the governance of risk through effective risk management practices, including regularly reviewing and evaluating risks and ensuring an effective risk-based internal audit function, as well as appropriate internal controls.
- Ensuring that the company is, and is seen to be, a responsible corporate citizen.

- Identifying, managing and monitoring gaps between stakeholder perceptions and the performance of the company.
- The board is kept apprised of ATNS's going concern status and monitors the company's solvency and liquidity on a regular basis.

Chairperson of the board and CEO

The roles of the chairman and the CEO are separate, with clearly-defined individual responsibilities. The chairman is responsible for leading the board and ensuring its effectiveness. The CEO is responsible for the execution of ATNS's strategy and the company's day-to-day operations. He is supported by the Executive Committee, which he chairs.

Independent non-executive directors

Directors' skills

The independent non-executive directors hold varied skills and experience from diverse industries. They are principally free from any business relationships that could hinder their objectivity or judgement in terms of the company's business and activities.

Induction of Directors

All new directors participate in a formal induction process. On appointment, directors are provided with recent board and committee documents, information on legal and governance obligations, the company's MOI and recent reports. Guidance is provided on the requirements of the PFMA, King IV™ and the Companies Act, No. 71 of 2008, as amended from time to time.

Meetings are arranged between new directors and members of the Executive Committee, to ensure that the former develops a full grasp of their areas of responsibility and of the complex businesses and operations that make up ATNS. During the period under review, the newly-appointed (permanent) board had three separate induction sessions dealing with the company overview, operations at the ATA and thorough corporate governance training, which was done both internally by the Company Secretariat department as well as externally by the Institute of Directors South Africa (IoDSA).





Board of Directors and committee evaluations

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The performance of the board and its committees is evaluated on an annual basis and includes:

- An assessment of the performance and effectiveness of the board as a whole as well as the contribution of individual committee members
- A self-assessment of individual directors inclusive of the CEO
- An evaluation of the chairman of the board which is conducted by the Governance Committee, focusing on effectiveness and the independence of the chairman.

The assessment process takes place by way of evaluation and questionnaires based on the observation and experiences of board members throughout the year. The results are discussed by the board and one-on-one meetings are held with directors to discuss the results and to propose developmental actions, where required.



Director training and development

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All directors are expected to keep abreast of changes and trends in the industry and in ATNS's environment. Director training and development is arranged on an annual basis with access to courses that benefit and develop the directors in the areas of ATM and general director development. Site visits to the operations are arranged at least once a year to familiarise the directors with the operational and environmental aspects of the business. All ATNS directors have been registered as members of the IoDSA to ensure continuous professional development. The directors have been fully inducted concerning their duties and responsibilities as well as business operations and have been registered for the full certified director course offered by the IoDSA.

Access to information

All the independent non-executive directors have unrestricted access to the company's information,

documents, records and property in the interest of fulfilling their responsibilities. They contribute a multiplicity of skills, business acumen, independent judgement and experience on varied issues, including strategy, planning, risk management, corporate governance, operational performance and leadership. Directors' independence is determined according to the definition in the King IV™, which includes the number of years a director has served on the board.

Independent advice

In allowing the Board of Directors to discharge its corporate responsibilities by exercising the care that an ordinary prudent person would exercise under similar circumstances, the board and the board committees may engage the services of external experts at ATNS's expense.

Succession planning

The Human Resource Committee (HRC) and the board review succession planning as a regular item on their respective agendas. The committee, in line with its terms of reference, and from time to time, reviews the general composition of the board and makes appropriate recommendations on the appointment of new executive or non-executive directors to the Minister of Transport.

Conflict of interest

On an annual basis, the company actively solicits details from our directors regarding external shareholdings, directorships, contractual relationships, and any form of relationship that has the potential to create a conflict of interest while they serve on the board. Any declarations are closely scrutinised by both the chairman and the company secretary and tabled at the beginning of each annual board meeting. At every board, board committee, executive committee and management committee meeting, every member is required to declare or confirm absence of any potential conflicts of interest before deliberations. Where a conflict arises, directors are required to recuse themselves from the discussions.



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Company Secretary

ATNS's company secretary provides guidance to the chairman and directors, both individually and collectively, on their duties, responsibilities and powers. The company secretary also advises on corporate governance, and compliance with legislation and relevant regulations.

The employment relationship between the former company secretary, Mr Solomon Mngomezulu terminated on 13 May 2019. The process to recruit a new permanent company secretary is underway.

Ms Ayanda Manqele was appointed as the Acting Company Secretary on 11 October 2017 and continues to occupy the role in an acting capacity. Ms Manqele is an admitted attorney of the high court of South Africa and has more than ten years post-qualification experience, of which six years have been within the corporate governance field, both in the private and public sector. The board is satisfied that the acting company secretary is suitably qualified and has demonstrated competency in discharging her duties. These duties include maintaining an arm's length relationship with the board, executive team, and individual directors. The acting company secretary is not a director of ATNS.

Materiality

Levels of materiality regarding capital expenditure and changes in the operation of the business have been determined, with all matters falling outside these parameters requiring formal board authorisation. These matters are monitored and evaluated on a regular basis through the procurement committee.



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Committees of the Board of Directors

The board establishes standing committees that assist the board by focusing on specialist areas and are ultimately accountable to it. The committees meet independently and provide feedback to the board through their respective chairpersons. The roles of, and representation on these sub-committees are listed on page 132.

Audit and Risk Committee

The board, which carries ultimate responsibility for risk management within the organisation, is continuously kept apprised of risks facing the business. The Audit and Risk Committee support the board in this task by ensuring an effective risk-based internal audit function and enterprise-wide risk governance. The committee provides regular risk reporting as well as feedback on the status of the company's control environment.

Governance of risk

As an SOC operating within an international regulatory environment, as well as a globally volatile economic climate, ATNS needs to ensure proactive risk management. While the board has ultimate responsibility for risk management, the Audit and Risk Committee provide independent and objective oversight of risk management within the company and makes recommendations to the board for its consideration and approval. Furthermore, the company provides organisation-wide assurance on priority issues such as regulatory compliance, safety management, environmental compliance, reputation management, operational efficiency, project and financial risk management. The board determines the risk appetite and tolerance levels of the organisation, and delegates the overall design, implementation and monitoring of risk to management. Annual risk assessments are conducted, and mitigation controls are monitored on an ongoing basis for any risk movements through the ERM framework.

The governance of information technology

Governance of IT is driven by the need to ensure value-creating decision-making. Improved controls, effective project management, and a focus on the business are some of the benefits to be gained. A number of governance layers applied at ATNS ensure that decision-making around IT is aligned to organisational goals and objectives.



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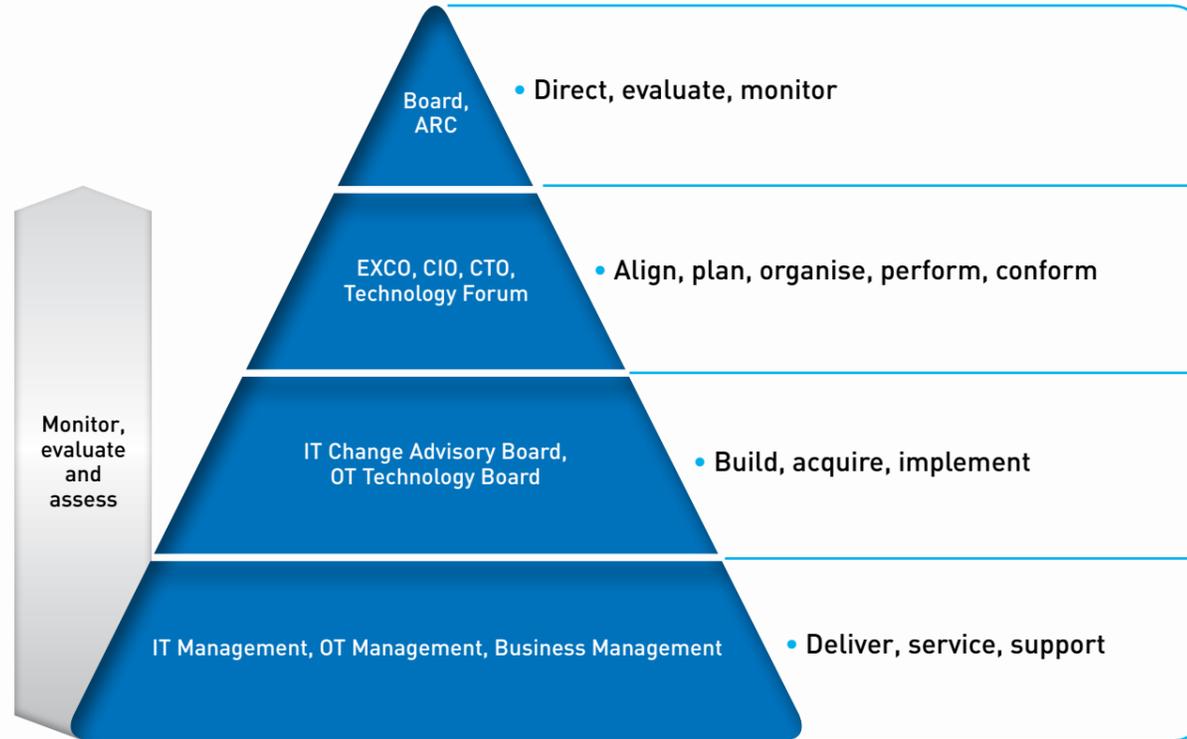


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GOVERNANCE LAYERS AT ATNS



It is important to separate technology management from technology governance. Governance refers to identifying those accountable for making key technology decisions and how they will be held accountable. Management is the daily decision-making and implementation of activities around the use of technology. Good governance is enabling and reduces bureaucracy and dysfunctional politics by formalising organisational learning and avoiding repeated mistakes. Together, governance and management ensure the creation and delivery of value while minimising risk. The separation and integration between management and governance is crucial as it ensures oversight and independence.

The IT Steering Committee facilitates co-operation between users and the IT department and ensures that business objectives are met. It reports monthly to the Executive Committee and quarterly to the Audit and Risk Committee on matters concerning the governance of IT. The various procurement committees in place at ATNS also form part of the governance of information and technology.

Compliance with laws, codes, rules and standards

The board recognises its accountability to all ATNS's stakeholders under the regulatory requirements applicable to our business and remains committed to high standards of integrity and fair dealing in our conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the board, Executive Committee and employees continue to monitor, align and adhere to compliance requirements. In addition, ATNS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure company-wide compliance.

The responsibility of facilitating compliance throughout ATNS has been delegated to the compliance function within the Legal Counsel division. The compliance function is responsible for assisting management and the business to conduct all activities in compliance with

regulatory requirements. Management is responsible for ensuring that compliance obligations are met on a day-to-day basis and that ATNS's compliance framework, which comprises the policy, charter and manual, are effectively implemented, supported and adhered to.

Where required, incidents of non-compliance are reported to the responsible executives, heads of business units, divisions, departments and statutory bodies for prompt resolution. The compliance function is also charged with the responsibility of assisting, guiding and advising the various business units, divisions and departments within ATNS on how to discharge their duties in managing their compliance responsibilities and obligations.

The ATNS Audit and Risk Committee oversees compliance matters and requires that the compliance officer, who has unrestricted access to the chairman of the committee, reports all incidents of non-compliance.

The ATNS Social and Ethics Committee (SEC) oversees compliance to legislation applicable within the mandate prescribed in Regulation 43(5) of the Companies Act Regulation 2011 as amended. The committee fulfils its obligation to effectively identify and evaluate possible corruption risks, and to develop appropriate measures to reduce identified risks.

Internal audit

The objective of the internal audit function is to provide independent, objective and relevant assurance and consulting services in terms of the combined assurance framework approved by the board and designed to add value and improve ATNS's operations. [King IV principle 15, RP 48 and 49].

Independence

Independence of the internal audit is assured through:

- Appropriate organisational positioning – functional reporting to the Audit and Risk Committee and administratively to the CEO
- Independent of all operational functions
- Unrestricted access to all areas within the organisation.

Approach

The approach taken by the internal audit function includes:

- Developing a risk-based audit plan for the 2018/19 financial year aligned to the company's strategic risks
- Evaluating risk, control and governance in the organisation
- Collaborating with assurance partners to reduce duplication of assurance
- Aligning to professional standards, Code of Ethics of the Institute of Internal Auditors and King IV principles.

Resources

The current internal audit team has adequate combination of the required skills to address the complexity and volume of risks faced by ATNS. Additionally, various specialist services are accessible to the team in the form of the co-source partnership.

Statement of adequacy of our internal control environment

The Internal Audit department of ATNS confirms that the governance, risk and internal controls evaluated require improvement to provide reasonable assurance that our goals and objectives are being achieved. Areas of improvement were identified and management's response to recommended improvements remained positive.

Governing stakeholder relationships

ATNS recognises that it does not function in a vacuum and is therefore cognisant of the environment within which it operates. This includes acknowledging the company's direct and indirect impact on our stakeholders. ATNS strives to maintain proactive stakeholder relationships and manage stakeholder expectations as well as potential reputational risks by aligning the company's objectives with stakeholder priorities.



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The board undertakes to balance the diverse interests of our stakeholders and to engage stakeholder groups on material issues that may impact the company's long-term economic, social and environmental sustainability.

Integrated reporting and disclosure

Through our integrated reporting, ATNS aspires to provide a comprehensive and integrated representation of the company's performance in terms of both its financial performance and sustainability.

ATNS's integrated report is published annually, and presents an overview of the company's activities, practices and financial performance for the year. It also presents a balanced analysis of our sustainability performance in relation to issues that are relevant and material to ATNS and our stakeholders.

The integrated report is reviewed by the Audit and Risk Committee and the board to satisfy themselves of the materiality, accuracy and balance of disclosures. In addition, various aspects such as key performance aspects of the integrated report are independently assured by external assurance providers, in this case, Nexia SAB&T Auditors.



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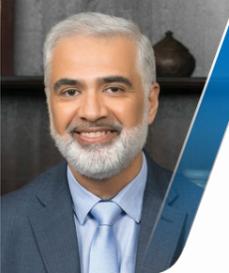


Ayanda Manqele (Acting Company Secretary), Lesego Mahamba (Chief Audit Executive), Thandeka Mdebuka (Legal Counsel) and Mbongeni Maqashelana (Chief Risk Executive)



Board of Directors

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DIRECTOR	COMMITTEES	AREAS OF EXPERTISE
 <p>SIMPHIWE THOBELA Chairman Date of birth: 26 March 1972</p>	<ul style="list-style-type: none"> Governance Committee Social and Ethics Committee Human Resource Committee Business Research, Operations and Development Committee 	<ul style="list-style-type: none"> Leadership Governance Financial management SCM
 <p>SULEMAN BADAT Date of birth: 20 November 1962</p>	<ul style="list-style-type: none"> Governance Committee Social and Ethics Committee Audit and Risk Committee Business Research, Operations and Development Committee 	<ul style="list-style-type: none"> Governance Risk management Compliance
 <p>KYANSAMBO VUNDLA Date of birth: 10 October 1978</p>	<ul style="list-style-type: none"> Governance Committee Transformation, Investments and Projects Committee Audit and Risk Committee Social and Ethics Committee 	<ul style="list-style-type: none"> Financial management Insurance
 <p>NOMATHEMBA KUBHEKA Date of birth: 1 January 1967</p>	<ul style="list-style-type: none"> Human Resource Committee Social and Ethics Committee Transformation, Investment and Projects Committee (TIPC) 	<ul style="list-style-type: none"> Talent management and skills development Corporate negotiations Project management R&D planning Logistics Property development and facilities management

ACADEMIC QUALIFICATION	DATE OF 1ST APPOINTMENT	ACTIVE MEMBERSHIPS ON OTHER BOARDS
<ul style="list-style-type: none"> BCom Logistics – (University of South Africa) Post Graduate Diploma in Public Management – (Regenesys School of Public Administration) Master of Town and Regional Planning – (University of KwaZulu-Natal) PhD Candidate (University of The Free State) 	21 May 2018	<ul style="list-style-type: none"> Directorship/Shareholder/ Trusteeship: <ul style="list-style-type: none"> » IlimaLethu Trust » Eastern Cape Development Agency
<ul style="list-style-type: none"> Bachelor of Accountancy (University of Kwa-Zulu Natal) CA(SA) Certificate of Risk Management and Assurance (IIA) 	13 April 2018	<ul style="list-style-type: none"> Directorship/Shareholder/ Trusteeship: <ul style="list-style-type: none"> » Project Assurance Solutions (Pty) Ltd » Umgeni Water Board
<ul style="list-style-type: none"> BCom Accounting (Rhodes University) Higher Postgraduate diploma Accounting (Rhodes University) Postgraduate diploma in Mechanics of Project Finance (Middlesex University) 	13 April 2018	<ul style="list-style-type: none"> Workforce Limited - Non Executive Director
<ul style="list-style-type: none"> Bachelor of Arts in Education (University of the Witwatersrand) MSc in Building (University of the Witwatersrand) 	22 August 2018	<ul style="list-style-type: none"> SANCO Development Institute (SDI) SANCO Investment Group (SIG) The Mining Qualification Authority (MQA)

Board of Directors continued

DIRECTOR	COMMITTEES	AREAS OF EXPERTISE
 <p>ZENZELE MYEZA* Date of birth: 20 July 1960</p>	<ul style="list-style-type: none"> Governance Committee Social and Ethics Committee Human Resource Committee Business Research Operations and Development Committee Transformation, Investment and Projects Committee Audit and Risk Committee 	<ul style="list-style-type: none"> Financial management Investment management Auditing Risk management Information Technology Business development Operations Marketing management Property management Project management Human resources Property development and facilities management
 <p>NLJ NGEMA Date of birth: 25 September 1950</p>	<ul style="list-style-type: none"> Governance Committee Business Research, Operations and Development Committee Social and Ethics Committee Human Resource Committee 	<ul style="list-style-type: none"> Strategic planning Policy formulation Strategy formulation Resource management Driving transformation Aviation aerospace
 <p>KHULILE BOQWANA** Date of birth: 28 July 1972</p>	<ul style="list-style-type: none"> Governance Committee Audit and Risk Committee Human Resource Committee Transformation, Investment and Projects Committee Social and Ethics Committee 	<ul style="list-style-type: none"> Investment and regulation Airport infrastructure regulation Broadcasting and telecommunications Energy regulation Corporate strategy Corporate governance Policy regulation project management

* Dec 2018 resigned as member of HRC and SEC, appointed as member of ARC and TIPC

** Sept 2018 resigned as member of SEC, appointed as member of TIPC

ACADEMIC QUALIFICATION	DATE OF 1ST APPOINTMENT	ACTIVE MEMBERSHIPS ON OTHER BOARDS
<ul style="list-style-type: none"> BCom Accounting (University of Zululand) MBA (UKZN) Certificate in Aviation Management (IAMTI, Canada) Certificate in Corporate Governance (University of Johannesburg) Certificate in Retail Management (University of Pretoria) Property Development Programme (UCT Graduate School of Business) 	13 April 2018	<ul style="list-style-type: none"> Directorship/Shareholder/ Trusteeship: <ul style="list-style-type: none"> Chas Everitt International Property Group Rand Water Medical Scheme
<ul style="list-style-type: none"> Private Pilot's Licence (CAA Nigeria) Commercial Pilot's Licence (CAA UK) with the following rating: Instrument rating, night rating, multi engine rating, flight instructor rating Airline Transport Pilot's Licence (FAA USA) rated on the following a/c: Boeing B767, BAE 146, Viscount 700 & 800, BE200, BE55, PA23, PC6, Cessnas 182, 172, 152 & 150 (aerobatics) Military Senior Command and Staff Diploma Senior Management Programme Defence Resource Management Defence Management (WITS) Advance Air Operations Law certificate AVIATION Leaders Programme in Public Policy 	13 April 2018	<ul style="list-style-type: none"> Directorship/Shareholder/ Trusteeship: <ul style="list-style-type: none"> Project Assurance Solutions (Pty) Ltd
<ul style="list-style-type: none"> Senior Teacher's Diploma B Compt Masters in Business Leadership 	13 April 2018	

Board of Directors continued

DIRECTOR	COMMITTEES	AREAS OF EXPERTISE
 <p>JANE TREMBATH Date of birth: 19 May 1965</p>	<ul style="list-style-type: none"> • Audit and Risk Committee • Business Research, Operations and Development Committee • Social and Ethics Committee 	<ul style="list-style-type: none"> • Air traffic management • Airspace • Senior Airline captain
 <p>CHRIS BURGER Date of birth: 26 September 1964</p>	<ul style="list-style-type: none"> • Human Resource Committee • Business Research, Operations and Development Committee • Transformation, Investment and Projects Committee 	<ul style="list-style-type: none"> • Radio communication systems • R&D • SAAF Air Traffic Controller • Regulation control

ACADEMIC QUALIFICATION	DATE OF 1ST APPOINTMENT	ACTIVE MEMBERSHIPS ON OTHER BOARDS
<ul style="list-style-type: none"> • Airline Transport Pilot Licence • Commander on Airbus 340, Airbus 330, Boeing 737-800, Boeing 737-200 	01 February 2019	
<ul style="list-style-type: none"> • MEng Degree in Electronic Engineering • BCom in Aviation Management (University of Pretoria) • Airline Transport Pilot Licences and Instructor Ratings (South Africa and USA) • Designated Flight Examiner (Class 1) (SA Civil Aviation Authority) • Accredited Professional Linguist 	01 February 2019	



BOARD OF DIRECTORS

Back row (from left to right): Zenzele Myeza, Chris Burger, Khulile Boqwana, Suleman Badat, Major General Ngema.

Seated (from left to right): Captain Jane Trembath, Thomas Kgokolo, Nomathemba Kubheka, Simphiwe Thobela, Kyansambo Vundla.



Board committees

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ATNS BOARD	COMPOSITION	CORE FUNCTIONS
Audit and Risk Committee	<ul style="list-style-type: none"> Chair: Non-Executive 5 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Monitors financial controls and reporting Reviews audit plans and adherence by external and internal auditors Ascertain reliability of audits Ensures financial reporting complies with IFRS and Companies Act Oversight of financial matters Nominates auditors for appointment Monitors risk appetite and controls Governance of risk and IT
Human Resources Committee	<ul style="list-style-type: none"> Chair: Non-Executive 1 Executive Director 5 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Establishes overall principles of reward and remuneration Determines remuneration of executive directors and executive heads in line with the market Ensures compliance with relevant laws and regulations Considers, reviews and approves group policy on executive remuneration Reports on remuneration to stakeholders in the company's integrated report
Social and Ethics Committee	<ul style="list-style-type: none"> Chair: Non-Executive 1 Executive Director 6 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Monitors and develops compliance with section 72(8) of the Companies Act (read in conjunction with regulation 43) Assists the board with oversight of social and ethical matters related to the company, including: <ul style="list-style-type: none"> good corporate citizenship environment health and public and safety consumer relationships, labour and employment
Transformation, Investments and Projects Committee	<ul style="list-style-type: none"> Chair: Non-Executive 1 Executive Director 5 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Oversees the ATNS capital expenditure programme in line with the economic regulator Permission document Ensures that appropriate procurement and provisioning systems are fair, equitable, transparent, competitive and cost-effective
Business Research, Operations and Development Committee	<ul style="list-style-type: none"> Chair: Non-Executive 1 Executive Director 6 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Assesses and evaluates the viability of ATNS International Formulates the ATNS International strategy Established in accordance with applicable legislation The implementation of ATNS's African strategy is aligned with ATNS's strategic objectives Evaluates and recommends business opportunities to the board Provides oversight on business operations Monitors operational performance
Governance Committee	<ul style="list-style-type: none"> Chair: Non-Executive 1 Executive Director 6 Non-Executive Directors Convenes: 4 p/a 	<p>Oversight:</p> <ul style="list-style-type: none"> Reviews the effectiveness and composition of the board and its committees Reviews the general governance structures, processes and policies

Composition of the executive, board and the board committee demographics



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COMMITTEE	TOTAL	EXECUTIVE AND NON-EXECUTIVE	% MALE				% FEMALE			
			African	Coloured	Indian	White	African	Coloured	Indian	White
ATNS Executive Committee	15	Executive	8	-	-	1	5	-	-	1
ATNS board	1	Executive	1	-	-	-	-	-	-	-
	9	Non-executive	4	-	1	1	2	-	-	1
Audit and Risk Committee	0	Executive	-	-	-	-	-	-	-	-
	5	Non-executive	2	-	1	-	1	-	-	1
Human Resource Committee	1	Executive	1	-	-	-	-	-	-	-
	5	Non-executive	3	-	-	1	1	-	-	-
Social and Ethics Committee	1	Executive	1	-	-	-	-	-	-	-
	6	Non-executive	2	-	1	-	2	-	-	1
Transformation, Investments and Projects Committee	1	Executive	1	-	-	-	-	-	-	-
	5	Non-executive	2	-	-	1	2	-	-	-
Business Research, Operations and Development Committee	1	Executive	1	-	-	-	-	-	-	-
	6	Non-executive	3	-	1	1	-	-	-	1

Board committee responsibilities for integrated reporting elements



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INTEGRATED REPORTING ELEMENTS	REQUIRED ACTIVITIES	BOARD COMMITTEE
Risks and opportunities	<ul style="list-style-type: none"> Review adequacy and effectiveness of ATNS's ERM process and associated control environment Identify and assess material risks Ensure effective mitigation activities to prevent or minimise the adverse impacts of material risks Identify opportunities for innovation and growth The board, which carries ultimate responsibility for risk management within the organisation, is continuously kept apprised of risks facing the business. The Audit and Risk Committee support the board in this task by ensuring an effective risk-based internal audit function and enterprise-wide risk governance. The committee provides regular risk reporting as well as feedback on the status of the company's control environment. 	<ul style="list-style-type: none"> Audit and Risk Committee Business Research, Operations and Development Committee

INTEGRATED REPORTING ELEMENTS	REQUIRED ACTIVITIES	BOARD COMMITTEE
Strategy and resource allocation	<ul style="list-style-type: none"> Ensure appropriate strategic responses to risks and opportunities Ensure appropriate and efficient processes, procedures and policies to provide an enabling environment and structural support to the company's business. Ensure appropriate allocation of the various capitals, including: <ul style="list-style-type: none"> » Financial capital (e.g. long-term borrowings) » Manufactured capital (e.g. property, plant and equipment) » Intellectual capital (e.g. brands, trade-marks and patents) » Human capital (e.g. permanent employees) » Social and relationship capital (e.g. industry alliances) » Natural capital (e.g. airspace, electricity and fuel). 	<ul style="list-style-type: none"> Audit and Risk Committee Human Resource Committee Transformation, Investments and Projects Committee IT Steering Committee Social and Ethics Committee Safety Committee
Remuneration and incentives	<ul style="list-style-type: none"> Ensure appropriate, market-related remuneration, linked to performance. Ensure incentives and rewards are market-related and managed according to performance against targets, as per ATNS's Shareholder Compact and strategic objectives. 	<ul style="list-style-type: none"> Human Resource Committee Social and Ethics Committee
Safety and health	<ul style="list-style-type: none"> Ensure a safe working environment for ATNS employees Ensure alignment with global safety standards Ensure safe procurement Ensure a safety culture, including safety training. 	<ul style="list-style-type: none"> Transformation, Investments and Projects Committee Social and Ethics Committee Human Resource Committee
Organisational transformation	<ul style="list-style-type: none"> Ensure ATNS BBBEE strategy align with DTI's Codes of Good Practice. Maintain and ensure favourable black representation at board and top management levels. Ensure on-going equal opportunity initiatives. Ensure that procurement practices align with ATNS's enterprise development and supplier development objectives. 	<ul style="list-style-type: none"> Audit and Risk Committee Human Resource Committee Transformation, Investments and Projects Committee Social and Ethics Committee
Environmental management	<ul style="list-style-type: none"> Ensure environmental sustainability through the management of carbon emissions and energy efficiency. Ensure responsible operational impacts on communities and bio-spheres (e.g. noise reduction). Ensure environmental risk management and compliance. Ensure organisational awareness for environmental sustainability issues. Ensure environmentally-responsible procurement practices. Ensure green technology practices. 	<ul style="list-style-type: none"> Social and Ethics Committee Transformation, Investments and Projects Committee Audit and Risk Committee
Stakeholder engagement and relationship management	<ul style="list-style-type: none"> Ensure positive stakeholder relationship engagement and management. Ensure proactive support for suppliers and constructive supplier management. Ensure positive employee relations and encourage adherence to ATNS's Code of Conduct and embed the company's values throughout the organisation. Ensure proactive SLA compliance management with suppliers. Ensure an enabling work environment for employees to achieve their professional and personal goals, share ideas, communicate openly and report concerns. 	<ul style="list-style-type: none"> Social and Ethics Committee Transformation, Investments and Projects Committee Human Resource Committee Audit and Risk Committee

Meeting dates of directors and attendance: April 2018 – September 2018

✓ Attended ✗ Absent/apology

MEETING	DATE	THOBELA	VUNDLA	BADAT	BOQWANA	MYEZA	NGEMA	KGOKOLO	MWANZA	MPHAHLELE	TREMBATH	BURGER	KUBHEKA
Board meeting	25.04.2018	-	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	04.06.2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	11.09.2018	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓
Special board meeting	25.04.2018	✗	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	09.05.2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	24.05.2018	✓	✗	✓	✓	✗	✓	✗	✓	✓	-	-	-
	28.06.2018	✗	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	02.07.2018	✓	✓	✓	✓	✓	✓	✓	✓	✗	-	-	-
	31.07.2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
	06.08.2018	✓	✗	✓	✓	✓	✓	✗	✓	✓	-	-	-
	24.08.2018	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	✓
	26.09.2018	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓
15.10.2018	✓	✓	✓	✗	✓	✓	✗	-	-	-	-	✓	
25.01.2019	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	
Human Resource Committee	21.05.2018	✓	-	-	✓	✓	✓	-	-	-	-	-	-
	20.08.2018	✓	-	✓	✓	✓	✓	-	-	-	-	-	-
	25.09.2018	-	-	-	✓	✓	✓	-	-	-	-	-	✓
Special Human Resource Committee	04.06.2018	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓
	06.06.2018	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	✓
	18.06.2018	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓
	27.06.2018	✓	✓	✓	✓	✓	✓	✓	-	✓	-	-	✓
	18.07.2018	✓	-	-	✓	✓	✓	-	-	-	-	-	-
	30.07.2018	✓	-	-	✓	✓	✓	-	-	-	-	-	-
	01.08.2018	✓	-	-	✓	✓	✓	-	-	-	-	-	-
Audit and Risk Committee	25.05.2018	-	✗	✓	✓	✓	-	✓	-	-	-	-	-
	31.08.2018	✗	✗	✓	✓	-	-	✓	✓	-	-	-	-
Special Audit and Risk Committee	07.05.2018	-	✓	✓	✓	-	-	✓	-	-	-	-	-
	25.05.2018	✓	✓	✓	✓	-	-	✓	✓	-	-	-	-
	29.05.2018	✓	✓	✓	✓	-	-	✓	✓	-	-	-	-
	28.06.2018	✗	✓	✓	✓	-	-	✓	✓	-	-	-	-
	29.06.2018	✓	✗	✓	✓	✓	-	✓	✓	-	-	-	-
	27.07.2018	✗	✓	✓	✓	✓	-	✓	-	-	-	-	-
	24.08.2018	✗	✓	✓	✓	-	-	✓	✓	-	-	-	-
26.09.2018	✓	✗	✗	✓	-	-	✓	-	-	-	-	-	
Social and Ethics Committee	23.05.2018	-	-	✓	✓	✓	✓	-	-	-	-	-	-
	22.08.2018	✓	-	✓	✓	✓	✓	-	-	-	-	-	-





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MEETING	DATE	THOBELA	VUNDLA	BADAT	BOQWANA	MYEZA	NGEMA	KGOKOLO	MWANZA	MPHAHLELE	TREMBATH	BURGER	KUBHEKA
Special Social and Ethics Committee	30.07.2018	✓	✓	✓	✓	✓	✓	-	✓	✓	-	-	-
	06.09.2018	X	X	✓	✓	✓	X	-	-	-	-	-	-
Business Research, Operations and Development Committee	24.05.2018	-	-	✓	-	✓	✓	✓	✓	-	-	-	-
	23.08.2018	-	-	✓	-	✓	✓	X	✓	-	-	-	-
Transformation, Investments and Projects Committee	23.05.2018	-	✓	-	-	✓	-	X	✓	-	-	-	-
	22.08.2018	-	✓	-	-	X	-	X	-	-	-	-	-
Special Transformation, Investments and Projects Committee	06.06.2018	-	✓	-	-	✓	-	✓	✓	-	-	-	-
	21.06.2018	-	✓	-	-	-	-	✓	✓	-	-	-	-
	24.08.2018	-	✓	-	-	✓	-	✓	✓	-	-	-	-
	06.09.2018	-	✓	✓	✓	✓	-	✓	-	-	-	-	-
Governance Committee	-												
AGM	-												

Meeting dates of directors and attendance: September 2018 – March 2019

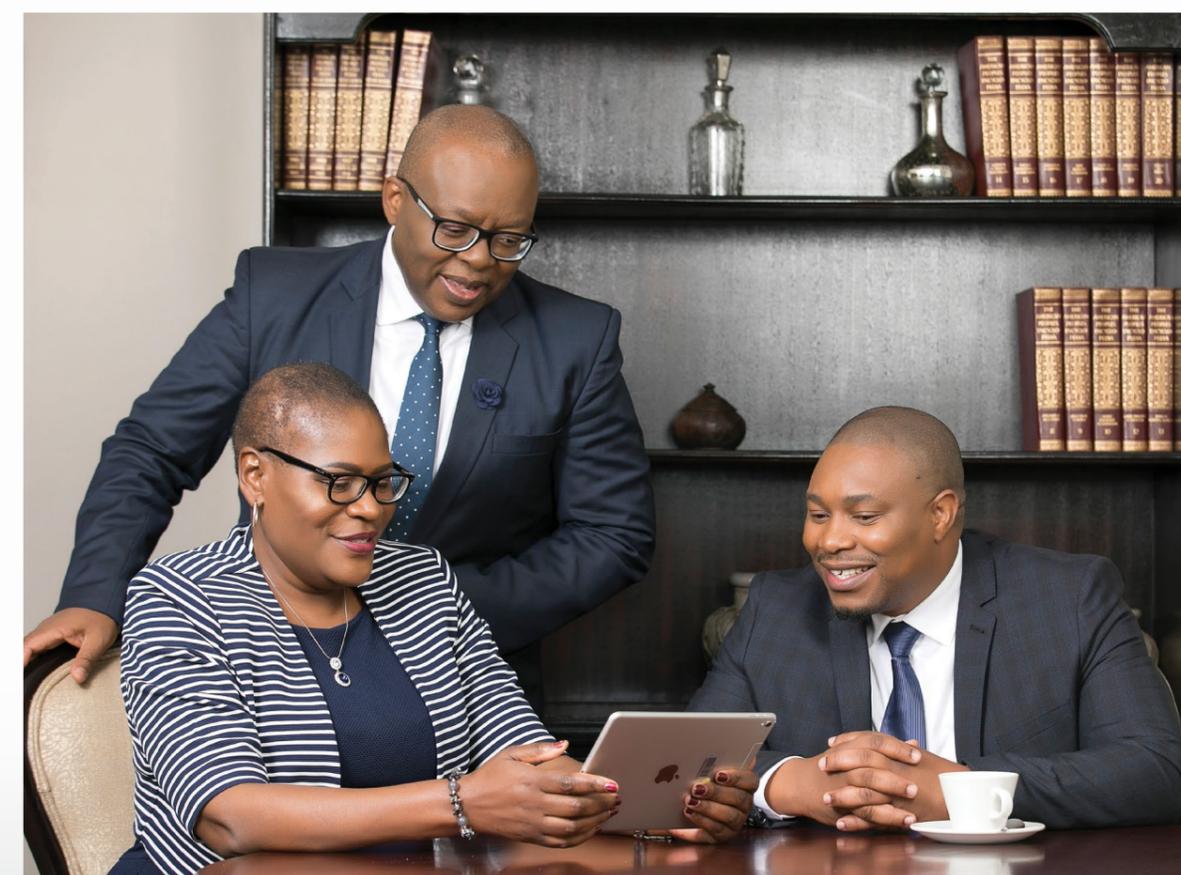
MEETING	DATE	THOBELA	VUNDLA	BADAT	BOQWANA	MYEZA	NGEMA	MWANZA	MPHAHLELE	KGOKOLO	TREMBATH	BURGER	KUBHEKA
Board meeting	15.02.2019	✓	✓	✓	✓	✓	✓	-	-	X	-	-	✓
Special Board meeting	15.10.2018	✓	✓	✓	X	✓	✓	-	-	✓	-	-	✓
	25.01.2019	✓	✓	✓	✓	✓	✓	-	-	✓	-	-	✓
Human Resource Committee	29.01.2019	X	-	-	✓	-	✓	-	-	✓	-	-	✓
Special Human Resource Committee	9.01.2019	✓	-	✓	✓	✓	✓	-	-	-	-	-	✓
	10.01.2019	✓	-	✓	✓	✓	✓	-	-	-	-	-	✓
	18.01.2019	✓	-	✓	✓	✓	✓	-	-	-	-	-	✓
Audit and Risk Committee	07.02.2019	-	X	✓	✓	✓	-	-	-	✓	-	-	-
Special Audit and Risk Committee	05.10.2018	-	✓	✓	✓	✓	-	-	-	✓	-	-	-
	23.11.2018	-	✓	✓	✓	✓	-	-	-	✓	-	-	-
	29.11.2018	X	✓	✓	✓	✓	✓	-	-	X	-	-	-
Social and Ethics Committee	21.11.2018	✓	-	✓	-	✓	✓	-	-	-	-	-	✓
	30.01.2019	✓	X	✓	✓	-	✓	-	-	-	-	-	✓
Business Research, Operations and Development Committee	23.11.2018	✓	-	X	-	✓	✓	-	-	X	-	-	-
	29.01.2019	✓	-	✓	-	✓	✓	-	-	✓	-	-	-
Transformation, Investments and Projects Committee	21.11.2018	-	✓	-	✓	-	-	-	-	✓	-	-	-
	30.01.2019	✓	✓	-	✓	✓	-	-	-	✓	-	-	-
Governance Committee	26.11.2018	✓	✓	✓	✓	✓	✓	-	-	X	-	-	-
	1.02.2019	✓	✓	✓	✓	✓	✓	-	-	✓	-	-	-
Board strategy session	4-5.12.2018	✓	✓	✓	✓	✓	✓	-	-	✓	-	-	-
	25.01.2019	✓	✓	✓	✓	✓	✓	-	-	✓	-	-	-
AGM	22.11.2018	✓	✓	✓	✓	✓	✓	-	-	✓	-	-	-

Departures of directors

DIRECTORS	CAPACITY	DATE OF DEPARTURE	REASON FOR DEPARTURE
Ms Esther Letlape	Non-Executive Director	10 May 2018	Resignation
Adv Edwin Mphahlele	Non-Executive Director (Chairman of the board)	8 August 2018	Membership terminated by Shareholder
Mr Daniel Mwanza	Non-Executive Director	31 August 2018	End of term

Departure of senior executives

EXECUTIVE	CAPACITY	DATE OF DEPARTURE	REASON FOR DEPARTURE
Mr Thabani Mthiyane	Chief Executive Officer	30 September 2018	End of Fixed Term Contract
Mr Solomon Mngomezulu	Company Secretary	13 May 2019	Employment relationship terminated



From left to right: Tendani Ndou (Principal: Aviation Training Academy), Thabani Myeza (Executive: Commercial Services) and Richard Madlala (Acting Chief Technology Officer)

EXECUTIVE COMMITTEE

Back row (from left to right): Thabani Myeza, Ayanda Manqele, Richard Madlala, Dr. Sandile Malinga, Thandeka Mdebuka, Hennie Marais, Dumisani Sangweni, Jeoffrey Matshoba.

Front row (from left to right): Lulekwa Ngcwabe, Matome Moholola, Lesego Mahamba, Thomas Kgokolo, Mbongeni Maqashelana, Tendani Ndou, Carol Thomas (absent).



Executive Committee

	AREAS OF EXPERTISE	ACADEMIC QUALIFICATION
 <p>THOMAS KGOKOLO Interim Chief Executive Officer (Executive director) Appointed: 1 October 2018</p>	<ul style="list-style-type: none"> • Finance • Auditing • Risk management • Investment management • Business valuations 	<ul style="list-style-type: none"> • CA(SA) • MBA (Gordon Institute of Business Sciences) • B Compt Honours (University of South Africa) • BCom Accounting Sciences (University of Pretoria)

 <p>AYANDA MANQELE Acting Company Secretary Appointed: 11 October 2017</p>	<ul style="list-style-type: none"> • Corporate governance • Litigation • Company law • Labour law • Corporate reporting 	<ul style="list-style-type: none"> • Bachelor of Arts in Law (UKZN) • Bachelor of Law LLB (UKZN) • Admitted Attorney (2011) • Professional Post-Graduate Qualification: Company Secretarial and Governance Practice (CSSA) Current
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 <p>MATOME MOHOLOLA Acting Chief Financial Officer Appointed: 1 October 2017</p>	<ul style="list-style-type: none"> • Financial management • Risk management • SCM • Corporate governance 	<ul style="list-style-type: none"> • CA(SA) • MBA (Georgetown University – USA and ESADE Business School – Spain) • MCOM Tax (University of Pretoria) • BCom (University of Venda) • BACC (University of Witwatersrand)
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	AREAS OF EXPERTISE	ACADEMIC QUALIFICATION
 <p>JEFFREY MATSHOBA Executive: Air Traffic Management/CNS Appointed: 1 February 2016</p>	<ul style="list-style-type: none"> • Air traffic management planning • CNS planning • Safety management system • Civil aviation regulations • Research, development and innovation management • Strategy planning 	<ul style="list-style-type: none"> • BCom (University of South Africa) • International Executive Development Programme (WITS and London Business School)

 <p>THANDEKA MDEBUKA Legal Counsel Appointed: 01 April 2018</p>	<ul style="list-style-type: none"> • Legal compliance • Advocacy • Contract negotiation and management • Litigation • Risk assessment 	<ul style="list-style-type: none"> • LLB (UKZN) • LLM – Mercantile Law (University of Pretoria) • Business Leadership Programme (GIBS) • Certificate in Contract Drafting (LSSA) • Certificates in Air Traffic Management and Air law(ICA0) • Admitted Attorney (2004)
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 <p>THABANI MYEZA Executive: Commercial Services Appointed: 1 April 2015</p>	<ul style="list-style-type: none"> • Commercial services and business development • New market strategies (locally and internationally) • Policy development and operational policy alignment • Regional business expansion 	<ul style="list-style-type: none"> • BCom Accounting (University of Zululand) • MBA General Management (Texas Southern University)
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Executive Committee continued

	AREAS OF EXPERTISE	ACADEMIC QUALIFICATION
 <p>TENDANI NDOU Principal: Aviation Training Academy Appointed: 1 June 2011</p>	<ul style="list-style-type: none"> • Risk, audit and compliance • Corporate governance • Accounting, finance and management • SCM • Aviation training management • Strategy and planning 	<ul style="list-style-type: none"> • Global Executive MBA (Georgetown, USA and Esade Business School, Spain) • BCom (Hons) Cost Management Accounting (University of Venda) • BCom Cost Management Accounting (University of Venda) • Higher Education Diploma (UNISA) • CIA and Certificate in Control Self-Assessment (CCSA) (Institute of Internal Auditors (IIA))

 <p>DUMISANI SANGWENI Executive: Strategy and Optimisation Appointed: 1 May 2010</p>	<ul style="list-style-type: none"> • Commerce and business analysis • Strategy and planning • Aviation operations management • Transport and airline logistics 	<ul style="list-style-type: none"> • BSc in Aviation Technology (Embry Riddle Aeronautical University, USA, 1991) • Postgraduate diploma: Transport Economics (Rand Afrikaans University, Johannesburg 1997) • Postgraduate diploma: Business Administration (PBL) (University of South Africa, 1999)
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 <p>DR. SANDILE MALINGA Chief Operations Officer Appointed: 1 September 2016</p>	<ul style="list-style-type: none"> • Aerospace technology and systems • CNS management • Research, development and innovation management • High-value project Implementation • Operations management • Strategy and planning 	<ul style="list-style-type: none"> • PhD in Physics (Rhodes University) • MBA (Business School, Netherlands)
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	AREAS OF EXPERTISE	ACADEMIC QUALIFICATION
 <p>HENNIE MARAIS Chief: Air Traffic Services Appointed: 1 March 2010</p>	<ul style="list-style-type: none"> • Aviation operations management • Training and mentoring • Governance, compliance and regulatory oversight • Safety management • Strategy and planning 	<ul style="list-style-type: none"> • Aerodrome, Approach an Area Procedural and Radar validations • Senior Management Programme (University of Stellenbosch)

 <p>LULEKWA NGCWABE Executive: Human Capital Appointed: 1 February 2019</p>	<ul style="list-style-type: none"> • Experienced HR executive who has worked in senior management roles in the public sector for over 10 years • General Manager: Corporate services Johannesburg Metrobus • Senior Executive Manager: Corporate Services at the Road Traffic Infringement Agency • Senior HR management roles at Eskom, the National Prosecuting Authority, Eastern Cape Parks Board and the Department of Sport, Arts and Culture • Member of the corporate committee of the Gauteng Gambling Board • Chaired the HR committee of the Road Traffic Infringement Agency 	<ul style="list-style-type: none"> • Bachelor of Administration degree • MBA • Postgraduate Diploma in Doctoral Studies • Strategic HR Leadership Programme in Business Leadership • Global Executive Development Programme
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 <p>LESEGO MAHAMBA Chief Audit Executive Appointed: 1 February 2018</p>	<ul style="list-style-type: none"> • Audit and risk management • Strategy and planning • Commerce and business analysis • Compliance 	<ul style="list-style-type: none"> • Chartered Accountant South Africa CA(SA) • MBA (University of Reading, UK, 2016) • B Compt Honours (University of South Africa) • BCom Accounting Sciences (University of Pretoria, 2005) • BCom Economics (University of Pretoria, 2004)
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Executive Committee continued

	AREAS OF EXPERTISE	ACADEMIC QUALIFICATION
 <p>MBONGENI MAQASHELANA Chief Risk Executive Appointed: 01 July 2018</p>	<ul style="list-style-type: none"> Safety management system ERM Quality management systems Corporate governance Management accounting Business continuity management Integrated management system 	<ul style="list-style-type: none"> National Diploma in Cost and Management Accounting from the Walter Sisulu University (1998) Certificate Programme in Risk Management (2010) from the University of South Africa BCOMPT Degree (2010) from the University of South Africa Post Graduate Diploma in Business Management and Administration (2017) University of Stellenbosch Final year MBA (2019) candidate with University of Stellenbosch
 <p>CAROL THOMAS Chief Information Officer Appointed: 1 October 2018</p>	<ul style="list-style-type: none"> ICT systems planning and implementation Cybersecurity IT governance Strategic planning 	<ul style="list-style-type: none"> MBA MIKM (Masters in Knowledge and Information Management), Cobit 5 Togaf8 certified
 <p>RICHARD MADLALA Acting Chief Technology Officer Appointed: 10 April 2019</p>	<ul style="list-style-type: none"> Electronic engineering Systems design and software development Project and programme management Systems engineering 	<ul style="list-style-type: none"> BSc. Engineering (Electronics) Certificate in Executive Leadership



How ATNS's control framework creates value

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COMPONENT	HOW IT CREATES VALUE FOR THE ORGANISATION
Internal audit	<ul style="list-style-type: none"> Supports the company by providing independent assurance over the adequacy and effectiveness of the governance, risk management and control environment, including other key controls as presented by management, and manages risks emanating from the top 10 strategic risks. Helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes to ensure that the following objectives are achieved: <ul style="list-style-type: none"> Risks are properly managed Policies, regulations and laws are complied with Data is accurate, timely, useful, reliable and relevant Operations are effective, efficient and add value.
Fraud prevention, detection and investigation	<ul style="list-style-type: none"> ATNS has a zero-tolerance approach to fraud and corruption. A fraud prevention plan is annually approved by the board and monitored throughout the year. ATNS's fraud and corruption methodology enables the company to identify and mitigate the occurrence of fraud and corruption through risk assessment and compliance checks. These are performed company-wide on an annual basis and help to identify potential high-risk areas of fraud and corruption. Most reported incidents of fraud activities as per the whistle blowing hotline and from line management are in the following areas: Financial control, SCM and human resources (i.e. procurement misconduct and recruitment process). Management have placed more controls to prevent, detect, and mitigate the fraud risk in these areas. ATNS's strategic imperatives represent the overarching themes of the fraud risk management plan in that they not only embrace the fraud risk management initiatives undertaken in previous years, but also emphasise the related root causes of fraud and corruption emanating from the areas of governance, people, methods and practices. Fraud and corruption awareness education encompasses formal training annually with all employees, including both bargaining and non-bargaining council employees. ATNS's anonymous whistle blowing hotline is in place for the reporting of suspected fraudulent or unethical behaviour via an outsourced toll-free hotline. Reports are relayed to the Chief Audit Executive, CEO, as well as to the chairman of the Audit and Risk Committee. Staff awareness of this facility is promoted through posters, the intranet and the training programme undertaken to all staff. The hotline is available 24 hours a day, seven days a week and call centre agents can converse in all official languages.
Technology and information management governance	<ul style="list-style-type: none"> The company has developed a comprehensive list of IT risks that are linked to the organisation's objectives The top five IT risks include: <ul style="list-style-type: none"> Cyber security threats Inadequately managed information and business intelligence Unauthorised access to operational and back-office systems Lack of security on IT assets Inappropriate IT assets disposal Each risk has a list of mitigation actions to improve the management thereof. These actions are monitored regularly and reviewed in joint sittings between the IT and the risk management departments

COMPONENT	HOW IT CREATES VALUE FOR THE ORGANISATION
Technology and information management governance continued	<ul style="list-style-type: none"> The company is in the process of finalising our control self-assessment framework in line with recommendations of the external auditors The framework will assist the IT department to: <ul style="list-style-type: none"> » Conduct an assessment of risks and controls » Develop recommendations for improvement » Enhance the department's ability to achieve its objectives » Improve communication within the team » Improve the efficiency and effectiveness of IT operations.
Regulatory compliance	<ul style="list-style-type: none"> To uphold the status of ATNS, we must comply with the Permission process as envisaged in the company's founding legislation (Air Traffic and Navigation Services Company Act No. 45 of 1993). ATNS established a Permission Planning Committee as a permanent subcommittee of the Executive Committee, with the express purpose of facilitating compliance with the Permission planning process, including the Permission application as mandated by the Regulating Committee. This process is valuable for the financial sustainability of the business, as it provides the tariffs for the regulated business. ATNS has formulated a regulatory universe as a guide to regulations/legislation applicable to its business. The compliance function assists business in ensuring compliance by ensuring prioritisation of the voluminous regulatory/legislative framework that ATNS must comply with. The risk rating methodology assists in identifying areas of non-compliance where after controls are developed and continuously monitored. Compliance with relevant legislation and regulations protects the business from financial losses and reputational damage among other risks that may emerge through regulatory/legislative non-compliance.
Enterprise risk management (ERM)	<ul style="list-style-type: none"> ERM aims to achieve an appropriate balance between opportunities realised for gain, while minimising adverse impact. To achieve best-practice levels, ATNS considers the requirements of the guidelines of King IV™, and ISO 31000:2009 Risk Management Standard. The strategic risk profile is based on the six strategic imperatives of ATNS. The strategic risks of ATNS are reassessed on an annual basis by considering basic available information, and research in both the internal and external environment of the entity. The risks are identified, evaluated and assessed on an inherent risk basis; prior existing controls are considered. The control effectiveness of the risk is rated by the ATNS executive team on a rating scale varying from weak to very good. This results in a calculated residual risk rating per risk identified. Therefore, mitigation strategies are developed to mitigate the risks based on their level of priority ranking at a given time. To ensure continuous improvement in the risk management process, risk ownership has been enhanced by senior management team by formally appointing departmental and risk champions to embed risk management within their area of operations. Formal risk management training is conducted for all risk champions to build capacity within the risk department. This enhances risk advisory at an operational and departmental level.



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Remuneration

The Human Resource Committee recommends annual remuneration for both executives and general employees, and considers associated performance measures and benefits when assessing remuneration. SOCs require people with exceptional competencies and experience to provide strategic leadership, as well as strengthen opportunities for direct and indirect employment for thousands of people. They are also responsible for generating returns on investor funding and have the added responsibility of managing strategic national resources.



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ATNS views remuneration as not only a human resource issue, but a business issue. The organisation's remuneration directive has a direct impact on operational expenditure and profitability, company culture, employee behaviour and ultimately on the organisation's ongoing sustainability.

Remuneration philosophy

Remuneration is not a stand-alone management process, it is fully integrated into other ATNS management processes. Our remuneration philosophy supports value-based management and aligns with the strategic direction and specific value drivers of the landscape within which we operate. Remuneration plays a critical role in attracting and retaining high performing individuals. Remuneration also reinforces, encourages and promotes superior performance.

Benchmarking and position in the market

ATNS performs regular remuneration benchmarks to ensure we remain market-aligned and competitive. While the company's defined position is the midpoint of the market, in line with our business strategy, employees with key skills are paid between the midpoint and the maximum pay scale.

The benchmarking of executive positions in the South African labour market faces many challenges in making logical and fair comparisons between different jobs. Executive positions are benchmarked annually by an independent survey house, using a top executive survey. This benchmark informs the organisation of

the market-related salaries of executive management within the South African labour market.

Components of remuneration

Total remuneration consists of guaranteed pay, variable pay, plus short-term incentives.

Guaranteed pay

ATNS remunerates using the cost to company method of payment, which includes both a cash component plus employee benefits. The company provides employees with contractually agreed basic benefits such as medical aid and retirement fund benefits, which include a pension fund and associated benefits, such as disability and life insurance. Employees, including the executive management, are afforded the opportunity to structure remuneration packages according to individual needs within prescribed legal parameters. To encourage a high-performance culture, the determination of annual salary adjustments is based only on performance. Employees are evaluated against annually set routine objectives, which encompass the scope and nature of the role and job content. The option of a 13th cheque payable in December has been introduced for interested employees.

Retirement benefit

A retirement fund is a fixed component of an employee's guaranteed pay. All our permanent employees are members of ATNS's retirement fund. The fund is a defined contribution fund and is governed by the Pension Funds Act of 1956, which requires an actuarial valuation to be carried out every three years. The company does not provide any post-retirement benefits to employees and has no exposure to post-retirement benefit obligations.

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

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

Healthcare Benefit

Healthcare membership is a condition of service for all permanent ATNS employees, and is a fixed component of the employee's guaranteed pay. ATNS currently contracts to a single healthcare service provider for all employees, which ensures favourable underwriting conditions for employees to join and remain members of the scheme.

Variable pay

Variable pay includes all allowances ATNS may offer to employees from time to time. For the executive management, it includes any acting allowances for acting in another role as duly authorised and approved, and a principal officer allowance for occupying the role of the principal officer on the pension fund. Variable pay for mission-critical positions includes variable allowances for the attraction and retention of key skills and experience.

Short-term performance incentive bonus

Performance incentive bonuses are based on:

- The overall performance results of ATNS for the financial year, with a link to the key performance indicators set for the organisation at the beginning of the financial year.
- The performance of the department
- The employee's performance against balanced scorecard objectives.

The company applies a five-point rating scale to measure an employee's performance against balanced scorecard objectives. Performance incentive bonuses are awarded to employees based on the following categories:

- Meeting expectations
- Exceeding expectations
- Significantly exceeding expectations.

Executive remuneration

Executive remuneration is aligned to ATNS's remuneration policy to ensure fairness and consistency across the organisation. Benchmarking of executive positions in the South African labour market faces many challenges in making logical and fair comparisons between different jobs. Executive positions are benchmarked annually via a top executive survey administered by an external survey house. This benchmark informs projected salary movement in the market.

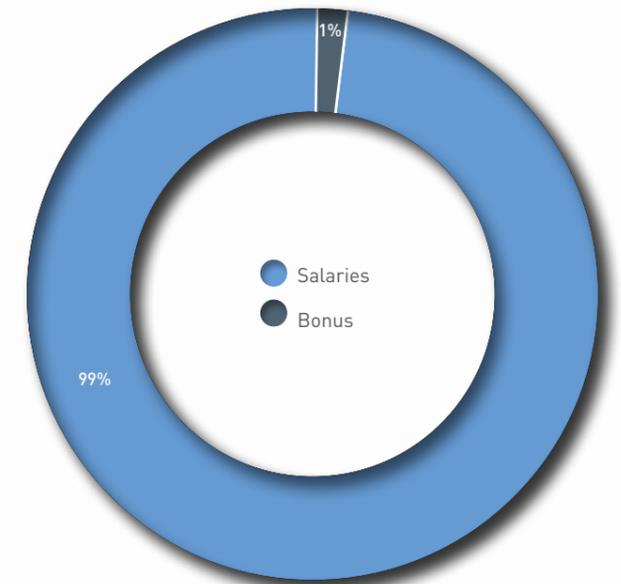
Executive management have the opportunity to structure their remuneration packages according to individual needs and within prescribed legal parameters. To encourage a high-performance culture, the determination of annual salary adjustments is based only on performance. Executives are evaluated each year against annually set objectives, which encompass the scope and nature of their role and responsibilities.



EXECUTIVE REMUNERATION 2017/18



EXECUTIVE REMUNERATION 2018/19



Non-executive director remuneration 2018/19

Non-executive directors fees for services provided by the board and board of committees are determined by the DOT. Consolidated non-executive remuneration is included on page 68 of the 2019 financial report.

Salaries and related costs

The graph on the next page provides a summary of ATNS's cost of employment for the year. Salary increases were aligned to average CPI as published by Statistics South Africa annually, and all remuneration policies and procedures are fully compliant with relevant legislation. Payroll is audited annually by both internal and external auditors, and any discrepancies identified are addressed.

Where applicable, remuneration policies and procedures adhere to the collective substantive salary agreement entered into between ATNS and the recognised trade union, Solidarity. This four-year agreement ended on 31 March 2019, and subsequent agreements are being finalised in the different bargaining units, with South African Transport and Allied Workers Union and Solidarity being the recognised trade unions.

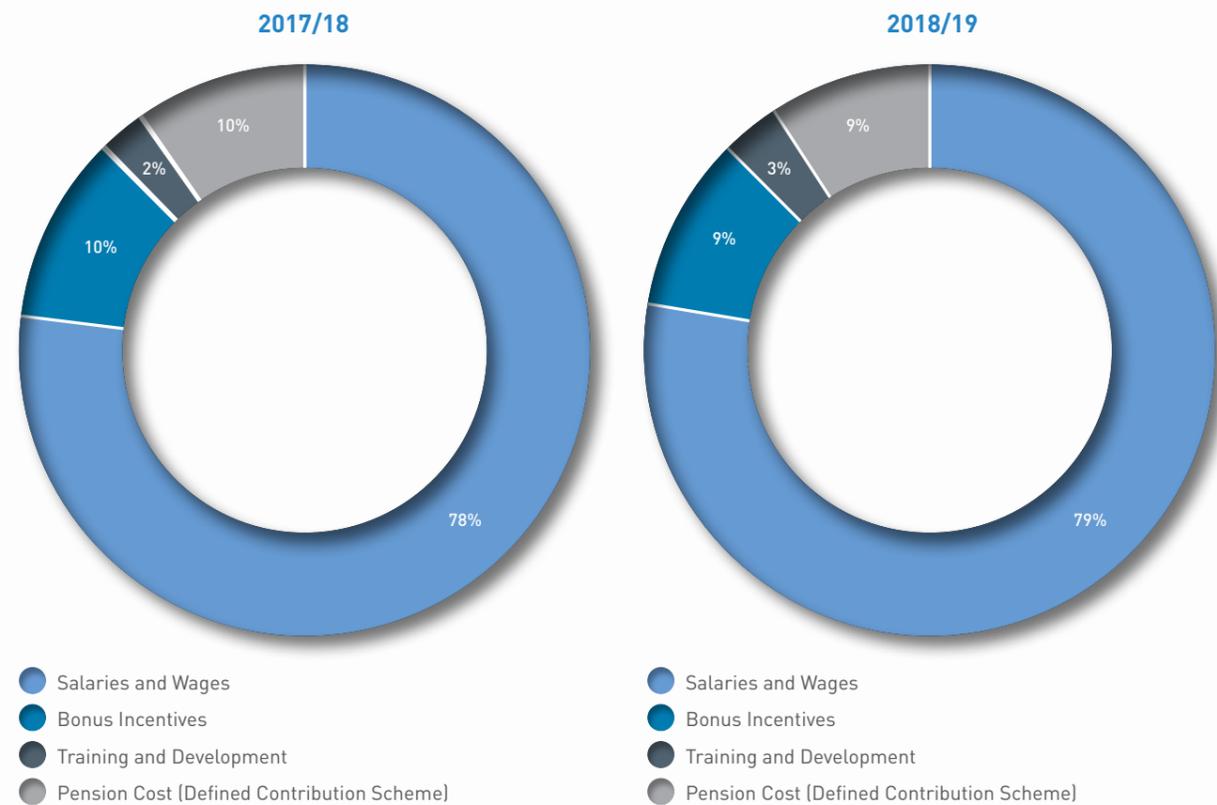
In line with ATNS's philosophy of continuous improvement, the current remuneration philosophy is being reviewed and benchmarked against global best practice to ensure industry relevance. The completion of this project will result in an improved, globally acceptable remuneration policy and practice. Salary negotiations will commence.

Executive remuneration 2018/19

	2017/18 ACTUAL	2018/19 ACTUAL
Salaries	R28,831,697	R32,169,809
Bonus*	R5,172,286	R439,129

* For the year under review there were no incentive bonus payments to executives. However, incentive bonus was paid out in respect of the employee performance as senior manager and not executive manager.

Total cost of employees



COMPARISON OF EMPLOYEE REMUNERATION

	SALARIES AND WAGES	BONUS INCENTIVES	TRAINING AND DEVELOPMENT	PENSION COST (DEFINED CONTRIBUTION SCHEME)
2017/18	R583,259,926	R73,382,720	R15,097,165	R71,175,100
2018/19	R631,458,555	R73,670,324	R21,487,414	R76,584,972

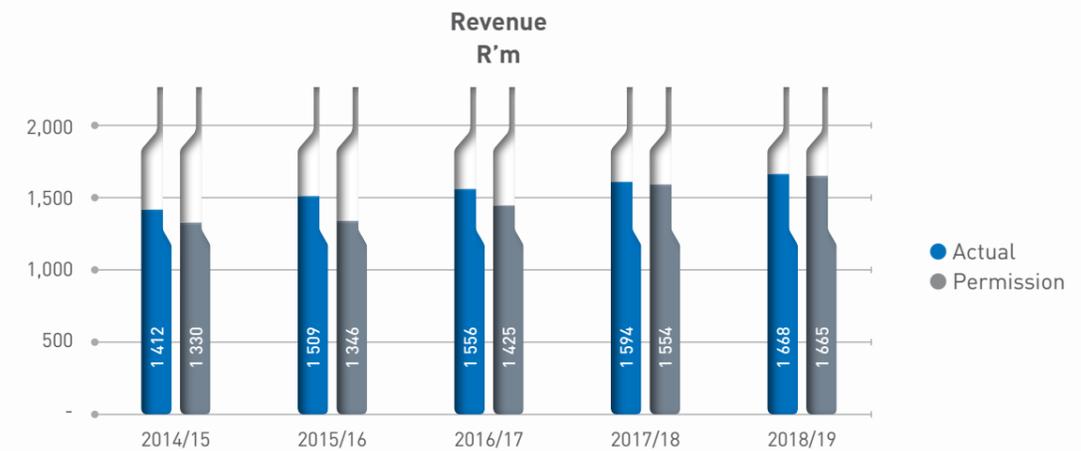
Consolidated five-year review

This section reviews our financial performance for the regulated business over a five-year period, commencing in the 2014/15 financial year and culminating in 2018/19.

ATNS's operations are funded from revenue and debt from external markets. Revenue is used to fund operating costs, while debt funds capital expenditure. A debt/equity ratio of 0.3% is the maximum target to maintain a balance between external and internal funding.

The year-on-year performance of revenue, operating costs, staff costs and capital expenditure compared to the Permission is outlined below:

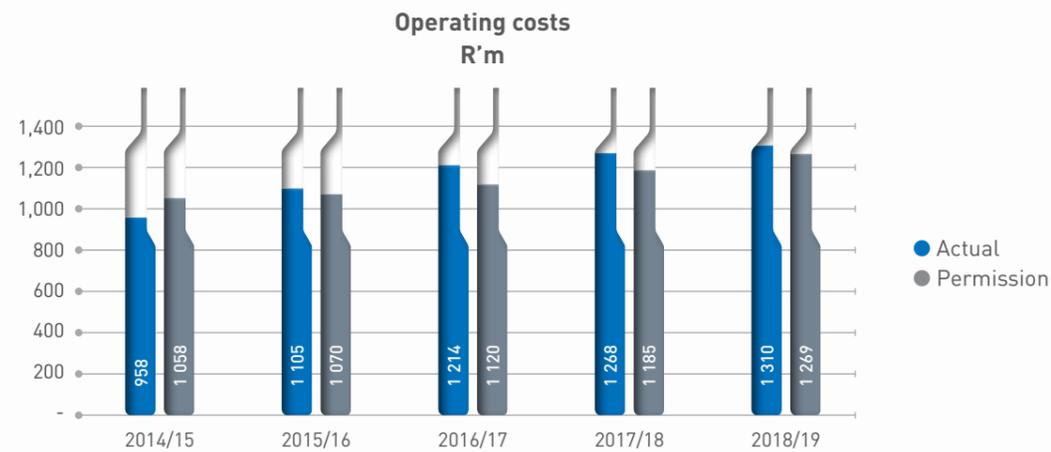
OVERVIEW OF PERFORMANCE OF PERMISSION AGAINST ACTUAL REVENUE FOR THE FIVE-YEAR PERIOD 2014/15 TO 2018/19



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

Due to previous Permission cycle over-recoveries (less asset capitalisation), the Regulating Committee levied a claw-back of R183 million, resulting in the tariff adjustment increasing by 7.5% (2019), 0.5% (2020), 5.0% (2021), 0.6% (2022) and 2.1% (2023) respectively. However, in line with the applicable Act, ATNS is reviewing the Permission to levy Air Traffic Service Charges awarded by the Regulator on 6 August 2018 for the period 2018/19 to 2022/23.

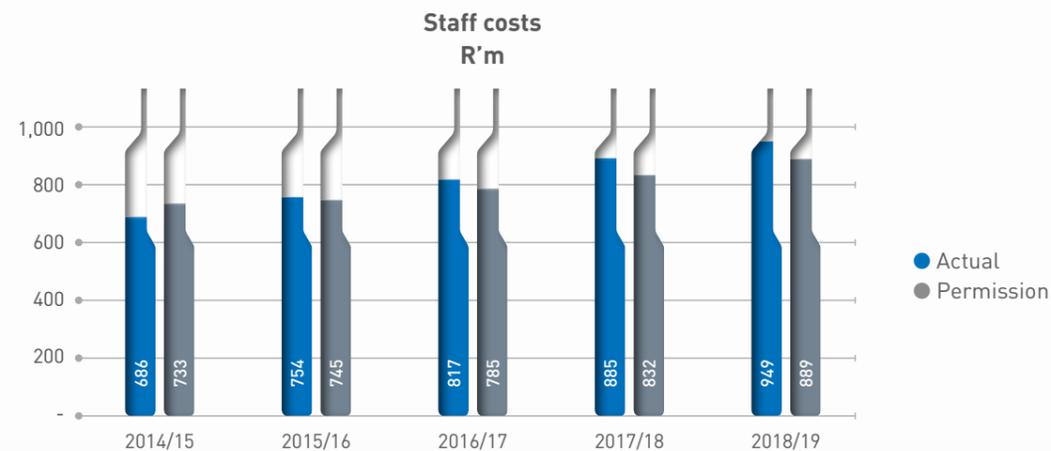
OVERVIEW OF OPERATING COSTS FOR FIVE-YEAR PERIOD 2014/15 TO 2018/19



The actual compound annual growth rate (CAGR) on operating costs from 2014/15 to 2018/19 was slightly above the expected 3.70% at 6.46%. Operational costs remained high at around 76% of revenue and this is expected to continue into the future. A significant portion of this relates to staff costs at 70% of the total operational expenditure, while around 7% of operating costs have a foreign currency component. The latter exposes the company to foreign exchange fluctuations risk. Different options to counter this risk exposure have been considered, including obtaining foreign exchange contracts to cover material exposure.

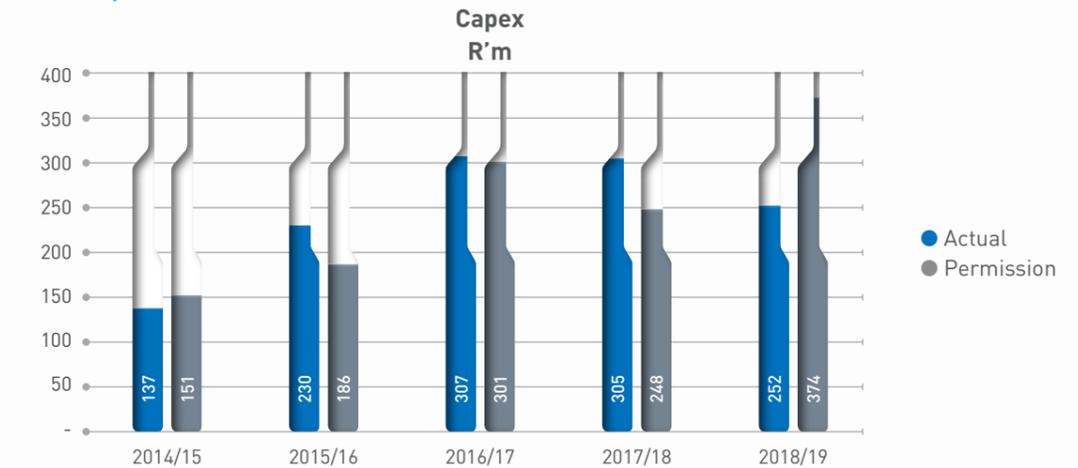
With ATNS competing globally to attract and retain critical ATM skills, it often pays a premium for employees due to the scarcity of their skills in the market and their value to the business. During the year under review, operating costs increased to R1,3 billion, which includes ATNS's staff cost of R949 million (2018: R885 million).

OVERVIEW OF STAFF COSTS FOR FIVE-YEAR PERIOD 2014/15 TO 2018/19

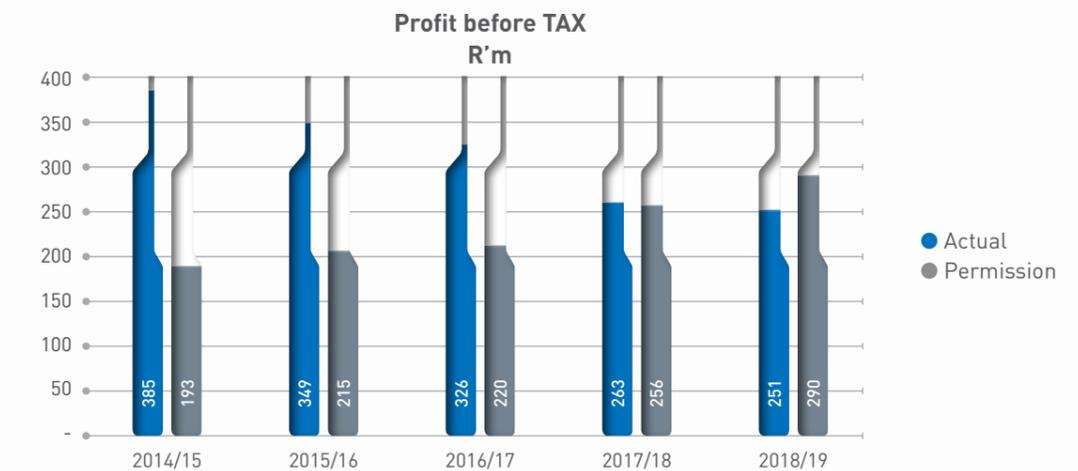


Approximately 43% of staff costs are for air traffic control related services. The company competes with international peers for air traffic controllers, resulting in benchmarked salaries offered to attract and retain these skills.

OVERVIEW OF CAPEX (BASED ON THE CASHFLOW) PERFORMANCE FOR FIVE-YEAR PERIOD 2014/15 TO 2018/19



PROFIT BEFORE TAX FOR FIVE-YEAR PERIOD 2014/15 TO 2018/19



As stated previously, actual CAGR on operating costs for the five-year period was slightly below the expected 3.70% at 6.46%. Operational costs remained high, at around 76% of revenue and this is expected to continue into the future.

The changes in operational costs impacted on the profit before taxation, with the highest impact being experienced in the 2018/19 financial period. The variance between actual and Permission is primarily due to, among others, salaries and related costs being higher than the Permission by R60 million due to changes that were made in the structure post permission application. The overspend was not anticipated at the time of Permission.

List of abbreviations

4D 4 Dimensional	APP Approach Control	CNS Communication, Navigation and Surveillance	GBAS Ground-Based Augmentation System	ML Machine learning	SADC Southern African Development Community
AASA Airlines Association of Southern Africa	APP Annual Performance Plan	CONOPS Concepts of Operations	GEDP Graduate Engineering Development Programme	MOI Memorandum of Incorporation	SBAS Satellite-based Augmentation Systems
A-CAD African Centralised Aeronautical Database	APV Approach with Vertical guidance	CPI Consumer Price Index	GHG Greenhouse Gas	MTEF Medium-Term Expenditure Framework	SCIP Safety Culture Improvement Programme
A-CDM Airport Collaborative Decision Making	ARC Audit and Risk Committee	CRMP Compliance Risk Management Plan	GRI Global Reporting Index	MTSF Medium-Term Strategic Framework	SCM Supply Chain Management
ACC Area Control Centre	ASBU Aviation System Block Upgrades	CSI Corporate Social Investment	GDP Gross Domestic Product	NAFISAT North Eastern African-Indian Ocean VSAT Network	SDGs United Nations Sustainable Development Goals
ACSA Airports Company of South Africa	ASECNA Agency for Aerial Navigation Safety in Africa and Madagascar	CSIR Council for Scientific and Industrial Research	Grand Central Airport Gross Domestic Product	NAMP National Airspace Master Plan	SEC Social and Ethics Committee
ADKAR Awareness Desire Knowledge Ability Reinforcement	A-SMGCS Advanced Surface Movement Guidance & Control System	DBE Department of Basic Education	GNSS Global Navigation Satellite System	NAVAIDs Navigational aids	SID Standard Instrument Departure
ADS-B Automatic Dependent Surveillance-Broadcast	ATA Aviation Training Academy	DMAN Departure Manager	HF High Frequency	NDP 2030 National Development Plan 2030	SLA Service Level Agreement
AFCAC African Civil Aviation Commission	ATC Air Traffic Controller	DME Distance Measuring Equipment	HRC Human Resource Committee	NEMA National Environmental Management Act	SMMEs Small, Medium and Micro Enterprises
AFI African Indian Ocean	ATCOs Air Traffic Control Officers	DoT Department of Transport	IATA International Air Transport Association	NOTAMS Notice to Airmen Service	SMS Safety Management System
AFIS Aerodrome Flight Information Service	ATFM Air Traffic Flow Management	DTI Department of Trade and Industry	ICAQ International Civil Aviation Organisation	OEM Original Equipment Manufacturers	SOC State-Owned Company
AFISNET African Indian Ocean Satellite Network	ATM Air traffic management	ED Enterprise Development	IFR Instrument Flight Rules	PBN Performance Based Navigation	SONA State of the Nation Address
AFS Annual Financial Statements	ATS Air Traffic Services	EE Employment Equity	IFRS International Financial Reporting Standards	PBCS Performance Based Communication and Surveillance	STAP Safety Turn-Around Plan
AFTN Aeronautical Fixed Telecommunications Network	ATSEP Air Traffic Safety Electronics Personnel	EFS Electronic Flight Strips	IIRC International Integrated Reporting Council	PFMA Public Finance Management Act, Act, No. 1 of 1999	STAR Standard Terminal Arrival Routes
AGM Annual General Meeting	BARSA Board of Directors of Airline Representatives of South Africa	EMS Environmental Management System	ILS Instrument Landing System	PPMO Portfolio Programme Management Office	STEM Science, Technology, Engineering and Maths
AI Artificial intelligence	BBBEE Broad-Based Black Economic Empowerment	ENAC Ecole Nationale de l'Aviation Civile	INSPIRE Indian Ocean Strategic Partnership to Reduce Emissions	RATS CONOPS Remote Air Traffic Service Concept of Operations	SWIM System Wide Information Management
AIC African, Indian, and Coloured	CAEP Committee Aviation Environmental Protection	ERM Enterprise Risk Management	IoDSA Institute of Directors South Africa	R&D Research and Development	TIPC Transformation, Investment and Projects Committee
AIM Aeronautical Information Management	CANSO Civil Air Navigation Services Organisation	ERP Enterprise Resource Planning	IPAP Industrial Policy Action Plan	RNAV Required Navigation	TS Technical Support
AIS Aeronautical Information Service	CAPEX Capital Expenditure	ETS Engineering and Technical Services	IT Information Technology	RNP Required Navigational Performance	TWR Tower Control
AMAN Arrival Manager	CAGR Compound Annual Growth Rate	FACT Cape Town Int. Airport	ITC Information and Communication Technology	ROCE Return on Capital Employed	VHF Very High Frequency
AMHS Aeronautical Message Handling Services	CCO Continuous Climb Operations	FALE King Shaka Int. Airport	KPA Key Performance Areas	RSI Risk Safety Index	VOR Very High Frequency Omni Directional Range
ANSP Air Navigation Service Provider	CEO Chief Executive Officer	FAOR OR Tambo Int. Airport	KPI Key Performance Indicator	RVSM Reduced Vertical Separation Minima	VSAT Very Small Aperture Terminal
APCH Navigation Applications during Approach Phase	CDO Continuous Descent Operations	FARB Richards Bay Airport	LAAS Local Area Augmentation System	SAATM Single African Air Transport Market	WITS University of the Witwatersrand
	CFO Chief Financial Officer	GANP Global Air Navigation Plan	LCC Low-Cost Carriers		

Company information

ATNS Head Office

Postal address

Private bag X15
Kempton Park
1620

Street address

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

Contact details

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

Southern Region

Postal Address

Private bag X17
Cape Town International Airport
7525

Air Traffic Management

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

Technical services

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

Northern Region

Postal address

Johannesburg International Airport
Private bag X1
Bonaero Park
1622

Air Traffic Management

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

Technical services

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

Aviation Training Academy

Postal address

Private bag X1
Bonaero Park
1622

Contact details

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

Bankers

RMB

Contact: Rakesh Singh
Tel: +27 11 282 1421
Cell: +27 83 272 4700

Street address

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

Auditors

Nexia SAB&T Auditors

Street address

119 Witch-Hazel Avenue,
Centurion
Techno Park
Pretoria
0157

Contact details

Tel: +27 12 682 8800



ATNS head office

Telephone: +27 11 607 1000

Fax: +27 11 607 1570

www.atns.com

Physical address

Eastgate Office Park

Block C

South Boulevard Road

Bruma

Postal address

Private Bag X15

Kempton Park 1620

Gauteng