



AIRPORTS COMPANY
SOUTH AFRICA



INTEGRATED **REPORT** **2018**

RUN AIRPORTS
DEVELOP AIRPORTS
GROW OUR FOOTPRINT












Abbreviation	Definition
ACI	Airports Council International
ACSA	Airports Company South Africa SOC Ltd
AGM	Annual general meeting
AMC	Airport management centre
AMSIS	Airport Management Share Incentive Scheme
APEX	Airport excellence in safety
ASQ	Airport Service Quality
ATM	Air traffic movements
B-BBEE	Broad-based black economic empowerment
BFN	Bram Fischer International Airport
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
Companies Act	Companies Act, No. 71 of 2008
COO	Chief Operating Officer
CPG	Contract participation goal
CPI	Consumer price index
CSI	Corporate social investment
CSIA	Chhatrapati Shivaji International Airport
CTIA	Cape Town International Airport
DFI	Development Finance Institution
DoT	Department of Transport
EAP	Economically active population
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Environmental impact assessment
ELS	East London Airport
EMS	Environmental management system
ESAT	Employee satisfaction survey
ESD	Enterprise supplier development
GDP	Gross domestic product
GHG	Greenhouse gas
GRU	Guarulhos International Airport
GruPar	Guarulhos Participações S.A
Ha	Hectares
ICAO	International Civil Aviation Organisation
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council

ISO	International Standards Organisation
IT	Information technology
KIM	Kimberley Airport
King IV	King Code of Governance for South Africa 2016™
KPI	Key performance indicator
KSIA	King Shaka International Airport
LMJVC	La Mercy Joint Venture Company
LTI	Long-term incentive
MAP	Million annual passengers
MOI	Memorandum of incorporation
MOU	Memorandum of understanding
MIAL	Mumbai International Airport Private Limited
NTM	National Transport Movement
NBAC	National bid adjudication committee
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers Union
NUMSA	National Union of Metalworkers of South Africa
ORTIA	O.R. Tambo International Airport
PFMA	Public Finance Management Act, No. 1 of 1999
PIC	Public Investment Corporation
PLZ	Port Elizabeth International Airport
(Pty) Ltd	Proprietary Limited
ROE	Return on equity
ROCE	Return on capital employed
SAIBPP	South African Institute of Black Property Practitioners
SAFA	South African Football Association
SANS	South African National Standards
SAATM	Single African Air Transport Market
SEE	Social Economic and Environment
SCM	Supply chain management
SED	Socio-economic development
SMEs	Small and medium-sized enterprises
SOC	State-owned company
SPE	Special purpose entity
STI	Short-term incentive
TAAG	TAAG Angola Airlines (National Airline of Angola)
TMPS	Total measurable procurement spend
UTN	Upington International Airport

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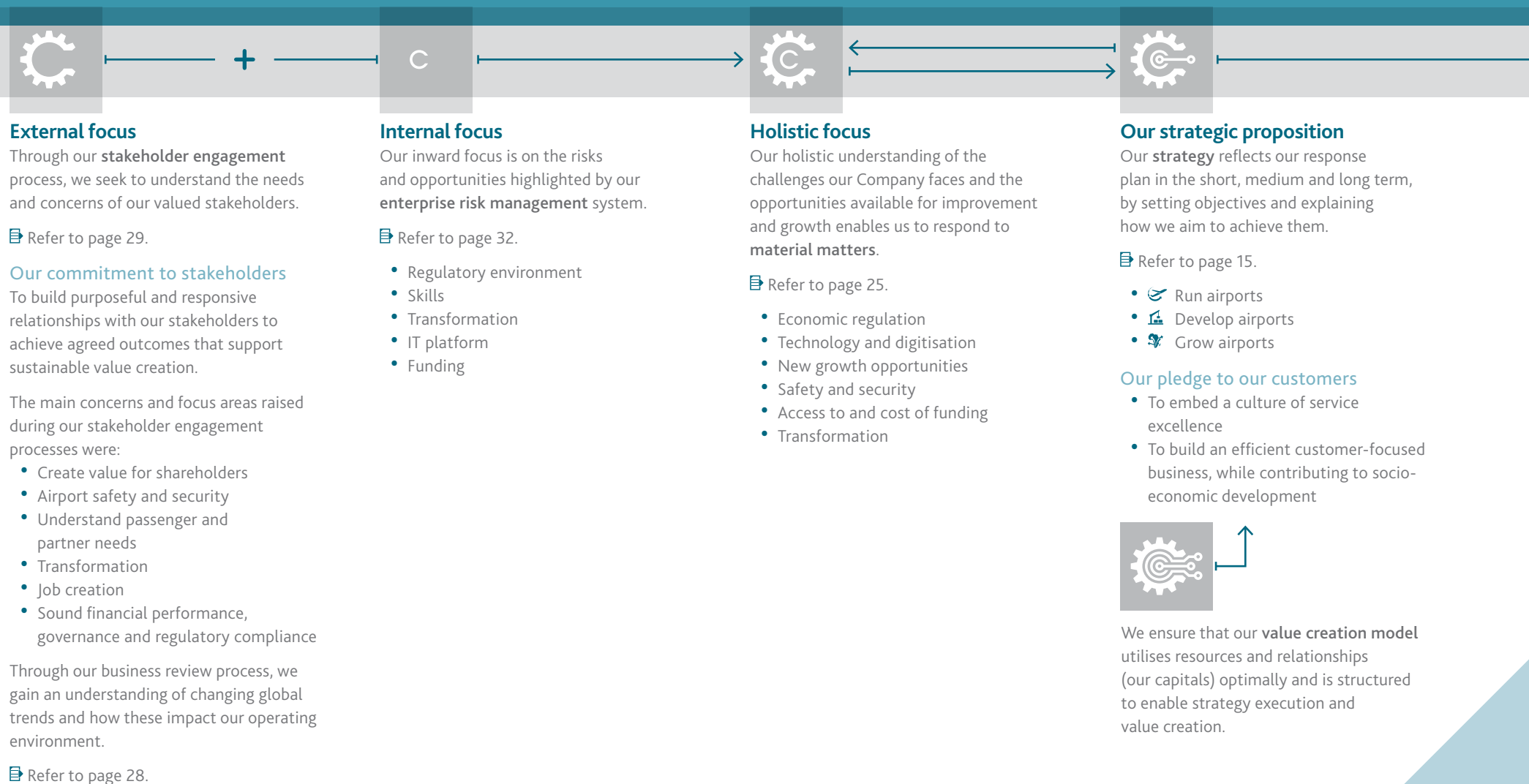
REFERENCE INFORMATION

	Run airports
	Develop airports
	Grow our footprint
	Our business
	Our people and society
	Our environment
	Online information
	Page reference
	Consolidated annual financial statements
	Assured by independent external auditor
	Assured by internal audit team

HOW WE INTEGRATE

Airports Company South Africa SOC Ltd (the Company) owns and manages nine South African airports. The Company is involved in equity investments abroad and provides technical advisory and consultancy services to other airports globally. Our majority shareholder is the South African Government (74.6%). In line with the government's objectives, we focus on creating sustainable value that positively impacts our business, our people and society, and our environment over the short, medium and long term. We do this by managing the Company in an integrated manner. The diagram below illustrates how these processes inform our integrated thinking and our approach to reporting.

Appropriate governance controls and oversight are in place throughout the Company to ensure effective control, and a strong sense of ethics and legitimacy, which is reflected in good performance. Refer to page 94





Performance against strategy

To reflect on the extent to which we have succeeded in delivering against our strategy, we provide performance feedback in the following sections of our report:

- Message from the Acting Chairman on page 42
- Message from the Chief Executive Officer on page 46
- Performance review on page 62
- Message from the Acting Chief Financial Officer on page 54

In these chapters, we also provide an outlook for expected future performance.



Remuneration

We **remunerate** our people based on performance. This promotes the successful execution of our strategy.

Refer to page 113.

“Embedded in our strategy is our active contribution to the evolution of South Africa’s democracy and the empowerment of our country’s people.”

Deon Botha
Acting Chairman

Refer to message on page 42.




ABOUT OUR INTEGRATED REPORT

OUR REPORTING PHILOSOPHY

We continuously strive to improve our reporting elements through disclosure and alignment to relevant reporting frameworks and best practice. The Company seeks to provide investors and other stakeholders with relevant and material information about performance and our future prospects.


OUR REPORTING SUITE

The documents in the table below, including a digital version of the integrated report, can be found at www.airports.co.za or by scanning this QR code. 




Our integrated reporting process has matured over the past five years to include quarterly integrated reports presented to the board by our Chief Executive Officer. This embeds the process of managing, measuring and reporting on our business, our people and society, and our environment, in line with our Sustainability Framework.

This integrated report (our primary report)

Purpose and framework	Scope and boundary	Assurance
<p>A report to providers of financial capital and other stakeholders stipulating a long, medium and short-term view of value creation.</p> <p>The report was developed using the following frameworks and standards:</p> <ul style="list-style-type: none"> • IIRC's International Integrated Reporting <IR> Framework • IFRS • Companies Act • PFMA • King IV • ISO/SANS 31000 	<p>The report contains material information on Company performance across all areas of operation for the financial year 1 April 2017 to 31 March 2018 (the financial year).</p> <p>Our materiality determination process is defined on page 24 </p> <p>We disclose relevant internal and external factors that substantially influence our business where applicable.</p> <p>There were no restatements to comparatives unless otherwise stated.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> • Management and governance oversight. • The strategic objectives were internally and externally assured, and audited by the Auditor-General of South Africa as per the Public Audit Act of South Africa, No. 25 of 2004. • The National Treasury's Framework for Managing Programme Performance Information confirms that performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time bound and relevant. We considered these elements in finalising the information presented in this integrated report. The external audit opinion on the consolidated annual financial statements 2018 includes a summary of the work performed against our strategic objectives.

Supplementary reports

Consolidated annual financial statements

Purpose and framework	Scope and boundary	Assurance
<p>Reports on the current and prior year financial results and contains:</p> <ul style="list-style-type: none"> Report of the audit and risk committee Directors' responsibilities and approval Company Secretary's certification Report of the Auditor-General to Parliament Directors' report Consolidated annual financial statements <p>The report was developed using the following frameworks and standards:</p> <ul style="list-style-type: none"> IFRS Companies Act PFMA 	<p>Consolidated financial results for the Company and all subsidiaries for the financial year ending 31 March 2018. The financial reporting boundary was determined in accordance with IFRS. Refer to the legal structure on page 10. </p>	<ul style="list-style-type: none"> Internal controls Management and governance oversight Internal audit External audit opinion

Results presentation¹

Provides investors with a high-level summary of:

- Operational performance
- Financial performance
- Short, medium and long-term strategy

Value creation model¹

Additional information on the value creation model.

Board and executive curricula vitae¹

A comprehensive overview of the skills and competencies of our board and Executive Committee members.

¹ These supplementary reports were not developed using any specific framework or standard and were subject to management oversight and internal control to ensure integrity of information.

FEEDBACK

If you wish to contribute to the improvement of our integrated report through comments, or if you have any queries, email Refentse Shinnars, our Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.

All reports in the table above, including a digital version of the integrated report, can be found at www.airports.co.za.

FORWARD LOOKING STATEMENTS

The forward-looking statements contained in this report, or oral statements that may be made by us or by officers, Directors, prescribed officers or employees acting on our behalf, constitute, or are based on, various or certain assumptions which might change or be subject to revision. These statements involve risk and uncertainty, as they relate to events and circumstances that may or may not occur. Factors that could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to: global and domestic economic conditions; the nature of the aviation sector and specifically the performance of airline operators; changes in passenger profiles and choices; retail offerings; interest rates; credit and the associated risks of borrowing and funding; rating agencies' outcomes; gross and operating margins; capital management; and competitive and economic regulatory factors. Airports Company South Africa does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Company's external auditor.

BOARD APPROVAL

The board acknowledges responsibility for overseeing the integrity and completeness of this integrated report and exercises this responsibility with the support of various sub-committees. The board approved the reporting frameworks and materiality determination process applied the report. The board confirms that, after applying its collective mind to the preparation and presentation of the report and reviewing the content herein, it considers this report to be accurate, reliable and complete in presenting information and material matters. The board concludes that this report is presented per the <IR> Framework and approved the 2018 integrated report on 30 July 2018.



Deon Botha
Acting Chairman



Bongani Maseko
Chief Executive Officer



Dirk Kunz
Acting Chief Financial Officer

COMPANY OVERVIEW





“In July 2018, we celebrate the 25-year anniversary of Airports Company South Africa as a leading provider of airport services”

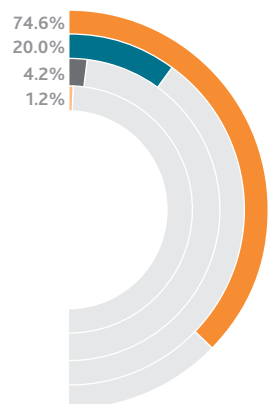
Bongani Maseko Chief Executive Officer

OUR MANDATE

Airports Company South Africa is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function. This mandate is in line with the Airports Company Act, No. 44 of 1993, as amended.

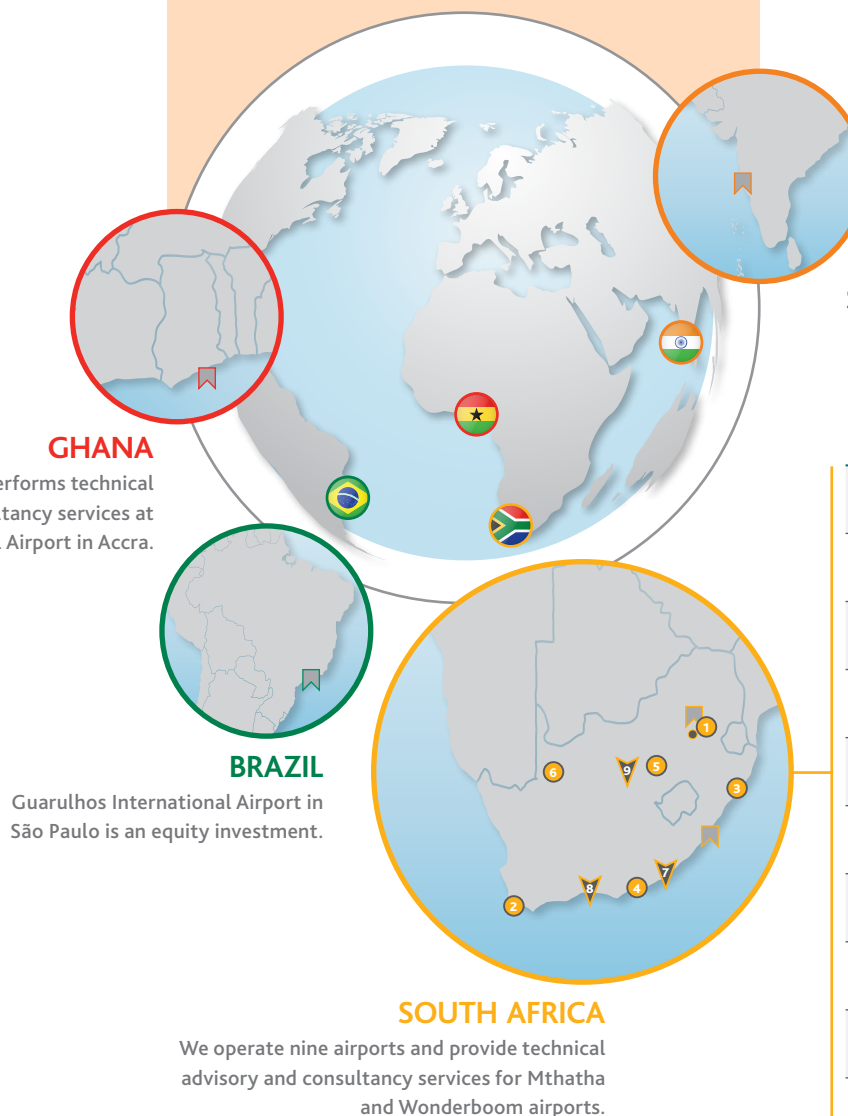
SHAREHOLDING

The Company is a Schedule 2 public entity in terms of the PFMA and operates as a legally and financially autonomous company within the legal framework outlined in the Companies Act, No 71 of 2008.



- **South African Government:** The Department of Transport is our primary shareholder.
- **Public Investment Corporation (PIC):** The PIC shareholding is held through ADR International Airports SA (Pty) Ltd, a wholly owned subsidiary of PIC.
- **Empowerment investors:**
 - 1.2% G10 Investments (Pty) Ltd
 - 1.4% African Harvest Strategic Investments
 - 0.4% Pybus Thirty Four Investment (Pty) Ltd
 - 0.8% Telle Investments (Pty) Ltd
 - 0.4% Upfront Investments 64 (Pty) Ltd
- **Staff share incentive scheme:** Dormant as the scheme is being dissolved.

OUR GEOGRAPHIC FOOTPRINT



SOUTH AFRICA STATISTICS

Location

- 1 O.R. Tambo International Airport
 - 2 Cape Town International Airport
 - 3 King Shaka International Airport
 - 4 Port Elizabeth International Airport
 - 5 Bram Fischer International Airport
 - 6 Upington International Airport
 - 7 East London Airport
 - 8 George Airport
 - 9 Kimberley Airport
- Corporate

TOTAL



Aircraft landings

2016
284 285

2017
282 057

2018
264 457

Departing passengers

2016
19 374 239

2017
20 001 961

2018
20 836 852

Total annual departing passengers	Annual passenger throughput capacity ¹	Aircraft landings	Permanent employees	On-time performance ² %	ASQ ³	ASQ category group average
10 662 446	28 000 000	110 286	1 143	84.55	3.96	4.33
5 404 706	14 000 000	51 497	549	86.66	4.06	4.15
2 819 458	7 500 000	27 058	384	85.90	4.16	4.15
821 735	2 000 000	26 992	122	84.10	4.00	4.14
199 095	600 000	9 936	68	79.35	3.87	4.14
33 113	100 000	3 671	23	83.80	4.28	4.14
411 373	1 200 000	13 521	67	81.13	3.92	4.14
398 511	900 000	17 051	65	81.13	4.23	4.14
86 415	200 000	4 445	45	77.38	3.76	4.14
–	–	–	423	–	–	–
20 836 852	54 500 000	264 457	2 889	84.80	4.08	–



SOUTH AFRICA LEGEND

- International airport
- ▼ Regional airport
- Equity investment or technical advisory and consultancy services

NOTE:

¹ Annual passenger throughput capacity includes both arriving and departing passengers.

² On-time performance is the percentage of aircraft departures within 15 minutes of their slot time.

³ Airport Service Quality (ASQ) is a programme operated by the Airports Council International (ACI). It is a globally established benchmarking programme measuring passengers' satisfaction on a scale of 1 (poor) to 5 (excellent).

OUR LEGAL STRUCTURE

Airports Company South Africa derives value from aeronautical and non-aeronautical operations, including local and international investments. This is structured as follows:

	100%-owned subsidiaries ¹				Special purpose entities ²	
Name	ACSA Global Ltd	Airports Consultancy and Advisory Services	JIA Piazza Park (Pty) Ltd	Precinct 2a (Pty) Ltd	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd
Purpose of existence	The investment holding company through which Airports Company South Africa holds its 10% interest in the Mumbai International Airport Private Limited (refer to investments in associates on page 11. E)	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidiary will be leveraged to provide services for future prospects.	The holding company through which we operate the InterContinental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow rental property income.	An employee share option entity, wholly owned by the Airports Company South Africa Kagano Trust. ³	Employee share incentive scheme that holds investments (specifically company ordinary shares) on behalf of the airport's participating employees. ⁴
Year of inception	2005	2016	1998	1998	1999	1999
Airports Company South Africa shareholding	100%	100%	100%	100%	SPE	SPE
Other shareholders and their respective shareholdings	N/A	N/A	N/A	N/A	Airports Company South Africa Kagano Trust ³	Airports Company Management Share Incentive Scheme Trust
Equity injections	R100	Nil	R100	R100	Nil	Nil
Net asset value at 31 March 2018	R541 million	Nil	R30 million	R125 million	(R2 million)	R13 million

¹ Subsidiaries are all entities (including special purpose entities (SPEs)) over which the Company has the power to govern the financial and operating policies, generally with a shareholding of more than half of the voting rights.

² An SPE is a subsidiary of the Company that attempts to isolate risk to the parent company by maintaining its assets and liabilities on a separate balance sheet.

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

	Investments in joint ventures ⁵	Investments in associates ⁶		
Sakhisizwe Community Programme	Airport Logistics Property Holdings (Pty) Ltd	La Mercy JV Property Investments	Mumbai International Airport Private Limited	Guarulhos International Airport Private Limited
Non-profit company (education).	A property holding company with the Bidvest group that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.	A land development and property investment company in collaboration with Dube Trade Port Corporation. Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port through land-lease agreements.	A company through which we hold a 30-year concession (with the option to renew for another 30 years) to develop, operate and maintain the Mumbai Airport.	A company in which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo. We provide technical advisory and consultancy services.
1996	2003	2009	2006	2012
SPE	50%	40%	10%	10.2%
N/A	Bidvest Holdings Ltd (50%)	Dube Trade Port Corporation (60%)	(GVK) (50.5%) Bidvest (13.5%) Airports Authority of India (26%)	A joint venture between Investimentos e Participações em Infraestrutura S.A (Invepar) (80%) and Airports Company South Africa (20%), which holds 51% of Guarulhos Participações S.A (GruPar)
Nil	Nil	R38 million	R347 million	R1.2 billion
R0.5 million	R47 million	R170 million	R6.7 billion	(R3.5 billion)

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

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

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

STRATEGY





As a State-owned company, Airports Company South Africa has a greater mandate than simply delivering profitability for its shareholders. We are mandated to advance South Africa's national agenda of economic growth and development while delivering a sustainably profitable business. We strive to fulfil this mandate by conducting our business in an ethical manner that enables inclusive growth and creates sustainable value for all our stakeholders.

STRATEGY CONTINUED

Strategy

Our three-pillar strategy, namely to Run airports, Develop airports and Grow our footprint is supported by our Sustainability Framework. Each of these elements is aligned to our mission, vision and objectives. We implement our strategy and measure our performance against a set of strategic objectives and KPIs.

Our mission

To develop and manage world-class airport businesses for the benefit of all stakeholders.

Our vision

To be a world-leading airport business.

Vision 2025

To be the most sought after partner in the world for the provision of sustainable airport management services by 2025.

Our values

Our values are defined through the acronym PRIDE: Passion, Results, Integrity, Diversity, Excellence.

Sustainability Framework

Our Sustainability Framework comprises three elements that guide the fulfilment of our mandate and ensure that our decisions and actions support our journey towards Vision 2025:

**Our business**

Enhance our reputation, improve passenger experience, increase stakeholder satisfaction, contribute to airport traffic and diversify our business

**Our environment**

Minimise our environmental impact and strive to be carbon neutral

**Our people and society**

Contribute more to black economic empowerment and support black business growth; provide improved access to airports for South Africans; improve airport connectivity to the regions we serve; diversify our workforce; and create a positive environment

Long-term horizons

Our strategy is implemented over three time horizons to create value over the short, medium and long-term.

Horizon 1**By 2020:**

Extend and defend our businesses

Horizon 2**By 2025:**

Build emerging businesses and drive medium-term growth

Horizon 3**Beyond 2025:**

Create viable options to ensure the Company's success in future

Strategic outcomes

The effective application of our strategy will result in the following strategic outcomes:

- Long-term sustainable value creation
- Strengthening our reputation and continuing to build win-win partnerships with our stakeholders
- Continuously improving the passenger experience
- Becoming a digitised business
- Identifying and securing new business opportunities
- Managing and developing a high-performance team
- Accelerating sustainability and transformation programmes
- Reducing our environmental impact

Strategy map

Our strategy map depicts our strategic objectives and KPIs in the context of our balanced scorecard.

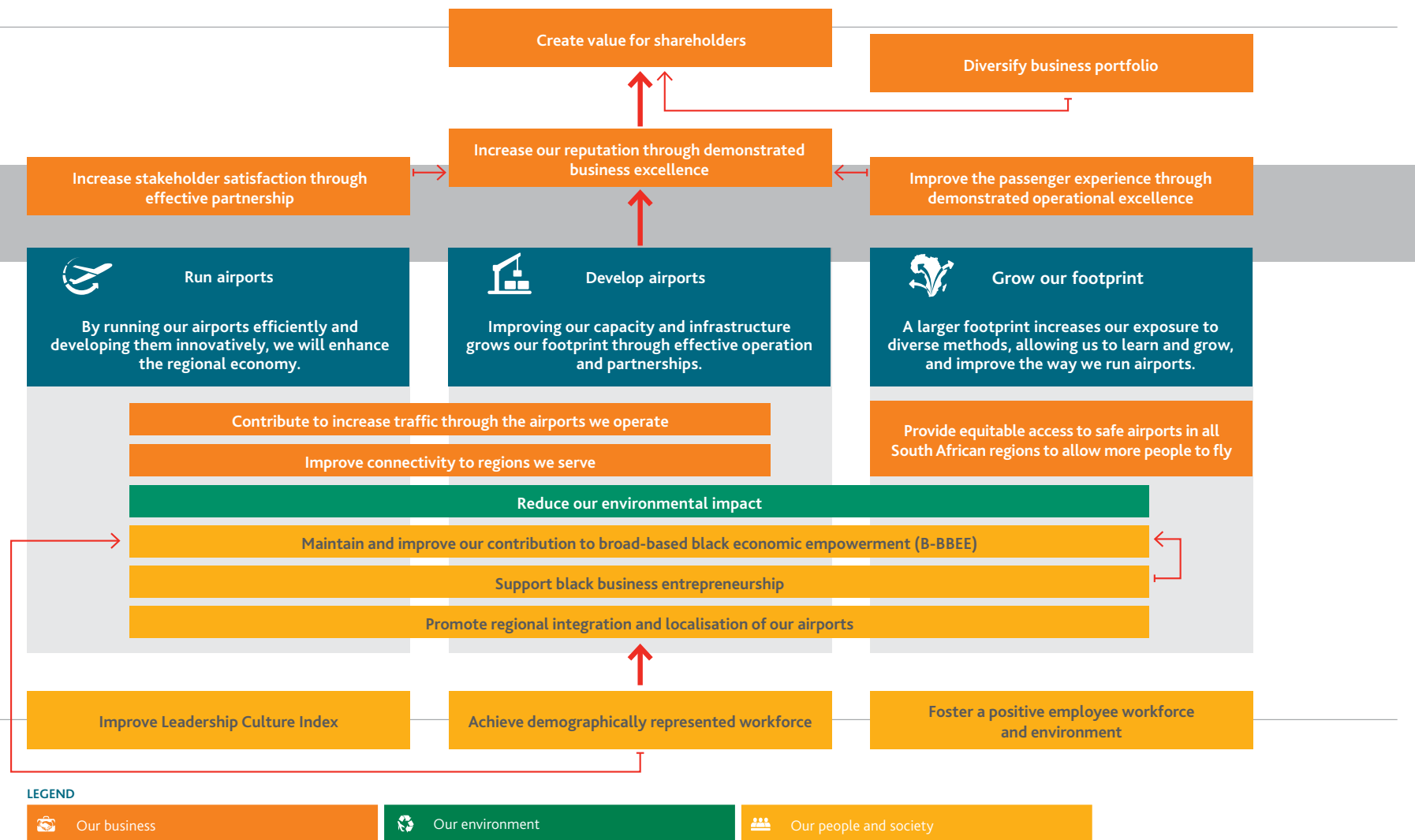
Our KPI performance in relation to our strategic pillars and Sustainability Framework is summarised on page 16. [↗](#)

Financial

Customer




Internal processes

Organisational capacity



Our current strategic objectives, KPIs and initiatives

We believe that our strategy should be responsive to our stakeholders' needs and our changing business environment. We appointed a Chief Strategy and Performance Officer to strengthen the process of strategic development, implementation and monitoring in the Company. The following table summarises our performance related to the strategic pillars and Sustainability Framework, with more detail provided throughout the integrated report.

Strategic objectives		KPIs		2018
				Target Actual
	Our business			
	Create value for shareholders	Return on equity	4.2%	↔
	Diversify business portfolio	Generate non-core income	R58.8 million	▲
	Increase our reputation through demonstrated business excellence	Non-aeronautical revenue as a percentage of total revenue	50%	▼
	Increase stakeholder satisfaction through effective partnership	Reputation Index	≥ 59	▲
	Improve the passenger experience through demonstrated operational excellence	Airport stakeholder satisfaction	3.7	▼
	Improve connectivity to regions we serve	Passenger satisfaction	At least 7 ranked airports	▼
	Contribute to increase traffic through the airports we operate	Grow regional airport departing capacity	5%	▼
	Provide equitable access to safe airports in all South African regions to allow more people to fly	Increase ORTIA connectivity	135	▲
		Participate in non-ACSA airports in South Africa	40 service man days	▲
	Our people and society			
	Promote regional integration and localisation of our airports	Create job opportunities	22 414	▲
	Support black business entrepreneurship	Grow black business share of operational and developmental spend	48%	▲
	Maintain and improve our contribution to B-BBEE	Grow black business share of commercial revenue generated	48%	▲
	Improve Leadership Culture Index	Achieve B-BBEE level	Level 3	▲
	Achieve demographically represented workforce	Leadership Culture Index	≥ 65%	▲
	Foster a positive employee workforce and environment	Promote employment equity	92.4%	▲
	Our environment			
	Reduce our environmental impact	Employee satisfaction survey	3.8	▼
		ACI carbon accreditation level	ACI level mapping KSIA and PLZ	↔




LEGEND

▲ Target exceeded

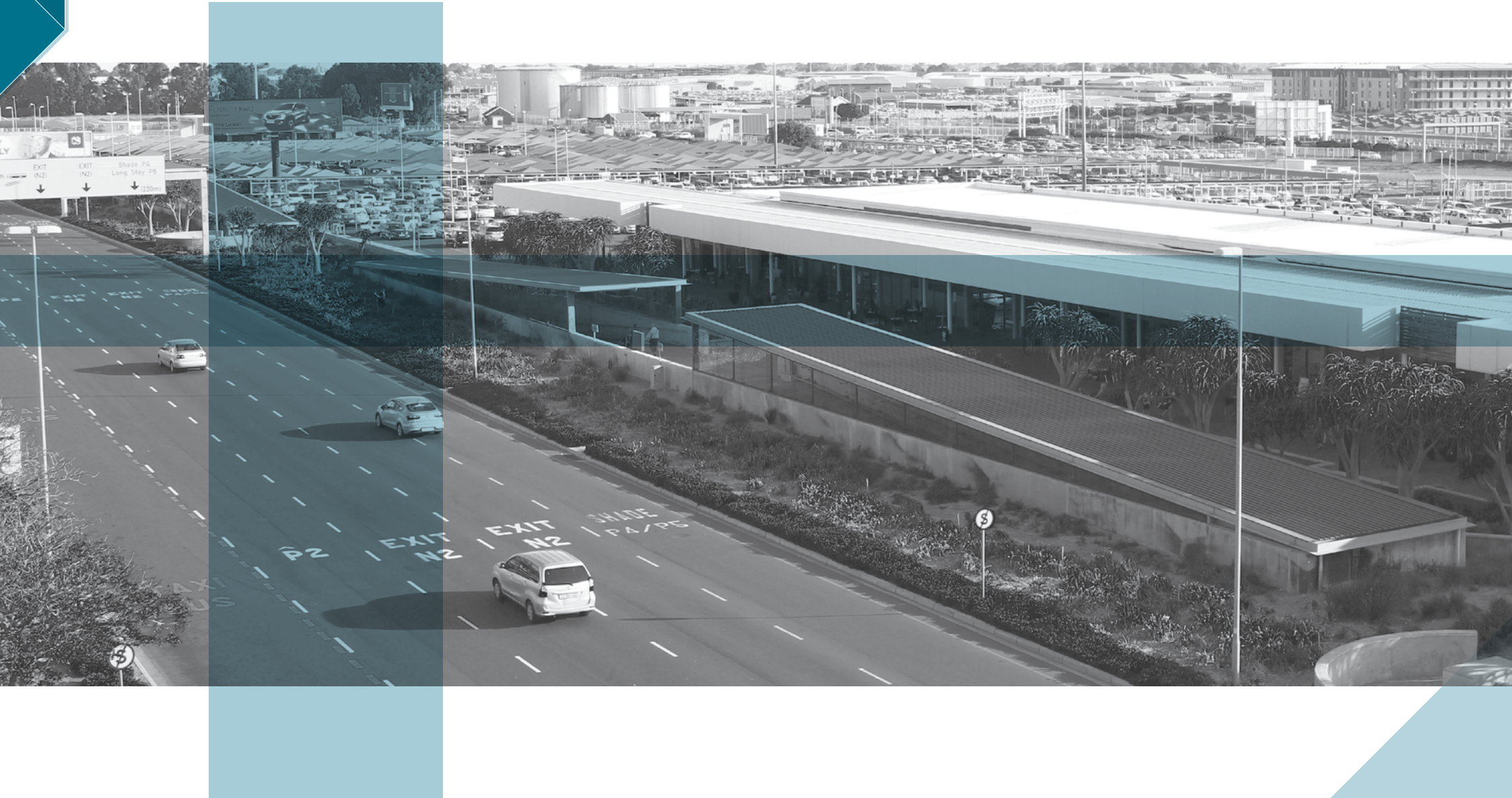
↔ Target achieved

▼ Working towards achievement of target

Initiatives delivered in 2018

 Run airports	 Develop airports	 Grow our footprint
<ul style="list-style-type: none"> • Integrated data management across our airports to improve efficiency and effectiveness of airport management • Implemented digitisation strategy to strengthen safety and enhance customer experience • Strengthened stakeholder engagement with new key account model 	<ul style="list-style-type: none"> • Embarked on R891 million infrastructure investment programme • Strengthened project management for more effective project delivery 	<ul style="list-style-type: none"> • Expanded provision of airport management services to Mthatha Airport and Kotoka International Airport in Ghana • Formalised relationships with airport authorities in Cameroon, Liberia and Namibia • Established Gauteng Route Development Committee and continued to collaborate with route development agencies in Western Cape, KwaZulu-Natal and Eastern Cape • Secured new routes linking St Helena and Rome to Johannesburg, and Cologne to Cape Town; and expanded flight offerings on seven existing routes
<ul style="list-style-type: none"> • Implemented transformation sector strategies in property, retail, car parking, advertising, information technology and construction sectors to accelerate socio-economic growth • Appointed ESD partner to facilitate transformation of supplier base 	<ul style="list-style-type: none"> • Introduced measures to accelerate socio-economic growth in construction contracts 	<ul style="list-style-type: none"> • Developed young talent and implemented talent mobility plan in support of business development
<ul style="list-style-type: none"> • Achieved ACI Carbon level 1 re-certification for four airports • Preparing for level 2 accreditation 	<ul style="list-style-type: none"> • Secured an uncontested environmental impact assessment for runway realignment project at Cape Town International Airport 	

VALUE CREATION MODEL





We optimise our value creation model through the effective implementation of our strategy to achieve our strategic objectives and Vision 2025.

VALUE CREATION MODEL CONTINUED

How to read the value creation model: Review information from left to right for a complete picture of our business model and value creation process. Where relevant, references to more detailed information are provided.

EXTERNAL AND INDUSTRY INFLUENCES

Influencing our playing field

Global increase in air traffic

Driven by population and GDP growth, middle-class growth, air service agreements and lower air fares

Air transport market

Competitive forces in the global, African and South African air transport markets

Tourism

Consistent increase in the number of foreign tourists and South Africans visiting destinations abroad

Economic impacts

Market activity and influences of global, African and South African economies

TRANSFORMATION INTENT

Imperatives that determine our definition of value

Transformation imperatives are aligned to the NDP imperatives:

SOCIAL IMPERATIVE

Socio-economic activities that empower communities to lead better lives

MORAL IMPERATIVE

Fair and equal opportunity for the economically active, free of discrimination

ECONOMIC IMPERATIVE

Changing the face of business to reflect South Africa's demographics by supporting and developing SMEs through company-specific strategies in these sectors:

- IT
- Construction
- Property
- Retail
- Advertising
- Car rental
- Ground handling

INPUTS

The six capitals required to create value



Our business

Financial

- Capital expenditure of R891 million
- Baa3 stable credit rating
- 4.2% return on equity
- 22% gearing ratio

Manufactured

- Nine airports
- Capacity for 55 million passengers
- IT infrastructure

Intellectual

- Technical advisory and consultancy
- Research and development
- Organisational change



Our people and society

Human

- 3 076 employees
- R40 million invested in skills development
- 93.3% black employees

Social and relationship

- Seven sector-specific transformation strategies
- Stakeholder engagement
- R44 million invested in socio-economic development projects



Our environment

Natural

- Water, fuel and electricity usage
- Water saving and augmentation plans
- Three photovoltaic plants
- Eight ISO14001:2015 certified airports

ACTIVITIES

The value chain activities and processes

Our governance framework and operating model ensure

- An ethical culture
- Effective leadership
- Governance over all functional areas
- Appropriately composed governance structures

BUSINESS MANAGEMENT

Strategy and performance

Integrated governance

Corporate affairs

Transformation



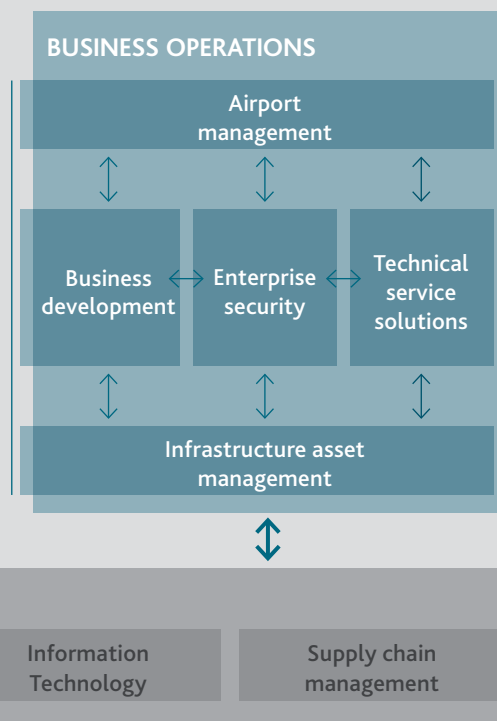
BUSINESS ENABLEMENT

Financial Management

Human Resources

Our three-pillar strategy is implemented:

- Run airports
- Develop airports
- Grow airports



OUTPUTS

Our products, services and by-products

Aeronautical

- Aircraft landing, parking and passenger services
- Cargo handling
- Passenger movement

Non-aeronautical

- Retail, car rentals, parking and advertising
- Property management and rentals – hotels, ground handling, tenants, and airline

Non-core

- Technical and advisory services, airport management solutions and training academy

Societal

Support socio-economic transformation through:

- CSI initiatives
- Preferential procurement
- Skills development
- Education support
- Multi-modal transport access

Environmental impacts and advances

- Electricity consumption: photovoltaic plants provide electricity to national grid
- Water consumption
- Fuel consumption

OUTCOMES

The inherent consequences of our activities

Our business

- Achieved 4.2% return on equity
- Improved Reputation Index
- Increased airport connectivity index for passengers
- Generated non-core income
- Achieved 49% non-aeronautical revenue as a percentage of total revenue
- B-BBEE Level 2
- Created 24 741 job opportunities

Our people and society

- Demographically representative employees
- Positive and accountable leaders
- Reputation score of 63.1
- 259 additional job opportunities created for young talent

Our environment

- ACI carbon re-certification at four airports
- Medium impact noise pollution
- Decreased fauna and flora diversity
- Reduction in available water

VALUE CREATED

To all our stakeholders

We have created value and contributed to inclusive growth in South Africa¹:

- **R9.5 BILLION** to GDP
- **R2.3 BILLION** in taxes
- **R2.8 BILLION** in income to South African employees
- Government was our largest beneficiary at 42% of value distributed

We also comply with 12 of the 17 UN Sustainable Development Goals (SDGs).



¹ Airports Company South Africa Social, Economic and Environmental impact study for FY2017

MATERIAL MATTERS





We consider matters to be material if they have the potential to substantially affect our ability to implement our strategy as a State-owned company and fulfil our commitment to creating and sustaining value for our stakeholders over the short, medium and long-term.

HOW WE DETERMINE MATERIALITY

Our material matters, which include risks and opportunities, are derived through an integrated assessment process conducted by our executives and approved by the board within the context of our overarching governance framework and operating model. This process is depicted below, followed by a more detailed discussion on each stage of the process.

IDENTIFY RELEVANT INTERNAL AND EXTERNAL MATTERS

Business environment

We assess local and global business conditions that have the potential to affect our business negatively or positively. This includes regular reviews of global megatrends, aviation-specific trends and high-impact events. [Refer to page 28.](#)

Stakeholder engagement

We identify our stakeholders, review and analyse their concerns and needs in relation to our operating context, and engage with them. This process enables the Company to develop and sustain positive, value-creating relationships with stakeholders. [Refer to page 29.](#)

Risks and opportunities

A comprehensive risk analysis of our business informs our assessment of materiality and strategic decisions. [Refer to page 33.](#)

ASSESS MATERIAL MATTERS

Magnitude of effect and likelihood of occurrence

We classify our material matters by assessing the relevant internal and external matters identified according to the magnitude of their effect and the likelihood of their occurrence. [Refer to page 34.](#)

PRIORITISE MATERIAL MATTERS

Material matters

The result of our integrated materiality determination process is a set of clearly defined and prioritised material risks and opportunities that inform our strategy and have the potential to influence the execution of our strategic objectives. [Refer to page 35.](#)

HOW OUR RESPONSE TO MATERIAL MATTERS CREATES VALUE

Our strategy is informed by our material matters. Throughout this report, we demonstrate how our strategic objectives generate sustainable value for our Company, our stakeholders and the broader society in which we operate. The following table demonstrates our strategic response to our material matters, the impact on stakeholders, and the trade-offs that were necessary to create value during 2018 and in the medium and longer term.



RUN AIRPORTS

Business environment, risks and opportunities

- Growing demand for air travel increases opportunity but places pressure on airport infrastructure
- Regulated charges for the use of airport facilities limit our ability to manage our core revenue
- Digitisation enables efficient airport operation but increases risk of disruption and cyber-crime
- Safety and security incidents threaten airport operations, passengers, tenants and employees
- We are mandated to operate ethically and to facilitate inclusive growth in South Africa

Material matters	Our response to risks and opportunities in 2018	Impact of our response on stakeholders in 2018 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
Economic regulation	<ul style="list-style-type: none"> • Active engagement with Regulating Committee • Prudent financial planning to mitigate tariff reduction 	<ul style="list-style-type: none"> • Appropriate revenue decision outcomes enable us to achieve our financial goals and maintain service levels 	<ul style="list-style-type: none"> • Achieve return on equity target • Improve Reputation Index 	<p>35.5% tariff decrease mitigated by traffic growth and financial management</p> <p>Delay in the Permission Decision may impact future service</p>
Technology and digitisation	<ul style="list-style-type: none"> • Digital strategy implemented to improve operational efficiency and customer service • External expertise appointed 	<ul style="list-style-type: none"> • Use of innovative technology enables us to respond to customer needs for efficiency and safety and defend our competitive position 	<ul style="list-style-type: none"> • Achieve return on equity target • Improved Reputation Index 	Investment in digital strategy enabled improvement in IT maturity assessment
Safety and security	<ul style="list-style-type: none"> • Integrated data solutions implemented to strengthen safety and security • Partnership established with law enforcement agencies 	<ul style="list-style-type: none"> • Major safety incidents or security breaches - threat prevention and response procedures in place. 	<ul style="list-style-type: none"> • Focused on improving airport stakeholder and passenger safety 	Investment in digitisation to improve safety and security
Transformation	<ul style="list-style-type: none"> • Accelerated transformation sector strategies • Employee housing benefits • Employee transport solutions implemented 	<ul style="list-style-type: none"> • Continued approach to contract with ESD suppliers. • 2 038 direct and 10 810 indirect jobs created • 37% of employees benefit from housing solutions • Employees will benefit from new transport solution 	<ul style="list-style-type: none"> • Create job opportunities • Grow black business share of operational and developmental spend and commercial revenue • Achieve B-BBEE level • Promote employment equity 	Invested R110 million in transformation initiatives, despite constraints in our business environment



DEVELOP AIRPORTS

Business environment, risks and opportunities

- Growing demand will continue to increase pressure on airport infrastructure
- Regulating Committee's approval of airport charges provides planning certainty, but delayed approval may impact our ability to provide excellent customer service
- Negative perceptions of South Africa and State-owned entities impact our ability to raise affordable funding
- Airport development contributes to inclusive growth in a socially constrained South Africa

Material matters	Our response to risks and opportunities in 2018	Impact of our response on stakeholders in 2018 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
Economic regulation	<ul style="list-style-type: none"> • Engaged with Regulating Committee • Entrenched more progressive supply chain management 	<ul style="list-style-type: none"> • Tariff certainty until 2020 enabling infrastructure investment to maintain and expand airport facilities 	<ul style="list-style-type: none"> • Achieve return on equity target • Improved Reputation Index 	Delays in the Permission Decision and increasing passenger numbers may impact future service
Access to and cost of funding	<ul style="list-style-type: none"> • Strengthened treasury stakeholder engagement • Strengthened governance and operating model • Prudent financial management to support funding requirements 	<ul style="list-style-type: none"> • Infrastructure investment develops capacity to accommodate growth in demand for airport services 	<ul style="list-style-type: none"> • Focus on improving airport stakeholder and passenger experience 	Invested R891 million in capital expenditure despite economic constraints and credit rating downgrade
Transformation	<ul style="list-style-type: none"> • Introduced contract participation goals (CPGs) to transform construction supply chain • Appointed ESD partner to drive transformation goals • Achieved uncontested EIAs 	<ul style="list-style-type: none"> • CPGs ensure transformation goals are met on projects • EIAs protect environmental sustainability during airport development projects 	<ul style="list-style-type: none"> • Create job opportunities • Grow black business share of operational and developmental spend and commercial revenue • Achieve B-BBEE level • Promote employment equity • Improve employee satisfaction 	R44 million invested in SED includes projects to offset socio-economic impact of Cape Town International Airport runway project



GROW OUR FOOTPRINT

Business environment, risks and opportunities

- Slow economic growth
- Increasing air service agreements and competition in Africa
- Medium to long-term regulatory uncertainty
- Opportunity to reduce concentration in core revenue by diversifying revenue sources

Material matters

New growth opportunities

Our response to risks and opportunities in 2018

- Increased engagement with African airports
- Increased provision of advisory services globally
- Expanding capacity of major domestic airports
- Engaging with industry associations and airline partners and developing longer term aerotropolis plans to stimulate economic growth

Impact of our response on stakeholders in 2018 and beyond

- By diversifying revenue, we reduce dependence on aeronautical revenue, and strengthen long-term sustainability
- Growing our airports and developing economic opportunities around them stimulates regional growth and uplifts local communities

Our desired outcome

- Achieve return on equity target
- Generate non-core income
- Grow non-aeronautical revenue
- Grow regional airport departing capacity
- Increase O.R. Tambo International Airport (ORTIA) connectivity
- Participate in non-Airports Company South Africa airports in South Africa
- Create job opportunities

Trade-offs to achieve our desired outcome

Increased non-core revenue to R59.8 million (target: R58.8 million) and aeronautical revenue to 49% of total revenue, but did not meet the 50% KPI target ▼.

Detailed information on strategic objectives and KPIs is available on pages 16 to 17. [📄](#)

IDENTIFY RELEVANT INTERNAL AND EXTERNAL MATTERS

Business environment


We consider internal and external matters in the assessment of our business environment. Our assessment includes an analysis of potential risks and opportunities in our environment and their impact on our stakeholders and our Company. The most significant of these are discussed below.

Aviation sector

Increasing demand for global air travel is driven by GDP growth, burgeoning middle-class populations, air service agreements in global and African markets, and lower air fares. This trend is reflected in consistent growth in recent years in the number of international visitors to South Africa and South Africans travelling to Africa or further afield. While this presents a significant growth opportunity for our Company, the increasing demand places pressure on our airport facilities and requires additional investment in the maintenance and expansion of airport infrastructure.

Economic regulation

Our ability to plan for the future, achieve our strategic objectives and create sustainable value depends on the regulation of the tariffs we charge for the use of our airport facilities and approval of our infrastructure investment programmes. In December 2016, the Regulating Committee promulgated a five-year tariff determination (Permission Decision) that lends stability to our operating horizon until 2020. This creates a base for the Company's short-term financial and infrastructure investment planning, and our medium-term and long-term planning is conditional on the outcome of the 2019 to 2023 permission application which was submitted on 6 November 2017. The regulatory decision received in August 2018 provides for an increase in airport charges of 5.8% in 2019 and no increases until 2021. The Company will continue to apply a conservative financial

management approach to mitigate against the continuous unpredictability of regulatory decisions, which includes the rationalisation of the infrastructure investment programme from time to time. This is often unfortunate in light of the Industry capacity requirements based on traffic volume growth and the socio-economic benefits that such infrastructure investments would have resulted in.  Refer to page 35 for details.

Economic environment

Like all businesses, our Company is affected by economic trends, but we also have a responsibility to enable economic growth. As a State-owned company we are mandated by government to provide certain aeronautical transport services and to contribute positively to the South African economy. Growth in the domestic economy remains under pressure, despite signs of slow economic recovery reflected in 1.3% GDP growth during 2017. The downgrading of Airports Company South Africa's credit rating, following that of the sovereign credit rating in April 2017 will make it more difficult for us to secure affordable funding in future. Our revenue declined as a result of the 35.5% reduction in regulated airport charges but this was partially offset by growth in passenger numbers and an increase in non-aeronautical revenue. Lower employee costs supported our drive to contain operational costs. Although confidence has improved since the election of Cyril Ramaphosa as President of South Africa, conditions in the domestic economy are likely to remain challenging, compounded by an increased focus on politics in the lead up to the 2019 General Election.

There were signs of recovery in many other economies in Africa following a loss of growth momentum in 2016. This

should have a positive effect on our business activities in Ghana and improve our opportunities in other African economies. It is also likely to heighten competition in the continent's airport industry.

The Brazilian economy emerged from a recession during 2017. Sustained growth in 2018 is likely to impact positively on the performance of the GruPar consortium and reduce the need for additional funding.

Social environment

Our Company operates in an economically constrained social environment. To fulfil our mandate as an employer and a State-owned company, we work with our partners to make airline access affordable and to improve skills development to benefit the Company and South Africa. Our transformation processes form part of our business operations as we seek to create value through inclusive growth that aligns the needs of our Company and our partners with those of other stakeholders, including the broader society in which we operate.

Technology

Rapid advances in technology have the dual effect of improving efficiency and exposing businesses to the risk of disruption. Our ability to adopt innovative technology and leverage it for the purposes of safety, security, operational efficiency and improved customer service is critical to our global competitiveness and continued operation. We invested in new digital solutions to integrate our airport management systems and implemented a comprehensive strategy to support our intent to become a digitised business able to respond more effectively to opportunities and risk. More details are available on page 35. 

Stakeholder engagement

Management presents a stakeholder engagement report to the board quarterly through the social and ethics committee. Stakeholder engagement is managed by means of a board-approved strategy, policy and procedures. Internal assurance of engagement processes identified minor administrative improvements. An action plan was drawn up and the improvements were implemented.

Stakeholder engagement is key to determining our material matters and achieving our strategic objectives. We are committed to purposeful and responsive relationship building with our internal and external stakeholders to achieve expected outcomes that support sustainable value creation.

We strengthened our stakeholder relations strategy and engagement process with the introduction of a stakeholder relations policy which formalises our multi-level engagement plans. The engagement plans are implemented by our executives and business divisions which identify stakeholders relevant to their activities and appoint dedicated stakeholder champions to manage their engagement processes.

A newly formed stakeholder relations team ensures that stakeholder centrality is embedded in the Company's culture. The team monitors effective implementation of the stakeholder relations strategy according to defined KPIs. Internal awareness and support are developed through workshops and various other interactions to ensure the strategy is implemented in line with our governance framework and operating model.

The following key stakeholder events were conducted during the year:

- A multi-stakeholder survey engagement session with key stakeholders based on RepTrak® survey results. Refer to page 30
- A Company presentation to Parliament and meetings with the National Assembly's Portfolio Committee on Transport
- A meeting between the new Minister of Transport, Dr Bonginkosi (Blade) Nzimande and the board
- Distribution of the first quarterly external stakeholder newsletter
- The launch of an annual Airports Company South Africa golf day to prioritise stakeholder engagement with non-aviation industry stakeholders
- Business-to-business industry engagements and other stakeholder events

A key focus for the year ahead will be to complete the implementation of our engagement plans and improve our performance with new stakeholder engagement software.

Refer to page 112 for additional information on the governance of stakeholder engagement.

The graphic outlines our stakeholders, their material expectations and concerns, and their role in our value creation process.



VALUE CREATION

Our stakeholder categories	Policy, economic regulation and licence to operate	Input	Output
Our stakeholders	<ul style="list-style-type: none"> Government, Regulating Committee, various regulators 	<ul style="list-style-type: none"> Employees, unions, suppliers 	<ul style="list-style-type: none"> Passengers, airlines, tenants
Examples of nature of engagement	<ul style="list-style-type: none"> Quarterly reviews with Regulating Committee Reports and engagements with the Department of Labour 	<ul style="list-style-type: none"> Employee roadshows and collective bargaining structures Preferential procurement programmes and tender processes for suppliers 	<ul style="list-style-type: none"> Airline operating committees External stakeholder newsletter, social media, and ASQ programmes for passengers
Examples of expectations and concerns	<ul style="list-style-type: none"> Long-term industry sustainability and licence to operate Alignment to government mandates and social development programmes (e.g. NDP and UN Sustainable Development Goals) Regulatory compliance 	<ul style="list-style-type: none"> Fair and transparent remuneration with job security and career progression Transformation and ease of doing business for suppliers 	<ul style="list-style-type: none"> Negotiated low airport charges for airlines Access to infrastructure, support and information for tenants Understanding passenger and partner needs
Benchmarking or assessment	<ul style="list-style-type: none"> RepTrak® 	<ul style="list-style-type: none"> RepTrak® Leadership culture index Employee satisfaction survey 	<ul style="list-style-type: none"> RepTrak® Operational stakeholder survey ASQ

Most of our benchmarking or assessments are independent and externally evaluated. For additional information refer to pages 62 to 63. 

SOCIAL RESPONSIVENESS

ENABLING

Dependent	Independent	Partners	Capital and funding providers
<ul style="list-style-type: none"> Community, NGOs, environmentalists 	<ul style="list-style-type: none"> Media and special interest groups 	<ul style="list-style-type: none"> Associations, partners, professional bodies, joint venture partners, tourism bodies, competitors 	<ul style="list-style-type: none"> Shareholders, investors, lenders, credit rating agencies
<ul style="list-style-type: none"> External stakeholder newsletter, website and events Stakeholder meetings and task team forums 	<ul style="list-style-type: none"> Brand awareness, networking and stakeholder hospitality 	<ul style="list-style-type: none"> Providing input for International Civil Aviation Organisation (ICAO) regional bodies, African Civil Aviation Commission Meeting with airline associations 	<ul style="list-style-type: none"> Roadshows, results presentations and AGMs Rating reviews Meetings with institutional bond holders, funders and investors
<ul style="list-style-type: none"> Job creation Community development Environmental sustainability 	<ul style="list-style-type: none"> Airline failures Unethical business practices Airport safety and security Customer satisfaction 	<ul style="list-style-type: none"> Long-term industry sustainability Compliance with regulator licensing requirements Industry safety and security 	<ul style="list-style-type: none"> Sound financial performance, return on equity and dividends Strong governance and regulatory compliance
<ul style="list-style-type: none"> RepTrak® 	<ul style="list-style-type: none"> RepTrak® ASQ 	<ul style="list-style-type: none"> RepTrak® Operational stakeholder survey 	<ul style="list-style-type: none"> Assurance of annual financial statements Credit rating agency assessments RepTrak®

MATERIAL MATTERS CONTINUED


Integrated risk management

Our integrated risk management process aims to achieve an appropriate balance between realising opportunities for gain, while minimising adverse impacts. The board is responsible for the governance of risk. The audit and risk committee is the delegated board committee responsible for governance and effective oversight of risk.

Our key risks and opportunities are continuously monitored through our enterprise risk management process, which is reviewed annually by our Internal Audit division. The process is based on the outcomes of best practice reviews, annual maturity assessments and continuous interaction with our governance structures, including executives, executive committees, sub-committees and the audit and risk committee. The 2018 review indicated that internal controls and management activities require moderate management intervention and improvement in mitigating against the possible likelihood or consequences of the risks materialising.

The implementation of the revised governance framework and operating model improved the integration of risk throughout the Company. An important development was the implementation of a board-approved integrated business continuity programme to strengthen the effectiveness of our identification and response to internal and external risks. This programme was implemented company-wide with effect from 1 April 2018.

The board vets and monitors the treatment of strategic risks, including active engagement in the review of strategic risks and identification of mitigation activities for each.

The following table describes our top five risks, year-on-year changes and reasons for the changes. Each risk is linked to the relevant material matters and our responses to mitigate risk or realise opportunity. Refer to the governance report on page 94  for additional information.

			2018 priority ranking ¹	2017 priority ranking ¹	2016 priority ranking ¹
	Risk title	Risk description			
1	Regulatory environment	Unpredictable decisions by the Regulating Committee leading to regulatory uncertainty	I	I	I
2	Skills	Inability to attract, develop, retain and appropriately develop critical skills	II	II	II
3	Transformation	Failure to exploit the Company's status and strategic development plans to promote transformation	II	II	II
4	IT platform	Failure to provide a digitised/technology platform to support current and future operations in a stable and secure manner	II	I	I
5	Funding	Inability to secure affordable funding leading to inability to execute the growth strategy	II	II	II

¹ The risks are ranked as Priority I (critical risks) and Priority II (significant risks).


Response to risks and opportunities	Related strategy outcome	Related material matter
<p>The 2016 to 2020 Permission Decision was in line with our expectations and was factored in the business planning process, albeit after a two-year delay. We continue to participate actively in the Department of Transport's Economic Regulatory Review Process through the steering committee and project team to ensure our objectives are considered.</p> <p>Refer to page 69 for Permission Decision information.</p>	Long-term sustainable value creation	Economic regulation
<p>Measures to attract, develop and retain talent and manage succession were implemented.</p> <p>Progress was made in recruiting skilled resources, using professional platforms such as LinkedIn. Implementation of the new governance framework and operating model clarified employee roles. In total, 70% of line managers and labour representatives were trained on the new performance management system.</p> <p>Refer to page 82 for human resources information.</p>	Managing and developing a high-performance team	Employees
<p>Progress was made in implementing the seven sector strategies developed in 2017 to aid our transformation activities. An ESD partner was appointed to support supply chain management transformation, which will contribute to ESD transformation.</p> <p>Refer to page 39 for our transformation information.</p>	<p>Long-term sustainable value creation</p> <p>Accelerating sustainability and transformation programmes</p>	Transformation
<p>An approved digital strategy is being implemented to address current and future operational requirements. An IT security strategy was developed to ensure a secure and sustainable digital environment. IT skills capacity continues to be addressed to ensure that all key positions are filled by competent employees. We enhance IT capacity by contracting professional service providers.</p> <p>Refer to page 90 for our IT information.</p>	<p>Becoming a digitised business</p> <p>Continuously improving the passenger experience</p>	Technology and digitisation
<p>We improved the effectiveness of internal controls. We implemented the treasury stakeholder engagement plan. We continue to conduct an investor roadshow to articulate the Company's strategy and promote funding opportunities to potential investors.</p> <p>Refer to pages 57 for our funding information.</p>	<p>Long-term sustainable value creation</p> <p>Strengthening our reputation and continuing to build win-win partnerships with our stakeholders</p>	Access to and cost of funding

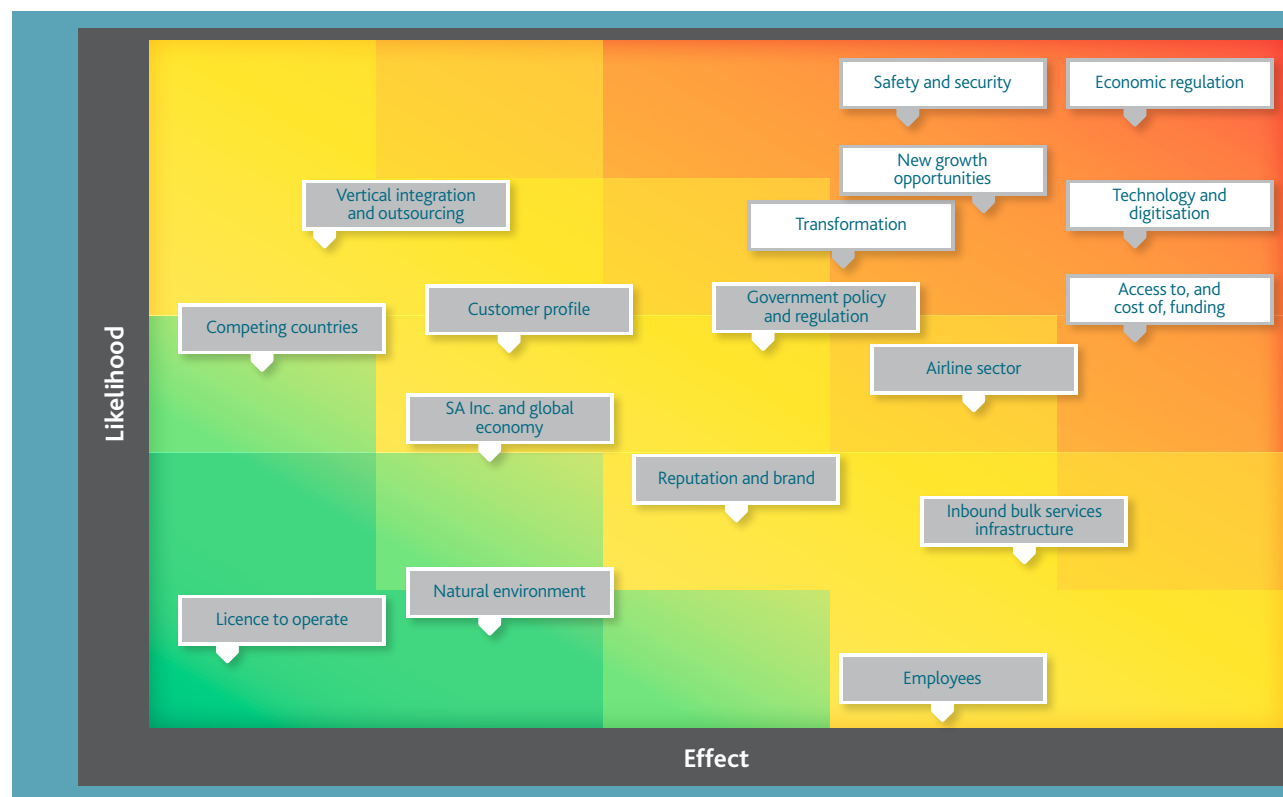
MATERIAL MATTERS CONTINUED

ASSESS MATERIAL MATTERS

Our top material matters derived from our integrated risk management process, stakeholder engagement and external environment reviews were:

Material matters	Change in ranking since 2017
1 Economic regulation	↔
2 Technology and digitisation	▲ (from 10)
3 New growth opportunities	▼ (from 2)
4 Safety and security	▼ (from 3)
5 Access to and cost of funding	▲ (from 9)
6 Transformation	▼ (from 5)

Our material matters are assessed according to magnitude of effect and likelihood of occurrence on a heat map. We correlate information to assess the degree of relation and completeness against global trends, industry reviews, media searches and a peer analysis. Our executives review the material matters heat map to assess relevance and to ensure its completeness and accuracy. In 2018, this resulted in movements in the effect and likelihood of existing matters. This analysis is reflected in the heat map below with explanations of significant year-on-year movements in the table on page 35. 



 Material matters from 2017 that were managed or mitigated during the year and are reported on throughout this integrated report.

PRIORITISE MATERIAL MATTERS

The table below outlines the reason each matter is viewed as material to Airports Company South Africa and these are ranked according to importance.

KEY



Increased in ranking



Unchanged movement



Decreased in ranking

Material matter and ranking	Description	Change year-on-year in:		Strategic response
		Effect	Likelihood	
1. Economic regulation	As a State-owned company we are required to be financially self-sufficient. However, our financial and infrastructure development planning depends on predictability, transparency and a balance of risk and reward in the regulatory framework and approach and regulatory decision-making. Pre-funding is currently absent from the regulatory approach that would enable a predictable price path for airport charges and cost-effective funding of major infrastructure investments.	↔	↔	The Company participates actively in the review of the economic regulatory framework with industry stakeholders, led by the Department of Transport. An appeals mechanism was introduced into the Airports Company Act Amendment Bill, and regulations are being drafted to improve regulatory certainty. A review of the regulatory approach was conducted. The current tariff promulgation applies until 30 March 2020 and has enabled more predictable short-term financial planning and investment in infrastructure development. The regulatory decision received in August 2018 provides for an increase in airport charges of 5.8% in 2019 and no increases until 2021. The Company will continue to apply a conservative financial management approach to mitigate against the continuous unpredictability of regulatory decisions, which includes the rationalisation of the infrastructure investment programme from time to time. Refer to page 28.
2. Technology and digitisation	Rapid advances in technology represent a competitive threat and opportunity. Technology heightens the threat of business disruption and cyber-crime. However, it enables our airports to improve operational efficiency and management of safety and security. Furthermore, it allows us to respond to increasing demand by our customers and commercial partners for automated services and digital enablement, including data analysis.	▲	▲	The Company is implementing a comprehensive digital strategy to ensure that we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience, while protecting our information and systems. We have strengthened IT skills and governance to ensure IT enables the Company's strategic objectives. The results of an IT maturity assessment conducted in 2017 reflected a significant improvement from 1/5 in 2015 to 3.5/5. Refer to page 90.
3. New growth opportunities	Revenue diversification is an important element of our growth plan. By growing our non-core revenue, we reduce our reliance on traditional aeronautical revenue, helping to mitigate concentration risk. Our reputation as an airport business drives non-core growth, as it influences our ability to provide competitive advisory services to other airports.	↔	↔	The Company actively seeks business development opportunities in South Africa, Africa and internationally to provide alternative sources of revenue. We use business intelligence, technical advisory and consultancy services, process knowledge and other expertise to secure contracts that enable the growth of our footprint. Refer to page 27.
4. Safety and security	As national key points that attract large numbers of people, the risks of security threats, crime or major safety incidents at our airports have the potential to significantly affect aeronautical operations.	↔	▲	Aviation security is managed through engagement with law enforcement partners and continuous security advancements, including integrated communication systems. Prevention and threat response procedures are in place to deal with crises and ensure the continuity of operations.
5. Access to, and cost of, funding	A lack of affordable funding for infrastructure development impacts our ability to accommodate growing demand for use of our airports and avoid congestion. Negative sovereign and Company credit ratings have an adverse impact on our access to affordable funding.	▲	▲	Although the Company's issuer rating was downgraded in June 2017, the increased certainty of tariffs until 2020 enabled us to proceed with infrastructure investment projects, thereby mitigating the short-term impact of this matter. However, poor perceptions of South Africa, and State-owned enterprises, together with the regulatory constraints on our business, may heighten the impact and likelihood of this matter in the medium to longer term.
6. Transformation	In line with our mandate to contribute positively to economic growth and development in South Africa, we view inclusive growth as a legislative and ethical requirement of successful business operation and growth in South Africa.	↔	▲	We respond to stakeholder expectations of transformation by integrating socio-economic growth opportunities into our business activities, primarily through seven transformation sector strategies and our approach to value creation. In the process, we uplift our communities, develop a diverse and skilled workforce, and form empowerment partnerships to generate growth opportunities within our business sectors. Refer to page 39.

TRANSFORMATION





Airports that are well designed, efficiently operated and strategically developed are important catalysts of economic growth. They facilitate tourism and business interaction between cities and become valuable hubs of development that stimulate regional growth by creating jobs and improving socio-economic conditions for many people.

The Company was awarded with B-BBEE Level 2 rating contributor status.

Airports Company South Africa is a significant enabler of economic growth, transformation and socio-economic development.

In the year under review the Company commissioned a Social, Economic and Environmental Impact for FY 2017¹. The report reflected that our Company:

- **GENERATED R9.5 BILLION** for South Africa's **economy**
- **SUPPORTED 14 950** direct and indirect **jobs**
- **SUPPORTED R2.8 BILLION** in income for its employees and those of its **local suppliers**

LEGEND

● International airport

▼ Regional airport

Our nine airports all contributed to their regional economies as follows:

Cape Town International Airport

GDP contribution: **R2 014 million**
 % contribution to provincial GDP: **0.5%**
 Employment contribution: **2 669 jobs**
 Income contribution: **R468 million**

Upington International Airport

GDP contribution: **R30 million**
 % contribution to provincial GDP: **0.05%**
 Employment contribution: **122 jobs**
 Income contribution: **R22 million**

George Airport

GDP contribution: **R107 million**
 % contribution to provincial GDP: **0.03%**
 Employment contribution: **225 jobs**
 Income contribution: **R42 million**

Kimberley Airport

GDP contribution: **R38 million**
 % contribution to provincial GDP: **0.1%**
 Employment contribution: **127 jobs**
 Income contribution: **R23 million**

Port Elizabeth International Airport

GDP contribution: **R236 million**
 % contribution to provincial GDP: **0.1%**
 Employment contribution: **418 jobs**
 Income contribution: **R74 million**

King Shaka International Airport

GDP contribution: **R910 million**
 % contribution to provincial GDP: **0.2%**
 Employment contribution: **1 710 jobs**
 Income contribution: **R297 million**

ACSA corporate office

GDP contribution: **R389 million**
 % contribution to provincial GDP: **0.04%**
 Employment contribution: **3 700 jobs**
 Income contribution: **R840 million**

O.R. Tambo International Airport

GDP contribution: **R5 568 million**
 % contribution to provincial GDP: **0.5%**
 Employment contribution: **5 476 jobs**
 Income contribution: **R940 million**

East London Airport

GDP contribution: **R111 million**
 % contribution to provincial GDP: **0.05%**
 Employment contribution: **264 jobs**
 Income contribution: **R47 million**

Bram Fischer International Airport

GDP contribution: **R79 million**
 % contribution to provincial GDP: **0.1%**
 Employment contribution: **239 jobs**
 Income contribution: **R42 million**




¹ Airports Company South Africa Social, Economic and Environmental Impact Study for FY 2017.

CONTRIBUTING TO TRANSFORMATION

As a South African business, we are committed to achieving transformation by providing development opportunities for previously disadvantaged people. Our transformation agenda is aligned with South Africa's NDP and is guided by our transformation imperatives and Sustainability Framework.

Our **economic imperative** is to develop small, medium and large businesses to change the face of our Company to reflect South African demographics; our **social imperative** is to support socio-economic activities that empower communities for a better future; our **moral imperative** is to create fair, transparent, equal opportunities for the economically active population and eliminate unfair discrimination.

Sustainability Framework: How did we do in 2018?

 Our Business	 Our people and society	 Our environment
<p>Black-owned businesses now share 61% of our operational and development spend and 59% of our commercial revenue.</p> <p>Our seven sector strategies are accelerating transformation in the property, retail, car parking, construction, advertising, ground handling and IT sectors. These interventions will enhance economic growth while creating a better future for many South Africans.</p> <p>We introduced measures to transform not only our primary construction contracts, but also the various sub-contracts to broaden empowerment.</p>	<p>Our black employees represent 93.3% of our workforce of 3 076¹. We are working to increase the representation of women from the current 44.9%.</p> <p>Our R70 million investment in a housing scheme currently benefits 1 325 employees. We implemented an innovative transport solution to transport our employees in 2018.</p> <p>We invested R40 million in skills development, created job opportunities for a record 259 young candidates. Our employees and their children received study bursaries valued at R8.9 million.</p> <p>Our socio-economic development investment of R44 million supports projects in our key focus areas of education, women and youth empowerment, environmental sustainability, disability, skills development and philanthropic donations and volunteerism.</p>	<p>We achieved ACI Level 1 re-certification for four airports. Eight airports are ISO14001:2015 certified.</p> <p>We are developing photovoltaic solar plants to provide renewable energy to three airports.</p> <p>A water-saving and augmentation plan implemented at Cape Town International Airport is designed to reduce water usage by 50% and enable the airport to become self-sufficient.</p> <p>We secured an uncontested EIA for the Cape Town International Airport realignment project. Our project planning includes measures to mitigate social and environmental impacts.</p>

¹ The value represents the employment equity stats inclusive of permanent and contract employees with 3 months or more with the Company.

In conducting our business operations, we manage our social and environmental impacts to ensure that we grow in a sustainable manner. In addition to the NDP, we also comply with 12 of the 17 UN Sustainable Development Goals (SDGs)¹.

The SDGs are a universal call to action to end poverty, protect the planet and enable all people to attain peace and prosperity. Airports Company South Africa's Social, Economic and Environmental Impact Study shows the connectivity between the Company's social and environmental impacts and the SDGs.



¹ Airports Company South Africa Social, Economic and Environmental Impact Study for FY 2017.

MESSAGE FROM THE ACTING CHAIRMAN





We acknowledge transformation as a fundamental part of our business and our broader role in society to develop and strengthen South Africa's democracy. We fulfil our commitment to transformation through our triple bottom line Sustainability Framework.



Dear stakeholders,

Airports Company South Africa encountered challenging operating conditions during the 2018 financial year, but we remained steadfast in the implementation of our revised governance framework and operating model. We made further progress towards attaining our vision to be the most sought-after partner in the world for the provision of sustainable airport management solutions by 2025, and we accelerated the impact of our transformation agenda in South Africa.

On behalf of our Company, I thank the former Minister of Transport, Joe Maswanganyi for supporting our strategic direction and transformation agenda. We welcome the new Minister of Transport, Dr Bonginkosi (Blade) Nzimande and look forward to working with him as we fulfil our mandate for the provision of excellent airport services while contributing to the inclusive growth imperative of the National Development Plan (NDP) and the UN Sustainable Development Goals.

OUR EXTERNAL ENVIRONMENT

Global economic activity accelerated in 2017 and is forecast to gain further momentum as emerging and developing economies benefit from a recovery in commodity markets. The South African economy is lagging behind global and other African economies, recording modest gross domestic product (GDP) growth of 1.4%. In April 2017, the credit rating of Airports Company South Africa was downgraded following South Africa's sovereign credit rating downgrade. Rating agencies cited the weakening of South Africa's institutional strength, poor growth prospects, policy uncertainty and rising public debt as reasons for the downgrades. The election of Mr Cyril Ramaphosa as President of South Africa in February 2018 led to an improvement in domestic and external confidence in the country, strengthening the South African Rand against all major foreign currencies and reducing the likelihood of a further rating downgrade. Signs of recovery in many other economies in Africa bode well for our business development activities on the continent. Our global equity investments are also expected to benefit from improving economic conditions in Brazil and India.

The global airline industry is closely aligned with macro-economic trends. Increasing demand for global air travel is driving consistent growth in the number of international visitors to South Africa, and South Africans travelling to Africa or global destinations. Growth in the industry has heightened competition between airlines, on the one hand, and airport service providers, on the other. In a constantly evolving world where technology is used to improve efficiency and disrupt entire industries, we are ensuring that we remain globally competitive by deploying trusted technologies. This will improve customer processing and enhance the customer experience at our airports and strengthen our airport management and security systems to ensure we continue to run our airports efficiently and safely.

OUR ROLE AS A STATE-OWNED COMPANY

As a State-owned company, we constantly balance our stakeholders' expectations of excellent service, inclusive economic growth and sound financial performance.

We continue to fulfil government's requirement that we remain self-funding and able to deliver a return on capital despite the impact of often unpredictable regulatory decisions on our revenues. Our service delivery remains satisfactory, despite the pressure of rapid growth in passenger numbers on our airports' infrastructure. We acknowledge transformation as a fundamental part of our business and our broader role in society to develop and strengthen South Africa's democracy. We fulfil our commitment to transformation through our triple bottom line Sustainability Framework.

GOVERNANCE

Our ability to continue meeting stakeholders' expectations requires that we fulfil our commitment to operating ethically, in compliance with the regulations that govern our industry in South Africa and the other jurisdictions in which we operate. It also requires that we shift towards more mindful compliance envisaged by King IV.

The governance of procurement has come under public scrutiny in the past year, and rightly so, because this is where failures of governance and incidents of corruption often occur. We acknowledge that this is an area of our business that requires improvement and we have placed tremendous effort into overhauling our supply chain operating model and processes. For detailed information on our remedial measures, refer to page 48. [📄](#)

Critical to this process has been our governance framework and operating model, which is embedded in the Company and creates the environment necessary for us to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Matters relating to corporate governance and procurement pose a risk to the Company and its reputation. In this regard, our stakeholders will be aware of allegations of irregularities, corruption and violations of the Public Finance Management Act published in the media about our Chief Executive Officer. In April 2018, the Minister of Transport assured the board that he would address these allegations as a matter of priority.

Another matter of concern is the high rate of retirements and resignations from our board and the impact of these vacancies on the board's composition. At the AGM on 15 September 2017 the terms of three Directors, Bajabulile Luthuli, Kenosi Moroka and Chwayita Mabude came to an end. Dr John Lamola resigned as an independent Non-executive Director on 5 July 2017. Dr Matlodi Mabela and Siyakhula Simelane resigned as independent Non-executive Directors on 19 April 2018 and 20 April 2018, respectively.

Roshan Morar retired as Acting Chairman and Non-executive Director on 28 March 2018. I was appointed as Acting Chairman on 13 April 2018, pending the appointment of a new Chairman.


Board members are appointed by the Minister of Transport to represent the government's shareholding in Airports Company South Africa. The Minister informed the board in April 2018 that he would make appointments to fill vacancies on the board and board committees. To maintain the stability of the Company and its executive management while this process is underway, the Minister extended Bongani Maseko's term as Chief Executive Officer from 14 May 2018 to 30 November 2018. After the vacancies have been filled, the board will appoint a Chief Executive Officer.

My colleagues and I are committed to working with the Minister of Transport, the Auditor-General and other relevant state organs to stabilise our Company and ensure effective implementation of good governance.

TRANSFORMATION

Airports Company South Africa recognises transformation as imperative for successful business operation and growth. Our Sustainability Framework and transformation policies underpin our seven transformation sector strategies. These strategies, in turn, ensure that our transformation processes are inseparable from our business activities as we seek to create value through inclusive growth that aligns the needs of our Company and our partners with those of our other stakeholders.

Our sector strategies have resulted in the issuing of a number of major tenders that will increase the participation of black-owned businesses in our operational, developmental and commercial procurement. A major development in this regard was the award of three property development opportunities to 100% broad-based black economic empowerment (B-BBEE) companies. This contributed to an increase in the black business share of the commercial revenue we generate from 48% in 2017 to 59%, confirming our commitment to supporting black entrepreneurs. Other opportunities aligned with our transformation sector strategies are reported on pages 38 and 39. 

In October 2017, we completed a Social, Economic and Environmental Impact Study that explored the size and significance of our Company's contribution to the South African economy. The purpose of the study was to provide greater insight into the value we create for the South African economy, our employees and the communities around our operations. The study found that we contributed R9.5 billion to the South African economy during the 2017 financial year, equating to approximately 0.3% of the country's GDP. Furthermore, we supported 14 950 jobs in South Africa (0.2% of total full-time jobs) and R2.8 billion in income for South African workers. Additional information on the report is available on pages 38 and 39. 

BUSINESS DEVELOPMENT

In line with global trends, our airports continue to welcome a growing number of passengers, particularly international passengers travelling to Cape Town. Our capital investment programme will enable us to accommodate this growth in traffic and passenger numbers and ensure that our airports remain world-class, globally competitive and key contributors to regional economic growth, job creation and tourism.

Our strategy to expand our footprint has gained traction with the award of airport management service contracts at airports in South Africa and Ghana, the development of new routes, and the introduction of new airlines connecting South Africa to the world. Our formalisation of new relationships

with airport authorities in Africa paves the way for more collaboration on the continent.

OUTLOOK

We demonstrated our ability to navigate challenging environments, including the reduction in regulated tariffs, and we are starting to realise the benefits of our governance framework and operating model. The expansion of our footprint beyond South Africa is expected to contribute to an increase in non-aeronautical revenue and reduce our dependence on core aeronautical revenue. These factors, combined with a more encouraging domestic and global economic outlook, position our Company well to achieve our Vision 2025 objectives.

APPRECIATION

2018 was a difficult year that tested our strength and resilience as an organisation. I thank the Ministry of Transport and my colleagues on the board for their support and wise counsel. I thank the Chief Executive Officer, Bongani Maseko and his executive team for their commitment and dedicated implementation of our strategy. I also extend my gratitude to all our employees and business partners, without whom we would not be able to continue delivering performances that set us apart from our peers.

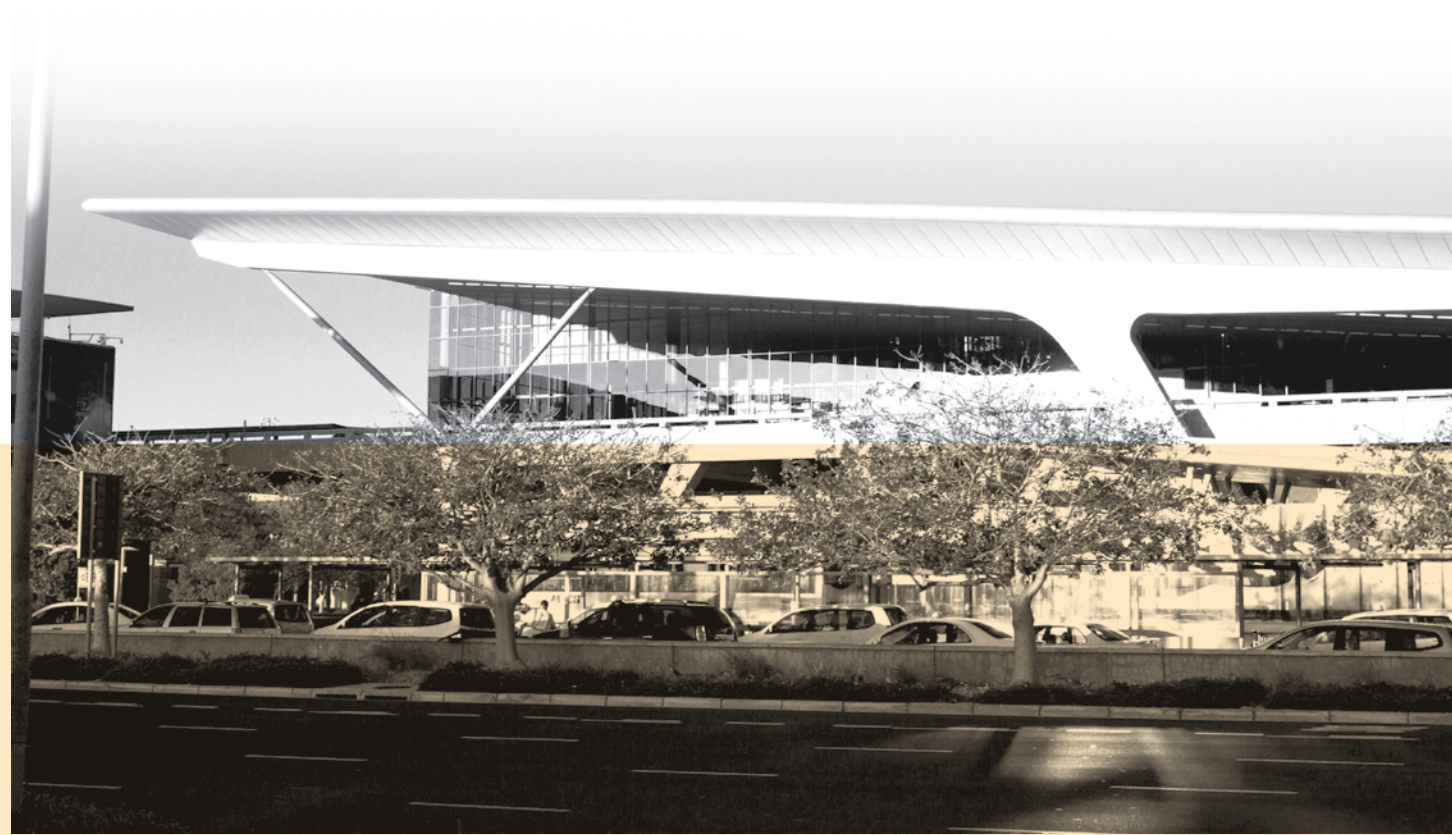
Congratulations are due to Bongani Maseko on his appointment as Chairman of the Airports Council International (ACI) World Governing Board and Pieter du Plessis on his appointment as Chairman of the ACI Africa Human Resources regional committee. ACI is the trade representative of global airports, and these appointments for a two-year term recognise the valuable contribution our Company and its executives make to the airline industry.



Deon Botha
Acting Chairman

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER





Our main interventions involve the introduction of measures to improve our engagement with key stakeholders and the adoption of technology to ensure that our airports remain safe, secure, efficient and globally competitive.



OVERVIEW

Our strategic response to challenges in our operating environment enabled Airports Company South Africa to maintain sound financial performance and satisfactory airport service levels. We achieved this while implementing fundamental changes within the Company to ensure that our governance framework and operating model create sustainable long-term value for our stakeholders.

A 35.5% reduction in our regulated airport charges for the use of our airport facilities came into effect on 1 April 2017. While this had an adverse impact on our revenue which declined by 19.4% to R6.9 billion, increases in passenger numbers and non-aeronautical revenue mitigated the impact of lower airport charges. We achieved a return on equity (ROE) of 4.2%.

We met or exceeded 12 (71%) of our 17 KPIs ▲. We continue to work towards the achievement of the remaining five KPIs.

OUR STRATEGIC EVOLUTION

We have worked tirelessly to ensure that the management structures established to govern operational performance are clearly mandated, well-resourced with the necessary expertise to support critical business requirements, and able to achieve our strategic objectives. The organisational culture and leadership approach defined by the governance framework and operating model are being embedded throughout the Company, guiding our employees as they settle into their new roles and new ways of working. This transition was underpinned by a communications campaign, including a CEO Roadshow, to inculcate a culture of growth, accountability and innovation in support of our Vision 2025 goals.

An immediate benefit of the process was the standardisation of contractual arrangements such as lease agreements at all airports, providing more efficient management of airport services. We strengthened project management processes to deliver our major capital investment programmes more efficiently and effectively.

The seven transformation sector strategies implemented in 2017 offer significant potential to accelerate transformation within our Company. The sector strategies achieved varying degrees of progress. By year-end we had awarded three

property development opportunities and issued a number of other significant tenders that will increase black business participation in our property, retail and car rental operations. Another important step in the drive towards economic transformation was the appointment of an enterprise supplier development (ESD) partner in December 2017 to guide the development of ESD policies, frameworks and practices, and facilitate the transformation of our supplier base.

We are aware that the use of the B-BBEE scorecard as the primary measure of transformation is limited in that it does not enable us to influence the supply chains of our project contractors and consultants. To address this, we introduced measures in our construction sector strategy, including quantified transformation targets, to ensure that participation in our project procurement processes is accessible to our primary contractors and consultants as well as the subcontractors in their supply chains. ➡ Refer to pages 69 to 71 for additional information on our sector strategies.

We consider building relationships with stakeholders as pivotal in creating sustainable value for the Company. To strengthen this process, we developed a stakeholder relations strategy that seeks to support business growth and sustainability, increase shareholder value, build partnerships that grow our footprint, and create mutually beneficial relationships. The strategy was approved by the board during the year and is being implemented. ➡ Refer to pages 14 to 17 for additional information.

Despite challenges in our external business environment, the accolades we received demonstrate our global competitiveness. They also support our belief that we remain on track to achieve our vision to be the most sought-after partner in the world for the provision of sustainable airport management solutions by 2025. View our accolades on page 50. ➡

PERFORMANCE BY STRATEGIC PILLAR

We made further progress in the implementation of our three-pillar strategy, namely to Run airports, Develop airports and Grow our footprint.

Run airports

Aeronautical revenue declined by 34% to R3.6 billion (2017: R5.4 billion) as a result of the lower airport charges. Non-aeronautical revenue grew by 4.6% to R3.3 billion (2017: R3.1 billion), supported by buoyancy in our retail, car rental and property rental activities.

Our non-aeronautical revenue accounted for 49% of total revenue compared to 37% in 2017. While this is marginally below the 2018 KPI target of 50% ▼, it compares favourably with the global contribution of non-aeronautical revenue, which averages 45% at major global airport operators or groups (source: *ACI Airport Economics Report 2017*).

We maintained satisfactory service levels and sustained increases in traffic and passenger numbers at our three international airports. However, external factors beyond our control that impacted our business contributed significantly to our inability to achieve our customer service KPI ▼.

These external factors included:

- The delay in infrastructure development programmes to expand our airport facilities due to the two-year delay in the Regulating Committee's Permission Decision
- Liquidity and operational challenges experienced by domestic state-owned airlines
- Lengthy queues at immigration counters managed by the Department of Home Affairs

We are actively addressing these challenges. Our main interventions involve the introduction of measures to improve our engagement with key stakeholders and the adoption of technology to ensure that our airports remain safe, secure, efficient and globally competitive.

Technology is improving the efficiency of most industries and placing many at risk of business disruption. We recognise that to remain relevant to our customers, and competitive in the longer term, it is necessary for us to accelerate our investment in innovative digital technology. We need to transform over time from an airport business that leverages technology into a digital business that offers safe and efficient airport services. We upgraded our airport management system to provide our airports with real-time access to all relevant information relating to flight tracking, peak hour analysis and security. Our comprehensive digital strategy drives the enhancement of operational efficiency and customer experience at our airports, while protecting our information and systems. The Company piloted, and is preparing to implement, a range of self-service offerings, including Smart Security technology, to improve customer experience.

Refer to page 71 for additional information.

Develop airports

Airports Company South Africa creates stakeholder value by developing world-class facilities. Key to this is the design and construction of airport infrastructure that responds to the needs of our customers and our industry. Since the approval of the Permission Decision for the 2016 to 2020 period, we have accelerated the planning processes for our five-year infrastructure investment programme to address capacity constraints at our major airports. The board and key stakeholders approved plans for capital investment programmes at our three largest airports, O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport.

At **Cape Town International Airport**, we will construct a new domestic arrivals terminal that will separate the movement of passengers and goods to streamline the flow of passengers and increase capacity for baggage services and retail outlets.

Designs are being finalised for the redevelopment of Terminal 2 international departures to increase capacity, strengthen security and enhance retail, commercial and passenger lounge facilities. Our achievement of an uncontested environmental impact assessment from the Department of Environmental Affairs demonstrates our thorough and environmentally considerate approach to development. It also paves the way for the Company to undertake the construction of a new realigned runway that will enable a sustainable airside development plan for the future.

At **O.R. Tambo International Airport**, we are increasing aircraft parking capacity and expanding our facilities in Terminal A arrivals. Plans are underway to develop the airport's western precinct and midfield cargo terminal to accommodate growing demand.

At **King Shaka International Airport**, a smaller project to expand runway and aircraft parking capacity will be undertaken.

Grow our footprint


Our business development division made progress in its concerted efforts to grow our aeronautical footprint, while increasing our airport advisory services to airports in South Africa and the continent. We continue to build relationships in new markets in Africa, based on our experience and world-class reputation in airport management. We invest considerable energy into translating these relationships into tangible business opportunities that will generate additional non-core revenue.

We secured new routes that connect Rome and St Helena to Johannesburg, and Cologne to Cape Town, while a new route between Vienna and Cape Town is scheduled to commence in November 2018. New carriers expanded their flight offerings on seven existing routes at our three international airports.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

We facilitated the establishment of a route development agency in Gauteng. The Gauteng Route Development Committee is mandated to develop new and expanded routes to O.R. Tambo International Airport. Our ongoing relationships with the route development agencies of provincial governments in the Western Cape, KwaZulu-Natal, and Eastern Cape facilitate growth in traffic to our airports, which, in turn, contributes to regional economic growth.

In addition to these developments, we made steady progress in the expansion of our airport advisory service activities. In South Africa, we secured a five-year contract to provide management and consultancy services to the Mthatha Airport. Further afield, we increased the scope of our work at the Kotoka International Airport in Ghana, where we are contracted by Ghana Airports Company Limited to manage the airport expansion project and the terminal after construction is complete. The opening of the airport's new terminal in August 2018 will represent a significant milestone for our Company, demonstrating our proven track record for the provision of airport management services in the growing African aviation industry. We concluded several memoranda of understanding between Airports Company South Africa and airport authorities in sub-Saharan Africa, including the Cameroon Civil Aviation Authority, Liberia Airports Authority and Namibia Airports Company.

Our equity investments in India and Brazil benefited from strong growth in passenger numbers. Refer to page 80  for additional information.

SUPPLY CHAIN MANAGEMENT

We continue to strengthen our supply chain management processes, although we still encounter challenges. As part of this journey, we continue to identify and report irregular expenditure, which is R1.1 billion on a cumulative basis. We are still experiencing areas of non-conformance to supply chain management policies and procedures and, in some cases, non-conformance to relevant legislation. Where irregular expenditure relates to the Company's supply chain management non-conformances, we aim to condone such

non-conformances following appropriate investigations and corrective actions with respect to the root causes.

During the year there was a key focus on the identification of non-conformances to ensure that material irregular expenditure has been reported and is in the process of being treated.

The primary causes of the irregular expenditure were:


- Unavailability of documentation, such as tax and B-BBEE compliance, to provide evidence of conformance to supply chain management policies and procedures
- Non-compliance with Construction Industry Development Board regulations in awarding bids
- Inadequate planning to ensure that new service providers are appointed before current contracts expire

We introduced remedial measures to enforce regulatory compliance and evolve the Company's supply chain management into an efficient value-adding process.

These measures include:

- A revision of the supply chain management governance framework in line with the new governance framework and operating model and the Auditor-General's audit recommendations
- Restructuring and resourcing the supply chain division to strengthen management capacity and expertise in line with the new governance framework and operating model
- Strengthening risk management processes by introducing critical controls throughout the supply chain management process. These include contract management to improve project planning and execution. They eliminate irregular expenditure, and document management to locate, validate and review tender files against the supply chain management policies and procedures, identifying and reporting on non-compliant tender files
- Probity reviews by internal audit

In 2019, a new centralised bid adjudication committee will replace decentralised committees. This will provide the Company with a comprehensive view of supply chain

management activities across all its operations and enable it to respond early in instances that require forensic investigation. Refer to page 59  for additional information.

OUTLOOK

In July 2018, we celebrated the 25-year anniversary of Airports Company South Africa as a leading provider of airport services. During this period, the airports we inherited from the Government in 1993 have undergone a physical transformation in response to renewed interest in the economic potential of a democratic South Africa and increased air traffic to our country. Consequently, the Company has gained expertise in the building, operationalisation and commercialisation of airports.

We commenced the new financial year well positioned for the future. Our operating model and three-pillar strategy have taken root in the Company and are expected to support the effective management of our cost base and increase revenue over the medium term as a result of stronger operational performance and an increasing contribution from non-aeronautical business activities.

The Company submitted its permission application for the 2019 – 2023 period in November 2017, following extensive engagement with the Regulating Committee to ensure that future revenue and capital expenditure approvals take our strategic objectives into consideration. In August 2018 the regulatory decision stipulated an increase in airport charges of 5.8% in 2019 and no increases until 2021. The Company will continue to apply a conservative financial management approach to mitigate against the continuous unpredictability of regulatory decisions.

We will continue to interact with the Regulating Committee to ensure we have a stable and predictable regulatory environment for the benefit of our business and our passengers.

APPRECIATION

I thank our Acting Chairman, Deon Botha, and the board for guiding us through the difficult but critically important transition in the past year.

Our Company Secretary, Nosisa Kekana, resigned in January 2018 to pursue further studies. Our Chief Information Officer, Sello Mmakau resigned in March 2018 to take up another opportunity. I thank Nosisa and Sello for their valuable contributions to our Company and wish them well in their future endeavours.

Our management team was strengthened by the appointment of Fundi Sithebe as Chief Operating Officer with effect from 1 December 2017. I welcome Fundi to this position.

On behalf of the Executive team, I would like to express my gratitude to our employees for participating in our transition with commitment and determination. I am confident that we have the necessary capacity and capability to implement our strategy effectively and continue providing value to the people of South Africa.



Bongani Maseko

Chief Executive Officer



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

RECOGNITION

Area of recognition	Benchmarking authority Skytrax World Airport Awards are based on a customer satisfaction survey across over 500 airports globally.	Achievements 3 AIRPORTS recognised in the top 35 airports in the world	Placement <ul style="list-style-type: none"> • O.R. Tambo International Airport ranked 32nd (2017: 37th) • Cape Town International Airport ranked 21st (2017: 19th) overall and was named the best airport in Africa for the third consecutive year • King Shaka International Airport ranked 26th (2017: 35th) overall and was named best regional airport in Africa
Benchmarking authority ACI is the trade association of the world's airports and facilitates the Airport Service Quality Awards.	Achievements 4 AIRPORTS recognised out of 340 airports across 85 countries	Placement <ul style="list-style-type: none"> • King Shaka International Airport ranked first in the best airport by region category • Cape Town International Airport was ranked the safest airport in Africa (over 20 000 air traffic movements) • Bram Fischer International Airport ranked best airport by region in "under 2 million passengers" category and most improved airport • Upington International Airport joined Director's Roll of Excellence for ranking among the top five airports for its category, size and region from 2006 to 2015 	Area of recognition
Area of recognition	Benchmarking authority Aviation Worldwide's Annual Punctuality League rates the 10 most punctual airports internationally after assessing on-time performance by airlines and airports.	Achievements 3 AIRPORTS recognised for reliability	Placement <ul style="list-style-type: none"> • The route between Cape Town and Johannesburg was rated the second most reliable domestic route in the world with an on-time performance rate of 86% • The Cape Town to Johannesburg route ranked ninth busiest domestic route in the world • King Shaka International Airport achieved fourth place in the small airport category (2017: 10th)
On-time performance			Airport service quality

Benchmarking authority

The Top Employers Institute certified our Company based on an analysis of our submission to the Institute.

Achievements

Sixth consecutive year of **TOP-TIER STATUS** achieved

Placement

- Airports Company South Africa was awarded "Top Employers South Africa" certification 2018, reflecting excellence in employee working conditions

Area of recognition

Top employer status

Area of recognition

Cloud-based solutions

Benchmarking authority

Oracle is a leading global provider of software, IT infrastructure and data services.

Achievements

Airports Company South Africa was recognised as a **leader** in the implementation of **cloud-based technology**.

Placement

- Airports Company South Africa was rated the best organisation in implementing cloud-based solutions in South Africa

Benchmarking authority

South African Institute of Black Property Practitioners (SAIBPP) advocates for, and facilitates, socio-economic development in the property sector.

Achievements

Airports Company South Africa was recognised for its role in the South African property sector at the SAIBPP's 2017 annual convention.

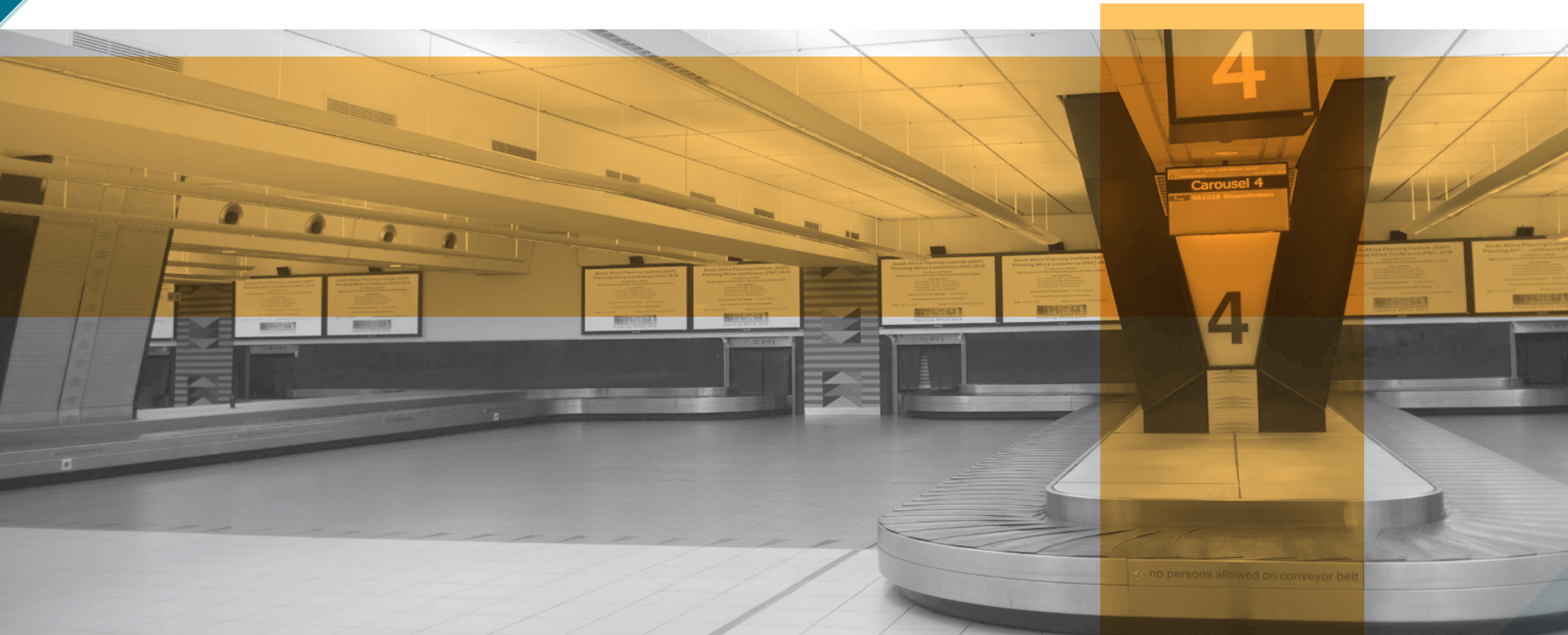
Placement

- The award recognised the Company's commitment to realising its transformation strategy in the property sector

Area of recognition

Property transformation award

MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER





Airports Company South Africa remained profitable and achieved a satisfactory return on equity of 4.2% for the year, following the 35.5% reduction in airport charges from 1 April 2017.



OVERVIEW

Total revenue decreased by 19.4% to R6.9 billion due to lower airport charges. This was partially offset by a 4.6% increase in non-aeronautical revenues and 4.2% growth in departing passengers. The impact of the two-year delay in the Permission Decision, which rebased airport charges, has now been absorbed. We are more certain of the future price path, at least until 2020.

PERFORMANCE AT A GLANCE



Negative

Revenue

R6.9 billion
(2017: R8.6 billion)



Negative

EBITDA

R3.0 billion
(2017: R5.1 billion)



Negative

Profit for the period

R0.8 billion
(2017: R2.0 billion)



Negative

ROE

4.2%
(2017: 10.9%)



Positive

Concession investments

MIAL returned to profitability



Positive

Capital expenditure

R875 million
(2017: R921 million)



Positive

Total assets

R32 billion
(2017: R31 billion)



Positive

Gearing ratio

22%
(2017: 24%)

ABRIDGED STATEMENT OF FINANCIAL POSITION

The Company's total assets increased to R32 billion (2017: R31 billion), comprising 22.3% (2017: 18.3%) investment properties and 10.0% (2017: 10.7%) cash and short-term investments.

Figures in Rand thousand	FINANCIAL YEAR		MOVEMENT	
	2018	2017	R'000	%
ASSETS				
Non-current assets	27 555 540	26 898 391	657 149	2
Property and equipment, investment properties and intangible assets	25 595 055	25 483 092	111 963	0
Investments in associates and joint ventures	1 735 177	1 173 748	561 429	48
Other non-current assets	225 308	241 551	(16 243)	(7)
Current assets	4 372 096	4 351 985	20 111	0
Investments and cash and cash equivalents	3 199 849	3 246 016	(46 167)	(1)
Other current assets	1 172 247	1 105 969	66 278	6
Total assets	31 927 636	31 250 376	677 260	2
EQUITY AND LIABILITIES				
Equity	20 367 178	19 346 555	1 020 623	5
Non-current liabilities				
Interest-bearing borrowings	8 840 760	9 331 495	(490 735)	5
Other non-current liabilities	413 119	281 079	132 040	47
Current liabilities	2 306 579	2 291 247	15 332	1
Total liabilities	11 560 458	11 903 821	(343 363)	3
Total equity and liabilities	31 927 636	31 250 376	677 260	2

Investment property fair value adjustments amounted to R533 million, including reclassifying some car rental facilities, which explains the restatement in prior years

Increase due to equity contributions of R374 million to Guarulhos International Airport (GRU)

Mumbai International Airport (MIAL) made profits of R10 million

Cash decreased marginally due to an increase in debtor days and debt repayments

Trade and other receivables increased due to an increase in day's sales outstanding to 37 days (2017:31)

Borrowings decreased due to the repayment of inflation-linked bond and amortisation of loans of R453 million

Net debt to capitalisation was 22% (2017: 25%)

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

The Company's profit after tax decreased to R0.8 billion (2017: R2.0 billion) due to the R1.8 billion reduction in aeronautical revenue.

Figures in Rand thousand	FINANCIAL YEAR		MOVEMENT	
	2018	2017	R'000	%
Revenue and other operating income	6 924 839	8 636 179	(1 711 340)	(20)
Employee costs	(1 401 840)	(1 345 636)	(56 204)	4
Operating expenses	(2 438 975)	(2 208 324)	(230 651)	10
EBITDA	3 084 024	5 082 219	(1 998 195)	(39)
Fair value gains on investment properties	537 247	563 467	(26 220)	(5)
Depreciation, amortisation and impairments	(1 247 477)	(1 268 516)	21 039	(2)
Loss from equity-accounted investments	(476 499)	(1 017 103)	540 604	(53)
Net finance expense	(589 008)	(750 684)	161 676	(22)
(Losses)/gains on property and equipment	(6 857)	(9 603)	2 746	(29)
Profit before tax	1 301 430	2 599 780	(1 298 350)	(50)
Tax expense	(458 919)	(593 898)	134 979	(23)
Profit for the period	842 511	2 005 882	(1 163 371)	(58)

Aeronautical charges reduced by 35.5%; which was partially offset by 4.2% increase in passenger volumes

The 10.4% increase in operating expenses (2017: 11%) was largely due to investment in IT systems, repairs and maintenance, and annual increases in rates and taxes

Reduced losses of R481 million in Guarulhos International Airport (GRU) and a positive contribution by Mumbai International Airport Private Limited (MIAL) reduced our losses from equity-accounted associates

Lower debt levels resulted in the reduction in financing cost

ABRIDGED CASH FLOW STATEMENT

Figures in Rand thousand	FINANCIAL YEAR		MOVEMENT	
	2018	2017	R'000	%
Net cash inflow from operating activities	2 859 957	4 160 026	(1 300 069)	(31)
Net cash outflow from investing activities	(1 489 675)	(1 780 532)	290 857	(16)
Cash flows from financing activities				
Financial instruments held for trading	(2 289)	(2 592)	303	(12)
Interest-bearing borrowings repaid	(552 953)	(635 915)	82 962	(13)
Dividends paid	(353 452)	(338 641)	(14 811)	4
Interest paid	(808 771)	(1 050 891)	242 120	(23)
Net cash outflow from financing activities	(1 717 465)	(2 028 039)	310 574	(15)
Increase in cash and cash equivalents	(347 183)	351 455		
Cash and cash equivalents at the beginning of the year	1 721 023	1 369 568		
Cash and cash equivalents at the end of the year	1 373 840	1 721 023	(347 183)	(20)

Detailed information on operational performance against the Company's Run airports, Develop airports and Grow our footprint strategic pillars is available in the performance overview on pages 67 to 80. [📄](#)

OPERATING EXPENSES

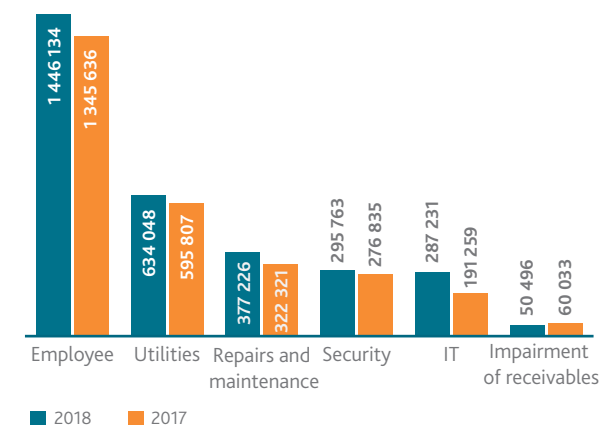
The revised governance framework and operating model, which contributed to some historic increases in employee costs during its implementation, is now well embedded, resulting in a reduction in employee costs.

The global move to digitisation and cloud services has reduced the need for capital investments in IT infrastructure in favour of more costly subscription services. This trend, combined with repairs and maintenance required to address ageing infrastructure, resulted in higher IT costs.

The Company implements cost-efficiency programmes to reduce the impact of increasing administrative or regulatory costs.

A further analysis of the top five costs is provided in the graph alongside.

TOP FIVE EXPENSES (R'000)



CONCESSION INVESTMENTS

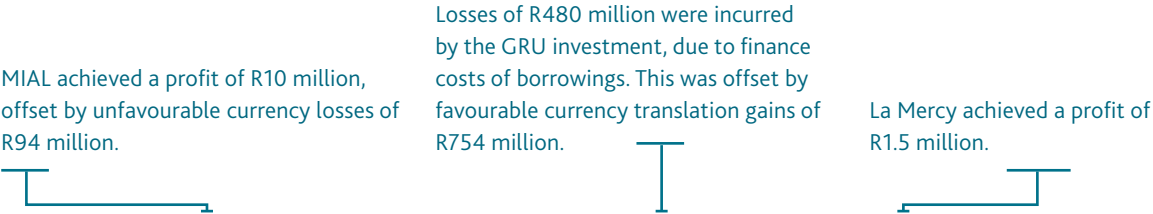
No new concessions were entered into this year. However, a further R374 million was invested in GRU in line with the commitments of the concession agreement entered into in 2012. This is expected to be the final equity contribution. MIAL has returned to profitability. GRU almost halved its losses and is expected to improve towards profitability in the next few years.

Concession investments require high levels of capital expenditure in their initial years, followed by depreciation and interest charges which impact profitability. Over time, these charges reduce and revenue increases as traffic volumes grow, taking up the new capacity. Our investments in two airports in India and Brazil demonstrate how the Company balances its portfolio of concession investments with different maturities to reduce the impact on profitability of new concessions.

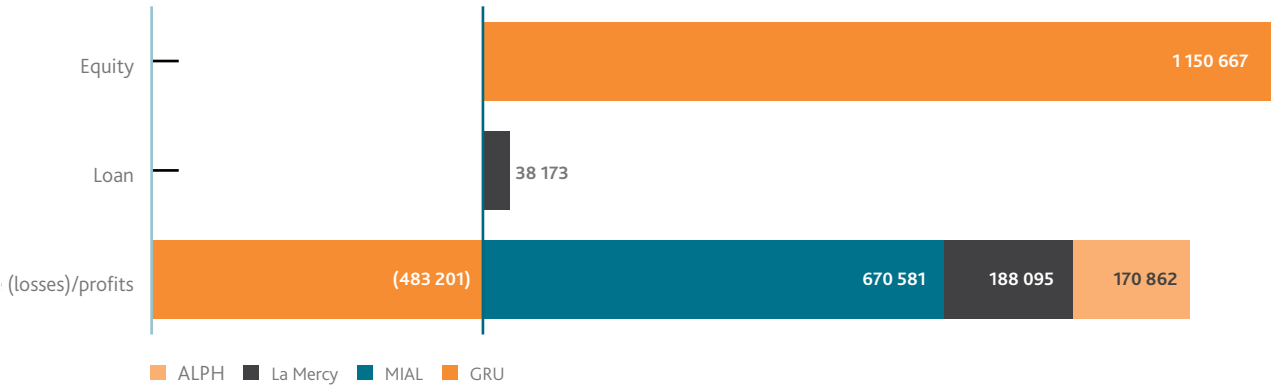
FUNDING

The Company strives to diversify its funding sources to ensure that capital expenditure is funded cost-effectively, regardless of economic and market conditions. A summary of our funding sources is presented in the chart alongside.

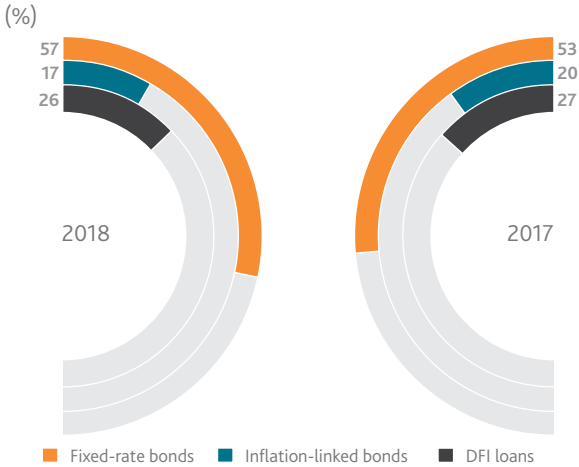
Total debt outstanding at year-end was R8.8 billion (2017: R9.3 billion). The weighted cost of debt increased slightly to 9.1% from 9.0%. Our fixed-rate debt was 83% of the total debt and the non-fixed-rate debt was 17% as shown in the chart alongside.



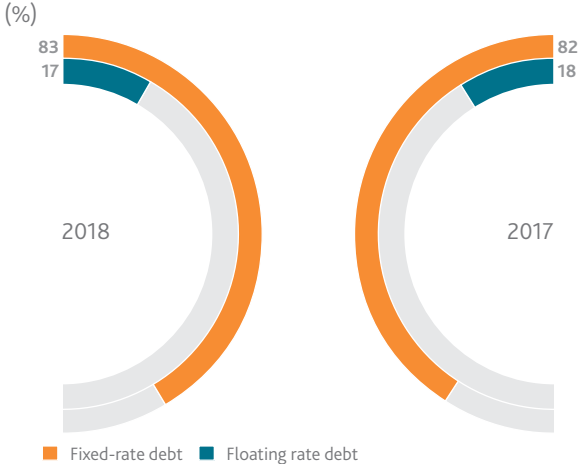
COMPOSITION OF INVESTMENT IN ASSOCIATES AND JOINT VENTURES (R'000)



FUNDING SOURCE



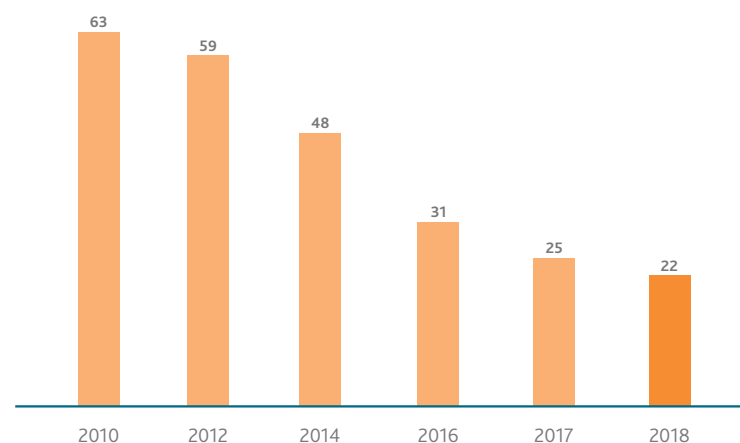
DEBT COMPOSITION



MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER CONTINUED

GEARING RATIO

(%)



The Company's gearing ratio declined from 63% in 2010 to 22%, largely due to the early debt redemption strategy. The strategy was adopted due to the Company's favourable cash position and conservative investment plan. Since 2013, the Company has repaid approximately R8.0 billion of debt back to its lenders.

Credit rating

Airports Company South Africa's credit rating was affirmed by Moody's on 26 March 2018. The global scale rating was unchanged at Baa3 and the outlook changed from negative to stable in line with the South African sovereign rating. The national sale rating was affirmed at Aa1.za with a stable outlook. The affirmation of the Company's credit rating confirms that our ratings are constrained by those of the South African Government, as Moody's would not rate the Company higher than the government.

Agency	Ratings			Outlook
Airports Company South Africa ratings	Rating action	Long-term local currency	Long-term national scale	
Moody's	Affirmed	Baa3	Aa1.za	Stable
South Africa sovereign ratings	Rating action	Long-term issuer rating (foreign)	Long-term issuer rating (domestic)	
Standard & Poor's	Affirmed	BB	BB+	Stable
Moody's	Affirmed	Baa3	Baa3	Stable
Fitch Ratings	Affirmed	BB+	BB+	Stable

The Company's credit rating is underpinned by:

- Ownership of a network of key airport assets, with a dominant position in international scheduled traffic and domestic scheduled traffic in South Africa (more than 90%)
- Strong and diverse service area, which includes all major metropolises in South Africa
- Well-invested and appropriately dimensioned asset base
- Moderately levered financial profile and a reasonably conservative financial policy

According to Moody's, the Company's credit rating is constrained by:

- A challenging system of economic regulation
- The Company's exposure to South African Airways Company, which relies on financial support from the South African Government
- Exposure to the volatile economic conditions of South Africa

OUTLOOK AND FOCUS AREAS

The 35.5% reduction in airport charges has taken full effect and established a new base for the Company to execute its strategy and plans. Over the next few years, limited increases to airport charges are expected, and no further reductions to airport charges should be required.

Positive cash generation over the past few years and the early debt redemption programme have contributed to the overall improvement in the health of the Company's balance sheet. This will support cost-effective fundraising activities required to implement the major infrastructure investments envisaged over the medium to long term.

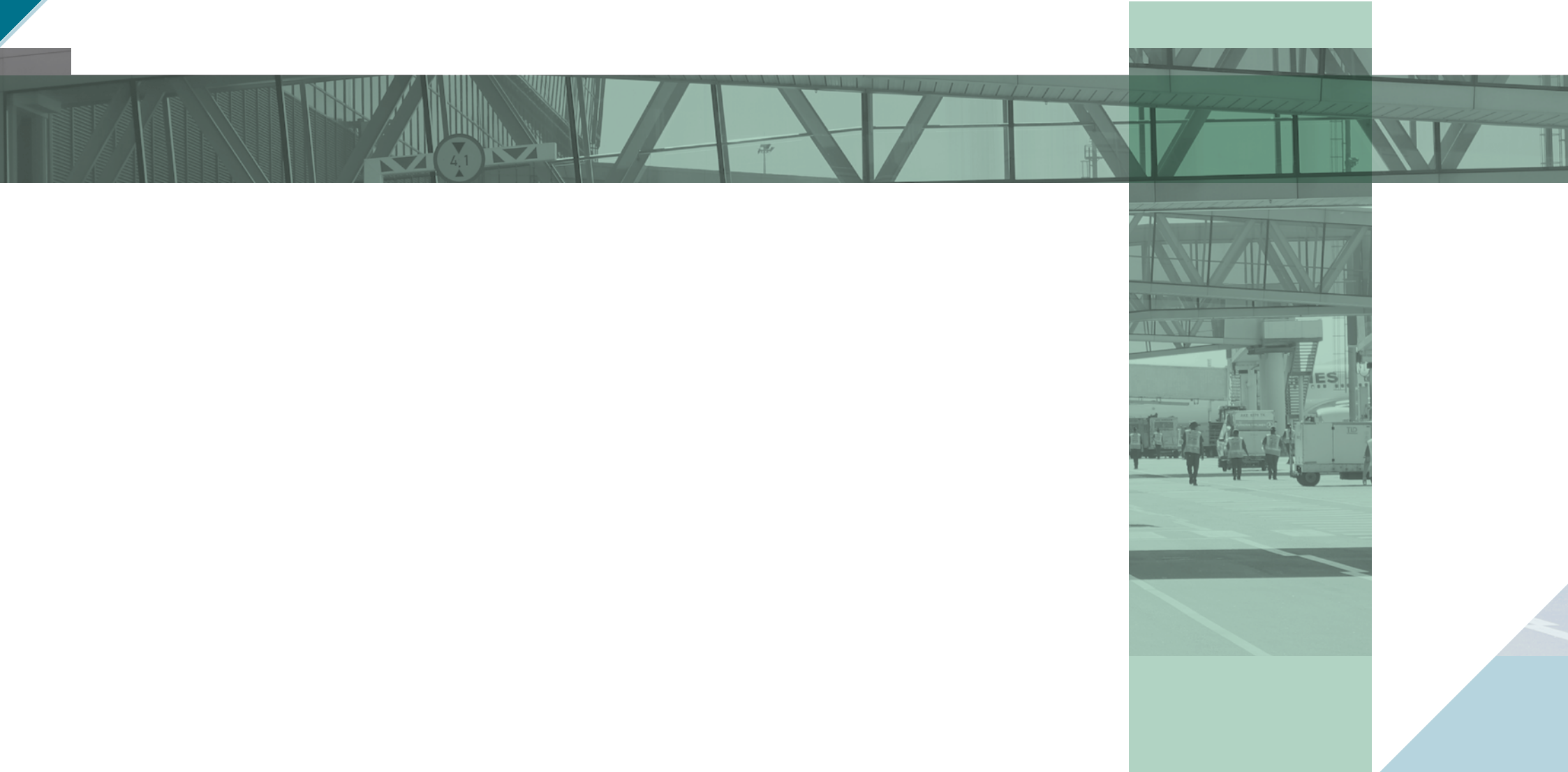
The turnarounds in our MIAL and GRU concession investments had a positive effect during the year, which is expected to continue into the foreseeable future.

Our supply chain management policy and procedures were revised to address shortcomings. Improved compliance with the policy and procedures, combined with appropriate capacitation of the supply chain management teams, should contribute to a reduction in non-conformances. As a consequence, this will reduce reported irregular expenditure in future.

Engagements with the airline associations in the lead up to the permission application for the 2019 to 2023 Permission confirmed the Company's capital expenditure programme. This forms the basis of the application for airport charges. The regulatory decision received in August 2018 provides for an increase in airport charges of 5.8% in 2019 and no increases until 2021.

The Company will continue to apply a conservative financial management approach to mitigate against the continuous unpredictability of regulatory decisions, which includes the rationalisation of the infrastructure investment programme from time to time. This is often unfortunate in light of the Industry capacity requirements based on traffic volume growth and the socio-economic benefits that such infrastructure investments would have resulted in.

PERFORMANCE REVIEW


























Our strategic response to challenges and opportunities in our operating environment enabled Airports Company South Africa to maintain sound financial performance and satisfactory airport service levels.






PERFORMANCE REPORT BACK




Our performance for the year is summarised below.

Strategic objectives	KPI	Calculation/description	Metric	2018 target	Target achieved	2018 actual	2017 actual	2016 actual	2025 target
Create value for our shareholders	  	Profit after tax/shareholders' funds	%	4.2		4.2	10.1	11.5	10
<i>Aligned to:</i> <i>All three strategic pillars</i>	Deliver return on equity (ROE) (Group) The amount of net income returned as a percentage of shareholders' equity. ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested.  Refer to page 54 to 55.								
Diversify the business portfolio	 	Income from non-core business, derived from consulting fees and training revenue	R million	58.8		59.6	50.75	27.9	200
<i>Aligned to:</i> <i>All three strategic pillars</i>	Generate realised non-core income Realised non-core income, defined as "income generated by the Company independent of traditional passenger and cargo traffic, and excluding fair value adjustments on investments, i.e. realised income". This indicator informs stakeholders of our diversification efforts.								
	 	Non-aeronautical revenue/total revenue	%	50.0		48.8	37.3	37.5	57.5
	Enhance non-aeronautical revenue as a percentage of total revenue The percentage of non-aeronautical revenue contributed to the overall revenue of the Company.  Refer to page 68.	Non-aeronautical revenue includes revenue from: <ul style="list-style-type: none">• Retail• Car rental• Car parking• Advertising• Property rentals• Consulting revenue• Other commercial revenue including cost recoveries, permit income and subsidiary revenue.							
Increase our reputation through demonstrated business excellence	 	Reputation Institute's RepTrak® research methodology is the global standard for measuring corporate reputation. The reputation survey data is captured in the RepTrak® Pulse, with an outcome score from zero to 100. A score of 100 being the best. This review is conducted every second year and is based on a peer review of the Company.	Weighted average	≥59		63.1	63.1	57.6	≥70
<i>Aligned to:</i> <i>All three strategic pillars</i>	Improve Reputation Index measure The Reputation Index measure comprises the perceptions and the degree to which stakeholders admire, trust, respect and have an overall good feeling towards the Company.  Refer to page 29.								













Strategic objectives	KPI	Calculation/description	Metric	2018 target	Target achieved	2018 actual	2017 actual	2016 actual	2025 target
Increase stakeholder satisfaction through effective partnership Aligned to: All three strategic pillars	   Assessment by our airport operations and commercial stakeholders of our airport operations services and interactions rendered This indicator illustrates our airport stakeholders' perceptions of our business interactions and support on the following airport operation elements: environment, facilities, people and productivity, and technology and equipment. Our airport stakeholders comprise: <ul style="list-style-type: none"> • Operations stakeholders such as airlines ground handler's, and government service providers (SARS, SAPS, immigration, customs and port health, and security companies) • Commercial stakeholders such as retail service providers, car rental agencies, service providers, food and beverage providers and financial service providers 	Various operational and commercial stakeholders complete a survey assessment through a structured survey programme. Survey assessment data collection and results are managed by an external company. The Company score is calculated based on a weighted average approach using passenger count as the basis.	Rating from 1 (poor) to 5 (excellent)	3.7		3.5	3.7	3.7	>4.0
Improve passenger experience through demonstrated operational excellence Aligned to: All three strategic pillars	   Assess passenger customer service This indicator illustrates the passengers' view and assessment of our delivery of airport customer-focused services. It is derived from the independent and approved Airport Service Quality (ASQ) programme managed by Airports Council International (ACI). The ASQ programme is the globally established benchmarking programme, measuring passengers' satisfaction while travelling through an airport. Results are comparable to local and international airports.  Refer to page 69.	Passengers complete a survey assessment, through a structured passenger ASQ survey programme. The ASQ survey covers 34 service areas clustered across the following categories: access, airline service, security, finding your way, airport facilities, airport environment and airport arrivals services. Survey assessment data collection and results are managed by ACI. Our score is calculated based on a weighted average approach using passenger count as the basis. Using this score, the airports are compared against peers by ranking them according to size categories. The following categories are relevant to our network of airports: 15 – 25 million annual passengers (MAP), 5 – 15 MAP, 2 – 5 MAP and 0 – 2 MAP.	Rating from 1 (poor) to 5 (excellent)	At least seven airports to achieve the ranking as per their size category: 15 – 25 MAP: Top 20 5 – 15 MAP: Top 20 0 – 2 MAP: Top 35		15 – 25 MAP: ORTIA 31/38 5 – 15 MAP: CTIA 53/89 KSIA 42/89 0 – 2 MAP: UTN 19/62 BFN 52/62 GRJ 26/62 PLZ 44/62 ELS 47/62 KIM 56/62	15 – 25 MAP: ORTIA 28/37 5 – 15 MAP: CTIA 53/86 KSIA 41/86 0 – 2 MAP: UTN 15/66 BFN 19/66 GRJ 28/66 PLZ 56/66 ELS 41/66 KIM 57/66	15 – 25 MAP: ORTIA 29/35 5 – 15 MAP: CTIA 45/79 KSIA 19/49 0 – 2 MAP: UTN 8/49 BFN 42/49 GRJ 7/49 PLZ 26/49 ELS 22/49 KIM 39/49	All airports in top 15 in their size category globally

PERFORMANCE REVIEW CONTINUED

Strategic objectives	KPI	Calculation/description	Metric	2018 target	Target achieved	2018 actual	2017 actual	2016 actual	2025 target
Improve connectivity to the regions we serve Aligned to: Run airports and develop airports	   Grow regional airport departing capacity This reflects the relative degree of local connectedness of our regional airports in terms of domestic traffic. It is a measure of the airline seating capacity available on regional routes. The higher the level of capacity, the greater the level of access to the local economy.	The sum of the departure maximum passengers for Bram Fischer International Airport, George Airport, East London Airport, Port Elizabeth International Airport, Kimberley Airport and Upington International Airport for freighter, non-scheduled and scheduled domestic traffic for the year.	% increase in regional departing capacity over the previous year	5 (2 829 693)	▼	-2.6 (2 757 326)	2 829 693	Not measured	10
Contribute to increase traffic through the airports we operate Aligned to: Run airports and develop airports	   Increase O.R. Tambo International Airport connectivity index This reflects the relative degree of connectedness of O.R. Tambo International Airport and is a measure of the number of destinations and economic importance of destinations served from our country's hub airport. This includes the frequency of service to each destination and the number of onward connections available from each destination. The higher the level of connectivity, the greater the level of access to the global economy.	The Auditor-General disclaimed the outcome of this KPI in 2017 due to concern about the method of calculation. In response, the Company adopted the OAG connectivity index to compute an index for O.R. Tambo International Airport for 2018 and retrospectively for 2017. The OAG connectivity index measures the ratio of possible scheduled international connections to the number of destinations served by an airport. OAG is a leading global provider of digital flight information and provides accurate, timely and actionable information and applications for airports worldwide.	Number of available seats to each destination	O.R. Tambo International Airport score: At least maintain current connectivity score (≥133)	▲	135	46.86	Not measured	70
Provide equitable access to safe airports in all South African regions to allow more people to fly Aligned to: Grow our footprint	  Participation in non-ACSA airports in South Africa An indication of how many South African airports to which the Company provides services.	Number of consultancy working days provided to external airports in South Africa.	Advisory service man days provided to non-Company airports in South Africa	40	▲	82	92.6	Not measured	Airports in all South African provinces
Promote regional integration and localisation of our airports Aligned to: All three strategic pillars	  Create job opportunities An indication of the number of job opportunities we create.	A job opportunity model was developed for the Company, primarily using key economic indicators, and operating and capital expenditure.	Number of opportunities	22 414	▲	24 741	24 018	23 505	50 000

Strategic objectives	KPI	Calculation/description	Metric	2018 target	Target achieved	2018 actual	2017 actual	2016 actual	2025 target
Support black business entrepreneurship Aligned to: All three strategic pillars	  Grow black business share in operational and developmental spend An indication of the Company's intent to further black business entrepreneurship by increasing the share of operational and developmental opportunities awarded to black businesses.	(B-BBEE procurement spend from all empowering suppliers that are at least 51% black-owned based on applicable B-BBEE recognition levels as a percentage of total measurable procurement spend (TMPS) X 100)/ (B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of TMPS).	%	48		61	46	47	65
Aligned to: All three strategic pillars	  Grow black business share of commercial revenue generated An indication of the Company's intent to further black business entrepreneurship through increasing the share of commercial revenue opportunities awarded to black businesses.	(Commercial revenue to black business x100)/(total commercial revenue generated) where a black business is defined as a company with >51% black management control and ownership. Commercial revenue is defined as revenue generated from revenue-sharing models, i.e. retail, car hire/ rental, and advertising.	%	48		59	51	52	65
Maintain and improve our contribution to broad-based black economic empowerment Aligned to: All three strategic pillars	  Achieve B-BBEE Level The Company's B-BBEE recognition level is based on a public-sector scorecard framework which reflects the Company's contribution to broad-based black economic empowerment.	B-BBEE rating using the Department of Trade and Industry qualification scoring and Empowerdex approved score.	B-BBEE as per code	Level 3		Level 2	Level 3	Level 2	Level 1
Leadership Culture Index Aligned to: Business enablement and support functions	  Leadership Culture Index Survey undertaken by employees to ensure that the highest levels of professionalism and key leadership skills are demonstrated to employees by reflecting on the ideas, customs, social behaviour and state of mind of the Company's leadership.	The research survey is measured on a four-point scoring scale of statements made from 0 to 3 where 0 is strongly disagree, 1 is disagree, 2 is agree and 3 is strongly agree. The categories assessed are based on the areas of agreed importance during that period.	%	≥65		78.6	77.25	Not measured	≥80%

PERFORMANCE REVIEW CONTINUED

Strategic objectives	KPI	Calculation/description	Metric	2018 target	Target achieved	2018 actual	2017 actual	2016 actual	2025 target
Achieve a demographically representative workforce <i>Aligned to: Business enablement and support functions</i>	  Promote employment equity A measure of how demographically representative the Company's workforce is of the country.  Refer to page 85.	Company representation against EAP demographics.	%	92.4		93.3	92.7	92.2	Achieve a demographically representative Company workforce (against EAP) per level
Foster a positive employee workforce and environment <i>Aligned to: Business enablement and support functions</i>	  Employee satisfaction survey (ESAT) An ESAT administered with the Company employees, with primary emphasis on opportunity, organisation, people, work and reward.  Refer to page 84.	Independent annual assessment of our ESAT	Rating from 1 (poor) to 5 (excellent)	3.8		3.5	3.31	3.51	4.2
Reduce our environmental impact <i>Aligned to: All three strategic pillars</i>	  Establish an ACI carbon accreditation level The assessment and recognition of our airports' efforts to manage and reduce our CO ₂ emissions.  Refer to page 71 to 73.	Attain an independent ACI certification: ACI's Airport Carbon Accreditation recognises and accredits the efforts of airports in managing and reducing carbon emissions. There are four levels of certification: mapping, reduction, optimisation and neutrality, with neutrality being the best. Airport Carbon Accreditation is based on existing international standards in the reporting and accounting of greenhouse gas (GHG) emissions.	ACI level as per mapping certification criteria	Attain ACI level 1 – mapping certification for KSIA and PLZ		Attained ACI Level 1 – mapping certification for KSIA, and PLZ	Attained ACI Level 1 – mapping certification for ORTIA, CTIA, KSIA, and PLZ	Not measured	ACI Level 3 optimisation certification for at least one airport

KEY:

 Target exceeded Target achieved Working towards achievement of target



RUN AIRPORTS

Airports Company South Africa runs its airports efficiently and develops them innovatively to maintain service excellence for passengers, airlines and other customers, and to enhance economic growth.

Focus areas

- Integrate data management across our airports to improve efficiency and effectiveness of airport management
- Introduce a key account model of engagement with stakeholders
- Implement a digitisation strategy to enhance customer experience
- Implement transformation strategies in property, retail, car parking and advertising sectors to accelerate inclusive growth
- Manage environmental impacts responsibly

Envisioned outcomes

- Long-term sustainable value creation
- Strengthening our reputation and continuing to build win-win partnerships with our stakeholders
- Continuously improving the passenger experience
- Becoming a digitised business
- Accelerating sustainability and transformation programmes
- Reducing our environmental impact

Topics raised by stakeholders:

- Safety and security incidents
- Airline failures
- Customer satisfaction
- Transformation
- Sound financial performance, strong governance and regulatory compliance
- Environmental sustainability

Link to strategy

- Increase reputation through demonstrated business excellence
- Increase stakeholder satisfaction through effective partnership
- Improve passenger experience through demonstrated operational excellence
- Support black business entrepreneurship
- Reduce our environmental impact

OVERVIEW

The Company derives its revenue from aeronautical and non-aeronautical sources. Aeronautical revenue comprises regulated charges or tariffs such as aircraft landing and parking charges, and passenger service charges. Non-aeronautical revenue comprises commercial income from retail operations, car parking, car rental concessions, advertising, property leases and hotel operations. Non-core revenue is derived from the training academy and the provision of technical advisory and consultancy services in South Africa, other African countries, and further afield.

PERFORMANCE

The Company regards real growth in gross domestic product (GDP) as a key driver of traffic volume growth. During the past three years, growth in our traffic volume exceeded the forecast GDP growth of South Africa and its major trading partners.

Our total departing passenger numbers grew by 4.2% to 20 836 852, with growth achieved by our three major airports as follows:

- O.R. Tambo International Airport: 2.9% increase
- Cape Town International Airport: 5.4% increase, largely attributable to growth in international traffic
- King Shaka International Airport: 7.5% increase, supported by solid growth in domestic travel

International traffic volumes grew by 5.1% with Cape Town International Airport contributing double-digit growth.

PERFORMANCE REVIEW CONTINUED

How did we do? Air travel trends at our nine South African airports

Air travel trends at our nine South African airports

International

Arrivals (ATM)

38 632

up by 2.4%

Departures (Passengers)

5 971 517

up by 5.1%

Regional

Arrivals (ATM)

13 064

down by 0.6%

Departures (Passengers)

560 569

down by 0.9%

Domestic

Arrivals (ATM)

140 784

down by 1.0%

Departures (Passengers)

14 242 494

up by 4.0%

Total

Arrivals (ATM)

264 457

down by 6.1%

Departures (Passengers)

20 836 852

up by 4.2%

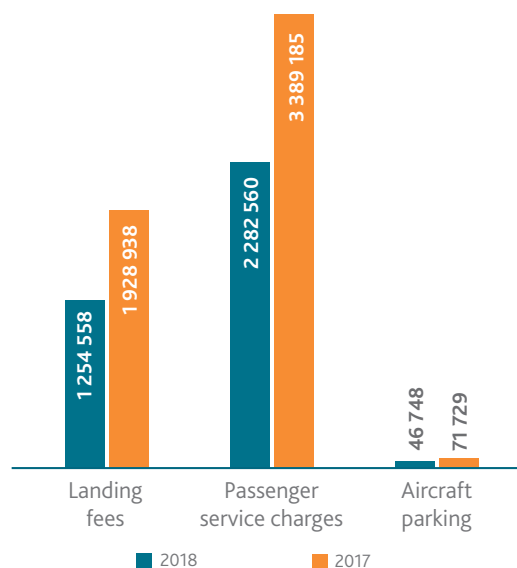
During the peak holiday season in December, international arrivals at Cape Town International Airport grew by 13.9% and international departures by 15.7%. Although domestic air travel was subdued, connectivity between King Shaka International Airport and regional airports grew as smaller airlines opened new routes. King Shaka is classified as a category 2 airport, with reduced landing restrictions and capacity for international flights diverted from O.R. Tambo International Airport.

Growing demand for airline goods transportation resulted in a 9% increase in the total air cargo processed through O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport to 504 022 tonnes (2017: 463 482 tonnes).

Despite the growth in traffic, we experienced a 6.4% reduction in the number of aircraft landings as some airlines reduced frequencies and terminated certain routes.

Revenue from aeronautical activities amounted to R3.6 billion (2017: R5.4 billion), segmented as follows:

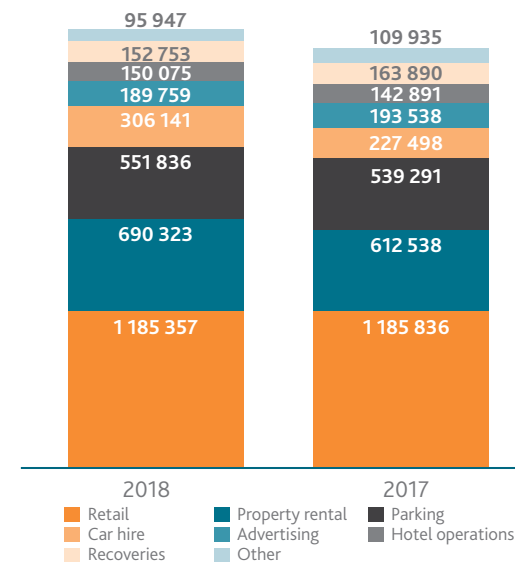
AERONAUTICAL REVENUE (R'000)



- 41.5 million arriving and departing passengers passed through our nine airports, 1.6 million (4%) more than 2017
- O.R. Tambo International Airport remains Africa's largest and busiest airport, with 21.2 million passengers
- Cape Town International Airport continues to attract the highest number of international passengers in South Africa, with growth of 16%
- King Shaka International Airport continues to grow its domestic passenger base, with 5.6 million passengers representing 7.7% growth
- George Airport was the standout performer of the six regional airports, with 8.5% growth enabling it to surpass the 800 000 passenger milestone

Revenue from non-aeronautical activities amounted to R3.3 billion (2017: R3.2 billion), segmented as follows:

NON-AERONAUTICAL REVENUE (R'000)



Airport operations

The increased traffic experienced by our international airports places strain on the infrastructure and operational systems such as aircraft parking capacity, terminal building capacity and baggage handling systems. This is specifically relevant during peak or busy operating periods. The growth in passenger numbers increased pressure on the Department of Home Affairs' on-site manpower who are struggling to cope with the existing staff complement. This results in long queues at immigration counters, which exacerbates congestion during peak periods in international airports. The delays impact customer experience, on-time performance and reduce the amount of time passengers can spend at retail outlets.

Our airports were impacted by cost-cutting measures applied by some of the state-owned domestic operators to mitigate liquidity and operational challenges. This resulted in a 0.4% decline in seat capacity nationally and a 1.2% loss of available seats at the six regional airports. Lower traffic growth in the affected regions had the knock-on effect of increasing flight cancellations and worsening congestion in airport terminals, which impacted customer experience. These external factors were mitigated by strong growth and operational efficiency achieved by private airline operators.

We strengthened our internal focus on running our airports efficiently and developing them innovatively to accommodate growth, maintain high levels of service, and enhance regional economies to make air travel accessible and affordable to more people. We execute our strategic mandate through the following three divisions.

Client and passenger services

To improve our performance and ensure our sustainability in a competitive global airline industry, it is necessary for us to strengthen our partnerships with our key stakeholders and enable them to achieve their objectives. To achieve this, we implemented a new key account management model to understand and respond to the objectives of each key stakeholder category, including passengers, airlines, airport tenants and suppliers, and tourism bodies. This involved developing a framework and training employees to implement an engagement process for each stakeholder category. We engaged extensively with our airport stakeholders to remove obstacles that prevent us from delivering quality services.

Ground handling services

The Company licences airport handling service providers, such as ramp handling (water services and bussing) and passenger and crew handling (baggage, sanitation and catering). To ensure we maintain regulatory and customer service quality requirements, we are implementing robust quality systems for these outsourced key airport services.

Contracts for these services are due to be renewed during 2018. Ground handling licences are not governed by the Preferential Procurement Policy Framework. As such, the Company drafted its own licensing policy to ensure that it achieves the transformation objectives set out in our ground handling transformation sector strategy.

Transformation in action:

Ground handling sector strategy	Performance against strategy in 2018
Give preference to black-owned businesses when awarding new contracts for ground handling services.	<ul style="list-style-type: none">• Drafted policy to guide process of granting airport licences in a fair, uniform and transparent manner.• Policy and sector strategy approved by board in March 2018 and tender document will be published in the next financial year.

Business systems and performance

A significant contributor to service delivery is our airport management centre (AMC), the operational hub of all airport activities. The AMC was established to ensure safe and efficient airport services for the airport community. By enabling the coordination between airlines, baggage handlers, security employees, customer service employees, and aircraft engineers, the AMC ensures that our passengers and cargo receive the efficient services needed to enable them to reach their destinations safely and on time.

Following the upgrade of our AMC system at O.R. Tambo International Airport in 2017, we applied the system enhancements at Cape Town International Airport and King Shaka International Airport. The upgraded AMC provides airport management with real-time access to all relevant information relating to flight tracking, peak hour analysis and security. It strengthened operational management, customer engagement and planning by providing data that can be analysed for the purposes of customer segmentation and to determine when airport capacity enhancements are necessary. Although we did not achieve our stakeholder satisfaction KPI ♥, we believe that these measures will enable us to make progress towards achieving this important objective.

Capacity expansion

The Regulating Committee's Permission Decision in December 2016 allowed the Company to commence significant airport capacity expansion projects at Cape Town International Airport and O.R. Tambo International Airport over the next five years. Smaller projects will be undertaken at King Shaka International Airport and other regional airports. Once complete, these projects will enable the Company to accommodate future growth in passenger numbers. However, they may have the unavoidable short-term consequence of impeding certain elements of customer service while construction is underway. We have introduced measures to limit inconvenience for our customers. For additional information on capacity expansion projects, refer to page 75. 📖

In addition to our capacity expansion projects, we develop and manage fixed base operations for private commercial aviation. The new purpose-built Fireblade Aviation at O.R. Tambo International Airport opened on 12 February 2018 and offers a world-class facility with a full range of business and charter services. These include terminals, lounges, check-in facilities, and streamlined immigration and customs services for international passengers.

Property

Airports Company South Africa manages airport properties and land development, and provides property development opportunities to market participants through transparent and equitable processes. Property income for the year increased by 13% to R690 million (2017: R612 million). This was in line with expectations due to the stability provided by property rental leases with planned annual escalations and a low number of vacancies, despite the difficult economic environment.

The Company embarked on a programme to develop 1 000 hectares of serviceable land at its nine airports, in alignment with the property transformation sector strategy.

Transformation in action:

Property sector strategy

Generate income of R3 billion over the next three to four decades by:

- Providing land opportunities and service provider partnerships
- Securing tenants through bidding and creating a lower barrier to entry for new B-BBEE developers
- Obtaining appropriate funding

Performance against strategy in 2018

- Industry engagements were conducted with developers, property practitioners and financiers to communicate the strategy.
- **33** property development tenders with additional transformation imperatives issued in September 2017 for land valued at **R1 billion**.
- **Three** property development opportunities awarded to **100% B-BBEE** companies.
- **R1.2 billion** self-funding approved for 33 000 m² office park development in the western precinct of O.R. Tambo International Airport.
- Step-down hospital facility at Bram Fischer International Airport, owned by black-owned medical group, Busamed, commenced operations.
- City Lodge's 60-bedroom extension at O.R. Tambo International Airport was completed in May 2018.

Retail

The retail business derives its revenue primarily from core duty-free, foreign exchange bureaus, branded fashion and jewellery airport outlets which are subject to exchange rate fluctuations. Despite the impact of a stronger South African Rand against all the major foreign currencies, retail revenue grew marginally to R1.2 billion. However, this lagged behind the 4.2% growth in passenger numbers primarily due to the Rand's strength against the Euro, challenges related to airport congestion at immigration and rental reviews on retail concessions that were unsustainable.

- Cape Town International Airport increased retail revenue by 4% to R202 million (2017: R195 million)
- King Shaka International Airport decreased revenue by 2% to R50 million (2017: R57 million)
- O.R. Tambo International Airport continued to contribute the most revenue, with R907 million in adjusted retail revenue (2017: R899 million) reflecting an increase of 1%

As the largest contributor to non-aeronautical revenue, the retail business is key to achieving the Company's objective of increasing non-aeronautical revenue to 55% of total revenue by 2025. The retail sector transformation strategy supports this objective, while promoting inclusive growth, and has achieved the following milestones:

Transformation in action:

Retail sector strategy

Grow retail revenue to R2.7 billion by 2025 by increasing spend per passenger by:

- Attracting the best brands and operators to provide world-class retail offerings and customer service
- Designing world-class facilities through optimal space design and layout
- Structuring win-win contracts with retail partners

Performance against strategy in 2018

- **Major retail upgrades** are planned for the domestic arrivals terminal at Cape Town International Airport. The domestic departures terminal of King Shaka International Airport will be reconfigured to improve the footprint of its commercial outlets.
- **Contracts with retailers** exposed to volatile exchange rates and tough trading conditions were reviewed.

Car parking and car rental

The car parking division's revenue grew by 2% to R552 million (2017: R539 million), reflecting evolving transport trends, including transport network upgrades, an increase in drop-offs and e-hailing services such as Uber. The Company introduced measures to protect and enhance its revenue, while embracing new transport solutions. These include:

- An increase in parking fees following a five-year freeze on price increases
- A yield management model which adjusts car parking tariffs relative to traffic volumes to increase revenue and optimise utilisation of parking facilities
- Partnerships with public transport providers to introduce park-and-ride services between CBDs and airports
- Negotiation of a revenue-generating partnership with Uber to accommodate its drivers in dedicated parking areas and users in mini-lounges in airport terminals

Income generated by the car rental business grew by 35% to R306 million (2017: R228 million), reflecting strong demand during December 2017. New tenders for car rental concessionaire leases will be awarded as part of the car rental transformation sector strategy.

Transformation in action:

Car rental sector strategy	Performance against strategy in 2018
Position car rental facilities at optimal airport locations to increase revenue and maintain 60% of domestic car rental transactions at our airports. Achieve this by: <ul style="list-style-type: none"> Attracting high-quality operators and brands Designing world-class facilities Structuring win-win contracts 	<ul style="list-style-type: none"> A tender for a maximum of 10 car rental operators per airport closed in January 2018 and is awaiting board approval. Car rental buildings in Cape Town International Airport and Port Elizabeth International Airport will be extended based on demand after the tender award. Additional transformation imperatives were included in the tender, such as differentiated rental rates for kiosks and parking bays depending on location.

Advertising

Revenue from advertising activities declined by 2% to R190 million (2017: R194 million) due to a general reduction in advertising expenditure and postponement of the planned renewal of advertising concessions from December 2017 to 30 June 2018. The purpose of the postponement was to accommodate the award of a new advertising tender issued in July 2017.

Transformation in action:

Advertising sector strategy	Performance against strategy in 2018
Achieve R300 million revenue target by 2025 by: <ul style="list-style-type: none"> Providing high returns on advertisers' investments Decluttering airports and leveraging advertising to obtain optimal income Investing in digital advertising opportunities Maximising income by enhancing the passenger journey 	<ul style="list-style-type: none"> Issued a tender for entire advertising portfolio. Tender simplified into four opportunities per airport (international where applicable, domestic departures, domestic arrivals and outdoor) for a concession period of 10 years. Included additional transformation imperatives in tender. Tender awards are awaiting board approval.

Safety and security

The safety and security of all of our passengers and stakeholders are primary functions of airport management and are managed in partnership with law enforcement agencies. We engaged extensively with the SAPS, state security and the metro police department to strengthen security by vetting, monitoring and rotating airport security employees. We also ensured that security employees are adequately resourced and trained to mitigate and manage incidents at our airports. Prevention and threat response procedures are in place to deal with crises and ensure the continuity of operations. Our safety protocols and systems are reviewed regularly to ensure that our employees and partners have clear guidance on actions to take in the event of an emergency.

Threats to aviation are evolving rapidly as passenger numbers increase and passengers become increasingly dissatisfied with queues and intrusive security measures. We recognise that we need a different, more agile response to counter these customer concerns and emerging threats. We are adopting Smart Security technology which offers an innovative, risk-based digital system that integrates security and airport

operations. Following a pilot study of a Smart Security lane at O.R. Tambo International Airport in 2017, we undertook various interventions to assess our readiness. Due to infrastructure limitations, we are evaluating alternative Smart Security configurations. When fully implemented, the Smart Security lanes will enable passengers to proceed through security with minimal inconvenience. Security resources will be allocated to areas where the potential risk is greatest, allowing airport facilities to function optimally.

Digitisation

Airports Company South Africa is implementing a comprehensive digital strategy to ensure that we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience at our airports, while protecting our information and systems. In addition to Smart Security, the Company piloted and is preparing to implement self-boarding and self-service baggage drop projects. These form part of the International Air Transport Association's Fast Travel programme to promote self-service in the aviation industry. The automation of immigration services using biometric technology has been discussed with the Department of Home Affairs and is envisaged to be implemented during 2019.

Innovation

Our research and development function develops innovative ideas to improve client service and assesses whether new technology is required to drive efficiency. The best ideas are piloted at an airport and, if successful, implemented at other airports. Smart Security, self-service offerings and automated functions are examples of innovative ideas that were developed through this process.

Environmental feedback

The Company conducts its environmental management, including legislative compliance, through an environmental management system (EMS). In line with materiality as outlined on page 24 [🔗](#), the Company provides consolidated figures on environmental performance. The boundary of environmental impacts is restricted to the financial year and materiality.

PERFORMANCE REVIEW CONTINUED

Element and metric	2018	2017	Material changes
Electricity consumption in kilowatt hours	240 501 415	245 449 263	<p>Electricity consumption decreased by 2% due to energy-saving initiatives implemented at all nine airports. These included the phased introduction of photovoltaic solar plants to supply renewable energy and installation of LED lights and motion sensors to limit the use of some facilities during non-peak periods. These initiatives have contributed to a reduction in our carbon footprint and facilitated our progress in achieving ACI carbon accreditation.</p> <p>Plans to develop photovoltaic solar plants as a source of renewable energy gained momentum during the year with the issuing of tenders for plants at the East London Airport, the Bram Fisher International Airport and the Port Elizabeth Airport. The planned commissioning date for these plants is 31 March 2019.</p>
Water consumption in kilolitres	2 212 623	1 766 931	<p>Despite the reduction in water consumption by the Cape Town International Airport, the Company's total water consumption increased by 25% due to:</p> <ul style="list-style-type: none"> Projects undertaken in and around some of our airports, including runway end safety areas on both runways at Kimberley Airport and a hospital next to Bram Fischer International Airport in Bloemfontein A leakage from a water reservoir built to augment the water supply at Bram Fischer International Airport
Fuel and diesel consumption in litres	636 147	482 378	An increase in the Company's vehicle fleet and an increase in airside operations due to traffic growth were the main contributors to the 32% increase in overall fuel consumption. We continue to manage fuel consumption by replacing older vehicles and promoting more responsible driving behaviour.
Waste recycled in kilograms (millions)	3 833 117	2 977 265	Airports Company South Africa is committed to reducing waste and recycling in support of the requirements of the National Environmental Management Waste Act, No. 59 of 2008. The Company's continued implementation of integrated waste management plans and awareness campaigns have contributed to the 29% increase in recycled waste. We continue to seek additional measures to divert waste from landfill.
Noise management incidents reported	17	24	Noise complaints have decreased by 29% as a result of improved interaction between our noise consultative committees and affected parties. A review of noise levels around our three major airports is scheduled to be conducted in the new financial year.
Bird strikes	338	285	The Company strives to protect wildlife that inhabits its airport properties through bird and wildlife management programmes. A 19% increase in bird strikes could be attributed to the increase in airport traffic.

Mitigating the impact of water shortages in Cape Town

The drought in South Africa, and particularly its impact on the Western Cape, poses a potential threat to the effective functioning of our airports. In addition to the Company's routine water, electricity and waste reduction processes, Cape Town International Airport has introduced the following additional measures:

- Escalated plans to **reduce demand for water by 50%** to 500 000 litres per day (reduced from one million litres to 600 000 litres over the past year)
- Implemented several **water augmentation projects**, with the aim of becoming self-sufficient and not dependent on provincial water supplies
- Installing an **on-site filtration and purification** system to process water from these sources and feed it into our potable water systems

Water augmentation plans to increase our capacity include:

- Water harvesting from extensive roof structures
- Accessing groundwater from existing and new boreholes linked to a significant aquifer below the airport
- Recommissioning two unused water reservoirs on the airfield to supplement current reservoir capacity

The implementation of major infrastructure investment projects at the airport increases the urgency to conserve and augment water. We estimate that the runway realignment project will require 1.5 million litres daily during peak construction periods.

We have also considered the water requirements of our fire-fighting facility and are satisfied that our on-site capacity provides adequate fire cover.

The project to increase borehole capacity from 10 000 to 30 000 litres each per hour has commenced, and commissioning of the plant is scheduled for September 2018. Current reservoir holding capacity of 1.8 million litres will increase to 4.2 million litres.

In finding water augmentation solutions for our airports, we are committed to supporting vulnerable communities around our airports, in partnership with local authorities.

Other environmental disclosures:

Area of disclosure	Material changes
Air quality, emissions	The Company achieved ACI level 1 re-certification for O.R. Tambo International Airport, Cape Town International Airport, King Shaka International Airport and Port Elizabeth International Airport. We embarked on a project to apply for ACI level 2 for one of these airports in 2019. Our performance demonstrates the persistent application of our EMS. We continue to measure and report on air quality monitoring at our top three airports in line with the National Ambient Air Quality Standards and SANS 1929 Ambient Air Quality Standard. No transgressions were recorded.
Fuel spills	The Company had no significant fuel spills or fines levied for non-compliance.
Compliance with laws and regulations	We remain on course to obtain ISO 14001 Environmental Management System Certification (ISO 14001) at all nine airports, using a phased approach to accreditation. Eight of the Company's airports have been certified on the ISO14001:2015 standard. Cape Town International Airport remained certified on the ISO14001:2004 standard and will be certified on the 2015 version of the standard in 2019.

The Company achieved ACI carbon level 1 re-certification for four airports and is applying for level 2 accreditation.

OUTLOOK

Airports Company South Africa will maintain its focus on delivering excellent service to its passengers and other stakeholders. We will leverage our integrated data management system to improve operational efficiency and implement innovative, digitally enabled security and self-service initiatives. This will ensure that passengers at our airports are processed safely and with minimum inconvenience, from arrival to departure.

As we embark on capacity expansion projects, which will impact our airport premises, we will do our utmost to ensure that any inconvenience to our airport stakeholders is kept to a minimum.

We will continue to manage our airports responsibly, ensuring that we contribute to inclusive growth by implementing transformation throughout our operations and managing our airports in a manner that creates value for the South African economy, our employees and the communities around our airports.





DEVELOP AIRPORTS

Airports Company South Africa develops its airports and service offerings to maintain quality of service for customers, accommodate growth in demand for air travel, and provide a platform for further growth of our footprint and reach.

Focus areas

- Embark on infrastructure investment programme
- Strengthen project management for more effective project delivery
- Introduce measures to accelerate inclusive growth in construction contracts
- Manage our environmental impacts responsibly

Envisioned outcomes

- Long-term sustainable value creation
- Accelerating sustainability and transformation programmes
- Reducing our environmental impact

Topics raised by stakeholders:

- Job creation
- Alignment of government mandates and social programmes
- Environmental sustainability
- Sound financial performance, strong governance and regulatory compliance

Link to strategy

- Create value for our shareholders
- Promote regional integration and localisation of our airports
- Maintain and improve our contribution to B-BBEE recognition level
- Support black business entrepreneurship
- Reduce our environmental impact

OVERVIEW

We improve and expand airport infrastructure in a manner that leverages innovation and opportunity, while creating value for the broader society in which we operate.

Based on the example of our Cape Town International Airport runway realignment project, the table on page 75  demonstrates how our project planning and implementation processes align with our strategic objectives and Sustainability Framework.

PERFORMANCE




Infrastructure and capacity upgrades

Airports Company South Africa is committed to providing world-class airport infrastructure for our stakeholders and the country. Our capital investment programme is developed in consultation with the airline industry to ensure a fit-for-purpose application and adjusted where appropriate to support our strategy. Our infrastructure investments provide significant regional and national economic benefits and are consistent with development and planning policies for the areas in which they occur. Evolving aviation trends are considered to ensure that we remain globally competitive.

The impact of the two-year Permission Decision limited capital expenditure to R891 million (2017: R893 million), which was used primarily for refurbishment and replacement. The Permission Decision enables us to embark on a programme of major infrastructure upgrades to accommodate growth in passenger numbers and the related increase in demand for airport facilities, with R31 billion committed to the programme over the next five years. Of this, R19 billion will be directed to new capacity development and the remaining R11 billion will be allocated to commercial, efficiency, technology, refurbishment and replacement work. The most material expansions of our facilities are at O.R. Tambo International Airport and Cape Town International Airport.

Strategy in action: Develop airports – Cape Town International Airport runway realignment project

Addressing stakeholder concerns

Our business 	<ul style="list-style-type: none"> • The runway will be built to international specifications, allowing larger aircraft to land, increasing capacity and improving traffic flow. • The project features additional infrastructure such as a taxiway system, security facilities (a perimeter fence), service roads, and service infrastructure, including storm water infrastructure. 	<ul style="list-style-type: none"> • Where possible, construction activities that disrupt airport operations will take place at night. • When complete, the project will accommodate growth in traffic and increased passengers, while enabling more efficient future expansion of the airport.
Our people and society 	<ul style="list-style-type: none"> • Spatially, the project unlocks the airport's development potential. • An estimated 200 direct temporary jobs will be created during construction and the airport expansion is expected to create between 900 and 3 200 new jobs in the longer term. • Stakeholder engagement was undertaken as part of an EIA. The key concerns raised by stakeholders were: <ul style="list-style-type: none"> » the impact on noise levels of increased flight frequencies and changes in flight paths; and » the impact of increased noise levels and emissions on the health of surrounding communities. 	<ul style="list-style-type: none"> • Operational mitigation measures will be applied to decrease the size of area impacted by noise above the 55 dB(A) guideline. • Dust suppression methods will be applied during construction. • The EIA rated air quality impact during construction as insignificant and the likely risk to health during operations as low.
Our environment 	<ul style="list-style-type: none"> • The EIA rated hydrology and freshwater ecology impacts of the project as low to insignificant, apart from the loss of endangered Western Strandveld wetland habitat, which was rated as a medium risk, requiring a wetland offset. • Limited fauna was found to be present in the project footprint. 	<ul style="list-style-type: none"> • An appropriate wetland offset will be identified and implemented. • Permission from the Department of Water Affairs will be sought for any activities in wetland areas. • Erosion management will be applied. • Disturbed areas will be revegetated with indigenous grass species unpalatable to birds and mammals.

O.R. Tambo International Airport


The Company will construct nine Code F and seven Code C remote apron stands to provide capacity for more aircraft at O.R. Tambo International Airport. The project is scheduled for completion in 2022. Further investments will be made in capacity expansion projects, including additional bus gates and retail facilities, an additional baggage carousel in Terminal A arrivals, and reconfiguration of existing carousels, all due for completion in 2019.

Plans are underway to develop the airport's western precinct and midfield cargo terminal to accommodate growing demand and create opportunities for black-owned businesses, in line with the construction sector transformation strategy.

The western precinct comprises an 8.5 hectare site, with 180 000 m² earmarked for mixed-use development (commercial and retail buildings and a hotel) which will be completed in phases by 2020.

In 2018, air cargo processed through the O.R. Tambo International Airport gateway was 399 781 tonnes (2017: 394 430 tonnes). To consistently meet the growing demand from international and local cargo operators, the Company will expand the midfield cargo facilities at the airport. An EIA was conducted and phase 1 of the project was designed in consultation with the cargo industry to accommodate up to one million tonnes of air cargo annually.

The facility will have capacity for general cargo, specialised goods, distribution and support services for the air cargo supply chain. Depending on demand, a second phase will increase the facility's capacity to two million tonnes a year. The project will be implemented over five to eight years.

These and other upgrade or development plans, including the digitisation of airport services, will strengthen O.R. Tambo International Airport's position as South Africa's largest airport, enabling it to compete with the most efficient airports globally. Refer to pages 90 and 91  for details on our digital system upgrades.

PERFORMANCE REVIEW CONTINUED

Cape Town International Airport

Expansion projects to address capacity constraints, improve retail offerings and increase tenants' storage facilities are in progress at Cape Town International Airport. The projects include expansions to the domestic arrivals terminal, the international arrivals and departures terminals and the international holding lounge. They are scheduled for completion in 2020 and 2021.

The growth in demand for services at Cape Town International Airport places increasing pressure on runway capacity and aircraft parking facilities. To address this material constraint, the Company will increase runway capacity by 50%. This will be achieved by realigning the primary runway and associated taxiways, increasing the maximum capacity from the current 30 air traffic movements hourly to approximately 40, and providing for new flight paths. We received environmental authorisation from the Department of Environmental Affairs in February 2018, based on an EIA, which paved the way for the project to start. Completion is scheduled for 2021.

The amount of air cargo processed through Cape Town International Airport exceeded the Company's expectations and offers an opportunity to enhance the profitability of long-haul flights, which have the capacity to carry up to 80 tonnes of cargo. Short-term measures were applied to manage the current growth in demand. Plans to accommodate growth in the medium to long term are being considered.

King Shaka International Airport

A project to extend the Bravo taxiway and construct two Code F aircraft stands is underway at King Shaka International Airport. The project will increase parking capacity for larger international aircraft and is scheduled for completion in 2019.

Project management

As we prepare to embark on a lengthy capital expenditure programme, we have introduced measures to strengthen project management and align it with our strategic objectives. This includes establishing an enterprise project management office tasked with creating enterprise-wide visibility of all capital projects and ensuring the adoption of best practice standards across the Company. The Company has adopted 32 project management frameworks that cover the full project life cycle. These will assist in the development of consistent processes and work standards to ensure efficient and effective planning and delivery of our infrastructure development projects.

The capital expenditure programme offers a unique opportunity to accelerate economic transformation in South Africa. The Company developed a construction sector strategy in 2016 that uses various mechanisms to ensure that our capital programme meets our transformation objectives.

Transformation in action:

Construction sector strategy	Performance against strategy in 2018
<p>Over the next nine years, our capital expenditure programme will:</p> <ul style="list-style-type: none"> • Create value for our shareholders • Enhance our reputation • Provide efficient and cost-effective development • Use efficient development channels • Improve the efficiency of our assets 	<ul style="list-style-type: none"> • A contract participation goal (CPG) is included in all infrastructure tenders, setting quantified ownership, management and enterprise development targets in all contracts to ensure that transformation occurs in the primary contract and the various sub-contracts of appointed suppliers' supply chains. • The O.R. Tambo International Airport midfield cargo project adopted this measure and achieved a CPG of 70%. • A minimum B-BBEE threshold was established as a qualifying criterion for most of the tenders issued, resulting in most tenders being awarded to B-BBEE Level 2 or Level 1 contractors. • Qualifying enterprises that contract with the Company receive preferential payment terms to assist with liquidity constraints.

Airport maintenance

The maintenance of airport facilities is an ongoing function of the enterprise asset management division, which provides engineering solutions and maintains infrastructure assets such as pavements, buildings, plant, fittings, machinery and equipment. The division implemented a performance improvement programme to ensure the availability and reliability of key airport assets. During the process, we identified performance impediments, such as bottlenecks in procurement processes. We developed solutions to strengthen performance and improve customer experience.

We focus on recruiting and developing requisite engineering skills to strengthen capacity in the Company and respond to skills shortages. This includes participation in professional associations to ensure that more of our engineers receive the necessary post-qualification training and experience to be recognised as professional engineers.

Unlocking the development potential around our airports

Long-term plans to stimulate growth and create job opportunities around our three main airports, in partnership with provincial and municipal authorities and regional economic and tourism bodies, continue to gain momentum.

A 25-year master plan for the Gauteng city region aerotropolis was approved. The plan boasts a five-year implementation plan to develop catalytic projects that have a high likelihood of creating jobs, building businesses and converting the metropolitan area surrounding O.R. Tambo International Airport into a business hub over time. Our midfield cargo project and western precinct mixed-use development were the first priorities of the plan. A project management unit was established to fast-track other projects identified as being ready for development.



The Cape Town International Airport, in partnership with the City of Cape Town, continues to make progress with two major aerotropolis initiatives. The Swartklip development comprises the False Bay Westlake College, which will provide a skills development programme for local community members; and mixed-use developments with housing, industrial, commercial and retail buildings, and outdoor leisure spaces. The Symphony Way development corridor includes a housing development for informal settlements on the eastern side of the airport and mixed-use developments to accommodate light industrial and agricultural businesses.

The 25-year plan to develop similar business hubs near King Shaka International Airport was approved. The Durban aerotropolis, which is being developed in partnership with the KwaZulu-Natal Provincial Government and Dube Trade Port Corporation, involves a development corridor and a public transport system between Durban and the airport, with mixed-use developments in housing, industry, agriculture, water treatment and small business development.

➡ Refer to page 89 for more on our socio-economic development investments.

OUTLOOK

Our main focus will be on implementing our capital expenditure programme effectively to ensure that it delivers our envisaged financial, operational and social returns. We are well positioned with processes in place to strengthen project management and align it with our strategic objectives, and we have addressed impediments to the optimal functioning of our airport maintenance service. The mechanisms we introduced in our construction sector strategy will enable us to meet our transformation objectives.



GROW OUR FOOTPRINT

We grow our footprint to increase our capacity and global reach, strengthen our brand and enhance our value creation process.

Focus areas

- Expand provision of airport management services in South Africa and the continent
- Formalise relationships with airport authorities in other countries
- Establish Gauteng Route Development Committee and continue to collaborate with route development agencies in Western Cape, KwaZulu-Natal and Eastern Cape
- Develop more new routes and expand flight offerings on existing routes

Envisioned outcomes

- Long-term sustainable value creation
- Strengthening our reputation and continuing to build win-win partnerships with our stakeholders
- Identifying and securing new business opportunities

Topics raised by stakeholders:

- Understanding passenger and partner needs
- Sound financial performance, strong governance and regulatory compliance
- Fair and transparent remuneration with job security and career progression

Link to strategy

- Create value for our shareholders
- Contribute to increase in traffic through the airports we operate
- Diversify the business portfolio
- Provide equitable access to safe airports in all South African regions to allow more people to fly
- Improve connectivity to the regions we serve

OVERVIEW

We achieve growth in our core business activities by responding to the evolving needs of customers and ensuring our infrastructure is able to sustainably support growing demand. Our reputation as an airport business enables us to generate non-core revenue by offering airport management, training and advisory services to other airports, and investing in international airport concessions. Non-core revenue increased to R59.6 million (2017: R50.8 million) primarily due to an increase in the scope of work undertaken at the Kotoka International Airport expansion project for the Ghana Airports Company. This enabled us to exceed the KPI target of R58.8 million. ▲

PERFORMANCE

Business development

The primary function of the business development division is to position the Company as a partner of choice in delivering sustainable airport management solutions. The division supports non-core revenue generation through its consultancy

and technical advisory services, airport management services, training and investment in strategic international airport concessions. Consultancy and advisory services are key drivers of our strategy to develop and manage world-class airport operations. Our business development division is equipped to pursue partnership opportunities in Africa and abroad. Our traffic development activities in partnership with provincial governments where our three international airports are located, contribute to core aeronautical revenue.

Expanding our domestic and international reach

Airports Company South Africa, through the business development division, provides airport services to local and international airports. Locally, we extended the reach of our brand and expertise to stimulate growth outside the Company by providing 82 man days (2017: 92.6 man days) of consultancy services to non-Company airports in South Africa. This exceeded the related KPI target of 40 man days. ▲

In South Africa, we concluded a five-year contract to provide management and consultancy services to the Mthatha Airport. The Company submitted a business plan for the provision of similar services to Polokwane International Airport, and a proposal for the provision of training services to the Mafikeng International Airport.

In Ghana, the Company is mandated by Ghana Airports Company Limited to manage the construction of Terminal 2 at the Kotoka International Airport expansion project and implement operational readiness and transfer after construction is complete. The scope of our work includes technical design reviews, engineering project management, commissioning of the facility and ongoing operational support. The track record we established on this contract increased the potential for the Company to be contracted for work on other airport expansion projects planned by Ghana Airports Company Limited as it responds to growing demand for aviation facilities in the country.

Several memoranda of understanding (MOUs) were concluded between Airports Company South Africa and airport authorities in sub-Saharan Africa, including the Cameroon Civil Aviation Authority, Liberia Airports Authority and Namibia Airports Company. These pave the way for future collaboration and improve prospects for opportunities to provide airport services.

In a competitive African aviation industry, where airport businesses are capitalising on growth opportunities, bilateral agreements between South Africa and other countries enable us to conclude MOUs to extend services and assist in the development of African airports. Under this framework, we seek to remain competitive by differentiating our advisory offerings with service excellence and solutions based on the understanding we gain of our customers' operations and challenges.

We seek to develop our footprint as a Company by enhancing access to air travel for South Africans, while increasing air traffic movements and the connectivity of our airports with global destinations. We achieved our KPI target to increase the connectivity index of O.R. Tambo International Airport with a score of 135 (2017: 133). ▲ The KPI measures the connectivity index to each gateway linked with O.R. Tambo International Airport, and considers the number of one-stop connections within six hours of the final destination. However, the departing capacity of regional airports remains sluggish, largely as a result of capacity rationalisation and unstable scheduling by certain domestic airlines. As a consequence, our KPI target of a 5% increase was not achieved. ▼

Stimulating regional growth

We continue to strengthen our valuable relationships with route development structures in Gauteng, Western Cape, KwaZulu-Natal and Eastern Cape to stimulate growth of passenger and cargo traffic to our network of airports. We contribute to these partnerships through competitive landscape analysis, market intelligence data and infrastructure to support airlines and key stakeholders in a collaborative manner.

These collaborations play a catalytic role in fostering trade and tourism. They include:

Gauteng Route Development Committee

- A route development structure was established in February 2018 in partnership with City of Ekurhuleni and Gauteng Tourism Agency.
- The structure is mandated to develop opportunities linking O.R. Tambo International Airport.

Western Cape Investment and Trade Promotion Agency

- Cape Town Air Access, a partnership between Airports Company South Africa, City of Cape Town and provincial government to enhance air connectivity between Cape Town International Airport and global destinations.
- Cape Town Air Access assisted in securing 10 new routes and 12 route expansions, increasing seat capacity by 700 000 since 2015.

Dube Tradeport

- Durban Connect is a partnership between Dube Tradeport, local government and non-government agencies to connect King Shaka International Airport with global destinations.
- Our Company is a member of Durban Connect under the auspices of Dube Tradeport.

In collaboration with key stakeholders in Gauteng, the Western Cape and KwaZulu-Natal, the Company secured increased frequencies from SA Airlink, Fly Cemair, Fly Safair, Austrian Airlines, Eurowings (Lufthasa Group), Air Mauritius and Congo Airways. This equated to eight new routes and 1 348 additional flights from existing airlines.

New routes developed from each airport

O.R. Tambo International Airport

Rome to Johannesburg – Alitalia

St Helena to Johannesburg – SA Airlink

Kinshasa/Lubumbashi to Johannesburg – Congo Airways

Luanda to Johannesburg – TAAG – Angolan Airlines

Nelspruit to Johannesburg – Fly Cemair

Cape Town International Airport

Victoria Falls to Cape Town – Kenya Airways/SA Airlink

Cologne to Cape Town – Eurowings

Singapore Changi to Cape Town (via Johannesburg) – Singapore Airlines

King Shaka International Airport

Port Elizabeth to Durban – Fly Safair

East London to Durban – Fly Safair

Additional new services include the introduction of double daily British Airways Airbus 380 flights between London Heathrow and O.R. Tambo International Airport, and a daily flight from London Gatwick to Cape Town. Alitalia returned to South Africa after a 16-year absence with a route linking Rome to Johannesburg from April 2018. Austrian Air will commence a Vienna to Cape Town service from November 2018. New carriers expanded their flight offerings at our three main airports.

The liberalisation of commercial aviation route rights between South Africa and other countries continues to play an important role in increasing flight frequencies. The negotiation of additional frequencies between South Africa and Angola, which enables carriers in both countries to increase the number of flights from seven to 21 weekly within three years, was enhanced by the ratification by both countries of the Single African Air Transport Market (SAATM). The SAATM was formalised by the African Union in January 2018. A bilateral air service agreement concluded between South Africa and Hong Kong will allow for increased flight frequencies and new routes between the countries, resulting in the planned launch of non-stop Cathay Pacific flights between Hong Kong and Cape Town during the northern winter from November 2018.

PERFORMANCE REVIEW CONTINUED

Developing expertise in advisory services

The Company's technical and advisory services offers specialist expertise to all the airports we serve. Specialist expertise is secured from other divisions, where necessary. In instances where certain technical expertise is not available in the Company, we engage with external strategic partners to remain flexible and able to adequately address challenges or service business opportunities as they arise. There is a drive within the Company to develop young talent to bolster internal capacity in support of the 2025 objectives.

Training academy

Training is integral to the services Airports Company South Africa offers to airports in Africa and other emerging markets. The Company operates a training academy to build aviation skills and expertise in Africa. The academy generated R9.1 million in non-core revenue from its operationally based training, including safety, security and airport management training. Airports Company South Africa is creating customised training courses for individual airport needs.

Equity investments**India**

The Company entered into a 30-year concession to manage the Chhatrapati Shivaji International Airport (CSIA) in Mumbai in 2006 and owns a 10% equity investment in the airport through the concessionaire, Mumbai International Airport Private Limited (MIAL). The CSIA achieved a turnaround to profitability, reporting earnings of R672 million after incurring accounting losses in prior years. The turnaround is attributable to growth in annual passenger numbers to approximately 46 million. Although infrastructure investments increased capacity at the airport, it is now operating at approximately 87% capacity, with limited opportunity for further expansion.


MIAL was awarded a 30-year concession contract to design, finance, build, operate and transfer the new Navi Mumbai International Airport, which will create additional capacity for 70 million passengers and 1.5 million tonnes of cargo.

As part of the CSIA concession award, MIAL was given an option to exercise a right of first refusal for new airport

concessions within an agreed radius. MIAL won the bid for the Navi Mumbai International Airport, resulting in an increase in our Company's shareholding from 10% to 17.4%. Planned improvements in public transport for air travellers in Mumbai are expected to stimulate economic growth around the CSIA, further enhancing the growth potential of our investment in India.

Brazil

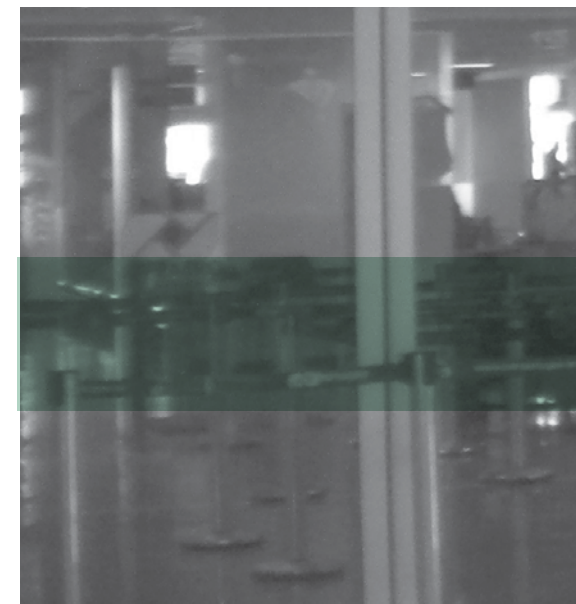
In 2012, the Company was awarded a 20-year concession to manage the Guarulhos International Airport in São Paulo, Brazil, in partnership with the GruPar consortium in which we are a 10% shareholder. Since 2014, the airport has accrued accumulated losses, largely due to the country's economic recession. However, the Brazilian economy recovered faster than anticipated and the concession reduced its loss by 36% to R483 million.

Further information on our equity investments is available in the message from the Acting Chief Financial Officer on page 54. 

OUTLOOK

Airports Company South Africa made noteworthy progress in establishing relationships in South African and other African markets. We are shifting our focus to realising these potential opportunities. With our demonstrated track record as a preferred partner in airport management and solutions, we created a platform from which to secure additional non-core revenue. We will ensure that we continue to differentiate our offering in a competitive market with our experience and service excellence.

Our network of nine airports represents a valuable strategic asset that can be leveraged to develop new and existing routes that increase our connectivity throughout the continent and further afield. We will focus on creating more opportunities for South Africans to access air travel by promoting it as a cost-effective and efficient alternative mode of transport.





Brazil



India

BUSINESS MANAGEMENT AND ENABLEMENT

To effectively execute our strategy, various business functions enable and support our operations, covering all three strategic pillars. These include:

- Human resources
- Transformation
- IT and digitisation
- Communication and branding

Human resources

The purpose of our human resources (HR) function is to co-create an environment in which our employees can realise their potential and fulfil their role as a key enabler for creating sustainable individual and Company value, and delivering on our strategic objectives. Our three-year HR strategy, introduced in 2018, is aligned to the Company's strategy and 2025 objectives and is informed by key global HR trends. The HR strategy is implemented by means of an operating and service delivery model. Performance is measured against HR frameworks and KPIs that dovetail with the Company's main performance metrics.

One of our main priorities during the year was supporting the transition to the Company's new governance framework and operating model. We focused on embedding the organisational culture and leadership approach defined by the governance framework and operating model, and ensuring that the Company was adequately resourced to support critical business needs now and in future.

The Company invested R40 million (2017: R54 million) in employee skills development programmes. We strengthened our commitment to the development of young talent by providing bursaries for tertiary studies and offering learnerships and internships, which led to permanent job opportunities or long-term contracts for a record 259 candidates (2017: 135). Our skills development programme is shifting towards a greater focus on skills specific to our Company that will contribute positively towards the availability of skills in South Africa.

KEY FOCUS AREAS

The HR strategy is underpinned by five focus areas to support our strategic objectives. The following table reports our performance against each focus area, the alignment with the Company's strategic objectives and our plans for the year ahead.

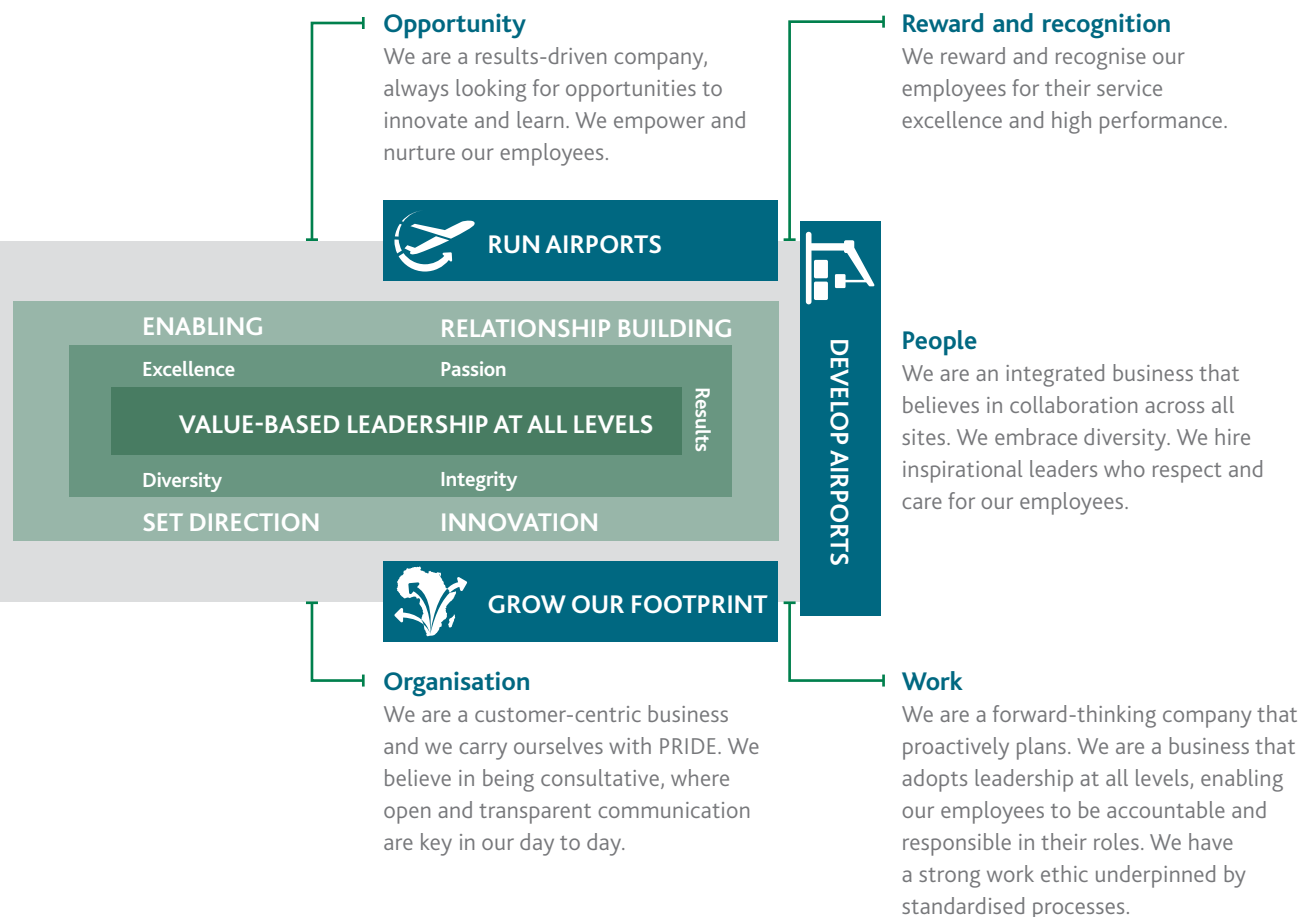
HR strategy in action: Managing and developing a high-performance team

Focus areas and strategic alignment	Performance in 2018	Planned for 2019
Contribute to Growing our footprint Leveraging our human capital to enable the business to grow its footprint <i>Aligned to: Diversify the business portfolio</i>	<ul style="list-style-type: none"> • Developed an international mobility plan to support and enable business development • Appointed an external advisor to assist in developing a business plan to commercialise the training academy and generate non-aeronautical revenue • Upgraded training packages and identified accreditation partners for the academy 	<ul style="list-style-type: none"> • Deploy talent to international assignments or concession investments • Implement the training academy business plan • Secure accreditation partners, new best practice training packages and a fit-for-purpose training facility
Develop business capability Vision 2025 requires that we optimise our capacity and capability. HR will ensure that appropriate skills and experience are obtained <i>Aligned to: Increase stakeholder satisfaction through effective partnership; Foster a positive employee workforce and environment</i>	<ul style="list-style-type: none"> • Refined our competency framework to identify and align competencies with the governance framework and operating model • Identified critical roles and introduced a succession management programme to underpin talent bench strength • Established a talent committee chaired by the Chief Executive Officer to fast-track talent recruitment 	<ul style="list-style-type: none"> • 65% of employees identified as successors for critical roles are defined as ready within 12 months to assume the roles • Develop identified successors • Implement a quality management system to ensure consistent and quality learning and development

Focus areas and strategic alignment	Performance in 2018	Planned for 2019
Create an enabling culture Create a culture of growth, accountability and innovation to support the achievement of Vision 2025 goals <i>Aligned to: Leadership culture index</i>	<ul style="list-style-type: none"> Achieved a leadership culture index of 78.6%, exceeding the KPI target of ≥65% ▲ Engaged with employees and leadership to determine the Company culture needed to achieve Vision 2025 Reinforced the behaviours required to enable the desired culture, based on PRIDE values and underpinned by values-based leadership Revised the leadership behaviour framework to embed a values-based leadership culture Implemented change management to support integration and strategic alignment during transition to the new governance framework and operating model Introduced KPI-linked performance contracts for executives 	<ul style="list-style-type: none"> Cascade employee performance contracts throughout the Company Incorporate the behaviours that typify “how we do things” into performance contracts Monitor and evaluate effectiveness of the leadership framework Develop a coaching and mentoring culture to support the transition to new roles in the governance framework and operating model
Always on people management Operating in a manner that keeps the end user in mind and ensures that people and the employee experience are positively managed <i>Aligned to: Foster a positive employee workforce and environment</i>	<ul style="list-style-type: none"> Consolidated and automated HR processes and data to support employee recruitment, talent and performance management, and employee surveys Introduced self-service kiosks to enable all employees to access pay slips, IRP5 certificates and leave forms, and completed routine operational functions Digitised employee satisfaction survey and diagnosis 	<ul style="list-style-type: none"> Optimise digitally enabled information management system to support management decisions Leverage automated systems to improve employee satisfaction with faster, more efficient delivery of HR payroll and administration services Introduce predictive analytics to inform strategic talent decisions
Transformation Developing a Company mindset that goes beyond compliance <i>Aligned to: Achieve a demographically representative workforce; Maintain and improve our contribution to B-BBEE</i>	<ul style="list-style-type: none"> Achieved a demographically representative workforce score of 93.3%, exceeding the KPI target of 92.4% ▲ Developed an action plan to support new employment equity targets defined by the Department of Transport Developed an action plan to address transformation gaps in the new Transport Sector Codes for management control 	<ul style="list-style-type: none"> Implement interventions of dedicated task teams established to achieve employment equity targets Implement a “persons with disability employment” tactical plan to increase integration and improve management control

PERFORMANCE REVIEW CONTINUED

To measure progress in the implementation of the HR strategy and the development of an enabling culture to drive the Company's strategic objectives, we conduct an annual employee satisfaction (ESAT) survey based on five employee value propositions, as illustrated below.



The 2018 ESAT survey score of 3.54 (2017: 3.31) was below our KPI target of 3.80 ▼, but higher than the prior year, which could be attributed to a more stable environment following the implementation of the new governance framework and operating model, and the positive effect of increased employee engagement. The ESAT score, combined with an employee turnover rate of 6.0% (2017: 5.18%), indicates that we are an employer of choice.

Refer to the highlights on page 51 for our top employer status achievement.

There were 198 (2017: 67) promotions, 174 (2017:145) terminations and 249 (2017: 110) appointments in the year.

Employment equity

We strive to reflect the demographics of our country. While our workforce reflects an improvement in representation of black employees, which is 93.3% (2017: 92.7%) within the economically active population, our female representation remains unchanged at 44.9% of the total workforce of 3 076¹ (2017: 2 990).

¹ The value represents the employment equity stats inclusive of permanent and contract employees with 3 months or more with the Company.

Workforce profile per year

Year	Male				Female				Foreign		Black employees representation (ACI)	Total
	A	C	I	W	A	C	I	W	Male	Female		
2013 number	996	229	114	159	814	161	50	114	4	1	2 364	2 642
%	37.7	8.7	4.3	6.0	30.8	6.1	1.9	4.3	0.2	0.0	89.5	
2014 number	1 080	224	111	153	939	159	50	111	3	2	2 563	2 832
%	38.1	7.9	3.9	5.4	33.2	5.6	1.8	3.9	0.1	0.1	90.5	
2015 number	1 138	209	103	141	1 032	146	46	104	1	2	2 674	2 922
%	38.9	7.2	3.5	4.7	35.3	5.0	1.6	3.6	0.0	0.1	91.5	
2016 number	1 183	204	103	133	1 065	144	46	97	1	2	2 745	2 978
%	37.9	6.9	3.5	4.7	35.8	4.8	1.5	3.3	0.0	0.1	90.4	
2017 number	1 223	205	97	122	1 067	139	42	92	1	2	2 772	2 990
%	40.9	6.9	3.2	4.1	35.7	4.6	1.4	3.1	0.0	0.1	92.7	
2018 number	1 274	209	97	116	1 111	138	40	88	1	2	2 869	3 076 ¹
%	41.4	6.8	3.2	3.8	36.1	4.5	1.3	2.9	0.0	0.1	93.3	
Goal 2018 number	1 211	218	102	121	1 093	167	46	106	0	3	2 772	3 067
%	39.5	7.1	3.3	3.9	35.6	5.4	1.5	3.5	0.0	0.1	92.4	
EAP %	42.8	5.3	1.8	5.3	35.1	4.5	1.0	4.2	0.0	0.0	90.5	

Key: A = African, C = Coloured, I = Indian, W = white

¹ The value represents the employment equity stats inclusive of permanent and contract employees with 3 months or more with the Company.

Women

Increased employment of women remains a focus for Airports Company South Africa, with 44.9% (2017: 44.9%) of its workforce comprised of women. This relatively high workforce representation allows us to develop a strong talent pool for future senior positions and leadership roles. It also supports increased female representation in the professionally qualified and senior management occupational levels.

A dedicated gender task team was established to identify opportunities to increase the female talent pool in technical and scarce skills categories through skills development.

People with disabilities

The Company continues to experience a challenge in employing people with disabilities. We employed 50 people with disabilities (2017: 54), which is 1.6% (2017: 1.8%) of our total workforce and well below our target of 80. Achieving our target requires specific interventions, including awareness of the needs of people with disabilities and provision of reasonable accommodation. We continue to apply these interventions and are exploring additional measures to attract and retain people with disabilities.

Improving the lives of our people

Airports Company South Africa goes beyond mandatory employee benefits to empower, develop and create opportunities for its people to improve their livelihoods. This approach, in turn, assists the Company to attract and retain talent. Two major interventions to improve the lives of our people are our housing and transport schemes.

PERFORMANCE REVIEW CONTINUED

Housing scheme

The purpose of the scheme is to increase employee home ownership and provide dignified accommodation. The scheme offers qualifying salaried employees the following benefits:

- An upfront lump sum deposit to enable first-time homeowners to purchase a home
- A monthly housing subsidy to reduce the burden of bond repayments
- A monthly rental subsidy for three years to assist qualifying employees to improve their accommodation and reduce the rental burden as a step towards preparing them for home ownership
- Training in financial management and responsible home ownership

The number of participating employees increased to 1 325 (2017: 1 088).

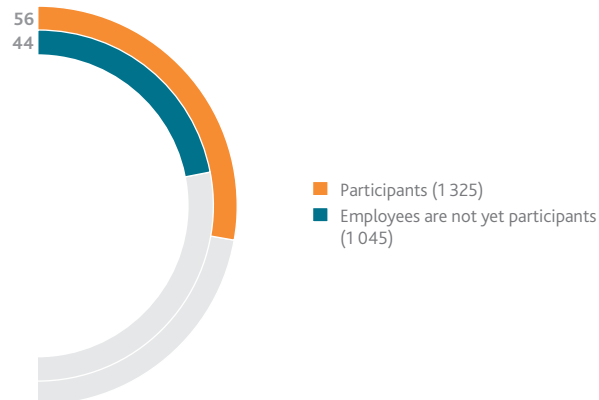
Housing scheme participation

Since the scheme's inception in July 2016, the Company has invested R67.9 million as follows:

- R37 million to assist employees purchase their first homes
- R26 million to assist employees to address and resolve debt to purchase a home
- R4.9 million to assist employees access better rental accommodation

HOUSING SCHEME PARTICIPATION

(2 370 employees are eligible for housing scheme)

**Transport scheme**

We have approved a transport scheme which will provide safe, reliable and affordable transport to our employees during periods when there is limited access to public transport; 2 533 permanent and 140 temporary employees will be eligible for the transport scheme.

The procurement process was completed in 2017 and the transport solution will be implemented in 2018. We have appointed 19 transport service providers and integrated them into our ESD programme, which will empower them to sustain and grow their transport business beyond the life cycle of the contract.

Through the ESD programme, Airports Company South Africa entered into a memorandum of agreement with Mercedes Benz Financial Services (Mercedes). The Company and Mercedes each contributed 5% and 15%, respectively of their ESD budgets towards the capital outlay of vehicles purchased by the service providers.

**Supporting learning for employees and their children**

Our employees create the opportunity to become prosperous if they participate in studies to further their education and progress their career. The Company offers a bursary programme for tertiary studies, including courses relevant to the business, enabling employees to develop their own career prospects. R5.8 million was invested in the bursary programme (2017: R6.0 million).

Providing young South Africans with access to quality education is critical to the future of our country and aligned with our



transformation strategy and the NDP. We invested R4.9 million (2017: R4.6 million) in a bursary scheme for the children of our employees to study tertiary degrees and courses in subjects on the list of national scarce skills. We reinforce this commitment by sponsoring tutorship through professional learning institutions in mathematics, physical science, life science and accounting to strengthen proficiency in these subjects. This is combined with work experience opportunities to prepare students for the world of work.

Employee wellness

The health and wellness of employees significantly impacts their ability to function optimally at work, at home and in other areas of their lives. The Company provides access to health and wellness services through face-to-face or telephonic counselling, which supports employees in managing their physical, emotional and psycho-social wellbeing. This includes a Company-sponsored executive wellness and neuroscience-based medical assessment for the leadership team.

Trade union relations

Airports Company South Africa recognises the right of all employees to belong to trade unions and participate in collective bargaining. The Company endeavours to maintain sound relationships with organised labour through regular consultation and engagement. This approach contributes to stable relations, despite changes in South Africa's organised labour environment, which have resulted in an increase in the number of trade unions that represent our employees. The National Education, Health and Allied Workers Union (NEHAWU) and the National Transport Union undertook a verification of their membership in an open and transparent manner, with no formal disputes on the outcome of the process.

By year-end 60% (2017: 51%) of our workforce was unionised as follows:

- NEHAWU: 28%
- National Transport Movement (NTM): 25%
- National Union of Metalworkers of South Africa (NUMSA): 7%

While NEHAWU and NTM currently enjoy organisational rights granted by the Labour Relations Act, NUMSA is not sufficiently representative in the Company to be granted organisational rights.

Wage increases granted in 2018 were within the parameters of a multi-year wage agreement concluded with NEHAWU in 2017. The agreement supported the maintenance of a stable labour environment.



TRANSFORMATION

B-BBEE

According to the Integrated Transport Sector Codes in line with the National Land Transport Act of 2009, the Company is a Level 2 contributor. Our performance against the B-BBEE scorecard elements is recorded in the following table:

B-BBEE scorecard elements	2018	2017	2016
Management and control	3.82	4.14	8.84
Employment equity	14.19	14.38	14.28
Skills development	19.64	19.48	21.05
Preferential procurement	30.63	29.13	30.00
Enterprise development	15.00	7.53	15.00
Socio-economic development	5.00	5.00	5.00
Total points achieved	88.31	79.56	94.17
Contributor level	2	3	2

B-BBEE business spend

Our procurement expenditure represents a significant opportunity for empowerment, and we continued to increase our procurement from all empowering suppliers as follows:

- Our procurement spend from suppliers that are at least 51% black-owned, based on applicable B-BBEE recognition levels as a percentage of total measurable procurement spend (TMPS), amounted to R1 588 952 765 (2017: R1 124 079 251). This represents 61.7% (2017: 46%) of our TMPS and exceeded our KPI target of 48% ▲
- Our procurement spend based on procurement recognition levels, as a percentage of TMPS, amounted to R2 982 093 113 (2017: R2 447 547 935), representing 116% of our TMPS

	2018 %	2017 %	2016 %	Commentary
Preferential procurement analysis¹				
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of TMPS	116	113	110	Our continued focus on ensuring that suppliers are B-BBEE compliant generated an increased spend of 2.39%.
B-BBEE procurement spend from all empowering suppliers who are qualifying small enterprises based on applicable B-BBEE recognition levels as a percentage of TMPS	28	21	23	Various developments to embed transformation activities in procurement processes led to a 15% increase in spend on qualifying small enterprises.
B-BBEE procurement spend from all empowering suppliers who are at least 51% black-owned, based on applicable B-BBEE recognition levels as a percentage of TMPS	62	57	47	The 10% improvement underlines our thrust on transacting with businesses that adopt our transformation objectives and that are willing to sub-contract to enterprise development suppliers.
B-BBEE procurement spend from all empowering suppliers who are at least 30% black women-owned based on applicable B-BBEE recognition levels as a percentage of TMPS	35	30	20	The focus on procurement spend on black women-owned suppliers realised a 5% increase.

¹ The Company applies an equivalent Rand value to the percentages applied for reporting purposes.

Enterprise development

The Company achieves significant empowerment through its support of black entrepreneurs as reflected in the growth in the black business share of commercial revenue from 50% in 2017 to 59%. This exceeded the KPI target of 48% ▲, partly as a result of the positive impact of the new transformation sector strategies that became operational during the year. It also exceeded the new 50:50 ratio of black-owned business prescribed by the supply chain management policy.

Other factors that contributed to the growth of our contribution to black entrepreneurs were our investment of R12 million in enterprise development (2017: R10 million) and an improvement in our supply chain management process to remove bottlenecks in the management of procurement processes.

➡ Refer to page 48 for additional information on supply chain management.

Socio-economic development projects

One of the many ways in which Airports Company South Africa contributes to enterprise development and social upliftment in South Africa is through our socio-economic investment programmes. We support socio-economic development (SED) projects near our airports in six focus areas that are aligned with our strategic objectives: education, women and youth empowerment, environmental sustainability, disability, skills development, and philanthropic donations and employee volunteerism. During 2018, we invested R44 million (2017: R39 million) in our SED programme, R4.9 million of which is spent on communication campaigns and project activation.

The balance was allocated to our focus areas as follows:

Focus area	Projects	Investment	Return on social investment
Education	<p>Teacher and learner development in the Eastern Cape: Saturday and holiday classes in maths, science, accounting for grades 10 – 12</p> <p>School infrastructure support in partnership with the Department of Transport in Mpumalanga</p>	R6.6 million	<ul style="list-style-type: none"> Marks at Walmer High School increased from 22% to 72% Marks at Umtiza High School increased from 50% to 52% Shinyukane School received a library and science laboratory Inkomazi School received a library, computer centre and ablution facilities A local contractor was employed; 14 jobs were created
Women and youth empowerment	<p>Goodbye Malaria: We provided kiosks at O.R. Tambo International Airport, Cape Town International Airport and George Airport to develop young retail entrepreneurs, while supporting the fight against malaria.</p> <p>Hygiene and environmental programme: We partnered with a black female industrialist to fund increased capacity for the manufacture of toiletries and sanitary towels and a hygiene awareness programme at Gauteng schools.</p> <p>Tshimologong: In partnership with the University of the Witwatersrand (Wits), we introduced a three-year incubation programme to provide unemployed youth with entrepreneurial skills.</p>	R4 million	<ul style="list-style-type: none"> 18 direct, 44 indirect jobs created Goods sold at the kiosks sourced from 100% black women-owned businesses R300 000 raised to fight malaria in South Africa, Mozambique and Swaziland Support for black women-owned enterprises Four jobs created 100 unemployed youths receive entrepreneurial skills Five SMMEs receiving training at Wits in the supply of devices for the visually impaired
Environmental sustainability	<p>Nature Guides Learnership: Training programme to develop learners into wildlife officers or tour guides. The programme is operated in partnership with Ekurhuleni Municipality, BirdLife South Africa and Field Guides Association of South Africa.</p>	R1.5 million	<ul style="list-style-type: none"> 12 learners trained and certified Completed practical course in a Phalaborwa nature reserve, including driving and first aid courses
Disability	<p>We support an early childhood development programme for children with disabilities in KwaZulu-Natal, in partnership with the Department of Social Development. Centres in Ndwedwe, Umlazi, Port Shepstone and Umzumbe disability centre receive support.</p> <p>We sponsor the South African National Deaf Association to promote and advocate for the rights of deaf people in South Africa.</p>	R5.5 million	<ul style="list-style-type: none"> Care-based assistants receive training Assistive devices are sponsored Two additional centres that require education infrastructure will be renovated, providing work for a local contractor Approximately 50 passenger-facing employees at O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport trained in sign language
Skills development	<p>We provide a skills development programme to uplift communities around infrastructure development projects at Cape Town International Airport, including:</p> <ul style="list-style-type: none"> A three-year construction training course at False Bay Westlake College Blikkiesdorp Football Programme conducted in partnership with South African Football Association (SAFA) 	R6.6 million	<ul style="list-style-type: none"> 50 trainees enrolled in construction course 23 community members obtained SAFA coaching accreditation 10 community members qualified as accredited SAFA referees
Philanthropy	Philanthropic donations	R15.2 million	<ul style="list-style-type: none"> Contribution to broader society in which we operate Employee volunteerism

IT AND DIGITISATION

Improvements in the governance of technology commenced. More than 10 policies were updated and approved during the current year based on King IV recommended practices and the recommendations of external consultants. More than 60 technology projects were completed to strengthen governance and operational capacity in the Company.

Airports Company South Africa embarked on a R2 billion digitisation strategy to enable it to achieve its strategic objectives by leveraging technology. The strategy will create sustainable value by:

- Optimising IT capability for service delivery and innovation
- Integrating digital processes and IT capability into the governance framework and operating model
- Focusing on research, development and the governance framework and operating model innovation for efficiency improvement
- Preparing the Company's IT architecture for a digital airports business of the future
- Sourcing strategic partners to augment our own capabilities, control IT costs and accelerate service delivery

The key focus of the strategy will be on the four digital dimensions of passenger processing, business intelligence and analytics, social and mobile technology and digital infrastructure.

Our plans and the progress we achieved in these focus areas are discussed in the following table:

Focus areas	Achieved in 2018	Planned for 2019
Passenger processing Over the past two years, we have piloted a range of digitally enabled self-service products to facilitate faster, safer and more efficient movement of passengers through our airports.	<ul style="list-style-type: none"> • Smart Security lanes designed to detect security threats piloted at O.R. Tambo International Airport • Self-service check-in kiosks, self-boarding e-gates and baggage drop • Infogate units: digital information and navigation to support passengers seeking information • Common user terminal equipment provides access to airport information from one digital interface 	<ul style="list-style-type: none"> • Implement Smart Security lanes at O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport • Implement automated immigration services using biometric technology
Business intelligence and analytics Intelligent, integrated platforms provide our customers with relevant information when they need it. As we increase our adoption of digital technology and data analysis, we optimise the efficiency of decision-making and operational performance, strengthen safety and security, and respond more effectively to evolving customer needs.	To improve the efficiency of our business enablement functions, we have: <ul style="list-style-type: none"> • Consolidated and automated HR data to enhance recruitment, performance and talent management processes • Enabled employees to access key information such as pay slips and IRP5 certificates and fulfil digital approvals from any device • Automated financial and treasury functions, including a solution for foreign exchange transactions • Automated procurement processes to minimise human error and provide an auditable trail for each tender transaction record 	<ul style="list-style-type: none"> • Optimise information management system to support management decisions
Social and mobile technology Social and mobile platforms augment the passenger experience in airports by enabling digital access to information and improving connectivity.	<ul style="list-style-type: none"> • In response to the growing demand for digital solutions, we increased the coverage of free WiFi at our airports, providing more bandwidth per passenger 	<ul style="list-style-type: none"> • Implement data analytics to gain insight into customer preferences • Leverage data analysis to improve airport service and enable personalised commercial offerings
Digital infrastructure The Company is developing enterprise architecture to drive and direct its IT strategy, and ensure it has the capacity to support the transition to a digital airports business.	<ul style="list-style-type: none"> • Integrated enterprise architecture and developed the digital platform to support business operations, innovation and growth • Appointed panel of 16 external service providers to augment internal capability, control costs and accelerate service delivery 	<ul style="list-style-type: none"> • Optimise architecture to simplify, standardise and integrate across airport and corporate operations

IT sector transformation strategy

Airports Company South Africa entered into a five-year partnership with primary information and communications technology service providers to develop suppliers internally, based on a 60:40 transformation split. Tenders were issued to 30 small, medium and micro enterprise suppliers.

Commercialising IT

An IT commercial unit was established under the technical advisory and consultancy services component of our governance framework and operating model. A newly appointed group manager has been tasked with developing opportunities to commercialise IT as a means of contributing to non-aeronautical revenue. Contracts were concluded with three mobile phone businesses (MTN, Telkom and Vodacom) to secure their presence in our airports.

Further afield, the IT division generated revenue from its role in developing an IT plan and implementing digital solutions for the Kotoka International Airport expansion project in Ghana.

A partnership agreement secured with Wits University in 2017 to operate a digital technology skills development hub with research and development capacity is being implemented.

Cyber-security

Digitisation offers significant business benefits, however, increased adoption of digital technology heightens the potential risk of cyber-crime. To manage and mitigate this risk, the Company applies appropriate safeguards and assesses these safeguards continuously to ensure the stable and secure operation of our systems. We strengthened our digital protection capacity with three new interventions:

- Mobile data encryption software was installed to protect data in the case of loss, theft or removal of devices from our Company. The software enables users to clear data remotely and prevents the transfer of data from laptop computers to external hard drives.
- Intruder detection and prevention technology was implemented to protect our systems from external threats by providing real-time data on attempted

and successful hacks. Of the potential technology breaches we block monthly, only 3% involved external penetration of our systems during 2018, and they were successfully prevented. We recorded no major incidents that we were unable to prevent or mitigate.

- Top-down security training and awareness was conducted with members of the IT steering committee, the Executive Committee and airports management.

COMMUNICATION AND BRANDING

Airports Company South Africa focused on embedding a new communications and branding strategy and resourcing its corporate affairs division in line with the requirements of the new governance framework and operating model. This enabled the Company to strengthen its brand management and media relations, contributing to its positioning as a world-class partner of choice.

The key communications challenge that we addressed during the year was the heightened interest in the corporate governance and procurement functioning of State-owned entities. This was demonstrated by increased scrutiny of our Company by some stakeholders, although we experienced this to a lesser degree than many other State-owned entities. Our approach to allegations against some of our executives was to respect the legal rights of individuals pending the outcome of legal and governance processes, to isolate these from our daily operations, and to communicate the measures we are implementing to address challenges in our procurement processes.

To improve the effectiveness of our response to the legitimate needs and concerns of our stakeholders, we conducted the following interventions:

- Corporate affairs conducted internal workshops to communicate the results of the 2017 RepTrak® survey, an independent stakeholder reputation assessment to assess stakeholder perception.

- Stakeholder owners identified matters relevant to their areas of operation and developed proactive stakeholder engagement plans involving key account managers to achieve desired outcomes before the next survey in 2021.

Airports Company South Africa introduced an engagement framework to encourage continuous engagement within the Company. To support this process, we made considerable progress in the digitisation of our communication platform to strengthen internal communications. Digital interventions include:

- Greater use of mobile technology to engage employees
- A company-wide WhatsApp broadcast group
- Internal advertising through a desktop messaging platform
- A live, interactive broadcast to all employees in the Company with Executive Committee members
- The introduction of on-site kiosks to enhance data gathering for the ESAT survey

Outlook

Airports Company South Africa celebrated 25 years of operation in July 2018. To mark this historic milestone, plans are underway to reposition the Company's brand locally and internationally. We will align this process with our stakeholder engagement strategy to ensure a singular approach to stakeholder engagement.

Our internal focus will be on launching a Vision 2025 communications and change campaign to ensure employee buy-in and entrench the behaviours and values required to achieve our strategic objectives.

GOVERNANCE AND REMUNERATION





“The Company’s governance framework and operating model provide the environment necessary to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.”

Deon Botha Acting Chairman

GOVERNANCE

Executive summary

As a State-owned company with a mandate from government to contribute to economic growth and development in South Africa, Airports Company South Africa acknowledges its responsibility for good corporate governance, including the effective implementation of King IV throughout our organisation. We consider our Company to be one of the better run State-owned enterprises, but realise that there is a constant need for improvement. We have worked extensively to fulfil our commitment to ethical conduct and leadership as a responsible corporate citizen.

Improving irregular expenditure management is a priority and strengthening our alignment to the irregular expenditure guidelines as published by National Treasury. Moreover, we are improving our compliance systems to ensure early identification of potential irregular expenditure and to initiate the appropriate treatment thereof, whether condonations or otherwise.

As part of our process of adopting King IV, we are focusing on ensuring that all King IV disclosure requirements are addressed in our suite of reports. As explained on page 110 [E](#), we have provided disclosure within this integrated report and in the supplementary board CVs report available online at www.airports.co.za. [P](#)

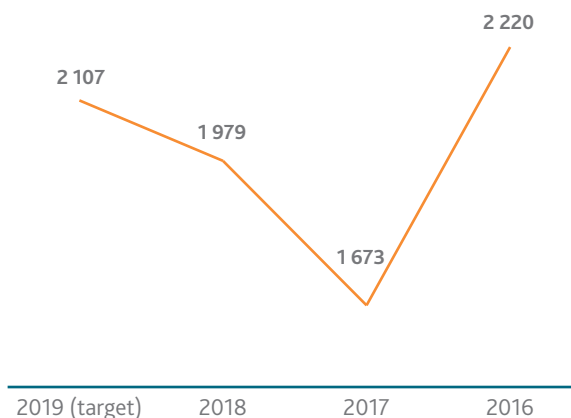
As our governance processes evolve, we will continue to provide concise and transparent disclosure of all areas of governance to demonstrate the re-alignment of our governance framework and operating model to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Effective and ethical leadership

The board takes responsibility for ensuring that management actively cultivates a culture of ethical conduct to which the Company will adhere. This is attained by delegating oversight of the management of the organisation's ethics to the social and ethics committee, which ensures that management is held accountable for the organisation's ethical performance.

ETHICS TRAINING

(NUMBERS TRAINED)



Ethics in action

The ethics pledge was finalised during the year and signed by members of the board on 5 December 2017. The pledge commits the board to ethical practices, individually and collectively, and to lead the organisation ethically and effectively as stipulated in King IV. A copy of our pledge, ethics policy and values can be found on our website at www.airports.co.za. During our annual ethics awareness training, we ensured that our employees acknowledged receipt of the manual code of ethics and read it to re-affirm their commitment to ethical practices. To date, 1 979 copies of the code of ethics have been issued to employees and other stakeholders.

Our code of ethics is unchanged and outlines standards of conduct expected of Directors, managers, employees, service providers, suppliers and trading partners. Training was conducted throughout the Company, including our code of ethics, gift policy, conflict of interest policy, anti-corruption management plan and whistleblowing policy. We trained 1 979 employees (2017: 1 673) and 22 external partners on our ethics policies and code of ethics.

The Company's whistleblowing policy is in effect, and the Company provides employees with various avenues, such as an anti-corruption hotline, walk-in reporting, direct calls through the ethics office or internal audit and direct reporting to management, to report unethical or irregular conduct. On average, 50 reports are received through the anti-corruption hotline monthly. The anti-corruption hotline is independently administered by an external company which submits reports daily for investigation.

When a report is received, a preliminary investigation is conducted to establish whether there is a prima facie case. Thereafter, further investigation is conducted with appropriate recommendations should a more detailed investigation be warranted. Alternatively, appropriate action is taken where necessary, including referrals to external law enforcement agencies.

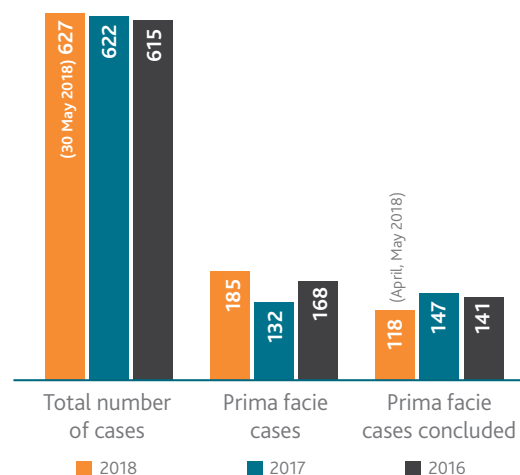
We appointed ethics champions at all our airports and report on anti-corruption measures and investigative processes in our newsletter to employees to foster a culture of honesty, where employees are encouraged to report unethical behaviour confidentially.

The Company intends to implement a Chief Executive Officer Ethics Award to recognise and reward ethical conduct within Airports Company South Africa. The award will be implemented across our airports.

As illustrated, we focused strongly on ethics during the year and intend to continue strengthening our ethical conduct. A measure of our success will be a reduction in the number of litigations brought against the Company.

Hotline number 0800 00 80 80; acsa@thehotline.co.za; or www.thehotline.co.za

ANTI-CORRUPTION HOTLINE REPORTED CASES



Responsible corporate citizenship

Airports Company South Africa is committed to its role in supporting economic growth and development, and contributing to meaningful transformation in South Africa. Our social and ethics committee is mandated to oversee the fulfilment of this role. The committee reports quarterly to ensure regular oversight of outcomes related to:

- Environmental health and public safety (page 71)
- Transformation (page 38)
- SED projects and expenditure (page 88)
- HR and the work environment (page 82)

Our focus areas during the year included obtaining an independent assessment of the Company's social contribution, which is reflected in the value creation model on page 20 of this report. We are proud to be a net contributor of value in South Africa. In the remuneration report on page 113 , we have included information on the focus of our remuneration policies and practices on fair remuneration and additional assistance to employees. This includes a bursary scheme for employees' children (73 awarded in 2018) and our contribution to reducing the significant remuneration gaps that exist in South Africa.

In addition to our focus on fair reward for our employees, we consider the workplace safety of our employees and contractors, who are an important extension of our human resources. We experienced zero fatalities of employees or contractors at our workplaces during the period from 2016 to 2018, and zero severe injuries or illnesses in 2018.

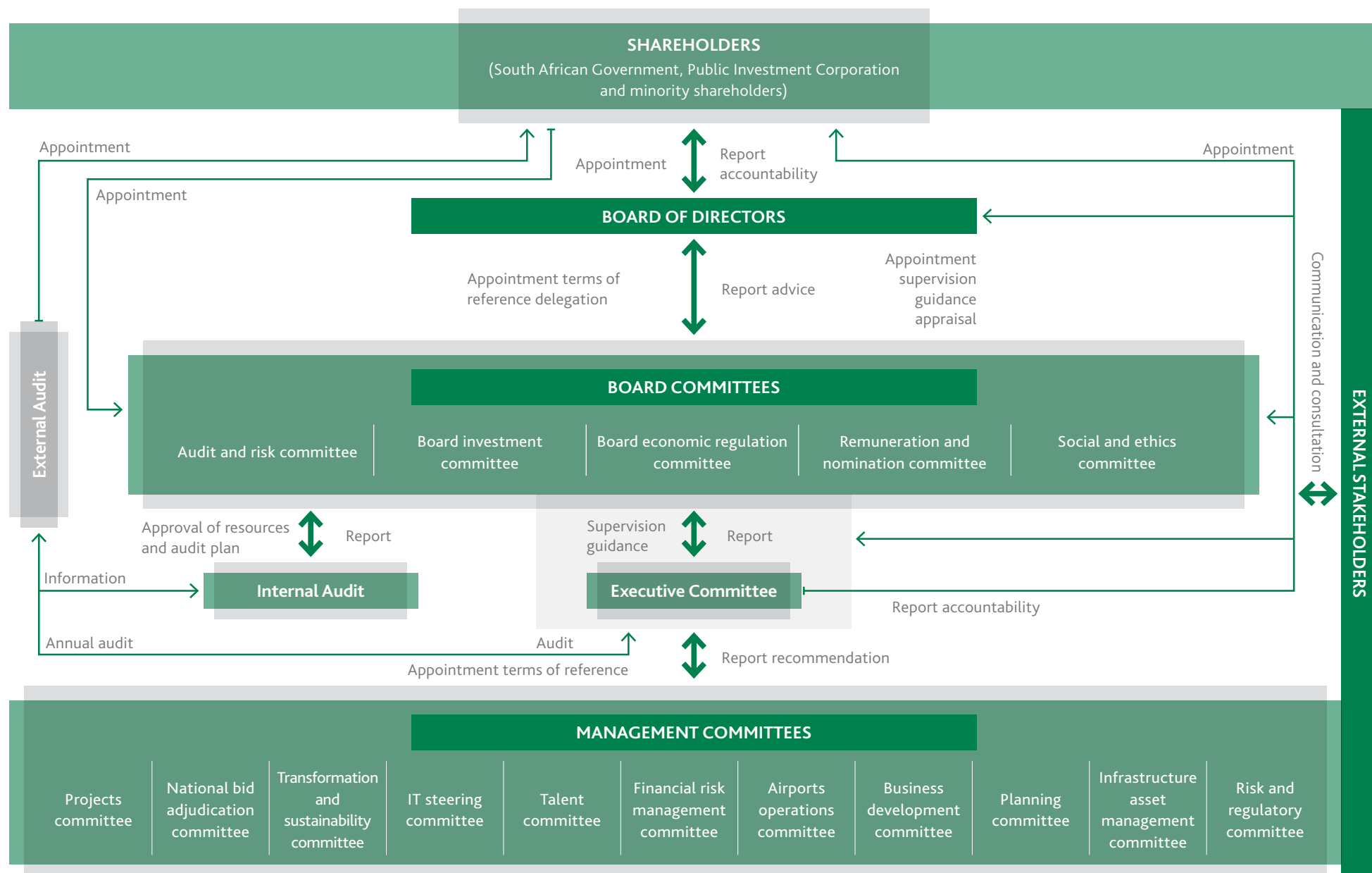
Total severe injuries/illnesses	2018	2017	2016
Employees	0	8	9
Contractors	0	8	6

Value creation and reporting

We continuously strive to improve our reporting through disclosure and alignment to relevant reporting frameworks and best practice. We seek to provide investors and other stakeholders with relevant and material information. Page 4 sets out information regarding our reporting suite and how we ensure the integrity of each report through our assurance approach.

Our integrated reporting process has matured over the past five years to include quarterly integrated reports presented to the board by our Chief Executive Officer. The rationale is to entrench and embed managing, measuring and reporting on the Company's business, people and society and environmental impacts and outcomes, in line with the Sustainability Framework within our strategy.


Governance structure



Board composition, structure and report-back

The board of directors is appointed by the Minister of Transport and the Public Investment Corporation to represent the government's shareholding in Airports Company South Africa. The board is responsible for strategic direction and ultimate control of Airports Company South Africa. The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management and operations of the Company and implementation of the strategy. A key priority of the board is ensuring that our board and Executive team have the right combination of skills, abilities and independence to implement our strategy. Effective implementation of our strategy requires that they interrogate issues, conduct robust discussions and offer insights into all areas of our operations, including transformation and business evolution.

During the year under review, the then Minister of Transport reinstated Directors Kate Matlou, Bajabulile Luthuli, Kenosi Moroka and Chwayita Mabude on 31 May 2017. At the AGM on 15 September 2017 these Directors, with the exception of Kate Matlou, were not re-appointed as their terms came to end.

Subsequent to the year-end, the Minister of Transport informed the board in April 2018 that he would make appointments to fill vacancies on the board. For additional information, refer to the Message from the Acting Chairman on page 42. 

Airports Company South Africa has a governance framework and operating model that sets out the governance structures over operational functional areas and the interaction of these mechanisms to ensure effective governance.

The board remains effective and responsible for the overall leadership, transparency and performance of Airports Company South Africa. The board operates under an approved charter, and ensures that financial and risk management and internal controls are effective, as required by a PFMA schedule 2 public entity. We believe that the board satisfied and fulfilled its responsibilities in accordance with the board charter.

Each board member possesses a range of necessary skills, experience and competencies to perform their duties and board members are provided with additional support on demand from the Company. The Company's memorandum of incorporation (MOI) states that the board should comprise a minimum of three Directors and a maximum of 12, the majority of whom should be appropriately balanced in terms of Executive and Non-executive Directors, including Independent Directors. The Chief Executive Officer is an Executive Director and the Acting Chairman is a Non-executive Director.

Our MOI ensures the independence of the board in that none of the members are public servants, holders of any office for profit under the government, or members of parliament or any provincial, legislative or local authority, municipality or other council in South Africa.

Although we have achieved our board transformation targets, we continue to focus on improving female representation.

Board evaluations are conducted every second year. The board evaluation for the year ended 31 March 2017 was not conducted due to the many board movements. The next evaluation will be conducted by an external service provider.

The audit and risk committee is satisfied that the Company's Acting Chief Financial Officer, Dirk Kunz, has the appropriate expertise and experience for this position. Performance evaluations of the Chief Executive Officer and financial officers are conducted annually.

The Company's talent management strategy encompasses succession and performance management frameworks. There are currently 67 positions identified as critical, of which 58% have potential successors ready to fill the roles.

The leadership development framework has five key dimensions addressing the development of leadership within the Company:

1. Business strategy
2. Organisational culture
3. The leader audience
4. Development strategies
5. Infrastructure

The board had four normal meetings during the year (one per quarter, as required) and board members' attendance is detailed in the following table:

NON-EXECUTIVE DIRECTORS



Deon Botha
(49)



Roshan Morar
(52)

INDEPENDENT NON-EXECUTIVE DIRECTORS



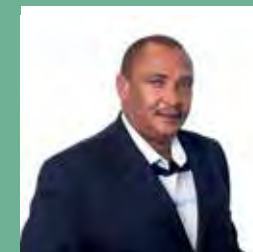
Kate Matlou
(47)



Dr John Lamola
(56)



Bajabulile Luthuli
(45)



McDonald Kenosi Moroka
(56)

INDEPENDENT NON-EXECUTIVE DIRECTORS CONTINUED



Chwayita Mabude
(49)



Dr Matlodi Mabela
(48)



Siyakhula Simelane
(36)

CHIEF EXECUTIVE
OFFICER

Bongani Maseko
(50)

COMPANY
SECRETARY

Fefekazi Sefara
(45)

INFORMATION

Gender

Male
7

Female
4

Race

Black
9

Indian
1

White
1

Board

The board remains effective and responsible for the overall leadership, transparency and performance of Airports Company South Africa. The board operates under an approved charter and ensures that financial and risk management and internal controls are effective as required by a PFMA schedule 2 public entity.

Composition and membership	Tenure (Years)	Qualification	Attendance (%)
Deon Botha (Acting chairman) ¹	4.6	BCom (Law), BCom (Hons) Business Sciences	5/5 (100)
Roshan Morar ²	6.2	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	4/5 (80)
Kate Matlou ³	2.8	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	4/4 (100)
Dr John Lamola ⁴	4.6	BTh (SA), PhD, MBA	2/2 (100)
Bajabulile Luthuli ⁵	4.5	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	1/3 (33)
McDonald Kenosi Moroka ⁶	4.5	LLB	2/3 (66)
Chwayita Mabude ⁷	4.5	BCompt	0/3 (0)
Dr Matlodi Mabela ⁸	3.1	PhD (Economics), MBA, BSc (Chemistry)	5/5 (100)
Siyakhula Simelane ⁹	3.1	CA(SA), BCom (Hons) Accounting, MDP	4/5 (80)
Bongani Maseko	4.8	BSc (Aviation Business Administration)	4/5 (80)

¹ Appointed 1 August 2013, Second term 12 July 2016, appointed Acting Chairperson 13 April 2018

² Retired 28 March 2018

³ Resigned 16 February 2017, reinstated 31 May 2017

⁴ Resigned 5 July 2017

⁵ Resigned 16 February 2017, reinstated 31 May 2017, retired 15 September 2017

⁶ Resigned 16 February 2017, reinstated 31 May 2017, retired 15 September 2017

⁷ Resigned 16 February 2017, reinstated 31 May 2017, retired 15 September 2017

⁸ Resigned 19 April 2018

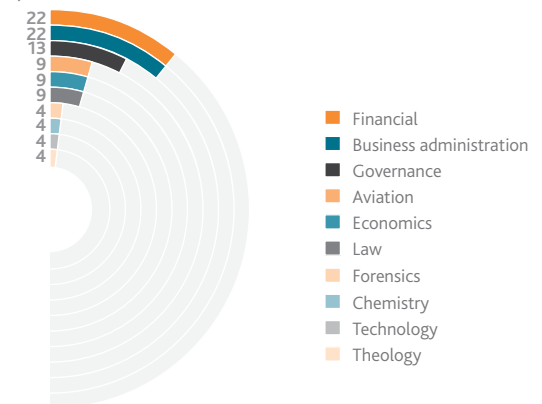
⁹ Resigned 20 April 2018

Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Governance matters, board composition / board vacancies
- Permission application
- Annual strategy review
- Forensic investigation as a result of media allegations
- Various litigation matters
- Irregular expenditure, causes and corrective measures as recommended by management
- Approval policies
- Review and consideration of new business investment opportunities as part of business development

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS (%)



Audit and risk committee

Audit functions are accountable to the shareholders as set out in section 76 of the Companies Act. Other functions are accountable to the board.

Composition and membership	Qualifications	Attendance (%)
Siyakhula Simelane, Chairman ¹	CA(SA), BCom (Hons) Accounting, MDP	100
Matlodi Mabela ²	PhD (Economics), MBA, BSc (Chemistry)	100
Dr John Lamola ³	BTh (SA), PhD, MBA	100
Deon Botha ⁴	BCom (Law), BCom (Hons) Business Sciences	100
Kate Matlou ⁴	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	100

¹ Resigned 20 April 2018

² Resigned 19 April 2018

³ Resigned 5 July 2017

⁴ Appointed 5 December 2017 subject to shareholder approval

Minimum meeting requirement: Quarterly

Meetings held: 13

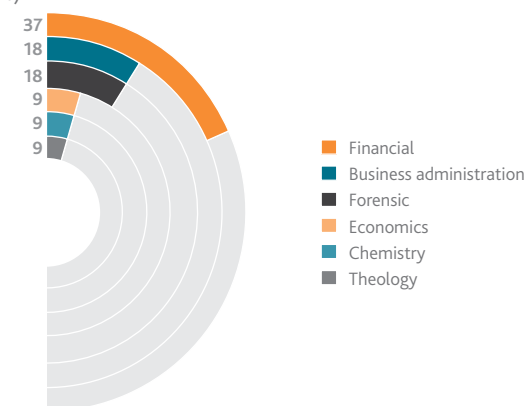
Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Examining and reviewing the financial statements of the Company and its subsidiaries, and reporting interim and final results and presenting these to the board for approval
- Reviewing and approving accounting policies
- Considering management's calculation of the going concern status of the Company, which indicated that no material uncertainties exist to cast doubt over the Company's ability to continue as a going concern for at least the next 12 months
- Bringing to the board's attention irregular expenditure identified by the Auditor-General and concerns regarding the related condonation disclosure
- Considering the appropriateness of dividend distributions and making recommendations for board approval
- Reviewing the integrity of the integrated reporting process and making recommendations for board approval of the integrated report and its distribution to stakeholders
- Considering internal assurance reports on KPIs
- Collaborating with the board investment committee on GRU valuation concerns
- Submitting IT service management policy updates for board approval
- Renewing the audit and risk committee terms of reference in line with the Auditor-General's recommendations and submitting to the board for approval
- Establishing a policy for the development of policies and procedures to ensure overarching governance and appropriate policy governance processes are in place to embed a governance and compliance culture in the Company
- Overseeing the Internal Audit function and approval of the Internal Audit plan
- Monitoring the detailed demand plan for capital expenditure
- Considering the PFMA and National Treasury regulatory compliance reports
- Considering and reviewing the budget, including long-term forecasts and five-year plans

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS

(%)



Board investment committee

Assists the board in discharging its duties relating to capital projects, commercial activities, regulated and unregulated investments, procurement and supply chain management, and treasury activities, including funding and borrowing plans.

Composition and membership	Qualifications	Attendance (%)
Roshan Morar, Chairman ¹	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	66
Matlodi Mabela ²	PhD (Economics), MBA, BSc (Chemistry)	100
Bongani Maseko	BSc (Aviation Business Administration)	100
Kate Matlou ³	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	100

¹ Retired 28 March 2018

² Resigned 19 April 2018

³ Re-appointed 31 May 2017

Minimum meeting requirement: Quarterly

Meetings held: Three meetings are scheduled quarterly in arrears, which means May 2018 addressed fourth quarter results for the year ended 31 March 2018

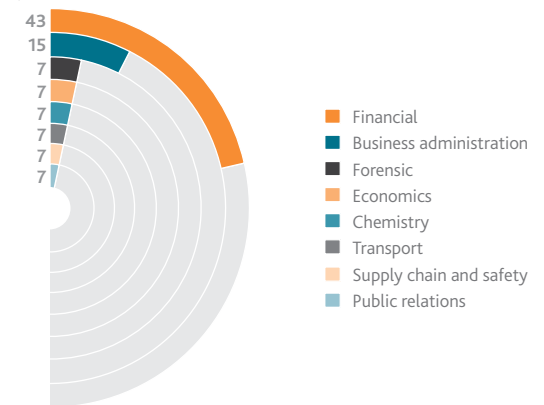
Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Considering the GRU valuation for noting by the board
- Considering material commercial agreements and their effect on the Company; and making recommendations to the board on the acceptability of commercial arrangements within contracts, such as large security contracts and lease agreements
- Considering master plans for airport development (e.g. O.R. Tambo International Airport and King Shaka International Airport) in the context of changing global trends, technical and best practice requirements, and the impact of the plans on SED in South Africa and the long-term sustainability of the Company
- Interrogating the commercial plans of various projects, e.g. terminal development and quarterly treasury, economic and business development reports
- Policy-setting for approval by the board on matters such as enterprise management
- Considering supply chain management reports on tender approvals, procurement spend and irregular expenditure, and preventive and monitoring measures
- Monitoring litigation matters

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS

(%)



Board economic regulation committee

Oversees the development and implementation of the economic regulatory strategy and ensures compliance with all regulatory legislation and/or requirements. At the core of its function is the deliberation of the approach leading to the permission application for submission to the Regulating Committee, which determines airport tariffs for the Company.

Composition and membership	Qualifications	Attendance (%)
Roshan Morar (Chairman) ¹	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	100
Deon Botha	BCom (Law), BCom (Hons) Business Sciences	100
Bajabulile Luthuli ²	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	100
Matlodi Mabela	PhD (Economics), MBA, BSc (Chemistry)	100
Kenosi Moroka ¹	LLB	100
Current membership:		
Deon Botha	BCom (Law), BCom (Hons) Business Sciences	100
Kate Matlou ³	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	Appointed to the committee after the meeting was held ³
Siyakhula Simelane ^{3,4}	CA(SA), BCom (Hons) Accounting, MDP	Appointed to the committee after the meeting was held ³
		Minimum meeting requirement: Annually
		Meetings held: One

¹ Retired 28 March 2018

² Retired 15 September 2017

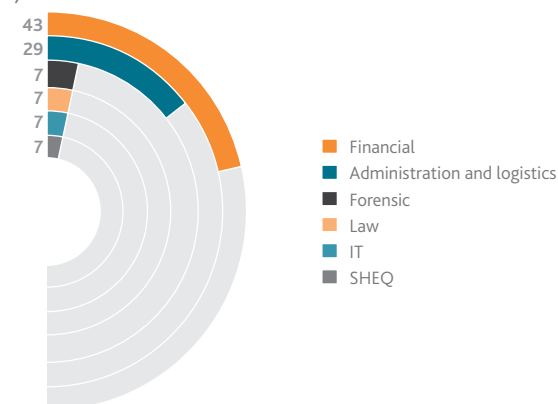
³ Appointed 5 December 2017

⁴ Resigned 20 April 2018

Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Overseeing the development and implementation of the economic regulatory strategy and ensuring compliance with all regulatory legislation and/or requirements
- Deliberating on the approach to the permission application for submission to the Regulating Committee established by the Department of Transport
- Considering, reviewing and, if deemed appropriate, recommending deviations from the current Permission, or other related Permission matter, for board approval.

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS
(%)

Remuneration and nomination committee

Assists the board on matters of strategic remuneration by ensuring decisions are aligned to the Company's strategic objectives. The committee directs and oversees the human resources planning and development strategies aimed at creating and sustaining technical and advisory expertise required for Airports Company South Africa to achieve its objectives.

Composition and membership	Qualifications	Attendance (%)
Deon Botha (Chairman)	BCom (Law), BCom (Hons) Business Sciences	100
John Lamola ¹	(SA), PhD, MBA	100
Bajabulile Luthuli ²	CA(SA), certified fraud examiner, BCom, BCompt (Hons)	100
Siyakhula Simelane ³	CA(SA), BCom (Hons) Accounting, MDP	100
Kate Matlou	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	100

¹ Resigned on 5 July 2017

² Retired on 15 September 2017

³ Resigned 20 April 2018

Minimum meeting requirement: Quarterly

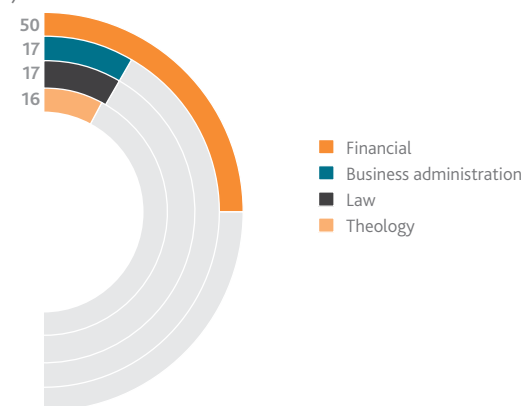
Meetings held: Three

Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Submitting to the board about Company performance against strategic objectives and KPIs to determine short-term incentive (STI) rewards and obtain board approval of awards
- Overseeing the determination of annual salary increases in line with remuneration policy for board approval
- Submitting recommendations to the board about Non-executive Directors' remuneration for shareholders' approval
- Considering policy amendments for submission to the board for approval including:
 - » Acting allowance policy
 - » STI ground rules amendment
 - » Policy for bursaries for employees' children
 - » Performance management policy
- Interrogating quarterly human resources report and succession planning submitted by management
- Interrogating suggested long-term incentive (LTI) plan rules submitted by management
- Monitoring board performance evaluation and Chief Executive Officer's employment contract

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS (%)



Social and ethics committee

Monitors the Company's activities related to relevant legislation, other legal requirements or prevailing codes of best practice in:

- Transformation • SED • Good corporate citizenship • Environment, health and public safety • Consumer relationships • Labour and employment
- Ethics • Stakeholder engagement.

Composition and membership	Qualifications	Attendance (%)
John Lamola (Chairman) ¹	(SA), PhD, MBA	100
Deon Botha	BCom (Law), BCom (Hons) Business Sciences	100
Bongani Maseko	BSc (Aviation Business Administration)	100
Kate Matlou	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	100
Kenosi Moroka ²	LLB	0
Current membership:		
Kate Matlou (Chairman) ³	NDip (road transport, administration and stock), NQF 6 Certificate (public relations, dispute handling, SHEP, computing)	100
Deon Botha	BCom (Law), BCom (Hons) Business Sciences	100
Bongani Maseko	BSc (Aviation Business Administration)	100

¹ Resigned 5 July 2017
² Resigned 15 September 2017
³ Appointed 5 December 2017

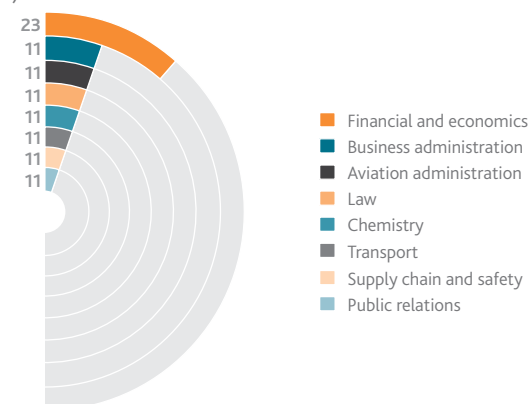
Minimum meeting requirement: Two
 Meetings held: Three

Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Monitoring ethics training and declarations made about conflicts of interests and gifts received
- Interrogating and monitoring anti-corruption hotline activities and investigation reports
- Assessing key safety, health and environmental risks the Company faces, noting ICAO and legislative requirements
- Assessing transformation initiatives with a focus on challenging areas that were identified for improvement. These include SED programmes and employing people with disabilities
- Considering public relations report highlighting salient issues that had a reputational impact on the Company and monitoring appropriateness of responses
- Conducting formal assessments of stakeholder engagement feedback received from management and formalising the process with a stakeholder engagement policy. [Refer to page 112.](#)
- Considering the Company's working conditions in line with the International Labour Organisation's Protocol's four strategic objectives for working conditions
- Conducting quarterly assessments of internal communications and human resources reports
- Tracking performance against employment equity targets
- Monitoring the 20 litigation cases against the Company and the 12 cases the Company has brought against others, including a Competition Commission law case and five liquidation cases

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS (%)





“Management structures are established to govern operational performance are clearly mandated, well-resourced with the necessary expertise to support critical business requirements, and able to achieve our strategic objectives.”

Bongani Maseko Chief Executive Officer

EXECUTIVE COMMITTEE



Bongani Maseko (50)
Chief Executive Officer



Dirk Kunz (46)
Acting Chief Financial
Officer



Fundi Sithebe (39)
Chief Operating Officer



Andre Vermeulen (48)
Group Executive:
Airport Management



Bongiwe Mbomvu (50)
Group Executive:
Governance and Assurance



Charles Shilowa (46)
Group Executive: Business
Development

Executive Committee

Deals with the general management activities that form part of leading and managing the Company towards achieving its core outcomes while upholding legislation and regulations applicable to the Company.

Composition and membership	Tenure (Years)	Qualifications	Attendance %
Bongani Maseko, Chief Executive Officer	4.8	BSc (Aviation Business Administration)	85
André Vermeulen, Group Executive: Airports Management	3.7	BEng (Mechanical Engineering)	75
Bongiwe Mbomvu, Group Executive: Governance and Assurance	4.5	BSocSci, LLB and LLM – Admitted Attorney of the High Court	90
Charles Shilowa, Group Executive: Business Development	2.3	BSc (Chemistry), BSc (Chemical Engineering), MBA, HDip (Tax), Post Graduate Certificate (Mechanics of Project Finance)	70
Dirk Kunz, Acting Chief Financial Officer	1.2	CA(SA), BCom (Hons) Accounting	100
Girish Gopal, Group Executive: Technical Services and Solutions	2.8	BSc (Electrical Engineering), MSc (Electrical Engineering), MBA	90
Pieter du Plessis, Group Executive: Human Resources	14.7	MCom (Personnel Management), BPsych (Industrial Psychology)	95
Refentse Shinnars, Group Executive: Corporate Affairs	3.1	NDip, BTech (Public Relations Management)	84 (maternity leave from 1 June to 30 September)
Sello Mmakau, Chief Information Officer ¹	3.4	BA, various IT-related qualifications (A+, Network+ and CISCO Certified Network Associate), MBL	90
Badisa Matshego, Group Executive: Infrastructure Asset Management	2.7	BSc (Civil Engineering), Executive Development Programme	90
Fundi Sithebe, Chief Operating Officer ²	0.3	Bachelor of Business Administration (BBA), Post Graduate Diploma in Management (Bus Admin)	100



Girish Gopal (54)
Group Executive: Technical
Services and Solutions



Pieter du Plessis (56)
Group Executive: Human
Resources



Refentse Shinnars (42)
Group Executive:
Corporate Affairs



Sello Mmakau (43)
Chief Information Officer



Badisa Matshego (41)
Group Executive:
Infrastructure Asset
Management



Sithembiso Ngwenya (36)
Chief Audit Executive

Composition and membership	Tenure (Years)	Qualifications	Attendance %
Sithembiso Ngwenya, Chief Audit Executive ⁴	1.3	BCom (Hons) Accounting (UKZN), Dip (cost and management accounting) (Durban University of Technology), advanced certificate (auditing) (accounting professional training), CA(SA) (registered with the Independent Regulatory Board of Auditors)	80

¹ Resigned on 31 March 2018

² Appointed 1 December 2017

³ Maternity leave from 1 June to 30 September 2017

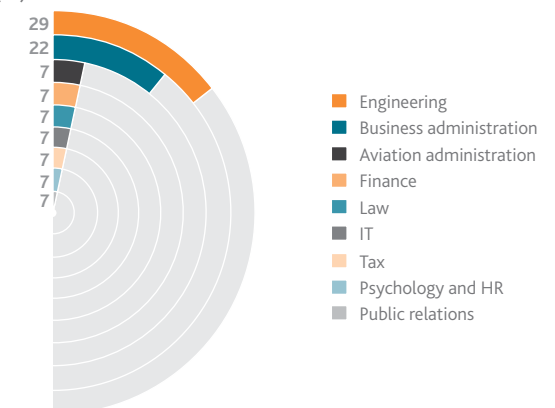
⁴ Invitee to Exco

Key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

- Focusing on the airline industry's impact on the Company and collaboration with stakeholders, including government and airlines
- Considering and approving ground handling strategy for new entrants
- Continuous follow-up on transformation sector strategies in collaboration with board investment and social and ethics committees
- Considering employee satisfaction survey results
- Conducting quarterly assessments of financial and operational results for presentation to the board, including monitoring financial covenants and credit ratings
- Presenting challenges to the Executive Committee, including the decrease in airport tariffs, which affects the Company's financial performance and ability to grow and develop airports
- Assessing changes to the operational structure, which indicated a positive effect on financial results and remains a focus area
- Capital budgeting remains a focus area as 30% of risks identified related to the impact on capital projects of delays experienced in supply chain ma
- Approving the 2019 – 2021 Corporate Plan

The committee fulfilled its responsibility as described in its terms of reference.

SKILLS (%)



Governance functional areas

Risk and opportunity

While the board has ultimate responsibility for risk management, the audit and risk committee oversees and makes recommendations to the board for its consideration and approval. The risk management department monitors and reviews the Company's risk management processes, system and performance, and reports to the Executive Committee regularly.

The audit and risk committee provides independent and objective oversight of risk management within the Company. This includes supporting the risk management strategy, endorsing the risk profile, and reviewing the risk management performance and assurance. The risk and regulatory committee is constituted as a sub-committee of the Executive Committee that steers the integrated risk management framework. The committee and its members are accountable for the performance of the framework.

The committee directs and evaluates the effectiveness of the integrated risk management framework and standards, and reinforces accountability for risks, controls and tasks.

During the year, Airports Company South Africa focused on improving enterprise risk management by shifting to an integrated enterprise risk management framework based on the following:

- Expresses a clear mandate and lines of management accountability
- Sets the performance requirements for risk management throughout the Company
- Promotes commonality of risk management processes and methodologies and a common language
- Organisation-wide requirements to gather and report risk information for governance purposes
- Compliance with applicable legislation
- Effective integration with corporate strategy and planning
- A leadership culture that embraces risk management

In developing the framework, the Company applied the principles of the PFMA, the Companies Act, 2009, the ISO 31000:2009 and guidelines of international risk benchmarks. The illustration below indicates the components of the integrated risk management framework:

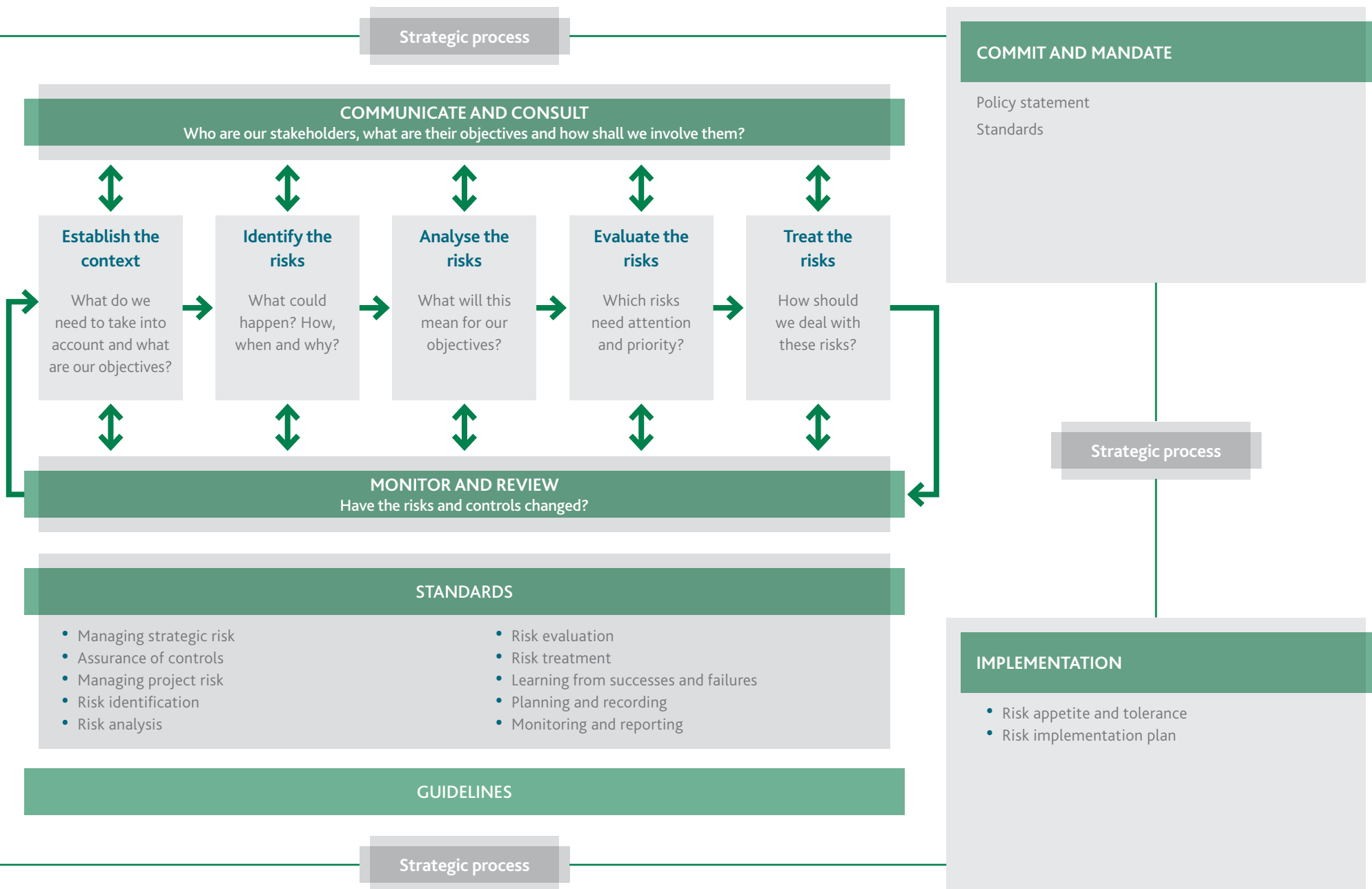
GOVERNANCE, ROLES, ACCOUNTABILITY AND REPORTING

- Board risk management committee
- Exco risk management committee
- Risk management working group
 - Risk management department
 - Risk management champions
 - Risk and control owners

Strategic process

DEFINED PERFORMANCE MEASURES, MATURITY EVALUATION, BENCHMARKING AND REPORTING

- Performance evaluation
- Risk reporting
- Risk management plans progress
- Benchmarking
- Maturity evaluation
- Combined assurance plans



GOVERNANCE AND REMUNERATION CONTINUED

The following were among the projects rolled out during the year to enhance risk management in the Company:

- Risk assessments: Business risk assessments for infrastructure asset management, business development, airport management and, to a large extent, technical services solutions were completed
- Subsidiary risk registers: The process of assessing risk for subsidiaries commenced
- Other future focus areas over and above completion of risk assessments and divisional and subsidiary plans include:
 - » Competency training for enterprise risk management champions on the framework, standards and the approved risk management information system and awareness training for all employees
 - » Skills enhancement for facilitators and enterprise risk management champions, typically in risk assessment and root cause analysis
 - » Line manager review: control assurance covering control design and control self-assessment
- As part of the continuous integrated reporting process, we updated the material risk and opportunity register to reflect management's opinion on developments in strategic risks and opportunities. However, a deep dive into the company-wide strategic risk register is required and we plan to outsource the facilitation of this process to ensure the incorporation of independent and global views.

In addition to the annual audits conducted by Group Internal Audit, audits to ensure the effectiveness of enterprise risk management are initiated by the Group Executive: Governance and Assurance, the audit and risk committee, business unit risk committees, or the Group Manager: Risk Management. [Refer to the risk and materiality section on page 25.](#)

Technology and information

The board is responsible for overseeing technology management in the Company. The Executive Committee, supported by the IT steering management committee, implements the technology strategy. Deloitte assisted in developing the IT steering committee project plan and

identifying the correct skills and expertise needed for management to implement the technology strategy.

Several technology and information policies were adapted to incorporate King IV application requirements. Determining which King IV practices should be applied will depend on the IT risk appetite that management will set. An in-depth IT risk appetite workshop is scheduled for the next financial year. However, some improvements in the governance of technology and information have commenced, with policies being improved and approved based on King IV recommended practices and the recommendations of external consultants. More than 10 policies were approved during the current year, some of which include:

- IT service management policy
- IT acceptable use policy
- Information security policy
- IT access and third-party management policy
- IT acquisition and deployment policy
- IT systems decommission policy

A decision was also taken to review the portfolio of IT-related policies every second year.

A quarterly technology and information report is presented to the audit and risk committee and to the board which sets out planned technology activity, risks and implementations status of technology projects.

Many of the technology focus areas are subject to internal audit interrogation as reflected in the internal audit plan. Key concerns arising from the internal audit were prioritisation of compliance with the requirements of information security policies and the removal of legacy systems which are no longer compliant.

System and management controls provide governance over many areas, including cyber-attacks, which is a topical information-age dilemma and an actual threat experienced by Airports Company South Africa. We have implemented intruder detection and prevention technology that provides real-time data on attempted and successful hacks. To

encourage a culture of secure behaviour by employees, an information security awareness campaign was initiated.

More than 60 technology projects were completed during the year to strengthen our governance and operational capacity. Our consideration of governance over technology stretches beyond our Company and its subsidiaries to stakeholders such as airlines, air traffic and navigation services insofar as they affect our business continuity. The aim of the business continuity management project is to implement a technology solution that will allow IT systems (including applications and associated databases) to replicate between primary production data centres and secondary/back-up data centres. This allows for seamless failover from the primary site to the back-up site in the event of a disruption, and ultimately reduces downtime.

Priorities for the new financial year include a focus on data governance and knowledge management, commencing with the formalisation of information management capabilities within the Company by setting an information management strategy, policy and framework.

Other priorities for next year include a technology refresh of servers to ensure the Company does not become vulnerable to attack, improved asset management on technology and information assets, and implementation of our prioritisation model. A prioritisation model was developed to align the needs of business with available resources and focus our attention on the most impactful IT projects. [Refer to page 90.](#)

Assurance

Assurance is being aligned by instituting and supporting singular processes from the governance and assurance division that each business segment can apply. This approach will resolve the inefficiencies perpetuated by silo-based policy creation, and instead favour a centrally approved repository to ensure holistic application of processes in the business. The audit and risk committee has the main oversight responsibility over assurance processes in the Company.

Combined assurance

Combined assurance refers to the integration, coordination, and alignment of risk management and assurance processes to optimise and maximise the level of governance, control and oversight over the risk landscape. The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risks facing the Company. Our combined assurance model remains unchanged and supports this centralised approach.

Combined assurance is governed by the combined assurance framework, a subset of the enterprise risk management framework. In terms of the combined assurance framework, the Company's risk department is a critical function in supporting, implementing and embedding the combined assurance model and it reports directly to the audit and risk committee. The Company's Internal Audit team is responsible for championing the implementation of the combined assurance plan and supporting our continued combined assurance journey.

Internal audit

In executing its board-assigned mandate, internal audit follows a risk-based audit methodology in compliance with the Institute of Internal Auditors (IIA) and the International Standards for the Professional Practice of Internal Auditing. The main objective of the Company's internal audit is to assist the board and Executive Committee with the effective discharge of their responsibilities by evaluating the adequacy and effectiveness of risk management, the control environment and governance processes.

The Company's internal audit function is based at the corporate office and provides its services and support at all our airports. This includes services provided to the Company's subsidiaries. Our internal auditors are members of the IIA and comply with the IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

Quality review assessments aligned to IIA standards take place at an activity and functional level to allow the Company to state that work conducted is aligned with professional practices. The audit and risk committee approves an annual audit plan that considers the Company's entire value chain and the internal audit that takes place using a team of appropriate, qualified and experienced internal auditors. The function is entitled to source the use of external co-source practitioners on agreed terms, where necessary. Quarterly feedback on the progress of the annual plan is provided to the audit and risk committee.

The internal audit plan is derived from these key steps:

- **Step 1:** Consider strategic business objectives and risks
- **Step 2:** Include business management input in terms of operational risks and priorities
- **Step 3:** Consider other assurance providers and internal audit team input
- **Step 4:** Prioritisation of audits

Results of internal audit findings

It is the opinion of internal audit that processes are generally adequate and provide reasonable assurance that the environment shows the implementation of effective controls or requires limited improvement.

The internal audit function hereby declares that there were no instances noted during the 2018 financial year, which would have compromised its independence and objectivity in the execution of its charter mandate.

Compliance

Adherence and compliance to applicable laws and regulations remains a board responsibility. This includes non-binding rules, codes and standards. Our compliance framework is aligned with ISO 19600, a standard for compliance and best practice. Our alignment and development of the framework yielded the notable developments below.

Compliance processes

In effectively providing oversight and guidance to the Company, the board remains acutely aware of various legislations and relevant codes of best practice, including, but not limited to:

- Airports Company Act, No. 44 of 1993
- Civil Aviation Act, No. 13 of 2009
- King IV
- Protocol on Corporate Governance for the Public Sector 2002
- PFMA
- Treasury Regulations
- Companies Act
- Income Tax Act, No. 58 of 1962
- Value Added Tax Act, No. 89 of 1991

Continuous reporting on non-compliance to the Executive Committee and the audit and risk committee in a quarterly compliance status report escalates issues of non-compliance to the correct level within the Company. New instances of non-compliance were reported and a process exists to monitor and track completion of previous cases. Compliance processes are subject to internal audit, and the results are reported to the board through the audit and risk and economic regulation board committees, which oversee the board's discharge of its legal and regulatory responsibilities.

The compliance department has developed a compliance framework and strategy to strengthen governance over compliance, and has started providing monthly legislature updates to affected departments. There were no changes in legislation that substantively affected the achievement of the Company's objectives.

Various training programmes on the PFMA, Preferential Procurement Policy Framework Act, No. 5 of 2000, Treasury Regulations, Treasury Practice Notes, supply chain management policies and procedures and competition law were introduced to embed a culture of compliance. By the end of March, 1 979 employees had attended training programmes.

GOVERNANCE AND REMUNERATION CONTINUED

Effectiveness of compliance is monitored through internal audit findings and recommendations made to the audit and risk committee and the board. No catastrophic audit findings were reported during the year. The audit and risk committee reviewed and recommended for board approval the implementation of a compliance policy as a mechanism to ensure effective compliance measures.

Non-compliance and non-conformance

The Company's Exclaim (non-compliance) and non-conformance reporting systems for recording and reporting instances of non-compliance will be upgraded during the next financial year as we embed the use of systems in the Company. There have been no catastrophic instances of non-compliance to legislation and regulations during the year and no significant non-conformance.

Stakeholder relationships

A stakeholder engagement report is presented by management to the board quarterly through the social and ethics committee. Stakeholder engagement is managed by means of a stakeholder engagement policy and procedures which were developed and approved during the year. Internal assurance

of engagement processes identified minor administrative improvements to our stakeholder engagement process. An action plan was developed to respond to identified gaps.

Formal engagement plans were developed (75% complete) to identify and prioritise stakeholders and link certain relationships to dedicated Executive Directors. We aim to improve the tracking and implementation of our engagement plans with the use of software applications. Our main focus area for the year ahead will be to implement an appropriate stakeholder engagement software application and address administrative findings from internal audit.

The Company monitors sentiments expressed in public or in the media about its Directors and areas of business, including employee relations, financial administration, innovation, products and services, corporate social responsibility, trust and corporate governance. Most negative and positive sentiments were related to security incidents at airports, which either impacted stakeholders or were prevented due to the intervention of airport security services.

 Refer to page 29 to 31.



REMUNERATION

Background statement

The remuneration philosophy of Airports Company South Africa is designed to support the Company and human resource strategy to attract and retain talent, and to promote high performance by offering competitive total rewards. This stimulates performance at individual and Company level. Doing so allows us to remain an employer of choice and to execute our strategy in line with our Vision 2025 objectives.


Our remuneration policy is ratified by our shareholders at the AGM. The prior year saw a 100% vote in favour of the remuneration policy. We trust the well-considered changes to the current remuneration policy will also be favourably received. Our shareholders have approved the Company's KPIs and thus, indirectly, the variable portion of the remuneration structure. The board approved the employee remuneration policy, taking into account the following internal and external factors:

- Affordability
- Economic pressures
- Industry changes
- Applicable legislation
- Market remuneration data

The board, acting on the recommendations of the remuneration and nomination committee, is ultimately accountable for the Company's remuneration philosophy and its policy application. The board is assisted by management in executing its duties. These duties include remuneration governance, skills attraction and retention, succession planning, disclosure, benefits, conditions of employment, and performance-linked remuneration.

The remuneration and nomination committee used the services of PricewaterhouseCoopers Inc. and Remuneration

Consulting in different capacities during the year. They provided advisory services in the benchmarking of remuneration elements and practices against external comparatives, which informed our remuneration policy by providing an indication of equitable market-related remuneration.

Our employees are key to the achievement of our strategic objectives, and we ensure that remuneration incentives and parity, as well as enhanced benefits such as housing and transport, remain a focus area. The remuneration and nomination committee ensures that the remuneration policy is developed and implemented in a fair and transparent manner that enables the attraction and retention of talent. Our enhanced housing scheme assists employees to become home owners and improve their living conditions. There has been a significant increase in employee participation in the scheme (refer to page 80 ). An employee transport programme to provide employees with safe and reliable transport will commence in 2019. A project to re-align the executive total reward offering was approved and aligned with the Company's business objectives and 2025 strategy.

The remuneration and nomination committee focused on the following enhancements to the total reward offering:

- Executive remuneration project.
- Approval of the total reward policy, which is aligned with the organisational strategic drivers, values and individual contribution linked to short-term and long-term strategic outputs. The policy outlines the Executives' conditions of employment, STI ground rules, performance management principles and the introduction of the LTI cash plan rules with effect from 1 April 2018. The LTI cash plan was introduced to further instil a culture of performance excellence and grow the business sustainably over the long term.

- Re-alignment of the STI scheme.
- Approval of the implementation of STI ground rules and policy from 1 April 2017. The policy seeks to cultivate an integrated high-performance culture that leads to the attainment of the short-term targets, and ultimately long-term targets.
- Airports Company South Africa housing scheme.
- Approval of a housing subsidy aligned with employees' home loan repayment periods, effective since August 2017.
- Employee transport programme.

The remuneration and nomination committee will continue to monitor the effective implementation of these improvements to the total reward offering.

Overview of remuneration policy

Our total reward framework enables us to offer a remuneration mix comprising fixed and variable pay aligned with appropriate legislative frameworks, wider external factors and business strategy. The Company's guiding principles in the application of its remuneration policy are:

- Equity, fairness and consistency in the remuneration of employees in accordance with the value of their work, competence and performance
- Market-related remuneration to enable market competitiveness in the attraction and retention of scarce and relevant skills, behaviours and competence
- Good governance in the management of remuneration

The Company's remuneration mix comprises three elements, namely guaranteed pay, benefits and variable pay, as outlined in the following table.

Guaranteed pay, including benefits such as medical aid and retirement funding, is compensation that employees receive in exchange for their work.

Non-executive Directors receive fees that are reviewed and approved at the AGM, in line with shareholder requirements.

Variable pay consists of two incentive structures, namely the STI and the LTI.

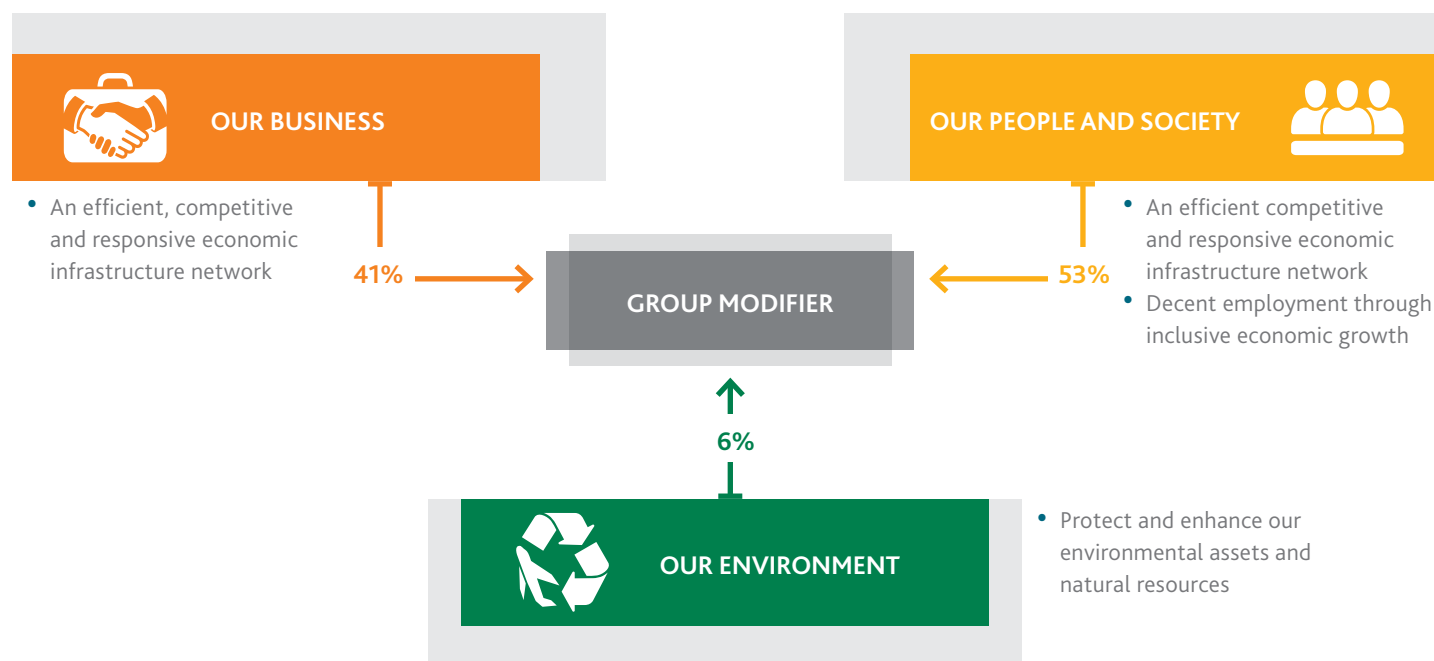
The STI seeks to cultivate a high-performance culture within the Company and its divisions. The Company believes that a high-performance culture will lead to the attainment of short-term targets and, ultimately, long-term targets. The following table outlines the application of the STI with reference to the principles that determine the incentive bonus pool and how the bonus is distributed to each participant. The bonus pool is determined by a percentage of EBITDA (the “sharing percentage”), which is subsequently modified against the performance of the Company scorecard. The bonus pool payments are distributed based on Company, divisional and individual performance. Non-executive Directors do not participate in the STI or LTI.

Variable pay	Employee category				Skilled and general workers
	Executives	Senior management	Middle management	Professionals	
STI on-target bonus percentages are allocated to each grade level and expressed as a percentage of the total guaranteed pay or annual basic salary plus 13th cheque. The on-target bonus percentages are as follows:					
F3: 60% FL: 55%	EU: 50%	AGM: 45% E1 - E3: 30% D: U25%	DL: 20%	CU: 15%	CL: 15% A to B: 8.33%

STI

Promotes a culture of collaboration and team work and recognises Company, divisional and individual performance

The STI is aligned to the KPI framework weighted on our business (41%), our people and society (53%) and our environment (6%) as reflected below:

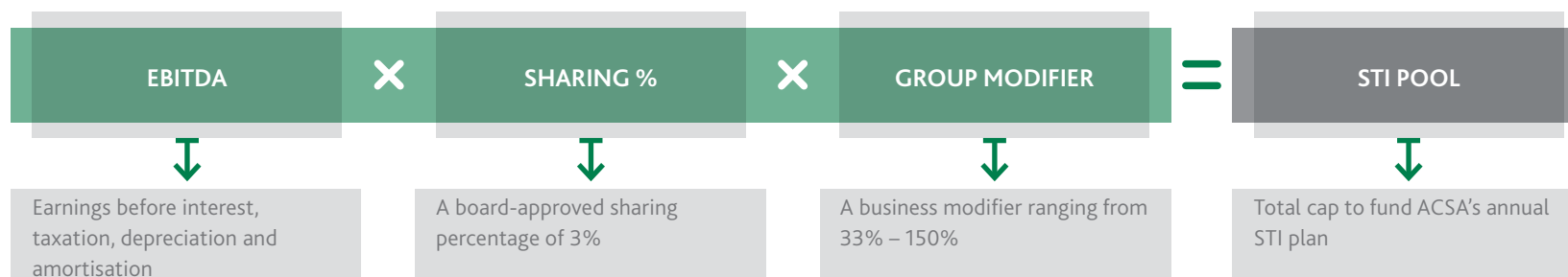


- Before bonus payments are considered, the Company must be deemed financially profitable, as determined by the Company's profit/loss after tax
- The Company should achieve a specified percentage of these predetermined objectives to trigger performance bonus payments. The predetermined threshold for 2017 and 2018 was set at 75%

GOVERNANCE AND REMUNERATION CONTINUED

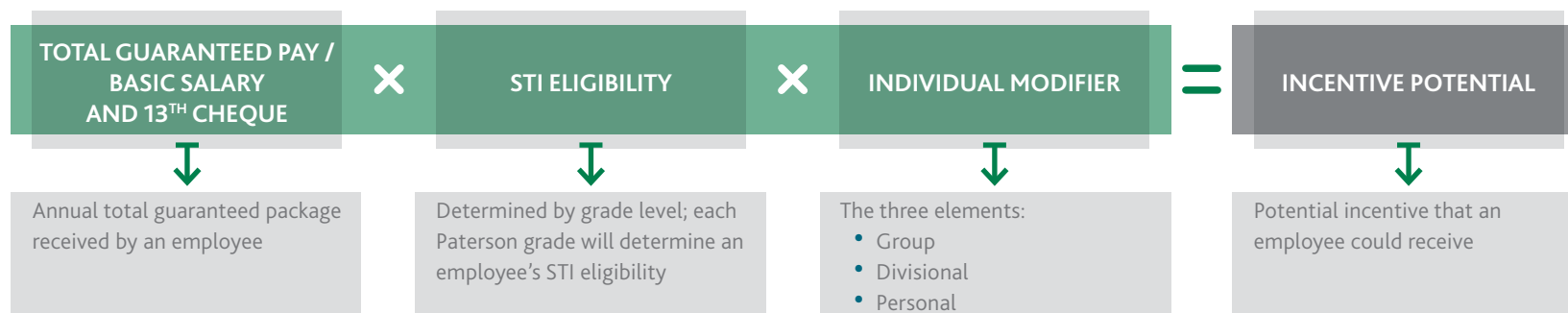
Variable pay	Employee category					Skilled and general workers
	Executives	Senior management	Middle management	Professionals		

- The calculation of the bonus pool is based on a board-approved 3% of EBITDA. The bonus pool will further be dependent on the level of predetermined objectives met. In determining the final Company performance score (i.e. the percentage of predetermined objectives achieved), significance is placed on the weighting of the objectives. This method therefore recognises a scale of achievement in which weighted scores for each of the KPIs are added to calculate the overall performance score of the business.



At the end of each financial year, the board, through the audit and risk committee, verifies actual performance against the approved targets. Bonus payment consideration may be disqualified if the Company obtains a qualified audit opinion from the external auditors.

Once the bonus pool has been approved by the board, the potential STI will be distributed to individuals as follows:



The LTI cash plan has been approved and was effective from 1 April 2018. The scheme aims to align the Shareholder's Compact, 2025 strategy and individual performance to grow the business sustainably over the long term. The primary purpose of the LTI cash plan is to:

- Incentivise eligible employees to achieve the long-term objectives of the Company strategy and corporate plan
- Stimulate eligible employees to achieve sustainable performance, instil a culture of performance excellence and grow the business
- Align the Shareholder's Compact to eligible employee performance objectives
- Reward eligible employees for significant discretionary efforts and achievements within their performance areas

The LTI cash plan is based on the following principles:

- **Eligible participation**

The LTI rules provide for board discretion in the participation of executives in the LTI cash plan. The board will approve all award allocations, taking into account individual performance and whether the employee is within a probation period. The employee must have demonstrated consistent performance and have received a performance rating which exceeds a 3 in the previous performance management cycle.

- **Award allocation**

The LTI will be awarded annually in line with the allocation terms and conditions. The award will be allocated as follows:



The abovementioned multiple will be determined by the board in accordance with the Company's LTI policy, linked to the frequency of the allocation. If annual LTI awards are contemplated, this multiple will be 1, and if bullet LTI awards are contemplated, this may not exceed 3.

Performance assessment and vesting

For each performance condition, at the point of assessment, the achievement percentage will be determined with reference to the table below.

Performance target	Achievement %
Threshold	30
Target	100
Stretch	125

Board discretion in final payments

The board has ultimate discretion in the payment of any LTI awards. This includes the ability to reduce, remove and/or defer LTI award payments. Factors considered by the board in the application of its discretion include, but are not limited to:

- If the Company is in a cash negative position
- Fulfilment of the free cash flow condition
- Whether malus and/or clawback applies to the LTI award and, in the case of clawback, the duration of the clawback period
- A qualified audit opinion
- If the payment results in the breaching of debt covenants

Employee category				Middle management	Professionals	Skilled and general workers
Variable pay	Executives		Senior management			
LTI cash plan	Eligible:	Eligible:	E3 – Airport general managers only	Not applicable		
Aligns to the Shareholder's Compact to instil a culture of performance excellence and growth sustainably over the long term	CEO, CFO and COO	Group executives				
The LTI is effective from 1 April 2018.	Annual percentage (%) market allocation					
<i>The first award allocation was made on 1 April 2018 and will vest in 2021.</i>						
	Title	On-target LTI (% of total guaranteed pay)				
	CEO	60				
	CFO	50				
	COO	50				
	Group Executives	30				
	Airport general managers	25				
The LTI cash plan is designed based on financial and non-financial performance conditions outlined below:						
The financial weighting is 60% based on:						
<ul style="list-style-type: none">• ROE (30%)• ROCE (30%)• Cumulative annual growth rate in non-tariff revenue (40%)						
The non-financial weighting is 40% based on:						
<ul style="list-style-type: none">• Transformation (35%)• ASQ (35%)• Reputational Index (30%)• The LTI cash plan will be made available upon request						

GOVERNANCE AND REMUNERATION CONTINUED

Implementation report

Executive management remuneration is set out in the following table. There were no deviations from the remuneration policy approved by the board.

R'000	Guaranteed pay		Medical aid contribution		Pension fund contribution		STI*		Other fees and allowances		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Group Executive: Human Resources												
PM du Plessis	2 151	2 018	63	53	195	183	1 377	1 248	0	0	3 786	3 501
Group Executive: Technical Services and Solutions												
G Gopal	2 127	2 036	141	114	201	188	1 205	1 399	64	0	3 737	3 676
Group Executive												
H Jeena	2 434	2 297	35	32	218	205	952	1 161	5	0	3 643	3 696
Acting CFO												
D Kunz	1 882	1 797	74	68	172	162	598	564	124	0	2 851	2 590
CFO												
M Manyama ¹	32	2 764	0	52	3	248	1 222	1 017	159	0	1 415	4 081
CEO												
B Maseko	3 631	3 409	129	117	331	311	2 309	2 085	0	0	6 400	5 922
Group Executive: Infrastructure Asset Management												
B Matshego	2 081	1 955	82	75	191	179	1 145	881	0	0	3 498	3 089
Group Executive: Governance and Assurance												
B Mbomvu	2 150	2 036	123	104	200	189	1 362	994	0	0	3 835	3 322
COO												
TS Mekgoe ²	0	1 955	0	63	0	178	0	1 759	0	370	0	4 325
CIO												
S Mmakau	2 115	1 989	64	49	192	179	1 407	1 463	0	0	3 778	3 680
Chief Audit Executive												
S Ngwenya	2 034	706	0	0	179	62	0	100	0	0	2 213	868
Group Executive: Business Development												
C Shilowa	2 161	2 027	0	0	190	179	1 194	0	0	0	3 545	2 206
COO												
F Sithebe ³	1 919	0	66	0	175	0	631	0	5	0	2 795	0

R'000	Guaranteed pay		Medical aid contribution		Pension fund contribution		STI*		Other fees and allowances		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Group Executive: Corporate Affairs												
R Shinnars	2 064	1 956	61	49	187	177	1 273	863	0	0	3 587	3 045
Group Executive: Airports Management												
A Vermeulen	2 540	2 390	82	75	231	217	1 390	1 483	23	0	4 266	4 165
SUBTOTAL FOR 14 (2017:13) EXECUTIVES (F and EU band)	29 321	29 335	920	849	2 667	2 655	16 063	14 956	379	370	49 350	48 166
Senior management (DU to EL band)	149 467	117 188	7 279	5 817	13 632	10 531	42 327	39 470	6 699	478	219 405	173 487
Middle management (DL band)	168 323	150 153	10 986	9 237	15 582	13 674	35 321	37 532	4 887	1 147	235 100	211 745
SUBTOTAL FOR 409 MANAGEMENT	317 790	267 342	18 265	15 055	29 214	24 206	77 649	77 003	11 586	1 626	454 505	385 231
Professionals (CU band)	107 258	101 862	8 339	7 014	11 329	10 590	19 047	23 335	8 939	1 028	154 911	143 829
SUBTOTAL FOR 274 PROFESSIONALS	107 258	101 862	8 339	7 014	11 329	10 590	19 047	23 335	8 939	1 028	154 911	143 829
Skilled and general workers (CI to A band)	442 323	478 204	50 601	43 741	53 935	51 153	49 760	93 616	111 088	1 560	707 707	668 273
SUBTOTAL FOR 734 SKILLED AND GENERAL WORKERS	442 323	478 204	50 601	43 741	53 935	51 153	49 760	93 616	111 088	1 560	707 707	668 273
TOTAL	896 692	876 743	78 125	66 659	97 145	88 604	162 519	208 910	131 992	4 584	1 366 473	1 245 499

¹ Resigned in January 2017.

² Resigned in December 2016.

³ Appointed December 2017.

* STI figures declared for 2017 were for the 2016 financial year and STI figures declared for 2018 were for the 2017 financial year. In summary, the 2017 STI bonus pool of R164 156 000 was approved and paid in 2018 based on the following Company performance:

- The Company was deemed financially profitable, where financial profitability was determined by the Company's profit/loss after tax. The Company recorded a profit after tax of R2.9 billion, confirming that this requirement was met.
- The total bonus pool size was calculated based on 3% of EBITDA and 125% achievement of predetermined objectives.
- The 75% achievement of the predetermined objectives to trigger performance bonus payments was met and confirmed that 76% of the predetermined objective was achieved.
- The Company obtained an unqualified audit from the external auditors.

GOVERNANCE AND REMUNERATION CONTINUED

Non-executive Directors' service contracts and fees

The Non-executive Directors' service contracts are for a period of three years. Airports Company South Africa's policy precludes the payment of termination benefits to Directors. The fees for Non-executive Directors are proposed by the Minister of Transport and approved by the shareholders at the AGM. The approved fees payable to Non-executive Directors are set out in the following table:

	As Directors	Ad hoc and strategic planning sessions	Audit and risk committee	Board investment committee	Board economic regulation committee	Remuneration and nominations committee	Social and ethics committee	Annual general meeting	JIA Piazza	Precinct 2A
Fees in Rand	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Chairman (per meeting)	102 310	20 802	26 023	20 802	26 023	20 802	19 692	20 801	19 692	19 692
Total per annum	613 862	41 604	104 092	83 208	104 092	83 208	78 768	20 801	78 768	78 768
Member (per meeting)	35 902	16 978	18 418	16 979	18 418	16 979	16 123	16 978	16 123	16 123
Total per annum	215 412	33 956	73 670	67 914	73 670	67 914	64 492	16 978	64 492	64 492
Minimum required meetings	6	2	4	4	4	4	4	1	4	4

Non-executive Directors' fees are set out in the following table:

Non-executive Directors	Appointment date	Termination date	Director's fees (R'000)	
			2018	2017
D Botha ¹ (Acting Chairman; fees payable to PIC)	1 August 2013		602	460
R Morar ²	1 January 2012	28 March 2018	798	608
K Matlou ³	1 March 2015		454	459
S Macozoma ⁴	1 March 2012	30 November 2016	17	663
J Lamola	1 December 2012	5 July 2017	184	439
K Moroka ³	1 December 2012	15 September 2017	181	506
B Luthuli ³	1 December 2012	15 September 2017	188	735
C Mabude ³	1 December 2012	15 September 2017	117	579
M Mabela	1 March 2015	19 April 2018	678	773
S Simelane	1 March 2015	20 April 2018	841	769
Total for 9 (2017: 9) Non-executives			4 061*	5 991

¹ Acting Chairman from 13 April 2018.

² Retired 28 March 2018.

³ Resigned 16 February 2017 and reinstated 31 May 2017. Resigned 15 September 2017.

⁴ Retired Chairman.

* Rounded to the nearest thousand.

STATISTICAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand thousand

	2018	2017	2016	2015	2014
COMPANY					
Operations					
Aeronautical revenue	3 583 866	5 389 852	5 194 636	4 925 899	4 559 301
Non-aeronautical revenue	3 322 181	3 175 417	3 111 129	2 848 037	2 567 660
Revenue	6 906 047	8 565 269	8 305 765	7 773 936	7 126 961
EBITDA	3 084 024	5 082 219	5 209 306	4 836 115	4 647 029
Profit before tax	1 301 430	2 599 780	2 633 832	2 355 937	2 303 142
Profit for the year	842 511	2 005 882	1 844 704	1 627 750	1 712 454
Depreciation and amortisation	(1 247 477)	(1 268 516)	(1 307 885)	(1 476 962)	(1 412 665)
Dividends paid	(353 452)	(338 641)	(270 882)	(296 819)	(97 528)
Capital expenditure	(875 341)	(893 161)	(1 163 363)	(830 233)	(928 001)
Financial position					
Capital and reserves	20 367 178	19 346 555	17 515 005	14 953 552	12 580 016
Non-current liabilities excluding deferred tax	7 884 159	8 362 490	8 010 141	10 181 255	11 277 954
Deferred tax	1 369 719	1 250 084	2 010 573	1 365 207	1 125 960
	31 927 635	31 250 376	30 886 557	28 611 675	28 867 357
Property, plant and equipment, investment property and intangible assets	25 595 055	25 483 092	24 394 393	24 093 716	23 098 060
Investment in joint ventures	170 862	175 221	147 734	127 942	107 383
Investment in associates	1 564 315	998 527	1 761 660	1 348 026	1 422 739
Other non-current assets	225 308	241 551	331 771	95 021	228 714
Current assets	4 372 096	4 351 985	3 236 066	2 946 970	3 032 483
Current liabilities	2 306 579	2 291 247	3 350 836	2 111 662	2 905 449
Total equity and liabilities	31 927 635	31 250 376	30 886 557	28 611 675	28 867 357
Cash flow					
Net cash inflow from operating activities	2 859 957	4 160 026	4 640 982	3 930 762	4 039 636
Net cash outflow from investing activities	(1 489 675)	(1 780 532)	1 763 784	(266 281)	(975 539)
Net cash outflow from financing activities	(1 717 465)	(2 028 039)	(2 734 196)	(3 452 423)	(3 303 709)
Net (decrease)/increase in cash and cash equivalents	(347 183)	351 455	143 002	212 058	(239 612)
Profitability					
Earnings per share (cents)	170.54	406.02	383.201	329.48	346.62
Dividends per share (cents)	71.54	68.55	55.491	60.00	19.82
Productivity					
Number of employees	3 067	2 898	2 841	2 932	2 819
Revenue per employee (R)	2 252	2 956	2 924	2 651	2 528
Departing passengers per employee	6 794	6 902	6 820	6 086	6 179
Cost to income (%)	55	41	38	38	40

Other key statistics

	2018	2017	2016	2015	2014
COMPANY					
Other key statistics (in numbers)					
Aircraft landings					
International	38 632	37 722	36 803	36 573	38 315
Domestic	140 784	142 230	141 978	133 093	125 956
Regional	13 064	13 138	13 080	12 157	11 131
Unscheduled	71 977	88 613	92 424	91 519	85 892
	264 457	281 703	284 285	273 342	261 294
Departing passengers					
International	5 971 517	5 680 282	5 360 767	5 198 086	5 116 779
Domestic	14 242 494	13 692 647	13 401 807	12 036 117	11 701 577
Regional	560 569	565 804	540 530	531 211	518 989
Unscheduled	62 272	63 228	71 225	79 136	81 838
	20 836 852	20 001 961	19 374 329	17 844 550	17 419 183
Number of airlines					
International	44	44	43	50	43
Domestic	10	9	9	8	7
	54	53	52	58	50
Aeronautical tariffs (R)					
Passenger service charges					
Domestic	71.93	111.40	111.4	111.4	105.3
Regional	148.51	230.70	230.6	230.7	218.4
International	195.61	303.51	303.6	303.5	287.7
Landing fees (based on an aircraft with a maximum take-off weight of 60 000kg)					
Domestic	3 107.27	5 491.62	4 966.6	4 817.3	4 561.8
Regional	7 820.17	7 820.17	4 439.4	7 027.2	6 654.6
International	9 236.37	9 236.37	28 258.1	9 236.4	8 746.7
Operational volume (in numbers) aircraft landings					
O.R. Tambo International Airport	110 286	111 232	112 177	108 792	103 341
Cape Town International Airport	51 497	49 663	50 127	45 587	44 281
King Shaka International Airport	27 058	27 495	26 190	24 693	24 797
Port Elizabeth International Airport	26 992	30 256	32 516	31 720	33 956
East London Airport	13 521	15 004	14 998	15 897	15 238
George Airport	17 051	27 999	29 161	27 722	22 233
Bram Fischer International Airport	9 936	9 053	8 780	8 418	7 281
Kimberley Airport	4 445	4 851	5 044	5 915	5 290
Upington International Airport	3 671	6 504	5 292	4 598	4 877

COMPANY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2018

Country of incorporation and domicile	South Africa
Company registration number	1993/004149/30
Directors	<p>Independent Non-executive Directors:</p> <p>B Luthuli¹ C Mabude¹ K Moroka¹ J Lamola² M Mabela³ S Simelane³ K Matlou⁴</p> <hr/> <p>Executive Directors:</p> <p>B Maseko⁵</p> <hr/> <p>Non-executive Director:</p> <p>R Morar⁶ D Botha⁷</p>
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008
Postal address	PO Box 75480 Gardenview 2047
Bankers	Standard Bank Nedbank
Auditors	Auditor-General South Africa
Secretary	Fefekazi Sefara

¹ Resigned 15 September 2017.

² Resigned 5 July 2017.

³ Term extended to 30 April 2018. Mabela resigned on 19 April 2018 and Simelane resigned on 20 April 2018.

⁴ Reinstated 31 May 2017.

⁵ Term extended 14 May 2018 to 30 November 2018.

⁶ Former Chairman, retired 28 March 2018.

⁷ Acting Chairman, appointed 13 April 2018.

AIRPORT CONTACT DETAILS

Use the contact information below to engage with us on airport specific inquiries.

Airport	Direct web address	Telephone number
O.R. Tambo International Airport	www.airports.co.za/airports/or-tambo-international ⓘ	011 921 6262
Cape Town International Airport	www.airports.co.za/airports/cape-town-international ⓘ	021 937 1200
King Shaka International Airport	www.airports.co.za/airports/king-shaka ⓘ	032 436 6000
Port Elizabeth International Airport	www.airports.co.za/airports/port-elizabeth ⓘ	041 507 7348
East London Airport	www.airports.co.za/airports/east-london ⓘ	043 706 0306
George Airport	www.airports.co.za/airports/george-airport ⓘ	044 876 9310
Bram Fischer International Airport	www.airports.co.za/airports/bram-fischer ⓘ	051 407 2200
Kimberley Airport	www.airports.co.za/airports/kimberley ⓘ	053 830 7106
Upington International Airport	www.airports.co.za/airports/upington-international ⓘ	054 337 7900

For all queries, visit www.airports.co.za ⓘ or email us at customercare@airports.co.za. For integrated report comments or queries, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.

