

GOVERNANCE AND REMUNERATION REPORT

2021

Run Airports | Develop Airports | Grow Footprint



ABBREVIATIONS

ACSA	Airports Company South Africa SOC Ltd	ISO	International Standards Organisation
AGM	Annual general meeting	IT	Information technology
CAE	Chief Audit Executive	King IV	King Code of Governance for South Africa 2016™
CEO	Chief Executive Officer	KPI	Key performance indicator
CFO	Chief Financial Officer	LTI	Long-term incentive
CIO	Chief Information Officer	MIAL	Mumbai International Airport Private Limited
Companies Act	Companies Act, No. 71 of 2008	MOI	Memorandum of incorporation
CPI	Consumer price index	PFMA	Public Finance Management Act, No. 1 of 1999
DLA	Delegated Levels of Authority	POPIA	Protection of Personal Information Act
EBITDA	Earnings before interest, tax, depreciation and amortisation	SANS	South African National Standards
IAR	Integrated Annual Report	SOC	State-owned company
ICT	Information and communications technology	STI	Short-term incentive
IIA	Institute of Internal Auditors		

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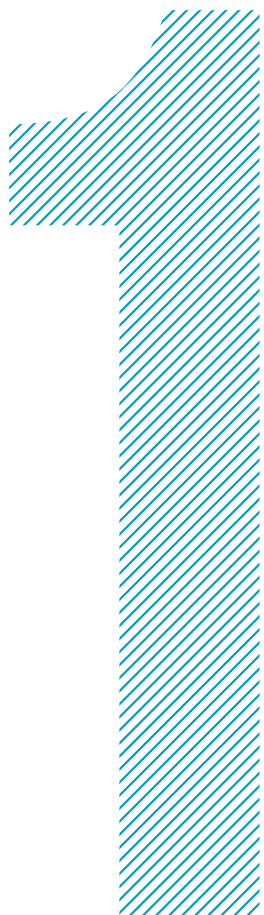
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GOVERNANCE

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Our dual mandate requires that Airports Company South Africa strives to be a successful business and play a pivotal role in the transformation and development of our country.

”

2021
GOVERNANCE AND
REMUNERATION REPORT

INTRODUCTION FROM OUR CHAIRMAN



Dr Sandile Nogxina
Board Chairman

Dear stakeholder

It is my pleasure to present Airports Company South Africa's Governance and Remuneration Report for the year ended 31 March 2021.

The report details our approach to

corporate governance in practice, our key activities during the year, together with information on the annual board evaluation process and implementation of the principles in King IV. We also outline our approach to remuneration.

Our reporting suite comprises three reports, as listed below, which provide our stakeholders with detailed information on the Group, its prospects and its performance. Our reporting suite was approved by the Board on 14 September 2021.

Inherent in our vision to be the most sought-after partner in the world for the provision of airport management solutions by 2030 is the responsibility of ensuring the ethical culture and good governance practices at Airports Company South Africa remain as strong as ever. We continue to evolve to address challenges and strive to remain relevant in a rapidly changing world.

We take great pride in our standing as a well-run State-owned company that has made a profit in all but two of its 27 years. Robust governance is an indispensable

foundation to successfully manage the impact of the COVID-19 pandemic on our country, the aviation industry and our business. Sound financial principles, underpinned by a strong corporate governance culture have, over the years, seen Airports Company South Africa through difficult economic conditions and have protected the Company from unethical conduct and malice.

According to the Airports Company Act, No. 44 of 1993, as amended, the Company 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.

Our governance framework contributed to the efficient functioning of our governance structures, allowing the Board and senior management to focus on the significant challenges and agile decision-making required to respond appropriately to the impact of the pandemic. The governance framework, which provides role clarity and delineation as well as areas of accountability, facilitated a well-coordinated response to COVID-19, ensuring strategic alignment across the Group and efficient and informed decision-making at the appropriate levels.

My fellow Board members and I are committed to working with the Minister of Transport, the Auditor-General of South Africa and other relevant state organisations to move us forward and ensure the effective implementation of good governance. We are keenly focused on scrutinising aspects such as irregular expenditure and fruitless expenditure with renewed vigour and ensuring implementation of consequence management.

Dr Sandile Nogxina
Board Chairman



Vision

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



Mission

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



Values

We define our values through the acronym PRIDE: Passion – Results – Integrity – Diversity – Excellence



Value proposition

Connecting people to people, places, dreams and opportunities.

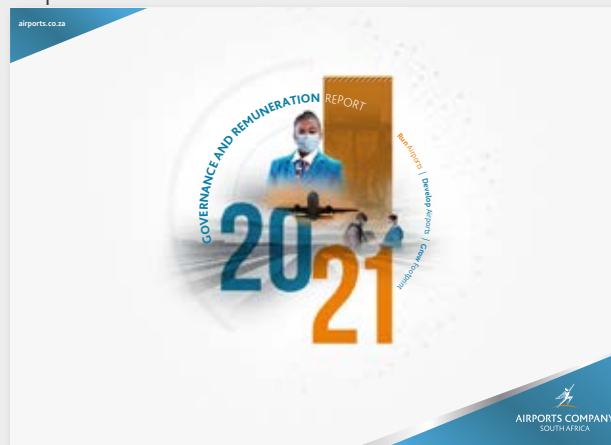


Cape Town International Airport

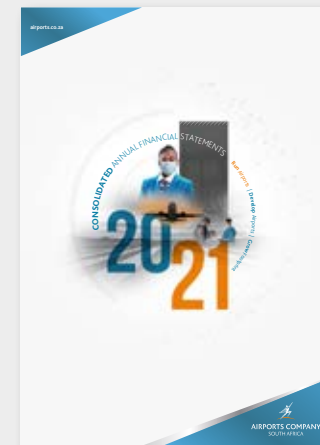
Our reporting suite comprises three reports that provide our stakeholders with detailed information on the Group, its prospects and its performance. The reports are prepared in compliance with the Public Finance Management Act, No. 1 of 1999 (PMFA), Companies Act, No. 71 of 2008 (Companies Act), JSE Debt Listing Requirements, International Financial Reporting Standards, International Integrated Reporting Council's International Integrated Reporting Framework and ISO/ SANS 31000. External auditors provide assurance on all external reports. Relevant supplementary documents and reports are available online at www.airports.co.za.



Our 2021 **Integrated Annual Report (IAR)** is our primary report to our shareholders, providers of financial capital and other stakeholders. It details our financial, economic and social performance.



Our 2021 **Governance and Remuneration Report** includes information on our governance philosophy, leadership, compliance with King IV and our approach to remuneration.



Our 2021 **Annual Financial Statements** include the consolidated financial results of the Group. Our 2021 Annual Financial Results Presentation provides an overview of our financial performance to investors.

UPHOLDING AN ETHICAL CULTURE

King IV Principle 1:

The governing body should lead ethically and effectively

The Board is committed to the highest standards of ethics and integrity and provides principled leadership exemplifying our values to safeguard stakeholder value creation within a framework of robust and effective controls. The principles and recommendations contained in King IV are entrenched in our governance structures, policies and procedures. This is the foundation from which we have built an ethical culture. The Board ensures that high ethical standards and governance practices are channelled into all levels of the organisation to enhance our reputation, build trust and, ultimately, lead to the creation and protection of value for all stakeholders. Oversight of ethical leadership and ethical behaviour is delegated to the Social and Ethics Committee.

The Board has approved an Ethics Pledge and all Board members have duly signed the pledge.

King IV Principle 2:

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Governing and managing ethics

The Board is accountable for ensuring that management actively cultivates a culture of ethical conduct that is adhered to by all employees and associates of Airports Company South Africa. Our Code of Ethics sets out the values that drive the ethical and responsible business conduct of the Company. All employees and

stakeholders are expected to commit to the Code of Ethics and, in doing so, are accountable and responsible for their actions. The Code of Ethics is approved by the Board and the implementation thereof is monitored by the Social and Ethics Committee, as are the behavioural standards specified in the employee manual.

Employees are inducted on the Code of Ethics and provided with the Code. Non-executive Directors are provided with the relevant policies as part of the induction process. The Code of Ethics guides the ethical behaviour of all employees and directors. The Code is incorporated by reference in employees' employment contracts.

Key areas of focus in FY2020/21

- Execution of the Ethics Implementation Plan
- Execution of the Anti-corruption and fraud implementation plan
- Anti-corruption and fraud risk assessment
- Ethics governance landscape, such as developing and reviewing ethics policies and procedures
- Institutionalisation of ethics in order to create a culture of ethical behaviour
- Integration of ethics through the establishment of ethics risk management programmes

Value-based training is conducted annually to reinforce ethics and compliance as a responsibility of each employee and a respected part of the company culture. During ethics awareness training sessions, our employees are trained on the Code of Ethics manual as well as the values of the Company. As of 31 March 2021, 1 001 employees have reaffirmed their commitment to ethical practices.

Monitoring organisational ethics and addressing outcomes

Our whistleblowing policy provides employees with various ways to report any unethical conduct, such as a whistleblowing hotline, walk-in reporting, direct calls through the ethics office or internal audit and direct reporting to management. The hotline is independently administered by an external company that submits daily reports for review and investigation. When a report is received, a preliminary investigation is conducted to establish whether there is a prima facie case. Thereafter, a 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 have acted on suggestions from employees to better communicate about actions taken and cases closed to boost the visibility of ethical conduct and remedial action within the Company.

Anti-corruption hotline: Reported cases

	FY2020/21	FY2019/20	FY2018/19
Total number of cases	1 256	1 110	1 722
Prima facie cases	246	540	619
Prima facie cases closed	96	570	120

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

Future focus areas

- Conducting an ethics survey
- Assessing the ethics risk profile including anti-corruption and fraud risk assessment
- Implementation of ethics strategy
- Conducting executive ethics culture workshops
- Reinforcing the culture of ethical behaviour
- Ethics programme/plan which seeks to coordinate ethics initiatives
- Review of the Politically Exposed Person Policy
- Integrating ethics through ethics risk management initiatives
- Monitoring and reporting on ethical behaviour

Managing exposure to prominent influential persons

In terms of the Financial Intelligence Centre Act, a domestically influential person is the legal term for a politically exposed person, which is an individual or relation that holds a prominent political function (senior politicians), senior people in organisations that deal with the state and heads of international organisations. Airport Company South Africa has developed Political Exposed Person/Prominent Influential Person Policy to deal with the disclosure and treatment of domestic prominent influential persons and is relevant to directors and employees in respect of any transactions/dealings with domestic prominent influential persons. Airport Company South Africa shall maintain a register of domestic prominent influential persons which will be made available on our website when our Annual Financial Statements are published.

RESPONSIBLE CORPORATE CITIZENSHIP

King IV Principle 3:





The governing body should ensure the organisation is, and is seen to be, a responsible corporate citizen



Our Board recognises that Airports Company South Africa is an integral part of society and places importance on being a good corporate citizen. This includes recognising the intrinsic value stakeholders bring to the Company and their role in our long-term sustainability.

Our dual mandate requires that Airports Company South Africa strives to be a successful business and play a pivotal role in the transformation and development of our country. As a State-owned company, an inherent part of our purpose is operationalising the economic transformation plans of government. As such, our commitment to transformation, environmental, social and development goals underpin all our strategic decisions.

The Board has approved various policies to address pertinent matters such as employment equity, economic transformation, fair remuneration, safety, health, development of employees, fraud and corruption, and creation of a safe environment. An anti-corruption management plan is in place to assist in identifying emerging risks and implementing appropriate controls, as well as ensuring our management and employees have the requisite skills to improve controls and manage these risks. The primary objective of the anti-corruption management plan is to change the attitudes of employees, external service providers and other stakeholders towards corruption and fraud.

Our Social and Ethics Committee is mandated to oversee and monitor our contribution to the transformation of the aviation industry as well as the economic growth and development of South Africa. The committee reports to the Board on a quarterly basis, ensuring regular oversight of outcomes related to:

- Transformation (IAR – page 62) 
- Environmental health and public safety (IAR – page 73 and 89) 
- Socio-economic impact (IAR – page 72) 
- Human capital and the work environment (IAR – page 82) 

We are proud to be a net contributor of value in South Africa. Our contribution to the National Development Plan and the UN's Sustainable Development Goals is set out in our IAR on page 75.  In the remuneration report on page 36 , we have included information on the focus of our remuneration policies and practices on fair remuneration and additional assistance to employees.

In the year ahead, the Board plans to focus on intensifying ongoing stakeholder engagements.

OUR LEADERSHIP

Our Directors

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

Independent Non-executive Directors



Dr Sandile Nogxina (62)

Chairman of the Board
Independent Non-executive Director

Effective date of appointment:
9 November 2018

- PhD Law Public Governance and Development Management
- Advocate of the High Court
- Bachelor of Law
- Post Graduate Diploma: Management
- Higher Diploma: Tax Law
- Masters of Law: Law Development
- Skills – Legal, administration, policy development, international relations



Nosizwe Nokwe-Macamo (60)

Lead Independent Director

Effective date of appointment:
1 September 2018

- MSc Chemical Engineering
- Diploma: Chemical Engineering
- Skills – Strategic leadership, operations management, project management, corporate governance, risk management, investment analysis, asset management, innovation and stakeholder relationship management



Dr Kgabo Badimo (61)

Independent Non-executive Director

Effective date of appointment: 6 August 2020

- PhD Information Systems Knowledge Management
- MSc Data Engineering
- BSc Computer Science
- Diploma in Business Administration
- Diploma in French Language
- Skills – Executive management and leadership, project management – ICT applications, human resources management in ICT, computer operations, ICT customer services and support, information systems, knowledge management, business intelligence, artificial intelligence, ICT standards (COBIT, ITIL, PMBOK), IT quality assurance and quality control, IT governance, Risk and compliance, telecommunications and networks, GSM (Global System for Mobile communications), financial management, auditing, corporate financial strategy



Kemira Esterhuizen (32)

Independent Non-executive Director

Effective date of appointment: 19 December 2019

- CA (SA)
- BCom Accounting
- Skills – Auditing and internal controls, corporate governance, taxation specialising in customs and international trade, tax compliance and risk assessment, financial accounting and reporting, academia, coaching and mentoring



Yershen Pillay (37)

Independent Non-executive Director

Effective date of appointment:
1 September 2018

- MBA
- BSocSc Politics and Economics
- Skills – Strategy, business administration, skills development, corporate finance, IT governance, digital transformation, cybersecurity, digital innovation, logistics and distribution



Graeme Victor (65)

Independent Non-executive Director

Effective date of appointment: 15 December 2019

- CA(SA)
- BSc Civil Engineering
- MSc Construction Engineering and Project Management
- MEng Construction Engineering and Project Management
- BCom Hons
- Skills – Leadership, organisational behaviour, critical thinking and problem solving, strategic thinking, information technology, corporate governance, people skills, understanding of the PFMA

Board diversity

Board member information – 31 March 2021

Age:

60+ years	50+ years	40+ years	30+ years
4	5	1	2

Independence:



Executive Directors



Independent Directors

Gender diversity:

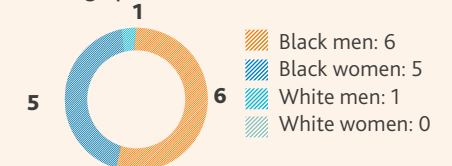


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Demographics:





Dudu Hlatshwayo (57)

Independent Non-executive Director

Effective date of appointment: 6 August 2020

- *BSc (Honours)*
- *Masters in Business Leadership*
- *Skills – Corporate finance, business process re-engineering, organisational design, corporate strategy development, business planning, change management, stakeholder management, marketing, strategic communications*



Pascalis Mokupo (52)

Independent Non-executive Director

Effective date of appointment:
1 September 2018

- *CA (L)*
- *Skills – Problem solving, attention to detail, teamwork and collaboration, professionalism and strong work ethics, leadership and time management, perseverance and motivation, commercial awareness and communication*



Ntombifuthi Zikalala Mvelase (56)

Independent Non-executive Director

Effective date of appointment:
1 September 2018

- *BProc*
- *LLB*
- *Attorney of the High Court of South Africa*
- *Skills – Legal, business management, diamond trading*



Irvin Phenyane (52)

Independent Non-executive Director

Effective date of appointment:
1 September 2018

- *BSc*
- *Master of Management*
- *Postgraduate Diploma in Project Management*
- *Postgraduate Diploma in Management*
- *Skills – Aviation, drone technology practitioner, transaction advisory, strategic planning, stakeholder management, project management, rural development, logistics management*

Executive Directors



Mpumi Mpfu (55)

CEO

Effective date of appointment: 1 February 2020

- *Postgraduate Degree of Town Planning*
- *BA Honours Urban and Regional Planning*
- *Skills – Aviation, transport, planning monitoring and evaluation, strategy coordination, policy development, corporate governance, project management, airport planning, housing development, liaison and co-operation, stakeholder management, programme management, human resource development, urban design and town planning*



Siphamandla Mthethwa (46)

CFO

Effective date of appointment: 1 May 2020

- *CA (SA)*
- *Postgraduate Diploma in Accounting/CTA*
- *BCompt Hons*
- *BCom Accounting*
- *Skills – Corporate finance, strategic planning, treasury management, taxation, credit management, risk management, financial and management reporting, supply chain management, change management, executive leadership*

Company Secretary



Fefekazi Sefara (47)

Effective date of appointment: 1 July 2018

- *LLM*
- *LLB*
- *B Juris*
- *Postgraduate Diploma in Interpretation and Drafting of Contracts*
- *Admitted Attorney of the High Court*

Our executive committee



Mpumi Mpofu (55)

CEO

Executive Director

Effective date of appointment:
1 February 2020

- *Postgraduate Degree of Town Planning*
- *BA Honours, Urban and Regional Planning*



Siphamandla Mthethwa (46)

CFO

Executive Director

Effective date of appointment: 1 May 2020

- *CA (SA)*
- *Postgraduate Diploma in Accounting/CTA*
- *BCompt Hons*
- *BCom Accounting*



Lindani Mukhudwani (38)

Acting CFO

- *CA (SA)*
- *Certificate in the Theory of Accounting*
- *BCom Hons Accounting*
- *BCom Financial Accounting*

Lindani Mukhudwani was appointed to act in the role of CFO from 13 June 2019 until 30 April 2020.



Fundi Sithebe (42)

COO

- *BBA*
- *Post Graduate Diploma in Management*

Fundi Sithebe left the Company with effect from 30 April 2021 as part of the workplace and people management recovery plan. She took voluntary severance package.



Refentse Shiners (44)

Group Executive:
Corporate Affairs

- *BTech Public Relations Management*
- *National Diploma Public Relations Management*



Sithembiso Ngwenya (39)

Chief Audit Executive

- *CA (SA)*
- *BCom Hons Accounting*



Girish Gopal (57)

Group Executive:
Technical Services and Solutions

- *BSc Electrical Engineering*
- *MSc Electrical Engineering*
- *MBA*

Girish Gopal left the Company with effect from 31 March 2021 as part of the workplace and people management recovery plan, taking early retirement



Jabulani Khambule (48)

Group Executive:
Commercial

- *National Diploma Retail Management*

Jabulani Khambule was appointed as the GE: Commercial with effect from 1 January 2021



Charles Shilowa (49)

Group Executive: Business Development

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



Daily Ramasia (42)

Acting Group Executive: Human Resources

- BTech Human Resources

Daily Ramasia was Acting Human Resources Executive until 30 November 2020.



Lungile Langa (43)

Group Executive: Human Resources

Appointed with effect 1 December 2020

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

Age:

60+ years	50+ years	40+ years	30+ years
1	3	8	1

Gender diversity:



Demographics:



Skills

- | | |
|-------------------------|---|
| Financial management | Technology and innovation |
| Business administration | Compliance |
| Governance | Stakeholder management and communications |
| Aviation | Strategic leadership |
| Logistics and transport | Risk management |
| Law | |
| Forensics | |



Badisa Matshego (44)

Group Executive: Infrastructure Asset Management

- B.Sc Civil Engineering



Mthoko Mncwabe (44)

Chief Information Officer

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



Bongive Mbomvu (54)

Group Executive: Governance and Assurance

- BSocSci
- LLB
- LLM
- Admitted Attorney of the High Court



Mzwandile Petros (61)

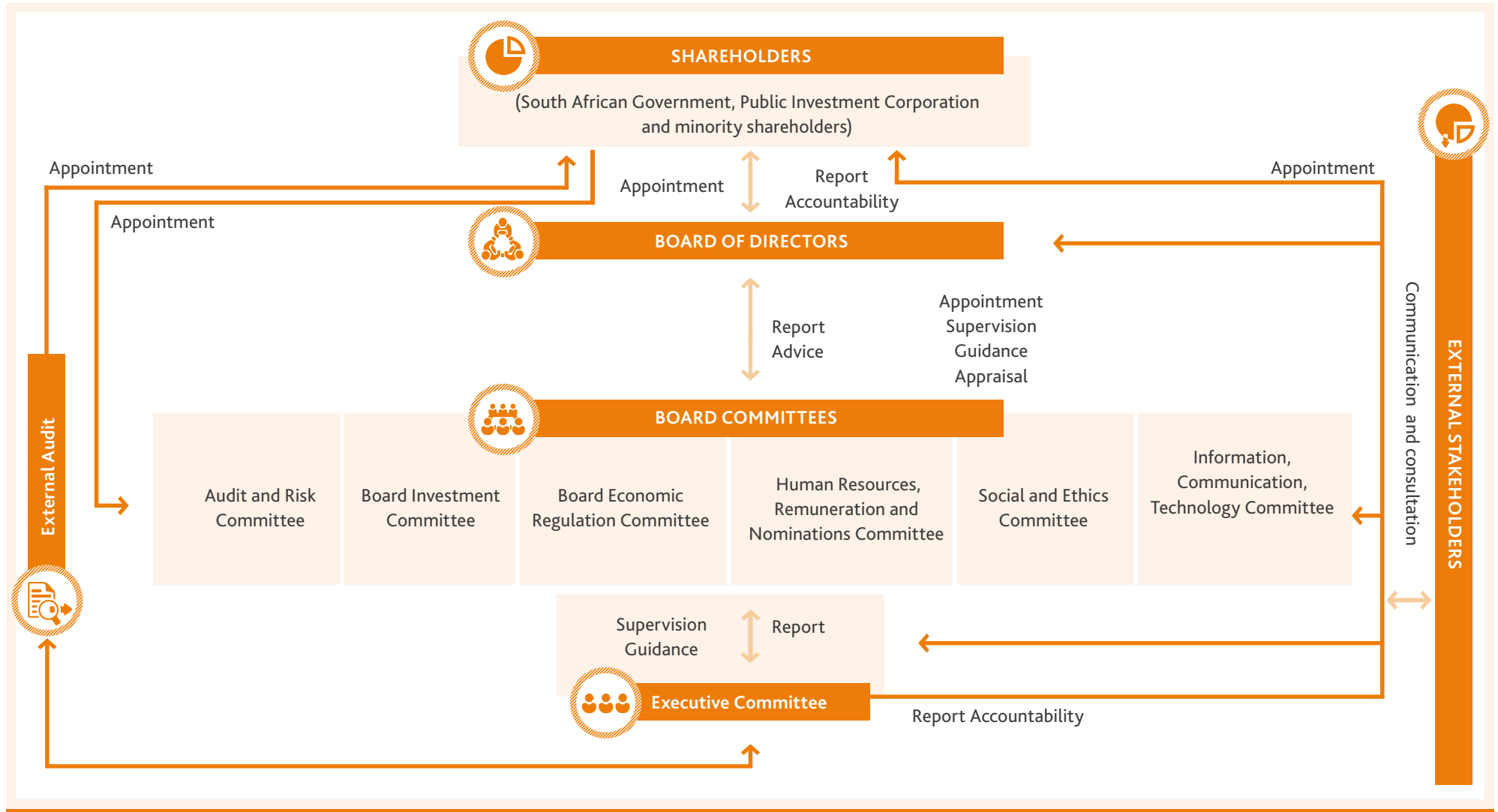
Group Executive: Enterprise Security

- Advanced Diploma in Public Administration
- Secondary Teachers Diploma

OUR GOVERNANCE FRAMEWORK


GOVERNANCE STRUCTURE

Our Board is responsible for strategic direction and oversight of the Group. The Executive Committee, under the leadership of the CEO, is responsible for the day-to-day management of the Group.



Our governance and control framework

Our governance and control framework sets out the governance structures over operational functional areas and the interaction of these structures to ensure effective governance. The framework creates a conducive environment for independence and an objective decision-making process and facilitates agility, teamwork and swift decision-making across all levels of the organisation.

Our Board of Directors is the accounting authority and the CEO is the accounting officer in terms of the PFMA. The CEO is accountable to the Board for the implementation of the Group's strategy. The CEO is assisted by the Executive Committee in conducting the day-to-day business of the Company, subject to the Company's Delegated Levels of Authority (DLA). The Executive Committee is accountable to the CEO. The detailed governance structure can be found on page 14. 

OUR BOARD

King IV Principle 4:

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The Board is responsible for the sustainability of the Group and, to this end, sets the strategic direction, approves the strategy and monitors the performance of the Company. Risks, opportunities, performance, operating model and sustainability matters are considered in terms of the Group's vision, targets, long-term goals and values, and are approved by the Board. The key performance measures and targets for assessing the achievement of strategic objectives over the short, medium and long term have been approved

and are monitored by the Board to ensure the viability of the Company. The strategies have taken the risks, the consequences of the Company's activities and outputs on the economy, society and natural environment, into account.

The Board is responsible for providing continuous oversight of material matters and holds the CEO accountable for operational management and performance of the business. The CEO holds the executive management accountable for their areas of responsibility in terms of managing the business. To enable the relationship between the Board and executive management to achieve results, the Board has adopted a governance and control framework and aligned practices that:



- Provide role clarity through the assignment of specific areas of accountability to Board committees, the CEO and executive management, and monitors the performance of the CEO
- Enable more effective decision-making by specifying decisions reserved for the Board and delegated authority to Board committees, to the CEO and executive management
- Establish an effective enterprise risk management framework to provide the Board with a clear line of sight into the relevant key risks to enable the Board to evaluate risk exposure and mitigation strategies to safeguard stakeholder interests
- Embed a value-driven culture across the Group's operations and build trust in our services and meaningful stakeholder relationships

These practices all collectively contribute to value creation.

Board committees

The Board has established five committees and an ad hoc committee to assist and support the Board in discharging its duties. The committees established by the Board play an important role in enhancing standards of governance

and effectiveness within the Group. Each committee acts in line with its terms of reference, all of which were reviewed during the year. The Board committees report back on their activities to the Board at all meetings. The delegation of the Board's responsibilities to committees is not by itself abdication of the Board's fiduciary duties.

A summary of the Board committees' composition and responsibilities and the meeting attendance, as well as the reports from the Audit and Risk Committee, and Human Resources, Remuneration and Nominations Committee are provided from pages 28 to 33.  The full Audit and Risk Committee report is available on pages 2 to 6 of the Annual Financial Statements. 

The Board operates under an approved charter and makes certain that financial management, risk management and internal controls are effective, as required by the PFMA. The charter was reviewed during the 2020/21 financial year. The roles and functions of the Chairman of the Board, the Lead Independent Director and the CEO are described in the Board Charter.

Non-executive Directors are appointed by the shareholders, namely, the Minister of Transport as the Government Shareholder Representative and the Public Investment Corporation in accordance with Airports Company South Africa's Memorandum of Incorporation (MOI). Non-executive Directors are appointed for a three-year term which is renewable once.

The first terms of Nosizwe Nokwe-Macamo, Pascal Mokupo, Ntombifuthi Zikalala Mvelase, Irvin Phenyane and Yershen Pillay expired on 31 August 2021 and Sandile Nogxina's term will expire on 8 November 2021. The Minister has extended their terms until finalisation of the appointment process.

According to the criteria adopted by the Board for assessment of the independence of Directors, which are recommended in King IV and the Company's MOI, the Board comprised of 10 independent directors as at 31 March 2021. Nosizwe Nokwe-Macamo has been appointed as the Lead Independent Director.

Board report back

Changes to the Board

Siphamandla Mthethwa was appointed as the CFO with effect from 1 May 2020 and is an Executive Director in terms of the Company's MOI.

Dr Kgabo Badimo and Dudu Hlatshwayo were appointed as Non-executive Directors, effective 6 August 2020.

Attendance at board meetings

The Board held 12 meetings during the year.

Members	Attendance
Dr Sandile Nogxina (Chairman)	12/12
Dr Kgabo Badimo	6/7
Kemira Esterhuizen	12/12
Dudu Hlatshwayo*	7/7
Nosizwe Nokwe-Macamo	12/12
Ntombifuthi Zikalala Mvelase	12/12
Pascal Mokupo	12/12
Irvin Phenyane	12/12
Yershen Pillay	11/12
Graeme Victor	11/12
Mpumi Z Mpofu (CEO)	12/12
Siphamandla Mthethwa (CFO)^	11/11

* Appointed 6 August 2020

^Appointed 1 May 2020

Key focus areas of our board in FY2020/21

The role of the Board is important in times of crisis to provide appropriate guidance and oversight. In the year under review, the Board oversaw the Group's strategic decisions and responses pertaining to the COVID-19 pandemic. This included support to stakeholders to ensure the protection of value and minimisation of value erosion while remaining aligned with the shifts and pivots that are required in strategy. The Board was kept up to date on the impact of the pandemic on global aviation in general and on the Group in particular. The Board was informed of the measures taken to guarantee the health and safety of our employees and stakeholders. Increased focus was placed on business risks and business continuity management plans were invoked to guarantee continuation of essential services. The Board approved the Recover and Sustain Strategy to see the Company through the pandemic. The Corporate Plan was also amended to respond to the COVID-19 pandemic challenges.

The Board considered related growth strategies at its strategic session. The Recover and Sustain Strategy will be supported by these strategies and they will be approved in the next financial year.

Besides the Board's regular agenda items such as feedback reports from the chairmen of Board Committees on matters deliberated in their respective committees, the report of the CEO, which details the progress made on the implementation of the Group's Strategy, stakeholder engagements and operations, and report of the CFO – which details the financial results and forecasts, the Board:

- Considered the COVID-19 impact on the long-term financial sustainability of the Company and approved responses to the impact

- Approved the Recover and Sustain Strategy
- Approved the reviewed Operating Model
- Approved the organisational macrostructure
- Considered the review of the governance framework and this is still underway
- Approved the amended FY2020/21–FY 2022/23 Corporate Plan including the revised 2021–2023 borrowing plan and budget
- Approved the issuance of preference shares to shareholders of the Company
- Approved the reviewed delegated levels of authority policy and manual
- Condoned irregular expenditure which had been recommended to the Board
- Approved recruitment for critical vacant Group executive positions
- Monitored the staff cost reduction programme
- Approved the termination strategy for the staff transport programme
- Recommended the disposal of the Company's shares held by ACSA Global Limited in Mumbai International Airport Private Limited
- Approved the 2021/22–2023/24 Corporate Plan
- Approved the Board Effectiveness Evaluation Report
- Approved the 2019/20 Annual Financial Statements and Integrated Report

The Board is satisfied that it has executed its responsibilities.

Future focus areas

- COVID-19 impact on long-term financial sustainability of the Group
- Implementation of the reviewed Operating Model
- Review of the governance framework
- Revenue diversification
- Dispose of the Group's shares in Guarulhos International Airport

- Reduction of irregular, wasteful and fruitless expenditure
- Approval and implementation of the Company's growth strategies

King IV Principle 5:

The governing body should ensure reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects

Integrated thinking is incorporated in our operations and reporting. The Audit and Risk Committee is an essential part of the Company's governance framework to which the Board has delegated the oversight of the integrity of the Group's financial statements and reporting process before reports are submitted to stakeholders. Information related to disclosures is included in the Integrated Report. The performance of the Company is disclosed annually in the Integrated Report.

King IV Principle 6:

The governing body should serve as the focal point and custodian of corporate governance in the organisation


Our Board of Directors is the highest governing body of Airports Company South Africa and is committed to the principles of good corporate governance as set out in King IV. As a business, we strive to be an ethical, relevant force for good and play a positive role in the South African economy, society and environment. By setting the tone at the top, the Board encourages a culture of robust governance filters through the organisation.

The Board, through the Audit and Risk Committee, approves and monitors the effectiveness of the governance framework across the Group to achieve the governance outcomes of an ethical culture, good performance, effective

control and legitimacy. We are committed to continually enhancing our corporate governance processes in line with best practice in a manner that facilitates the development and management of world-class airports.

King IV Principle 7:

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The Board is comfortable that its composition reflects the appropriate mix of skills, knowledge, experience, diversity and independence. Please refer to page 10  for profiles of the directors. Board members are provided with additional support from the Company Secretary. They are entitled to seek independent professional advice concerning the discharge of their duties as Directors and to gain access to information they may require in discharging their duties. The Board has approved protocols to guide the Directors in these instances.

Induction and ongoing Board development

Newly appointed Directors undergo an induction to enable them to make the maximum contribution within the shortest time possible. The induction includes presentations on Directors' duties and responsibilities, business overview and visits to airports to familiarise themselves with the business environment and operations. The newly appointed Directors have been duly inducted, however, they were unable to visit our operations as a consequence of the COVID-19 pandemic.

Other ongoing training and education courses allow our Directors to enhance their skills. Workshops were held for the ICT Committee in line with the identified training requirements. Directors receive updates on aviation trends

and the CEO presented a session on the review of the Aviation Policy to the Non-executive Directors. Some Directors attended development courses offered by the Institute of Directors as part of continuous development to keep abreast of changes and trends. Through this ongoing development, Yershen Pillay has been certified as a chartered director and Ms Hlatshwayo will receive her certificate in August 2021. Directors were also inducted on the new JSE Debt Listing Requirements on governance matters.

Succession planning

The nomination and appointment of Non-executive Directors is the prerogative of the shareholders as provided in the Company's Memorandum of Incorporation. The Board is not involved in the appointment process of its members save to advise the shareholders of the skills required.

The term of five Non-executive Directors and the Chairman will expire on 31 August 2021 and 7 November 2021, respectively. All these Non-executive Directors were appointed by the majority shareholder and have served one term. The majority shareholder will decide whether to reappoint these Directors or replace them, taking into account the skills that will be lost and will be remaining.

The Chief Executive Officer and the Chief Financial Officer are employed on five-year employment contracts which may be terminated by giving each party three months' notice to allow for a handover process. The Board may terminate the contracts for any reasons without notice for reasons recognised in law as being sufficient for a summary termination. The succession plans for the Chief Executive Officer and Chief Financial Officer will be finalised in the next financial year after the conclusion of the building blocks for the plan.

Conflicts of interest

Directors are expected to make sure that appointments outside the Group do not impinge on their ability to perform their duties as Airports Company South Africa Directors and do not present conflicts of interest. The conflicts of interest policy is in place to manage any potential conflicts of interest. Directors sign annual declarations of interest disclosing their interests – as well as interests in any direct or indirect personal or private interests that their spouses, partner or close family member may have – in any matter related to the business of the Group. In the event of there being a conflict of interest, Directors would have to excuse themselves from deliberations on these matters. There were no such cases for the year under review. No Director has declared a conflict of interest in the period under review. The Directors' declaration of interest forms can be found on our website.

Delegation of authority

King IV Principle 8:

The governing body should ensure its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

While the Board delegates its authority to management, it remains responsible for how its delegated authority is exercised. In terms of Section 56 of the PMFA, the Board may confirm, vary or revoke any decision taken by an official as a result of a delegation of powers by the Board. This is strengthened by clearly defined roles, accountability and responsibility through the delegation of authority policy framework. The Board is satisfied the framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Company's governance framework facilitates transparency and enables appropriate and relevant decision-making.

Separation of roles and responsibilities

Key governance roles and responsibilities of the Board are outlined as follows:

Chairman of the Board

- Provides overall leadership to the organisation
- Safeguards the integrity and effectiveness of the Board
- Sets the ethical tone for the Board and the Group
- Sets the tone for the performance of the Board
- Provides the necessary support to the CEO
- Ensures relevant matters are placed on the Board agenda and prioritised properly

Lead Independent Director

- Leads in the absence of the Chairman of the Board
- Serves as a sounding board for the Chairman of the Board
- Acts as an intermediary between the Chairman of the Board and other members of the governing body, if necessary
- Leads the performance appraisal of the Chairman of the Board

Non-executive Directors

- Contribute to Board effectiveness through opinions that constructively challenge and contribute to developing the Group's strategy
- Bring unique perspectives to the boardroom to facilitate constructive dialogue

Chief Executive Officer

- Sets the tone in providing ethical leadership and creating an ethical environment

- Ensures the Company is operating in an effective and efficient manner
- Ensures the operations of the Company are in line with the overall objectives of the organisation
- Takes the lead in strategic planning by planning and developing strategic plans of the Company and presents them to the Board for approval and ensures their implementation once approved
- Ensures the internal controls and governance policies and procedures are effectively implemented

Board evaluation

King IV Principle 9:

The governing body should ensure the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

The performance evaluation conducted in the previous financial year has enabled the Board to improve its performance. An external service provider was appointed to undertake an independent review of the effectiveness of the Board. The performance reflection covered the assessment of the Board as a whole, individual Directors, the Chairman of the Board, Board committees, and chairmen of Board committees.

The Board received an overall score of 4.39 out of 5.0. Evaluation covered the Board size, composition, attributes, culture and ethics; Board meetings and processes; risk management; ICT; stakeholder communication; role of the Chairman, CEO and company secretary; Board orientation and development; and Board Committees. There were no material matters raised on the functioning of the Board.

EVALUATION OF BOARD COMMITTEES

The evaluation of the performance of the Board is a key element in improving the effectiveness of the Board and the evaluations that have been performed have assisted the Board in improving its performance. The independent evaluation of the previous year indicated the Board was operating effectively. The results of the previous year revealed that the key functional areas of risk management, stakeholder management, information and communication management appeared to be well managed and overseen by the Board; however, the Board and Airports Company South Africa as a whole would benefit from certain new trends/latest thinking with respect to these areas.

Risk management has been robust in the year under review, in particular with the advent of the COVID-19 pandemic. The risk assessment undertaken in the year under review resulted in priority I and priority II risks. Priority I risks are those that will have a major financial impact on the Company should they materialise. Priority II risks are the risks that will have a critical impact on the Company's objectives if not managed.

The IT strategy has been reviewed to respond to the emerging trends and risks. A stakeholder engagement plan for the FY2020/21 was approved. Quarterly reports on the plan – with the stakeholder engagement dashboard and quarterly trends – have been considered by the Board.

The Board has approved an Evaluation of the Board and Board Committees Policy. The policy is available on our website. The evaluation for the year under review was done internally and the purpose of this was to facilitate a reflection by the Board of its performance and Board committees and Chairman as recommended in the King IV Report.

The Board performed comparatively better than the previous year in terms of the rating that has been received. The issues that should occupy the Board's time and attention during the coming year or two fall into the following broad categories.

Financial sustainability and recovery

- Implementation of revenue enhancement strategies
- New opportunities brought on by the changed landscape and ensure these make economic sense for the Group
- Implementation of existing strategies that are already directing Airport Company South Africa towards airports of the future
- Current financial situation
- Financial stability and growth
- The first pillar of the recovery: running airports efficiently
- Recovery of the aviation industry and its impact on recovery of the Company
- The positioning of the business for growth to ensure competitiveness

Revenue diversification

- Building non-aeronautical revenue with more haste, direction and purpose
- New investments

Innovation

- Technological innovation in all areas of the Group

Aviation

- Changes in the aviation industry that impact on the future of the Airports Company South Africa airports network

Succession planning

- Training of new and future leaders at both Executive and Board levels

These issues will be factored in the annual work plans of the Board committees and the Board to ensure they are addressed.

AUDIT AND RISK COMMITTEE

The Committee performed comparatively better than the previous financial year as reflected in the rating it has received. The members confirmed they are satisfied it is an efficient committee of the Board and executes on its mandate appropriately. The Committee is perceived as having a culture of free, frank and open discussion, being productive and well managed and maintaining sound relationships with the Chairman of the Board and management. There are no areas of improvement which have been identified.

BOARD INVESTMENT COMMITTEE

The Committee performed comparatively better than the previous financial year as reflected in the rating it has received. The members concurred that the rating was congruent with its high level of performance, given the complex matters it had to deal with, which emanated from the impact of COVID-19. It was acknowledged that the strategies and business cases subsequently approved by the Board were a culmination of the good work done by the Committee. The members confirmed they are satisfied it is an efficient committee of the Board and executes its mandate appropriately and upholds good governance.

HUMAN RESOURCES, NOMINATIONS AND REMUNERATION COMMITTEE

The Committee performed comparatively better than the previous financial year as reflected in the rating it has received. The members concurred that the rating was congruent with its high level of performance, given the complex matters it had to deal with, such as staff cost reduction and the impact of the new operating model on the organisational structure. Through the hard times of cost containment emanating from the impact of COVID-19, the Committee rose to the occasion and ensured the implementation of hard measures designed to reduce staffing costs, thus showing leadership and strength of character and resolve of its members. The members confirmed they are satisfied it is an efficient committee of the Board and executes its mandate appropriately.

INFORMATION COMMUNICATION AND TECHNOLOGY COMMITTEE

The Committee performed comparatively better than the previous financial year as reflected in the rating it has received. The members confirmed they are satisfied it is an efficient committee of the Board and executes its mandate appropriately. The members are of the view that the Committee is agile in ensuring issues such as audit findings and cybersecurity are addressed.

SOCIAL AND ETHICS COMMITTEE

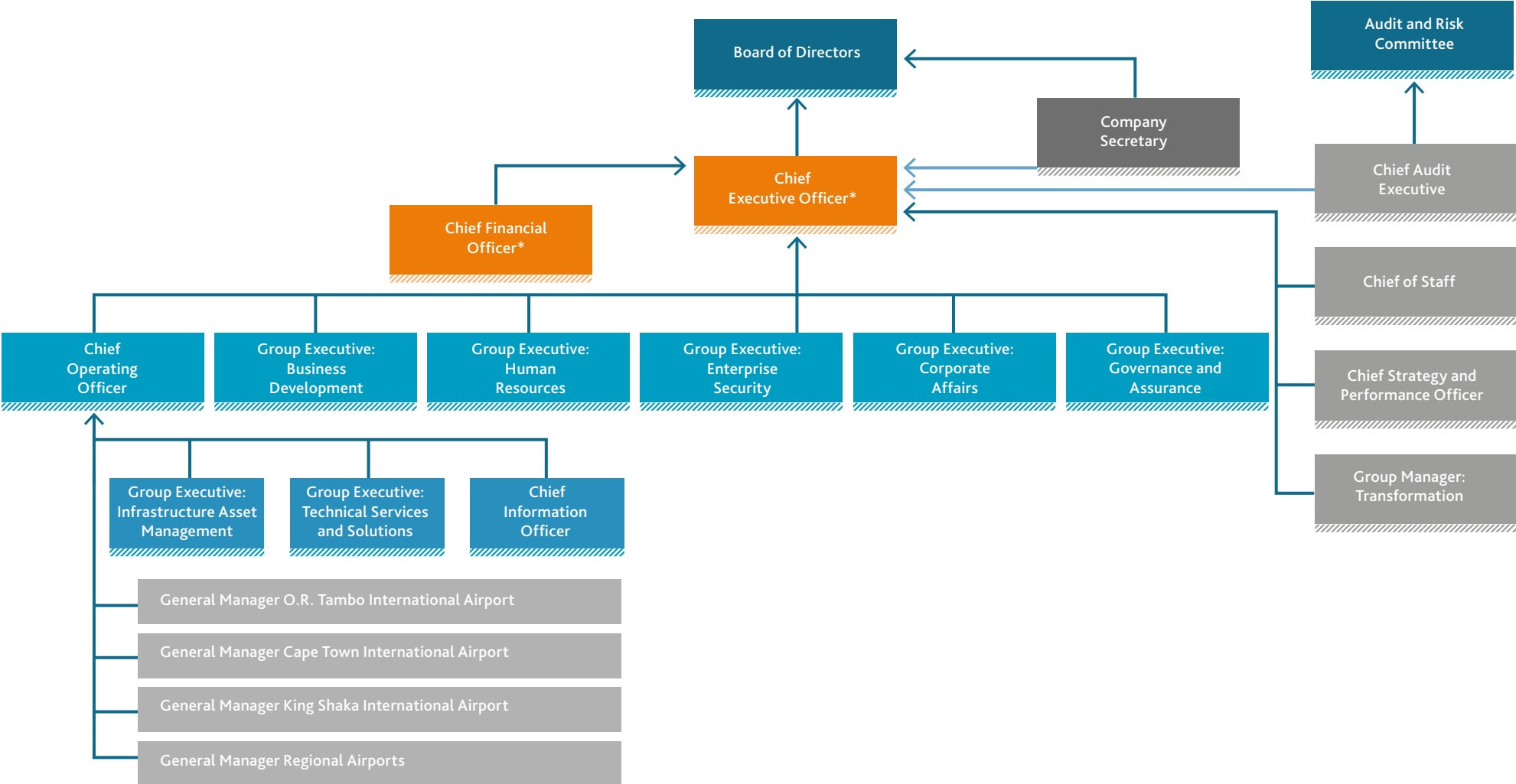
The Committee performed comparatively better than the previous financial year as reflected in the rating it has received. The members concurred that the rating was congruent with its high level of performance, given the complex transversal matters it had to deal with. The members confirmed they are satisfied it is an efficient committee of the Board and executes its mandate appropriately.



REPORTING AND ACCOUNTABILITY

King IV Principle 10:
 The governing body should ensure the appointment of, and the delegation to, management contributes to role clarity and responsibilities

The Company has a clearly defined organisational structure and levels of accountability. However, the organisational structure is under review, so as to align it to the Recover and Sustain Strategy.



* Executive Director

GOVERNANCE OF RISK

King IV Principle 11:

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

Responsibility for risk management



Board

Maintains ultimate responsibility for risk management within the Group



Audit and Risk Committee

- Oversees the risk management function on behalf of the Board
- Makes recommendations to the Board for consideration and approval



Executive Committee



Risk and Regulatory Committee

- Steers the integrated risk management framework
- Is accountable for the effectiveness of the framework
- Risk management
- Reinforces accountability for risks, controls and tasks

Airports Company South Africa's enterprise risk management is guided by an integrated enterprise risk management framework based on the following:

- Clear mandate and lines of management accountability
- Setting the performance requirements for risk management throughout the Group
- Promoting 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, we applied the principles of the PFMA, the Companies Act, 2009, the ISO 31000:2009 and guidelines of international risk benchmarks.

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

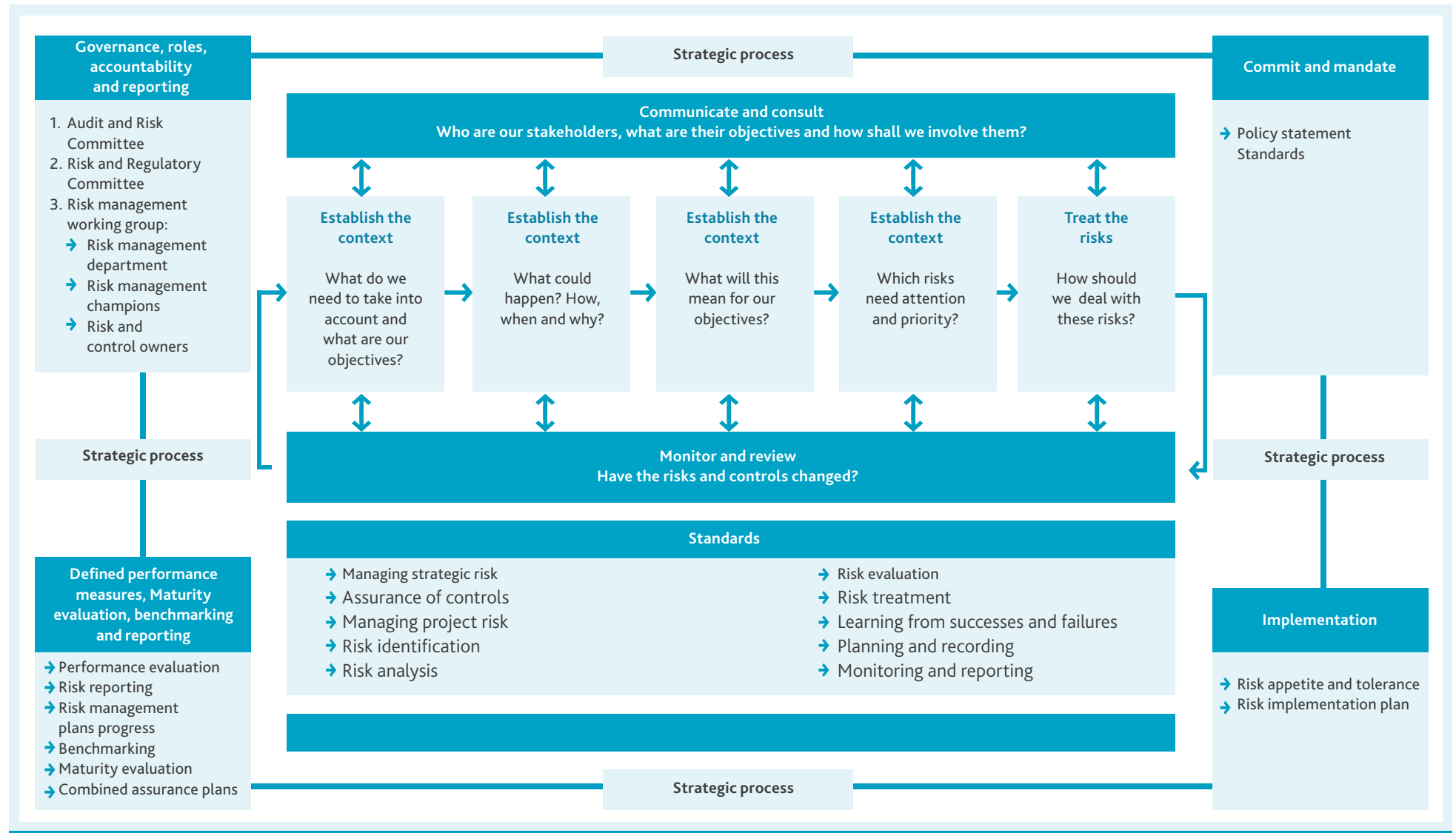
- Business risk assessments for operations and support functions were completed
- Assessment of risk registers for subsidiaries

Future focus areas over and above completion of the risk assessments include:

- Skills enhancement for facilitators and enterprise risk management champions, typically in risk assessment and root cause analysis
- Control assurance covering control design and control self-assessment



The following illustration indicates the components of the integrated risk management framework.




Integrated risk management process

Our integrated risk management process is intended to achieve an appropriate balance between realising opportunities for gain while minimising adverse impacts. Our integrated risk management process continuously monitors our key risks and opportunities and is reviewed annually. The process is based on the outcomes of best practice reviews, annual maturity assessments and continuous interaction with our governance structures. The FY2020/21 Internal Audit review indicated internal controls and management activities that require moderate management intervention and improvement in mitigating against the possible likelihood or consequences of the risks materialising.

Our governance framework has improved the integration of risks throughout the Group.

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

Please refer to page 50 of our IAR for more information on our strategic risks and mitigation commitments. 

IT GOVERNANCE

King IV Principle 12:

The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives

Governing and managing IT and information

The Board is ultimately responsible for IT governance, the oversight of which is delegated to the Information,

Communication, Technology Committee. An IT governance framework is in place for monitoring the implementation of the Board-approved IT strategy and assess IT risks. We are actively encouraging collaboration within IT and across the business to facilitate governance integration into IT services. IT disaster recovery plans are in place and take into account emerging IT risks such as cybersecurity, hacking and ransomware.

Key areas of focus during FY2020/21

- Considered IT investment and budget variance
- Considered the reviewed innovation strategy with the Company's overall strategy to meet stakeholder needs
- Considered reviewed IT policies and recommended them to the Board
- Monitored the mitigation of IT risks

Monitoring organisational IT and information and addressing outcomes

Significant changes to the acceptable use policy were submitted to Board for approval. The amendments to the policy related to working remotely. Major incidents in the IT operations environment that impacted passenger facing business processes were mitigated.

Future focus areas

- Implementation of the security operation centre
- Upgrade of the airport management systems to enhance passenger and airline experience through seamless and touchless technology
- Upgrade of the core digital infrastructure and applications that permit the IT function to enable business process-based technologies
- Digitisation of all manual documents and automation of business processes that generate paper or manual information to support the remote working requirements.

GOVERNANCE OF COMPLIANCE

King IV Principle 13:

The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation as an ethical and good corporate citizen

The Board of Directors has an overall responsibility to ensure the Group complies with applicable laws and regulations. This includes non-binding rules, codes and standards. Our compliance framework is aligned with ISO 19600, a standard for compliance management system, and best practices.

Compliance processes

By effectively providing oversight and guidance to the Group, 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 Code of Governance for South Africa 2016
- Protocol on Corporate Governance for the Public Sector 2002
- Public Finance Management Act 1 of 1999
- Treasury Regulations
- Companies Act 71 of 2008
- Protection of Personal Information Act 4 of 2013
- Promotion of Access to Information Act, 2000
- Income Tax Act, No. 58 of 1962
- Value Added Tax Act, No. 89 of 1991

There were no changes in legislation that substantively affected the achievement of the Company's objectives in FY2020/21.

The Board delegates oversight of the compliance function to its Audit and Risk Committee. During the year, the Board reviewed the compliance policy as a mechanism to ensure effective compliance.

Compliance processes are in place to report and address non-compliance. A quarterly compliance status report keeps the Executive Committee and the Audit and Risk Committee informed of non-compliance issues and facilitates the escalation of issues where necessary. There were no material instances of non-compliance with legislation and regulations during FY2020/21.

The effectiveness of our compliance function is monitored through internal audit. An integrated compliance management system will be embedded in the business during the next financial year, enhancing our capability for recording and reporting instances of non-compliance.

Key focus areas during the year included:

- Implementation of the Compliance Strategy
- Development of our a compliance governance landscape spanning compliance policy, procedure and framework
- Implementation of an integrated compliance management system

Various training programmes on the POPIA, PFMA, Preferential Procurement Policy Framework Act, No. 5 of 2000, Treasury Regulations, Treasury Practice Notes, supply chain management policies and procedures and competition help to embed a culture of compliance at Airports Company South Africa.

Planned future focus areas:

- Undertaking a compliance maturity assessment to assist with resolving the Auditor-General's audit findings
- Developing a compliance programme which will

coordinate compliance initiatives


- Integrating compliance through the establishment of compliance risk management programmes, short- and long-term initiatives
- Monitoring and reporting on compliance through assurance or audit intervention
- Focusing on implementation of POPIA as promulgated on 01 July 2020 through the Information Privacy Department

REMUNERATION GOVERNANCE

King IV Principle 14:

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

The Board is responsible for the Group's remuneration philosophy and policy application, guided by the Human Resources, Remuneration and Nominations Committee. This includes remuneration governance, skills attraction and retention, succession planning, disclosure, benefits, conditions of employment and performance-linked remuneration.

Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution in achieving our strategic objectives. We offer competitive total rewards which promote a high-performance culture that enables the execution of our objectives. Details of all remuneration awarded to members of the governing body and executive management are disclosed in the implementation report. (For full details on remuneration refer to page 36). 

ENSURING EFFECTIVE CONTROL

King IV Principle 15:

The governing body should ensure assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports

The Audit and Risk Committee's legislated duties set out in Section 94(7) of the Companies Act and the relevant best practice recommendations set out in Principle 8 of the King IV, outline in detail the oversight responsibilities the Audit Committee must carry out to ensure adequate and effective governance is realised within the Group.

In addition, Regulation 27.2.5 of the Treasury Regulations, which states: Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors (IIA) that gives legislative authority to the International Professional Practices Framework of the IIA.

The Internal Audit exists primarily to enhance and protect Company value through the provision of reliable objective internal audit assurance and trusted advisory services. It achieves this by assessing and evaluating the adequacy and effectiveness of the processes of governance, risk management and internal controls. Through the performance of its objective assurance and advisory services, the Internal Audit serves as an enabler to the Audit and Risk Committee and, ultimately, the Board of Directors, to achieve adequate and effective corporate governance within the Group.

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 and internal and external assurance providers on the risks facing the Company. Our combined assurance model remains unchanged and supports this centralised approach.

King IV recommends that the Audit and Risk Committee provide direction for the use of a combined assurance model and be responsible for establishing and overseeing this model to combine, coordinate and align assurance activities across the various lines of assurance so that assurance has the appropriate depth and reach.

The Internal Audit's combined assurance processes are aimed at:

- Fostering a shared view and understanding of the Company's key risks and opportunities
- Understanding all the assurance providers, their roles and level of assurance they can provide
- Aligning assurance to the critical risk exposures
- Maximising risk and governance oversight
- Maximising control efficiencies
- Optimising overall assurance to the Audit and Risk Committee and the Board of Directors
- Reducing assurance costs through the elimination of possible duplication of audit efforts
- Promoting collaboration between internal audit and other assurance providers
- Ensuring the Company is in line with best practice with regard to improved governance and accountability

- Enhancing the integrity of internal information and external reports
- Providing basis for identifying, and appropriately responding to, any potential assurance gaps

Combined assurance is governed by the combined assurance framework. In terms of this framework, Internal Audit is a critical function in support of implementing and embedding the combined assurance framework and the subsequent reporting to the Audit and Risk Committee. Group Internal Audit is responsible for championing the implementation of the framework.

The Enterprise Risk Management Framework focuses on the identification, assessment and implementation of responses to the risks facing the Company and the combined assurance framework ensures that an appropriate level of assurance is provided on the effectiveness of the risk management process and the controls implemented.

Internal controls

In executing its Board-assigned mandate, internal audit follows a risk-based audit methodology in compliance with the IIA and the International Standards for the Professional Practice of Internal Auditing. The main objective of 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 Internal Audit maintains its organisational independence by reporting functionally to the Audit and Risk Committee and administratively to the CEO.

The internal audit function is based at the corporate office and provides its services and support to all

our airports. This includes services provided to our subsidiaries. Our internal auditors are members of the IIA and, in conducting their work, comply with the IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

The detailed scope of work of the Internal Audit is outlined in the three-year strategic and annual internal audit plans, both of which are subject to the Audit and Risk Committee's annual review and approval. The Internal Audit's scope of work encompasses assessment and evaluation of the adequacy and effectiveness of the governance, risk management and internal control processes. Quarterly feedback on the progress of the annual plan is provided to the Audit and Risk Committee. The nature of work performed by the Internal Audit, as is required by the International Professional Practices Framework includes internal audit assurance and consulting services.

- Internal audit assurance services involve the Internal Audit's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of an assurance engagement are determined by the Internal Audit. Generally, three parties are participants in assurance services: The Group's executive and operational management – the process owner, Internal Audit, and the Board and its Audit and Risk Committee – the user.
- Internal audit consulting services are advisory in nature and are generally performed at the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management but must be approved or ratified by the Audit and Risk Committee, as circumstances may require.

Results of internal audit findings

It is the opinion of the Internal Audit that processes during the year under review were generally adequate and provide reasonable assurance the environment shows the implementation of effective controls and requires limited improvement. The internal audit function hereby declares that there were no instances noted during the FY2020/21 which would have compromised its independence and objectivity in the execution of its charter mandate.

GOVERNANCE OF STAKEHOLDER RELATIONSHIPS

King IV: Principle 16

In execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interest and expectation of material stakeholders with the best interests of the organisation over time

Our Board actively entrenches a stakeholder-inclusive approach, which has stood us in good stead in managing the challenges we faced over the year under review. The Board takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties. Active stakeholder engagement in the face of the unprecedented strain brought about by COVID-19 has deepened our relationships with our stakeholders. Key stakeholder groups were engaged on the impact of COVID-19 on our business, the aviation industry at large, and our future sustainability. Stakeholders that were engaged include shareholders, investors, lenders, airline associations, the Economic Regulating Committee, media, Parliament, key and strategic government

departments, ground handlers, and most importantly our passengers and employees. Our governance structures have proven agile and effective and have shown that a balance between the interests of our stakeholders and our business is embedded.

Our shareholders have been engaged extensively to apprise them of the impact of COVID-19 on the Company's financial sustainability and the measures taken in response, including engagements relating to the issuance of preference shares. The Board has noted the request of shareholders made at the 2020 AGM that there should be more time for engagements at annual general meetings.

Subsidiary governance framework

The Board has approved a subsidiary governance framework for implementation across the Group.

The subsidiaries adopt the policies of the Group to the extent that the policies apply to them. The Group Audit and Risk Committee and Social and Ethics Committee have been mandated to perform statutory duties for the subsidiaries.

FUTURE AREAS OF FOCUS

The Company will continue to engage its stakeholders on its financial sustainability and implementation of strategies aimed at recovery and sustainability. The Regulating Committee in particular will be engaged on measures to be taken to ensure that the Company is sustainable.



AUDIT AND RISK COMMITTEE



→ Committee chair: Pascal Mokupo

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Pascal Mokupo	11/11
Yershen Pillay	9/11
Nosizwe Nokwe-Macamo	11/11
Ntombifuthi Zikalala Mvelase	10/11
Graeme Victor	11/11
Dudu Hlatshwayo*	2/2

*Appointed on 19 November 2020. Ms Hlatshwayo was appointed to the Committee pursuant to her appointment as a non-executive director based on her skills and expertise.

The CEO, CFO, COO, External Auditor, Group Executive: **Governance and Assurance and CAE** are permanent invitees to committee meetings.

Special meetings were held to consider the going concern status of JIA Piazza Park, the annual performance plan of the Group, the amended 2020/21 - 2022/23 Corporate Plan, the 2020/21 Annual Financial Statements and the 2021/22 - 2023/24 Corporate Plan.

ACTIVITIES AND FOCUS AREAS IN FY2020/21

The Committee recommended the following to the Board:

- Scenarios for the FY2020/21 financial plan to the Board

DESCRIPTION OF THE COMMITTEE

The Audit and Risk Committee is an essential part of the Company's governance framework to which the Board has delegated the following key functions, among others:

- Oversight of the integrity of the Group's financial statements, reporting process and risks
- Managing the relationship with the Group's external auditor
- Oversight of the Group's internal controls and assurance processes

All the members are Independent Directors and meet predetermined skills, competency and experience requirements.

The Audit and Risk Committee has been delegated as the Audit and Risk Committee for the subsidiaries.

- Reviewed delegation of authority policy, framework and manual
- Reviewed MOI
- Proposed shareholders' agreement between the Minister of Transport, the Company and ADR International Airports (Pty) Ltd
- Going concern status of JIA Piazza Park SOC Limited
- Amended FY2020/21–FY 2022/23 Corporate Plan including the budget
- 2019/20 Annual Financial Statements
- 2019/20 IAR
- The pronouncement on solvency and liquidity/going concern
- Solvency and liquidity assessment for financial assistance for the Company's subsidiaries and interrelated companies
- FY2021/22–FY2023/24 Corporate Plan
- Review of the governance framework
- Condonation for irregular expenditure
- Reviewed supply chain management policy
- Finance and organisational performance reports

The Committee approved:

- The 2019/20 engagement letter and the addendum to the engagement letter
- The 2020/21 engagement letter
- The 2019/20 external audit strategy and the addendum to the external audit strategy
- The 2020/21 external audit strategy
- The reviewed internal audit charter
- The internal audit plans

The Committee considered reports on:

- Risk management, business continuity, compliance and litigation
- Internal audit, combined assurance and corruption
- Supply chain management
- External audit response plan
- The Company's financial standing through the FY2019/20 audit and external audit final management report

The Committee monitored the effectiveness of the external auditor in terms of the quality of its work expertise and independence.

The committee is satisfied it has executed its duties during the year under review in accordance with its terms of reference and statutory duties.

LOOKING AHEAD

In the year ahead, the committee will oversee and/or monitor:

- COVID-19 impact on long-term financial sustainability of the Group and emerging risks
- Review and implementation of the governance framework
- Disposal of the Group shares in Guarulhos International Airport

Please refer to pages 2 to 6 of the Annual Financial Statement for the full Audit and Risk Committee report.

BOARD INVESTMENT COMMITTEE



DESCRIPTION OF THE COMMITTEE

The committee assists the Board in discharging its duties relating to capital projects, commercial activities, investments, business development and treasury activities. The Board Investment Committee is an essential part of the Group's governance framework to which the Board has delegated the following key functions:

- Oversight of the Group's investment, commercial and treasury activities

- Oversight of major capital projects
- Oversight of infrastructure and property development activities
- Oversight of business development activities

The committee comprises a majority of Independent Directors and one Executive Director, the CEO.

→ Committee chair: Nosizwe Nokwe-Macamo

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Nosizwe Nokwe-Macamo	8/8
Pascalis Mokupo	8/8
Irvin Phenyane	8/8
Graeme Victor [#]	8/8
Mpumi Z Mpfu	8/8
Kemira Esterhuizen*	5/5
Dudu Hlatshwayo*	5/5

[#]Membership terminated on 10 March 2021. Mr Victor retired to reduce the membership of the Committee and bring it to six, the standard number for all committees.

*Appointed on 26 August 2020. Ms Esterhuizen was appointed to the Committee based on her skills and expertise.

The CFO, COO, Group Executive: Infrastructure and Asset Management, Group Executive: Technical Services and Solutions, Group Executive: Business Development and Group Executive: Commercial are permanent invitees to committee meetings.

The Committee held special meetings to consider COVID-19 impact on the Group's financial sustainability, sale of the Group's shares in Mumbai International Airport Private Limited and Guarulhos Participacoes S.A,

proposed SARB development in Cape Town International Airport and proposal for issuance of preference shares and the Group's global strategy.

ACTIVITIES AND FOCUS AREAS IN FY2020/21

The Committee recommended to the Board the following:

- COVID-19 impact on financial sustainability
- The reviewed operating model
- The reviewed investment strategy and investment roadmap
- Strategies for supporting the Recover and Sustain Strategy, namely, Aerotropolis, cargo, global, ground-handling and fuel strategies
- Reviewed FY2020/21–FY2022/23 borrowing plan
- FY2021/22–FY2023/24 borrowing plan
- Mumbai International Airport Private Limitedshare sale
- Hedging strategy for the Mumbai International Airport Private Limited share sale proceeds
- Non-binding offer for the Guarulhos International Airport shares
- Draft preference shares subscription agreement and terms

The Committee considered reports on the following:

- Treasury activities
- Economic regulation
- Commercialisation
- Business development activities
- Investment and property development
- Projects

The committee is satisfied it has executed its duties during the year under review in accordance with its terms of reference.

LOOKING AHEAD

In the year ahead, the committee will oversee and/or monitor:

- COVID-19 impact on long-term financial sustainability of the Group
- Monetisation and optimisation of the Group's assets
- Implementation of reviewed Operating Model
- Implementation of strategic growth initiatives
- Disposal of shares in Guarulhos International Airport

BOARD ECONOMIC REGULATION COMMITTEE



→ Committee chair: Advocate Sandile Nogxina

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Sandile Nogxina	1/1
Pascal Mokupo	1/1
Nosizwe Nokwe-Macamo	1/1
Ntombifuthi Zikalala Mvelase	1/1
Irvin Phenyane	1/1
Yershen Pillay	1/1

The CEO, CFO, COO and Group Executive: Governance and Assurance are permanent invitees to committee meetings.

DESCRIPTION OF THE COMMITTEE

The Board Economic Regulation Committee is an *ad hoc* committee of the Board to which the Board has delegated the oversight for the development and implementation of the economic regulatory strategy and ensures compliance with all economic regulatory legislation and 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. The Committee meets as and when there is a need to meet. The Regulating Committee decided to run the 2019–2023 permission in full thus obviating the need to hold scheduled meetings.

The committee comprises chairmen of other Board committees who are Independent Directors.

ACTIVITIES AND FOCUS AREAS IN FY2020/21

- Reviewed the Economic Regulatory Strategy and Stakeholder Engagement Plan

The committee is satisfied it has executed its duties during the year under review in accordance with its terms of reference.

LOOKING AHEAD

- Economic Regulatory Strategy and Stakeholder Engagement Plan
- Permission application

HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE



DESCRIPTION OF THE COMMITTEE

The committee assists the Board on matters of people management, strategic remuneration and nominations by ensuring decisions are aligned with the Company's strategic objectives. The committee comprises Independent Directors and one Executive Director, the CEO.

→ Ntombifuthi Zikalala Mvelase

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Ntombifuthi Zikalala Mvelase	7/7
Kemira Esterhuizen	7/7
Sandile Nogxina	3/7
Irvin Phenyane	7/7
Yershen Pillay*	3/3
Kgabo Badimo^	4/4
Nosizwe Nokwe-Macamo#	4/4
Graeme Victor>	N/A

*Retired on 26 August 2020. Yershen Pillay retired from the Committee to allow room for newly appointed non-executive directors.

^Appointed on 26 August 2020. Kgabo Badimo was appointed to the Committee pursuant to his appointment as a non-executive director based on his skills and expertise.

Appointed on 26 August 2020 and retired on 10 March 2021. Nosizwe Nokwe-Macamo was appointed to the Committee based on her skills and expertise and she retired to make room for Graeme Victor.

> Appointed on 10 March 2021. Graeme Victor was appointed to the Committee to diversify the skills and expertise in the Committee.

The CEO, CFO, COO, Group Executive: Human Resources and Group Executive: Enterprise Security are permanent invitees to committee meetings.

ACTIVITIES AND FOCUS AREAS IN FY2020/21

The Committee recommended the following to the Board:

- COVID-19 impact on the Group's human capital
- Reviewed organisational macrostructure
- Termination strategy for the staff transport programme
- Recruitment of critical Group Executive positions
- Delegated levels of authority for human resources
- Performance contracts for the CEO, CFO and Company Secretary
- Performance review of the Company Secretary
- Review of short-term and long-term incentive plans
- Assessment of independence of Directors
- Directors to be rotated at the Company's AGM
- Constitution of Board committees
- COVID-19 workplace and people management policies
- Outcome of the implementation of the remuneration policy
- Training Academy Strategy

The Committee considered reports on the following:

- Staff cost reduction programme
- Training Academy
- Human resources

- Principles for performance reviews

The Committee approved the 2021 HR Priority Plan.

The committee is satisfied it has executed its duties during the year under review in accordance with its terms of reference.

LOOKING AHEAD

The Committee will consider the following:

- Reviewed macrostructure
- Succession management policy and plan
- Impact of COVID-19 on human capital
- Sustainability of human resources

INFORMATION COMMUNICATION TECHNOLOGY COMMITTEE



DESCRIPTION OF THE COMMITTEE

The committee is responsible for monitoring compliance of governance of technology, communication and information to King IV. It also oversees the alignment and integration of the Company's information and communication technology strategy with the Company's overall strategy and business needs. The committee further ensures that the cybersecurity strategy is in place and that strategies emanating from innovative initiatives are reviewed and support digital capabilities. The committee comprises Independent Directors.

→ Committee chair: Yershen Pillay

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Yershen Pillay	4/4
Nosizwe Nokwe-Macamo [^]	2/2
Irvin Phenyane [#]	4/4
Ntombifuthi Zikalala Mvelase	4/4
Graeme Victor	4/4
Kgabo Badimo [*]	2/2
Pascal Mokupo [*]	2/2

[^] Retired on 26 August 2020, re-appointed on 10 March 2021. Ms Nosizwe Nokwe-Macamo retired to make room for the newly appointed non-executive directors and she was reappointed based on her skills and experience.

[#] Retired on 10 March 2021. Irvin Phenyane retired to bring the membership of the committee to six, the standard number for committees.

^{*} Appointed on 26 August 2020. Pascal Mokupo was appointed to the Committee based on his skills and expertise.

The CEO, COO, CFO, CIO, Group Executive: Governance and Assurance, Group Executive: Human Resources, and Group Executive: Enterprise Security and CAE are permanent invitees to committee meetings.

ACTIVITIES AND FOCUS AREAS IN FY2020/21

The Committee recommended the following to the Board:

- Impact of COVID-19 on information, communication and technology
- Innovation policy
- Innovation strategy
- ICT governance framework
- Review innovation initiatives strategy
- Positioning of knowledge management and innovation in the organisation

The Committee considered the following:

- Quarterly reports on information, communication and technology
- ICT investment principles and investment roadmap
- Cybersecurity
- Positioning of knowledge management and innovation in the organisation
- IT benchmark key performance indicators
- AGSA IT audit findings

LOOKING AHEAD

- Digitalisation of airports
- Monitoring innovation initiatives and their impact on the Group's sustainability

SOCIAL AND ETHICS COMMITTEE



DESCRIPTION OF THE COMMITTEE

The committee monitors the Company's activities pertaining to transformation, socio-economic development, good corporate citizenship, security, environment, health and public safety, consumer relationships, labour and employment, ethics and stakeholder engagement. The Social and Ethics Committee comprises five Independent Directors and the CEO.

→ Committee chair: Irvin Phenyane

COMPOSITION AND MEETING SCHEDULE

Member	Attendance
Irvin Phenyane	4/4
Kemira Esterhuizen	4/4
Nosizwe Nokwe-Macamo*	4/4
Yershen Pillay	3/4
Dudu Hlatshwayo#	2/2
Kgabo Badimo #	2/2
Mpumi Mpofo	4/4

* Retired on 10 March 2021. Nosizwe Nokwe-Macamo retired to make room for the newly appointed directors.

Appointed on 26 August 2020

The CFO, COO, Group Executive: Governance and Assurance, Group Executive: Corporate Affairs, Group Manager: Transformation are permanent invitees to committee meetings.

ACTIVITIES AND FOCUS AREAS IN FY2020/21:

The Committee recommended to the Board the following:

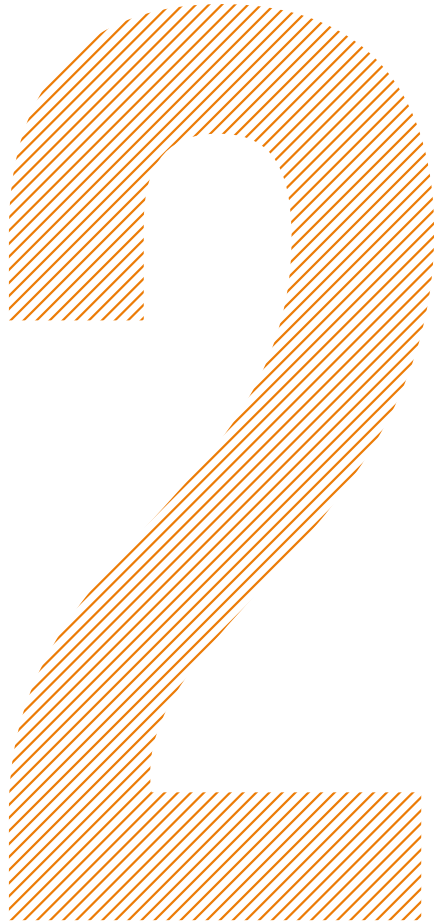
- Impact of COVID-19 on the Company's transformation strategy
- Reviewed stakeholder relations policy
- Reviewed whistleblowing policy
- Reviewed transformation policy
- Reviewed gift policy
- Reviewed environmental policy
- Reviewed Code of Ethics

The Committee received reports on:

- Transformation
- Stakeholder engagements
- Public relations
- Internal communication
- Socio-economic development programmes
- Enterprise security
- Ethics
- Anti-corruption hotline reports
- Safety, health and environment

LOOKING AHEAD

- Strengthening security in our airports
- Monitoring sustainability of the Group



REMUNERATION

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Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution in achieving our strategic objectives.

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2021
GOVERNANCE AND
REMUNERATION REPORT

The Board is responsible for our remuneration philosophy and policy application, guided by the Human Resources, Remuneration and Nominations Committee and supported by management. This includes remuneration governance, skills attraction and retention, succession planning, disclosure, benefits, conditions of employment and performance-linked remuneration.

Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution in achieving our strategic objectives. We offer competitive total rewards which promote a high-performance culture that enables the execution of our objectives. This section of the report aims to provide an overview of our remuneration policy as well as factors influencing remuneration in the year under review. Details of all remuneration awarded to members of the governing body and Executive management are disclosed in the implementation report.

BACKGROUND STATEMENT

For the year under review, the Human Resources, Remuneration and Nominations Committee focused on managing the Company's remuneration costs in the face of severely constrained revenue during the pandemic. To manage and decrease the remuneration bill, given the expected long recovery, employees were offered early retirement or voluntary separation. Through this programme, the Company enhanced liquidity without re-trenching any staff.

Our Remuneration Policy and Implementation Report received a 96.18% favourable vote at our AGM.

Our Remuneration Policy and practices are informed by total rewards benchmarking, which provides an indication of equitable market-related remuneration. Our employees are a key component in achieving our strategic objectives, and we are proud to contribute to their improved wellbeing through financial and non-financial means. We acknowledge that financial benefits are a key component in remuneration, however, we also provide non-financial benefits such as housing, educational opportunities and employee recognition.

Our housing scheme assists employees in becoming homeowners, with an objective to improve their living conditions, financial security and potential of owning a tangible asset. Since the inception of the housing scheme in 2016, over 1 972 employees have participated in our housing scheme and the Company has invested a total of R18 971 506.94 in the past financial year (refer to Human capital in the IR on page 85 for further details).

The Human Resources, Remuneration and Nominations Committee will continue to monitor the effective implementation of the total rewards offering and focus on driving pay-for-performance remuneration as well as the executive remuneration. The Committee is satisfied that remuneration policy achieved its stated objectives.

Use of consultants

The Committee was comfortable with the adviser's independence. During FY2020/21, the Company appointed FTI Consultants to assist with the staff cost reduction programme that commenced at the end of November 2021 and ran until the end of the financial year.

REMUNERATION POLICY

Our total reward framework allows for remuneration consisting of both fixed and variable pay, aligned with

appropriate legislative frameworks, wider external factors and the business strategy. Our guiding principles in the application of the 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 competencies
- Pay-for-performance
- Good governance in the management of fair and responsible remuneration

Ensuring fair and responsible remuneration remains a top priority. The values that we drive through our fair and responsible remuneration philosophy are:

- Transformation
- Promoting employment equity
- Job creation
- Equal pay for work of equal value
- Minimising the gender gap in leadership roles and across the Company

The factors that are considered to ensure the Group remunerates fairly include but are not limited to the following:

- Individual and Company performance
- Financial profitability of the Group
- Economic environment
- Market pay benchmarking

Our remuneration mix is made up of two elements:

1. Guaranteed pay and benefits
2. Variable pay: Short-term incentive (STI) and long-term incentive (LTI)

GUARANTEED PAY AND BENEFITS

Employees receive guaranteed pay as well as benefits such as medical aid and risk benefits as compensation for their role and responsibility in the organisation. The guaranteed pay, benefits structuring and eligibility is explained further below.



Guaranteed pay

Employee guaranteed pay is reviewed annually, considering Consumer Price Index (CPI), market trends, employee and Group performance, internal parity and Group affordability. The Group has a culture of awarding increases above CPI percentages, considering the cost of living relating to the Producer Price Index (PPI) to ensure fair and responsible remuneration.

In addition, for the following employee categories, the following measures are also considered:

Executives

- Internal parity
- Individual and Group performance

Senior management, middle management and professionals

- Internal parity
- Individual and Group performance

Skilled and general workers

- National negotiations
- Internal parity
- 13th cheque forms part of the guaranteed pay



Benefits

Employees are contractually obliged to belong to an approved medical aid and retirement fund, inclusive of risk benefits. Our benefit policy is structured in a way that promotes the employee financial wellness.

Executives, senior management, middle management and professionals

- Employees contribute 100% towards medical and retirement fund (inclusive of risk benefits)
- Long service awards

Skilled and general workers

- Retirement fund: 13% employer and 8% employee contribution
- Medical aid: 50% employer and 50% employee contribution
- A one-off capital grant of R75 000 is offered to first-time homeowners
- A monthly housing subsidy is offered to salaried employees
- Employees are provided with branded uniforms
- Long service awards



Circumstantial allowance

Circumstantial allowances paid are aligned with legislative requirements and operational effectiveness.

Executives, senior management, middle management and professionals

The following allowances are paid based on job-specific requirement:

- Acting allowance (paid in line with the policy to employees who are required to act in roles that are higher than their designated roles)
- Demand and capacity
- Relocation

Skilled and general workers

- Shift
- Standby
- Overtime
- Relocation

Our pay philosophy is to benchmark to the median of the market (50th percentile), and we benchmark annually to ensure our total reward remains aligned and competitive to the market. We use PwC, which considers all major industry segments and bespoke peer group benchmarking for the purposes of benchmarking Executive and Non-executive pay.

For the purposes of the peer group benchmarking, we use two distinct peer groups, as follows:

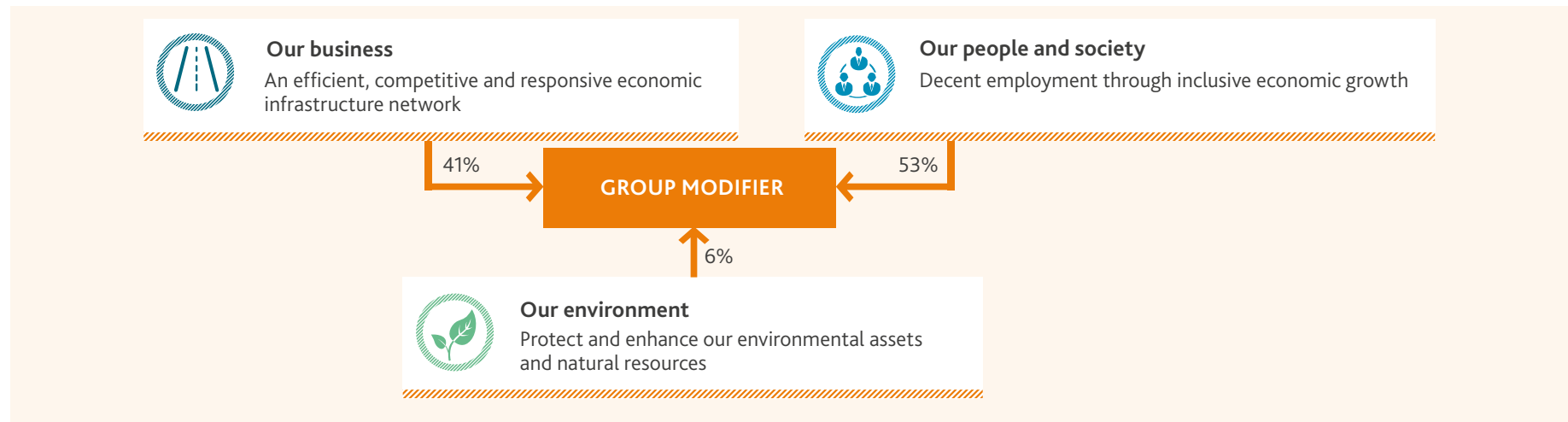
- JSE-listed companies considered to be of comparable size, complexity and performance
- Comparable state-owned entities

VARIABLE PAY

The variable pay section consists of two incentive structures: the STI and LTI. The STI seeks to cultivate a high performance culture and motivate the attainment of short-term targets and will ultimately lead to the achievement of long-term targets.

Group modifier

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



Short-term Incentive

The objective of the STI is to reward eligible employees who display exceptional performance towards achieving the Company's objectives. The short-term variable pay is determined according to the Group STI plan. The STI plan is designed to drive short-term goals through short-term performance incentives and in accordance with the Group, divisional and individual performance KPIs. The approved incentive pool is distributed based on Group, divisional and individual performance. The diagram below outlines

the application of the STI with reference to the principles that determine the incentive pool, including the group modifier, and how the pool is distributed to individuals.

Termination of employment

Upon termination of employment, employee or executive incentives are handled according to two categories: good leavers and bad leavers.

- Good leavers are employees whose employment was terminated through no fault of their own, including

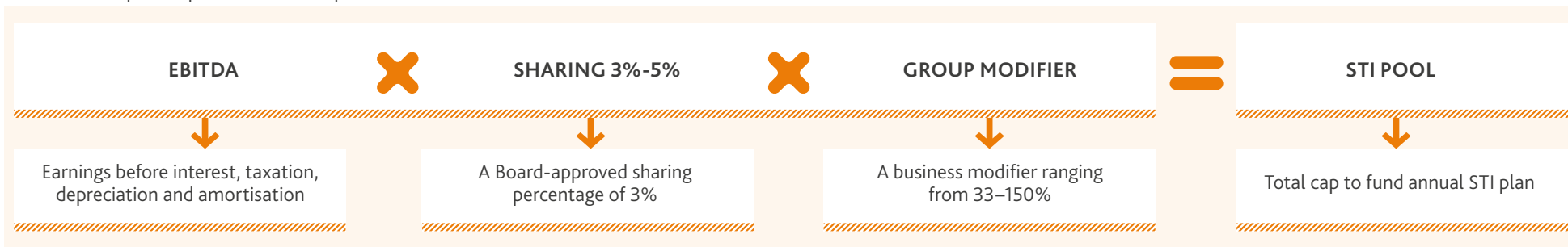
but not limited to: death, retrenchment, ill-health, injury, retirement, disability or change in control. Employees whose employment is terminated as a result of any of these reasons will qualify for a pro rata share in the STI based on the number of months served under the financial year and the performance conditions that have been met.

- Bad leavers are employees/Executives whose employment was terminated for any other reason than 'good leaver'. Employees, executives whose employment is categorised as a bad leaver will forfeit all rights to an STI.



Incentive pool determination

The total STI pool cap to fund our STI plan is determined as follows.

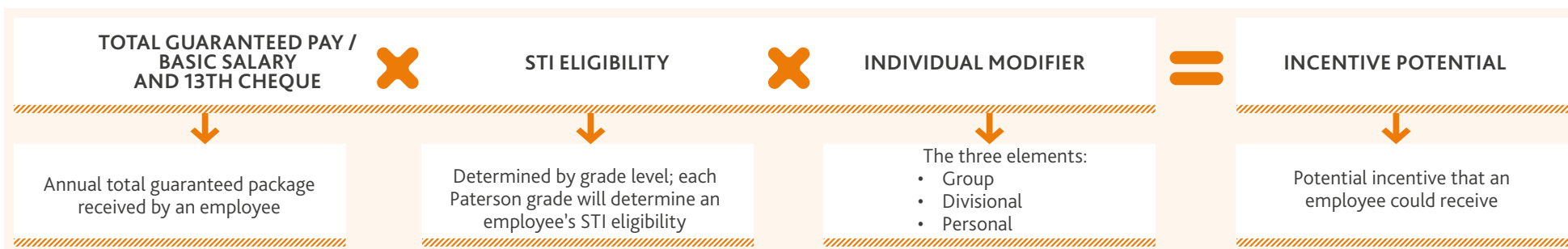


The bonus pool is based on a sharing percentage within a range of 3% to 5% of earnings before interest, tax, depreciation and amortisation (EBITDA), which is subsequently modified against the performance according to the group modifier.

The following considerations are made when determining the threshold for bonus pool provision:

- The sharing percentage is reviewed by the Board on an annual basis.
- The group modifier will contain KPI from the Shareholders' Compact and shall be measured based on the following performance accumulative sliding scale of:
 - o Threshold of 50%
 - o Target of 100%
 - o Stretch of 150%
 - o

At the end of each financial year, the Board, through the Audit and Risk Committee, verifies actual performance against approved targets. STI payment consideration will be disqualified if the Group obtains a qualified audit opinion from the external auditors. The incentive pool is distributed to individuals as follows.



Board discretion in final payments

The Board has the discretion to grant payment of the STI bonus, therefore it is not an automatic entitlement. The discretion of the Board is dependent on the annual financial results of the Company and/or any other factors as determined by the Company from time to time. The STI payments will not be approved if the payment results in a net loss after tax for the financial year. Performance bonuses for FY2019/20, which would have been paid in FY2020/21, were not paid because of financial constraints. A bonus payment would have potentially resulted in a net loss after tax for the financial year, threatening the sustainability of the Company.

Long-term incentive

Airports Company South Africa's LTI plan is based on the financial and non-financial growth of the Group and is cash settled. The LTI cash plan aims to align the Shareholder's Compact with the Group's strategy and individual performance to grow the business sustainably over the long term.

The anticipated vesting for the first award allocation will be in the FY2021/22 financial year, representing the first LTI payment. The LTI cash plan is based on the following principles.

Eligibility to participate

The LTI rules provide for Board discretion and approval in the participation of executives in the LTI cash plan. The Board is responsible for approving all award allocations, considering the grade, individual performance and the length of service of an individual. The employee must have demonstrated consistent performance and have received a performance rating that exceeds a rating of three in the previous performance management cycle. The primary purpose of the LTI cash plan is to:

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

Award allocation

The LTI is awarded annually in line with the allocation terms and conditions, and is allocated according to the expected value based on the following calculation.

Total guaranteed pay x annual market % allocation

The annual market percentage allocation is the on-target percentage of an employee's total guaranteed pay which will be used to determine the allocation value of the LTI award. This percentage will be dependent on the employee's grade, which is determined by the Board from time to time based on, inter alia, the prevailing market trends. The Board has the discretion to apply a multiple to the allocation if it determines annual allocations will not be made, to recognise a quantum appropriate for more infrequent awards. However, this is not currently applied, as annual allocations are made.

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	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:

- The Group being in a cash-negative position
- Fulfilment of the free cash flow conditions
- Malus and clawback provisions

- A qualified audit opinion
- If the payment would result in the breaching of debt covenants

Eligibility and annual percentage (%) market allocation

Position grade	Position eligible	On-target LTI (% of total guaranteed pay)
F3	CEO	60
F2	CFO	50
F1	COO	50
EU	Group Executives	30
EL	Airport general managers only	25

We are excluding conditions as there was no award in FY2020/21 but this may be useful for the future.

Malus and clawback

Malus or clawback to any incentive award made under the remuneration policy remains at the discretion of the Board. Malus and clawback may take effect at the occurrence of certain trigger events. According to the Company's malus and clawback policy, the following events can be described as triggered events, but should not be seen as an exhaustive list:

- Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any member of the Company.
- Assessment that any performance condition(s) or condition was based on error, inaccurate or misleading information.
- Discovery that any information used to determine

the amount of an incentive award was based on error, or inaccurate or misleading information.

- Action or conduct of an employee which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.
- Events or behaviour of an employee that have led to the censure of a member of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any member of the Company, provided the Board is satisfied that the relevant employee was responsible for the censure or reputational damage and the censure or reputational damage is attributable to them.

Executive employment contracts

The following are the types of employment contracts offered to Executives:

- The CEO and CFO are appointed on a five-year fixed term contract in line with the MOI and the Board of Directors' recommendation to the Minister of Transport.
- All executives are appointed by the CEO.
- In line with the restructured macro-structure, all Group Executives will be placed on a five-year fixed term contract. Group Executive: Human Resources, Group Executive: Enterprise Security and the Group Executive: Commercial are appointed on five-year fixed term contracts in line with this principle.
- The employment contracts for Executives have a six-month probation period.
- Executives are eligible for guaranteed pay, short-term performance bonuses (where the key performance areas

are determined and evaluated annually) and long-term incentives (where performance conditions are measured over a rolling three-year period).

- Employment contracts are offered until the retirement age of 65 years.

Non-executive Directors

The Non-executive Directors' service contracts are for a period of three years and the Non-executive Directors' fees are determined through a special resolution approved by shareholders based on recommendation from the Minister of Transport. The Non-executive Directors do not participate in our variable pay schemes and are remunerated on a retainer basis with specified meeting and ad hoc fees. The Company's policy precludes the payment of termination benefits to Directors. Non-executive Directors' fees are benchmarked using the same JSE-listed peer group as for the Executives. This is generally performed once every two years.

IMPLEMENTATION REPORT

The table below declares the Executive management remuneration paid during the reporting period. It should be further noted that there were no deviations from the remuneration policy as approved by the Board. Only Executive positions where a person was acting for a period of three months and above were included in the Executive management remuneration disclosure.

EXECUTIVE MANAGEMENT REMUNERATION

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

ED name	Position	Guaranteed pay	Guaranteed pay	Medical aid contribution	Medical aid contribution	Pension fund contribution	Pension fund contribution	STI1	STI1	Other fees and allowances ^{1,9}	Other fees and	LTI Reflected	LTI Reflected ²	Total single figure remuneration	Total single figure remuneration
All figures stated in R'000		FY2020/21	FY2019/20	FY2020/21	FY2019/20	FY2020/21	FY2019/20	FY2020/21	FY2019/20	FY2020/21	FY2019/20	FY2020/21	FY2019/20	FY2020/21	FY2019/20
NZ Mpofu	CEO	4 210	702	168	28	386	64	-	-	-	-	-	-	4 764	794
L Mukhudwani ³	Acting CFO	142	1 400	9	80	13	130	-	370	59	562	-	-	223	2 542
S Mthethwa ⁴	CFO	2 665	-	167	-	264	-	-	-	160	-	-	-	3 256	-
F Sithebe	COO	3 061	812	86	20	293	73	-	-	185	268	-	-	3 625	1 173
B Mbomvu	Group Executive Governance and Assurance	2 651	1 539	134	83	256	143	-	1 198	120	598	-	-	3 161	3 561
D Ramasia ⁵	Acting Group Executive Human Resources	1 314	612	48	21	126	56	-	-	460	117	-	-	1 948	806
L Langa ⁶	Group Executive Human Resources	797	-	30	-	73	-	-	-	-	-	-	-	900	-
G Gopal	Group Executive Technical Services and Solutions	2 628	1 989	215	122	257	186	-	1 120	3 913	112	-	-	7 013	3 529
B Matshego	Group Executive Infrastructure and Asset Management	2 508	2 740	102	96	257	250	-	1 138	531	14	-	-	3 398	4 238
D Mncwabe	Chief Information Officer	2 779	2 714	118	111	255	249	-	836	-	8	-	-	3 152	3 918
S Ngwenya	Chief Audit Executive	2 492	2 428	-	-	220	214	-	966	-	-	-	-	2 712	3 608
C Shilowa	Group Executive: Business Development	2 926	2 844	-	-	258	251	-	1 217	5	5	-	-	3 189	4 326
R Shinnars	Group Executive Corporate Affairs	2 807	2 737	118	111	258	251	-	1 171	-	35	-	-	3 183	4 305
M Petros ⁷	Group Executive Enterprise Security	1 000	-	-	0	0	0	-	-	-	-	-	-	1 000	-
J Khambule ⁸	Group Executive Commercial	565	-	35	-	54	0	-	-	8	-	-	-	662	-
Total		32 545	30 667	1 230	1 024	2 970	2 792	-	13 997	5 441	10 708	-	-	42 186	59 188

1. Other fees and allowances includes acting allowances paid to executive directors.

2. King IVTM requires that LTIs whose vesting period ends within 12 months from year end be disclosed in the single figure remuneration table. Airports Company South Africa does not have any awards vesting within 12 months from 31 March 2020 or 31 March 2021. As such, the LTIs reflected are nil.

3. L Mukhudwani acted as CFO of the Company from 13 June 2019 to 31 March 2020.

4. S Mthethwa was appointed as CFO of the Company effective 1 May 2020.

5. D Ramasia was Acting HR Executive until 30 November 2020.

6. L Langa was appointed as Group Executive: Human Resources effective 1 December 2020.

7. M Petros was appointed on contract as Group Executive Enterprise Security effective 1 December 2020.

8. J Khambule was appointed Group Executive: Commercial effective 1 January 2021.

9. Included in other fees and allowances are mutual separation payments.

NON-EXECUTIVE DIRECTORS' SERVICE FEES

Non-executive Directors	Appointment date	Directors' fees (R'000)	Directors' fees (R'000)
		FY2020/21	FY2019/20
S Nogxina	09/11/2018	819	901
K Esterhuizen	19/12/2019	533	59
G Victor	15/12/2019	629	78
N Zikalala Mvelase	01/09/2018	858	1 028
N Nokwe-Macamo	01/09/2018	728	763
Y Pillay	01/09/2018	635	843
I Phenyane	01/09/2018	766	1 010
P Mokupo	01/09/2018	671	721
D Hlatshwayo	06/08/2020	331	281
Dr Kgabo Bodimo	06/08/2020	310	-
Total for 10 (2020: 12) Non-executives		6 280	5 684










GROUP INFORMATION

FOR THE YEAR ENDED 31 MARCH 2021

Country of incorporation and domicile	South Africa	
Company registration number	1993/004149/30	
Non-executive Directors	S Nogxina	I Phenyane
	N Nokwe-Macamo	Y Pillay
	K Esterhuizen	G Victor
	P Mokupo	N Zikalala Mvelase
	D Hlatshwayo	K Badimo
Executive Directors	N Z Mpofo S Mthethwa	
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008	
Postal address	PO Box 75480 Gardenview	
Bankers	Standard Bank Nedbank	
Secretary	Fefekazi Sefara	
Nature of business and principal activities	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.	


AIRPORT CONTACT DETAILS


Use the contact information below to engage with us on airport-specific enquiries

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

For all queries, visit www.airports.co.za or email us at customer@airports.co.za.

For integrated report comments or queries, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.

 **Physical address:**
24 Johnson Road
The Maples Office Park
Bedfordview
Johannesburg

 **Postal address:**
PO Box 75480
Gardenview
2047

 **Tel:** +27 (0)11 723 1400 | **Fax:** +27 (0)11 453 9353

 AirportsCompanySA  @Airports_ZA

 www.airports.co.za