

# INTEGRATED ANNUAL REPORT

# 2021

Run Airports | Develop Airports | Grow Footprint





## ABBREVIATIONS

<b>ACI</b>	Airports Council International	<b>KPI</b>	Key performance indicator
<b>ACSA</b>	Airports Company South Africa SOC Ltd	<b>LBITDA</b>	Loss before interest, tax, depreciation and amortisation
<b>AMSIS</b>	Airport Management Share Incentive Scheme	<b>MIAL</b>	Mumbai International Airport Private Limited
<b>ASQ</b>	Airport Service Quality	<b>PFMA</b>	Public Finance Management Act, No. 1 of 1999
<b>B-BBEE</b>	Broad-based black economic empowerment	<b>PIC</b>	Public Investment Corporation
<b>CEO</b>	Chief Executive Officer	<b>PPE</b>	Personal protective equipment
<b>CFO</b>	Chief Financial Officer	<b>(Pty) Ltd</b>	Proprietary Limited
<b>Companies Act</b>	Companies Act, No. 71 of 2008	<b>ROCE</b>	Return on capital employed
<b>COO</b>	Chief Operating Officer	<b>SACAA</b>	South African Civil Aviation Authority
<b>DBSA</b>	Development Bank of Southern Africa	<b>SDG</b>	Sustainable Development Goals
<b>DFI</b>	Development Finance Institution	<b>SED</b>	Socio-economic development
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation	<b>SMME</b>	Small, medium and micro enterprise
<b>EPM</b>	Enterprise Project Management	<b>SOC</b>	State-owned company
<b>GDP</b>	Gross domestic product	<b>SPE</b>	Special purpose entity
<b>IAR</b>	Integrated Annual Report	<b>UN</b>	United Nations
<b>IATA</b>	International Airlines Transport Association		
<b>ICAO</b>	International Civil Aviation Organisation		
<b>ICT</b>	Information, communication and technology	<b>AIRPORTS</b>	
<b>IFRS</b>	International Financial Reporting Standards	<b>CTIA</b>	Cape Town International Airport
<b>IIRC</b>	International Integrated Reporting Council	<b>KSIA</b>	King Shaka International Airport
<b>ISO</b>	International Standards Organisation	<b>ORTIA</b>	O.R. Tambo International Airport
<b>IT</b>	Information technology	<b>PLZ</b>	Chief David Stuurman (Port Elizabeth) International Airport
<b>King IV</b>	King Code of Governance for South Africa 2016™		

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Run airports



Develop airports



Grow footprint



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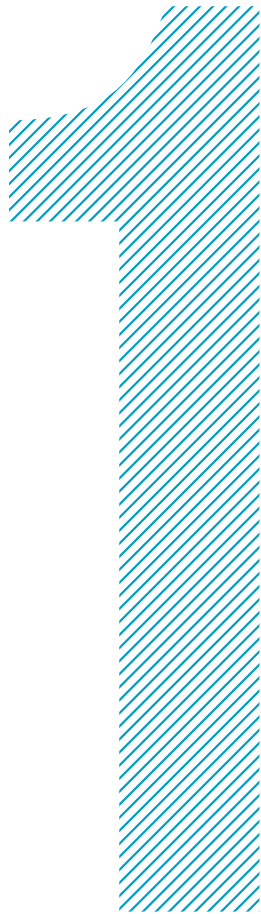


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# GROUP OVERVIEW

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Airports Company South Africa owns and operates South Africa's nine principal airports including three international gateways; O.R. Tambo, Cape Town and King Shaka International Airports.

“

**2021**  
INTEGRATED  
ANNUAL REPORT

# ABOUT OUR INTEGRATED ANNUAL REPORT

## OUR REPORTING PHILOSOPHY

Our Integrated Annual Report (IAR) aims to provide a balanced and accurate reflection of our strategy, performance and future outlook in relation to material financial, economic, social and governance issues. The report primarily addresses value creation considerations for long-term investors but also provides appropriate information to all our key stakeholders.

## OUR REPORTING SUITE

A digital version of this IAR and the documents listed below can be found at [www.airports.co.za](http://www.airports.co.za).

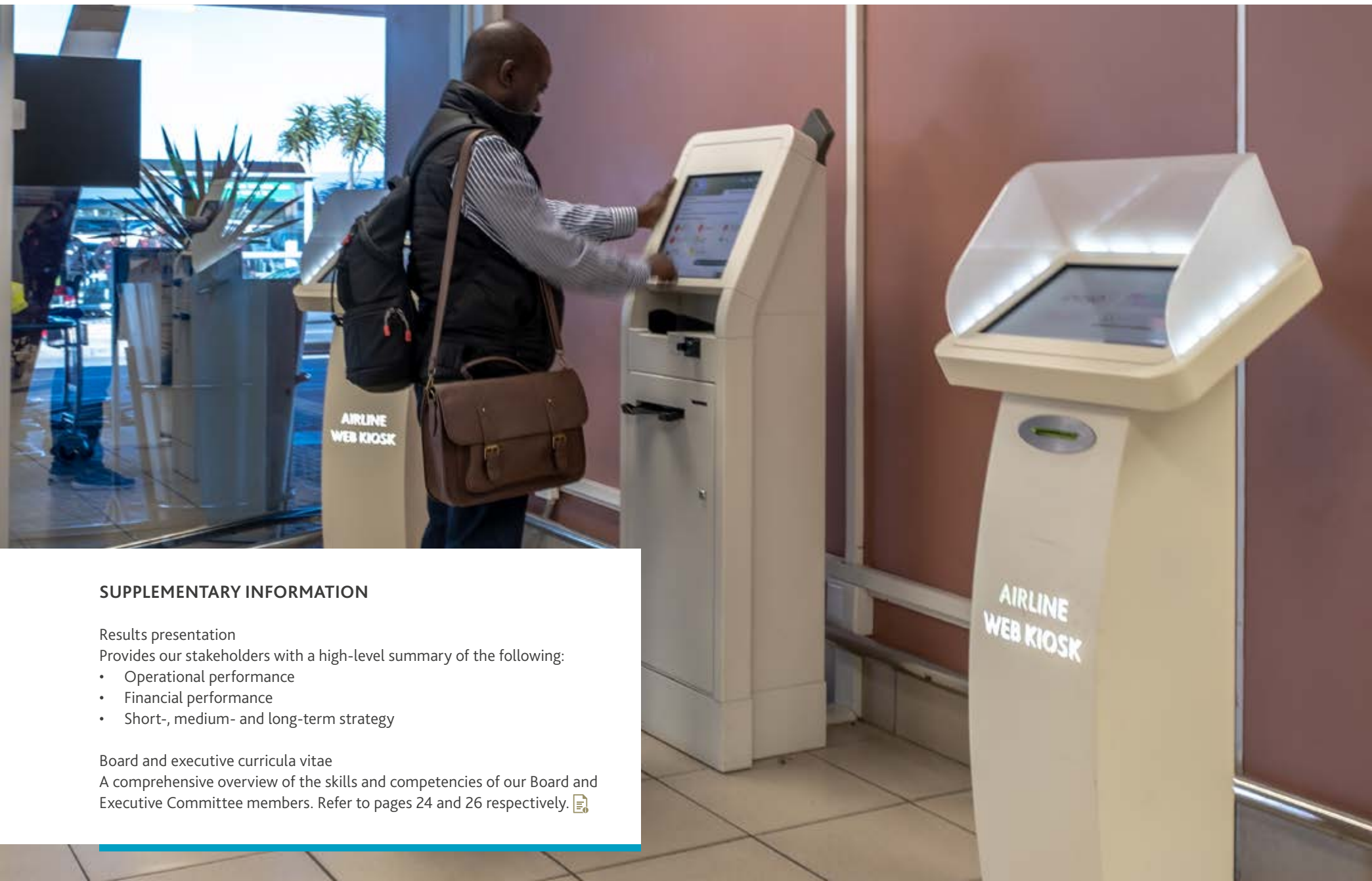


## Integrated Annual Report and Governance and Remuneration Report

Purpose and framework	Scope and boundary	Assurance
<p>Airports Company South Africa's FY2020/21 IAR is a report to all our stakeholders. It sets out our short-, medium- and long-term views on value creation.</p> <p>The Governance and Remuneration Report provides further details of our governance structure and performance as well as our remuneration practices.</p> <p>These reports are built on the following frameworks and standards:</p> <ul style="list-style-type: none"> <li>International Integrated Reporting Council's (IIRC) International Integrated Reporting &lt;IR&gt; Framework</li> <li>IFRS (International Financial Reporting Standards)</li> <li>Companies Act, No. 71 of 2008 (Companies Act)</li> <li>Public Finance Management Act, No. 1 of 1999 (PFMA)</li> <li>King Code of Governance for South Africa 2016™ (King IV)</li> <li>ISO/ South African National Standards (SANS) 31000</li> </ul>	<p>The IAR and Governance and Remuneration Report contain material information on the Group's performance for the financial year 1 April 2020 to 31 March 2021 (the financial year under review).</p> <p>Our method for determining materiality is explained on page 42.</p> <p>We disclose all relevant internal and external factors that substantially influence our business, where applicable.</p> <p>There were no restatements to comparatives unless otherwise stated.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> <li>Management and governance oversight.</li> <li>The strategic objectives and key performance indicators were internally and externally assured and were audited both internally and by the Auditor-General of South Africa as per the Public Audit Act of South Africa, No. 25 of 2004.</li> <li>The National Treasury's Framework for Managing Programme Performance Information confirms that performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time-bound and relevant. We consider these elements in finalising the information presented in this IAR.</li> <li>The external audit opinion on the Consolidated Annual Financial Statements for FY2020/21 includes a summary of the work performed.</li> </ul>

## Consolidated Annual Financial Statements

Purpose and framework	Scope and boundary	Assurance
<p>This report focuses on the current and prior year's financial results and contains the following:</p> <ul style="list-style-type: none"> <li>Audit and Risk Committee Report</li> <li>Directors' responsibilities and approval</li> <li>Company Secretary's certificate</li> <li>Auditor-General's Report</li> <li>Directors' report</li> <li>Annual Financial Statements</li> </ul> <p>The report was developed using the following frameworks and standards:</p> <ul style="list-style-type: none"> <li>IFRS</li> <li>Companies Act</li> <li>PFMA</li> <li>King IV Report</li> </ul>	<p>The Annual Financial Statements contain consolidated financial results for the Group for the financial year ending 31 March 2021.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> <li>Internal controls</li> <li>Management and governance oversight</li> <li>Executive committee</li> <li>Internal audit</li> <li>Board subcommittees</li> <li>Board</li> <li>External audit opinion</li> </ul>



## SUPPLEMENTARY INFORMATION

Results presentation

Provides our stakeholders with a high-level summary of the following:

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

Board and executive curricula vitae

A comprehensive overview of the skills and competencies of our Board and Executive Committee members. Refer to pages 24 and 26 respectively. 📄

## FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report – or oral statements that may be made by officers or Directors, prescribed officers or employees acting on the Group's behalf – constitute or are based on various or certain assumptions which may change or be subject to revision. These statements involve risk and uncertainty as they relate to events or circumstances that may or may not occur. Factors that could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to:

- The COVID-19 pandemic
- Global and domestic economic conditions
- The nature of the aviation sector and specifically the performance of airline operators
- Changes in passenger profiles and choices
- Retail offerings at our airports
- Interest rates
- Credit and associated risks of borrowing and funding
- Rating agencies' statements and determinations
- Gross and operating margins
- Capital management
- Economic regulatory framework and permission application process and outcomes

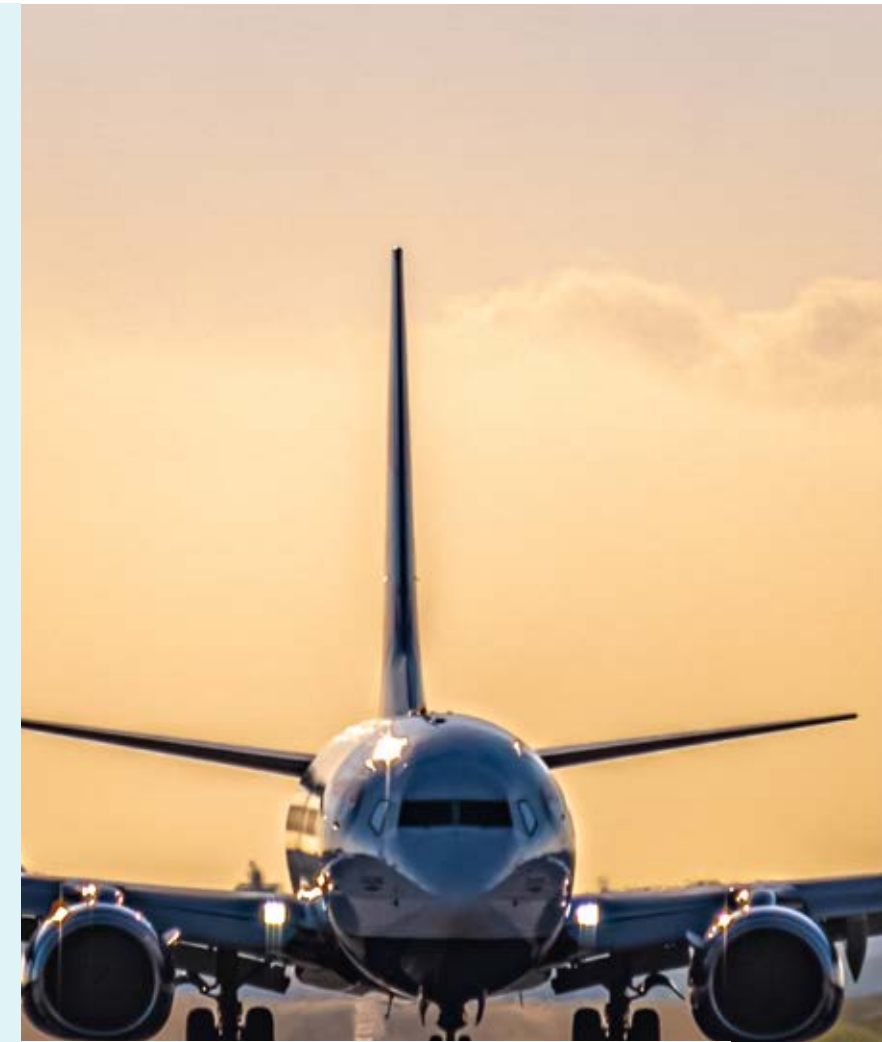
Airports Company South Africa does not undertake to update or otherwise revise any of these forward-looking statements publicly, whether reflecting on new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

## BOARD APPROVAL

The Board acknowledges responsibility for overseeing the integrity and completeness of this IAR and exercises this responsibility with the support of various Board committees. The Board approved the reporting frameworks and materiality determination process applied in the report. The Board confirms that it considers this report to be accurate, reliable and complete in presenting information and material matters. The Board concludes that this FY2020/21 IAR is presented as per the <IR> Framework and was approved on 14 September 2021.



**Dr Sandile Nogxina**  
Board Chairman

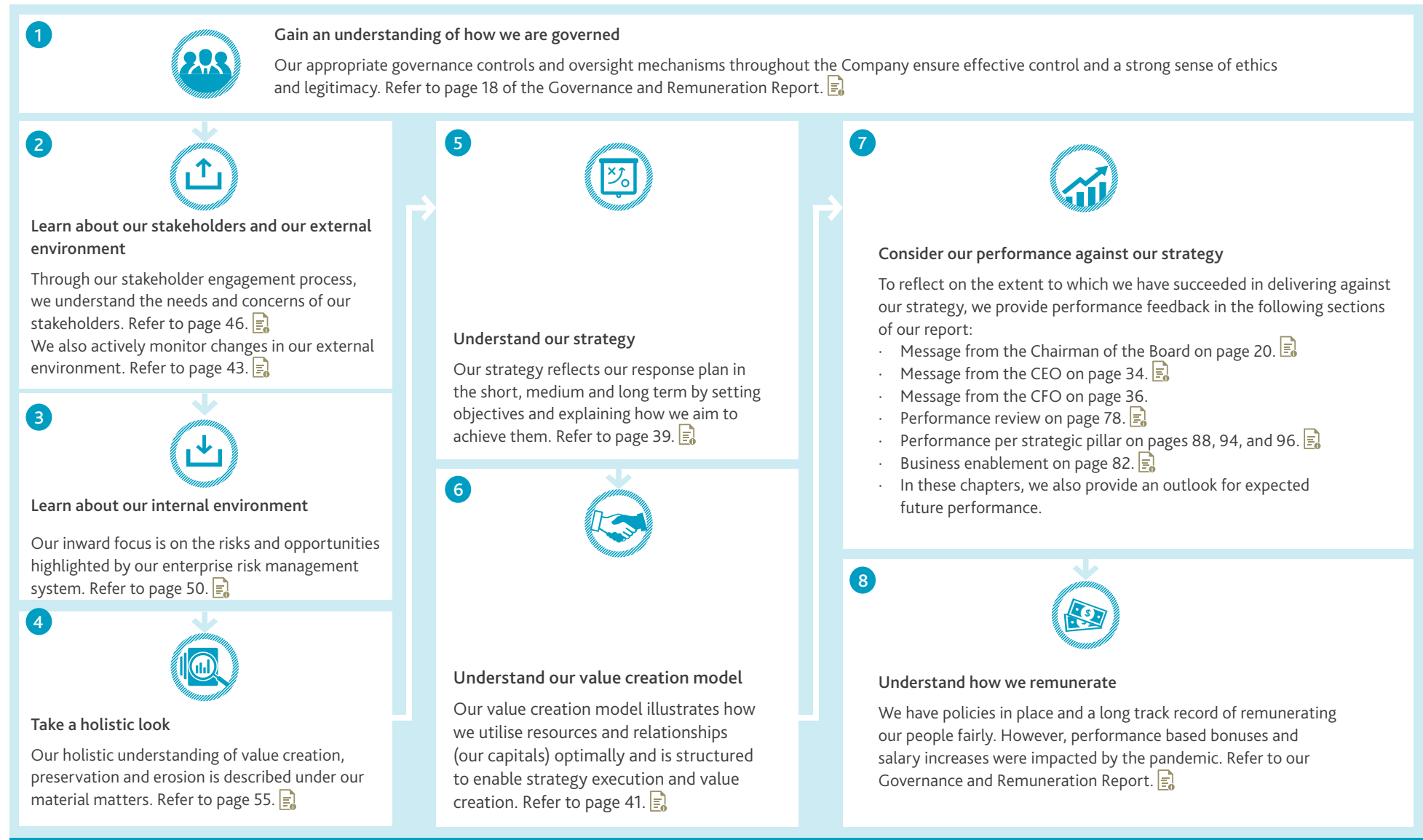


### Feedback

If you wish to contribute to the improvement of our IAR through comments, suggestions or queries on the information, data and/or presentation thereof, email Refentse Shinnars, Group Executive: Corporate Affairs at [refentse.shinnars@airports.co.za](mailto:refentse.shinnars@airports.co.za). All these reports can be found at [www.airports.co.za](http://www.airports.co.za) 

## HOW TO NAVIGATE OUR REPORT

The diagram below illustrates how our business processes interact to develop our integrated strategy and approach to reporting and serves as a guide to navigate our report.



## GROUP OVERVIEW

Airports Company South Africa SOC Ltd (the Group) owns and operates South Africa's nine principal airports, including three international gateways; O.R. Tambo, Cape Town and King Shaka International Airports. We also participate in equity investments abroad and provide technical advisory and consultancy services to airports.

The South African Government is a 74.6% majority shareholder in our Company. We align ourselves with the nation's aspirations of transformation, sustainable growth and value creation. While providing world-class secure infrastructure for airlines to transport people and goods, we recognise that we have a key role in the national development plan; in facilitating economic growth, job creation and accelerating transformation towards inclusive economic participation.

Our revenue is generated from aeronautical, non-aeronautical and non-core sources. Aeronautical revenue is derived from government-regulated charges or tariffs paid by airlines. This includes fees for aircraft landing, aircraft parking and passenger service charges. Non-aeronautical income is derived from multiple sources that include retail sales, concession fees, property leases, parking fees, hotel operations and advertising. Non-core revenue is derived from equity investments abroad and technical advisory and consultancy services to airports.

While the impact of the COVID-19 pandemic on the aviation industry globally has been devastating and the path to recovery will be long, we are confident the foundation of a solid balance sheet, a strong reputation and enduring competitive advantages will stand us in good stead.

### Vision

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

### Mission

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

### Values

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

### Value proposition

Connecting people to people, places, dreams and opportunities.

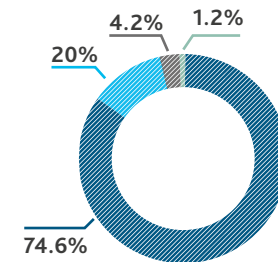
## OUR MANDATE

In line with 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 SHAREHOLDING

Airports Company South Africa is a State-owned company, and schedule 2 public entity in terms of the PFMA that is legally autonomous and operates within the ambit of the Companies Act. Our diverse shareholders include the South African Government, through the Department of Transport (DoT), as our

major shareholder, the Public Investment Corporation (PIC), five empowerment investors and a staff share incentive scheme.



- **South African Government** is our primary shareholder.
- **Public Investment Corporation**  
The PIC shareholding is held through ADR International Airports SA (Pty) Ltd, a wholly owned subsidiary of PIC.
- **Empowerment investors:**
  - 1.2% G10 Investments (Pty) Ltd
  - 1.4% Oppressed ASCA Minority 1
  - 0.4% Pybus Thirty Four Investment (Pty) Ltd
  - 0.8% Telle Investments (Pty) Ltd
  - 0.4% Upfront Investments 64 (Pty) Ltd
- **Staff share incentive scheme** – Litigation is being finalised

## OUR GEOGRAPHICAL FOOTPRINT

In South Africa, our footprint includes airports in nine key business and tourism hubs across the country. Our global presence changed during the year, with the sale of our shares in Mumbai International Airport Private Limited concluded on 5 February 2021. The sale of our stake of the Guarulhos International Airport in São Paulo, Brazil, is still under consideration.

Our sister airport agreements with Munich Airport Group, Germany and the Airports of Thailand remain active.



## OUR JOURNEY THROUGH THE COVID-19 PANDEMIC

### The impact on air travel

See page 43 for further details on the external environment.

The aviation industry has been one of the sectors most affected by the pandemic as it triggered a complete market collapse at the start of the pandemic. Although there has been a gradual recovery in the market, it is tenuous and

uncertain, a situation that will continue until wide-scale global vaccination has been achieved.

The collapse in air travel demand has been driven largely by public policy as governments worldwide implemented travel bans and border closures as part of containment measures to curtail the spread of the virus. Air travel, by its nature, involves people from the four corners of the earth coming together in close proximity and with multiple touchpoints. These factors not only represent inherent risks, but severely impact potential passenger's sentiment towards air travel.

### Ensuring the health and safety of our stakeholders

Refer to page 89 for further details on our safety.

As the COVID-19 pandemic unfolded, our airport operations faced an unprecedented situation, fraught with immense and multi-faceted challenges. Our first priority was to apply stringent measures to protect all our staff and airport users. Once we started operating again, we had to adapt our procedures to meet new regulations and an unfamiliar, constantly changing operational landscape. We implemented rigorous health and safety protocols at all our airports to detect, manage and prevent the spread of COVID-19. Our airports all comply with South African and international regulations and protocols. Each airport is registered on the Airport Council International (ACI) Airport Health Accreditation Programme. We work closely with our airport stakeholders to ensure they comply with our health and safety requirements.

### Recovering and sustaining our business

See page 39 for further details on our strategy.

Our Board, executive and senior management have shown fortitude and agility in addressing the financial and

operational hurdles that we faced following a total dislocation of our market. Our business came to a complete halt, a situation previously unimaginable. Following the three months of hard lockdown, new challenges continue to emerge and traffic remains a fraction of normal levels as a result of the first, second wave and the emerging third wave of infection.

By the end of the first quarter of the financial year, the full extent of the COVID-19 impact on our industry began to emerge. It was apparent that we would not be able to meet the commitments set out in the three-year corporate plan, which was submitted to the DoT in February 2020 and later tabled in Parliament. The resultant drop in traffic through our airports severely impacted our aeronautical revenue, threatening our liquidity and long-term financial sustainability.

Critical to our achievements during the year was the assessment of the status quo and the development of our Recover and Sustain Strategy that was shared with the Board, the Minister of Transport, the Portfolio Committee on Transport and rating agencies as well as investors and lenders. A revised financial plan, based on the assumptions of the internationally predicted medium-term reduction in air passenger traffic underpins our Recover and Sustain Strategy. Our responses include substantial cuts in operational expenditure and limiting capital expenditure through rescheduling capital programmes initiated in response to pre-COVID-19 predicted traffic increases.

### Financial stability

See page 36 for further details on our financial plans.

We adopted a scenario planning approach to inform responses to firstly address the liquidity crisis then financial sustainability over the long term. To alleviate short-term

liquidity pressures, the Company increased our short-term banking facilities, effectively managed our working capital and introduced operational expenditure and capital expenditure cuts.

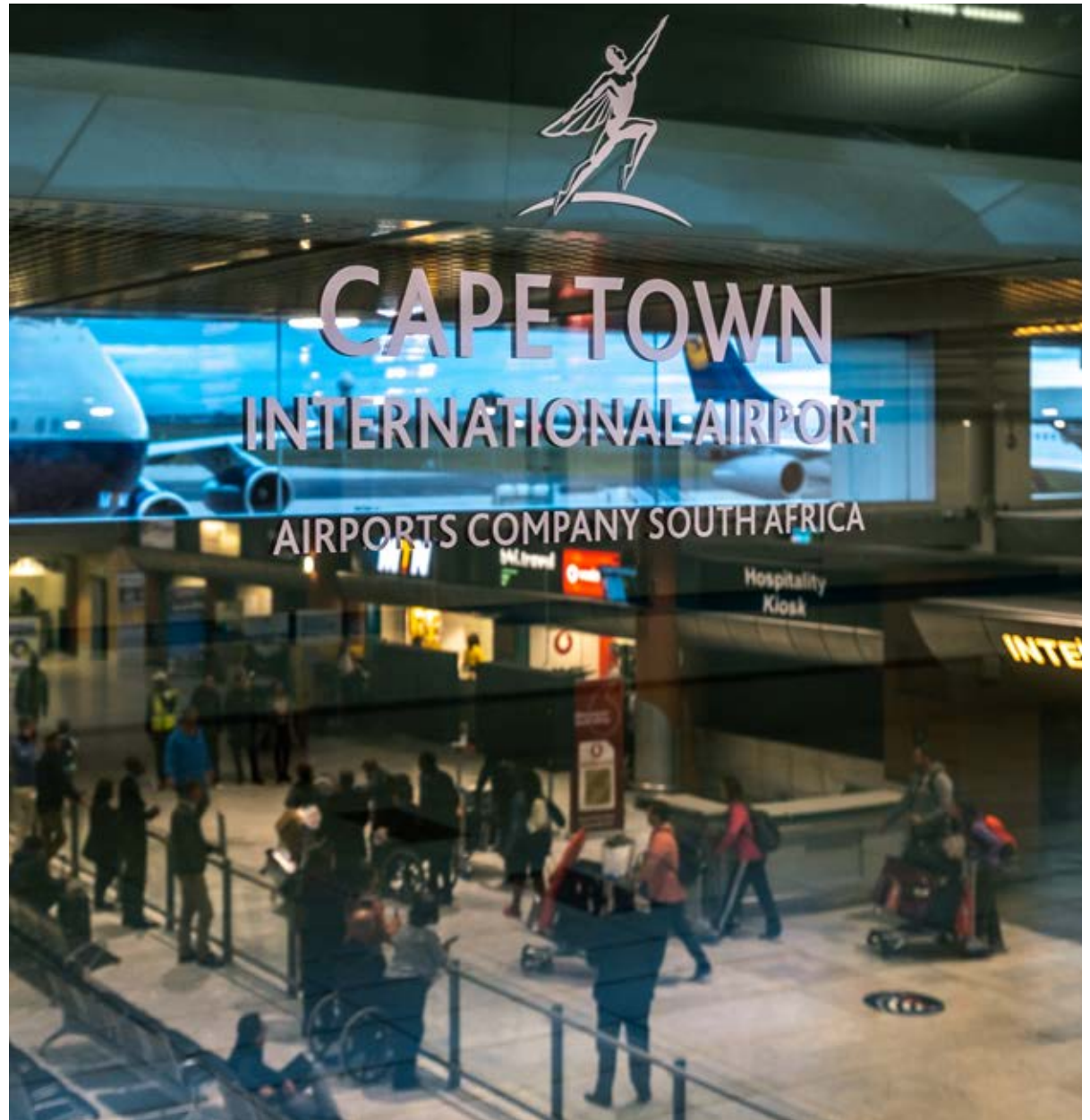
### Stakeholder engagement

See page 46 for a full stakeholder analysis. 📄

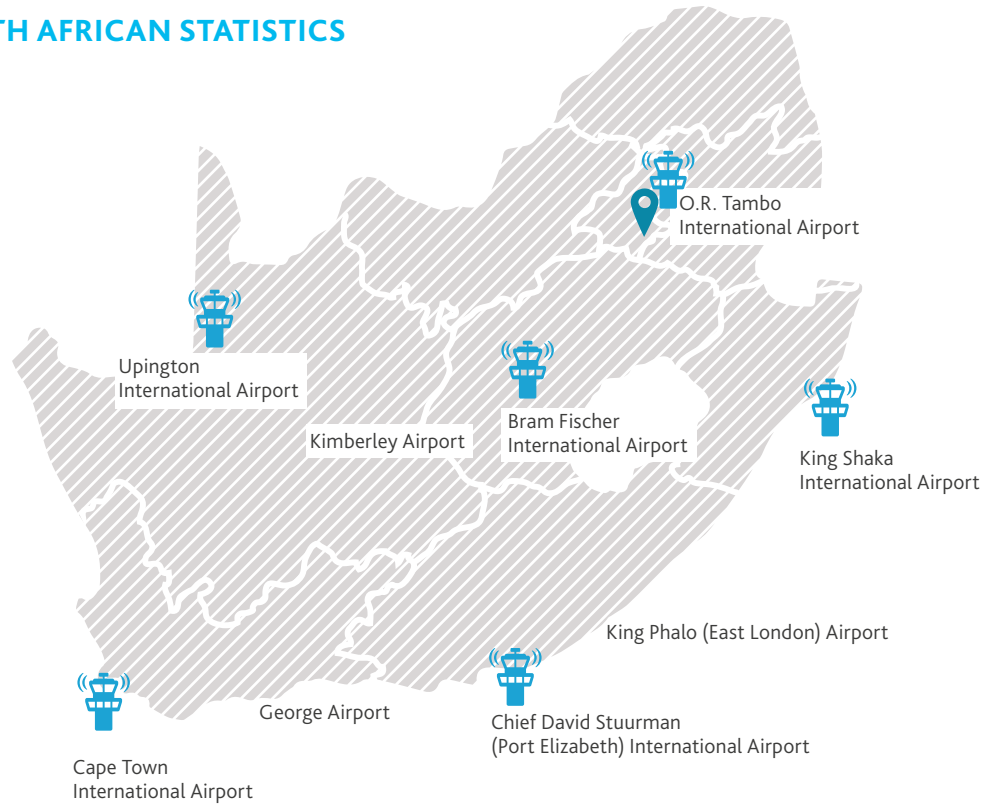
Our key stakeholders have always been inseparable from our business. As an airport company we operate within a complex ecosystem. From an operational perspective, our airports are a central junction through which passengers, airlines, the government (represented by the Port Authority), retailers and other service providers all interact and connect. The pandemic is the greatest disruption the aviation industry has ever experienced, resulting in the collapse of direct and indirect aviation-related markets.

As COVID-19 impacted the global economy and our industry in particular, our partnerships with our stakeholders have evolved in a very positive manner. These vital relationships have been cemented and energised as we navigated the uncharted territory that has characterised the past year.

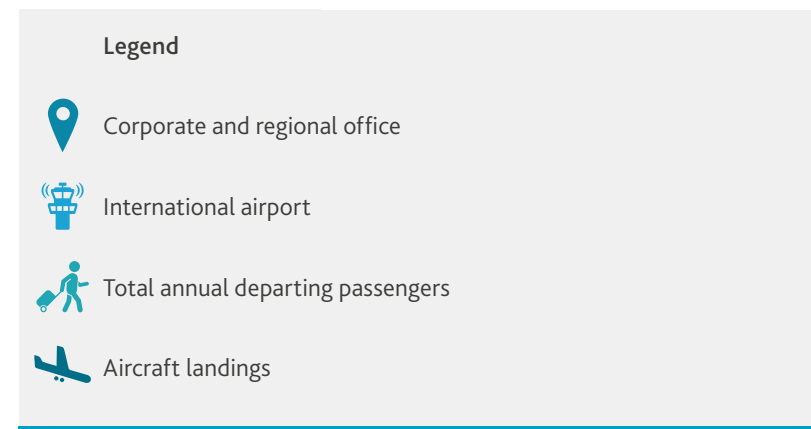
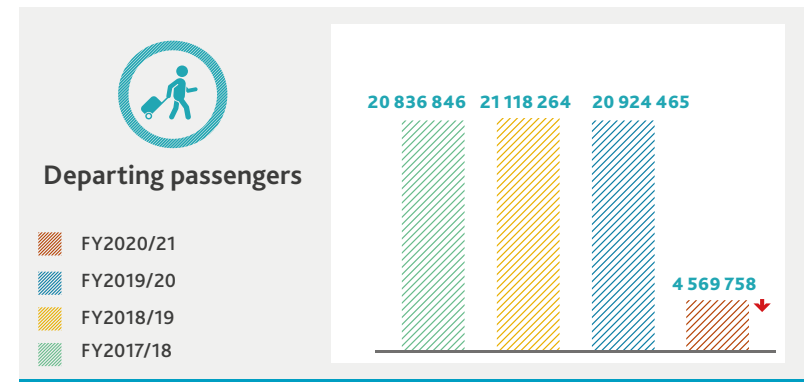
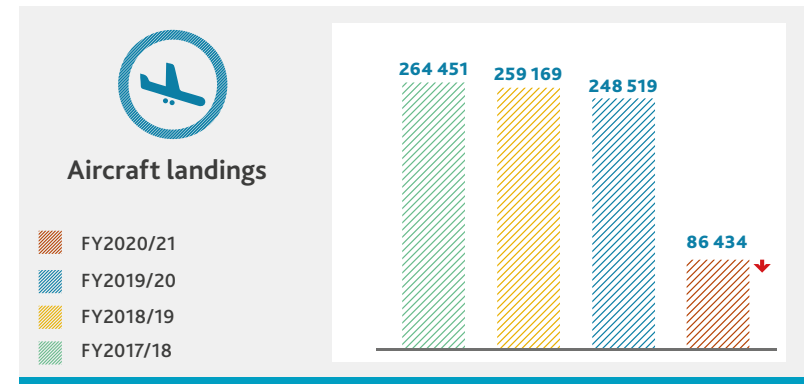
Guided by the stakeholder-inclusive approach demonstrated by our leadership, we have gone to great lengths to support our stakeholders by understanding the challenges and reaching agreements that reflect our belief that we are in this together. In turn, we acknowledge their support as we reviewed and reprioritised our strategy. We have a strong track record of integrating the needs of our stakeholders into our decision-making processes and strive to get their buy-in to our strategy. The effective implementation of our stakeholder engagement plan has been a central focus in our engagements this year.



## OUR SOUTH AFRICAN STATISTICS



Airport	Aircraft landings		Departing passengers	
	FY2020/21	FY2019/20	FY2020/21	FY2019/20
O.R. Tambo International Airport	35 230	105 975	2 054 141	10 470 706
Upington International Airport	1 275	3 079	5 427	26 073
Kimberley Airport	2 450	4 445	18 041	76 564
Bram Fischer International Airport	3 018	8 737	36 831	179 571
King Shaka International Airport	7 332	25 383	754 405	3 057 175
Cape Town International Airport	18 413	45 092	1 193 090	5 384 136
George Airport	5 120	18 381	134 160	417 656
Chief David Stuurman (Port Elizabeth) International Airport	9 972	24 140	212 074	849 342
King Phalo (East London) Airport	3 624	13 287	161 589	463 242



## OUR LEGAL STRUCTURE

Value creation from aeronautical and non-aeronautical businesses and international investments.

Name	100% owned subsidiaries <sup>1</sup>				Special purpose entities <sup>2</sup>		
	ACSA Global Ltd*	Airports Consultancy and Advisory Services SOC Ltd	JIA Piazza Park (Pty) Ltd	Precinct 2a SOC Ltd *	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd	Sakhisizwe Community Programme
<b>Purpose of existence</b>	The investment holding company through which Airports Company South Africa held a 10% interest in the Mumbai International Airport Private Limited, which was disposed of in the current financial year.	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidiary will be leveraged to provide services for future prospects.	The holding company through which we operate the Inter-Continental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow revenue.	An employee share option entity wholly-owned by the Airports Company South Africa Kagano Trust <sup>3</sup> .	Employee share incentive scheme that holds investments (specifically Group ordinary shares).	Sakhisizwe is a special purpose entity that seeks to transform the aviation industry by providing study bursaries to financially and academically deserving students from previously disadvantaged backgrounds.
<b>Year of inception</b>	2005	2016	1998	1998	1999	1999	1996
<b>Airports Company South Africa shareholding</b>	100%	100%	100%	100%	SPE	SPE	SPE
<b>Other shareholders and their respective shareholdings</b>	N/A	N/A	N/A	N/A	Airports Company South Africa Kagano Trust	Airports Company Management Share Incentive Scheme Trust	N/A
<b>Equity injections</b>	R100	Nil	R100	R100	Nil	Nil	Nil
<b>Net asset value at 31 March 2021</b>	R1.2 billion	Nil	(R223 million)	R1.3 million	(R1.8 million)	R17 million	R1 million

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

<sup>2</sup> A SPE is a ring-fenced entity that isolates financial risk to the holding company.

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

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

Name	Investments in joint ventures <sup>5</sup>	Investments in associates <sup>6</sup>	
	Airport Logistics Property Holdings (Pty) Ltd	La Mercy JV Property Investments (Pty) Ltd	Guarulhos International Airport Private Limited*
<b>Purpose of existence</b>	A property holding company, held with the Bidvest Group, that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.	A land development and property investment company held in collaboration with Dube Trade Port Corporation.  Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port – through land-lease agreements.	A company in which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo.  We also provided technical advisory and consultancy services for the first five years of the concession. The Technical Services Agreement terminated in 2017, owing to effluxion of time.
<b>Year of inception</b>	2003	2009	2012
<b>Airports Company South Africa shareholding</b>	50%	40%	10.2%
<b>Other shareholders and their respective shareholdings</b>	Bidvest Holdings Ltd (50%)	Dube Trade Port Corporation (60%)	A joint venture between Investimentos e Participações em Infraestrutura S.A (Invepar) (80%) and Airports Company South Africa (20%), which together hold 51% of Guarulhos Participações S.A (GRUPar). The other 49% is held by State-owned airport authority Infraero.
<b>Equity injections</b>	Nil	R38 million	R1.2 billion
<b>Net asset value at 31 March 2021</b>	R98 million	R156 million	(R5.8 billion)

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

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

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

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

## AREAS OF RECOGNITION

Airports Company South Africa is consistently recognised as a leading global airports operator. During the year, the following achievements were recognised by various local and international industry authorities.



### Leader in African travel, tourism and hospitality

#### Benchmarking authority

World Travel Awards, an independently assessed travel accolade, voted by industry professionals and consumers worldwide.

#### Achievements

Africa's Leading Airport 2020

#### Placement

Cape Town International Airport  
 · Africa's Leading Airport in 2020 for the fourth consecutive year



### World's Top 100 airports

#### Benchmarking authority

Skytrax World Airport Awards are based on a customer satisfaction survey across over 500 airports globally.

#### Achievements

Two of our Airports have been recognised as leading airports in Africa

#### Placement

Cape Town International Airport  
 · Best Airport in Africa  
 · Best Airport Staff in Africa  
 · Best Airport Cleanliness in Africa  
 King Shaka International Airport  
 · Best Regional Airport in Africa



### Health and safety

#### Benchmarking authority

ACI Health Accreditation

#### Achievements

All nine our airports are ACI Health accredited

#### Placement



### Carbon and environmental management

#### Benchmarking authority

ACI Airport Carbon Accreditation programme

#### Achievements

Four of our airports upheld their Level 2 certification and two of our airports upheld their Level 1 certification.

#### Placement

Level 2 certification: O.R. Tambo International Airport, Cape Town International Airport, King Shaka International Airport and Chief David Stuurman (Port Elizabeth) International Airport

Level 1 certification: George Airport and Bram Fischer International Airport



### Governance and reporting

#### Benchmarking authority

Chartered Governance Institute of Southern Africa (CGISA)

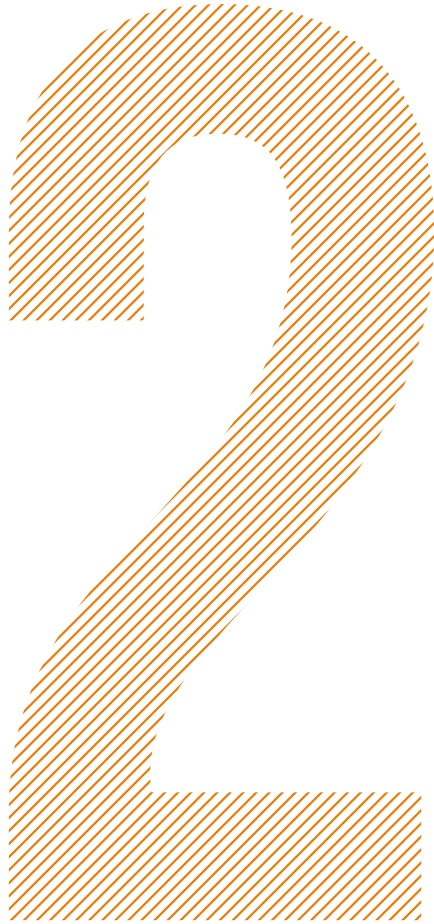
#### Achievements

Our Integrated Annual Report 2019/20 was a winner in the 2020 CGISA | JSE Integrated Reporting Awards

#### Placement

Winner in the State-owned Company category





# HOW GOOD GOVERNANCE PRESERVES VALUE CREATION

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A positive outcome of the pandemic has been the cementing and strengthening of relationships with our stakeholders.

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**2021**  
INTEGRATED  
ANNUAL REPORT

## MESSAGE FROM THE CHAIRMAN OF THE BOARD



→ Dr Sandile Nogxina  
Chairman of the Board

The rapid spread of COVID-19 early in 2020 changed the world. The pandemic compelled governments across the globe to act quickly and decisively, without much information to guide them. Countries implemented national lockdowns which disrupted travel. Our government responded swiftly by implementing a strict lockdown from late in March until the end of April 2020, closing our airports during this period, save for repatriation flights. Global aviation is among the most impacted industries by the COVID-19 pandemic and recovery to 2019 levels is projected to be slower than initially anticipated. We have a long road ahead but I am confident we have the fundamentals in place to return to our former standing. Leadership stability, a considered and solid recovery plan, a solid financial base and strong relationships with our stakeholders will stand us in good stead as we adapt to shifting conditions while pursuing stability and growth.

The magnitude of the COVID-19 pandemic has had an enormous impact on our plans and prospects. The drastic reduction in air passenger traffic decimated our revenue and the outlook for short-term recovery remains bleak. In response to the pandemic, an amended 2020/21–2022/23 Corporate Plan, approved by the Board in August 2020, was submitted to Parliament. It is this reviewed Corporate Plan we are reporting on to our stakeholders.

In managing the human and business impact of COVID-19, we are striving to position our business to contribute to the rebuilding of the South African economy. In the face of the pandemic, this shared responsibility has never been as important.

### WELCOMING THE NEW GUARD

COVID-19 hit as the newly appointed CEO, Mpumi Mpfu, joined the Company in February 2020 and shortly afterwards, in May 2020, Siphamandla Mthethwa took up the position of CFO. Leadership stability at this juncture was critical to our response to the crisis. Their leadership considerably enhanced the Group's ability to navigate the uncharted waters that unfolded in the first half of the year and the swift and effective review of the strategy that followed. The CEO and CFO provided clear priorities, made swift decisions amid uncertainty, communicating effectively while demonstrating empathy. Our dedicated Executive team responded to the complete disruption in our market with agility and resourcefulness, always keeping an eye on the horizon and not losing sight of our development mandate. In the process of readjusting the strategy and financial plan, the CEO and CFO brought a fresh view, questioning the previous status quo and prompting the Executive team to take a step back from the familiar and view the business holistically. The ability at leadership

level combined with the trust and support of the Board created a culture of agility and decisive action when it was needed most.


### A STRONG RESPONSE TO COVID-19

The development of a revised strategy to survive the downturn for the next five years began with the review of our Financial Plan. This entailed rigorous engagements with our investors, lenders, Moody's, the Economic Regulating Committee, our shareholders, the Portfolio Committee on Transport and our employees. These stakeholders provided us with unequivocal support. The Board approved the Recover and Sustain Strategy, which is our roadmap to seeing the Group through this pandemic.

We also reviewed our Investment Strategy to ensure the sustainability of the Group. The outcome was a decision to dispose of our offshore investments and monetise the assets we could. The extraction of equity within these non-core assets, specifically the investment property portfolio, offer a significant level to enhance liquidity. The sale of shares in Mumbai International Airport Private Limited was concluded in February 2021 and the sale of our stake of the Guarulhos International Airport is underway.

As part of the Group's response to the impact of the pandemic and in a move to secure long-term financial sustainability, the issuance of 'A' preference shares valued at R2.3 billion was concluded with the majority shareholder, the Department of Transport in March 2021. The transaction bolsters the Group's liquidity and demonstrates the government's confidence and support in the business.

Our reviewed strategy remains premised on our

strategic pillars of Run airports, Develop airports and Grow our footprint. In the short term, our primary focus will be on our core business – running airports – to maintain our financial and operational sustainability. We are ever conscious of our responsibilities and role in being a catalyst for recovery in passenger travel and air cargo growth. In running our airports, we will work closely with our strategic partners and government agencies. (For further details on the Group's strategic response and revised strategy, please see the Message from the CEO on page 34 and Our Strategy on page 39.) 

## COLLABORATING WITH OUR STAKEHOLDERS

A positive outcome of the pandemic has been the cementing and strengthening of relationships with our stakeholders. Building on existing strong relationships, the Company's engagement with stakeholders and implementation of stakeholder plans was commendable and created considerable value. Through a proactive, consultative approach by management influenced by solidarity in this shared crisis, the Company is well on the way to achieving the goal of building win-win partnerships with our stakeholders. The preference shares that have been bought by the government, have provided the much-needed liquidity for the Group. The process for PIC's subscription for preference shares is underway. The COVID-19 pandemic had a devastating impact on our tenants in our airports and we granted rental reprieves.

## TRANSFORMATION

Transformation is a constitutional imperative that underpins our future growth and the success of our business operations. Our drive to maximise profitability is aligned with our commitment to transformation. Our success as a

group depends on the degree to which we deliver value to society. The Group plays a critical role in the transformation of the aviation industry by facilitating economic activity and enabling sustainable growth and development by moving capital to where it is required. We continue our purposeful journey to advance the operational and developmental procurement spend on black-owned businesses and increase black-owned business commercial entrants into our precincts. We had to reduce our capital expenditure for the year under review as a consequence of COVID-19. The reduction impacted the flagship projects we were going to implement in pursuit of our Transformation Strategy. The commercial sector key flagship projects remain in progress.

## LEADERSHIP AND GOVERNANCE

The agility of our governance processes in making quick decisions was tested to the limit and we had to adapt to the new normal of holding virtual meetings. The Board provided its unequivocal support to management and the Board members availed themselves for special meetings to counter the negative impact of delayed implementation. The members of the various Board committees were actively involved in overseeing and monitoring the Group's response to the pandemic. This included business continuity management, operational risks, cost reduction, liquidity and market risks.

## LOOKING AHEAD

The global economic outlook remains clouded by the uncertainty as to the path of the COVID-19 pandemic and possible new variants that could reduce the efficacy of existing vaccines. The slow vaccine roll-out will lead to a slow and protracted recovery in global traffic volumes. South African consumers remain under pressure amid high unemployment and rising fuel and electricity prices,

which is likely to undermine recovery in domestic traffic volume. As part of our business planning, we have identified strategies to create new revenue streams and enhance our operations. What we have achieved is a testament to the strength of the business – as a result of astute strategic investments that have paid off – and has bolstered our financial sustainability and the skills and fortitude of Executives across our business.

## APPRECIATION

Many lives have been lost during this pandemic. Our sincerest condolences to our employees and stakeholders who have lost loved ones during this period. Thank you to our team of 2 733 employees; you remain committed to achieving our purpose and serving our customers during this turbulent time that has changed our ways of work and travel and heightened our hygiene consciousness. A measure of your success is the positive feedback in terms of the experience of the customers through our airports. People feel safe in the airports, which is the fundamental achievement during the pandemic.

We thank the CEO, CFO and management for their astute and incisive leadership during this period. From the outset, the management team was responsive and accountable, taking tough decisions when necessary and bringing agility within the Company to the fore.

We thank our shareholders for their unwavering support as we walk together on this journey of dramatic change.



**Dr Sandile Nogxina**  
Chairman of the Board

## OUR GOVERNANCE APPROACH

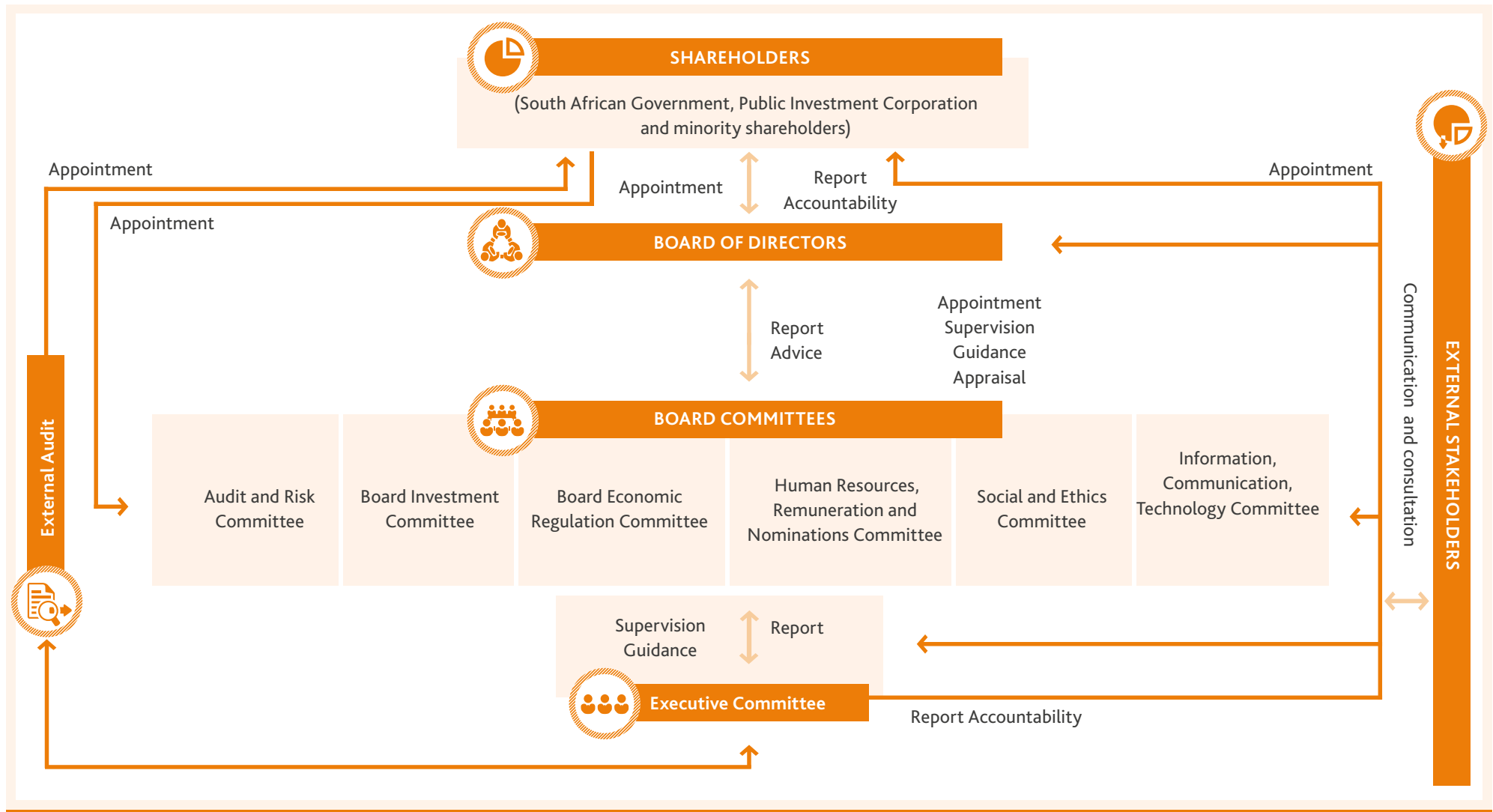
Airports Company South Africa's Board is responsible for the strategic direction and control of the Group. The Directors provide independent, informed and effective judgement that facilitates transparency and enables appropriate and relevant decision-making. The Board is responsible for upholding good corporate governance and remains committed to high standards of governance, ethics and integrity. The Board sets an ethical tone by creating and sustaining an enabling culture. This is achieved through the adoption and effective implementation of policies and practices that ensure a culture of integrity and compliance, while meeting high levels of transparency and disclosure.

Our robust governance framework anchored our response to the challenges of FY2020/21, providing a central cohesive source of support and stability. The Board steered the Group, tasking management with formulating a response to the crisis and revising the strategy to keep the company on course for its long-term goals. The Board applied independent, informed and effective judgement in evaluating and setting the directions of the Group. The Board demonstrated its commitment in its availability which is evidenced in the number of meetings we held as well as our agility in assessing information and making decisions.



## 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 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:

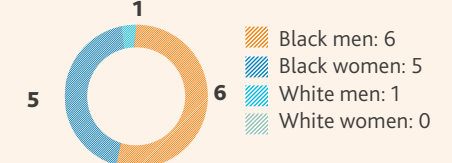


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Demographics:





### Dudu Hlatshwayo (57)

Independent Non-executive Director

Effective date of appointment: 6 August 2020

- *BSocSc (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 Mpofu (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 a 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

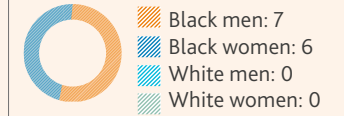
Age:

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

Gender diversity:



Demographics:



Skills

Financial management  
Business administration  
Governance  
Aviation  
Logistics and transport  
Law  
Forensics

Technology and innovation  
Compliance  
Stakeholder management and communications  
Strategic leadership  
Risk management



**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 Board

The role, responsibilities, membership requirements and procedural conduct for Board members are documented in a Board Charter. The Board delegates certain responsibilities to well-structured Board Committees without abdicating accountability. The Board has established five committees and one ad hoc and has approved their respective terms of reference. The Board is satisfied the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

### Diversity

The diversity of our Board is important for the Group to remain relevant. Our shareholders, who are responsible for the nominations and appointments to our Board, recognise this and act accordingly. Our Board reflects gender, ethnic, race and age diversity. Our Board embraces diversity as necessary to ensure the effectiveness of the Board in the complex business landscape and to enhance the Company's competitive advantage. A diverse and inclusive culture is embedded at board level. Our Directors are confident that robust discussion results in the deliberation of wide-ranging views and that they serve in an environment where bias, discrimination and harassment are not tolerated.

The majority of Airports Company South Africa's Board members are independent directors, as recommended by King IV and best practice.

- Black Board members**  
11 of 12
- Black women Board members**  
5 of 12
- Black Executive Board members**  
2 of 2
- Black women Executive Board members**  
1 of 2
- Black Independent Non-executive Directors**  
9 of 10
- Board members below the age of 40**  
2 of 12

### Skills and experience

Board members are appointed for their knowledge and experience, which collectively provide the Board the substance to achieve the objectives of the Company. Our Board's broad range of skills ensure that the Group is focused on creating and protecting value for all stakeholders. Our Board's capacity has been enhanced with the inclusion of relevant skills relating to our business. These include aviation, finance, corporate finance, accounting, auditing, economic regulation, information communication and technology (ICT) as well as business turnaround, among others. The latter will stand the Company in good stead given the current environment.

## OUR FOCUS AREAS AND PERFORMANCE

### Board governance focus areas during FY2020/21

Many of the key focus areas in FY2020/21 will continue to be a priority in FY2021/22, particularly as the pandemic continues to impact our business. Key focus areas include:

- Consideration of the impact of COVID-19 on the long-term financial sustainability of the Group
- Evaluation and approval of the Group's response, which included increment of existing borrowing facilities to strengthen the Group's liquidity in the short-term

- Capital expenditure and operational expenditure reductions
- Approaching our shareholders for financial support and the review of investments
- Approval of the Recover and Sustain Strategy
- Considered strategic initiatives for revenue diversification
- Approval of the reviewed the 2020/21 - 2022/23 Corporate Plan
- Approval of the reviewed Investment Strategy and the Strategy roadmap
- Disposal of the Company's shares in Mumbai International Airport Private Limited
- Approval of the Operating Model for the Group and the macro-organisational structure
- Issuance of preference shares to ensure liquidity of the Group
- Reduction of irregular expenditure

## Board evaluation

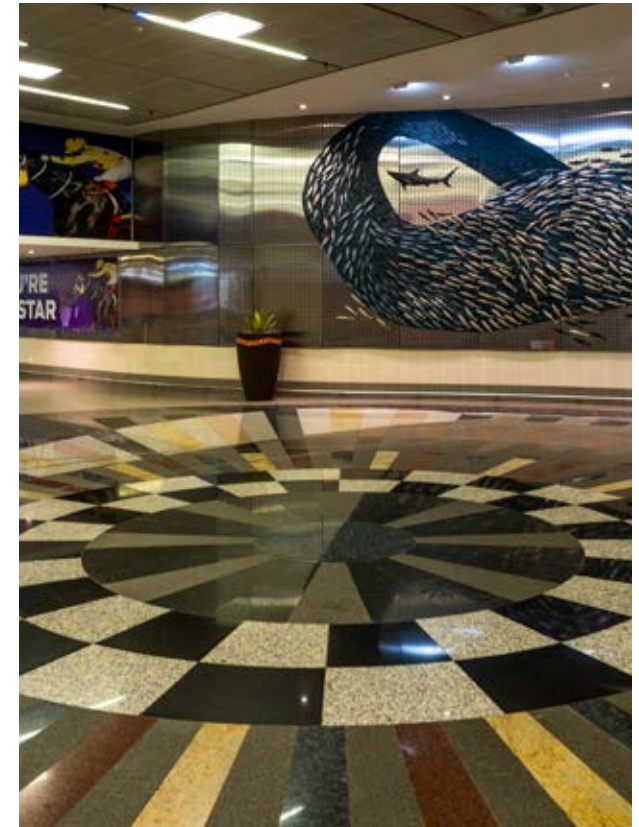
The evaluation of the performance of the Board is a key element in improving the effectiveness of the Board and the evaluations that have been performed have assisted the Board in improving its performance. The independent evaluation of the previous year indicated the Board was operating effectively and the action plans emanating from the evaluation have been implemented.

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 have been identified and they will be factored in the annual work plans of the Board and its committees.

All the Board Committees were rated as having performed comparatively better than the previous financial year as reflected in the ratings considering the complex matters they had to deal with emanating from the COVID-19 impact. The members confirmed they are satisfied that the Committees are efficient and execute on their mandates appropriately.

Refer to page 18 in our Governance and Remuneration report for more information. 



## Board committees and their work in 2020/21



**Audit and Risk Committee**  
**Chair:** Pascal Mokupo  
**Attendance:** 100%

**Members**

- Pascal Mokupo
- Yershen Pillay
- Nosizwe Nokwe-Macamo
- Ntombifuthi Zikalala Mvelase
- Graeme Victor
- Dudu Hlatshwayo\*

**No. meetings**

11

**Committee focus in FY2020/2021**

- COVID-19 impact on long-term financial sustainability of the Group and emerging risks
- Review and implementation of the governance framework

Refer to page 28 of our governance and remuneration report for more information on the work of the committee.

**Link to material issues**

- Sustainability
- Pandemic response crisis risk



**Board Investment Committee**  
**Chair:** Nosizwe Nokwe-Macamo  
**Attendance:** 100%

**Members**

- Nosizwe Nokwe-Macamo
- Pascal Mokupo
- Irvin Phenyane
- Graeme Victor#
- Mpumi Z Mpofu
- Kemira Esterhuizen\*
- Dudu Hlatshwayo\*

**No. meetings**

8

**Committee focus in FY2020/2021**

- COVID-19 impact on long-term financial sustainability of the Group and emerging risks
- Review and implementation of the governance framework

Refer to page 29 of our governance and remuneration report for more information on the work of the committee.

**Link to material issues**

- Non-aeronautical revenue
- Access to cost of funding
- Loss of hub status
- Pandemic response crisis risk
- Non-delivery of major built environment infrastructure
- Third party exposure



**Board Economic Regulation Committee**  
**Chair:** Advocate Sandile Nogxina  
**Attendance:** 100%

**Members**

- Sandile Nogxina
- Pascal Mokupo
- Nosizwe Nokwe-Macamo
- Ntombifuthi Zikalala Mvelase
- Irvin Phenyane
- Yershen Pillay

**No. meetings**

1

**Committee focus in FY2020/2021**

- Economic Regulatory Strategy and Stakeholder Engagement Plan
- Permission application

Refer to page 30 of our governance and remuneration report for more information on the work of the committee.

**Link to material issues**

- Sustainability
- Unpredictability of the regulator decisions
- Pandemic response crisis

\*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.

#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.



### Human Resources, Nominations and Remuneration Committee

Chair: Ntombifuthi Zikalala Mvelase

Attendance: 100%



#### Members

Ntombifuthi Zikalala Mvelase  
Kemira Esterhuizen  
Sandile Nogxina  
Irvin Phenyane  
Yershen Pillay\*  
Kgabo Badimo^  
Nosizwe Nokwe-Macamo#  
Graeme Victor>



#### No. meetings

7



#### Committee focus in FY2020/2021

- Impact of COVID-19 on human capital
- Sustainability of human resources

Refer to page 31 of our governance and remuneration report for more information on the work of the committee.



#### Link to material issues

- Sustainability
- Pandemic response crisis
- People



### Information Communication Technology Committee

Chair: Yershen Pillay

Attendance: 100%



#### Members

Yershen Pillay  
Nosizwe Nokwe-Macamo^  
Irvin Phenyane#  
Ntombifuthi Zikalala Mvelase  
Graeme Victor  
Kgabo Badimo\*  
Pascal Mokupo\*



#### No. meetings

4



#### Committee focus in FY2020/2021

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

Refer to page 32 of our governance and remuneration report for more information on the work of the committee.



#### Link to material issues

- Cybersecurity
- Digital innovation
- Third party exposure
- Pandemic response crisis



### Social and Ethics Committee

Chair: Irvin Phenyane

Attendance: 100%



#### Members

Irvin Phenyane  
Kemira Esterhuizen  
Nosizwe Nokwe-Macamo\*  
Yershen Pillay  
Dudu Hlatshwayo#  
Kgabo Badimo#  
Mpumi Mpfu



#### No. meetings

4



#### Committee focus in FY2020/2021

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

Refer to page 33 of our governance and remuneration report for more information on the work of the committee.



#### Link to material issues

- Brand and reputation
- Transformation
- Stakeholder management
- Pandemic response crisis

\*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.

^ 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.

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

# Appointed on 26 August 2020



# HOW OUR STRATEGY CREATES VALUE

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While there is still a great deal of uncertainty about a recovery in air travel, we have successfully implemented the commitments we made in response to the impact of COVID-19 and are on track with further measures.

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**2021**  
INTEGRATED  
ANNUAL REPORT

## MESSAGE FROM THE CEO



→ Mpumi Mpofu  
CEO

### CHARTING A COURSE THROUGH FY2020/21

**F**Y2020/21 was a year that tested our mettle; as a business, a team and as individuals. Just before the start of the financial year, the WHO declared the rapid spread of the COVID-19 virus a pandemic, triggering a seismic change at an operational level. The safety of our employees and our stakeholders in the airports was our primary concern at the beginning of the pandemic and we moved quickly to implement the necessary measures in line with national and international best practice. In addition, we had to provide cargo and repatriation services. Air transport remains one of the hardest-hit global industries.

Our departing passenger numbers are down 78.2% for the year under review, as were our top tourist markets. The UK's Airport Operators Association reported a 75% decline in passengers in 2020 and the US Bureau of Transportation Statistics reported a 62% drop in 2020 compared to 2019.

After the first quarter, during which for the most part our airports were closed, it became evident the pervasive uncertainty in our external environment was becoming business as usual. The threat to our sustainability as a company required a strong, agile and strategic response. Our finance team, in close engagement with our investors, was also realising that forging a path towards financial sustainability through this crisis required a significant readjustment to our financial position. A revised financial plan, based on the assumptions of the internationally predicted recovery, was developed. With the support of the Board, Minister of Transport, rating agencies as well as investors and lenders, amending and implementing our Recover and Sustain Strategy and Financial Plan gained momentum. In addition, recognising that we could not sustain the previous level of expenditure with diminishing revenue, a cost containment programme was implemented. This forced the Company to pare down in light of lower revenues and streamlining our business.

In the process of reassessing our business, it became evident that we need to hone in on our key capabilities and initiatives that will drive the sustainability of our business in the future. Running airports is our core business and will be our primary focus in the next five years as we regain ground.

Our revised strategy was submitted to our shareholders. We continue to fine-tune this strategy in response to external pressure but also with a view of where we

want to be in a post-COVID-19 world. To ensure we deliver on the new strategy, we reviewed our operating model and aligned our strategic pillars and new strategic objectives. Initiatives to boost the balance sheet in a weak passenger market include diversifying the aeronautical business model to include new service offerings around cargo and reviewing previously outsourced airport functions.

In the short term, our Develop airports and Grow our footprint pillars remain on our radar but take a back seat to defending and extending our core business of Running airports. The developments we had planned for this year have been put on hold. As we reprioritised our budgets, a few projects which were earmarked but had not started and others – particularly projects related to augmenting capacity – have been deferred. Our focus for the Develop and Grow pillars in the first strategic timeframe will be identifying and exploring opportunities and partnerships that will enable growth in the future. As demand for air travel increases, we will resume our plans for expanding airport development through the Aerotropolis model to create bigger economic hubs and activity around the major international airports. Our sustainable value creation remains centred on stimulating economic prosperity, social equity and environmental integrity.

We have successfully implemented most of the commitments we made in response to the impact of COVID-19 and are on track with further measures. The core of these commitments is a reduction in annual operating expenditure of R1.2 billion and capping capital expenditure at R1 billion a year for maintenance and refurbishment required to keep airports operating safely and efficiently.

## OUR PEOPLE

As part of the revised strategy and in anticipation of the slow and unpredictable recovery, reducing staff costs was a necessary part of our revised Financial Plan. A structured Staff Cost Reduction Programme was introduced, taking into consideration the capabilities that will sustain the business beyond the negative impact of the pandemic. The programme commenced in December 2020 with generous early retirement and voluntary retrenchment offers. This phase was concluded by March 2021 with the targeted R300 million employee cost savings realised, which averted a retrenchment process. The cost reduction and optimisation plan also included constraints on remuneration and incentives across the Company.

## FINANCIAL PERFORMANCE

Revenue for the year was down 69.8% to R2.2 billion compared to R7.1 billion in the previous year. Aeronautical revenue, derived from regulated charges or tariffs related to aircraft landing and passenger service charges, was down 78.4% compared to the previous year. This reflects a 59.4% drop in air traffic movements as well as 61.9% and 74.6% decreases in domestic and international departing passengers respectively. Non-aeronautical revenue is dependent on factors such as traffic volumes and commercial activity but was further impacted by relief measures put in place to assist our tenants and support their sustainability. For the financial year, a rental reprieve of R1.4 billion was provided to tenants through reduced property rentals and/or waiver of retail guaranteed minimum rental.

While some operational cost savings occurred as a result of curtailed operations, the employee severance costs were significant.

## ECONOMIC REGULATION

Engaging with the Regulating Committee and related stakeholders regarding appropriate tariff assistance is an ongoing priority in the lead up to the 2022 to 2026 Permission application. This engagement included sharing our revised strategy and financial plans as well as demonstrating the impact of tariff assistance on the Company's long-term sustainability. However, significant uncertainty persists which impacts decision-making for the Company.

## RUN AIRPORTS PERFORMANCE

Annual traffic volumes remained significantly below pre-COVID-19 levels throughout the financial year. Total departing passengers decreased by 78.2% to 4.5 million (FY2019/20: 20.9 million) with domestic passengers down by 72.3% to 4.0 million (FY2019/20: 14.5 million); regional passengers down by 92.9% to 37 189 (FY2019/20: 517 960); and international passengers down 92.9% to 412 322 (FY2019/20: 5 822 544). Unscheduled passengers increased by 69% to 97 109 (FY2019/20: 57 575) largely as a result of the repatriation flights that were permitted to operate during the lockdown period. Total air traffic movements decreased by 59.4% to 99 962 (FY2019/20: 248 519).

## OUTLOOK

Global travel restrictions brought on by COVID-19 continue to pose serious challenges to air traffic recovery. It is estimated that global traffic will be between 43%–51% of pre-COVID-19 pandemic traffic levels in FY2021/22. Countries that have achieved high rates of vaccination are showing signs of recovery; however, a sustained global traffic recovery will be realised only with an acceleration of vaccination campaigns.

While there is still a great deal of uncertainty about a recovery in air travel, we have successfully implemented most of the commitments we made in response to the impact of COVID-19 and are on track with further measures. Responding effectively is not only crucial for the sustainability of the Company, but also to set the tone for our future.

## APPRECIATION

I want to thank all our people for the great work they have done and for rising to the challenges presented by the pandemic. I commend the Executive and management teams for their flexibility and open-mindedness in plotting a way forward in an unfamiliar and shifting operating environment. To all our airport stakeholders, thank you for your contribution to keeping our airports safe and up and running in exceptional circumstances. I would like to extend my appreciation to our Board for its unwavering commitment and guidance during this challenging year. Lastly to our shareholders, investors and lenders, thank you for your support and confidence in our business.



Mpumi Mpofo  
CEO

## MESSAGE FROM THE CFO



→ Siphamandla Mthethwa  
CFO

### OVERVIEW

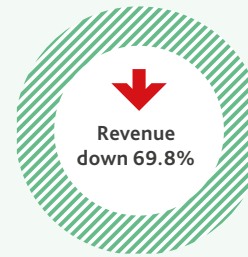
**A**irports Company South Africa recorded a loss before tax of R3.6 billion; a significant contrast to the profit before tax of R1.8 billion in the previous year. This unprecedented loss reflects the extent to which COVID-19, multiple lockdowns and travel restrictions have impacted the Group's operational performance.

The performance is primarily driven by lower revenues of R2.2 billion (FY2019/20: R7.1 billion), exacerbated by a reduction in the fair value of our investment properties of R216 million (FY2019/20: R721 million gain) and the cost of separation packages paid to employees for the early retirement and voluntary separation processes amounting to R243 million.

The financial year ended 31 March 2021 was the most challenging year in the Group's 28-year history. Starting from the end of March 2020 through to March 2021, passenger numbers decreased persistently as COVID-19 became a global pandemic, countries closed their borders and South Africa went into different levels of lockdown. At the end of the financial year, departing passenger numbers had fallen to 21.8% of FY2019/20 levels.

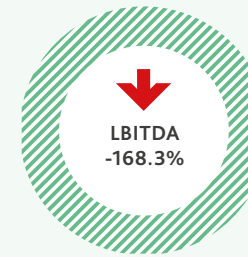
The Group acted quickly and decisively from April 2020 to conserve cash, adjusting our pre-COVID-19 Financial Plan by implementing a R900 million operating cost reduction programme and suspending all uncommitted work on capital expansion while focusing on licence-to-operate activities limited to R810 million of capital investments for the year.

### Performance at a glance



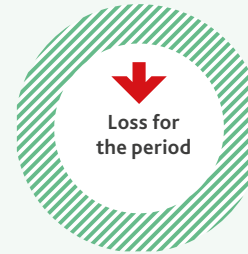
**R2.2 billion**

(FY2019/20:  
7.1 billion)



**-R1.8 billion**

(FY2019/20:  
R2.6 billion EBITDA)



**-R2.6 billion**

(FY2019/20:  
profit R1.4 billion)



**R226 million**

(FY2019/20:  
R1.2 billion)



**R3.8 billion**

(FY2020/21 target:  
R3 926 million)



**R770 million**

(FY2020/21 target:  
R810 million)



**R31.6 billion**

(FY2019/20:  
R32.1 billion)



**23%**

(FY2019/20:  
17%)

## REVENUE

Total revenue decreased by 69.8% to R2.2 billion (FY2019/20: R7.1 billion). Multiple lockdowns affected revenue hardest owing to lower passenger numbers and aircraft movements that created massive revenue losses since the beginning of the financial year.

### Aeronautical revenue

Aeronautical revenue fell by an unprecedented 78.4% to R810 million (FY2019/20: R3.7 billion). The decline is predominantly a result of reduced air traffic movements and passenger numbers as the spread of the COVID-19 and related virus containment measures restricted travel locally and in most parts of the world.

### Non-aeronautical revenue

Non-aeronautical revenue declined by 60.3% to R1.3 billion (FY2019/20: R3.4 billion) driven by reduced passenger numbers and retail service offerings because of the containment measures. The retail business was severely impacted as a consequence of the forced closure of all retail tenants during the hard lockdown, except for those that provided essential services.

## OPERATING EXPENDITURE

Operating costs decreased by 25.5% to R2.0 billion (FY2019/20: R2.6 billion). This significant reduction was achieved through a timely review of the Group's Strategy to reduce the operating cost base. This was done in response to the potential financial challenges caused by the reduction in traffic volumes.

Property rates and taxes form a significant part of our fixed operating costs, comprising 14.1% of the total costs. The expenditure remained the same as that of the previous year, amounting to R274 million (FY2019/20: R274 million).

Other operating expenses were also curbed to ensure – as far as practically possible – costs appropriately reflect the levels of operation. Security costs were reduced by 17.1% to R423 million (FY2019/20: R511 million); repairs and maintenance reduced by 40.3% to R272 million (FY2019/20: R457 million); information systems decreased by 10% to R259 million (FY2019/20: R288 million); and cleaning expenditure decreased by 51.4% to R81 million (FY2019/20: R168 million).

## EMPLOYEE EXPENDITURE

Employee expenditure increased by 3.3% to R1.9 billion (FY2019/20: R1.8 billion) in the current year. The expenditure was largely contained through the implementation of zero salary increases and no incentive bonuses, and reduced recruitment costs. The expenditure containment was offset by the cost of separation packages paid to employees for the early retirement and voluntary separation processes – amounting to R243 million – the benefits of which will be realised in the new financial year. The staff cost reduction is intended to resize the operations to be commensurate with traffic volumes.

Staff transport costs amounted to R90 million (FY2019/20: R117 million). The company resolved to wind up the initiative, which was launched in 2019 for the provision of safe and reliable transportation to shift employees after business hours. The winding up process is anticipated to be completed in the new financial year.

## TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased to R959 million (FY2019/20: R1 billion) owing to significantly lower revenue generated in the year, credit reprieve assistance offered to customers of R1.4 billion, and irrecoverable debt of R202 million which has been written off.

Tax receivable decreased from R617 million at the beginning of the year to R239 million due to tax refunds received. Tax audits conducted by the South African Revenue Services (SARS) resulted in additional income taxes levied on the company. The audits pertained to prior years of assessments, wherein SARS disallowed certain capital allowances on airport assets, among other related issues. Deferred tax liability decreased to R295 million from R1.6 billion as of 31 March 2021 owing to significant tax losses incurred in the current year.

## INVESTMENT PROPERTIES

The fair value adjustment of Investment Properties resulted in a loss of R216 million (FY2019/20: R721 million fair value gain). The valuation decrease was driven mainly by lower market rental growth assumptions on the back of a weak macroeconomic environment and the impact of COVID-19.

## IRREGULAR EXPENDITURE

The opening balance for irregular expenditure in the current year was R1.2 billion (FY2019/20: R727 million). Irregular expenditure incurred in the current year amounts to R274 million (FY2019/20: R560 million) relating to non-compliance with regulations that govern supply chain management. A significant portion of this pertains to one major capital expenditure programme at O.R. Tambo International Airport.

The Group has implemented the National Treasury Irregular Expenditure Framework through the Group's newly established Loss Control Function for detection, investigation, assessment and performance of determination tests. It should be noted that R828 million of irregular expenditure balance was removed in the current year. In the new financial year, the Loss Control

Function will continue investigating the reported irregular expenditure to appropriately assess the remaining balance of R633 million. High-value irregular expenditure detection, investigation, assessment and determination investigations have been prioritised.

## FUNDING

As of 31 March 2021, the Company's debt level amounted to R9.3 billion (2019: R6.4 billion), comprised of R4.9 billion in bonds issued under the Domestic Medium-term Note Programme, amortising loans of R2.1 billion and preference shares of R2.3 billion. The increase in the debt level is attributable to the Development Bank of Southern Africa (DBSA) loan of R810 million and preference shares issued to government amounting to R2.3 billion.

The Group repaid R1.6 billion in debt during the year comprising amortising loans of R296 million and short-term banking facilities of R1.35 billion. Interest payments for the financial year totalled R560 million, bringing total debt service costs to R2.2 billion. Funding sources as of 31 March 2021 were as follows:

- Inflation-linked bonds (18%)
- Fixed-rate bonds (33%)
- DFI loans (23%)
- Preference shares (26%)

Fixed-rate debt comprised 81% of total debt as at the end of the financial year compared with 72% at the end of the previous year. The gearing level increased to 23% (FY2019/20: 17%) on the back of the DBSA loan and preference shares.

## CREDIT RATING

After downgrading Airports Company South Africa's credit rating on 26 June 2020, Moody's affirmed the company's global scale rating at Ba2 on 24 November 2020. The affirmation of Airports Company South Africa's global scale rating reflects a one-notch uplift to the baseline credit assessment of Ba3 owing to Moody's assumption of strong support from government. The national scale rating was upgraded to Aa2.za from Aa3.za in line with the revised mapping for the South African national rating scale. The negative rating outlook was left unchanged, largely reflecting the impact of COVID-19 on the Company, and the negative outlook on government rating.

## OUTLOOK

The Group continues to monitor the business environment to determine appropriate responses to ensure long-term financial sustainability. Capital expenditure remains limited to maintenance and refurbishments, informed by statutory requirements. The Group also continues to identify efficiencies in its operations, keeping operating expenses to a minimum.



## OUR STRATEGY

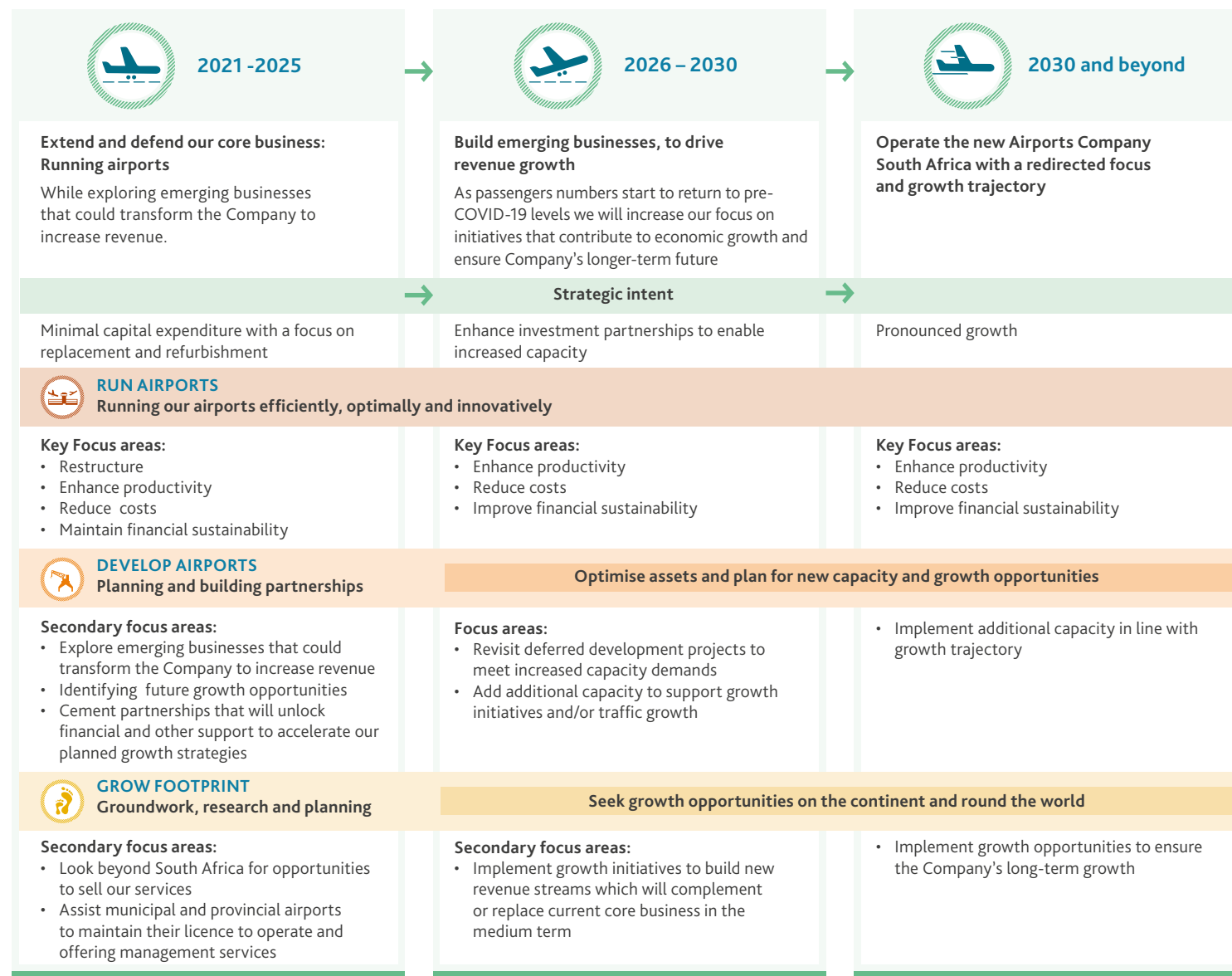
As a result of COVID-19, the Company's Strategy 2025 has been reviewed and reset to guide Airports Company South Africa through the trying economic times and optimise short-, medium- and long-term value creation. Our strategic pillars of Run airports, Develop airports and Grow our footprint continue to uphold our vision and endure in our revised strategy. Our overall strategy remains intact and is in line with airports globally.

Our revised strategy is aimed at surviving the downturn for the next five years and includes, among others, the following plans:




- Revising our financial approach and engaging our financial institutions, investors and South African Government
- Diversifying the aeronautical business model to include new and enhanced service offerings
- Reviewing airport authority functions previously outsourced to service providers
- Expanding airport development through the Aerotropolis model to create bigger economic hubs and activity around the major international airports

Our new strategy will be implemented over three timeframes – now to 2025, 2026 to 2030 and beyond 2030. We implement our strategy and measure our performance against a set of strategic objectives and associated key performance indicators (KPI). See page 80 for more information on our strategic objectives and KPIs. 📄

### Our three-pillar strategy



The strategy map below outlines our strategic objectives and the related key performance indicators.

	STRATEGIC OBJECTIVES	KPI
FINANCIAL	Financial sustainability	Operational allocation Capital allocation
	Diversify business portfolio	Non-aeronautical revenue
		
CUSTOMER AND STAKEHOLDER	Increase our reputation through demonstrated business excellence	Reputation index Passenger satisfaction
	Reduce our environmental impact	ACI Carbon Level Accreditation
		
INTERNAL PROCESSES	Transform Airports Company South Africa's business	B-BBEE Level % Black business share of commercial revenue generated Number of job-creation opportunities
		
ORGANISATIONAL CAPABILITY	<ul style="list-style-type: none"> <li>· People and culture</li> <li>· Governance</li> <li>· Supply chain management</li> <li>· Knowledge management and innovation</li> <li>· Digitisation</li> </ul>	

**Our Sustainability Framework**

Our Sustainability Framework depicts the impact we want to make on our business, our people and society and our environment, which are aligned with the IIRC's six capitals.



Our business (Financial capital, Manufactured capital, Intellectual capital)

- Enhance our reputation
- Improve passenger experience
- Ensure financial sustainability
- Contribute to airport traffic and diversify our business



Our people and society (Human capital, Social and relationship capital)

- Transform Airport's Company South Africa's business
- Diversify our workforce and create a positive environment for our employees

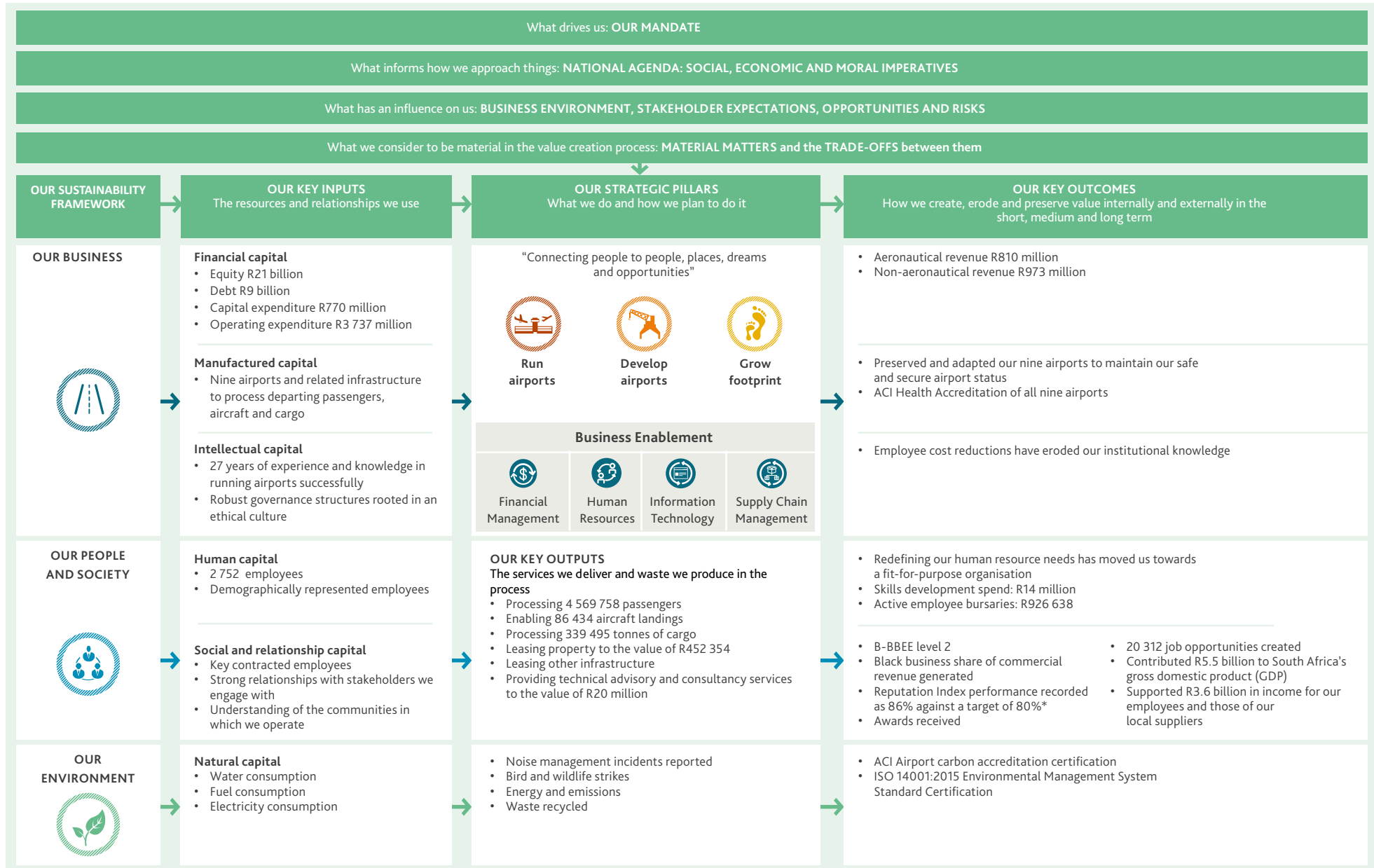


Our environment (Natural capital)

- Minimise environmental impacts and strive to be carbon neutral



# OUR VALUE CREATION PROCESS

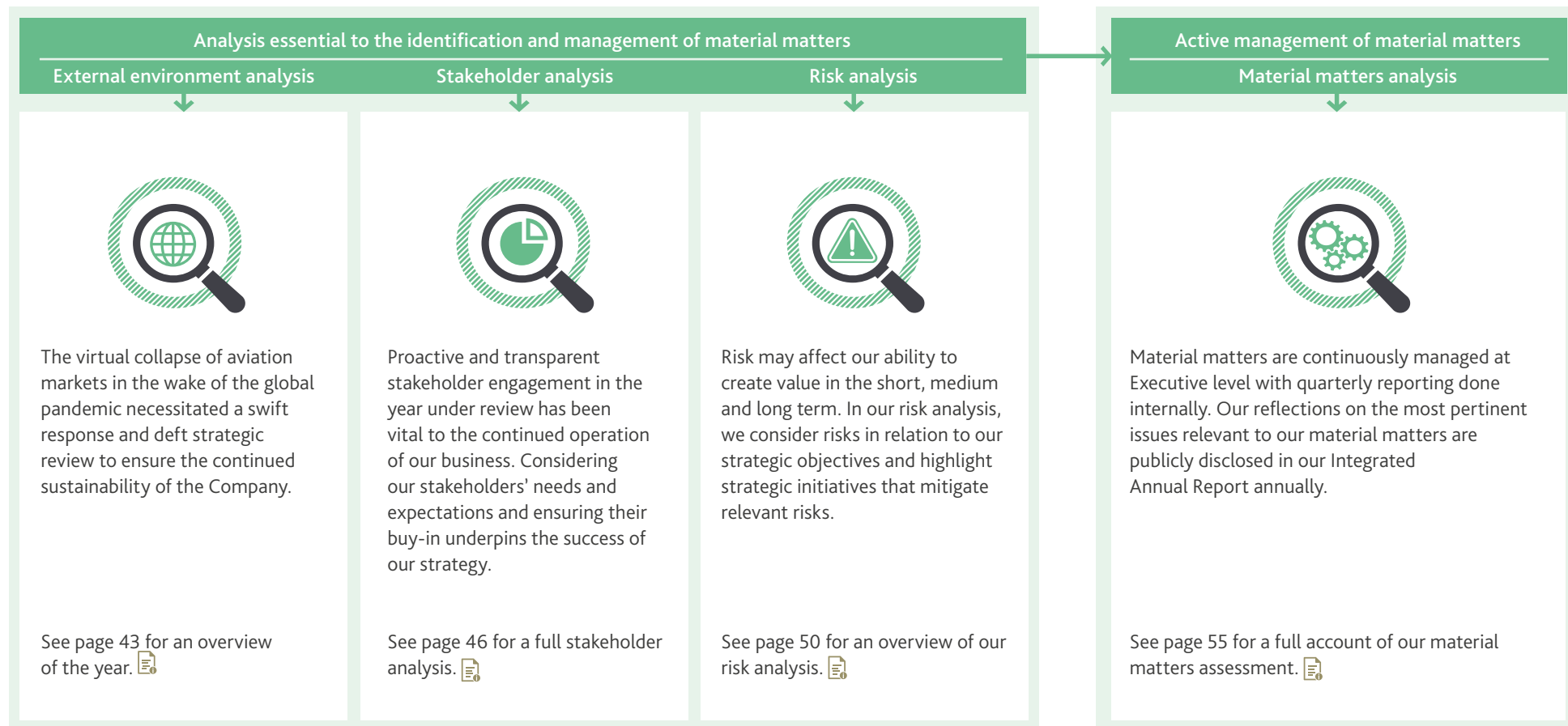


\*REPTRAK survey was not conducted in the 2020/21 financial year due to budget challenges as part of the impact COVID-19. In this financial year, the KPI is measured as a percentage of completion of the engagement plans the executive committee committed to and which was approved by the Board. A target of 80% has been set and performance against this target is measured as the average percentage score of the completed quarterly engagements in line with the number of engagement frequencies stakeholder owners have committed to for each stakeholder.

## OUR MATERIALITY PROCESS

Airports Company South Africa identifies the economic, environmental, social and governance matters that have the potential to significantly impact our ability to create sustainable value by executing its strategic objectives.

Our material matters are influenced by our internal and external operating environment, our key stakeholder concerns and the risks impacting our business. These matters inform our business model, strategy, capital resource allocation and our stakeholder engagement process. The determination of these material matters starts with identifying relevant matters from information drawn from a range of sources, as indicated below.





### External environment analysis

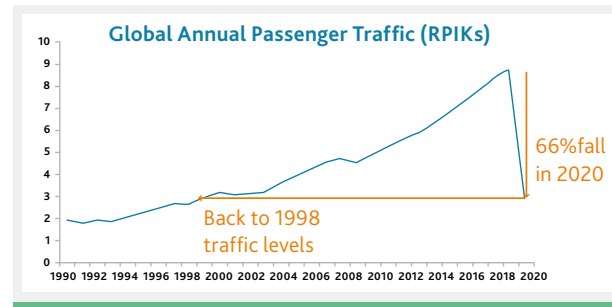
The COVID-19 pandemic has pushed the global economy in 2020 into a deep recession, surpassing the recent 2008/9 global recession. It is estimated by the International Monetary Fund that the global economy contracted by 3.3% with advanced economies recording a GDP decline of 4.7% while emerging market and developing economies contract by 2.2%.

The South African economy contracted by 7% in 2020\*, faring slightly better than initially anticipated at the onset of the pandemic. However, the reduction was the largest in decades and it is likely to take years to reach pre-COVID-19 levels of economic activity. The historically standing relationship between air travel and economic performance was for the most part of the financial year broken owing to a market dislocation induced by lockdowns and travel restrictions. It is largely for this reason that despite the slightly better GDP performance, air traffic recorded notably poorer performance.

Although a gradual recovery path for traffic began to gain momentum in the third quarter, this was undermined by the emergence of a second wave of high new COVID-19 cases that prompted reintroduction of tighter restrictions on the economy, and the discovery of a new COVID-19 variant (501.V2) associated with South Africa thereby subduing the attractiveness of the country as tourist destination.

\*According to data released by Statistics South Africa

Globally, the devastating impact on the international aviation industry is evident in the predictions that the industry will achieve only 50% of pre-2020 revenue figures for the next seven to eight years. The International Airlines Transport Association (IATA) estimates airlines will lose USD 314 billion in revenue this year – 55% less than 2019, owing to the impact of COVID-19 – and will require USD 200 billion in government aid.

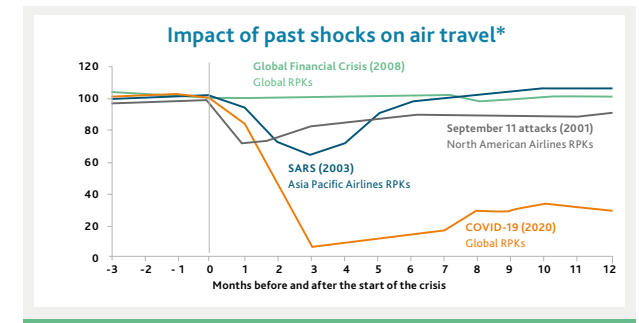


Source: IATA Economics using data from IATA Statistics

Air travel collapsed 66% in 2020 returning to 1998 levels.

At the low point in April 2020, global Revenue Passenger Kilometres (RPK) were down 94% compared to April 2019 (RPK is an industry metric based on the number of passengers and the distance travelled).

COVID-19 has been an unprecedented shock to air travel and is envisaged to have a far greater and longer lasting negative impact than previous industry shocks, as evident in the graph below.



Source: IATA Economics using data from IATA Statistics, \*RPKs seasonally adjusted



## Overview of the year



### Early days of the pandemic

#### Events in the external operating environment

- COVID-19 started to affect air travel to and from China and Europe
- 30 January 2020 – WHO declared a public health emergency of international concern, indicating the virus constitutes a public risk to other states through the international spread of the disease and subsequently requires a coordinated international response
- 5 March – the Minister of Health announced the first confirmed COVID-19 case in South Africa of a passenger who had travelled through two of our airports
- 11 March 2020 – the World Health Organisation (WHO) declared COVID-19 a pandemic
- 15 March 2020 – President Ramaphosa declared the COVID-19 pandemic a national disaster
- February 2020 – SA Express placed in business rescue

#### Impact on aeronautical operations

- We intensified measures at all our airports to detect, manage and prevent the spread of COVID-19
- The Department of Health and its entity Port Health put in place measures to screen visitors entering the country
- We implemented strict disinfection and hygiene control procedures, which we developed through engagements with ACI and the IATA
- Air travel restrictions on passenger air travel from high-risk countries were implemented

#### Impact on non-aeronautical operations

- Intense slowdown in trade at airports



### Hard lockdown: 27 March 2020 to 15 June 2020

#### Events in the external operating environment

- 27 March to 16 April – President Ramaphosa declared a national 21-day lockdown with only essential services and businesses permitted to operate, as well as a ban on alcohol or cigarette sales, any form of travel or gathering
- 1 May 2020 – South Africa moved to Level 4 of the national lockdown, which saw a slight easing the hard lockdown restrictions
- May 2020 – Comair, the operator of low-cost carrier kulula.com and British Airways under licence in Southern Africa, filed for voluntary business rescue
- Internationally – Virgin Australia filed for administration in April 2020, Avianca Airlines (Latin America) filed for Chapter 11 in May 2020 and Air Mauritius filed for administration in April 2020

#### Impact on aeronautical operations

- We intensified measures at all our airports to detect, manage and prevent the spread of COVID-19
- The Department of Health and its entity Port Health put in place measures to screen visitors entering the country
- We implemented strict disinfection and hygiene control procedures, which we developed through engagements with ACI and the IATA
- Air travel restrictions on passenger air travel from high-risk countries were implemented

#### Impact on non-aeronautical operations

- No retail shops traded
- Zero rental income realised from April until July 2020
- Alcohol and tobacco bans were imposed and only turnover rental realised, no minimum rental



### Relaxed lockdown Level 4: 17 June 2020 to 17 August 2020

#### Events in the external operating environment

- 1 June 2020 – South Africa entered Level 3 of the national lockdown. After 10 weeks, the ban on commercial flights in the country was lifted but limited to domestic air travel for business purposes
- A curfew from 21:00 to 16:00 was introduced and family visits were prohibited.
- All public schools were closed for four weeks from 27 July to 24 August 2020

#### Impact on aeronautical operations

- O.R. Tambo, Cape Town and King Shaka international airports reopened for business travel only from 1 June 2020
- International borders remained closed
- International travel remained limited to repatriation of foreign nationals from South Africa and citizen to South Africa
- Chief David Stuurman (Port Elizabeth), Upington and Bloemfontein International Airports were reopened for business travel from 1 July 2020
- King Phalo (East London), George and Kimberley airports were reopened for business travel from 22 July 2020

#### Impact on non-aeronautical operations

- Curfew suspended and only eight retail stores start trading across all airports
- Tobacco ban sustained
- Turnover rental only realised, no minimum rental
- International air travel remained prohibited International travellers spend usually accounts for 60% of trade
- Sale of liquor was still not permitted



**Lockdown Level 2:**  
18 August 2020  
to 20 September 2020

**Events in the external operating environment**

- 18 August South Africa entered Level 2 of the national lockdown
- Late August 2020 – Europe entered the second wave of COVID-19 infections

**Impact on aeronautical operations**

- South Africa's borders remained closed
- Limited domestic air travel resumed
- International air travel still prohibited

**Impact on non-aeronautical operations**

- Only 21 shops traded during this period
- Only turnover rental was realised, no minimum rental
- Sale of liquor permitted only Monday to Thursday, 09:00 to 17:00, duty-free not permitted to sell liquor outside of specified times



**Lockdown Level 1:**  
21 September 2020  
to 28 December 2020

**Events in the external operating environment**

- 21 September 2020 South Africa entered Level 1 of the national lockdown
- September 2020, South African Airways suspended all flight operations as the business rescue practitioners placed the airline under 'care and maintenance' until further funding could be sourced

**Impact on aeronautical operations**

- As South Africa opened its borders, travel to South Africa remained restricted as some of our key markets were experiencing their second wave, which further undermined the appetite of South Africans to travel abroad
- South African market experienced a degree of recovery but with foreign tourist arrivals coming from other African destinations as opposed to the historic norm of Europeans and Americans
- From 1 October, a gradual lifting of restrictions on international flights commenced
- In early December 2020, green shoots of recovery became evident as arrivals recorded at 43% of the year prior in December

**Impact on non-aeronautical operations**

- Only 64 shops traded resulting in reduced retail income
- Full minimum rental billed from 1 October 2020 as per FRMC resolution
- Sale of liquor permitted Monday to Thursday, 10:00 to 18:00 (including duty-free stores), preventing sales opportunity for late-night international flights
- Beaches in the Eastern Cape and Garden Route closed to the public from 16 December 2020 until 03 January 2021
- Beaches in KwaZulu-Natal closed on 16, 25, 26 and 31 December 2020 and 1, 2 and 3 January 2021



**Amended Lockdown Level 3:**  
29 December 2020  
to 31 January 2021

**Events in the external operating environment**

- 9 December 2020 – the Minister of Health announced the country had entered the second wave
- 18 December 2020 – the Minister of Health announced that scientists had discovered a new variant of coronavirus, which was driving the second wave of infections
- Late December, South Africa's second wave took hold with the new variant emanating from South Africa promoting the imposition of travel restrictions from our top tourist markets (UK and USA)
- South Africa entered an adjusted Level 3 lockdown for two weeks
- A number of European countries implemented restrictions on air travel from South Africa, the UK and Brazil to combat mutations of the virus

**Impact on aeronautical operations**

- Airlines that grounded flights to and from South Africa: Turkish Airlines, British Airways, Virgin Atlantic, Emirates Airlines, Austrian Airlines, Air Seychelles, Edelweiss Air, KLM and United Airlines

**Impact on non-aeronautical operations**

- 163 out of 348 shops trading across all airports
- Severely reduced traffic impacts retail sales
- Full minimum rental billed for the period
- Sale of alcohol prohibited again for a two-week period



**Amended Lockdown Level 3:**  
1 February 2021  
to 31 March 2021

**Events in the external operating environment**

- South Africa continued to operate under adjusted Level 3 lockdown
- Restrictions on air travel from South Africa to various countries continued

**Impact on aeronautical operations**

- The curfew imposed by the lockdown regulations continue to impact our business operations and operating times
- Air traffic movements were noticeably impacted by travel restrictions
- Annual licensing inspections by CAASA continued

**Impact on non-aeronautical operations**

- Lounges remained closed
- Reductions in air traffic movements continued to impact retail sales

Surveying the challenges and opportunities ahead

- Vaccines may go some way to allaying passengers' fears of contracting COVID-19 while travelling, but the global roll-out will be protracted.
- Demand for air travel remains very subdued for both South African travellers and foreign tourists, who not only dominate international air travel in South Africa but also contribute to domestic traffic as they connect to our regional airports.
- South Africa's top international tourist markets – France, UK, Germany and USA – which account for 40% market share of total tourist arrivals, are projected to observe contraction in real economic activity, which paints a bleak outlook for air travel demand from these markets, especially for leisure.

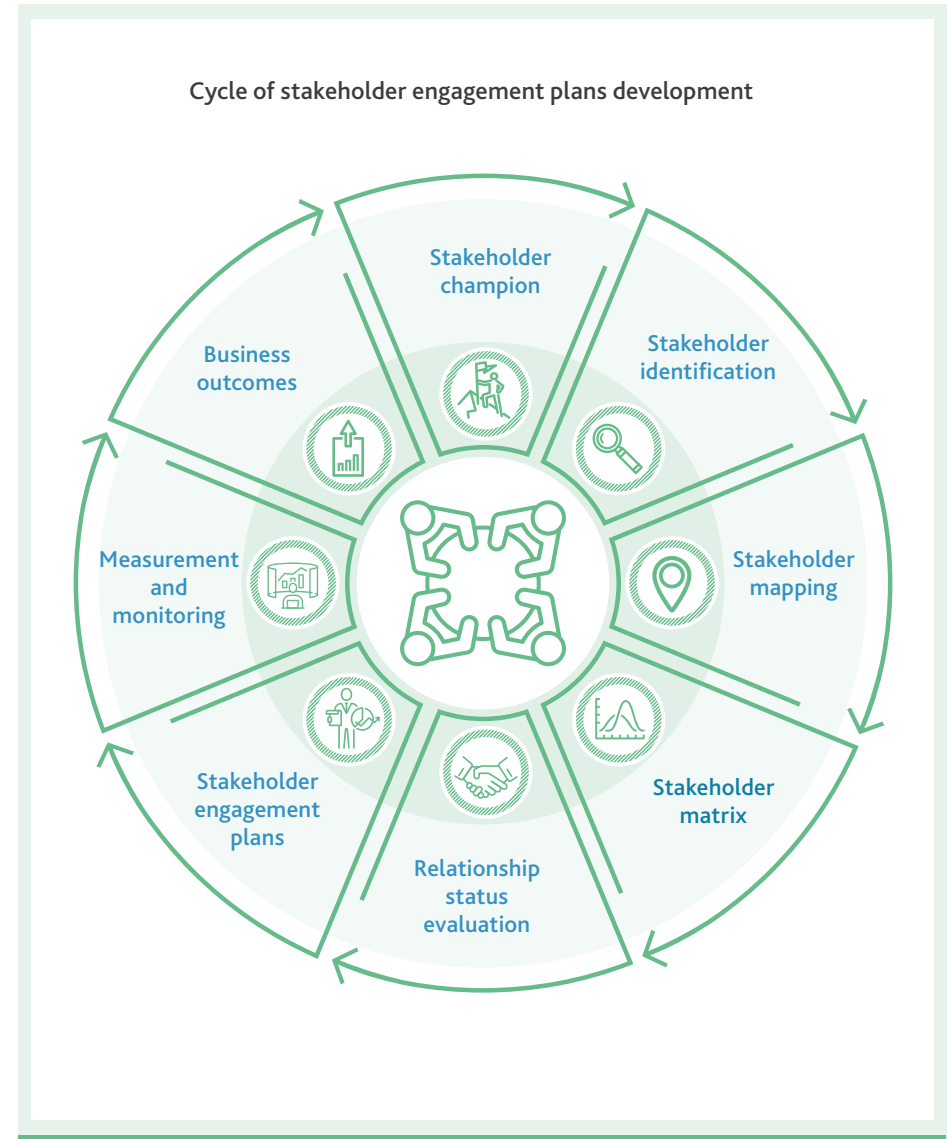
**Stakeholder relations management**

Stakeholders are at the heart of what we do. Since 2018, we have been on a journey to become more stakeholder-centric guided by our Stakeholder Relations Management Strategy. The pandemic has highlighted the role of stakeholder engagement in value creation and our long-term sustainability. This cultural shift, across the company, has increased our level of engagement and encouraged us to be more proactive in all situations.

During the year under review, we prioritised engagement with the following stakeholders:

- The financial community and government on our response around funding initiatives, liquidity management and the long-term sustainability of the business.
- The aviation industry and government entities on the closure of airports, repatriation flights and cargo movement.
- The government, aviation industry and the private sector on the initiative to ensuring the business's sustainability.

The following cycle outlines our plan to continuously engage stakeholders.



### Our stakeholder groups



### Our stakeholder categories

The following table illustrates how we categorise stakeholder groups and has been updated in the year under review.

VALUE CREATION					
Stakeholder category					
Passengers, airlines, tenants and concessionaires			Internal stakeholders		
Stakeholder group					
Passengers and customers	Domestic and international airlines	Tenants and concessionaires	Employees	Unions	Board of Directors
Engagement approach					
• Traditional media, digital platforms	• Meetings	• Meetings and group presentations	• CEO live broadcast • Virtual Town Hall sessions	• Virtual consultation sessions	• Board Meetings
●	●	●	●	●	● KPI- Reputation Index
Stakeholder issues					
• Airports processes and service offerings	• Traffic development and operational efficiency	• Conducive business environment	• COVID-19 impact and staff cost reduction	• COVID-19 impact and staff cost reduction	• Revised strategy and financial plan
Outcomes					
• Passenger satisfaction	• COVID-19 impact and operational response plan	• Alignment with commercial strategy	• Employee satisfaction	• Engaged union	• Approval of revised strategy and financial plan

#### Group KPI



Operational and capital allocation



Reputation Index



ASQ



Non-aeronautical revenue



% Black business share of commercial revenue generated

#### Status

- - Positive
- - Neutral

ENABLING

Stakeholder category							
Oversight and regulation				Shareholders	Finance community		
Stakeholder group							
DoT National Treasury	Economic Regulating Committee	National Treasury	Portfolio Committee on Transport	DoT, PIC, minority	Investors	Lenders	Moody's
Engagement approach							
<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Shareholder meetings</li> <li>Quarterly meetings</li> <li>Parliament presentation</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly scheduled meetings</li> <li>One-on-one update meetings</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly scheduled meetings</li> </ul>	<ul style="list-style-type: none"> <li>Oversight visits</li> <li>Parliament presentation</li> </ul>	<ul style="list-style-type: none"> <li>AGMs</li> <li>Scheduled update meetings on COVID-19 impact and revised strategy and financial plan</li> </ul>	<ul style="list-style-type: none"> <li>Investor virtual conference</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Investor roadshows</li> <li>One-on-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>One-on-one meetings</li> </ul>
			KPIs- Reputation Index, Capital allocation, Non-Aeronautical Revenue Job creation %Black Business share of commercial revenue generated 				Capital Allocation, OPEX Allocation 
Stakeholder issues							
<ul style="list-style-type: none"> <li>Alignment to government mandates</li> </ul>	<ul style="list-style-type: none"> <li>Long-term industry sustainability and licence to operate</li> <li>Revised Financial Plan</li> <li>Capital expenditure performance</li> <li>Service standards</li> </ul>		<ul style="list-style-type: none"> <li>Alignment with government mandates</li> <li>Compliance to COVID-19 Regulations</li> </ul>	<ul style="list-style-type: none"> <li>Financial/business performance</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance operational updates under COVID-19</li> <li>Revised strategy and financial plan</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Revised financial plan</li> <li>Response to COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>Revised corporate plan</li> </ul>
Outcomes							
<ul style="list-style-type: none"> <li>Ministerial buy-in to our revised corporate plan and support in the form of guarantees should the COVID-19 impact worsen</li> </ul>	<ul style="list-style-type: none"> <li>Get a buy-in from the committee on the permission cycle proposed. Permission cycle extension to five years</li> </ul>	<ul style="list-style-type: none"> <li>With COVID-19 impact, request for support in the form of equity injection</li> </ul>	<ul style="list-style-type: none"> <li>Support on the revised strategy and financial plan</li> </ul>	<ul style="list-style-type: none"> <li>Revised corporate plan approval</li> <li>Monetisation of assets and preference shares</li> </ul>	<ul style="list-style-type: none"> <li>Access to funding</li> </ul>	<ul style="list-style-type: none"> <li>Access to funding</li> <li>Secure waiver on financial covenants</li> </ul>	<ul style="list-style-type: none"> <li>Access to funding</li> </ul>

Group KPI



Operational and capital allocation



Capital allocation



Reputation Index

Status

- - Positive
- - Neutral

SOCIAL RESPONSIVENESS				
Stakeholder category				
Independent stakeholders	Dependent stakeholders			
Stakeholder group				
Media	Community	NGOs	Environment	Activists and special interest groups
Engagement approach				
<ul style="list-style-type: none"> <li>Interviews</li> <li>Media briefings meetings</li> </ul>	Meetings			
●	●	●	●	●
Stakeholder issues				
<ul style="list-style-type: none"> <li>Information sharing on our business</li> </ul>	<ul style="list-style-type: none"> <li>Community development and programmes</li> </ul>	<ul style="list-style-type: none"> <li>Community development and programmes</li> </ul>	<ul style="list-style-type: none"> <li>Ways to reduce environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Alignment with our business approach on key issues</li> </ul>
Outcomes				
<ul style="list-style-type: none"> <li>Positive reporting on our business</li> </ul>	<ul style="list-style-type: none"> <li>Transformation and creating sustainable livelihood programmes</li> </ul>	<ul style="list-style-type: none"> <li>Transformation and creating sustainable livelihood programmes</li> </ul>	<ul style="list-style-type: none"> <li>Environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Increase reputation</li> </ul>

INDUSTRY				
Stakeholder category				
Industry bodies			Private sector	
Stakeholder group				
Associations	ACI, ICAO, IATA	Tourism bodies	Partners Air Access	Joint venture partners
Engagement approach				
Meetings	Conferences and forums	ROCE	Meetings and forums	Meetings
●	●	●	● KPI- Capital allocation	● KPI- Non-Aeronautical Revenue
Stakeholder issues				
<ul style="list-style-type: none"> <li>Traffic development and operational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Global innovation</li> <li>Defining future travel post-COVID-19</li> <li>Aviation security and COVID-19 protocols</li> </ul>	<ul style="list-style-type: none"> <li>Traffic and route development – alignment with airlift strategy and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Traffic and route development – alignment with airlift strategy and collaboration on COVID-19 recovery</li> </ul>	<ul style="list-style-type: none"> <li>Equity investments and concessions partnerships</li> </ul>
Outcomes				
<ul style="list-style-type: none"> <li>COVID-19 impact and operational response plan</li> </ul>	<ul style="list-style-type: none"> <li>Improve passenger experience under COVID-19 regulations</li> </ul>	<ul style="list-style-type: none"> <li>Growth of trade and tourism</li> </ul>	<ul style="list-style-type: none"> <li>Growth of trade and tourism.</li> <li>Collaborate on response to COVID-19 impact</li> </ul>	<ul style="list-style-type: none"> <li>Increase equity investments</li> </ul>

**Group KPI**



Operational and capital allocation



Reputation Index



Job-creation opportunities



B-BBEE




ACI Carbon level

**Status**

- - Positive
- - Neutral

### Our strategic risks and mitigation commitments and advances

Managing risks and recognising opportunities underpin our ability to create sustained value for our stakeholders. To deliver on our strategy, we must be responsive to opportunities, as well as the associated risks, without jeopardising the direct interests of stakeholders. We have robust risk management processes set out in our integrated risk management framework, which is supported by the Company's governance structures. Please refer to page 21 in our Governance and Remuneration Report for full details. 

In the previous financial year, we outlined identified risks focused on expansion and several other areas. However, with the onset of the pandemic, COVID-19-related risks took precedent. Our risk universe in the year under review was dynamic and subject to many externalities. Our management team, with oversight by the Board, rose to the challenge of responding to the widespread impact of the pandemic and the uncertainty that remains pervasive. Please refer to page 22 in our Governance and Remuneration Report for full details on our integrated risk management framework. 

Broadly, the immediate areas of concern in risk management over the period included:

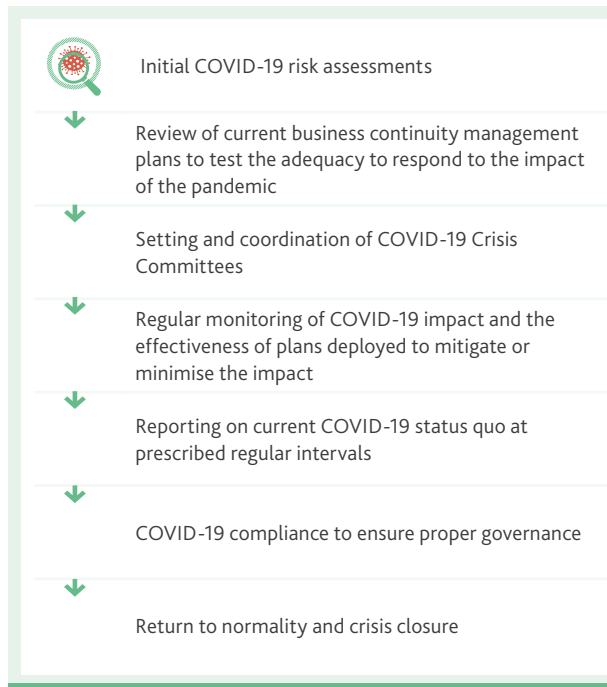
#### Safety and security

We are in the business of people and our stakeholders must come first in everything we do. Accordingly, the safety and security of the people for whom we are responsible was our primary focus. The related risks to our employees


and passengers were addressed with the swift implementation of stringent protocols developed through engagement with the ACI based on guidance by the International Civil Aviation Organisation (ICAO) and the IATA.

#### Business continuity management

In addressing the key risks and mitigations associated with business continuity management, we followed a structured approach outlined in the infographic below. This approach was adopted from the outset when only minimal services were required and will continue to be enacted until the final phase is reached.



### Sustainability of the Company in the short, medium and long term

Our leadership has adopted a proactive and agile approach to addressing the looming sustainability risk. With operations and revenue thwarted by global lockdowns and travel bans in the year under review and facing bleak prospects of a recovery stretching over the next eight years, securing the long-term future of our business requires flexible and innovative thinking. We actively monitored and addressed risk in close collaboration with stakeholders. We embarked on extensive scenario planning to enhance our response to current and future operational disruptions. As a result, we revised our strategy to adapt to our current financial possibilities and limitations. (Please see further details on page 39).  Accordingly, our assessment of the risk and risk register had been revised. The top 10 risks we face are outlined below.



## TOP 10 Risks

Refer to our Governance and Remuneration report for detailed causes and consequences.

### #1 SUSTAINABILITY RISK

Our capacity to remain in business and to adapt or quickly recover from the adverse events and effects of the COVID-19 pandemic could be threatened by diminishing opportunities to generate revenue.

#### MITIGATION AND CONTROLS

- Revision of the corporate plan and financial plan
- Long-term financial planning capability secured
- Implementation of cost-containment measures
- Financial support through issuing of shares
- Active liquidity management
- Strategy and governance framework and operating model in place
- Partnerships with other spheres of government to promote tourism

#### RISK RATING:

Catastrophic

#### LIKELIHOOD:

Likely

Risk owner:  
CEO: Mpumi Mpofu

### #2 FINANCIAL SUSTAINABILITY RISK

Our ability to execute our strategic objectives in the short, medium and long term may be impacted by constraints on revenue that will lead to a weaker financial position and financial performance.

#### MITIGATION AND CONTROLS

- Economic regulatory framework allows for a reset every three years
- Long-term financial planning capability within finance
- Economic regulatory specialist capability
- Constructive engagement process that complies with and goes beyond the requirements of the economic regulator
- Participation in the Economic Regulatory Review Process led by the DoT
- Conservative financial planning approach, inclusive of scenario planning

#### RISK RATING:

Catastrophic

#### LIKELIHOOD:

Likely

Risk owner:  
CFO: Siphamandla Mthethwa

### #3 UNPREDICTABILITY BY THE ECONOMIC REGULATOR

A lack of predictability relating to our aeronautical revenue impacts our ability to plan and invest in the necessary infrastructure to meet future demand.

#### MITIGATION AND CONTROLS

- Participation in the Economic Regulatory Review process led by the DoT
- Amendments proposed to the Airports Company Act that introduces an appeals mechanism
- Constructive engagement process that complies with and goes beyond the requirements of the economic regulator
- Stakeholder engagement plan that includes targeted engagements with the economic regulator

#### RISK RATING:

Critical

#### LIKELIHOOD:

Highly likely

Risk owner:  
CFO: Siphamandla Mthethwa

### #4 GROWING NON-AERONAUTICAL REVENUE

Diversifying our revenue stream by leveraging opportunities in non-aeronautical revenue offsets the risk of dependency on a regulated income stream. An inability to pursue this diversification could impact the long-term sustainability of the business.

#### MITIGATION AND CONTROLS

- Legislation framework in place
- Commercial strategy approved
- Stakeholder engagement plan in place
- Standardised process for rental case negotiations developed

#### RISK RATING:

Critical

#### LIKELIHOOD:

Highly likely

Risk owner:  
GE: Jabulani Khambule

### #5 CYBER-SECURITY

Ensuring readiness to protect against advancing and sophistication of cyber-criminals.

#### MITIGATION AND CONTROLS

- Cyber-security experts employed
- Investment in cyber-security insurance to mitigate against advancing sophistication of cyber-criminals
- Compliance plan for external regulations Protection of Personal Information Act (POPIA), General Data Protection Regulation (GDPR), Payment Card Industry Data Security Standards (PCI DSS), Minimum Information Security Standards (MISS) in place
- Cyber-security strategy developed and implemented
- Technology security tools in place to prevent data leakages and connectivity incidents
- Use of unique usernames and passwords to authenticate and authorise access to systems and information mandated

#### RISK RATING:

Critical

#### LIKELIHOOD:

Highly likely

Risk owner:  
CIO: Mthoko Mncwabe

### #6 SAFETY AND SECURITY RISK

Ensure readiness to protect public safety, prevent criminal activity and provide a safe environment at airports to prevent possible injuries and loss of life.

#### MITIGATION AND CONTROLS

- Vetting of key personnel is in progress
- Vuvuzela Hotline in place
- Anti-corruption Awareness campaigns undertaken
- Security forums established internally
- Participation in external security forums and access to information from other aviation industry partners
- Engagement with other local and international agencies
- Airport security programme and surveys in place
- Regular collaboration with South African Police Service, Crime Intelligence, State Security Agency SACAA audits conducted
- Internal audit/combined assurance
- Management Committee oversight
- Airside standard operating procedures in place
- Monthly airside Safety Committee meeting scheduled
- Airside service provider service level agreement in place

#### RISK RATING:

Catastrophic

#### LIKELIHOOD:

Likely

Risk owners:  
COO: Fundi Sithebe (Aviation Safety)  
GE: Badisa Matshogo (OHS)  
GE: Mzwandile Petros

### #7 DIGITAL TRANSFORMATION

An inability to adopt and deliver resilient and secure digital and/or disruptive platforms and technologies that transform current and future business strategic objectives will result in eroding of our offering and reputation as world-class airports.

#### MITIGATION AND CONTROLS

- Digital strategy in place and aligned with the knowledge and innovation strategy, enterprise security strategy, enterprise risk management and business continuity framework
- Information Management Committee monitors the implementation of the information management plan
- Appropriate IT architecture in place

#### RISK RATING:

Critical

#### LIKELIHOOD:

Highly likely

Risk owner:  
CIO: Mthoko Mncwabe

## #8 LEGISLATIVE REGULATORY COMPLIANCE

Non-compliance/conformance to relevant legislation, regulations, policies and procedures could compromise safety and security, threaten our licence to operate and damage our reputation.

### MITIGATION AND CONTROLS

- Compliance universe mapped
- Training and awareness conducted
- Policies, frameworks, manuals and procedures monitored
- Compliance risk management plans in place
- Compliance assurance plans in place
- Compliance management procedure in place
- Integrated compliance management system in place

#### RISK RATING:

Critical

#### LIKELIHOOD:

Likely

Risk owner:  
GE: Bongive Mbomvu

## #9 BRAND, REPUTATION AND STAKEHOLDER MANAGEMENT

Failure to manage and improve reputation through the effective management of the brand and various stakeholders could cause reputational damage, compromise relationships with key stakeholders and impact our ability to raise capital.

### MITIGATION AND CONTROLS

- Stakeholder relation management policy
- Stakeholder engagement plans
- Stakeholder risk intervention portfolio
- Focused engagements with critical stakeholders
- Monitoring and assessment of stakeholder perceptions
- Implementation of stakeholder engagement plans
- Proactive internal and external stakeholder communications
- Internal communication strategy and plan
- Annual internal communication survey
- Airport stakeholder feedback surveys
- Proactive brand communication
- Comprehensive communication strategy
- Approved social media procedure and social media presence
- External communication procedure
- Crisis management procedure in place
- Approved ethics and anti-corruption policies
- Ethics risk assessment and ethics management plan

#### RISK RATING:

Critical

#### LIKELIHOOD:

Likely

Risk owner:  
GE: Refentse Shinner

## #10 BUSINESS INTEGRATION AND OPERATIONAL PLANNING

An inability to effectively execute operational objectives as a result of a lack of strategic and operational planning, an erosion of skills, a lack of business intelligence and incorrect resource allocation could impact our service offering, reputation and cause stakeholder dissatisfaction.

### MITIGATION AND CONTROLS

- Corporate strategy planning undertaken
- Business process modelling undertaken
- Critical business process identified
- Alignment of strategy and operational planning
- Established governance processes
- Regular review of governance structures and delegation of authority
- Customer and stakeholder surveys to continuously monitor prioritisation to align business demand

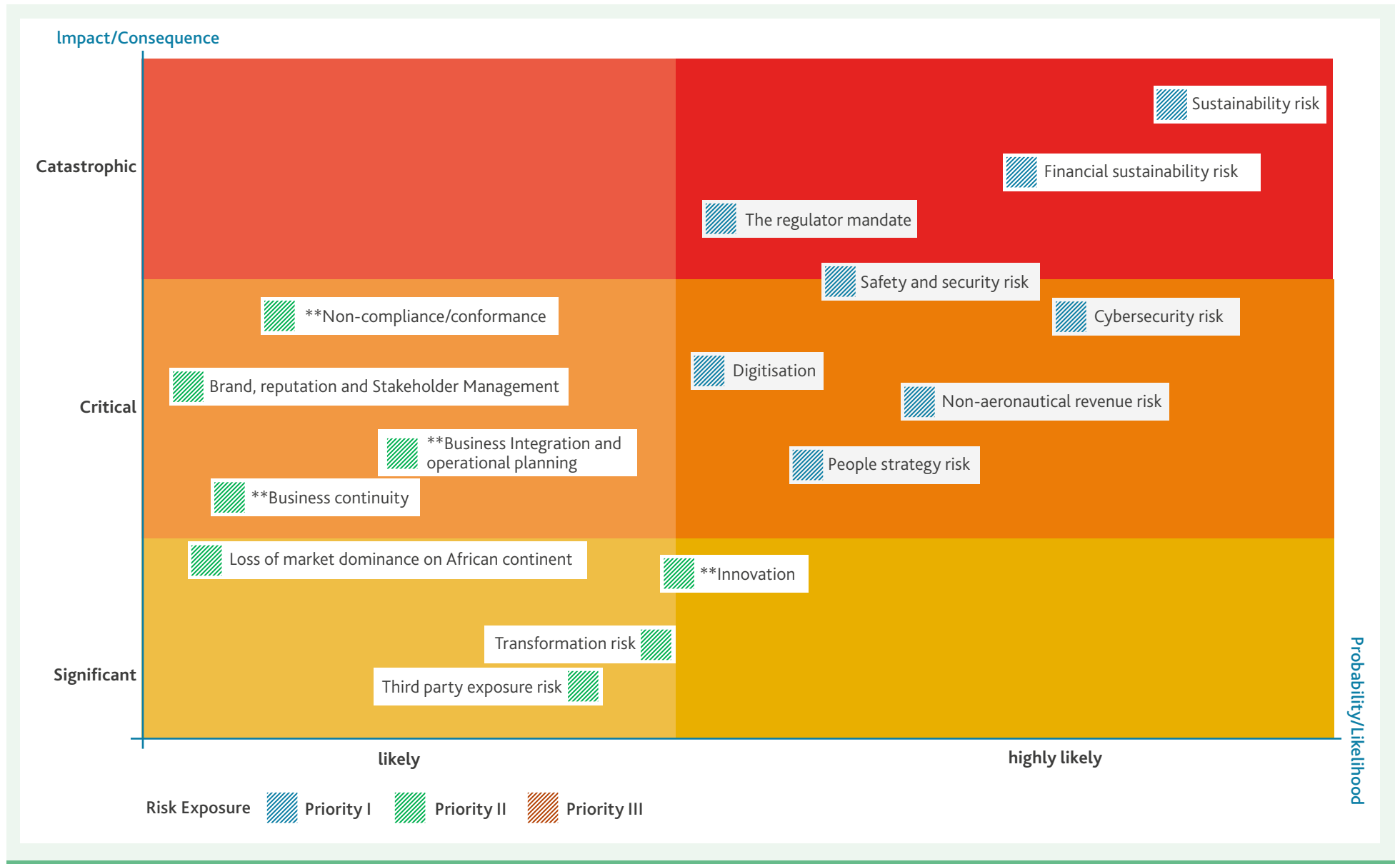
#### RISK RATING:

Critical

#### LIKELIHOOD:

Likely

Risk owner  
COO: Fundi Sithebe



\*\* new risks



## Material matters analysis

A volatile external environment coupled with changes in stakeholder expectations and perceptions in FY2020/21 require that we reflect on these material matters as they have affected or may affect our ability to create and preserve value. In our material matters analysis, we briefly describe each material matter as well as our desired outcome. This is followed by our response to the material matter and its impact on our stakeholders. We have also linked the key risks, trade-offs and strategic objectives relevant to each material matter.

### Material matter: Disruptive global shifts

#### Description

A significant impact of globalisation is the increased risk to national economies of external shocks over which they have little control. Globalisation means economies are increasingly interconnected and interdependent and, while this generates long-term gains in terms of trade, growth and jobs, it also presents economies and various industries within them with risks and challenges. External economic shocks have had an unprecedented significant impact on the air transport sector this year.

The COVID-19 pandemic had a profound negative impact our operations. The virus led to a major global recession and a deep downturn in the local economy. Uncertainty as to how long the impact of the pandemic will last and the effect on the air transport sector endures. The pervasiveness and uncertainty of these global impacts lead to ambiguity in terms of future predictive models and risk-mitigation strategies.

#### Our response

Our response to the pandemic demonstrated the agility and decisiveness of our leadership that adopted a scenario-planning approach to charting a way forward through these multitudes of challenges we face.

#### Impact on stakeholders

- National lockdowns globally and in South Africa influenced passengers' ability to travel and the ability of suppliers and service providers to operate.

#### Risks

- Sustainability risk
- Financial sustainability risk
- Unpredictability by the economic regulator
- Growing non-aeronautical revenue
- Cybersecurity
- Safety and security risk
- Business integration and operational planning

#### Trade-offs

- The pervasiveness and uncertainty of these global impacts lead to ambiguity in terms of future predictive models and risk mitigation strategies.

#### Strategic objectives

- Financial sustainability
- Increase our reputation through demonstrated business excellence
- Transform Airports Company South Africa's business
- People and culture

**Material matter: Transformation**

**Description and desired outcome**


Our mandate requires we make a positive contribution to the economic growth and development of South Africa through the promotion of inclusive growth that boosts the economy, creates jobs and empowers people. We strive to transform our business, our people, our society and our environment to address inequality, strengthen our democracy and promote sustainable use of environmental resources.

**Our response**

Internally, we transform our people through management control, ensuring employment equity and providing skills development opportunities. Externally, we focus on the formation of empowerment partnerships through preferential procurement and enterprise development in seven sectors.

As a State-owned company, we believe our approach to value creation must be focused on addressing the legacies of our economic imbalances to deracialise and achieve fairness and equity in the South African economy. To drive and advance our transformation agenda, we focus on four key priority areas namely, increased market access for new black entrants; building capacity for small and medium enterprises providing training and up-skilling opportunities to grow; increasing the number of black business contributing towards sector participation and promoting access to funding through strategic partnerships with development financial institutions. We achieve this through enterprise and supplier

development programmes, skills development programmes, corporate social investment and sustainable socio-economic development programmes within our business, communities and in the country at large, given our national footprint.

Refer to page 62 for more information on our transformation activities in the year under review. 

**Impact on stakeholders**

- We create advancement opportunities for all our employees in line with our transformation agenda.
- Our suppliers – particularly local small, medium, micro suppliers and service providers, and black-owned businesses – rely on us to provide opportunities to advance transformation.
- Our socio-economic development programmes empower local communities.

**Risks**

- Sustainability risk
- Growing non-aeronautical revenue

- Digital transformation
- Legislative regulatory compliance
- Brand, reputation and stakeholder management

**Trade-offs**

- A reduction in profits will inevitably result in lower socio-economic development contributions.
- We take a balanced approach to the implementation of transformational initiatives and ensure we follow legal requirements.

**Strategic objectives**

- Transform Airports Company South Africa's business

## Material matter: Economic regulation

### Description

Our aeronautical income is derived from regulated charges or tariffs. These consist of aircraft landing and parking charges, and passenger service charges. The Airports Company Act provides for an independent statutory body, the Regulating Committee, to oversee the economic regulation of Airports Company South Africa. These charges are reviewed in three-year cycles. The unpredictability of regulatory decision-making regarding regulated charges impacts long-term financial and infrastructure planning and decision-making.

The current tariff promulgation, which allowed for a 5.8% increase in airport charges in FY2018/19 with no further increases until FY2020/21, applies until 31 March 2021. As a result of COVID-19, the Regulating Committee has taken a decision to run the current permission to the end. A new application will be submitted in June 2022. Increases of 3.3% and 3.6% will apply to 2021/22 and 2022/23 respectively.

### Our response

We are engaging the Economic Regulator on the best economic regulatory framework to facilitate our road to recovery. We also engage with the DoT on an ongoing basis.

### Impact on stakeholders

- A lack of predictability relating to our aeronautical revenue impacts our ability to plan and invest in the

necessary infrastructure to meet future demand, which in turn impacts the wider economy and stakeholders that operate in our aviation ecosystem such as airlines, passengers and tenants.

### Risks

- Sustainability risk
- Financial sustainability risk
- Unpredictability by the economic regulator

### Trade-offs

- Growth of assets, as a result of traffic volume growth, is funded through the regulatory model. Constraints on revenue generation, owing to the regulatory model, limits growth opportunities and places pressure on non-aeronautical revenue generation.

### Strategic objectives

- Financial sustainability

## Material matter: Technology and digitisation

### Description

Technology and digitisation enable improved airport operational efficiency as well as the improved management of safety and security. Most of our stakeholders continue to demand innovation and embrace new initiatives. While advances in technology and digitisation represent an opportunity, we must remain aware of the potential risks.

### Our response

Our IT/digital strategy ensures we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience while protecting our information and systems. In FY2020/21, several initiatives that form part of this strategy were placed on hold because of financial constraints. However, key initiatives have been identified, prioritised and funds made available to ensure our operation remain efficient and safe.

Please refer to page 86 for an overview of IT and digitisation in the year under review.

### Impact on stakeholders

- Our increased use of technology enabled us to safely process passengers, engage with multiple stakeholders online and provide a digitally enabled working environment for our employees.

### Risks

- Cyber-security
- Safety and security risk
- Digital transformation
- Legislative regulatory compliance

### Trade-offs

- Technological advancement and digitisation require a high level of capital investment. While some investments have been postponed in the short term to support liquidity, there may be higher cost implications in the long term.

### Strategic objectives

- Increase our reputation through demonstrated business excellence

**Material matter: Growth opportunities**

**Description**

Airports Company South Africa's global and domestic growth outlook remains a cornerstone of our strategic plans. While our short-term focus is on navigating the current market, our growth ambitions are centred on rebuilding our network following the suspension of routes by numerous airlines. To maintain and develop our footprint, we actively seek opportunities in South Africa, Africa and internationally that will provide alternative sources of revenue and improve our long-term sustainability.

To support economic growth, we will respond to the opportunities presented by the African Continental Free Trade Agreement, export through cargo and tourism growth even in the domestic market. The development of Aerotropolis will present opportunities for smart high technology-based developments around our airports of O.R. Tambo, King Shaka and Cape Town International. The development, underpinned by a focus on business intelligence, digitisation, technical advisory and consultancy service capability based on process knowledge and other technical expertise, will enable the growth of our footprint.

**Our response**

To support our revised strategy, an enhanced operating model backed by a fit-for-growth capability model was developed to enable our continued focus on growth.

**Impact on stakeholders**

- The diversification of our revenue reduces our dependence on aeronautical revenue and debt to finance capacity expansion and other projects.
- Our growth creates employment and stimulates economic activity beyond our internal operations.

**Risks**

- Financial sustainability risk
- Unpredictability by the economic regulator
- Digital transformation

**Trade-offs**

- By diversifying our revenue sources, we reduce our dependence on aeronautical revenue.

**Strategic objectives**

- Financial sustainability
- Diversify business portfolio
- Transform Airports Company South Africa's business

## Material matter: Safety and security

### Description

The review of our security model is critical and will be achieved through benchmarking against the best international models, continuously engaging with law enforcement partners and investing in security advancements, including integrated communication systems. Prevention and threat response procedures are in place to deal with crises and ensure the continuity of operations. The adoption of an integrated safety and security approach throughout our environment is necessary to enhance airport and aviation security in general.

### Our response

We continue to engage with various stakeholders including the South Africa Civil Aviation Authority (SACAA) and our law enforcement partners and invest in security advancements to mitigate safety and security risks. Preventative measures, as well as threat response procedures, are in place at all our airports to deal with crises and ensure the continuity of operations.

### Impact on stakeholders

- Our airports remain free of major safety incidents or security breaches, thanks to our threat prevention and response procedures.

### Risks

- Safety and security risk
- Brand, reputation and stakeholder management

### Trade-offs

- Increased safety and security measures come at a

financial cost but also influence the processing speed and experience of passengers. It is therefore necessary to balance the need for operational efficiency with the need for increased levels of safety and security.

### Strategic objectives

- Increase our reputation through demonstrated business excellence
- Reduce our environmental impact
- People and culture


## Material matter: Access to and cost of funding

### Description

Poor perceptions of South Africa's economic prospects and financial management continue to plague the public sector. Combined with constraints on our core revenue, our ability to obtain affordable funding will be affected and may become a significant material threat to the long-term financial sustainability of our business.

### Our response

The Company has secured funding and strengthened its liquidity as a result of the issuing of shares, a Development Bank of Southern Africa loan and the sale of Mumbai International Airport Private Limited.

Please refer to page 36 for an overview of our financial standing from our CFO. 

### Impact on stakeholders

- Quality of service could be impacted as a result of ageing infrastructure or a lack of capacity.

### Risks

- Financial sustainability risk
- Unpredictability by the economic regulator
- Growing non-aeronautical revenue

### Trade-offs

- Whether we have access to funding influences our ability to embark on major built environment programmes, which in turn influences our capacity and revenue-generating possibilities. At the same time, the cost of funding necessitates that we are selective about the programmes we undertake.

### Strategic objectives

- Financial sustainability
- Diversify business portfolio
- Transform Airports Company South Africa's business

**Material matter: Acquisition and retention of skills**

**Description**

Our employees are an essential part of our value creation process as they have the skills needed in all our business activities. To effectively manage our skills mix, we attract, retain and appropriately develop employees with critical skills that support our sustainability in the long term. COVID-19 has, however, presented several challenges in retaining, developing and acquiring skills.

**Our response**

Our staff cost reduction programme led to many experienced employees leaving the company, a recruitment freeze and a reduction in training and development spend. Although these changes have impacted the organisation, the workforce optimisation procedure has mitigated this impact to ensure business continuity. These changes have also provided an opportunity for us to reconsider the skills needed to ensure long-term sustainability in line with our Governance Framework, Operating Model and our Recover and Sustain Strategy. Moreover, our people and culture strategy will enable us to better retain institutional knowledge, develop skills where necessary and attract key employees.

We continue to support our employees through a competitive remuneration mix. Additional benefits such as our housing and transport schemes and our bursary initiatives have, however, undergone several

changes to ensure the long-term sustainability of the programmes.

Externally, we have continued our support of skills development initiatives through our enterprise development programmes. While these programmes have also been affected by financial constraints brought on by the pandemic, we remain committed to contributing to job creation, in particular for the youth and within scarce skills in South Africa.

Refer to page 67 for more information on skills development, page 69 for more information on our enterprise development initiatives, and page 82 for more information on our employees. 📄

**Impact on stakeholders**

- Through consultation with various stakeholders, we have been able to implement our staff cost reduction programme effectively.

- Our employees have experienced increased work pressures in the year under review as a result of the impact of the pandemic.

**Risks**

- Sustainability risk
- Financial sustainability risk

**Trade-offs**

- Some roles will change while others may not exist as our business and the environment in which we operate adjusts. Without continuous training and re-skilling, we would need to acquire more external skills at great cost.

**Strategic objectives**

- People and culture

## Material matter: Natural environment

### Description

We strive to reduce our comparative impact on the environment through the effective management of aircraft noise and air pollution, bird strikes, water, electricity and fuel usage. However, our environmental impact is closely linked to our operational intensity. In times of growth, our impact increases and in times of reduced operations – such as the year under review – our impact decreases.

### Our response

We are proactive in the management of our impact through our environmental management system. We participate in the ACI's Airport Carbon Accreditation programme to ensure we hold ourselves to the highest international standards. As we start to experience financial constraints brought on by the pandemic, we remain compliant with all legislative requirements, while continuing to implement additional measures to manage our impact on the environment where possible.

Refer to page 73 for more information on our impact on the natural environment. 

### Impact on stakeholders

- The negative impact of our operations was significantly reduced in the year under review, owing to reduced operations.

### Risks

- Sustainability risk
- Legislative regulatory compliance
- Brand, reputation and stakeholder management

### Trade-offs

- While our negative impact on the environment has reduced significantly, we recognise that our impact will once again increase as operations increase. We must be proactive at this time and develop systems and processes to mitigate this impact. This will be possible only in partnership with various stakeholders.

### Strategic objectives

- Reduce our environmental impact
- Increase our reputation through demonstrated business excellence
- Transform Airports Company South Africa's business

# 4

# TRANSFORMATION

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Counters 37-54  
Waiting Gates  
Counters 1-36  
Information Desk

“

As a State-owned company,  
supporting transformation  
internally and within society  
is an intrinsic part of our value  
creation story.

“

# 2021

INTEGRATED  
ANNUAL REPORT

EMERGENCY  
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## OUR APPROACH TO TRANSFORMATION

Our approach to transformation is embedding an integrated, collaborative and sustainable approach to accelerate social and economic transformation agenda which focuses on transforming our business, our people and society and the environment in which we operate in order to effect meaningful and sustainable change. As a State-owned company, supporting transformation internally and within society is an intrinsic part of our value creation story. Our integrated transformation agenda is aligned to South Africa's National Development Plan, informed by our Sustainability Framework and focuses on transforming our people, supplier base, society and environment.

Our commitment to developing the socio-economic status of previously disadvantaged South Africans

through initiatives has always gone beyond legislation and focused on tangible developments to strengthen our democracy. To us, transformation is a process that collapses the barriers of exclusion and creates new opportunities, contributing to inclusive growth and stability, while fostering a bright and sustainable future for everyone who lives, works and travels in our country. We also acknowledge the environmental impact of our operations and are committed to managing this responsibly.

In the year under review, however, our transformation initiatives were severely impacted by the pandemic. While the transformation of our people, supplier base and society were negatively affected, our environmental impact was lessened. Our ability to transform is

closely linked to our performance overall and in an unprecedented year, we remained committed to meeting regulatory requirements and persisted in doing more with the resources that remained at our disposal.

This year, we fully developed our transformation policy and transformation barometer to track our progress on transformation. We also continued to manage and monitor transformation as a strategic objective through four KPIs outlined below. During the year under review, our B-BBEE level and ACI Airport Carbon Accreditation level from FY2019/20 has been upheld as the FY2020/21 accreditation cycle for both KPIs was delayed because of the impact of COVID-19.

	FY2020/21	FY2019/20
B-BBEE level	Level 2 contributor rating with 125% BEE Procurement Recognition Level	Level 2 contributor rating with 125% BEE Procurement Recognition Level
Black business share of commercial revenue generated	42	55.4%
Number of job opportunities supported	20 312	23 750
ACI Airport Carbon Accreditation level	Level 2 certification received for four airports	Level 2 certification received for four airports

## Integrated transformation agenda

### Transformation commitments

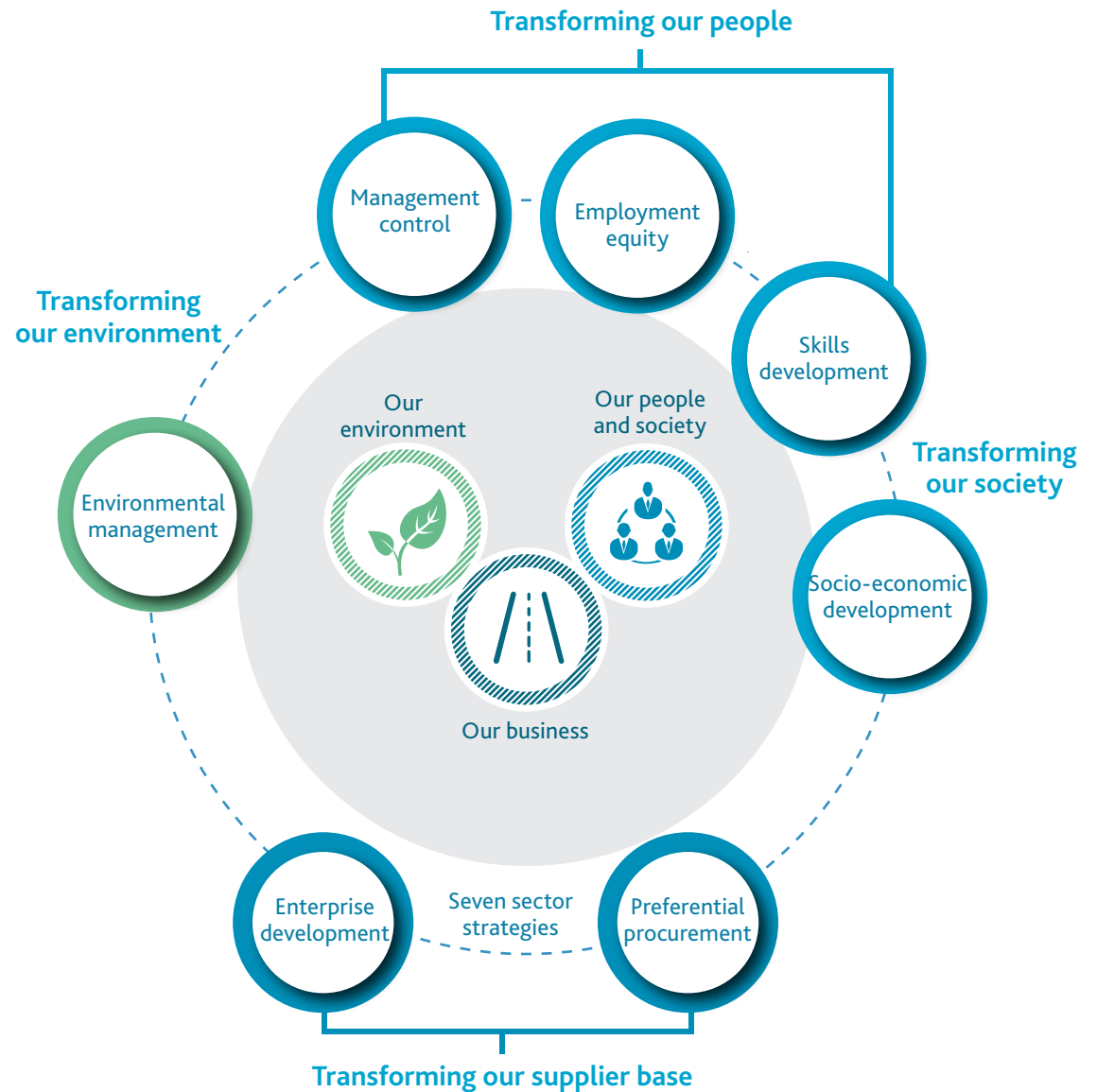
**Social:** Support socio-economic activities that empower communities for a better future around our airports.

**Moral:** Create equal opportunities that are reflective of fairness, transparency and the economically active population.

**Economic:** Develop small, medium and large enterprises to change our company to be more reflective of South Africa's demographics.

### Strengthening our democracy

Our transformation activities focus on enhancing South Africa's democracy



## TRANSFORMING OUR PEOPLE

In the year under review, we faced several challenges in meeting our transformation targets relating to management control, employment equity and skills development.

### Management control

The stability brought on by the appointment of our permanent CEO, Mpumi Mpofu, in February 2020 and permanent CFO, Siphamandla Mthethwa, in May 2020 proved invaluable in an unprecedented year. Their leadership provided consistency in uncertain times and assured all stakeholders that decisions made were well considered to ensure the long-term sustainability of the Company. Black representation at Executive Board level remained stable.

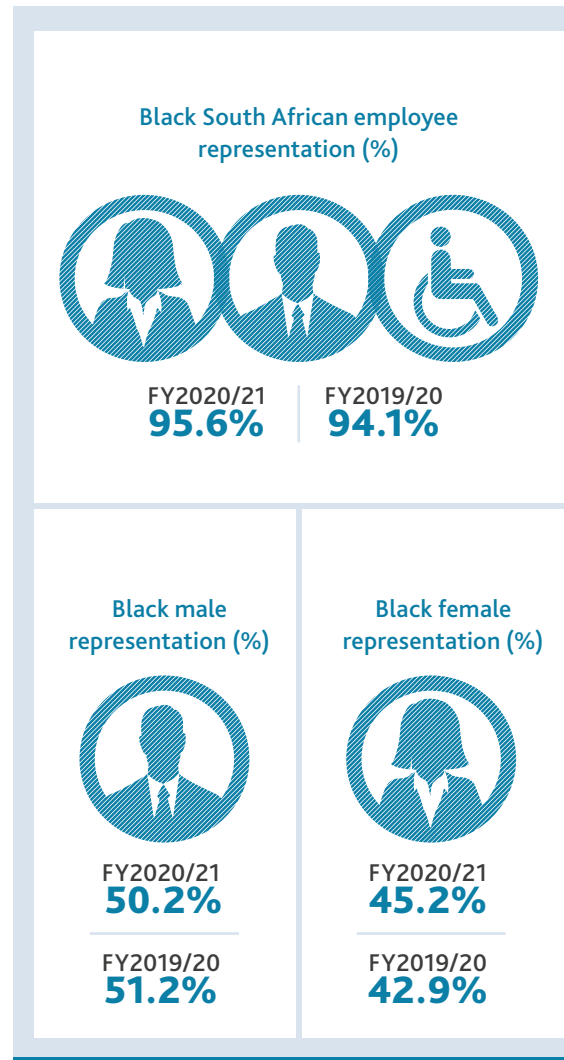
### Employment equity

Although delivering tangible employment equity outcomes across all management and employee levels remains a priority, the impact of the pandemic has led to delays in company-wide initiatives to enhance employment equity. Notably, the development of our successive employment equity plan has been delayed until 1 April 2021 as a result of the staff cost reduction programme. This programme had a direct impact on the development of the Company's successive employment equity plan which requires consultation with employees and set targets. All employment equity oversight committees have been updated on the development of the Company's successive employment equity plan.

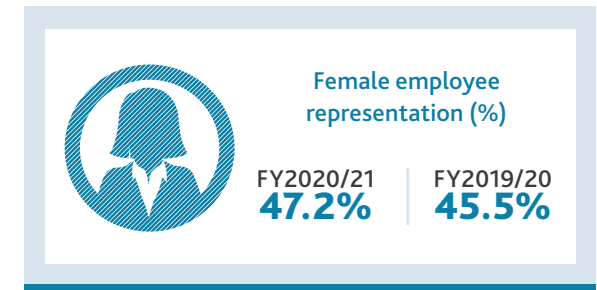
### Black employee representation

We remain committed to developing a workforce that is representative of the demographics of the economically active population of South Africa. In comparison to FY2019/20, black South African employee representation has increased 1.5% and black female

representation has increased 2.3%. Although these proportional shifts are positive, it must be considered in light of a reduction of total employees owing to our staff cost reduction initiative.



Total female representation in the workforce increased by 1.7% to 47.2% of 2 752 total employees. This is a proportional year-on-year improvement compared to the national economically active population for females of 45.3% but must also be considered in light of a reduction of total employees as a result of our staff cost reduction initiative.

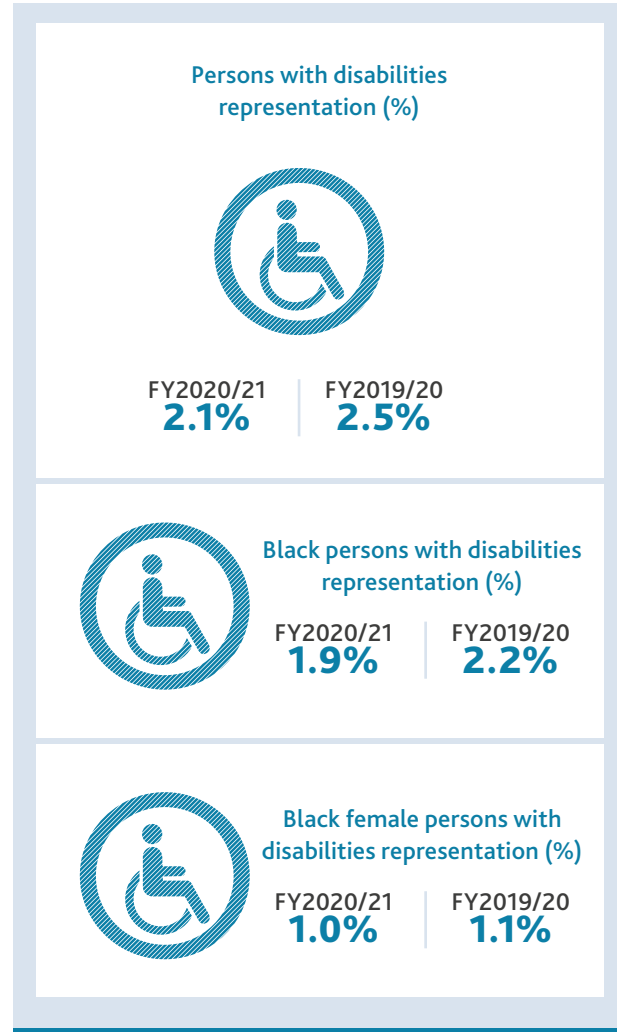


### Persons with disabilities

Supporting persons with disabilities remains a key focus area in transforming our people. Persons with disabilities representation did, however, decrease from 2.5% (FY2019/20) to 2.1% of our total workforce in FY2020/21, of which 1.9% were black persons with disabilities and 1.0% were black female persons with disabilities.

In 2019, we initiated an exercise to determine the reasonable accommodation requirements for employees with disabilities. Although the implementation of reasonable accommodation progressed well in FY2020/21, work from home conditions owing to COVID-19 impacted our ability to implement outstanding reasonable accommodation requirements. Persons with disability network support group meetings also continued; yet, because of a lack of access to computers and an internet connection, some employees with disabilities were not able to attend quarterly meetings.

We commemorated Disability Day in December 2020 and created further awareness of the need for inclusion and accessibility of persons with disabilities through online communications such as screensavers and email awareness campaigns.

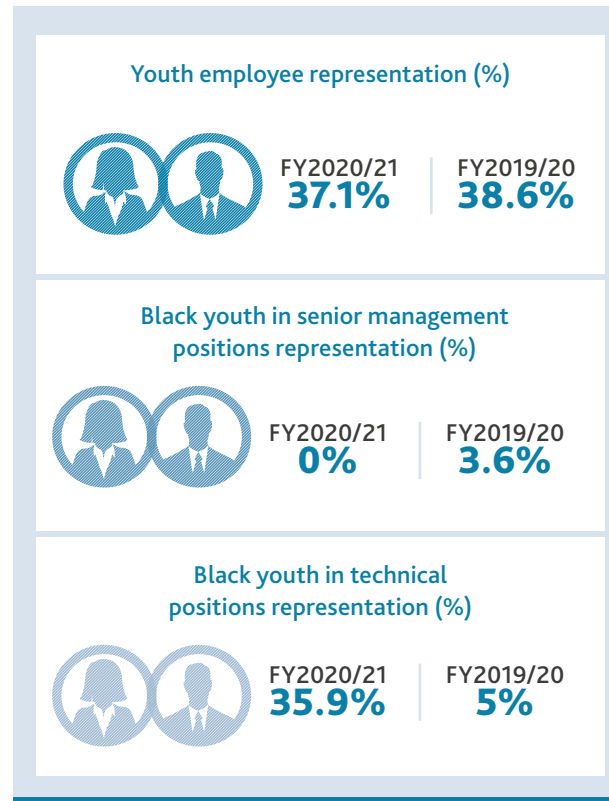


## Skills development

### Youth development

While youth skills development and empowerment remain key to ensuring the sustainability and future availability of critical skills in the aviation industry, the severe financial consequences of the pandemic on our business resulted in a moratorium on recruitment and limited opportunities for skills development.

The staff cost reduction programme further impacted youth representation.



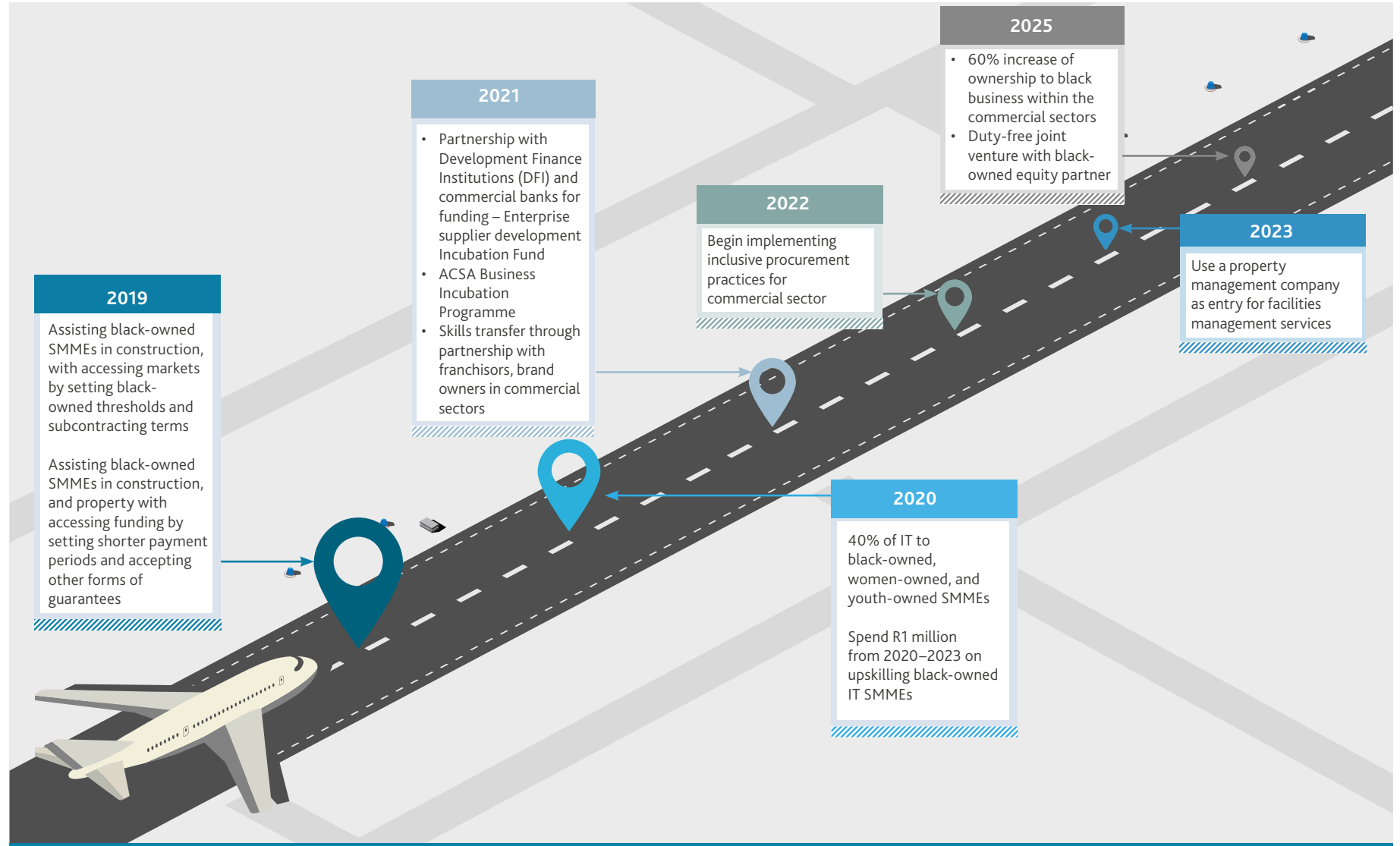
### The TETA/GIBS International Executive Development Programme for Women

TETA supports efforts to develop women into senior and executive positions within the aviation sector. The programme aims to equip women with integrated strategic management and leadership skills at an executive level and to align current business practices to global standards for increased competitiveness in the sector. Out of the 36 nominees who went through a rigorous selection process that included interviews and a case study, five candidates have been accepted into the programme which commenced on 26 October 2020. All five modules attended in block classes have been completed. The international module has been suspended until further notice due to COVID-19 restrictions.

For more information on our employee and employee children bursary schemes, see page 85.

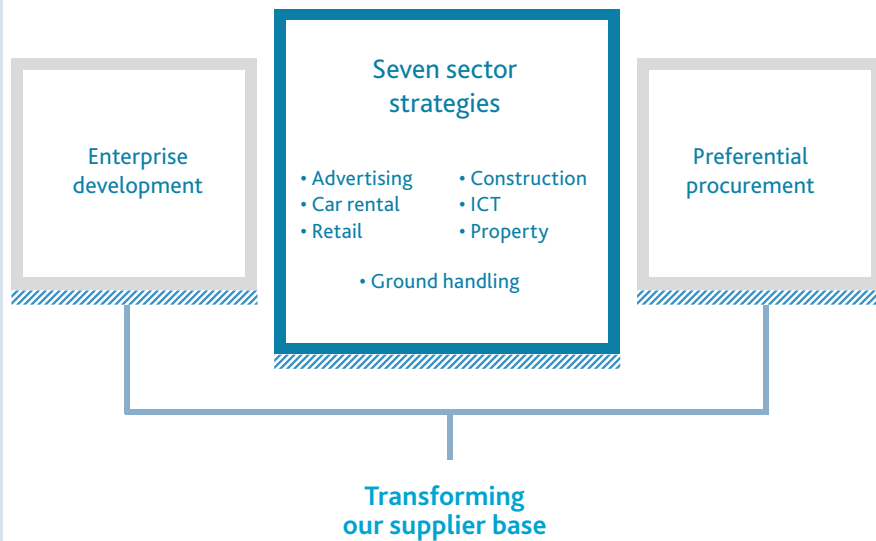
## TRANSFORMING OUR SUPPLIER BASE

Our economic transformation strategy – as illustrated below by our transformation runway – was developed and adopted in FY2019/20. The overarching strategy highlights key initiatives in our seven sector strategies.



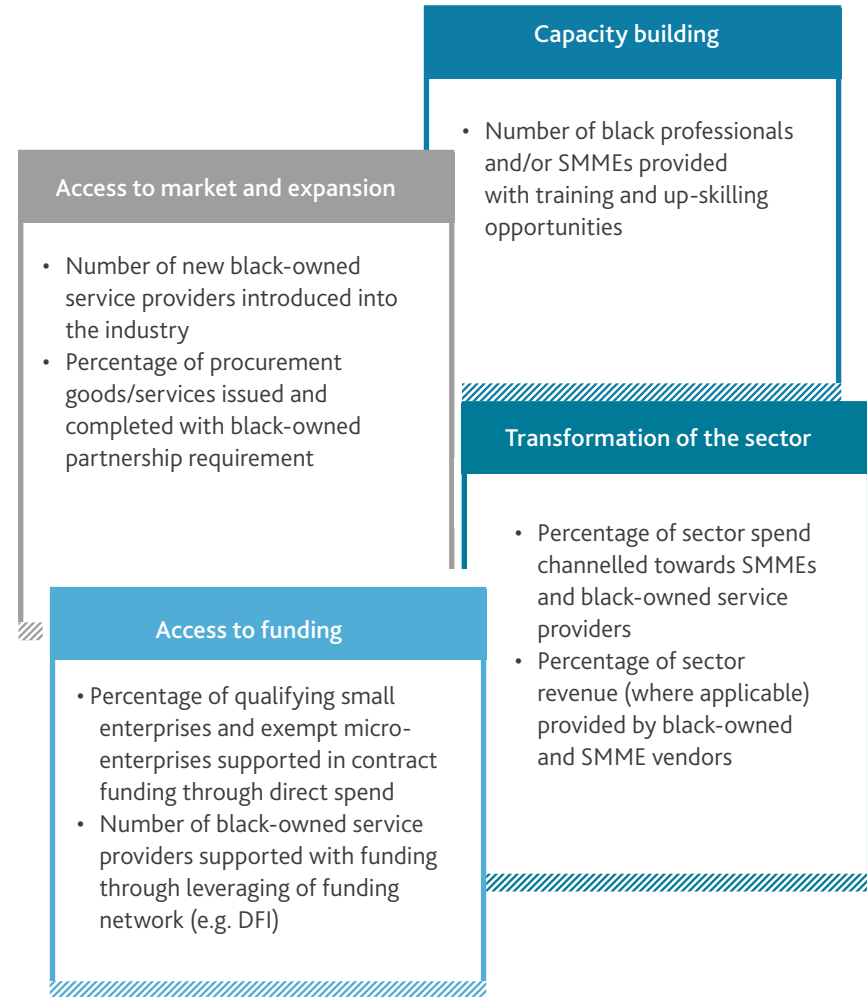
### Seven sector strategies

Our seven sector strategies are focused on preferential procurement and enterprise development. We engage in non-aeronautical revenue-generating commercial activities in the advertising, car rental and retail sectors. We contribute to the transformation of suppliers and service providers in these sectors through enterprise development. Although ground handling could be considered a commercial engagement, we do not generate any revenue from this sector; yet, we contribute to its transformation by setting transformational requirements in ground-handling contracts and by providing enterprise development opportunities. We further support the transformation of our supplier base in the construction ICT and property sectors through the preferential procurement of goods and services.



### Seven sector focus areas

Our seven sector transformation strategies focus on stimulating, monitoring and reporting on inclusive growth within four areas.



### Preferential procurement

Even though we faced similar challenges to our suppliers in the year under review, we needed to gain an understanding of their unique challenges to support them. Consequently, we identified our top 100 suppliers and engaged them to understand these challenges.

We also conducted a risk analysis of our top 20 suppliers and concluded that they may be at risk of losing their current B-BBEE status to a lower level owing to the impact of COVID-19. As a result, we engaged them as part of the supplier performance monitoring process and ensured they submit BEE improvement plans to maintain or improve their status for the remainder of their contracts.

In the year under review, we developed a barometer dashboard to monitor progress against our targeted procurement spend. Our revised flagship projects in construction, IT and commercial remain a priority to ensure preferential procurement targets within these sectors are met regardless of the extent of our procurement spend.

### Construction

Our overall performance in the construction sector exceeded the targets with 95% (R648.0 million) of procurement spend going to 51% black-owned suppliers, against a target of 35%; and 84% (R576.3 million) of procurement spend going to 51% black women-owned suppliers, against a target of 30%.

Furthermore, R237 million of the total spend supported EME/QSE suppliers, accounting for 35% of total spend. The five flagship projects are progressing well.

### IT

Significant progress was made in the IT sector with 93.94% (FY2019/20: 62%) of the total IT procurement going to black-owned companies, of which 43.7% were black women-owned, and 2.94% youth-owned.

### Property

Our economic transformation strategic objectives were realised through the construction of our new head office on a site adjacent to O.R. Tambo International Airport which is one of our flagship 10-year transformation projects. The project was completed and comprises three buildings that will house Airports Company South Africa and other prospective tenants. We continued to engage with advocacy organisations such as the South African Property Owners Association, the South African Institute of Black Property Practitioners and Women in Property Network. We also consulted our industry partners on an ongoing basis to enhance their understanding of how our transformation journey can contribute to our business.

### Commercial

Our three flagship commercial sector projects were on hold for a large part of the year as a consequence of lockdown restrictions. These resumed as the airports' commercial space increased operations.

An internal 10-year analysis of the top 20 commercial concessionaires concluded to determine whether there has been significant improvements or changes in B-BBEE ownership credentials for these group of concessionaires.

The black business revenue for the year accounted for 42% in core commercial revenue. The set target of 55% was missed as a consequence of the declining revenue from the retail businesses.

### Enterprise and supplier development

Our enterprise supplier development initiatives provide financial and non-financial support to SMMEs, leading to increased economic participation and stimulating job creation. Including SMMEs in our supplier base supports their growth while advancing our transformational imperative. With our support, SMMEs can grow to scalable businesses with the potential to become part of our supplier development programme and, ultimately, to become preferred procurement partners.

### Key enterprise and supplier development projects

In FY2020/21, several key enterprise and supplier development projects were affected by COVID-19.

Corporate Canteen – Café Zing	King Shaka International Airport – Ilembe Business Chamber collaboration	IT Enterprise Development Initiative
<p>We continued to contribute as an enterprise development beneficiary through the waiver of rental and utility fees. Although the enterprise development contract is valid until February 2021, the canteen was closed for the majority of the year and resumed operation only in January 2021.</p>	<p>The partnership with Ilembe Business Chamber continued in FY2020/21, supporting enterprise development initiatives. 20 SMME's benefited from the programme in its 10th celebratory year. The Chamber partnered with Gordon Institute of Business Sciences (GIBS) Entrepreneurship Development Academy who delivered a four-part masterclass to the participants. Finalists received exposure in a form of an exhibition. The winners received funding to boost their respective business plans, mentorship support as well as membership to the chamber.</p>	<p>Capacity building of SMMEs is one of the four strategic pillars of Airports Company South Africa's economic transformation strategy. Three of our IT suppliers were given the opportunity to register on Oracle Cloud Computing and were allocated 20 subscriptions each through Oracle University South Africa as enterprise development beneficiaries. The online training programme allows beneficiaries to study and complete at their own pace. Each learner has 12 months to complete the Oracle Cloud certification.</p>

## TRANSFORMING OUR SOCIETY

We transform our society by supporting historically disadvantaged communities near our airports as outlined by our socio-economic development strategy. Through the implementation of this strategy, we fulfil the legislative requirements as outlined in the Department of Trade and Industry's Codes of Good Practice, and the policies and programmes in the National Development Plan. In FY2020/21, we spent R14 million on projects across the country, and particularly in the communities in which we operate. Challenges that came about as a result of the COVID-19 pandemic impacted project schedules and progress, resulting in delays in the implementation of several projects.

### SED spend



Location	Description	Investment	Impact
<b>Education</b>			
Ikhohlwa Primary School, KZN Nqakathela Secondary School, KZN Tsholomnqa, near East London	We supported infrastructure refurbishments of Ikhohlwa Primary School's ablution and kitchen facilities, Nqakathela Secondary School's ablution facilities and science laboratory and Tsholomnqa secondary school's science laboratory, ICT centre, admin block and three extra classrooms.	R4.9 million	The provision of water and sanitation facilities has improved hygiene while the provision of kitchen facilities has improved the school's nutritional programme. The refurbishment of the schools' science laboratories and quality of science resources will support the quality of science classes. Direct job opportunities for local labour and SMEs were created during project implementation.
Dondashe Village, EC Walmer, Port Elizabeth, EC	Learner Development programme which provides extra holiday and weekend classes in Maths, Science and Accounting subjects.	R2.6 million	The programme has enhanced the academic performance of learners and created jobs in the surrounding community.
Kwa Dukathole Secondary School and Tsakane Secondary School, Gauteng	The learner and teacher development programme provides Grade 11 and 12 learners with academic support in key STEM subjects.	R2.7 million	The programme equips students with necessary skills in STEM subjects and provides learners with information on different tertiary institutions and prospective careers through a career expo.
<b>Philanthropic donation</b>			
EC, NC, FS, WC	Donation to the Smile Foundation towards facial reconstructive surgeries.	R1.4 million	The project impacted the physical and psychological well-being of 100 children.
National	Donation to the South African National Deaf Association towards skills development for people with hearing impairments.	R0.9 million	The project impacted 128 persons with hearing impairments.
EC, WC, Gauteng	Donation to Goodbye Malaria towards youth development.	R1.2 million	Through SMME skills development, the project created eight direct jobs and over 100 indirect jobs for seamstresses.
<b>Youth empowerment</b>			
NC	In partnership with the Central University of Technology, we provided training to unemployed youth through a diploma in renewable energy.	R1.1 million	The programme impacted 7 unemployed youth.
<b>Women empowerment</b>			
WC	Support for women empowerment through the Maiphathisane Bafazi sewing programme for unemployed elderly women.	R0.3 million	The programme impacted 15 women as part of a revenue-generation programme in which they were trained to be professional seamstresses.

## SOCIO-ECONOMIC IMPACT

Airports Company South Africa enables economic growth, transformation and socio-economic development through our operation. In the year under review, we once again conducted an economic impact study for FY2020/21, which enabled us to assess the socio-economic impact of our strategy and operations on the communities in which we operate, provincial economies and the country at large. Unfortunately, our impact has been dampened by restrictions placed on our operations as a result of the pandemic. Our impact in FY2020/21 is presented against our impact in FY2019/20 and illustrates the devastating socio-economic implications of the pandemic.

### Contribution to South Africa's GDP

**FY2020/21 R5.5 billion**  
 FY2019/20 R10.2 billion

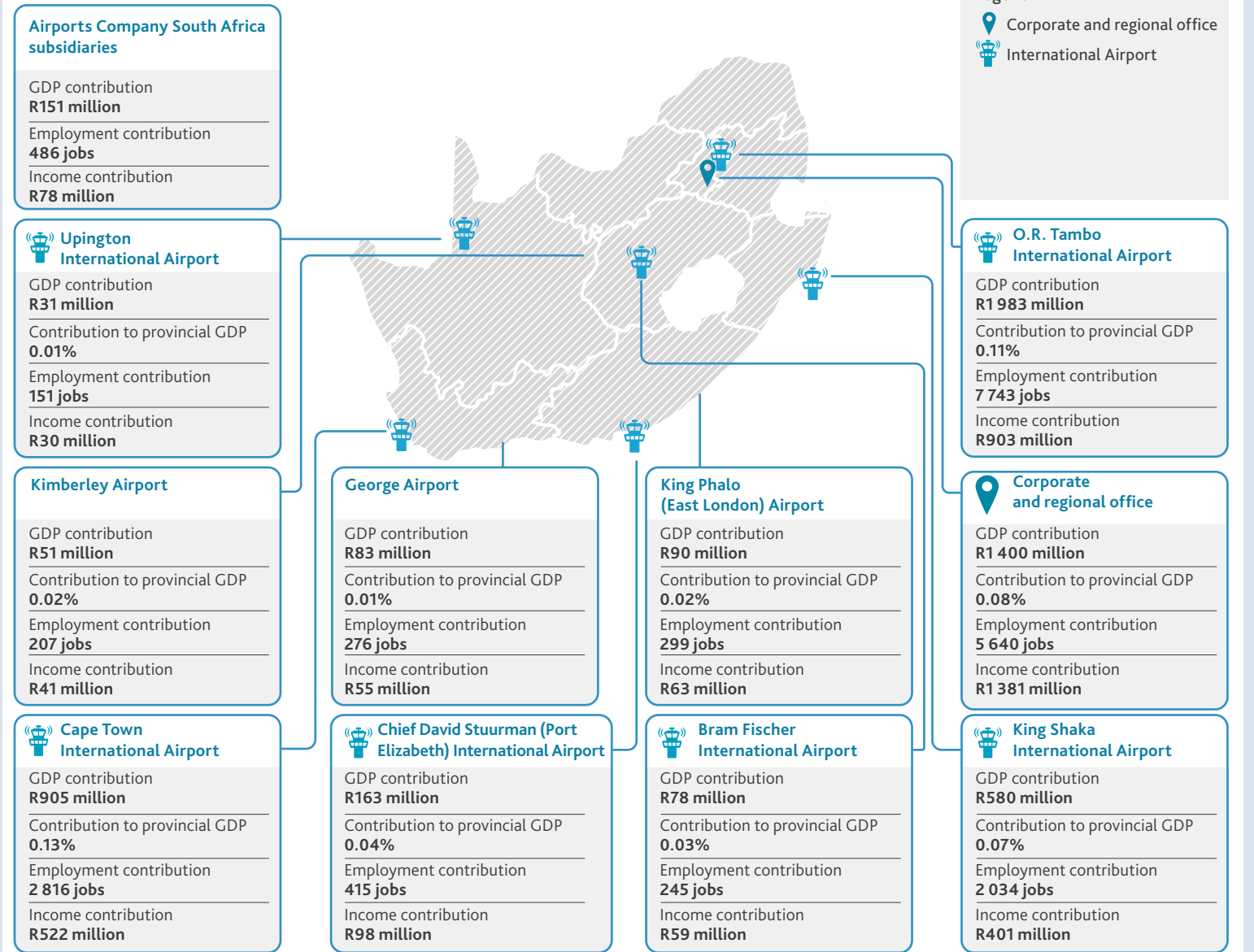
### Jobs created (employees and indirect jobs)

**FY2020/21 20 312**  
 FY2019/20 23 750

### Employee and local supplier's income supported

**FY2020/21 R3.6 billion**  
 FY2019/20 R4.1 billion

Our nine airports and corporate office contributed to their regional economies as follows:



**Legend**  
 Corporate and regional office  
 International Airport

## TRANSFORMING OUR ENVIRONMENT

We proactively manage the environmental impact in line with our integrated transformation agenda to support the long-term sustainability of our operations. In the year under review, our environmental impact shrunk significantly owing to the impact of COVID-19 and changed our approach to environmental management in several ways.

### Air traffic movements and resource utilisation

A drastic slowing of air traffic movements has significantly lessened the magnitude and frequency of potential negative environmental impacts of our operations. This also led to a reduction in ancillary activity with fewer vehicles operating on both the landside (passengers and staff) and airside (ground service equipment). These ultimately led to lower emissions and fewer associated pollution events such as spillages and leaks.

The utilisation of other resources including electricity, water and waste decreased as a result of fewer flights, as well as most of our workforce working remotely. While there were reductions in resource utilisation in absolute terms, efficiencies were much lower, given that certain airport infrastructure requires a baseline of activity, regardless of passenger and staff numbers.

### Monitoring initiatives

Decreased operating budgets brought on by the COVID-19 pandemic resulted in numerous monitoring initiatives being reduced in frequency or, in some cases, being suspended entirely until the flight numbers increase. This risk-adjusted approach was taken owing to a severe decline in expected impacts, which significantly eased the need for monitoring. In this approach, we engaged with the SACAA which allowed our airports to dispense with best-practice monitoring, with legally required monitoring still prioritised.

### Noise impacts

Noise impacts, which are directly related to the number of flights supported by our operations, shrunk to the lowest levels in decades. At King Shaka International Airport, for example, noise monitoring terminals indicated a drop of more than 10% of the normal airport-attributed noise impact, when comparing the pandemic period to the previous three years.

### Key environmental staff

The voluntary labour cost-reduction strategy resulted in the loss of several key environmental staff at our regional airports. We are in the process of identifying suitable existing staff who will be able to fill vacant roles and ensuring they are adequately upskilled.

### Airport carbon accreditation

The ability of the Airport Carbon Accreditation programme to continue its accreditation of airports was severely hampered by the global reduction in air traffic movements and passenger numbers. As a result, the ACI extended all existing certificates for a year to account for the impacts. Considering that our previous reporting period – which is aligned to the financial year – included only three days of the national lockdown, we petitioned for ACI to accept a further application for an additional year's extension. The extension was granted, resulting in our level 2 accreditation being validated for two years for the following airports: King Shaka International Airport, O.R. Tambo International Airport, Chief David Stuurman (Port Elizabeth) International Airport and Cape Town International Airport.

Although we had started the process towards level 3 accreditation, this requires significant stakeholder

engagement. As a result of the impact of lockdowns and remote working on our ability to engage with stakeholders, coupled with furloughing and downscaling activities across our stakeholder base – including airlines, ground handlers and car rental companies – we have decided to postpone this process. Furthermore, based on the long period of projected traffic recovery, ACI is currently reviewing the ACA programme. Once we have gained clarity on level 3 requirements, we will adjust our planning to comply.

### Roadmap to carbon neutrality

The drop in capital expenditure owing to the COVID-19 impacts has led to an adjustment in the timing of the projects that make up the Roadmap to Carbon Neutrality. The initial plan projected carbon neutrality for our nine airports (for Scope 1 and 2 emissions) by 2030. While this end goal has not changed, the timing of the projects to support this goal has been amended, with most energy-reduction projects being shifted to the 2027–2030 timeframe. Currently, the focus is on renewable energy production at our three largest international airports, coupled with the use of natural gas-powered electricity generation, which has far fewer carbon emissions compared to coal-powered energy production. Cumulatively, these initiatives will lower our carbon emissions in the interim, towards our goal of carbon neutrality. However, further projects in the roadmap are traffic dependent and will be implemented in alignment with the sector's recovery.

### ISO 14001

In FY2020/21, we were unable to perform ISO 14001:2015 Environmental Management System Standard certification audits as a consequence of the national lockdown. The certification process will resume in FY2021/2022.

## Legislation and compliance

In FY2020/21, we maintained legal registers for all nine airports, with all relevant legal updates being directed to the airports. During the year under review, there were no serious fuel spills nor major incidents.

The year under review saw the ongoing development of a new Integrated Compliance Management system that will more effectively integrate the reporting of incidents/non-conformances, including environmental incidents within the business. The system is being developed to include several modules that will interact with this data, including audit information, risk assessment and links to a compliance system. This system will be implemented in FY2021/22.

## Key environmental metrics

Element and metric	FY2020/21	FY2019/20	Material changes
Electricity consumption in kilowatt hours	150 444 012	225 627 860	While the airports have certain baseline activities that require electrical consumption much of the intensity of consumption is directly related to passenger numbers. The clear reduction in electrical consumption mirrors the drastic reduction in passenger numbers.
Water consumption in kilolitres	991 299	1 997 448	Electrical consumption, is also determined by the intensity of operation which relates to the number of flights and passengers.
Fuel and diesel consumption in litres	230 443	411 173	The fuel usage of the airports relates to the use of operational vehicles, and with the low flight numbers during the year under review there was less need for vehicular use.
Waste recycled in kilograms (millions)	304 829	3 616 538	The amount of waste recycled is related to total waste generation. With the COVID-19 protocols suspending the serving of food on flights, as well as closure of the majority of restaurants at the airports there was a drastic reduction in waste generation, and subsequently recycling.
Noise management incidents reported	3	11	The curfew imposed during the COVID-19 lockdowns meant that late night and early morning flights were not occurring, and these were historically the drivers of noise complaints. Furthermore, the months of no flights at all also resulted in very few noise complaints
Bird and wildlife strikes	172	305	The reduction in flights is the primary driver for the intensity-based metrics. With fewer flights there were fewer bird strikes.



## CONTRIBUTIONS TO OUR SUSTAINABILITY FRAMEWORK

Transformation of our business, our people and society and our environment form an integral part of our organisation, as well as the organisation we strive to be. Our transformational objectives are aligned with our strategic objectives and contribute to our Sustainability Framework in the following ways:



### Our business

- Black-owned business shares 42% of our commercial revenue
- Interventions across seven sectors, as aligned with our transformation strategy, maximise our enhancement of black business growth and the creation of jobs and opportunities
- We supported 20 312 job opportunities



### Our people and society

- We have maintained a Level 2 B-BBEE level and a 94.82% recognition level
- Black South African employees represented 95.6% of our workforce
- Women represented 47.2% of our workforce, while persons with disabilities represented 2.1%
- We supported 94 youths through various young talent development initiatives
- Our socio-economic development investment of R14 million supported projects in our focus areas of education, philanthropic donations, youth and women empowerment



### Our environment

- Four of our airports maintained ACI Level 2 Airport carbon certification, while two of our airports maintained Level 1 certification

## OUTLOOK

Under the current economic conditions, it is imperative we not only focus on compliance, but also on doing as much as we can to support our people, supplier base and society and minimise our environmental impact in a sustainable manner. Looking ahead, our integrated transformation agenda – supported by our transformation working group – will drive this transformation.





# PERFORMANCE REVIEW

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“

The Group continues to monitor the business environment to determine appropriate responses to ensure long term financial sustainability.

“











**2021**  
**INTEGRATED**  
**ANNUAL REPORT**

# PERFORMANCE REPORT

Impact	Strategic objectives	KPI	Metric	FY2020/21 actual	FY2020/21 target	Target achieved	FY2019/20 actual	FY2018/19 actual	FY2017/18 actual
	Create value for our shareholders	Operational allocation	R million	R3 737 million	R3 926 million	●	R4.5 billion	R4.4 billion	R3.7 billion
		Capital allocation	R million	R770 million	R810 million	●	R1.1 billion	R1.3 billion	R914 million
	Diversify business portfolio	Non-aeronautical revenue	R million	R973 million	R1 256 million	●	R3 130 million	R3 039 million	R2 935 million
	Increase our reputation	Reputation Index*	%	86	80	●	64.1	67.2	63.1
		ASQ Index	Rating from 1 (poor) to 5 (excellent)	Not rated.# Not achieved.	3.75	4.08		3.97	4.08
	Ensure successful transformation of our operations	B-BBEE Level	B-BBEE as per the code	Level 2	Level 2	●	Level 2	Level 2	Level 2
		Percent of black business share of commercial revenue generated	%	42%	55	●	55.4	51	61
		Number of job opportunities created	Number of job opportunities	20 312	20 301	●	23 750	30 684	24 741
	Reduce our environmental impact	ACI carbon accreditation level	ACI level as per mapping certification criteria	Maintained ACI Level 2 Reduction Certification at 3 Airports (ORTIA, CTIA & KSIA) PE has Level 2 George and Bram Fischer attained Level 1	Maintain ACI Level 2 Reduction Certification for at 3 Airports (ORTIA, CTIA and KSIA)	●	Attained ACI Level 2 reduction certification for ORTIA, CTIA, KSIA (new), PLZ (new)	Attained ACI Level 2 reduction certification for ORTIA and CTIA	Attained ACI Level 1 – mapping certification for KSIA and PLZ

\*Previous years measured as weighted average. REPTRAK survey was not conducted in the 2020/21 financial year due to budget challenges as part of the impact COVID-19. In this financial year, the KPI is measured as a percentage of completion of the engagement plans the executive committee committed to and which was approved by the Board. A target of 80% has been set and performance against this target is measured as the average percentage score of the completed quarterly engagements in line with the number of engagement frequencies stakeholder owners have committed to for each stakeholder.

#ASQ was not rated in the year under review owing to insufficient passenger numbers through our airports.

KPI	KPI description	KPI formula	Assurance
Operational allocation	Maximum Company level total operational allocation inclusive of both employee costs and operating expenses	Total Company employee costs plus total Company operating expenses for the year	 
Capital allocation	Maximum total capital expenditure allocated within the Company budget	Total Company capital expenditure for the year	 
Non-aeronautical revenue	Company revenue that is not defined as aeronautical revenue, excluding recoveries, including permit and sundry recoveries. The total Company retail, advertising, car rental, car parking, property, consultancy and advisory, training and IT revenues earned.	Company level retail plus advertising plus car rental plus car parking plus property plus consultancy and advisory plus training plus IT revenues for the year.	
Reputation Index	The Reputation Index Measure comprises of the perceptions and the degree to which stakeholders admire, trust, respect and have an overall good feeling towards the company.	Reputation Institute's RepTrak® research methodology is the global standard for measuring corporate reputation which has been utilised in the past. Every second year of the measure is based on stakeholder engagements implementation and meeting the target of 80%.	
ASQ Index	This indicator illustrates the passenger view and assessment of our airports' delivery of airport customer-focused services. This indicator is derived from the independent and approved ASQ programme managed by ACI.	Passengers complete a survey assessment, through a structured passenger ASQ survey programme. The ASQ survey covers 34 services areas clustered across the following categories: access, airline service, security, finding your way, airport facilities, airport environment and airport arrivals services. Survey assessment data collection and results are managed by an external company, ACI. Scoring scale: 1–5 with 1 being poor and 5 being excellent. Group ASQ score will be calculated as an average of the nine airports ASQ scores.	
B-BBEE Level	The Company's B-BBEE recognition level is based on a public-sector scorecard framework which reflects the Company's contribution to broad-based black economic empowerment.	B-BBEE rating (use Department of Trade and Industry's qualification scoring and independently approved score).	
Percent of black business share of commercial revenue generated	This indicator informs stakeholders of the Company's intent to further black business entrepreneurship through increasing the share of commercial revenue opportunities awarded to black businesses.	$(\text{Commercial revenue to black business} \times 100) / (\text{Total commercial revenue generated})$ Where 'black business' is defined as one where the company has >51% black management control and ownership and commercial revenue is defined as revenue generated from revenue-sharing models, i.e. retail, car hire/rental and advertising.	
Number of job opportunities created	This measure informs the stakeholders of the number of job opportunities created by the Company.	Employment Contribution Model	
ACI carbon accreditation level	The assessment and recognition of our airports' efforts to manage and reduce our CO <sub>2</sub> emissions.	ACI's Airport Carbon Accreditation recognises and accredits the efforts of airports to manage and reduce their carbon emissions. There are four levels of certification: mapping, reduction, optimisation and neutrality. Airport Carbon Accreditation is based on existing international standards in the reporting and accounting of greenhouse gas emissions. Attain an independent ACI certification.	



Internal assurance



External audit

## BUSINESS ENABLEMENT



### HUMAN CAPITAL

#### Overview

We proactively monitored and managed the impact of the COVID-19 pandemic on our employees and devised strategies to manage challenges and mitigate risks that arose in the year under review. The plans to manage our human capital aligned with national strategies and policies to minimise the spread of COVID-19, in line with the Occupational Health and Safety Act. COVID-19 workplace and people management response plan

We implemented various measures to mitigate the risks and adapt to the changes caused by the pandemic. All COVID-19 health and safety protocols implemented across the organisation were in line with the guidelines and requirements as set out by National Departments. The following measures were put in place to manage the environment and safeguard employees from the impact of the pandemic:

- Implemented a risk-based approach to immune-compromised employees – we protected vulnerable employees by implementing a risk-based approach based on the employee’s vulnerability and risk exposure in their job.
- Provided necessary personal protective equipment (PPE)
- Supported remote work based on job function and the availability of necessary equipment
- Enforced all safety protocols to protect our employees and all stakeholders

#### Staff cost reduction and optimisation

Our workplace and people management recovery plan is underpinned by the need to reduce and optimise costs while optimising value. To achieve this, some employee

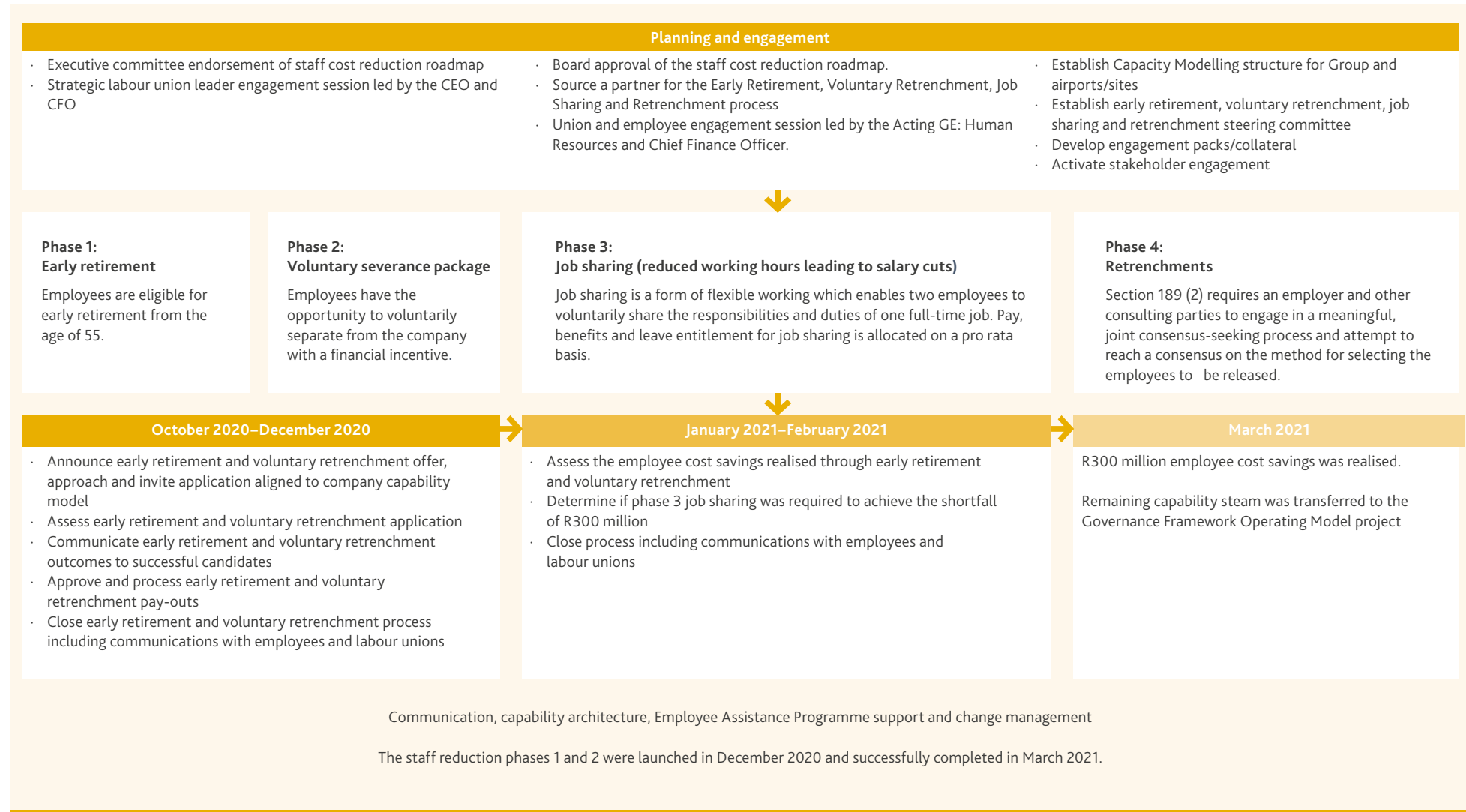
remuneration and benefits have been reconsidered to preserve cash and afford monthly salary payments as part of the cost reduction and optimisation plan. The following have been affected:

- No annual salary increases or performance bonuses in FY2020/21
- Reduction of non-statutory payments and stand-by allowances
- New uptake of the housing scheme has been suspended
- Freeze on new bursary uptake (employee and children’s bursary)
- Month-to-month reduction of fixed-term contractors
- Reduction in acting positions and allowances by implementing blended roles and secondments where possible
- Freeze on recruitment, except in critical positions where business continuity and gainful employment must be ensured

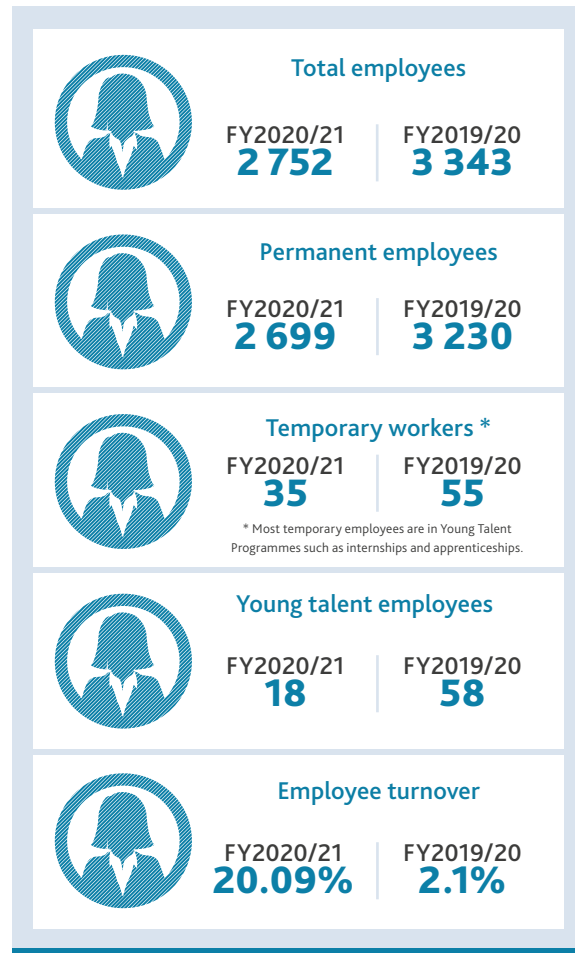
A roadmap was developed to provide direction for the implementation of staff cost reductions while considering the critical capabilities that will assist the organisation in achieving the revised strategy and Group key performance indicators. Staff costs accounted for 37% R1.8 billion of the total operational expenditure budget of R4.8 billion in 2020/21. The roadmap reduced staff costs by R300 million by 01 April 2021.

The Board-approved and Executive Committee-endorsed plan was announced to all employees through a CEO broadcast. Human resource management working teams and a data analysis dashboard were established to support the process.

## Staff cost reduction roadmap



Following the reduction and optimisation of costs, we will enter a value-optimisation phase in line with the Governance Framework and Operating Model which is driven by the revised financial recovery plan to ensure business sustainability.



### Employee satisfaction and value proposition

In the year under review, initiatives to measure employee satisfaction and improve our employee value were put on hold. We did not conduct an employee satisfaction survey, since COVID-19 people management initiatives were prioritised; and we did not participate in the Top Employer Institute's Top Employer awards as we have in previous years. Our employee value proposition project was also placed on hold until the Governance Framework and Operating Model process is completed

### Remuneration and performance management

Refer to page 36 of our Governance and Remuneration Report for a full account of our remuneration and performance management in FY2020/21.

### Improving the lives of our people

In recent years, we have steadily increased our employees' benefits including housing, transport schemes and learning support for employees and their children. In FY2020/21, however, we revised our offering to protect jobs while fulfilling our existing commitments.

### Employee engagement and wellness interventions

In the year under review, we have engaged employees and supported their well-being through various initiatives.

ACSA Cares Employee Assistance programme	COVID-19 support wellness webinars	A gender-based violence campaign	Supporting the organisation through the staff cost reduction process
Includes various wellness interventions and a 24-hour call centre which is accessible to all employees, in partnership with Metropolitan Health Group. Toll free number: 0800 633 225 SMS line: 083 450 0508	A series of wellness webinars aimed to assist employees with tips on how to work optimally during lockdown, how to combat fatigue and to support managers in effectively managing their teams throughout the pandemic.	The campaign was developed in response to the number of family and relationship cases reported to ACSA Cares call centre and to create awareness of the gender-based violence scourge the nation is facing.	These interventions were developed to support employees during the staff cost reduction process. This included CV writing, interview skills and LinkedIn profile interventions, career coaching and entrepreneurial coaching.

and the project is repositioned to embed the Governance Framework and Operating Model.

### Training and development

	FY2020/21	FY2019/20
Internal promotions	1	172
Skills development spend	R14 767 929.80	R42 million
Interventions delivered	2673	5 729

## Housing scheme

The housing scheme aims to assist employees in owning a home and improving their living conditions, leading to a better quality of life and greater security. The employee cost-reduction plan culminated in the freeze of all new applications for rental renewals, bond subsidies, upfront deposit subsidies and debt consolidation, effective from 1 August 2020.

Housing scheme	FY2020/21	FY2019/20
· Rental subsidies granted	328	434
· Monthly housing subsidies granted	713	1 459
· Employees assisted in debt consolidation and management	26	105
· Employees supported in buying their first home through the Company's housing subsidy	24	65

## Transport scheme

We initiated a staff transport programme to provide safe, reliable and comfortable transport to employees. After implementation, however, we faced several challenges including employee safety issues because of a misalignment of taxi associations, high operational expenses affecting the affordability of the programme and the exclusion of Gauteng as an operational region.

After careful consideration, the programme was modified from a shuttle service to a hybrid model with the introduction of a travel allowance. Within this context, a travel allowance of R1 000 was approved and offered to grade A and C shift workers.

Transport scheme	FY2020/21	FY2019/20
· Employees who use of the transport scheme/ travel allowance	1 955	854
· Transport scheme utilisation rate	92%	81%

## Supporting learning for employees and their children

Airports Company South Africa offers children of employees at employment, grade A to C bursary support to pursue studies within the South African National Scarce Skills list. The programme also provides workplace exposure through vacation work to provide learners with practical work exposure. Ultimately, the programme aims to provide learners with permanent employment where opportunities exist. In FY2020/21, 50 bursaries were awarded to the value of R926 638.

Bursaries	FY2020/21	FY2019/20
· Bursaries awarded to employees' children	50	75
· Value of bursaries awarded to employees' children	R0.9 million	R2.5 million
· Active employee bursaries	170	369
· Value of active employee bursaries	R2.5 million	R7 million

## Trade union relations

In the year under review, we continued work to complete a recognition and procedural agreement with the National Education, Health and Allied Workers' Union (NEHAWU), which represents 33% of employees; and the National Union of Metalworkers of South Africa (NUMSA), which represents 22% of employees. Finalisation of the agreement – which commenced in FY2019/20 – has been delayed owing to the pandemic.

Airports Company South Africa and the respective unions worked well together throughout the year to navigate the impact of COVID-19 on the Company. We would like to commend the trade unions for their support through these extremely challenging times.

## OUTLOOK

Looking ahead, we remain committed to ensuring the well-being of our employees as we rely on them in these difficult times. At the same time, we must remain committed to our staff cost reduction roadmap to ensure our long-term sustainability. We believe this balance will be achieved through continued stakeholder engagement.

## IT AND DIGITISATION

### Overview

The need for digitisation of the airport experience and our operational working environment was emphasised by the COVID-19 pandemic, resulting in the accelerated adoption of contactless travel and a flexible, digitally enabled working environment. Our existing strategy and digital infrastructure put in place in FY2019/20 put us in good stead to manage the challenges experienced in FY2020/21.

The key objectives of our digital strategy included adopting and leveraging appropriate technology to enhance operational efficiency and customer experience while protecting our information and systems. The year under review reaffirmed we must persist in our aim of supporting the technology needs of different parts of the organisation to enable value retention and creation. In achieving this, we have committed to building a trusted partnership to integrate and streamline our technological operations and optimise our ability to scale technology.

Our digital roadmap included R1.2 billion in digital capital expenditure over five years. Of the R132 million allocation for FY2020/21, R69 million was utilised for digital capital expenditure, while R63 million was reallocated to the Western precinct to manage costs across the organisation.

In managing the impact of the reduced capital expenditure, we honoured our commitments in existing projects and in projects where tenders had already been awarded and signed. Beyond these commitments, we prioritised urgent and high-impact projects.

Projects that were implemented include:

- The Airports Company South Africa application upgrade project – in funding and business case stage
- Flight information display systems at Cape Town International Airport and O.R. Tambo International Airport – phase 1 complete
- Automated border control solution – implemented as Cape Town International Airport
- Queue management systems – complete
- Risk incident logging and management system – phase 1 in user acceptance testing

### Self-service solutions to reduce contact

Our airports had self-scanning capabilities in place before the onset of COVID-19. In the year under review, however, we saw an increase in adoption and increased demand for a further reduction in contact throughout our operations. Our automated border control solution at Cape Town International Airport supported contactless security screening. Smart lane is also in operation in the international terminal in O.R. Tambo International Airport.

### Staff enablement

Most of our employees had the necessary systems at their disposal to work from home when the lockdown was announced. In FY2019/20, we rolled out Microsoft 365 across our operations and in this financial year, we focused on training that supported the adoption. In addition, we introduced Adobe's digital signature to complement existing systems.

Our IT service desk is fully operational online and has been outsourced to a third party which reduced operational costs and optimised the service provided.

Through a service portal, employees can request IT equipment and services, stay informed with regard to the status of their logged tickets and engage with the service desk.

### Cybersecurity

This year, the Group faced several budgetary constraints, leading to the cancellation of programmes to further develop our IT security maturity. To mitigate the impact of this, we have continued to embed existing controls and solutions throughout our operations. While our IT system remains secure, we will prioritise these initiatives and explore savings in other areas to fund our IT security journey as the sector develops. It is important to note that low IT security system maturity does not expose passengers to any risks since we do not keep passenger information.

Although we planned to prioritise the opening of our Cybersecurity Operations Centre in FY2020/21, we were unable to operationalise it owing to budgetary constraints. Once funds become available, we will resume our plans to strengthen our cybersecurity controls and be proactive in our response to and remediation of cybersecurity events and logs.

Information and cybersecurity awareness sessions across all our airports have reached a completion rate of 85% (FY2019/20: 70%). In the year under review, we did not record any significant cybersecurity incidents.

### Business intelligence

In previous years, we were able to implement several business intelligence projects in various business units to track performance as part of our business intelligence

strategy. This year, however, we have engaged external stakeholder to gain third-party funding. An example of this is our request for funding from a leader in software development to run a proof-of-concept programme around parking management to increase efficiencies.

### Mobile technology

In FY2020/21, we successfully implemented a radio network at George Airport. All our airports now have a radio frequency spectrum licence, issued by the Independent Communications Authority of South Africa (ICASA) which covers a 10-kilometre radius around our airports. The radio network facilitates communication between our staff and with other stakeholders within this area.

### Outlook

As all parts of the business have been affected by cost-reduction initiatives, we must engage with stakeholders to execute innovative IT and digitisation initiatives through collaboration. These engagements have the potential to result in collaborative public-private partnerships.





## RUN AIRPORTS

Running airport operations successfully is our core business and vital to Airports Company South Africa's value creation process. Our primary focus is on our strategic pillar-run airports as we recover from the impact of COVID-19. In response to the pandemic, we have revised our approach to operating airports by improving operational efficiencies, rebuilding passenger confidence, adjusting tenant rental obligations and reducing infrastructure footprint to air traffic. Protecting the health and safety of our employees, stakeholders and passengers is fundamental to our operations. While the impact of COVID-19 on our industry has been severe and the path to recovery will be long, we remain committed to playing our role in supporting the national efforts to reconnect, recover and rebuild economic activity.

### OVERVIEW

A full explanation of the context in which we operated in FY2020/21 is outlined in the timeline on page 43. As a result of the tumultuous environment, we have experienced a massive drop in traffic through our airports, which severely impacted our aeronautical and non-aeronautical revenue. In FY2020/21, aeronautical revenue of R810 million was 78% lower than the previous year. Non-aeronautical revenue for the year reduced by 60% to R1.3 billion.

We generate revenue from three sources:

- Core aeronautical revenue from airport operations, including regulated tariffs for aircraft landing, parking charges and passenger service charges.

- Non-aeronautical revenue from commercial income streams, such as advertising, retail, car parking, car rental and property.

Non-core revenue from the provision of technical advisory and consultancy services – in South Africa and abroad – as well as revenue from our training academy. See Grow Airports on page 96 for further details.

The first two are dependent on airport scheduled traffic, which is measured in scheduled aircraft movements, which was 61% lower than the previous year and scheduled departing passengers, which was 78% lower than the prior year.

	Annual departing passenger throughput capacity	Total annual departing passengers				Aircraft landings	
	FY2020/21	FY2020/21	FY2019/20	FY2018/19	FY2020/21	FY2019/20	FY2018/19
O.R. Tambo International Airport	14 000 000	2 054 141	10 470 706	10 686 913	35 230	105 975	109 758
Cape Town International Airport	7 000 000	1 193 090	5 384 136	5 437 295	18 413	45 092	49 338
King Shaka International Airport	3 750 000	754 405	3 057 175	3 007 573	7 332	25 383	25 571
Chief David Stuurman (Port Elizabeth) International Airport	1 000 000	212 074	849 342	848 298	9 972	24 140	22 655
Bram Fischer International Airport	300 000	36 831	179 571	178 386	3 018	8 737	9 440
Upington International Airport	50 000	5 427	26 073	30 637	1 275	3 079	3 579
King Phalo (East London) Airport	600 000	161 589	463 242	425 402	3 624	13 287	12 427
George Airport	450 000	134 160	417 656	422 978	5 120	18 381	21 509
Kimberley Airport	100 000	18 041	76 564	80 782	2 450	4 445	4 892
<b>Total</b>	<b>27 250 000</b>	<b>4 569 758</b>	<b>20 924 465</b>	<b>21 118 264</b>	<b>86 434</b>	<b>248 519</b>	<b>259 169</b>
		<b>International</b>	<b>Domestic</b>	<b>Regional</b>	<b>Unscheduled</b>	<b>Total</b>	
Arrival aircrafts		10 217	43 557	2 543	30 117	86 434	
Variance compared to FY2019/20		-73.48%	-66.67%	-78.12%	-55.50%	-65.22%	
Total annual departing passengers		412 322	4 023 306	37 189	96 941	4 569 758	
Variance compared to FY2019/20		-92.92%	-72.30%	-92.82%	68.37%	-78.16%	

Our Run airports performance review focuses on security, safety, airport operations and non-aeronautical operations, demonstrating our value creation efforts, and concluding with an outlook for FY2020/21.

## SAFETY

Airports Company South Africa is obligated to comply with SACAA regulations concerning the management of communicable diseases posing serious public health risk relating to entry, departure and transit of passengers,

ensuring that appropriate precautionary measures are taken to reduce the risk of infection. In line with regulations, we had an existing procedure in place for public health emergencies, which was amended in consultation with the SACAA to include COVID-19-specific mitigating measures. Before the

reopening of our airports, the Company's state of readiness was approved through the SACAA inspections, to satisfy the regulatory requirements.

### Our COVID-19 response programme overview



A COVID-19 compliance dashboard was implemented to track stakeholder compliance to regulations. Reporting of compliance occurs three times a week and information on the reporting dashboard for all nine airports is updated accordingly. From June 2020 to date, over 10 000 audits have been conducted across all our airports. A central database has been established that allows airports to access stakeholder compliance data, COVID-19 response plans and risk assessments for each stakeholder. As requirements change, we will continue to adjust audit templates in line with these requirements.

We further engaged with the ACI to develop new passenger facilitation protocols based on guidance by ICAO and the IATA. The measures implemented at South African airports conform to the standards recently set out by these organisations.

**Occupational health and safety**

Over the past year, we gained ground by developing and implementing a safety management system underpinned by the principles of ISO 45001. All historic data was collected and migrated to the new safety management standard to which all its airports subscribe. We have progressed with the development of new procedures and review of existing procedures to align with ISO 45001 standards. However, the ISO 45001 gap analysis was delayed as a result of the pandemic.

We made great strides in consistently managing compliance with regard to the management of contractors working on our premises. In FY2020/21, we screened and vetted 138 safety files for contractors doing work across the airports. This was critical in ensuring continuous compliance with occupational health and safety requirements.

We have established on-site clinics at four of our international airports: O.R. Tambo, Cape Town, King Shaka and Chief David Stuurman (Port Elizabeth). These clinics are fully equipped with occupational health equipment to enable the provision of our occupational health programme. The clinics played a significant role in our response to COVID-19. At other airports, including our corporate office, local occupational health service providers were contracted through the nationally appointed service provider to ensure consistent provision of service to all staff and airport users.

**Occupational health safety occurrence statistics**

	2020/21	2019/20	2018/19
Property damage incidents	5	3	2
Non-work fatalities including COVID-19	11	31	38
Work fatalities including COVID-19	4	0	0
Disabling/severe injuries (lost time: including section 24, COVID-19 hospitalisations)	6	87	106
Non-disabling injuries (medical treatment case including COVID-19 infections, minor infections)	458	322	402
Non-disabling injuries (first aid cases)	4	70	81
Occupational diseases	0	0	0
Severe near misses		1	1
<b>Total</b>	<b>488</b>	<b>514</b>	<b>630</b>

**SECURITY**

We have adopted a risk-based, multi-agency approach to threats and emergency across our network, both relating to landside and airside operations. During lockdown, airports were closed for all but repatriation flights.

These flights were arranged and approved through the DoT on short notice. Security services were operating on skeleton staff numbers and these had to be amended as and when necessary to support the airport operations during repatriation flights. Because of the sensitivity of the COVID-19 regulations, careful consideration was given to security requirements and standards. As a preventative measure, the RAPS K9 Explosion Detection Team was called in and requested to support operations of all repatriation flights.

With the ministerial directive on COVID-19, airports had to align security operations to conform to touchless processes in accordance with the recommendations and guidelines of ICAO, SACAA, IATA and ACI to create a harmonised customer experience without compromising hygiene and safety. We implemented the guidelines of touchless processes to baggage and persons. This touchless security screening process was seamlessly implemented and welcomed by the public and there were no bottlenecks from a social distancing queue management perspective.

Smart security technology was partly operationalised in 2020 at O.R. Tambo. The national roll-out of smart security was deferred as a consequence of COVID-19 budget restrictions. We optimised security deployments across our airports to minimise outsourced contract costs. This created efficiencies in operational costs which benefited the organisation at large. Training was deferred to observe COVID-19 regulations.

We continue to collaborate with the different service providers to provide a seamless safe and secure service.

The feedback in terms of COVID-19 security response was positive and we are committed to continuous improvement.

A key focus of enterprise security during the lockdown was the protection of our perimeters and access gates and the prevention of vandalism of infrastructure. We heightened security measures by increasing law enforcement visibility in and around our airports and reduced access to the airside and terminal buildings.

## AIRPORT OPERATIONS

From an operational perspective, we had to manage the process of bringing our operations to an almost complete halt, barring repartition activities. The total shutdown of airports involved parking aircraft across all airports, which posed considerable space constraints. For the first time, our airports were closed and all but critical infrastructure switched off.

The opening of our airports did not see an immediate return to business as usual. We had to adapt our operations, developing and implementing detailed tailor-made standard operating procedures with respect to passengers, airlines and terminal operations to meet new regulations. Collaboration with stakeholders was a key enabler in this process, as we were all facing extraordinary circumstances.

### Airport service quality (ASQ)

All airports are registered on the ACI Airport Health Accreditation programme. The programme provides airports with an assessment of how aligned their health measures are with the ACI Aviation Business Restart and Recovery guidelines and ICAO Council Aviation Recovery Task Force recommendations along with industry best practices. Our participation in the programme demonstrates to passengers, staff, regulators and governments that we are


prioritising health and safety in a measurable, established manner. During the lockdown, the passenger throughput was insufficient to comply with the ASQ data collection and fieldwork criteria. As a result, we have not been able to measure passenger satisfaction at our airports.

## NON-AERONAUTICAL OPERATIONS

Improving, identifying and securing non-aeronautical revenue growth continues to be key to augmenting and enhancing overall revenue flows.

### Commercial operations

The non-aeronautical revenue is generated from two businesses: core commercial portfolio and non-core commercial portfolio. The core portfolio includes five commercial businesses: property, retail, advertising, parking and car rental. The non-core commercial portfolio includes consultancy and advisory services, training and IT business. In addition to revenue generation, these businesses provide an opportunity to further our transformation agenda by supporting black businesses and creating jobs.

Refer to page 69. 

KPI	Target	Actual	Status
Non-aeronautical revenue: (core and non-core)	R1 256 million	R973 million	Not achieved
Black business share of commercial revenue generated	55%	42%	Not achieved

Our Commercial 2025 strategy, launched in May 2019, focuses on maintaining and improving existing non-aeronautical revenue flows and identifying new non-aeronautical revenue approaches and opportunities. Although the pandemic derailed our strategic plans, we will continue to track Commercial 2025 initiatives but at a reduced level than was originally envisaged.

The implementation of the national lockdown significantly impacted our business and that of our concessionaires with a reduction in passenger numbers and commercial activity. A 61% drop in core commercial revenue to R1.2 billion, compared to the R973 million; change to normal colour. Strategy to confirm budget and the BEE revenue previous year, reflected the turbulent operating context. Even though airline operators are gradually increasing capacity, the demand for air travel remains subdued to levels last seen more than two decades ago.

To support our commercial stakeholders during the pandemic, we offered unprecedented relief in the form of a minimum rental waiver for all our commercial partners, with tenants paying only a turnover-based rental. The granted rental reprieve was offered for the period April to October 2020.

(R'000)	FY2020/21	FY2019/20	FY2018/19	FY2018/17	Variance	%
Advertising	40 671	203 967	180 124	189 844	-163 296	-80,1%
Retail	309 710	1 235 401	1 215 353	1 172 909	-925 691	-74,9%
Parking	162 611	575 129	593 402	551 836	-412 518	-71,7%
Car rental	72 465	290 538	304 045	284 752	-218 073	-75,1%
Property rental	656 146	821 015	717 294	691 129	-164 869	-20,1%
Hotel operations	42 940	162 287	155 504	150 075	-119 347	-73,5%
Business development	21 067	24 445	28 480	44 422	-3 378	-13,8%
Other	35 905	67 353	76 060	61 614	-31 448	-46,7%
<b>Total</b>	<b>1 341 515</b>	<b>3 380 135</b>	<b>3 270 261</b>	<b>3 146 581</b>		

### Advertising

When lockdown started, all airport operations were suspended. Advertising concessionaires were granted rent-free occupation as a result for the months of April and May 2020. The portfolio received no minimum rentals for this period. For the ensuing months, rental relieves were granted to concessionaires. In terms of this clause, concessionaires paid only turnovers due and no minimum rentals were payable.

International flights remained prohibited and no revenue was generated from these advertising offerings from approximately June to September 2020. Concessionaires reported dampened demand as most organisations cut down on their advertising budgets following the economic downturn triggered by the pandemic. The reduced demand for airport advertising was further fuelled by a significant drop in passenger numbers across the network of airports.

### Retail

Retail turnover fell by 74.9% year-on-year to R310 million against revenue in FY2019/20 of R1.2

billion. The loss in revenue was mainly as a consequence of the impact of the unprecedented level of disruption in retail operations, driven by international travel, tobacco and liquor restrictions and temporary operational shutdown of airports as a result of COVID-19. Across our network of airports, 48 retail shops have since permanently closed owing to unsustainable trade levels. We expect more closures which will result in a loss of guaranteed future minimum rentals.

International departures contributed 82% towards total pre-COVID-19 retail sales. With most international departures shops not trading in the year under review, this has resulted in a decline in revenue. Our retail business experienced a shift to domestic and intra-regional travel, with declines in international and business travel. The spend per departing passengers reduced from a previous average of R174 to an average of R33.08 per departing passenger. Performance improved in October, November and December across all categories except curios which is driven by the tourism market, due to the peak of the summer holidays and the lifting of travel restrictions.

Rental discounts offered from October 2020 to 31 March 2021 to business partners amount to approximately R248 million. These discounts have been offered to consider Airports Company South Africa's needs, as well as retailer's needs, since all parties have been by the pandemic. Forty-two requests for rental review have been received across all airports, with more rental review letters anticipated in the new financial year.

### Car parking and car rental

Car parking revenue decreased by 72% compared to the previous year, in line with a similar decline in passenger volumes.

Car rental services were allowed to operate to service essential workers under Lockdown Levels 5, 4 and 3 but only four out of 10 elected to trade. Full car hire services were restored at Level 2 with all 10 operators trading at our airports. Minimum rentals for kiosks and parking bays continued to be waived. As a result of the limited passenger volumes, only a 9% turnover rental was generated for volumes traded.

A COVID-19 minimum rental waiver, with a turnover-only billing, was granted for May and June 2020. A submission was made to the COVID-19 Strategic Monitoring Committee to uphold the waiver on minimum rentals with a turnover percentage only billing until passenger volumes are within 65% of those processed in FY2020/21 and was approved. This rental model is ongoing.

### Property

Revenue from property has exceeded our new normal budget projections. Credits amounting to R381.8 million were provided to tenants in FY2020/21. Fewer tenants vacated property units than anticipated, thanks to the relief offered. Our industrial portfolio was less affected by the pandemic compared to our other two property portfolios:

- Commercial (terminal, lounges)  
– 46.9% of total credits
- Diverse (hotels, fuel depots)  
– 36.4% of total credits
- Industrial (cargo warehouses, hangars)  
– 16.7% of total credits

Cargo handling volumes (tonnes)	FY2020/21	FY2019/20	FY2018/19	FY2017/18
O.R. Tambo International Airport	294 140	356 954	380 209	399 781
Cape Town International Airport	40 943	68 191	79 272	87 540
King Shaka International Airport	4 412	17 371	17 587	16 596
TOTAL	339 495	442 516	477 068	503 917

### OUTLOOK

COVID-19 will continue to impact the financial sustainability of our business as long as our operations are curtailed. The recovery of the sector depends on better management of the pandemic and acceleration of vaccine procurement and distribution which will go a long way in restoring confidence for people to travel again.

We will remain focused on our core business of running our airports. We strive to provide the optimal passenger experience at the airport by ensuring operational efficiencies and strategic network management. We will continue to maintain a good collaborative partnership with our business associates.

### Non-core commercial revenue

The non-core commercial portfolio recorded R13 million in revenue and accounts for 1.3% in non-aeronautical revenue.

Non-core revenue	(R'000)
Consultancy fees	20 037
Training	1 056
IT	11 578
Total	32 671

### Cargo handling at our nine South African airports

Most cargo volumes are moved through 'belly space' on passenger flights. However, with the passenger services suspended or severely diminished over the year, additional dedicated freighters were deployed to maintain the flow of goods.

We have well-established cargo precincts at many of our airports, particularly O.R. Tambo International Airport and Cape Town International Airport.

During the year under review, we focused on the operational and infrastructure planning needs of the precincts. Once approved, these initiatives will be adopted throughout the network to ensure better cohesion of service provision to our cargo stakeholders.

Our network of airports harnesses connectivity, accessibility and excellent locations with each being an important development node in its own right. We have an exceptionally well-developed airport network and system and want to leverage this in the air cargo arena.

We completed a full review of our cargo strategy. We aim to capitalise on growth opportunities in this sector. A multi-disciplinary team undertook market research, considered external and internal environmental factors, and engaged with the air cargo and logistics industry to ascertain future trends. This will inform the development of an enhanced cargo business model that considered commercial and operational aspects.



## DEVELOP AIRPORTS

Developing world-class airport infrastructure that responds to the needs of our customers and our industry supports our vision of being a world-leading airport business. The severe impact of the pandemic on our revenues and financial sustainability have curtailed our ability to fund capital projects. Before the crisis, the focus of our capital projects was on increasing the capacity at our airports and projects focused on improving the passenger experience through enhanced facilities, efficiency and harnessing innovation. All our planned projects remain in our capital programme for development once a business case is evident and funds are available. We are committed to improving and expanding airport infrastructure to unlock our airports' developmental potential and grow our footprint, providing significant regional and national economic benefits.

### OVERVIEW

At the start of FY2020/21, we were about to embark on our largest capital investment programme since the inception of Airports Company South Africa. The bulk of our capital investment was earmarked for projects that would provide additional capacity to meet future demand. Our project selection processes were in place and we were at the point of awarding major contracts. With the onset of the COVID-19 pandemic, we had to swiftly re-evaluate our capital portfolio and adjusted it in accordance with the Company's sustainability parameters.

Our capital programme is managed through our Enterprise Project Management (EPM) Office through the institutionalisation of project management best

practice, which enabled the Company to evaluate, respond and realign the portfolio with business continuity in a centralised manner. The rapid reprioritisation of our capital expenditure plan was critical. The EPM structures in place enhanced our agility to reprioritise projects and adjust our business plan to align with imperatives that were emerging within the rapidly changing business environment. We deferred the entire capital programme that was not committed. We are continuing projects in which the value on completion exceeds the cost of completion.

A significant reduction in demand is expected in the short, medium and long term, with a full recovery in the sector expected only in eight to 10 years. As a result, our approach to the development of our airports has shifted from capacity expansion towards a focus on innovation, alignment, integration and replication of successful developments.

### ENTERPRISE PROJECT MANAGEMENT OFFICE

The adoption of a gate-controlled project management lifecycle supported by a full suite of EPM frameworks to guide employees in managing projects enabled our rapid response to the challenges we faced this year. The EPM Office established a repository of project management expertise with a mandate to ensure capital projects contribute towards economic growth and job creation.

The maturity of our enterprise project management function facilitated the reprioritisation of our capital expenditure portfolio at enterprise level to meet the short-term financial objectives of the Company. We adopted project prioritisation principles that enabled the reduction of the annual plan from R1.47 billion to under R810 million with the five-year plan being reduced from R30 billion to under R5 billion. This

is reflected in the adoption of project pipelines and capital allocation targets managed at enterprise level rather than at divisional project management offices. The centralisation of project reporting and EPM control supported timeous management decisions and responses in an efficient manner.

The Enterprise Project Management Office implemented 32 project management frameworks that support the adopted lifecycle management methodology that aligns all its project management office functions in IT, maintenance and engineering, security, major infrastructure and fleet. As a result, the Company's project management maturity is expected to significantly improve, realising increased efficiencies and cost containment. The online training solution has been finalised to allow project managers and project related resources at the Company to continuously develop and maintain their skills and capacity.

### INNOVATION

Innovation, being an agile process, requires organisations to adapt to changing conditions and stay abreast of global best practice to maintain their success and competitive edge. To this extent, we embarked on several initiatives to pursue innovative solutions to improve our level of efficiency and effectiveness. Such initiatives include the self-service programme which runs in parallel with the IATA Fast Travel programme that focuses on providing an automated service to passengers especially in light of the new normal and the impact of COVID-19.

Integrated technology is the new era of aviation security, responding to the current and evolving threats while resolving the demand of airports and passengers for a robust, swift and smooth process; supporting

flexible use of resources; and also improve the security outcome. Integrated security technology will provide for streamlined security asset management and will help achieve a safer and seamless passenger journey and better prepare airports for the post-pandemic recovery.

Multiple energy-efficiency initiatives are being investigated across different airport sites: geothermal, gas to power, solar and wind power, waste to power, green building initiatives and geyser sleeves to responsibly and effectively optimise the use of energy.

An innovation idea generation portal has been developed and will be implemented, allowing employees to register innovative ideas and potential solutions in an independent manner that aims at resolving problems and inefficiencies which currently exist. This initiative will further enhance Airports Company South Africa's position in adopting an innovation hub approach most suitable to Airports Company South Africa's internal and external constituents, and consequently, improve its level of service to passengers.

## INTEGRATED AIRPORT PLANNING

Our Aerotropolis strategy aims to foster economic growth and development for the benefit of the Company, the regions in which the airports operate and South Africa. The macroeconomic objective is to support the National Agenda and, from our perspective, to increase competitiveness, maximise revenues and ensure improved connectivity and accessibility of our airports.

Following extensive research on the Aerotropolis concept, its local and international application, and a review of South African Policies and Development Frameworks, our strategy can be translated as follows:

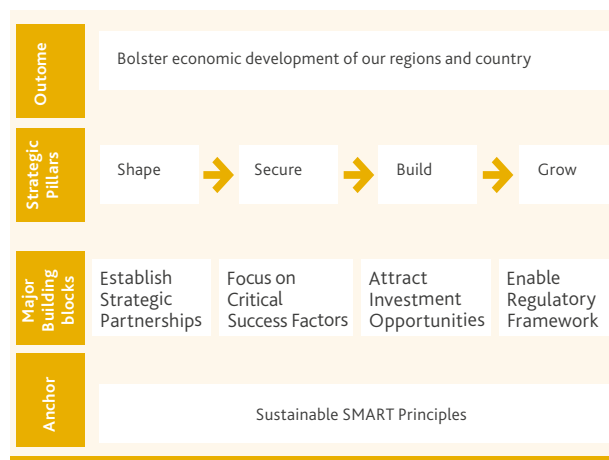


Figure 1: Aerotropolis strategy for Airports Company South Africa

The successful execution of the strategy is dependent on the following:

- **Strategic partnerships:** Pursue strategic public and private partnerships, considering the current financial position and limited available resources
- **Critical success factors:** A focused approach to critical success factors
- **Investment opportunities:** Seek investment opportunities, develop partnership models, incentivise investors and achieve investment-ready status
- **Regulatory framework:** Develop a responsive regulatory framework

We have applied the Aerotropolis concept across the airport regions in varying degrees to deliver on multiple strategic objectives, and the outcomes and recommendations made have been informed by the context presented by each region. To date, Aerotropolis master plans for the cities of Ekurhuleni and Durban have been concluded, while an Aerotropolis feasibility study has been conducted for Cape Town. Outcomes have served as input into our Aerotropolis strategy and informed our recommendations.

## PROPERTY AND INFRASTRUCTURE ASSET MANAGEMENT

### New corporate offices

The construction of our new head office on a site adjacent to O.R. Tambo International Airport was well underway with completion expected by March 2021. The 33 000m<sup>2</sup> project comprises three buildings that will house Airports Company South Africa, the SACAA and a prospective tenant. As the first major development undertaken by the Company in the past 10 years, this project is a testament to our ability to manage a large infrastructure development project.

Other smaller projects have continued, such as the extension of the FedEx cargo facility at Cape Town International Airport. These projects are backed by a compelling business case for investment.

### Enterprise asset management

As part of our cost-cutting initiatives, we will use and repurpose existing infrastructure and equipment until the end of their working life; develop airports biased to investments that reduce the cost of doing business; prioritise opportunities that were adjacent and complementary to its existing business such as conference facilities, transportation nodes, cargo and logistics platforms; and put on hold capital expenditure projects that were dependent on the increase in passenger traffic.

## OUTLOOK

We expect the funding constraints and changing business environment to continue to create pressure on our capital programme. We will continue to robustly prioritise projects to minimise the business risks and be able to rapidly respond to the changing business demands. The cost-management initiatives will necessitate ongoing mitigation from a business planning perspective. The limited funding availability will have to be balanced to manage competing demands for business-critical projects.



## GROW FOOTPRINT

→ Responding to changes and opportunities in domestic, regional and international air transport markets extends our footprint, enhancing sustainable value creation. In our current 'recovery and sustain' frame of mind, we will be considering new ways to grow, re-evaluating strategic investments while nurturing existing growth areas. Expanding and strengthening our presence in the right markets allows us to grow our core business activities and revenue.

### OVERVIEW

Our focus in FY2020/21 was on growing liquidity to support the business in building financial sustainability in response to the challenges posed by the context of the pandemic.

COVID-19 had a severe negative impact on the market conditions, which resulted in low business activity in the procurement of airport services, concessions and training. In FY2020/21, we relied on existing contracts for the generation of non-core revenue, which was the Mumbai International Airport Limited performance fees and Kenneth Kaunda International Airport Operational Readiness and Airport Transfer contracts. Despite the unfavourable environment for all airport companies across the world, we secured new advisory and consultancy work during the year.

### REALISATION OF EQUITY INVESTMENTS

A key focus was monetising our equity investments in Mumbai International Airport Limited in Mumbai, India and Guarulhos International Airport in São Paulo,

Brazil. The decisions to sell these investments preceded COVID-19. The poor performance of both companies further strengthened the decision to dispose of our equity shares. Amid the pandemic, we received a new offer for the Mumbai International Airport shares and were able to execute and conclude the sale in February 2021. The sale proceeds amounted to R1.27 billion. During the same period, we received an offer for our shares in Guarulhos International Airport. We accepted and have agreed on a sale and purchase agreement with the buyer, Invepar. These transactions will not only improve our liquidity position, but will also eliminated our exposure to the contingent liability and potential equity injection obligations embedded in both concessions. Owing to the severe liquidity crunch we experienced, further investment in airport concessions was put on hold for review in the future.

### BUSINESS DEVELOPMENT

Our dedicated network of planning experts, statisticians, economists and marketers have a finely honed understanding of airline planning and route performance. We work closely with our partners to identify, validate and perform route opportunity analysis for expansion and retention.

Further collaboration with key stakeholders – from tourism to municipal and provincial structures – occurs to ensure alignment with the trade and tourism agenda. Our performance is set out below, focusing on expanding our international reach, stimulating regional growth and collaborative partnership developments.



Passengers through network airports:  
**6 578 989**



Seats in network airports: **857 615**

### TRAFFIC DEVELOPMENT

We started FY2020/21 in Level 5 lockdown, which necessitated a total shutdown of the country's airspace except for the air cargo operations. The gradual easing of restrictions allowed us to operate but with almost non-existent demand. We lost significant capacity across all our markets; domestic, regional and international. Many of the world's airlines suspended international flights, including to South Africa. Qantas, Cathay Pacific, Air Austral from the Indian Ocean island of Réunion, Air Mauritius and Air Namibia stopped flying to South Africa at the start of the pandemic. At the beginning of 2021, the prevalence of the highly infectious new COVID-19 variant in South Africa compelled governments in various countries to impose travel bans. This led to several airlines temporarily halting their operations to South Africa including Turkish Airlines, British Airways, Virgin Atlantic, Emirates Airlines, Austrian Airlines, Air Seychelles and Edelweiss Air.

Pre-COVID-19, several airlines in North America, Europe and sub-Saharan Africa announced their intention to commence direct services into South Africa. This reflects the importance of our market for global airlines that recognise the growth opportunities with high returns. We have been engaging with these airlines over the past two years in partnership with trade and tourism organisations. However, all planned services in FY2020/21, existing and intended, were deferred to the second half of 2021 except for Air Peace (Nigerian carrier) – which started the service in December of 2020 – and Pro-Flight Zambia. The links planned and deferred included:

#### Long-haul North America and Europe:

- TAP Portugal: seasonal non-stop service between Lisbon and Cape Town International, expected to start November 2021
- United Airlines: a year-round service between Newark Liberty, New York and O.R. Tambo International

Delta Airlines: an extension of O.R. Tambo international service to Cape Town International

### Medium-haul sub-Saharan Africa

- ASKY from Togo: a direct link between Lomé Togo and O.R. Tambo International with the intention of connecting this to Ethiopian Airlines' service out of Lomé to Newark Liberty New York, adding another travel option for North America-bound travellers
- Air Cote D'Ivoire: a direct link between Abidjan and O.R. Tambo International
- Air Peace from Nigeria: a direct link between Lagos and O.R. Tambo international, which started the service in December 2020
- Air Uganda: a direct link between Entebbe and O.R. Tambo International
- Pro-Flight from Zambia: a link between Lusaka and O.R. Tambo International

## ROUTE DEVELOPMENT STRUCTURE

We are a founding member of route development structures across the country that coordinate airlift efforts in collaboration with partners at various local governments. Despite the pandemic, all the structures – Durban Connect, Gauteng Air Access, Cape Town Air Access, Nelson Mandela Airlift – are active. The activities at smaller airports are not as extensive as the Golden Triangle because of limited route opportunities as demand for air travel is concentrated around the three main airports. However, enabling mobility of goods and passengers through traffic development as a mechanism to enhance airlift between smaller communities and large cities remain a top priority. We are working closely with local governments to explore various mechanisms that ensure smaller communities become an integral part of the national air transport network.

The following structures are active:

- KwaZulu-Natal (Durban Direct): in partnership with Dube Tradeport, KwaZulu-Natal, Department of Economic Development, Tourism and Environmental Affairs
- Western Cape (Cape Town Air Access): in partnership

with Wesgro (trade and investment agency), Cape Town Tourism, Department of Economic Development and Tourism, South African Tourism and private sector partners (mainly for funding purposes)

- Western Cape (Garden Route Airlift): in partnership with George municipality, and Garden Route district municipality
- Gauteng (Gauteng Air Access): the Department of Tourism actively drives route development for O.R. Tambo International, in partnership with the City of Ekurhuleni, Gauteng Tourism Agency, Gauteng Growth and Development Agency, South African Tourism
- Eastern Cape (Nelson Mandela Bay Airlift): in partnership with Nelson Mandela Bay metropolitan, Eastern Cape Development Corporation (ECDC), Eastern Cape Parks and Tourism Agency (ECPTA), Nelson Mandela Chamber of Commerce
- Northern Cape (Upington Airlift): in partnership with Dawid Kruiper local municipality, DoT, Department of Economic Development and Tourism and the local Chamber of Commerce.

## NON-CORE REVENUE

Our non-core revenue, from business development advisory and consultancy, for the year under review generated R20 million. In Zambia, we are involved in the Operational Readiness and Airport Transfer project for the new passenger terminal and associated infrastructure at Kenneth Kaunda International Airport, in Lusaka, for Zambia's National Airports Corporation Limited. The company has approached us to conduct audits for its Simon Mwansa Kapwepwe International Airport, which is under construction and scheduled for completion in August 2021.

	FY2020/21	FY2019/20
Non-core revenue generated from advisory and consultancy services	R20 million	R24.4 million
Non-core proceeds from the sale of MIAL shares	R1.2 billion	
<b>TotalS</b>	<b>R1.27 billion</b>	<b>R24.4 million</b>

## Developing expertise in advisory services

The current business model is based on leveraging our expertise in airport management, technical advisory, business services and the training academy. However, in the current environment, there is limited demand for technical expertise.

Our current approach is to partner with external advisors and/or consultants with the requisite experience and skills to address any expertise gaps in the provision of advisory services. In the long term, any material gap in skills will be developed in line with sustained demand from the market.

## Commercialising our training academy

Capitalising on the opportunity to diversify our revenue streams, we plan to transform our current training academy into an industry-wide African regional aviation training centre of excellence. The fully fledged training academy will be a stand-alone entity that will leverage our human capital, institutional knowledge and experience to offer structured and aviation services tailored programmes for internal and external clients.

## OUTLOOK

We expect air passenger traffic to almost double to approximately 19 to 20 million in FY2021/22. The envisaged growth is not attributable to strengthening fundamentals but reflects the low base effect established in FY2020/21, due to stricter lockdowns in the first half of the year. Realisation of this forecast also pivots greatly on the success of the vaccination roll-out plan, which will serve not only to boost domestic traveller confidence, but that of non-residents considering South Africa as a tourist destination of choice.

# CONSOLIDATED FINANCIAL STATEMENTS

## ABRIDGED STATEMENT OF FINANCIAL POSITION

	2021	2020	R'000	Movement %
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>27 174 837</b>	27 767 829	(592 992)	-2.1%
Property and equipment, investment properties and intangible assets	26 289 941	27 066 598	(776 657)	-2.9%
Investments in associates and joint ventures	420 407	418 924	1 483	0.4%
Other non-current assets	464 489	282 307	182 182	64.5%
<b>Current assets</b>	<b>4 392 133</b>	3 374 816	1 017 317	30.1%
Investments and cash and cash equivalents	3 193 560	1 735 309	1 458 251	84.0%
Other current assets	1 198 573	1 639 507	(440 934)	-26.9%
<b>Non-current assets held for sale</b>	<b>13 282</b>	983 155	(969 873)	-98.6%
<b>Total assets</b>	<b>31 580 252</b>	32 125 800	(545 548)	-1.7%
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>20 746 497</b>	23 124 311	(2 377 814)	-10.3%
<b>Non-current liabilities</b>	<b>8 634 728</b>	7 209 552	1 425 176	19.8%
Interest-bearing borrowings	8 261 909	5 580 559	2 681 350	48.0%
Other non-current liabilities	372 819	1 628 993	(1 256 174)	-77.1%
<b>Current liabilities</b>	<b>2 199 027</b>	1 791 937	407 090	22.7%
<b>Total liabilities</b>	<b>10 833 755</b>	9 001 489	1 832 266	20.4%
<b>Total equity and liabilities</b>	<b>31 580 252</b>	32 125 800	(545 548)	-1.7%

Cash increased from issuance of preference shares, sale of MIAL shares and DBSA loan funds received

Decrease driven mainly by lower tax receivable owing to refunds received from SARS, and lower trade receivables owing to decline in revenue as well as R201 million irrecoverable debt written off.

The investment in MIAL was disposed in February 2021 for R1.2 billion.

Issuance of preference shares and DBSA loan funds received resulted in additional debt of R3 billion.

Decrease is mainly owing to the deferred tax liability, which decreased to R496 million from R1.5 billion as of 31 March 2021 owing to significant tax losses incurred in the current year.

## ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	Movement			
	2021	2020	R'000	%
Revenue and other operating income	2 157 490	7 335 675	(5 178 185)	-70.6%
Employee costs	(1 881 970)	(1 821 412)	(60 558)	3.3%
Operating expenses	(1 950 080)	(2 627 172)	667 092	-25.5%
Impairment of receivables	(120 354)	(270 458)	150 104	-55.5%
<b>(LBITDA)/EBITDA</b>	<b>(1 794 914)</b>	<b>2 626 633</b>	<b>(4 421 547)</b>	<b>-168.3%</b>
Fair value (losses)/gains on investment properties	(216 313)	721 259	(937 572)	-130.0%
Depreciation, amortisation and impairments	(1 318 943)	(1 077 443)	(241 500)	22.4%
Gains from equity-accounted investments	1 482	2 693	(1 211)	-45.0%
Gain on disposal of assets held for sale	260 803	-	260 803	100.0%
Net finance expense	(532 382)	(485 264)	(47 118)	9.7%
(Loss)/profit before tax	<b>(3 600 267)</b>	<b>1 787 878</b>	<b>(5 388 145)</b>	<b>-301.4%</b>
Tax expense	1 039 728	(397 792)	1 437 443	-361.4%
<b>Profit /(loss) for the year</b>	<b>(2 560 539)</b>	<b>1 390 086</b>	<b>(3 950 702)</b>	<b>-284.2%</b>
Effective tax rate	29%	22%		
Cost to income ratio	-178%	-61%		

Reduced air traffic movements and passenger numbers owing to restricted travel resulted in 78% lower aeronautical revenue, and 61% lower non-aeronautical revenue. Non-aeronautical revenue was further impacted by relief provided in the form of a minimum rental waiver, with tenants paying only a turnover-based rental.

Employee costs were contained through the implementation of zero salary increases and no incentive bonuses, and reduced recruitment costs. This was offset by the cost of separation packages paid to employees for the early retirement and voluntary separation processes (R243 million).

Costs were contained by implementing a cost-reduction programme in order to reflect, as far as possible, the lower levels of operation in the current year.

Lower revenue generated, credit reprieve assistance offered to customers and write off of irrecoverable debt resulted in lower impairment costs.

The loss was driven mainly by lower market rental growth assumptions on the back of a weak macroeconomic environment and the impact of COVID-19.

The Group disposed its MIAL shares for an amount of USD84 million (approximately R1.2 billion) resulting in a gain of R230 million net of transaction and initial capital costs.

Significant tax losses incurred in the current year resulted in deferred tax credits.

## ABRIDGED CASH FLOW STATEMENT

	Movement			
	2021	2020	R'000	%
<b>Net cash (outflow)/inflow from operating activities</b>	(1 316 285)	2 168 984	(3 485 269)	-160.7%
<b>Net cash inflow/(outflow) from investing activities</b>	388 138	(1 354 737)	1 742 875	-128.7%
<b>Net cash outflow from financing activities</b>	<b>2 270 596</b>	<b>(947 895)</b>	<b>3 218 491</b>	<b>-339.5%</b>
Repayment of derivatives	(3 034)	(1 765)	(1 269)	71.9%
Interest-bearing borrowings repaid	(296 355)	(296 355)	-	0.0%
Proceeds from issue of preference shares	2 324 750	-	2 324 750	100.0%
Interest-bearing borrowings raised	810 000	-	810 000	100.0%
Lease payments	(3 937)	(19 744)	15 807	100.0%
Dividends paid	-	(56 017)	56 017	-100.0%
Interest paid	(560 828)	(574 014)	13 186	-2.3%
Net increase/(decrease) in cash and cash equivalents	1 342 449	(133 648)	1 476 097	-1 104.5%
Cash and cash equivalents at the beginning of the year	989 995	1 123 643	(133 648)	-11.9%
<b>Cash and cash equivalents at the end of the year</b>	<b>2 332 444</b>	<b>989 995</b>	<b>1 342 449</b>	<b>135.6%</b>

## STATISTICAL REVIEW

Group	FY2020/21	FY2019/20	FY2018/19	FY2017/18	FY2016/17
<b>Operations</b>					
Aeronautical revenue	810 411	3 743 424	3 809 093	3 583 866	5 389 852
Non-aeronautical revenue	1 341 515	3 380 135	3 316 454	3 169 428	3 175 417
<b>Total revenue</b>	<b>2 151 926</b>	<b>7 123 559</b>	<b>7 125 547</b>	<b>6 753 294</b>	<b>8 565 269</b>
(LBITDA)/EBITDA	(1 794 914)	2 626 633	2 864 513	3 003 477	5 082 219
(Loss)/profit before tax	(3 600 267)	1 777 878	651 788	1 220 885	2 599 780
(Loss)/profit for the year	(2 560 539)	1 380 076	223 645	552 422	2 005 882
Depreciation and amortisation	(1 318 943)	(1 077 443)	(1 475 574)	(1 247 477)	(1 268 516)
Dividends paid	-	(56 017)	(145 681)	(353 452)	(338 641)
Capital expenditure	769 891	1 234 649	1 012 490	913 992	893 161
<b>Financial position</b>					
<b>Capital and reserves</b>	<b>20 746 497</b>	<b>23 124 311</b>	<b>21 666 938</b>	<b>21 734 255</b>	<b>20 125 198</b>
<b>Liabilities</b>					
Non-current liabilities excluding deferred tax	8 339 523	5 659 027	5 846 816	5 884 159	8 363 990
Deferred tax	295 205	1 550 525	1 295 980	1 597 953	1 250 084
Current liabilities	2 199 027	1 791 937	1 887 113	4 064 774	2 289 748
<b>Total liabilities</b>	<b>10 833 755</b>	<b>9 001 489</b>	<b>9 029 909</b>	<b>11 546 886</b>	<b>11 903 822</b>
<b>Assets</b>					
Property and equipment, investment property and intangible assets	26 289 941	27 066 598	26 155 234	26 651 226	26 261 736
Investments in associates and joint ventures	420 407	418 924	416 232	1 735 177	1 173 748
Other non-current assets	464 489	282 307	238 402	225 307	241 551
Non-current assets held for sale	13 282	983 155	785 570	-	-
Current assets	4 392 133	3 374 816	3 101 409	4 669 431	4 351 985
<b>Total assets</b>	<b>31 580 252</b>	<b>32 125 800</b>	<b>30 696 847</b>	<b>33 281 141</b>	<b>32 029 020</b>
<b>Cash flow</b>					
Net cash (outflow)/inflow from operating activities	(1 316 285)	2 168 984	2 934 714	2 884 751	4 160 026
Net cash inflow/(outflow) from investing activities	388 138	(1 354 737)	2 488	(1 514 469)	(1 780 532)
Net cash outflow from financing activities	2 270 596	(947 895)	(3 187 399)	(1 717 465)	(2 028 039)
<b>Net cash (outflow)/inflow</b>	<b>1 342 449</b>	<b>(133 648)</b>	<b>(250 197)</b>	<b>(347 183)</b>	<b>351 455</b>
<b>Profitability</b>					
(Loss)/earnings per share (cents)	(518.32)	279.35	45.27	111.82	406.02
Dividends per share (cents)	-	(11.34)	(29.49)	(71.54)	(68.55)
<b>Productivity</b>					
Number of employees	2 752	3 343	3 110	3 067	2 898
Revenue per employee	782	2 131	692	2 202	2 956
Departing passengers per employee	1 661	6 259	6 790	6 794	6 902
Cost to income (%)	-178%	-63%	-196%	-55%	-41%

## OTHER KEY STATISTICS

	FY2020/21	FY2019/20	FY2018/19	FY2017/18	FY2016/17
<b>GROUP</b>					
<b>Other key statistics (in numbers)</b>					
<b>Aircraft landings</b>					
International	10 217	38 524	38 948	38 632	37 722
Domestic	43 557	130 693	135 738	140 784	142 230
Regional	2 543	11 620	12 613	13 064	13 138
Unscheduled	30 117	67 682	71 870	71 977	88 613
	<b>86 434</b>	<b>248 519</b>	<b>259 169</b>	<b>264 457</b>	<b>281 703</b>
<b>Departing passengers</b>					
International	412 322	5 822 544	6 026 514	5 971 517	5 680 282
Domestic	4 023 306	14 526 386	14 483 061	14 242 494	13 692 647
Regional	37 189	517 960	548 047	560 569	565 804
Unscheduled	96 941	57 575	60 642	62 272	63 228
	<b>4 569 758</b>	<b>20 924 465</b>	<b>21 118 264</b>	<b>20 836 852</b>	<b>20 001 961</b>
<b>Number of airlines</b>					
International	32	69	46	44	44
Domestic	6	35	11	10	9
	<b>38</b>	<b>104</b>	<b>57</b>	<b>54</b>	<b>53</b>
<b>Aeronautical tariffs (R)</b>					
<b>Passenger service charges</b>					
Domestic	75.44	75.44	75.44	71.93	111.40
Regional	157.02	157.02	157.02	148.51	230.70
International	207.02	207.02	207.02	195.61	303.51
<b>Landing fees (based on an aircraft with a maximum take-off weight of 60 000kg)</b>					
Domestic	3 287.47	3 287.47	3 287.47	3 107.27	5 491.62
Regional	4 795.49	4 795.49	4 795.49	7 820.17	7 820.17
International	6 303.06	6 303.06	6 303.06	9 236.37	9 236.37
<b>Operational volume (in numbers) aircraft landings</b>					
O.R. Tambo International Airport	35 230	105 975	109 758	110 286	111 232
Cape Town International Airport	18 413	45 092	49 338	51 497	49 663
King Shaka International Airport	7 332	25 383	25 571	27 058	27 495
Chief David Stuurman (Port Elizabeth) International Airport	9 972	24 140	22 655	26 992	30 256
King Phalo (East London) Airport	3 624	13 287	12 427	13 521	15 004
George Airport	5 120	18 381	21 509	17 051	27 999
Bram Fischer International Airport	3 018	8 737	9 440	9 936	9 053
Kimberley Airport	2 450	4 445	4 892	4 445	4 851
Upington International Airport	1 275	3 079	3 579	3 671	6 504










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


For all queries, visit [www.airports.co.za](http://www.airports.co.za) or email us at [customer care@airports.co.za](mailto:customer care@airports.co.za).

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





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

 **Postal address:**  
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Gardenview  
2047

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 [www.airports.co.za](http://www.airports.co.za)