AIR TRAFFIC & NAVIGATION SERVICES SOC LIMITED

SUSTAINABILITY REPORT 2014

20 YEARS
UNLOCKING WINNING PARTNERSHIPS

AIR TRAFFIC & NAVIGATION SERVICES
ATNS

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1. Key sustainability indicators

Table 1: Key sustainability indicators

Key sustainability indicators	2013/14	2012/13	Progress ▲ – ▼
Total revenue	R1,293 billion	R1,196 billion	▲
Total operating cost	R981 million	R925,8 million	▲
Total capital expenditure	R113 million, with additional R61 million committed	R20,7 million with additional R176,8 committed	▲
Total employee cost	R627 million	R570 million	▲
Total staff complement	1,033	983	▲
Number of permanent employees	980	924	▲
Overall EE representation	67,06%	63,37	▲
% Female representation	40,92%	38,52%	▲
Number of bursars and learners	84	47	▲
Training investment as percentage of salary bill	2,94	3,0	▼
Corporate social investment contribution	R1,343,760	R208,131	▲
B-BBEE contribution level	Level 5	Level 5	–
Number of safety events	1,67 safety events per 100,000 air traffic movements	2,24 safety events per 100,000 air traffic movements	▲
Total carbon inventory for the 2013/14 financial year	16,356 tons of CO2e	10,469 tons of CO2e	▼
Percentage of ATNS's carbon emissions relating to electricity consumption	[1]97%	96%	▼
Percentage of the organisation's carbon emissions relating to the use of fuel	3%	4%	▲
ATNS's total carbon emissions from Scope 1 sources	325 tons	334 tons	▲
Overall annual fuel usage	126,083 litres	125,083 litres	▼
ATNS's total carbon emissions from Scope 2 sources	10,144 tons	7,523 tons	▼
Overall annual electricity usage	16,101,59 kWh	10,144,00 kWh	▼
Water usage	Not yet measured	Not yet measured	
Water (reduction in relative consumption)	Not yet measured	Not yet measured	
Number of employees trained on environmental training programmes	4	0	▲
Annual spend on environmental training	R43,890	R nil	▲

[1]The increase is due mainly to an improvement in reporting during the year under review

2. About the Sustainability Report

Our approach to sustainability reporting

Our 2014 Sustainability Report provides our stakeholders with a view of Air Traffic and Navigation Services SOC Limited's (ATNS's) sustainability performance for the financial year 1 April 2013 to 31 March 2014. The report describes how we deliver sustainable outcomes through our sustainability-driven strategic business model and operational structure; as well as how we build and sustain value through our organisational culture, industry partnerships and in the way we engage our stakeholders.

Report scope and boundary

The boundary of this report is largely the ATNS legal entity. There may be instances where reporting has extended to other entities outside of the Company. In such instances, references are clearly highlighted.

A first for ATNS

This is ATNS's first stand-alone annual sustainability report in which we unpack our economic, social and environmental dividends for the reporting year. In following the GRI G4 sustainability reporting principles, we recognise the necessity for accuracy, transparency, reliability and connectivity of information and have used our best efforts to produce a report that harnesses these guiding norms. Accordingly, we have attempted to be thorough in our reporting, and where we discerned gaps, we endeavoured to clarify any overt omissions.

With this being the first year in which we are reporting in this way, this report has three main objectives:

1. To create a foundational sustainability report structure, based on current global leading practice sustainability reporting principles; and therein, to set the bar high for our future sustainability reporting.
2. To consolidate, interpret and report on the findings of ATNS's internal sustainability reporting framework, from which we have drawn performance information for this report, thereby enabling our wider stakeholder base to gain deeper insight into our sustainability performance.
3. To acknowledge, in greater detail than we have before, the contributions of our Shareholder, the Department of Transport (DoT), as well as the contributions of our sector partners, employees and other stakeholders in collectively ensuring our long-term economic, social and environmental sustainability

Guided by leading practice frameworks

ATNS has followed the most recent GRI G4 Guidelines to report on its sustainability outcomes for the year under review. Although it is not yet possible to meet all of the new G4 requirements for 'Core', we consider it both timely and prudent to have our first sustainability report draw directly from the new G4 structure to align with global leading practice reporting. This report contains standard disclosures from the GRI Sustainability Reporting Guidelines – refer to page 92 for a list of material disclosures and their locations.

Notwithstanding this being our first stand-alone sustainability report, we have also aligned our disclosures with certain other globally accepted frameworks (to varying degrees of completeness), including:

- The United Nations Global Compact
- The ICAO Aviation System Block Upgrade (ASBU) framework
- The Carbon Disclosure Project (CDP), which informs our reporting on carbon emissions

Sustainability assurance

This report has not been fully assured by external assurance providers. However, ATNS has engaged an external assurance provider to provide assurance on some parts of the report, such as specific key performance indicators, (KPIs) which have been assured by Kwinana-Equifin Auditors.

Suite and alignment of reports

We undertook our corporate annual reporting for the financial year ended 31 March 2014 across the following three reports: the Integrated Report (ATNS-IR), the Financial Report (ATNS-FR) and the Sustainability Report (ATNS-SR).

The ATNS-SR was prepared using the GRI G4 guidelines and the ATNS-IR followed the IIRC's International Integrated Reporting Framework V1.0. Both reports harness the principle of materiality to inform report content. The three reports should ideally be read in tandem: the ATNS-IR is a condensed version of both the ATNS-SR and the ATNS-FR and offers a comprehensive, yet abridged account of the content in both these reports. Similarly, collectively the ATNS-SR and ATNS-FR provide more detailed disclosures on ATNS's financial, social and environmental performance.

All references to forward-looking information and targets in the 2014 suite of reports are extracted from the 2014/15 ATNS Corporate Plan approved by the Board of Directors.

Referencing content online

The ATNS-SR is available on our website as a downloadable document: http://www.atns.co.za/annual-reports. Further, documents providing additional information and detail too extensive to include in this printed report can be viewed online at: http://www.atns.co.za/annual-reports.

Locate reporting indices online

GRI-G4 Index

The GRI-G4 Reporting Index associated with this report is located online at http://www.atns.co.za/annual-reports as a downloadable PDF document.

ASBU Reporting Index

The ICAO Aviation System Block Upgrade (ASBU) Reporting Index associated with this report is located online at http://www.atns.co.za/annual-reports as a downloadable PDF document.

Feedback

We welcome feedback on our sustainability reporting to ensure that we continue to disclose information that is pertinent to all our stakeholders. Should you wish to provide written feedback, kindly complete the online survey at http://www.atns.co.za/annual-reports. For further queries or suggestions kindly contact: Ms Thandi Mosupyi at marketing@atns.co.za.

Navigating this report

Performance commentary in both the ATNS-SR and ATNS-IR pertain to material issues that specifically align with the Company's key strategic objectives. Accordingly, performance commentary is linked to strategic objectives throughout the report by means of the following icons:

Icons associated with strategic objectives and critical business practices

Ensure long-term financial sustainability

Enhance operational efficiencies in line with global ATM standards

Develop leadership capability in Africa ATM space

Create a transformative organisation

Build a culture of safety

Build a skilled and capable employee resource base

Manage the organisation's contribution to Climate Change

Manage and preserve scarce and vulnerable resources

Develop enterprise-wide awareness for accountable environmental impact

Maintain an impeccable governance framework

Ensure regulatory alignment and compliance

Ensure constructive and collaborative stakeholder relationships

Navigate between reports

Throughout the 2014 suite of reports we have provided references to more detailed information in and between the different report volumes, such as tabled performance statistics, trends or further clarifications. Where applicable, readers are referred to additional content across the three 'Volumes' – or to content online - using the following icons:

Refer to Volume 1 for further content

Refer to Volume 2 for further content

Refer to Volume 3 for further content

Refer to content online

3. Board sustainability statement

MS SINDI ZILWA

Chairperson of the Social and Ethics Committee

Ms Zilwa is the CEO of Nkonki Inc., a registered firm of auditors established in 2003. She qualified as the second black woman chartered accountant in South Africa.

In 1998, she was awarded South Africa's "Business Woman of the Year" by the Executive Women's Club, now known as BWA; and in 2008, received "A Woman of Substance" award from the African Women Chartered Accountant's Forum.

Ms Zilwa serves as a non-executive director of the following listed companies: Aspen Limited, Discovery Limited, Rebosis Limited and Woolworths Limited.

As a State-Owned Company, ATNS is mandated by its Shareholder, as represented by the Minister of Transport and the entire Department of Transport, to address and contribute to both national and departmental outcomes, as directed by the Shareholder's Compact. We are further mandated to deliver on our directive with the awareness that we have a broader responsibility to the entire South African nation.

ATNS's governance framework and standards subscribe to King III, which recognises that organisational success in the 21st century is intricately linked to three interdependent systems, namely: the global economy, the socio-political environment, and the natural environment. The challenge for leadership is to integrate sustainability thinking and practice into the business' strategy and operations, which include its governance and compliance structures, its risk framework and organisational plans, policies and programmes, so that sustainability ultimately becomes 'mainstream'. Accordingly, the ATNS Board and Executive Committee acknowledge that long-term profitability must go hand-in-hand with social fairness and environmental accountability.

With this being our first stand-alone annual sustainability report, we have used the GRI G4 sustainability reporting framework as a guide to present a report that is – to the best of our knowledge – accurate, transparent, reliable and inclusive of our various stakeholder groups' interests. We have reviewed the 2013/14 Sustainability Report and trust that it provides meaningful disclosures on our company's impacts on the economy, society and the environment. The report endeavours to bring often disconnected reporting content into alignment and to demonstrate how our strategy drives our long-term sustainability aspirations. We are satisfied that this has been achieved through the 'materiality' focus of the report, which aligns directly with the materiality focus of our Integrated Report (Volume 1).

Going forward, the GRI framework will provide us with a platform for progressively more integrated reporting on our sustainability performance. The depth and breadth of content integration encouraged by the framework requires that our performance measurement be tangibly linked to strategy; and that our reporting fundamentals align with the GRI principles at both strategic and operational levels. We will, therefore, continue to cultivate our reporting competencies internally to promote organisational awareness of material sustainability issues and to ensure that sustainability reporting becomes integral to our daily operations. This will be facilitated through enhanced policy formation, target-setting, reporting methodologies and sustainability assurance; and by incorporating sustainability considerations into our investment planning, as well as our risk and governance frameworks.

We wish to thank everyone who contributed to our first sustainability report. The expertise and experience of all involved were invaluable.

Sindi Zilwa

July 2014

4. Executive sustainability statement

MR THABANI MTHIYANE

Chief Executive Officer

Mr Mthiyane has more than 10 years' experience in the aviation sector, specialising in air traffic management (ATM). He has held various senior management positions at ATNS, notably in the areas of maintenance policy development, the management of capital projects as well as leading the technology team as part of the Executive team. An engineer by profession, Mr Mthiyane has held various senior management positions within this discipline at the following companies: ESKOM, Transnet Ports Authority and NERSA. He is a registered Professional Engineer with the Engineering Council of South Africa (ECSA) and a member of both the South African Institute of Electrical Engineers (SAIEE) and the Institute of Directors Southern Africa. He served as a Trustee in the ATNS pension fund and as a member of the Air Services Licensing Council. He presently serves as Chairman of the Civil Air Navigation Organization (CANSO) for the Africa Region. Mr Mthiyane holds a Bachelor of Engineering degree from the University of Natal, an Honours degree in Mechanical Engineering from the University of Pretoria, and a Master of Business Administration from George Washington University. He further holds a National Diploma in Electronic Engineering, a Diploma in Project Management and a Diploma in ANS Management.

Air transport is a vital global service. It is a strategic link to the rest of the world and a major catalyst for socio-economic development. As the definitive provider of air traffic navigation services in South Africa, it is imperative that our services are safe, secure, regular and efficient; and that, in discharging this crucial responsibility, there is no margin for error.

Our participation in global aviation forums prompts us to continually examine the way we conduct our day-to-day operations to ensure optimum safety and reliability in accordance with global leading practices, and to improve our processes and procedures accordingly. Our participation further provides the impetus for delivering a quality service in line with our stakeholders' expectations. I am pleased to note that these forums continue to serve as a quality tool to inspire and motivate our people in their pursuit of innovation, excellence and quality service delivery.

The long-term economic sustainability of any country is reliant on the strength and credibility of its institutions. As such, it is vital for ATNS to continually assess and renew its strategic objectives to ensure the provision of exceptional quality air traffic management services. The Company's remarkable economic success in a challenging and highly volatile global economic environment is widely acknowledged; however, this does not leave room for complacency, particularly in terms of how our operations impact on the environment and the communities where we operate. At this point in our business' evolution, when we are poised to expand into the greater African continent through our AFI Strategy, we are employing a strategic model that expresses and facilitates a deep commitment to long-term economic, social and environmental sustainability, with a strong emphasis on environmental protection, and the promotion of social equity and well-being.

Further, we are implementing the requisite policy framework and operational infrastructure to balance our economic, social and environmental impacts and to ensure prudent use of scarce resources. We remain vigilant of the risks associated with our expansionary activities as well as the many opportunities presented by globalisation and the leadership role ATNS can play on the continent to promote safe operations, sustainable business practices, and operational integrity.

Environmental sustainability is globally recognised as the dominant development paradigm, and aligns with Government's drive to mainstream environmental considerations in all programmes and projects as a means to balance developmental outcomes. Accordingly, I invite all our industry partners to embrace a globally maturing mind-set that promotes sustainable economic, social and environmental practices, and therein, to contribute meaningfully to the sustainable development of our country.

Notwithstanding the traditional elements required for operational excellence, such as impeccable governance, ethical business practices, and customer centricity and service innovation, social and environmental considerations need to be integrated into the main policy frameworks of all aviation entities. Said differently, our commerce needs to embody sound ecological and social principles; and this may, in some instances, require that we re-think and re-design our systems and business practices to embrace sustainability as a veritable means to innovation, efficiency and cost effectiveness. With this in mind, we are currently reviewing the ATNS Roadmap to include the newly introduced ICAO initiative, Aviation System Block Upgrades (ASBU). We are fully supportive of the modular ASBU concept and value the contribution it will make towards addressing the air traffic management (ATM) community's needs and expectations for equitable access, safety, efficiency, predictability and environmental sustainability.

In this era of bold innovation and economic shifts and turns globally, I encourage all our people to cultivate a pioneering spirit and an adaptive approach to delivering quality customer-centric air traffic services. This extends to cultivating an intrinsic awareness of the impact our operations have on our natural resources – such as the use of electricity and fuel, the management of aircraft noise and carbon emissions – and to explore workable alternatives to curb our contribution to long-term environmental degradation. It also requires that we remain receptive to the needs and expectations of our various stakeholders, with safety and service reliability being the most critical deliverables. I would like to acknowledge the efforts of all our employees in promoting safe and reliable operations during the year and to thank them for their on-going commitment to 'green practices' to reduce our company's carbon footprint.

This is our first stand-alone annual Sustainability Report and demonstrates our on-going commitment to recording and disclosing material sustainability performance information that is pertinent to our stakeholders. Albeit we have not met all the reporting requirements contained in the GRI G4 guidelines, we have used this pivotal reporting framework to shape a meaningful foundation for our future performance reporting. It is imperative that we embrace and embed the framework's principles in all our business practices so that, as a learning organisation, we will continuously expand our 'sustainability intelligence' and express an authentic commitment to economic, social and environmental sustainability – in spirit, and in our actions.

Thabani Mthiyane

July 2014

5. Determining materiality

Not all key 'sustainability issues' contained in the Company's Sustainability Framework (as illustrated in Figure 8 on page 25 of this report) are individually expanded on in this report. ATNS defines 'materiality' for its reporting in terms of 'issues' that substantively impact the organisation's ability to create and sustain value over the short, medium and long term. ATNS' Sustainability Framework outlines multiple key sustainability issues, some of which have been clustered together as 'materiality aspects' to simplify our sustainability reporting.

ATNS has used a combination of internal and external criteria to determine whether an aspect is material, including factors such as the organisation's overall mission and strategy, concerns expressed directly by stakeholders, broader social expectations, and the organisation's influence on upstream entities (such as supply chain) and downstream entities (such as customers). Our assessments of materiality also consider the basic expectations expressed in the national and international standards and agreements with which the organisation is expected to comply.

Table 2 summarises the internal and external criteria used to determine the materiality of reported content and disclosures.

Table 2: Criteria for determining 'materiality'

Internal criteria	External criteria
ICAO Performance-Based ATM Operational Framework and ASBU Methodology; and global aviation regulatory requirements.	Global air traffic management (ATM) requirements, trends and standards; as well as leading practice safety performance benchmarks.
Statement of Strategic Intent and Shareholder Compact; 12 National Outcomes of Government and departmental outcomes of the Department of Transport.	Changes in the socio-economic developmental agenda and priorities of National Government.
ATNS Performance-Based Navigation Roadmap and Implementation Plan.	Socio-economic changes and challenges (e.g. barriers to market entry) in ATNS's key market segments (local and regional).
ATNS's mission, vision and values; and its strategic imperatives, critical issues, programmes and Key Performance Indicators (KPIs) as well as its Business Concept.	Critical commercial opportunities as well as market and environmental risks ATNS is geared to respond to, locally, regionally and globally; as well as factors which may impact ATNS's reputation, thereby influencing its ability to promote sustainable growth.
ATNS's Enterprise Risk Management (ERM) Process, including the key operational risks impacting the Company's strategic and operational objectives and the associated mitigating activities; as well as ATNS's governance and compliance frameworks; and the Company's Sustainability Framework and associated policies and processes to manage financial, social and environmental sustainability outcomes.	The provisions of various frameworks including: Public Finance Management Act (PFMA); King III Code on Corporate Governance (King III); Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC); International Financial Reporting Standards (IFRS); GRI Framework; United Nations Global Compact; Carbon Disclosure Project; B-BBEE Code.
Stakeholder expectations and feedback on material considerations as captured and monitored through ATNS' stakeholder engagement process – e.g. business community, Airport customers, ACSA, Non-Governmental Organisations (NGOs), National and Provincial Governments, regional partners, designated targeted groups, academics, investors and the media.	Changes in the national, regional or global political environment and a changing regulatory landscape.

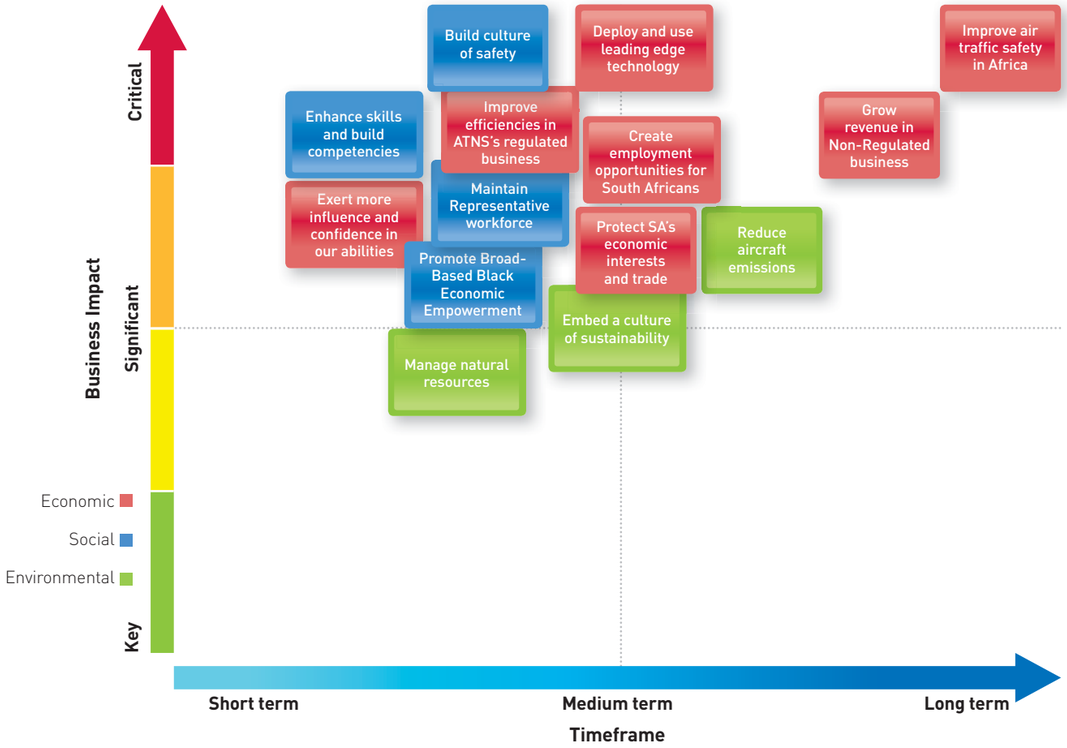
Table 3 provides an overview of ATNS's material economic, social and environmental sustainability aspects addressed in this report.

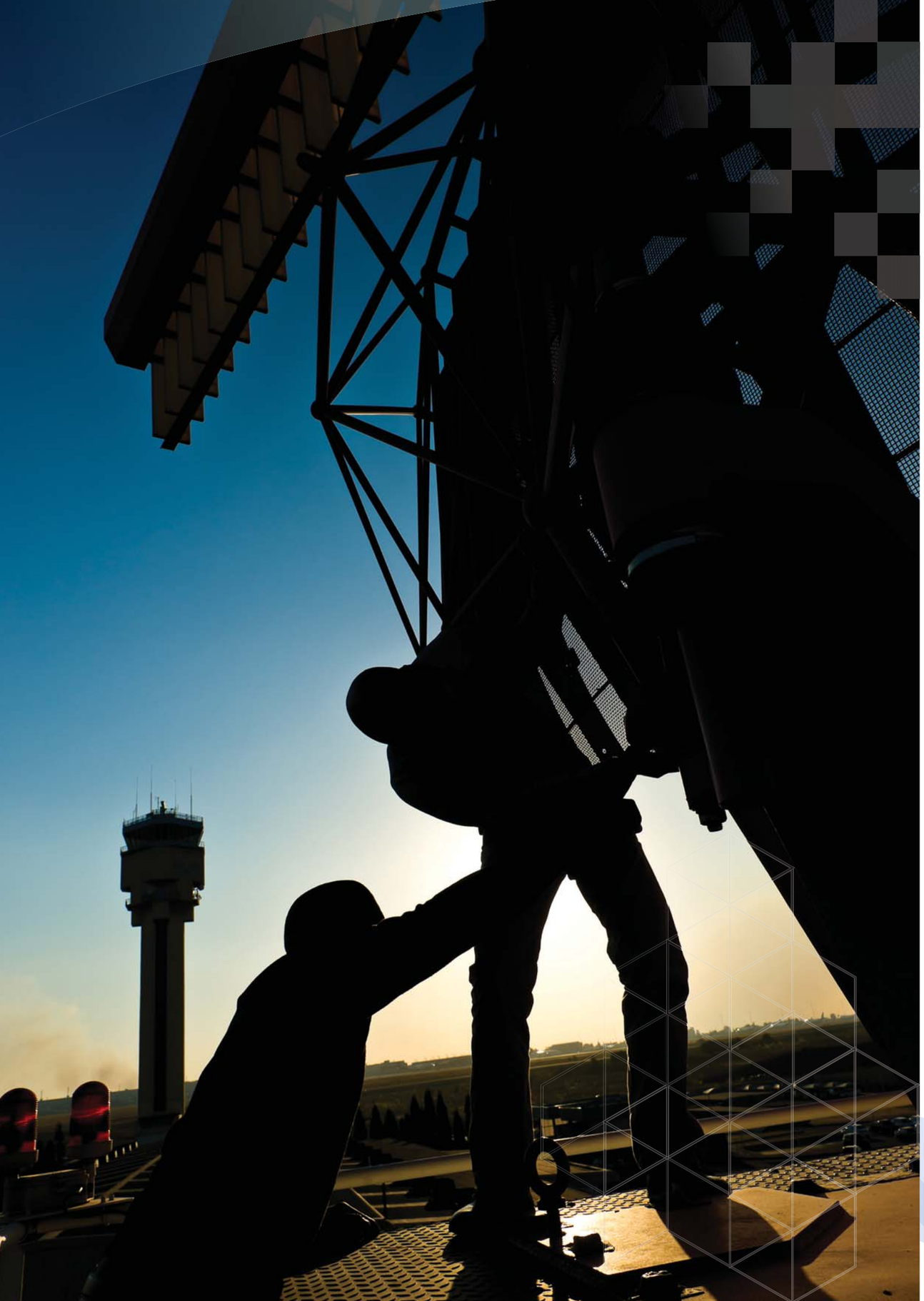
Table 3: ATNS's material aspects

ECONOMIC sustainability	SOCIAL sustainability	ENVIRONMENTAL sustainability
1. Growing revenue in ATNS's non-regulated business.	1. Maintaining a representative workforce.	1. Embedding a culture of sustainability.
2. Protecting South Africa's economic interests and trade.	2. Promoting Broad-Based Black Economic Empowerment.	2. Reducing CO2 emissions.
3. Creating employment opportunities for South Africans.	3. Building a culture of safety.	3. Managing natural resources: a. Electricity and fuel b. Airspace quality b. Biodiversity and protected habitats.
4. Improving operational efficiencies and service reliability.	4. Enhancing skills and building competencies.	
5. Deploying and using leading technologies.		
6. Exerting more influence and market confidence in our abilities.		
7. Improving air traffic safety in Africa.		

Figure 1 illustrates ATNS's prioritisation of material issues in terms of the Company's short, medium and long-term strategic vision.

Figure 1: Matrix of material economic, social and environmental sustainability issues





6. Organisational profile

Operational overview

Nature of business

The Air Traffic and Navigation Service Company Limited (ATNS) is a State-Owned Company (SOC), established in 1993 in terms of the ATNS Company Act (Act 45 of 1993) to provide air traffic management solutions and associated services on behalf of the State. These services accord with International Civil Aviation Organisation (ICAO) standards and recommended practices and the South African Civil Aviation Regulations and Technical Standards. As an air navigation services provider (ANSP), ATNS is governed by the nation's legislative and administrative framework.

ATNS is also a commercialised ANSP operating on the "user pays" principle that relies on tariff revenues and debt funding for its operational and capital expenditure requirements.

The Company has its head-office at Eastgate Office Park, Block C, South Boulevard Road, Bruma, (Postal code: 2198) in Gauteng.

Principal activities

Regulated Business

At present 90% of ATNS's revenue is facilitated through its regulated business.

Air Navigation Services and Infrastructure

The principal activities of ATNS's regulated business encompass the planning, operating and maintenance of safe and efficient air traffic management services in sovereign and delegated airspace for which the State is responsible. Air navigation infrastructure and services consists of the following main components:

1. Communications, navigation and surveillance (CNS) infrastructure.
2. Auxiliary aviation services, such as aeronautical information publications, flight procedure design and aeronautical surveys.
3. Air traffic management.

ATNS's infrastructure and service development is informed by user expectations and regulatory requirements at a global level; as well as the needs of the air traffic management (ATM) community and new enabling technologies.

Training institution

ATNS runs a successful training institution as a division within the Company, namely: the Aviation Training Academy (ATA). The ATA provides a full range of air traffic services training, technical support training and related training to delegates in South Africa and the broader African continent in the disciplines of engineering, air traffic services and management. The ATA is an ISO9001:2000 accredited institution and has international cooperation agreements in place with partners such as the Embry Riddle Aeronautical University, Ecole Nationale de l'Aviation Civile (ENAC) and the University of the Witwatersrand (WITS), enabling the academy to maintain mutually beneficial partnerships in the presentation and accreditation of international courses in air traffic services (ATS). The ATA is a world-renowned academy, and in 2012, 2013 and 2014 was formally recognised as the International Air Transport Association (IATA) Worldwide Top Regional Training Partner.

Non-Regulated Business

ATNS's non-regulated business currently contributes 10% of the Company's revenue.

The non-regulated business encompasses a long-term strategy to facilitate regional expansion through a subsidiary vehicle presently known as "ATNS International". ATNS International will enable the Company to take a more robust and agile stance in the non-regulated business market without posing undue risks to its regulated market and Shareholder. It will also enable ATNS to enter into joint ventures and partnerships with external suppliers so that the Company can harness more valuable market opportunities and extend its regional influence and reach.

ATNS's presence in South Africa

The Company provides aerodrome and approach control services at 9 ACSA airports throughout South Africa on a statutory basis. It further provides aerodrome services to 12 regional airports and approach procedural services to 4 regional airports, both on a contractual basis. The Company also provides the national area control service, oceanic control services in delegated international airspace and Aeronautical Information Management services.

In addition, ATNS operates the Aeronautical Rescue Coordination Centre on behalf of the Department of Transport; as well as operating the African and Indian Ocean Area Regional Monitoring Agency on behalf of the International Civil Aviation Organisation. Further, the Company is delegated by the Department of Transport as the 'slot coordinator' for coordinated airports in South Africa.

ATNS is responsible for air traffic management in approximately 10% of the world's airspace.

Figure 2: ATNS's presence in South Africa

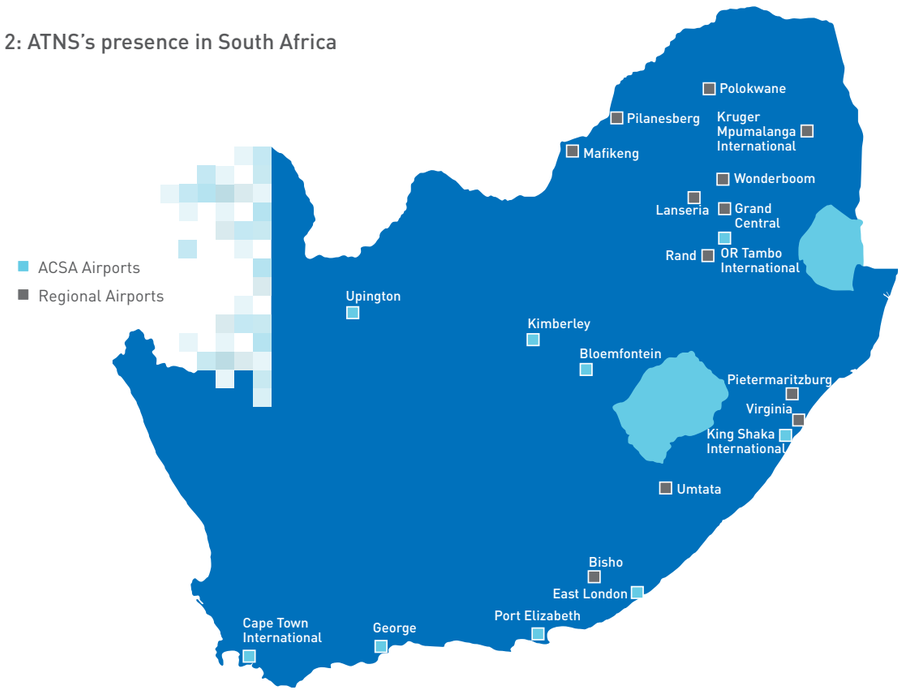


Figure 3: ATNS African Indian Ocean (AFI) regional airspace cover

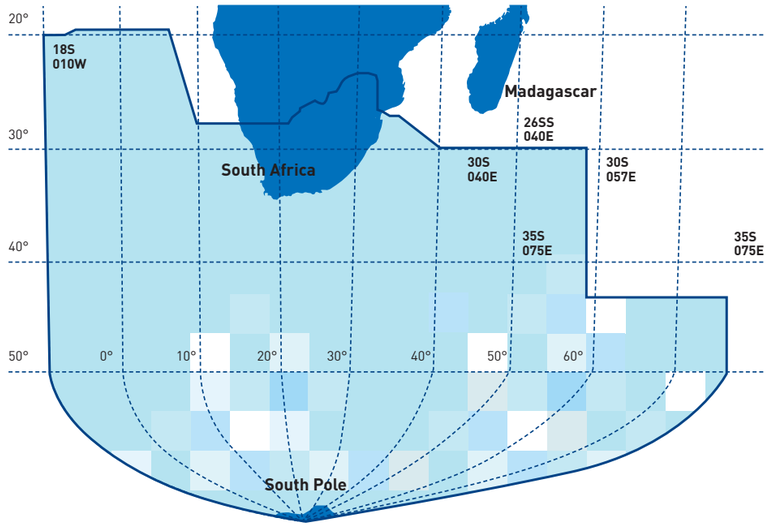
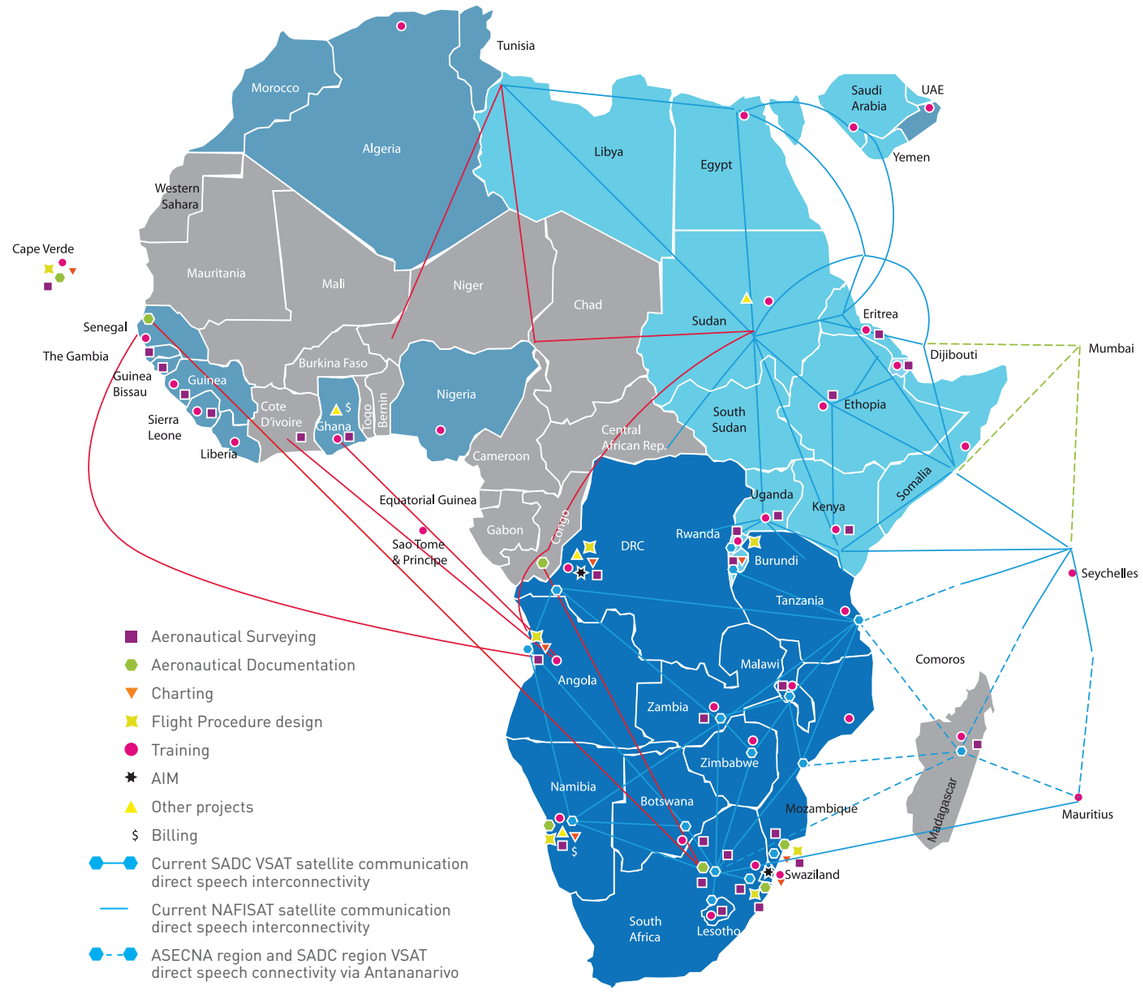


Figure 4: ATNS's extended services on the African continent and beyond



Primary products and services

Table 4 represents a combined 'current' and 'future' state' view of ATNS's existing products, customers and markets, as well as a view of new product and market development opportunities.

Table 4: Overview of ATNS's current and future product, service and market matrix

Current products	Current users/customers	Potential for new customers	Existing markets	New market segments	Degree to which outsourcing is used
ATS – ATC and AIM	• Air space users (airlines, GA, SAAF, SAPS, STATE) • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers • UAVS & Very light jets	• RSA – Statutory (C&O) • RSA – Contractual	Selected global markets(AFI)	0%
VSAT (VSAT 2, NAFISAT and IVSAT)	• Governments (CAA, ETC.) • ANSP • Airport operators (ACSA & NON-ACSA)	• Governments (CAA, ETC.) • ANSP	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	Selected global markets (ASECNA)	0%
Technical support	• ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers • Other new technologies	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	Northern and Central Africa	50%
Billing Services	• ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA • (airlines, SAAF, SAPS, STATE) • SAWS	• Governments (CAA, ETC.)	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	ASECNA, Northern and Central Africa	0%
Surveys	• ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	ASECNA	50%
Consultancy	• Air space users (airlines, SAAF, SAPS, STATE) • ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers • Department of Education and Schools • Other new technologies • UAVS & Very light jets	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	North, Central Africa	50%
ATM	• Air space users (airlines, GA, SAAF, SAPS, STATE) • ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers • Other new technologies • UAVS & Very light jets	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	North, Central Africa and Regional	20% (Charting)
CNS-Training	• Air space users (airlines, GA, SAAF, SAPS, STATE) • ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• UAVS & very light jets • Other new technologies	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	North, Central Africa and Regional	50%

Table 4: Overview of ATNS's current and future product, service and market matrix (continued)

Current products	Current users/customers	Potential for new customers	Existing markets	New market segments	Degree to which outsourcing is used
Flight procedure design	• Air space users (airlines, GA, SAAF, SAPS, STATE) • ANSP • Governments (CAA, ETC.) • Airport operators (ACSA & NON-ACSA)	• Local authorities and developers	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	North, Central Africa and Regional	50%
Aeronautical information (AIP)	• Governments (CAA, ETC.)	• Governments (CAA, ETC.)	• SADC – Prioritised • AFI	North, Central Africa	0%
CAD	• ANSP • Governments (CAA, ETC.)	• ANSP • Governments (CAA, ETC.)	• RSA – Statutory (C&O) • RSA – Contractual • SADC – Prioritised • AFI	RSA – Statutory (C&O) RSA – Contractual SADC – Prioritised AFI	20%
Fast-time simulation	• ANSP • Airport operators • Airspace users	• ANSP • Governments	• RSA	North, Central Africa and Regional	0%

Contextualising our operations

Global regulatory context

The global aviation regulatory environment was established through the International Civil Aviation Organization (ICAO), a specialised body of the United Nations Organization responsible for global civil aviation. ICAO was established through the Chicago Convention, as signed by participating states in 1944. South Africa is a signatory to the convention and has acceded to abide by the terms and conditions of the convention.

Regulatory framework

The regulatory framework within which ATNS operates comprises the Convention and its 19 annexes, which address the broad principles of civil aviation governance and the standards related to various aspects of civil aviation, including safety, personnel licensing, meteorology, air traffic services, aeronautical telecommunications and aeronautical information management. Further, a comprehensive supporting documentation base comprises recommended practices, design manuals and guidance material related to various aspects of civil aviation.

To meet its obligations in terms of the Chicago Convention, the South African Government has enacted primary legislation addressing various aspects of civil aviation. The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards, provides the regulatory framework within which ATNS delivers air navigation services on behalf of the State.

In terms of Article 28 of the Chicago Convention, the State is required to provide air navigation services and infrastructure in compliance with the standards and recommended practices as promulgated from time to time by ICAO. The Convention makes provision for the State to delegate responsibility for the provision of services; however, the State remains accountable for ensuring compliance with the standards and recommended practices.

Ensuring quality adherence and compliance

To ensure quality adherence and compliance with ICAO standards and recommendations, as well as with the South African Civil Aviation Regulations, the State established the South African Civil Aviation Authority (Act 40 of 1998), which is tasked with the safety regulation and oversight of civil aviation in South Africa. Given that ATNS is the monopoly provider of the national en-route as well as approach and aerodrome services at Airport Company of South Africa (ACSA) airports, the Regulating Committee for ACSA and ATNS was established through – and empowered by – both the ACSA Act (Act 44 of 1993) and the ATNS Act. This was undertaken to ensure independent economic and service standard regulation and oversight of ATNS; and to prevent abuse by ATNS of its monopoly position, whilst at the same time ensuring that ATNS remains sustainable as an independent, self-funding, state-owned company.

Economic and service standard regulation

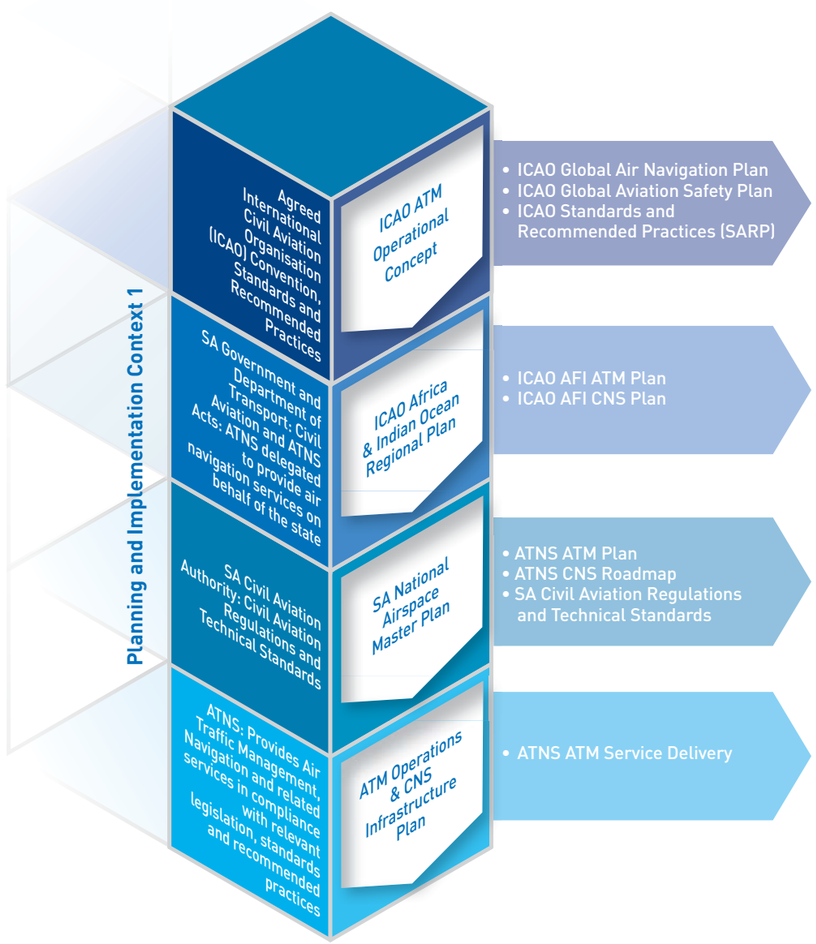
Economic and service standard regulation by the Regulating Committee (RC) is achieved by way of a tariff permission issued by the RC on the basis of a permission application submitted by ATNS for a period of five years. The permission application details ATNS' service provision and standards, including infrastructure and human and financial resources required to realise the plans over the five-year period.

These plans are statutorily consulted on with the stakeholders with a view to achieving consensus on all aspects of the permission application. The outcomes of consultations are included in the permission application as a consultation report, which is reviewed by the RC and taken into account when the tariff permission is granted. During the course of the permission, the RC reviews service standards and financial performance to confirm that ATNS is complying with the terms and conditions of the permission.

Global business context

At a global level, civil aviation is planned to be seamlessly integrated across national boundaries, with common service standards and quality, irrespective of who provides the Air Navigation Service – be it a State, a group of States or delegated service providers. The States that are members of ICAO have endorsed the ICAO Global Air Traffic Management Operational Concept, which defines the seamless global aviation system concept. This concept is, in turn, translated into the Global Air Navigation Plan (GANP), supported by the Global Aviation Safety Plan (GASP) and underpinned by the ICAO Standards and Recommended Practices (SARPs).

Figure 5: Civil aviation regulatory and service delivery context



Statement of Strategic Intent and Shareholder Compact

The Statement of Strategic Intent from the Minister of Transport, which provides reference for the Shareholder Compact in the medium term, outlines six national objectives for the transport sector:

1. Ensure an efficient and integrated transport infrastructure network for social and economic development.
2. Ensure a transport sector that is safe.
3. Improve rural access, infrastructure and mobility.
4. Improve the public transport system.
5. Increase the contribution to job creation.
6. Increase the contribution to environmental sustainability.

Performance context

ATNS operates within a global environment where the implementation of the ICAO Air Traffic Management Operational Concept – as globally adopted in 2013 – is gaining momentum. The concept is supported by the on-going definition of required performance standards for the different components of the global air traffic management system, which in its final form will realise seamless services in a globally interoperable system.

Economic growth is a key driver of air traffic growth and the performance of an Air Navigation Services Provider (ANSP) depends on the airline's performance. The high price of oil and downward revisions of GDP forecasts across the world and even recent failures of national airlines present major challenges in the forecasting of future traffic evolutions. Economic growth rates in emerging regions and countries are forecast to outstrip that of developed nations. Broadly speaking, world aviation faces an uncertain world and deals mainly with external risks which are uncontrollable, and with serious impacts. The top two external risks faced by the industry include:

- The threat of rising fuel prices.
- A weak economy which undermines demand.

The airline industry is also experiencing the formation of new partnerships, global alliances and cross-border ownership structures that are changing traffic flows and hubs. This will lead to a smaller number of specialist airlines, with geocentric hubs and the resources to deliver a wide range of services. Carriers may look to bulk up through partnerships or mergers to strengthen their competitiveness against other industry titans and better insulate themselves against volatile fuel prices, softening demand in some regions or other potentially turbulent market conditions.

Developmental context

South Africa's National Development Plan (NDP) provides guidelines for the country to eliminate poverty and to reduce inequality by 2030. Through the NDP, the South African Government intends to unite South Africans by unleashing the potential of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the State, fostering leadership capability and creating an environment conducive to collaborative approaches to complex challenges. ATNS' strategy supports the following NDP enabling milestones.

- Increase employment from 13 million in 2010 to 24 million in 2030.
- Raise per capita income from R50,000 in 2010 to R120,000 by 2030.
- Increase the share of national income of the bottom 40% from 6% to 10%.
- Establish a competitive base of infrastructure, human resources and regulatory frameworks.
- Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup.
- Establish effective, safe and affordable public transport.
- Play a leading role in continental development, economic integration and human rights.

Structure and scale of operations

ATNS is a State-Owned Company (SOC), comprising a board of directors appointed by the Minister of Transport to provide oversight and guidance in implementing the ATNS Mandate.

The ATNS structure is based on its strategy and value chain, which comprises three main blocks:

1. ATM Operational Concept and GANP.
2. Enabling/driving technologies, infrastructure and resources.
3. ATM and technical support operations.

The operational concepts are supported by corporate and support functions. The corporate function determines the direction of the Company as mandated by the Board through strategy formulation and execution by the Chief Executive Officer (CEO). The corporate function ensures that Executives plan adequately and utilise resources optimally as dictated by the 5-year permission cycle. Planning for strategic execution is also driven by the departmental operational and business plans.

Figure 6: Overview of the ATNS operating structure

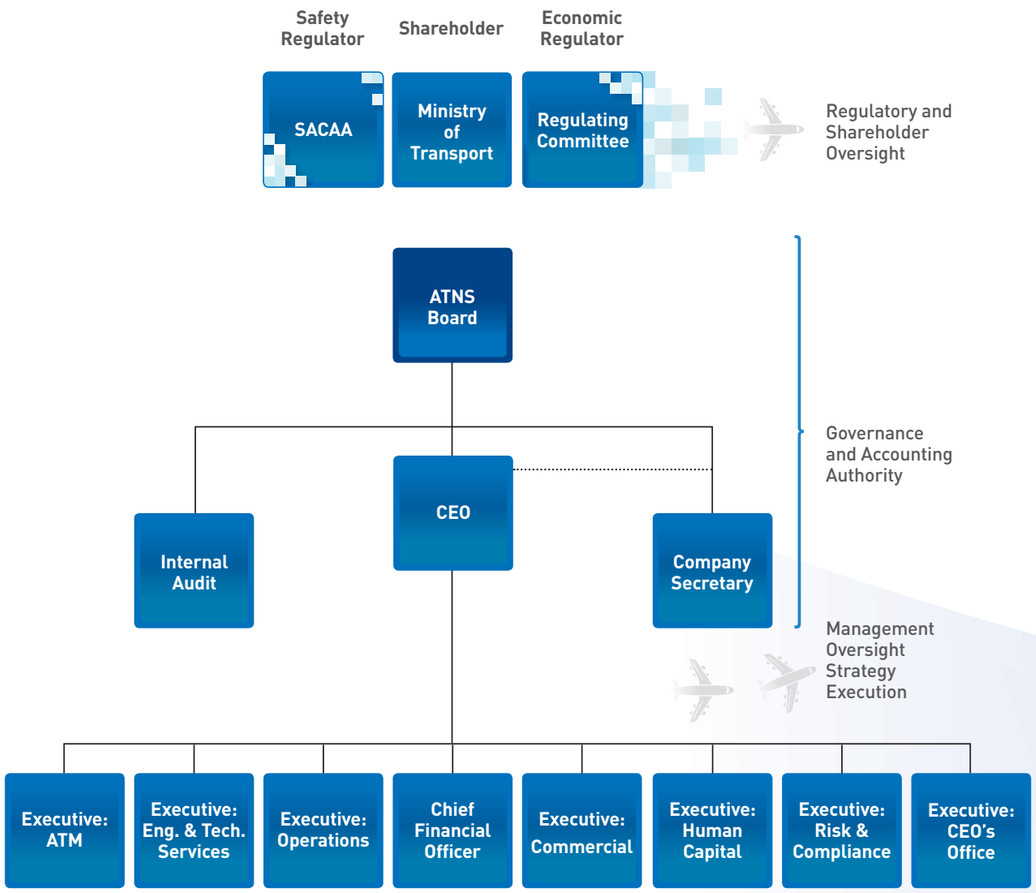
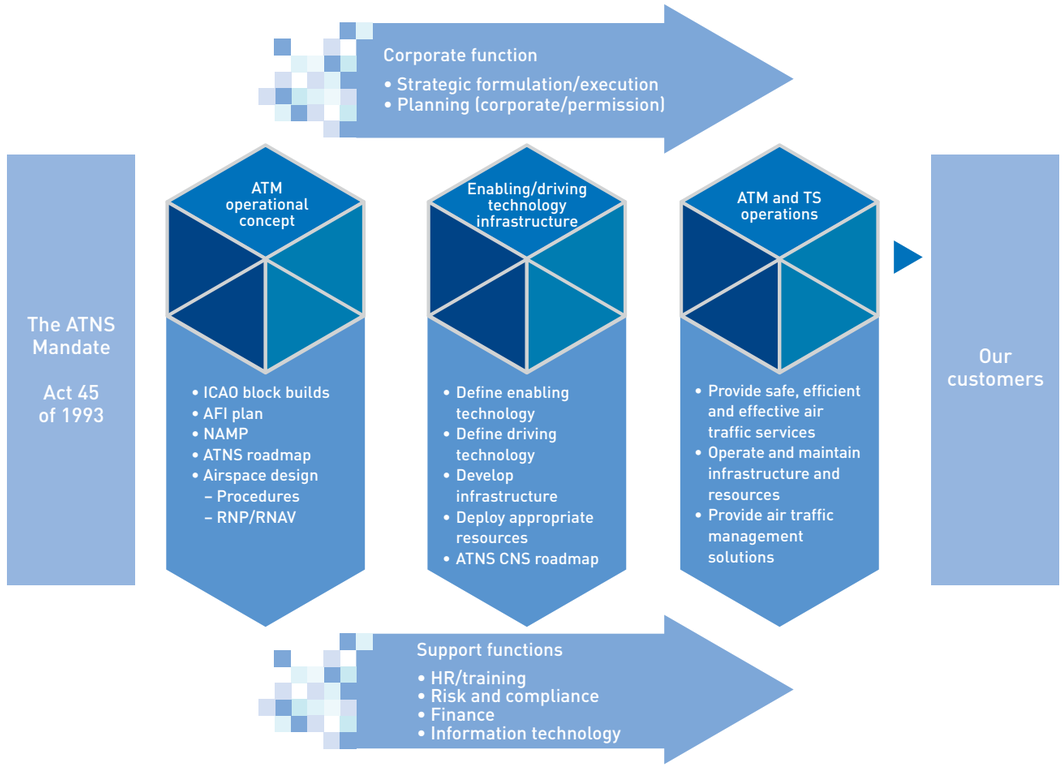


Figure 7: ATNS Regulated Business Model – core and support functions



Refer to pages 24 and 25 in the ATNS-IR for ATNS's full value creation process.

Support functions

ATNS' support functions provide the governance frameworks and effective functioning of the operating environment. They comprise:

- Human capital (HR and training)
- Finance
- Information technology
- Risk and compliance

Scale and scope of operations

Table 5 provides a synopsis of the scale and scope of ATNS's operations.

Awards received during the year

ATNS's Aviation Training Academy (ATA) is a world-renowned academy, and in 2013 was again awarded the International Air Transport Association (IATA) Worldwide Top Regional Training Partner.

As a TRAINAIR Plus Associate member, the ATA successfully hosted the TRAINAIR Plus regional symposium in December 2013. The symposium brought together 220 delegates from 40 different countries around the globe to deliberate on Aviation Training issues.

Table 5: Scale of the organisation

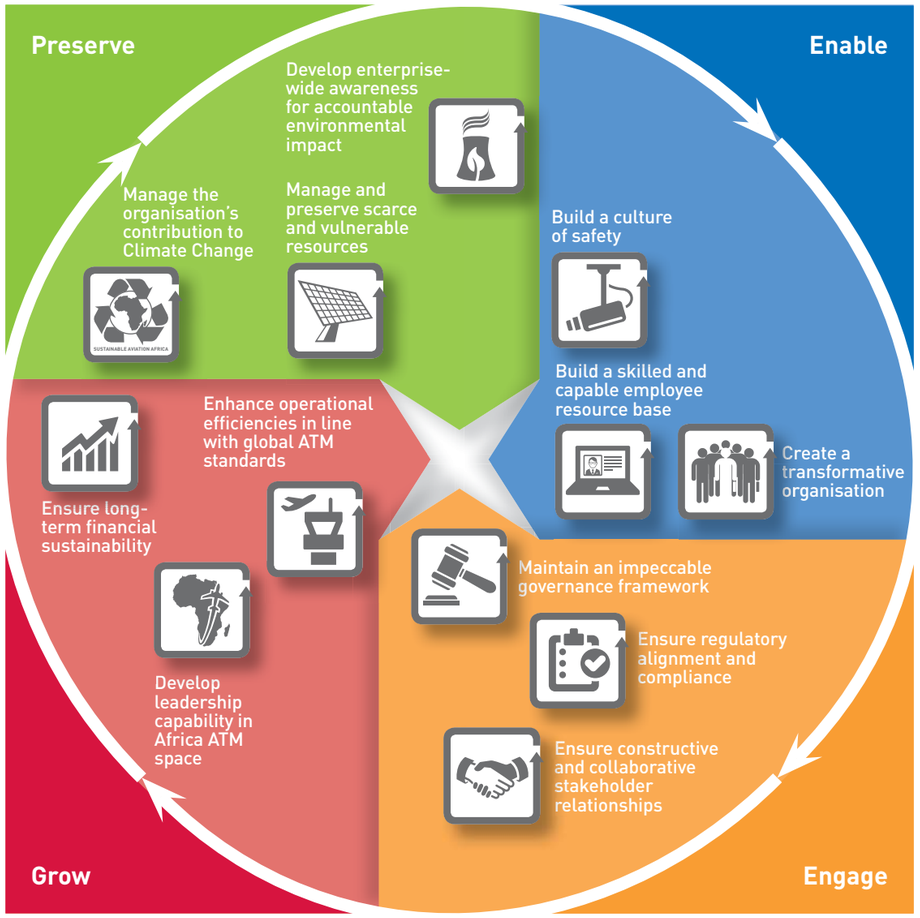
Scale indicator	Actual 2012/13	Actual 2013/14	Target for 2014/15
Turnover	R1,196 billion	R1,293 billion	R1,329 billion
Operating costs	R925.8 million	R981.0 million	R1.1 billion
Net profit	R195 million	R244 million	R138 million
Airspace cover	ATNS is responsible for ATM in 10% of the world's airspace.	ATNS is responsible for ATM in approximately 12% of the world's airspace.	ATNS to maintain responsibility for ATM in approximately 12% of the world's airspace.
Local presence	9 ACSA airports (statutory)	9 ACSA airports (statutory)	9 ACSA airports (statutory)
Regional presence	13 regional airports (contractual)	12 regional airports (contractual)	12 regional airports (contractual)
Number of traffic movements during the year	301,965	302,219	296,955
Total employee numbers	983	1,033	1,151
B-BBEE rating	(Level 5)	(Level 5)	(Level 3)
Number and location of operational sites	22 operational sites: • Cape Town International • OR Tambo International • King Shaka International • East London • Port Elizabeth • George • Bloemfontein • Kimberly • Upington • Bisho • Umtata • Virginia • Pietermaritzburg • Rand • Grand Central • Lanseria • Wonderboom • Polokwane • Kruger • Mafikeng • Pilanesburg • Richards Bay	21 operational sites: • Cape Town International • OR Tambo International • King Shaka International • East London • Port Elizabeth • George • Bloemfontein • Kimberly • Upington • Bisho • Umtata • Virginia • Pietermaritzburg • Rand • Grand Central • Lanseria • Wonderboom • Polokwane • Kruger • Mafikeng • Pilanesburg	21 operational sites: • Cape Town International • OR Tambo International • King Shaka International • East London • Port Elizabeth • George • Bloemfontein • Kimberly • Upington • Bisho • Umtata • Virginia • Pietermaritzburg • Rand • Grand Central • Lanseria • Wonderboom • Polokwane • Kruger • Mafikeng • Pilanesburg
Number of air controllers and engineers trained by ATA	• 740 ATCs • 579 engineers	• 655 ATCs • 333 engineers	• 652 ATCs • 295 engineers

7. Sustainability profile

ATNS' sustainability framework

The ATNS-SR has been structured to reflect the economic, social and environmental performance yields as monitored through the Company's Sustainability Framework. The Sustainability Framework reflects the full spectrum of ATNS's key sustainability issues. However, not all key issues have been individually explored in this report. In some instances, key issues have been clustered together to simplify our sustainability reporting.

Figure 8: ATNS Sustainability Framework



Key issues

Preserve
- Manage climate change impacts
- Preserve scarce resources
- Positive community involvement

Grow
- Enhance safety, reliability and availability
- Ensure operational efficiency
- ICT enablement
- Innovation and R&D
- Ensure working capital
- Leadership development
- Grow revenue in regulated and non-regulated business
- Maintain airline economic sustainability

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

Engage
- Ensure impeccable governance and ethics
- Ensure regulatory compliance
- Develop local suppliers
- Shareholder management
- Strategic partnership development

How the framework reflects us as a business

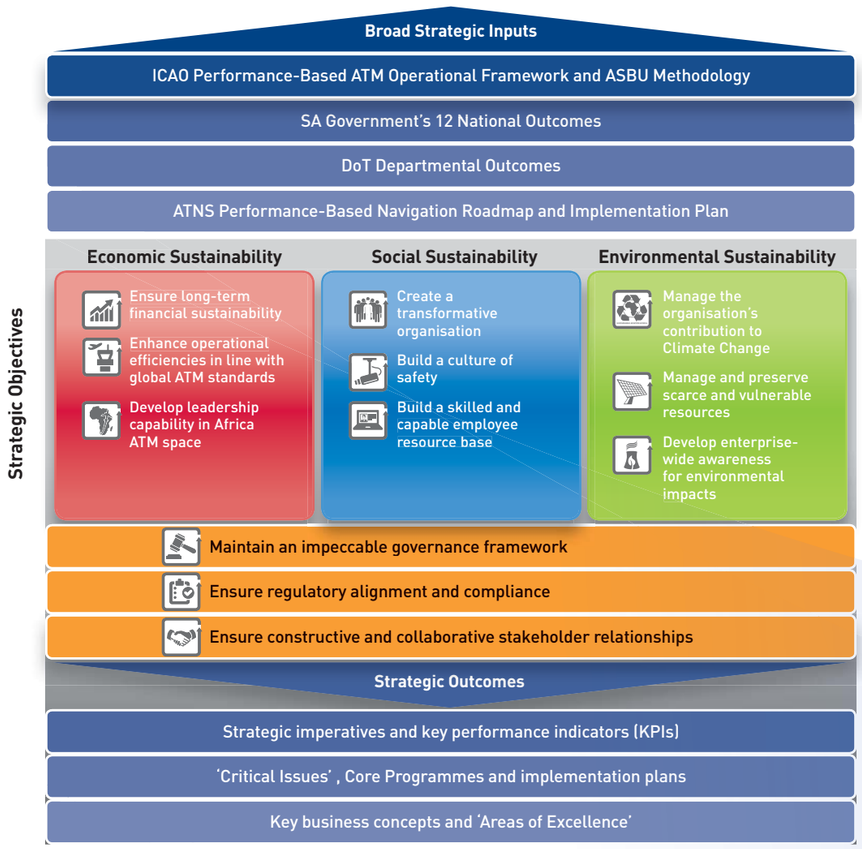
ATNS' Sustainability Framework reflects the organisation's role as a mandated public entity within the Department of Transport ('DoT'). As a State-Owned Company, our retained earnings are re-invested in our business and we are mandated by our Shareholder, represented by the Minister of Transport and the entire Department of Transport, to deliver on our directive with the awareness that we have a broader responsibility to the entire South African nation.

Our Sustainability Framework is informed by our Strategic Model (see Figure 9), which reflects the various strategic inputs into our business, as well as our strategic objectives and the associated outputs that inform our business operations. The model demonstrates ATNS's holistic approach to economic, social and environmental sustainability in that the three sustainability pillars serve as drivers of ATNS' strategic intent and operational momentum. Further, all three strategic pillars require that ATNS ensures impeccable governance oversight and regulatory compliance; and alignment with the needs of our various stakeholder communities.

Strategic inputs include the ICAO performance-based ATM Operational Framework at a global level; the South African Government's national outcomes; the Department of Transport's departmental outcomes; and the ATNS Performance-Based Navigation Roadmap and Implementation Plan.

The Strategic Model – and hence our Sustainability Framework – is further aligned with the National Development Plan (NDP), through two Departmental Key Performance Indicators, namely KPI no.2: *Infrastructure Development*; and KPI no. 5: *Job creation*.

Figure 9: ATNS Strategic Model



As the air transport industry evolves and changes, with new mega partnerships and global alliances forming, we recognise that our excellence in business can only be appreciated and valued when we can ensure long-term economic, social and environmental sustainability and therein, acknowledge the interdependence and cyclical nature of our strategic decisions, operational practices and tactical impacts.

Economic sustainability

We strengthen our economic sustainability by remaining globally competitive and regionally innovative. Given that our regulatory environment restricts our revenue growth potential within the South African market by capping tariffs, it is imperative for ATNS to broaden its business offerings to other markets. Our economic sustainability is, therefore, strongly dependent on our successful execution of our Africa expansion strategy. Our sustainability framework considers the risks, opportunities and impacts associated with this commercial strategy; and maintains a vigilant governance accountability for all our business practices.

Social sustainability

Our social sustainability imperatives relate to our employees, our customers – and their customers – and the many varying communities impacted by our operations. Within the business, we aim to create a transformative organisation, with a skilled and capable employee base. We promote a culture of safety and the philosophy of 'zero harm to self, others and the environment'; and we aim to lead by example by aligning with local, regional and global regulatory frameworks for our commercial, social and environmental practices. Our sustainability framework is guided by the various regulatory frameworks and regulatory promulgations that govern our operations.

Environmental sustainability

We are promoting environmental sustainability by minimising our carbon footprint to the greatest possible extent, and by introducing strategies to manage and preserve scarce resources. We further seek to help our stakeholders to minimise their environmental impact on their operations through flight efficiency programmes and other leading practice initiatives. Training plays an important role in creating attentiveness for and competency around sustainable environmental practices. Greater awareness and regulation of the environmental impact of air transport provides ATNS with a long-term opportunity to include sustainability strategies in the delivery of its portfolio of products and services to the continent.

ATNS's material issues are further focused on providing efficiency in operational procedures to reduce aircraft CO2 emissions. When designing procedures, ATNS takes the following into consideration as required by the National Environmental Management Act (NEMA) and Civil Aviation regulation:

- Noise Footprint
- National heritage sites
- Noise sensitive areas such as hospitals, schools, religious areas

Further, the Performance-Based Navigation programme is focused on the optimisation of gate-to gate operations. Water usage and waste management are also on the agenda for ATNS and will be accelerated through specialised internal programmes in the new financial year.

What the framework enables us to do

Our Sustainability Framework enables us to:

- Align our activities with the Minister of Transport's Statement of Strategic Intent and the Shareholder Compact to ensure ATNS pursues sustainable economic, social and environmental outcomes.
- Build an integrated and intelligent view of the synergies and trade-offs between the various performance areas of our business; and to continue to innovate around reporting mechanisms and 'reporting views' to better assess the interrelatedness of material performance information.
- Report performance progress to stakeholders on matters that are material to them.
- Plan for the future based on a candid analysis of our sustainability outcomes.
- Demonstrate the integrated nature of our Strategic Model (Figure 9) in the context of the Sustainability Framework by viewing the business in terms of a cyclical flow, following the four phases of: Enable, Engage, Grow and Preserve; and to define our material outcomes in alignment with this cyclical perspective (as depicted in Figure 8). This vision of a sustainable business is a constant reminder of the importance of integrated thinking; and that actions taken in terms of one facet today will impact all that follows.

Building sustainability intelligence

As we mature in our sustainability reporting – and systemically build our 'sustainability intelligence' – we will also enhance our sustainability assurance by introducing sustainability assurance audits. Further, we will continue to enlist the expertise of independent sustainability advisory firms to guide the business on future trends, risks and opportunities, particularly with regards to areas critical to the Air Traffic Management (ATM) space, such as:

- Business continuity.
- Safety and emergency preparedness.
- Constructive labour practices.
- Impacts on local communities.
- Environmental accountability and impacts on biodiversity.
- Management of water, waste and effluents.
- Managing emissions and aircraft noise.

Broader sustainability context

ATNS' Strategic Model and Sustainability Framework reflect the wider ATM business context in which the Company operates, enabling us to monitor and measure our sustainability yields and, thereby, to respond to changes. We remain vigilant of the global challenges and inter-related risks associated with rapid economic, environmental, geo-political, social and technological shifts and turns. The previously unparalleled access to information – and the analysis of these global trends – prompts integrated and long-term consideration of the integral role played by State-Owned Companies in shaping a sustainable future for the country.

ATNS is an active participant in numerous industry initiatives that advance sustainability leadership and responsible business practices, both in South Africa and in the global context. Through our Shareholder, the Department of Transport ('DoT'), we are mandated to align with the United Nations Global Compact (UNGC). Further, ATNS is one of the founding members of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE), a partnership with airlines, air service navigation providers (ANSPs) and airport partners to identify meaningful ways to reduce the aviation sector's adverse impacts on the environment.

8. Governance and sustainability management

ATNS's governance structure is derived from its Shareholder's Mandate. The Board of Directors is tasked with ensuring that the Company is sustainable and capable of delivering on its objectives. Accordingly, financial, social and environmental sustainability governance rests with the ATNS Board, including its Board Committees such as the Audit and Risk Committee, the Human Resource Committee, Procurement Committee, the Social and Ethics Committee.

A comprehensive sustainability management framework – comprising operational plans for each of the three strategic pillars, namely financial, social and environmental sustainability – supports this governance structure.

Board Committees

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board in fulfilling its responsibilities for the presentation of the Company's financial position in its published financial statements. It also ensures that appropriate accounting policies, risk management, internal controls and compliance with relevant legislation are in place within the Company.

Human Resource Committee

The Human Resource Committee's main purpose is to ensure that ATNS's reward and remuneration programmes are market related and comply with the relevant laws and regulations. As part of its mandate, the Human Resource Committee considers the following submissions:

- Human capital development plan
- Employment equity reports
- Executive remuneration
- The CEO and executives 'performance evaluations'
- Report on attraction, development and retention of talent for the organisation, as well as succession planning
- Occupational health and safety audit report

Procurement Committee

The Procurement Committee's main function is to oversee the ATNS capital expenditure programme, in line with the Economic Regulator permission document, and to ensure that appropriate procurement and provisioning systems are fair, equitable, transparent, competitive and cost-effective. As part of its mandate, the Procurement Committee considers the following submissions:

- Procurement of the capital expenditure programme
- The procurement policy
- Funding decisions and exchange rate risks
- Forecast targets for B-BBEE

Social and Ethics Committee

The Social and Ethics Committee's role is to assist the Board with the oversight of social and ethical matters relating to the Company. As part of its mandate, the Social and Ethics Committee performs all the functions as necessary to fulfil its role as stated below, including the following statutory duties:

- Monitoring the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.
- Promoting good corporate citizenship.

Table 6: Composition of Board and Board Committees

Committee	Exec & Non-exec	% Male				% Female			
		Black	Coloured	Indian	White	Black	Coloured	Indian	White
ATNS Executive Committee	Exec	3			2	1			
	Non-Exec								
ATNS Board	Exec	2							
	Non-Exec	3				3			
Audit and Risk Committee	Exec	2				1			
	Non-Exec	1				2			
Human Resource Committee	Exec	2							
	Non-Exec	2				1			
Social and Ethics Committee	Exec	2				1			
	Non-Exec	2				1			
Procurement Committee	Exec	2				1			
	Non-Exec	2				1			

- Environmental preservation and the promotion of health and public safety.
- The management of consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws.
- The management of labour relations and employment equity.
- Drawing matters within its mandate to the attention of the Board as occasion requires.

Sustainability programme governance

In addition to ATNS's core governance activities, sustainability initiatives relating to the governance of information technology safety management, environmental preservation, corporate social investment and Broad-Based Economic Empowerment (B-BBEE) are directed through the appropriate governance committees depending on their core areas of accountability.

The governance of information technology

The IT Steering Committee, chaired by the ATNS CEO, assists the Board in discharging its duties relating to IT performance management, ensuring that IT governance supports the effective and efficient management of IT resources, and facilitates the achievement of the Company's strategic objectives.

The main objective of the IT Steering Committee is to ensure that IT strategic objectives are aligned with changes in ATNS' strategic needs, and judiciously manages IT risks and identifies opportunities to be acted on.

Progress on IT governance is reported through the ATNS Audit and Risk Committee. The ATNS Risk and Capital Management Committee measures the Company's overall exposure to IT risks and ensures that proper processes are in place to manage these risks. The responsibility for the implementation of IT governance is assigned to the Chief Information Officer.

The Architectural Forum focuses on maintaining the integrity of ATNS's enterprise architecture and reports into the IT Steering Committee. This forum ensures the architectural feasibility and impact of solutions, thus minimising unplanned events during project execution. The forum also considers ATM-related initiatives, such as the ATM Roadmap to ensure ATNS's enterprise architecture is sustainable in the long term.

Safety and health

The Safety Committee drives safety initiatives and reports into the Audit and Risk Committee for all safety risk and compliance issues. Projects, as well as the acquisition and commissioning of equipment and systems are performed in conjunction with appropriate safety assessments and the identification and mitigation of associated risks, including security implications related to ATNS staff, structural installations and facilities. The Safety Committee reports issues relating to 'safe procurement' into the Procurement Committee. Similarly, the Committee reports issues pertaining to ATNS' safety culture to the Social and Ethics Committee. Safety training issues are reported into the Human Resource Committee.

Corporate social investment

ATNS's Corporate Social Investment (CSI) initiatives are managed and reported through the ATNS CSI Committee and its CSI strategy is based on staff voluntarism as a key driver for delivering social responsibility projects. Staff voluntarism involves staff identifying projects within their own communities that ATNS can evaluate and approve for funding. The ATNS Staff Voluntarism Programme recognises that ATNS employees live within the broader society of South Africa and encourages staff to initiate community projects and to justify funding for such projects through ATNS CSI funding initiatives. Potential projects are forwarded to the Social and Ethics Committee for evaluation and approval and are managed and monitored through this committee going forward.

Environmental management

The ATNS Project Management Office is responsible for managing, monitoring and reporting on issues of social and environmental sustainability, including carbon liability and energy efficiency, stakeholder engagement, and the management of aircraft emissions and noise. It does so through its reporting line into the Social and Ethics Committee. Issues pertaining to sustainability training are reported into the Human Resource Committee and issues relating to environmental compliance are reported into the Audit and Risk Committee.

Broad-Based Black Economic Empowerment (B-BBEE)

Broad-Based Black Economic Empowerment (B-BBEE) is a direct contributor to the economic transformation of South Africa and aims to bring about significant increases in the numbers of black people that manage, own and have a controlling stake in the country's economy as well as significant decreases in income inequalities. To promote favourable conditions for private investment and economic growth, Government believes that there is a need for targeted intervention. As a State-Owned Company, ATNS takes its role as a contributor to this intervention seriously. It is this transformation of the South African economic landscape that drives ATNS's B-BBEE strategy. Our strategy proposes to enhance a wider and deeper involvement by the majority of South Africans in meaningful economic activity within the aviation sector.

ATNS, as a Public Entity, wholly owned by an Organ of the State (Department of Transport) is exempt from complying with the ownership element of the BEE scorecard. ATNS complies with the adjusted generic B-BBEE scorecard as indicated in Figure 10:

Figure 10: Generic B-BBEE scorecard

In an attempt to determine the level of contribution and enhance the contribution to Broad-Based Black Economic Empowerment (B-BBEE), ATNS undertook a BEE verification exercise during the 2012/13 Financial Year. The outcome was a 'Level 5' contributor to B-BBEE, meaning ATNS achieved a BEE Score of 55-65, translating into a BEE recognition level of 80%.

As part of our transformational journey, ATNS developed a B-BBEE strategy following the verification exercise. The strategy, while addressing all six elements – management control, employment equity, skills development, preferential procurement, enterprise development and socio economic development – will primarily focus on the identified critical focus areas where we have not as yet achieved the desired results.

Management control: This aspect of the scorecard explores the number of black executives, non-executives and EXCO members (top management) that exert an influence on the Company in their relative roles.

Progress on performance is reported directly to the ATNS Board.

Employment equity (EE): Employment equity measures initiatives intended to achieve equity in the workplace. It measures black representation at senior, middle and junior management levels. It also measures the representation of black disabled people in the workplace.

Employment equity is an area of the scorecard that is mostly long term in that it requires either the business to grow and require additional hands and feet or for the business to replace existing staff through natural attrition using an Employment Equity Policy and targets as set out by the Department of Labour. The Company's Employment Equity Scorecard is aligned to the Department of Labour definitions. ATNS is in the penultimate year of the current Employment Equity Plan and the Company is in the process of developing an Employment Equity Plan for the next period.

Progress on EE performance is reported through the Human Resources Committee and the Social and Ethics Committee.

Skills development (SD): Skills development measures the extent to which employers carry out initiatives designed to develop the competencies of black employees. The continuous training of all employees, in line with agreed-upon Individual Development Plans (IDPs) while focussing on specific groups, such as people living with disabilities, AIC groupings and gender, will also improve service delivery.

Progress on SD programmes is reported through the Procurement Committee, Human Resource Committee and the Social and Ethics Committee.

Preferential procurement: Preferential Procurement measures the extent to which the enterprise buys goods and services from empowered suppliers.

Progress on preferential procurement is reported through the Procurement Committee.

Enterprise development (ED): The Enterprise Development Programme focuses on the training of current EMEs and QSEs registered on the database and identifies EMEs and QSEs providing goods and services across the ATNS value chain.

Progress on ED programmes is reported through the Procurement Committee.

Socio-Economic Development (SED): Through its SED programmes, ATNS has developed a partnering framework with schools to fund Mathematics and English programmes through the ATNS Centres of Excellence for Mathematics and English for Grade 11 and 12 Learners.

Progress on SED programmes is reported through the Social and Ethics Committee.

Figure 11 provides an overview of ATNS' sustainability governance structure, demonstrating both 'core governance' accountability as well as the flow of social and environmental sustainability governance inputs and approvals.

Executive remuneration

The Human Resources Committee recommends annual remuneration for both executive and non-executive directors and considers associated performance measures and benefits when assessing remuneration.

State-Owned Companies require people with exceptional competencies and experience to provide strategic leadership; as well as direct and indirect employment opportunities for thousands of people. They are further responsible for generating returns on investor funding and have the added responsibility of managing strategic national resources.

Remuneration adjustments and incentive payments are based on individual performance. Further, the individual performance scorecards of the Executive Members are directly translated from the Shareholder's Compact and the strategic objectives of the Company. The measures for assessing executives are aligned with the targets in the Corporate Plan and Shareholder's Compact.

Refer to pages 52 and 53 in the ATNS-FR for full disclosure of all components of the Group Executive members' remuneration information.

Refer to page 60 in the ATNS-IR for ATNS's Remuneration philosophy.

Conflict of interest resolution

The fiduciary duties of ATNS's directors are codified in the Companies Act. The latter prohibits the use of position, privileges or confidential information for personal gain or improper personal benefit.

In instances where an independent non-executive director or a prescribed officer has any direct or indirect personal or private business interest in a matter, he or she must be recused from the proceedings when such a matter is considered, unless the Board of Directors or Executive Committee decides that the member's interest in the matter is either immaterial or irrelevant.

In its efforts to comply with Treasury Regulations and the PFMA, ATNS has developed a Fraud Prevention Plan. This should be read together with the ATNS Fraud Management Policy, Whistle-Blowing Policy and the ATNS Management Directive on Conflict of Interest Directive. **These policies are accessible online at http://www.atns.co.za/annual-reports.**

Table 7: Overview of Executive remuneration - guaranteed

	Salary R'000	Post-Retirement benefit fund contribution R'000	Other contributions R'000	Other payments R'000	Total 2013/14 R'000	Total 2012/13 R'000
Total	12,395	1,709	203	3,821	**18,130**	19,150

Figure 11: ATNS Sustainability Governance Framework

Conflict of interest resolution (continue)

To reduce possible fraud or corruption by ATNS staff and trading partners, all gifts offered by suppliers to ATNS officials must be formally disclosed in the gift register as per the Conflict of Interest Directive. Gifts of a potentially significant monetary value should not be accepted, and any such offer must be disclosed to the employee's line manager, from whom guidance should be sought if in any doubt as to whether or not the offer of a gift is regarded as being of significant value. A gift declaration register is maintained and updated on an on-going basis.

Code of Ethics

ATNS's Code of Ethics enables a culture of entrenched values and norms that guide the behaviour of the Company's employees. The Code aims to instil ATNS' shared value system which includes the broad values of accountability; safety and customer service; continuous improvement and innovation; employee engagement and development; fairness and consistency; open and effective communication.

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

The Executive Human Capital is responsible for the development, review and implementation of the Code. The Code was reviewed during the year and is due for review again in 2015. The Code informs fraud and corruption awareness training, and is accessible to all ATNS employees on the Company's intranet. **The Code is accessible online at http://www.atns.co.za/annual-reports.**

Entrenching our mission, vision and values

Vision

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

Mission

To provide safe, expeditious and efficient air traffic management solutions and associated services, whilst ensuring long-term economic, social and environmental sustainability.

Values

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

The 'Value entrenchment framework' (Table 8) demonstrates how we embed these values within the organisation.

Managing strategic and operational risks

The ATNS Board and the Audit and Risk Committee have overall responsibility for the governance oversight of the Company's risk management process, and for ensuring that material risks that could impact the achievement of ATNS's objectives are identified and mitigated.

ATNS performs an annual company-wide risk assessment, which includes the identification and prioritisation of risks and the identification of internal mitigation controls. The risks are clustered and recorded in the Company's risk register, which forms part of an overall Enterprise Risk Management (ERM) Framework.

Table 8: Value entrenchment framework

ATNS Value statement	Key institutional committees, programmes, policies and initiatives promoting cultural entrenchment of ATNS's values (Partial list)	Desired value impacts and outcomes
Accountability	• ATNS's Social and Ethics Committee. • ATNS Risk and Audit Committee; Internal Audit function and enterprise risk assessments. • Fraud Prevention Plan. • Fraud Management Policy. • Whistle-Blowing Policy. • ATNS Conflicts of Interest Policy. • Fraud hotline. • Client-Supplier Code of Conduct. • ATNS Code of Ethics. • ATNS Conflict of Interest Directive. • Code of ethics referenced in employee contracts.	• Promote responsible behaviour pertaining to relevant legislation and prevailing codes of best practice; good corporate citizenship, consumer relationships; sound labour practices. • Encourage a culture within ATNS where all employees, the public and other stakeholders behave ethically in their dealings with, or on behalf of, ATNS. • Improve accountability, efficiency and effective administration within ATNS. • Improve the application of systems, policies, procedures and regulations. • Change aspects of ATNS which could facilitate fraud and corruption and allow these to go unnoticed or unreported. • Encourage all employees and other stakeholders to strive towards the prevention and detection of fraud and corruption impacting or having the potential to impact ATNS. • Encourage ATNS's employees and trading partners to conform to an agreed set of norms and standards of good business practice. • Reduce possible fraud or corruption by suppliers and ATNS staff, by directing that all gifts offered by suppliers to ATNS officials must be formally disclosed in the gift register as per the Conflict of Interest Directive.
Safety and customer service	• Safety Management System (SMS). • Safety Management Plan. • Operations Safety Workshops. • Safety Culture Improvement Plan. • The Safety Culture Maturity Model. • Continuation Training. • Organisational Alignment Project (OAP). • Stakeholder Engagement Plan. • Communication Plan. • Safety Awards programme. • Safety risk management.	• Safety performance is a multivariable continuous system requiring continuous improvement and involvement of all stakeholders both in the front line and supporting roles. • Safety critical concepts and messages identified during the Safety Workshop are used as the basis for the development of safety initiatives, training and promotion. • Continuation training provides all ATS personnel with the necessary knowledge and understanding to retain the current level of competence required by ATNS. It is intended that recurrent training will reinforce and confirm past knowledge that was gained and ensure that current competence levels are maintained. • The desired end-state of continuation training is that tangible safety benefits can be attributed to such training. • The OAP aims to improve existing products and services to add more value to our customers, to improve internal efficiencies and planning, and to better compete in the commercial marketplace. • Increasing internal resources, mapping and improving processes, and leveraging technologies to support a larger customer base and product portfolio. • All contributions to ATM safety management are appropriately recognised through ATNS's Safety Awards programme.
Continuous improvement and innovation	• On-going training programmes through ATNS's training academy. • ATNS technology R&D initiative. • Business Process Centre of Excellence. • Establishing internal subject matter expert task forces. • Registering more internal consultants with relevant professional bodies.	• Ensure that Business Processes are mapped across the organization and can be managed, measured, and maintained. • Improve the internal workings of ATNS beyond just the Commercial Services department, to determine the processes, systems, technology, people, structure, and operations needed for growth in the non-regulated business market. • ATNS is shifting from merely being a user of acquired technologies to contributing to the value chain of technology innovation and the development of domestically consumed technologies.

Table 8: Value entrenchment framework (continued)

ATNS Value statement	Key institutional committees, programmes, policies and initiatives promoting cultural entrenchment of ATNS's values (Partial list)	Desired value impacts and outcomes
Employee engagement and development	• The Human Capital Development Plan. • Employment Equity Plan. • Organisational Alignment Project (OAP). • Various skills development programmes, e.g., development of black people with disabilities and leadership development programmes. • Funding of employee learnerships at various tertiary institutes as well as the executive coaching process. • ATNS's social volunteerism initiative. • Women Development Programme (WDP).	• The five-year EE plan is intended to transform the ATNS employee profile to reflect national demographics and will be reviewed annually to adjust targets as and when necessary. • ATNS funds the development of employees across multiple disciplines, at various tertiary institutes. A large component of this constitutes leadership development. • Employees are encouraged to actively participate in ATNS's social investment programme by identifying deserving projects for funding within their communities. • The Women Development Programme (WDP) is voluntarily offered to all women at ATNS who wish to further their personal or career development.
Fairness and consistency	• ATNS B-BBEE Strategy and plan. • Preferential Procurement policies. • Reward and remuneration programmes. • Various programmes to develop and enhance female competency in the ATM environment: – WITS Aviation Management Development Programme. – ATNS coaching and mentoring programme. – New Management Coaching. – WITS Executive Development Programme. – The IATA Aviation Management Diploma. – Personal Assistant (PA) and Secretaries programme.	• ATNS's strategic objectives and prevailing culture support on-going equal opportunity initiatives, with specific emphasis on the African, Indian, and Coloured designated group, women and people with disabilities. • Preferential procurement policies ensure that appropriate procurement and provisioning systems are fair, equitable, transparent, competitive and cost-effective; and further encourage employee end-users to be mindful of both the competencies and unique requirements of these supplier businesses (e.g. supplier development, skills transfer, job creation and fair service payment practices). • ATNS's reward and remuneration programmes are market related and comply with laws and regulations to ensure fair remuneration of all levels of competencies and management cadres, including executive levels. • Programmes provide management training from an Aviation perspective. • Dedicated coaches from different work ATNS streams enhance female trainees' ability to acclimatise and function optimally in their management role and prepare them for executive roles. • Development opportunities are provided for Personal Assistants and Secretaries to enhance their office management and personal development skills.
Open and effective communication	• Marketing and communication plans. • Commercial services cross-departmental engagements (e.g., sales forum meetings, quarterly sales forum meetings with different departments, online sales, data and reporting templates).	• Marketing and communication plans promote internal brand-alignment and to create focused awareness for ATNS's products and services. • Enhances cross-departmental communications, collaboration and learning.

The Risk and Compliance Department is responsible for the coordination of risk management activities and for ensuring consistent risk monitoring and progress reporting. The Risk and Compliance Department provides ERM progress reports to the Audit and Risk Committee on a quarterly basis.

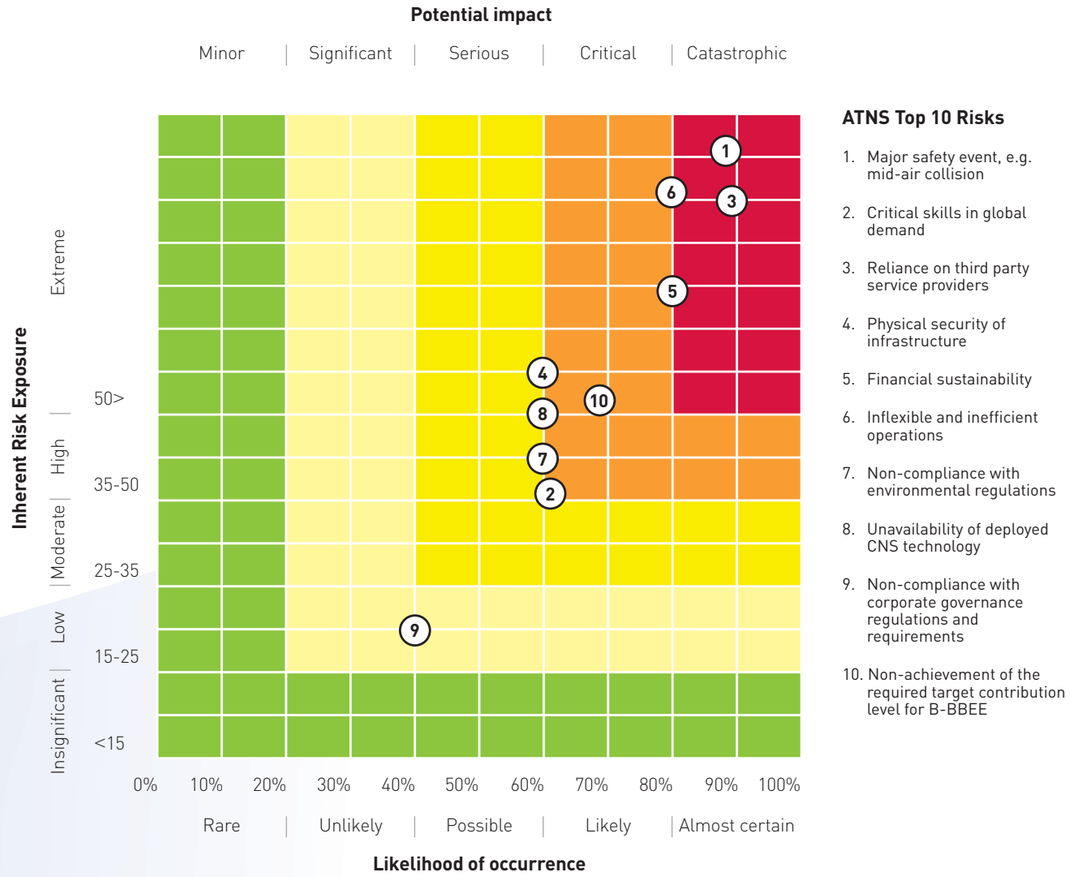
The Risk Management Plan informs the annual coverage and rolling three-year strategic internal audit plans that are approved and monitored by the Audit and Risk Committee.

Figure 12 outlines the Company's top 10 risks as they pertain to ATNS's long-term economic, social and environmental sustainability. Risks have been plotted on a 'risk heat map' to demonstrate the likelihood of occurrence, potential impact and the inherent risk exposure to the Company, before mitigation controls have been applied.

Each performance section that follows addresses risks, opportunities and mitigating initiatives unique to its area of sustainability, namely: economic sustainability, social sustainability and environmental sustainability.

Refer to page 57 in this report for Economic Sustainability risks; page 76 for Social Sustainability risks; and page 90 for Environmental Sustainability risks.

Figure 12: ATNS Inherent risk heat map



ATNS Top 10 Risks

1. Major safety event, e.g. mid-air collision
2. Critical skills in global demand
3. Reliance on third party service providers
4. Physical security of infrastructure
5. Financial sustainability
6. Inflexible and inefficient operations
7. Non-compliance with environmental regulations
8. Unavailability of deployed CNS technology
9. Non-compliance with corporate governance regulations and requirements
10. Non-achievement of the required target contribution level for B-BBEE

Refer to page 53 in the ATNS-IR for further particulars on ATNS's Control Framework as well as page 56 for an ERM table linking linking material risks to strategy and associated mitigation activities.

Supporting policies, plans and frameworks

Table 9 provides an overview of key policies, plans, frame-works and programmes that support ATNS's approach to managing material economic aspects within the Company.

Table 9: Key supporting policies, plans, frameworks and programmes

Policies	Plans	Frameworks	Programmes
Dividend Policy	The Financial Plan	Asset and Liability Management Framework	Capital Expenditure Programme
Investment Policy/ Hedging Policy	The Borrowing Plan	Solvency and liquidity Risk Management Materiality and Significance Framework	Capital Expenditure Programme
Safety Management Policy	Safety Management Plan	Normal Operation Safety Survey (NOSS)	Safety Management Programme
Whistleblowing Policy*	Fraud Prevention Plan	Values and code of conduct	Fraud and Prevention Workshops
Talent Management Policy	Human Capital Plan	Permission module	Skills and Development Programme
Employment Equity Policy*	Employment Equity Plan	ATNS Employment Equity framework	ATNS EE Programmes: • ATC training • Woman Development programme • Individual development programme Diversity and Change Management Programme
Sustainability Policy*	Sustainability Plan	CSI, B-BBEE and Environmental strategy	Environmental awareness and investment programme

Policy documents marked with * are accessible online at http://www.atns.co.za/annual-reports.

9. Stakeholder engagement

ATNS's Materiality Assessment and Stakeholder Dialogue processes keep the business focused on the relevant means to provide the greatest benefit to our stakeholders and our company.

'Material impacts' refer to those that denote established concerns for key communities, or that have been identified using established tools such as impact assessment methodologies, risk assessments, regulatory compliance audits or product/market life cycle assessments. These impacts are those considered important enough to require active management or engagement by ATNS.

Strategic stakeholder dialogue

ATNS actively initiates dialogue with various key stakeholder groups, harnessing a wide range of channels as a way to promote participative and integrated decision-making.

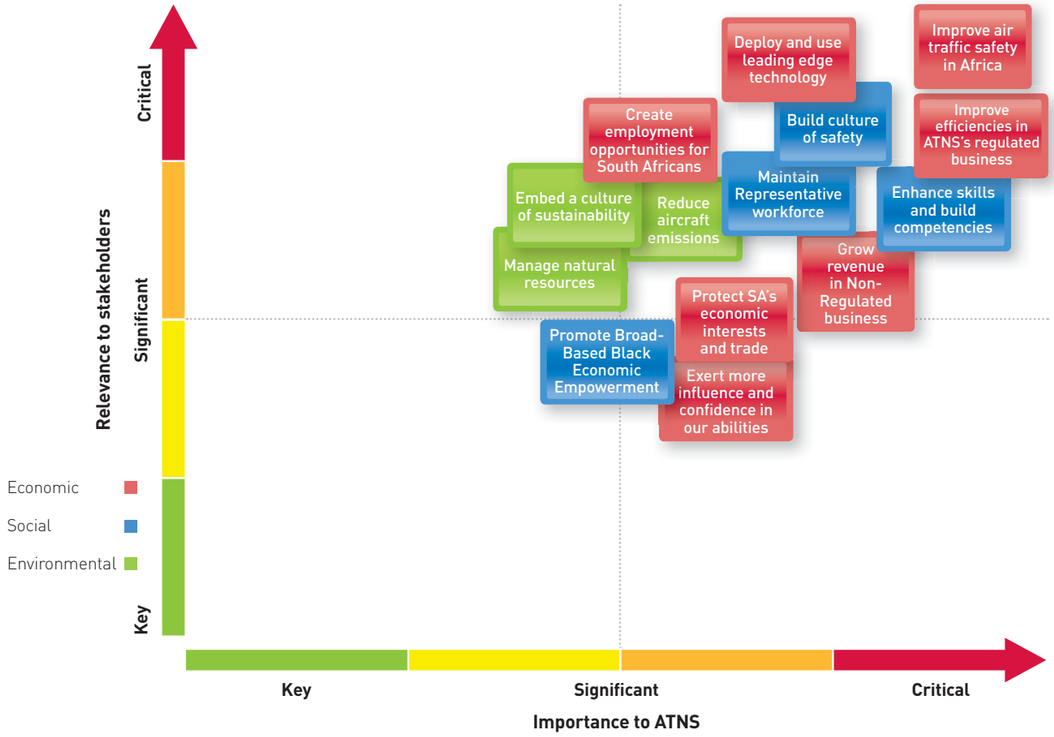
Stakeholder engagement vehicles include quarterly EXCO to EXCO meetings, road-shows, industry safety workshops, and 'thought leadership' programmes, such as the annual ATNS Avi Afrique Innovation Summit. We share plans, collaborations and information on material issues of safety, training and Air Traffic Management (ATM); as well as Engineering and Technical Services (ETS) and Airlines Association of Southern Africa (AASA).

Key stakeholders

ATNS's key stakeholders are as follows:

- International Civil Aviation Organisation (ICAO)
- South African Air Force (SAAF)
- South African Civil Aviation Authority (SACAA)
- International Air Transport Association (IATA)
- Airlines Association of South Africa (AASA)
- Board of Airline Representatives of South Africa
- National Department of Transport (DoT)
- South African Weather Services (SAWS)
- Economic Regulator
- ATNS staff
- Continental ANSPs
- Media

Figure 13: Stakeholder materiality matrix: Stakeholder prioritisation of material issues



ATNS key stakeholders (continue):

- CANSO
- Solidarity Trade Union
- Schools, students and Educational institutions (Universities)
- Job seekers
- Regional aerodrome owners
- CAASA
- Strategic partners, e.g., ANSPs outside the continent and selected supply chain entities

The Stakeholder Materiality Matrix (Figure 13) provides an overview of stakeholder priorities in terms of material issues whilst prioritising these issues in terms of ATNS' strategic and operational imperatives. It is important to state that ATNS views the business's long-term commercial wellbeing and its stakeholders' interests as mutually inclusive. The Company recognises that long-term economic, social and environmental sustainability requires continuous dialogue with stakeholder groups to assess the impact of its operations on the wider stakeholder community. Accordingly, ATNS continues to review its business practices and impacts to better align with stakeholder priorities.

Approach to stakeholder engagement

Table 10 outlines ATNS's approach to stakeholder engagement according to the following criteria:

- Stakeholder group
- Engagement approach / vehicle
- Frequency of engagement
- Main areas of stakeholder interest / concerns
- ATNS's response to stakeholder concerns
- Responsiveness measurement

Table 10: ATNS' Stakeholder engagement framework

Stakeholder group	Engagement approach	Frequency of engagement	Main areas of interest / concern	ATNS Stakeholder response	Responsiveness measurement
South African Air Force (SAAF)	EXCO meetings: ATNS Bruma and SAAF HQ	Quarterly	• Flexible use of airspace • UACC • Training • Engineering and technical services • JFDP • Presidential protection units (VVIP units)	• Enabling partnerships through continual lobbying	• Deliverables as per agreements and MOUs
South African Civil Aviation Authority (SACAA)	EXCO meetings: ATNS Bruma and SACAA Campus	Quarterly	• Regulatory compliance and enabling regulations	• Information sharing and collaborations on safety training and ATM • Critical stakeholder workshops	• Improved working relationships and synergy
International Air Transport Association (IATA)	EXCO meetings: ATNS Bruma and IATA offices Sandton	Quarterly	• Entrenching valuable partnerships • Endorsement as regional training • VSAT network management • ATM Implementation	• Collaborations on training • Partnerships on VSAT • Demonstration of value to IATA members • Sponsorship of IATA Safety Conferences	• Increase in IATA trainees and proof of endorsement in the region as regional trainer • Retention of VSAT networks • Cooperation in ATM initiatives
Airlines Association of South Africa (AASA)	Business meetings: AASA User consultation	Quarterly Permission - application period	• Meeting industry needs • Consultation on tariffs, CAPEX and operating costs	• Use forum as source of customer feedback – e.g., OPSCOM forum to bring together key stakeholders and users that ATM serves • Consultation meetings	• Alignment of our services with user expectations

Table 10: ATNS' Stakeholder engagement framework (continued)

Stakeholder group	Engagement approach	Frequency of engagement	Main areas of interest / concern	ATNS Stakeholder response	Responsiveness measurement
National Department of Transport (DoT)	EXCO / Shareholder meetings	Quarterly	• ATNS is an efficient and professional managed entity	• Share plans and align strategies to national strategies • Keep Shareholder informed of plans and actions	• Open channels of communication • Support for changes that improve ATM services
Economic Regulator	Meetings	Quarterly	• Tariff management and service standards reporting	• Lobbying and reporting	• Maintaining open lines of communication leading to sustainable relationships
ATNS staff	Direct staff engagement	Monthly	• Individual employee concerns within the work environment	• Talent sourcing, reward and development	• Employee satisfaction and skills retention
Continental ANSPs	Call schedules and market visits	Quarterly	• ATNS products and services	• Procure ATNS services and products	• Contract signing
Media	PR and sound media management	Continuous	• ATNS is credible, open and accessible	• Share product and service information through sound media relations	• Improved media relations
CANSO	Conference attendance	Regularly	• Improved global ATM	• Share plans and information on ATNS's future growth and service offerings	• Improved global working relations
Students	Social media and road-shows	Continuous	• The sky is not the limit – it is where it all begins!	• Brochures to schools and activation through social media • Bursary and learnership scheme	• Improved learner registration at the ATA and subsequent recruitment into the ATNS workforce
Job seekers	PR / Media	Continuous	• ATNS is an employer of choice	• Advertising through website	• Trained individuals accessing the job market
Regional aerodrome owners	Scheduled meetings	Quarterly	• ATNS is a partner in safety and growth	• Share plans and information on ATNS's future growth and service offerings	• Improved business and working relations
Strategic partnerships with ANSPs outside the continent	Scheduled meetings	Continuous	• Improved relations lead to better collaborations in ATM	• ATNS signing MOU	• Improved working relations

Commitments to external initiatives

ATNS aligns with several external economic, environmental, and social initiatives:

The ICAO Aviation System Block Upgrades (ASBU)

The ATNS Roadmap will be reviewed during the 2014/15 financial year to include the newly introduced ICAO initiative of Aviation System Block Upgrades (ASBU) in support of initiatives addressing the needs of the ATM community and the associated expectations of access, equity, safety, efficiency, predictability, environmental sustainability and affordability.

Civil Air Navigation Organisation (CANSO)

ATNS is a founding member of the Civil Air Navigation Organisation (CANSO) in Africa and plays a leading role on the African continent by hosting the CANSO Regional Office and collaborating with other entities regionally and globally in its visibly active involvement in ICAO, IATA, and other industry networks and associations.

The Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE) initiative

As part of its on-going commitment to reduce GHG emissions, ATNS is one of the founding members of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE), a partnership with airlines, ANSPs and airport partners to assess ways of reducing aviation's impact on the environment. The INSPIRE partnership is intended to be a collaborative network of partners and peer organisations across the Arabian Sea and Indian Ocean region dedicated to improving the efficiency and sustainability of aviation.

The GHG Protocol Corporate Standard

The first ATNS Carbon Emission Inventory and footprint was calculated using best practice methodology. A carbon inventory for an organisation involves accounting for all greenhouse gas (GHG) emissions released as a result of the operations of the organisation. In line with international leading practice, the calculation of a carbon inventory was done in accordance with the GHG Protocol Corporate Standard. The results of this carbon inventory will act as a baseline against which future ATNS carbon footprints will be benchmarked. In 2013, ATNS continued to calculate its carbon footprint and is getting closer to setting targets that will ensure the reduction of emissions in daily operations.

Alliance with the University of Pretoria's Department of Electrical Engineering and Computer Systems

ATNS continues to foster its alliance with the University of Pretoria's Department of Electrical Engineering and Computer Systems in the areas of wireless communication. This initiative aims to build capacity and create learning opportunities for both undergraduate and postgraduate engineering students who come from historically disadvantaged backgrounds. Opportunities are created through the Graduate Engineering Training Programme, such as vacation work and bursary sponsorship. The students have the opportunity to further their knowledge and studies through ATNS's contribution, and the alliance is formed on the basis that, students will conduct ATNS-identified projects that will yield commercial or operational outcomes for the benefit of the aviation industry. To this end, a number of completed projects have been identified to be commercialised and are currently under review for industrialisation.

University of Johannesburg (Leadership)

Aviation Training Academy (ATA), a division of ATNS SOC Ltd, is fully accredited by the University of Johannesburg to offer experiential learning programmes in Electrical Engineering (Electronic) Level I & II; and Computer Systems Engineering Level I & II. A student who successfully completes the programme receives accreditation upon submission of a fully documented logbook and subsequently the university awards a National Diploma in that respective discipline. The accreditation is valid for two years with an option to renew once the university conducts a full audit at ATA facilities.

10. Key performance areas

As a State-Owned Company, ATNS is mandated by its Shareholder, as represented by the Minister of Transport and the entire Department of Transport, to address and contribute to departmental outcomes – and subsequently the national outcomes – as directed by the Shareholder's Compact. The purpose of the Compact is to set out the mandated key performance measures and indicators to drive the full gamut of ATNS's commercial activities.

ATNS has developed seven key performance areas (KPAs) and their associated key performance indicators (KPIs) by which the Company monitors and measures its economic, social and environmental performance.

Refer to page 87 in the ATNS-IR for consolidated commentary on ATNS's performance for each KPA during the reporting year relative to the previous year.

Table 11: Overview of ATNS Key Performance Areas (KPAs) and associated Key Performance Indicators (KPIs)

	Key performance area	Objective measures for 2013/14
	1. Transport safety and security	• Reduce the ATNS safety events rate. • Increase airspace capacity in line with runway throughput determined by ATNS and ACSA jointly. • Reduce overall traffic delays. • Achievement of service availability. • Ensure financial sustainability. • Implement ICAO PBN concept in South Africa. • Near-term implementation targets in line with South African PBN Roadmap.
	2. Infrastructure development and high-level investment plan for Transport	• Adoption and approval of CAPEX. • Implementation of CAPEX 2014/15. - Strategic plan. - Roadmap. - Operational plan. • Optimise revenue and ensure network availability (SADC VSAT 2 and NAFISAT).
	3. The fight against fraud and corruption	• 100% regulatory compliance. • Fighting corruption and promoting good governance.
	4. Environmental protection	• Minimise gaseous emissions. • Human resources/training. • Performance assessment.
	5. Training to contribute to job creation	• ATS bursaries and engineering learnerships. • Adoption and approval of HC plan as per budget. • ATS and TS training plan. • Operational or implementation plan. • Development programmes for employees, with emphasis on AIC and women.
	6. Broad-Based Black Economic Empowerment (B-BBEE)	• Percentage of discretionary spend on B-BBEE. • Total discretionary OPEX budgeted. • Total CAPEX budgeted.
	7. Employment equity	• Achieve representation towards alignment of company staff profile with the demographics of the country.
		• Increase representation of black (AIC) racial grouping with a particular focus on African and female representation towards creating alignment with the demographics of the country.

11. Economic performance

Introduction

Whilst the Company's financial performance – as outlined in the Integrated Report and Annual Financial Statements – is fundamental in understanding ATNS's economic sustainability, this information does not necessarily reflect, in sufficient detail, ATNS's creation of economic value in the context of the larger economic system.

The economic dimension of ATNS' sustainability interests, as outlined in this Sustainability Report, pertain to the organisation's impacts on the economic conditions of its stakeholders. The economic indicators discussed in this report illustrate the general and specific flows of economic 'dividends' from the organisation to key stakeholder groups and between these different stakeholders. They further demonstrate the main economic impacts of the organisation on society at large.

ATNS' strategic goals continue to be outcome-oriented, formulated to respond to national priorities and industry needs. ATNS sees the Africa Indian Ocean (AFI) region as offering substantial growth opportunities and as such, the development of an expansion strategy – with its associated implementation plan – remains the key focus in the next three years. The rationale for regional expansion is based on the fact that revenues from the ATNS regulated market are stagnating and are expected to decline over time. The strategy is further based on global and national trends and priorities; as well as growth opportunities on the African continent, such as improving air traffic safety in Africa, protecting South Africa's economic interests and trade, creating employment opportunities and exerting more influence and market confidence in our abilities.

The non-regulated business is already contributing 10% to ATNS's overall revenue and the intention is to grow this percentage over time. Accordingly, ATNS is establishing a 100% wholly-owned subsidiary company, presently referred to as 'ATNS International', to enable the Company to become more robust in leveraging the growth opportunities presented by the market, while at the same time reducing potential risks to the Shareholder.

Material economic aspects

As a State-Owned Company, ATNS's retained earnings are re-invested in the business. Further, we are mandated by our Shareholder, represented by the Minister of Transport and the entire Department of Transport, to deliver on our directive with the awareness that we have a broader responsibility to the entire South African nation.

Our mandate from Government requires us to act as a primary catalyst for economic growth and job creation in South Africa; and to deliver considerable economic dividends to society through operational efficiencies, competency development, new market development, job creation, local supplier development, ethical business practices, regulatory compliance, and the prudent and efficient use of natural resources.

Whilst the social and environmental sustainability interests of the Company will be elaborated on further on in this report, this section on economic sustainability is chiefly concerned with the following material drivers of economic growth:

- Growing revenue in ATNS's non-regulated business.
- Protecting South Africa's economic interests and trade.
- Creating employment opportunities for South Africans.
- Enhancing operational efficiencies and service reliability.
- Deploying and using leading technologies.
- Exerting more influence and market confidence in our abilities.
- Improving air traffic safety in Africa.

Table 12: Consolidated view of material economic issues linked to strategy

Strategic objective	Material issue	Why it is material to ATNS	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
Ensure long-term financial sustainability by maintaining and growing market share	Growing revenue in ATNS's non-regulated business.	ATNS's revenue growth and financial sustainability relies on new product/market development. This includes the successful implementation of the Company's African expansion strategy. Economic regulation by the South African Regulating Committee restricts the abuse of monopoly position within the South African market by strictly applying price cap to tariffs charged. This has the potential of restricting revenue growth. Further, the maturity of ATNS's national or domestic operations will create challenges for the business to generate new customers in South Africa. It is therefore imperative for ATNS to secure future growth and revenue by broadening its service offerings to other markets, including the wider Africa market.	KPA-1: Transport safety and security. 1.5. Ensure commercial sustainability. KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards.
	Protecting South Africa's economic interests and trade.	In 2010 there were 66 routes per week connecting major airports in South Africa to urban agglomerations around the world. A total of 12 of these routes were connecting South Africa to cities of more than 10 million inhabitants, with an average of 1,5 outbound flights per day available to passengers. It is estimated that a 10% improvement in air connectivity relative to GDP would see a R1,5 billion per annum increase in long-run GDP for South Africa's economy. South Africa's integration into the global air transport network therefore is important for the continued growth of the country's economy. The South African economy relies on a safe and efficient African airspace to Europe and elsewhere for trade. Further, the improvement of African airspace contributes to greater intra-African trade. As a fully commercialised entity operating in the African market, ATNS could also be a beneficiary of the increase in trade flows between BRICS nations and the rest of the African continent.	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.5. Ensure commercial sustainability. 1.6. Performance-Based Navigation (PBN). KPA-2: Infrastructure development and high-level investment plan for transport. 2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner. 2.2. Operation of the satellite communication networks - SADC VSAT II. 2.3. Operation of the satellitecommunication networks – NAFISAT. KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. 3.2. Fraud and whistle-blowing policy. KPA-5: Training to contribute to job creation. 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate.
	Creating employment opportunities for South Africans.	The aviation industry has a significant economic impact across some of the major African markets. In South Africa, the aviation industry supports 2.1% of South African GDP and 227,000 jobs or 1,7% of the South African workforce[2]. If the sector's contribution to the tourism industry is included, these figures go up to 3,1% of South African GDP, creating 343,000 jobs, or 2,6% of the workforce. ATNS is one of the vehicles that the Department of Transport uses to fulfil its responsibility to create employment for the youth and for previously disadvantaged communities. However, jobs can only be created in a growing market and the best way for ATNS to be exposed to this growth is to expand into the AFI region.	KPA-5: Training to contribute to job creation. 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate. KPA-6: Broad-Based Black Economic Empowerment. 6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter. KPA-7: Employment Equity. 7.1. ATS EE targets (AIMO, ATSO, ATCO 1-3). 7.2. ATNS EE targets.

[2]Oxford Economics, 2011

Table 12: Consolidated view of material economic issues linked to strategy (continued)

Strategic objective	Material issue	Why it is material to ATNS	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
Enhance operational efficiencies in line with global ATM standards	Enhancing operational efficienies and service reliability.	ATNS's own economic sustainability is directly dependent on the demand for air travel. Ensuring operational efficiency and reliability for its customers would not only maintain and improve safety standards but will also keep operating costs down, which in turn would ensure that air transport stays affordable and that the number of flights increases. Alongside the AFI expansion strategy, ATNS's focus remains firmly on the regulated business in creating the necessary efficiencies that will translate to value-add for the client base (users).	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.5. Ensure commercial sustainability. 1.6. Performance-Based Navigation (PBN). KPA-2: Infrastructure development and high-level investment plan for transport. 2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner. 2.2. Operation of the satellite communication networks - SADC VSAT II. 2.3. Operation of the satellite communication networks – NAFISAT. KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. 3.2. Fraud and whistle-blowing policy.
	Deploying and using leading technologies.	In line with the vision of the South African Government to move the country towards a knowledge-based economy, ATNS is shifting from merely being a user of the acquired technologies to contributing to the value chain of technology innovation and the development of locally consumed technologies. In this way, ATNS is positioning the Company as a leader in ATM technology innovation on the African continent. Further, ATNS recognises the critical role of leading edge technology in ensuring operational efficiencies – in terms of safe operations, environmental impacts, empowered employees, and optimal infrastructure investment.	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.5. Ensure commercial sustainability. 1.6. Performance-Based Navigation (PBN). KPA-2: Infrastructure development and high-level investment plan for transport. 2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner. 2.2. Operation of the satellite communication networks - SADC VSAT II. 2.3. Operation of the satellite communication networks – NAFISAT.
Develop leadership capability in the Africa ATM space	Exerting more influence and market confidence in our abilities.	As the air traffic management and safety industry becomes more consolidated, ATNS needs to increase its market share in Africa so as to remain one of the ANSPs that will constitute the global air traffic safety market in 2050. ATNS is well positioned to become one of the sustainable ANSPs and will take a more proactive approach to providing products and services to more countries and partnering with global suppliers. ATNS is playing an important role on the continent by hosting the Civil Air Navigation Organization (CANSO) Regional Office and collaborating with other entities regionally and globally in its visibly active involvement in ICAO, IATA, and other industry networks and associations.	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.5. Ensure commercial sustainability. 1.6. Performance-Based Navigation (PBN). KPA-2: Infrastructure development and high-level investment plan for transport. 2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner. 2.2. Operation of the satellite communication networks - SADC VSAT II. 2.3. Operation of the satellite communication networks – NAFISAT. KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. 3.2. Fraud and whistle-blowing policy.

Table 12: Consolidated view of material economic issues linked to strategy (continued)

Strategic objective	Material issue	Why it is material to ATNS	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
Develop leadership capability in the Africa ATM space	Improving air traffic safety in Africa.	ATNS's business is firmly anchored in aviation safety, and specifically safe, secure and cost-effective air transport. This priority in safety has extended ATNS' sphere of influence across South Africa's borders in Africa. A key principle for the Africa expansion strategy is to promote enhanced traffic safety on the continent. Traditionally Africa's air traffic safety records have been below acceptable international standards due to poor infrastructure and skills limitations. With the steady increase in air traffic due to trade and passenger movements in and between the African states, safety will remain a critical objective for all ANSPs and one which ATNS is obliged to address.	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.6. Performance-Based Navigation (PBN). KPA-2: Infrastructure development and high-level investment plan for transport. 2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner. KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards.

Our management approach to promoting economic sustainability

ATNS's material economic aspects are addressed through the integration of several key enablers of economic sustainability, including the following:

- ATNS's 10-Year Business Plan and accompanying Financial Model.
- The Company's seven Strategic Commercial Enabler Programmes.
- The Company's Capital Investment Plan; and specifically, its advanced Technology Investment Initiative.
- Local Supplier Development (SD) Plan.

ATNS's 10-Year Business Plan

ATNS's 10-Year Business Plan – together with the accompanying Financial Model for market expansion and the establishment of a new subsidiary – was first approved by the ATNS Board of Directors in January 2012. These documents were then updated in October 2013, based on changes both in the marketplace and in the internal business environment since 2010. The updated 10-year Business Plan and Financial Model were approved in principle by the ATNS Executive Committee (EXCO) and Board of Directors in October 2013. It provides an overview of the following scope aspects:

- Scope of business in South Africa and the rest of the continent.
- Financial position and structure.
- Rationale for expansion in the non-regulated business market.
- The year-on-year market entry strategy based on selected products and services and countries for expansion.
- Legal requirements and human resource requirements.
- Enterprise risk analysis, including the analysis of sustainability risks.
- A summary of the financial model.
- A high level implementation plan.

Progress to-date includes the preparation of a draft Ministerial approval submission for the establishment of the subsidiary and a project charter and programme plan to define the remaining activities together with 'activity owners' and target completion dates.

Strategic Commercial Enabler Programmes

ATNS has developed six core programmes to enable the material drivers of economic sustainability, and long-term economic growth for our Shareholder and other stakeholders. The programmes are undertaken in the context of the ATNS Shareholder Mandate and are linked to other national priorities and corporate governance frameworks.

The core strategic programmes include the following:

- Programme 1: The ATNS ATM Roadmap - ASBU
- Programme 2: ATNS International Programme
- Programme 3: AFI Strategy
- Programme 4: Permission Planning
- Programme 5: Business Processes
- Programme 6: IT Repositioning

The strategic programmes are underpinned by the ATNS budget structure, capital investment plan and integrated resource plans. The effective implementation of these programmes will have a direct impact on ATNS's future strategic profile. The programmes are reported on regularly at both Executive and Board levels.

Programme 1: The ATNS ATM Roadmap - ASBU

ATNS's operating environment is shaped and changed by continued air traffic growth, the drive for efficiency improvements, user requirements and the availability of new technologies. To keep abreast of these developments, change is needed in the governance and institutional framework for air navigation service provision. Accordingly, ATNS developed the ATM Roadmap, which was approved by the ATNS Board on 20 October 2010. The ATM Roadmap supports the ATNS strategic plan for implementing the ATM/CNS systems required to meet user expectations going forward. The roadmap provides more detailed guidance for the content of implementation plans and, consequently, provides motivation for permission requests and a foundation for budgets. The ATM Roadmap also serves as input into the ATNS Integrated Technology Plan.

Aviation System Block Upgrades (ASBU) performance improvement initiatives have been formulated to define a high level of governance as well as a conceptual framework to ensure that the much needed safety upgrades are globally coordinated and harmonised. ASBU upgrades promote improved performance standards for various aspects of airport operations, including optimised airport accessibility, enhanced safety and efficiency and global systems interoperability.

ATNS is progressing well with its performance improvements through the implementation of all the relevant components of 'ASBU Block 0' of the ICAO Global Air Navigation Plan (GANP) by developing South African priorities and targets according to operational needs.

The ATM Roadmap and the Integrated Technology Plan form part of the South African National Airspace Master Plan, which in turn conforms to the ICAO GANP.

The ATNS Roadmap has been analysed to ensure alignment with ASBU to ensure that the ATNS initiatives support the ATM community's expectations of access, equity, safety, efficiency, predictability, environmental sustainability and affordability.

Programme 2: ATNS International Programme

The ATNS International Programme is a long-term strategy to facilitate regional expansion through a subsidiary vehicle within ATNS known presently as "ATNS International". ATNS International will enable the Company to take a more robust and agile stance in the non-regulated business market without posing undue risks to its regulated market and Shareholder. It will also enable ATNS to enter into joint ventures and partnerships with external suppliers so that the Company can harness more valuable market opportunities and extend its regional influence and reach.

A cross-functional and cross-disciplinary project team has been appointed to implement the ATNS International Programme. The team will develop alignment criteria and propose the high-level and detailed design in terms of processes, systems, technology, structure, and operations in 2014/15.

Further, in August 2013, the Organisational Alignment Project (OAP) was implemented to promote a standard organisational design methodology and framework. The OAP determines the processes, systems, technology, people, structure, and operational requirements for growth in the non-regulated business market, based on the direction given in the 10-year business plan and the Africa Indian Ocean (AFI) Strategy. Ultimately, it serves to create a commercial mind-set across ATNS, including the subsidiary once approved. The project is managed and reported on under the banner of the larger ATNS International Programme.

Programme 3: The Africa Indian Ocean (AFI) Strategy Project

The Africa Indian Ocean (AFI) Strategy Project has been identified as key in achieving commercial success and driving sales and revenue in the non-regulated environment. It will set the agenda for Commercial Services for the next three to five years. The strategy will drive market-share growth in ATNS's non-regulated business in the short to medium term by offering value-added services and products in a more competitive way. The strategy will provide a framework for commercialising ATNS's products and services and will form the backbone of the ATNS International project. The strategy will encompass all the products and services to be marketed locally, across the continent and beyond; and will define the target markets for each in the coming years.

To underpin the AFI Strategy, ATNS has developed and updated its Financial Model. Both the strategy and financial model will be further tested and refined within the parameters of a 'ring-fencing project' to provide more detail relating to actual cost and revenue drivers for the non-regulated business.

The ring-fencing project will 'ring-fence' resources, costs and revenues associated with the non-regulated business relative to the current regulated business so as to determine the real costs of providing products and services; as well as to assess the commercial viability of the products and services to be offered in the non-regulated market. ATNS will perform a cost-benefit analysis on this data to support decisions related to the AFI Strategy and ATNS International, such as determining non-regulated business pricing and resourcing strategies.

Programme 4: Permission planning

ATNS was incorporated in terms of the ATNS Act, 45 of 1993. Section 11 of the ATNS Act specifies the economic regulation regime for the Company and stipulates that ATNS shall not levy an ATS charge unless it is in possession of a valid permission. At present, ATNS operates under the 2010/11 – 2014/15 permission structure, which is valid for a period of five years. During the year, ATNS commenced the permission application process to ensure a valid permission from 2015 onwards.

ATNS has established a Permission Planning Committee (PPC) with the express aim of facilitating the permission planning process. The PPC is a permanent EXCO sub-committee. ATNS subscribes to a modular approach in compiling permissions and the PPC, through its Permission Module Managers project team, drives the preparation and maintenance of information modules needed to compile permission applications as mandated by the Regulating Committee in its 'Approach Document'.

The PPC facilitates the proper and systematic planning of ATNS's business and also guides the process of compiling permission modules in preparation for permission submissions. The PPC also ensures modules are kept 'live' and updated on a yearly basis to monitor progress in implementing the current permission, by tracking 'actual' versus 'budgeted' permission key performance indicators (KPIs) and reporting on deviations. This provides input for the yearly budgeting process in addition to developing a repository of historic permission data needed to feed into and help guide subsequent permission application processes. The PPC manages eight modules that assist in building a permission application, as listed below:

- Macro-economic module
- Traffic forecast module
- Capital Expenditure (CAPEX) module
- Operations and maintenance module
- Human capital module
- Administration module
- Financial module
- Future Operating Environment module (new)

In the 2015-2020 Application Process, the PPC will be including the Future Operating Environment module. The information in this module was traditionally captured in the CAPEX, Human Capital and Traffic Forecast modules. In preparing the Permission it became evident that a separate module is required to address the future operating environment to avoid confusion and to focus on the ATM initiatives. The additional module will impact on other modules within the permission application.

The Module Managers project team has been active throughout the year and all modules are being reviewed, updated and aligned with regulatory requirements. The first user consultation meeting with the airline industry took place on 13 November 2013. The objective of the meeting was to discuss the traffic forecasts, macro-economy, and current permission financial issues. The CAPEX, Human Capital and Finance modules were presented in Quarter 1 of 2014.

Going forward, various supplementary components/modules will be required by the Regulating Committee that constitute 'outputs' from key components rather than 'inputs' (as above) and will be generated for each Permission application based on the contents of key modules. These supplementary modules comprise the following:

- Strategic and business review
- Reconciliation of historic expenditures and budgets
- Key performance indicators
- Accounting policies
- Consultation reports
- Financial model.

Further, as a fully regulated public entity, we are also pleased to be actively engaging our industry customers in the regulatory process to successfully complete the permission application process during 2014. The new permission cycle 2015/16 – 2019/20 will inform the Company's specified tariffs as well as service standard requirements for the regulated business. The functioning of the industry's economic regulation regime is also undergoing a review of the Funding Model used for the economic regulation of ACSA and ATNS. ATNS is actively involved and collaborating with the Regulating Committee for ACSA and ATNS to ensure favourable and sustainable outcomes for the industry.

Programme 5: Business Processes Initiative

A number of Business Process (BP) initiatives have been identified for the year ahead to facilitate the formulation and alignment of organisational business processes. This requires that a programme-based BP Programme be established that engages various ATNS process owners to address the alignment of business processes and information technology systems. This initiative will enable ATNS to create a business process model that can bridge the communication gaps between business users, their business requirements and technology systems, as well as between various functional areas of the business.

The benefits of BP include the representation of the organisation and its operational model in a visual manner, as well as the enablement of a unified organisational understanding. The model will further promote operational standardisation; capture and solidify corporate memory; and create a crystallised view of the 'current state' as the basis for improvement, maturity and optimisation.

The following progress has been achieved to date:

- Establishing a Business Processes Competency Centre (BPCC).
- Appointing an additional fulltime BP Specialist.
- Augmenting the competencies of BP Specialists with the appointment of consultants.
- Procuring and installing the BP Modelling and Analysis tool.
- Mapping detailed processes for Finance, Procurement and BPM process areas.
- Mapping end-to-end Level 3 Processes (i.e. process categories within all ATNS core processes).
- Mapping the following ATNS International baseline processes:
  - Assets Efficiency
  - Expectations
  - Operating Margins after Tax
  - Revenue Growth
- Defining a detailed project plan for mapping 'as-is' organisational business processes.

In the year ahead, the Business Processes Competency Centre (BPCC) plans to finalise the end-to-end 'as-is' Level 4 and 5 processes, as well as map the overall end-to-end 'to-be' processes, including organisation-wide integration and development of a detailed implementation roadmap.

Programme 6: IT Repositioning Initiative

The new extrinsic Corporate Strategy focus in 2009 necessitated that ATNS transforms its IT function from a traditionally 'outsourced internal support' role to an 'internally sourced business-enabler' role to become a strategic function. One of the critical strategic issues in 2009 was the development of an 'IT business enablement roadmap' to set the foundation for developing an IT Strategy. This 'roadmap' was developed and completed in 2010, aligning the future of ATNS's IT service delivery with the objectives of the 2009 Corporate Strategy.

Following the development of the roadmap, the 2010 IT Strategy included a restructuring of IT, with specific emphasis on the following:

- Creating new functions, such as business processes management; knowledge and information management; and enterprise architecture and application management.
- Migrating all the IT 'trouble ticket' support functions (excluding enterprise resource planning (ERP) support) to the engineering and technical services department, to enable integration of business IT and operational IT in the organisation.

At the time of strategy development, the King III requirements came into effect. From a planning perspective, the timing was opportune to also address the issues related to Board IT Governance responsibilities. The 2010 IT Strategy focuses on achieving success in four major areas:

- A newly defined operating model that describes the integration of 'information technology' and 'operations technology'.
- A newly proposed IT governance structure and model to enable the ATNS Board to ensure senior governance oversight.
- A redefined IT resource plan to capacitate the IT function.
- The sourcing of subject matter experts (SMEs) from across the organisation, who would work with IT in driving certain strategic initiatives.

During the year, ATNS placed further emphasis on the following IT systems requirements:

- IT security management
- Business continuity
- System stability and reliability
- IT performance and sustainability
- Improved user satisfaction.

ATNS's Infrastructure Investment Strategy

In addition to the afore-mentioned enabler programmes, ATNS's Infrastructure Investment Strategy and Capital Expenditure Plans are key enablers for creating economic value; and specifically, to continually enhance operational efficiencies and service reliability. ATNS's infrastructure development is informed by regulatory requirements at a global level, as well as new enabling technologies and the need to address the specific requirements of the air traffic management (ATM) community.

With current economic challenges – and airlines facing even greater pressures on financial performance – ATNS has adopted the approach of developing business cases for Capital Expenditure projects. The business case approach has been a useful tool to prioritise projects in line with industry requirements.

In line with ATNS' Shareholder Mandate to deliver safe skies and customer centric services, technology is a central service enabler. To this end, ATNS has invested in the acquisition of new and advanced technology for Air Traffic Management to replace the current national Air Traffic Management Automation system. The system is used by our Air Traffic

Controllers to manage and control the national airspace system.

This advanced Technology Investment Initiative will be one of the largest single CAPEX investments that ATNS has embarked upon in the last decade and is steered under the programme 'Collaborative Advanced Air Traffic System' (CAATS). Through this programme, ATNS will enter a new era of operational technology advancement for the benefit of the ATM community. The South African aviation infrastructure is considered to be one of the best in the world, contributing to the country's aviation safety record. It is, therefore, imperative that we continue to invest wisely in this infrastructure to support the country's overall transport infrastructure.

Communications infrastructure

Very High Frequency (VHF) communications will remain the primary tool for air traffic control for the foreseeable future. The requirement for instantaneous contact between controller and pilot – and the fact that safety may be jeopardised without it – means that VHF voice communication will remain the backbone of controller/pilot communications for some time. During the period of this investment plan, the existing VHF network will be replaced and/or upgraded depending on operational requirements and the associated business cases. A VHF emergency overlay network will also be implemented.

The Voice Communication and Control System (VCCS) is used to relay the communications between air traffic controllers, pilots and other air traffic service units. During this period, all the major airport switches will be replaced or upgraded depending on the requirements and results from cost benefit analyses.

The backbone of all ATNS's information communications technology is hosted on the ATNS-wide area network. The Capital Investment Plan will prioritise equipment that is used to establish and maintain the network infrastructure. There is also a requirement to implement a higher level of security on the network to ensure that network integrity is maintained. Due to the complex nature of the network, monitoring tools will be implemented to ensure that the network usage and availability is maintained within pre-determined parameters.

Navigation infrastructure

Looking ahead, it will be prudent for South Africa to maintain a ground-based navigation system, either as redundancy for, or an alternative to, newer navigation systems trends, such as GPS.

There is a requirement to systematically install a 'Distance Measuring Equipment' (DME) network as a backup network for the global navigation satellite system (GNSS). During this planned period, a DME-to-DME network will be deployed for terminal airspace operations.

Further, ATNS will initiate the replacement of VHF Directional Finder (VDF) equipment at regulated and regional airports where there is either a single surveillance system or none in operation to comply with Regulations (SA-CAR 139.02.19(f)).

Surveillance infrastructure

Primary and Secondary Surveillance Radars (PSRs and SSRs) are currently the principal source of electronic surveillance data to ATNS, apart from Automatic Dependent Surveillance-Contract (ADS-C) in the Oceanic areas.

Three secondary surveillance radars will be replaced during this investment period. Multilateration systems are ideally suited for supplementing areas of poor coverage where SSRs are constrained by the environment, and as a back-up system for SSR. Multilateration systems are normally compatible with Automatic Dependent Surveillance-Broadcast (ADS-B). Installing multilateration systems, therefore, sets the foundation for the future use of ADS-B. ATNS plans to deploy new wide-area multilateration networks in the Lowveld as well in the Johannesburg west sector.

Infrastructure performance

ATNS's infrastructure performance is measured in accordance with the Service Level Agreement (SLA) targets that are based on the agreed key performance indicators (KPIs).

Air Traffic Management System infrastructure

The largest capital investment in this period will be the replacement programme for the Display System, as used by Air Traffic Controllers for situational awareness. The current system, which is known as the national Air Traffic Management Automation system, is obsolete and will also reach its 'end of support' period in 2014. Since the deployment of the current system in the market more than ten years ago, there have been numerous new technology developments. Consequently, it was necessary to conduct a competitive bid for a new system through a request for tender (RFT) process, as opposed to upgrading the current system with the existing supplier.

Safety is a critical concern in the aviation industry. As a result, Air Traffic Controllers' situational awareness should be fostered through continuously updated data. Furthermore, Air Traffic Controllers should be unburdened from non-critical activities by automating repetitive tasks. Electronic Flight Strip Systems have the potential to seamlessly coordinate flights between controllers in the same room, in the same air traffic services unit (ATSU), as well as in different ATSUs; resulting in the reduction of errors experienced during coordination (read-back or hear-back). Implementation of the electronic flight strips is planned for regional airports during this investment period.

Simulator infrastructure

The existing radar simulator at the Aviation Training Academy (ATA) is reaching the end of its design life and the intention is to replace the generic radar simulator with a suitable simulator to enhance the training capabilities for new trainees. The simulator will be replaced as part of the ATM system replacement programme.

Local supplier development

Local supplier development is a national imperative and an important enabler of economic sustainability. ATNS intends to address the historic imbalances that previously excluded large proportions of the population from meaningful participation in the economy. By leveraging procurement expenditure, we aim to increase locally developed content by supporting and developing local suppliers. In doing so,

Table 13: ATNS Capital Expenditure

Description	2013/2014	2014/15	2015/16
Communications	41,712,736	54,428, 268	68,735,489
Navigation	272,625	2,000,000	0
Surveillance	45,065,286	17,250,000	77,074,485
Display Systems	21,812,966	21,000,000	11,066,141
Simulator Systems	0	6,500,000	0
Software	54,447,840	3,236,511	14,204,390
General	11,321,643	47,422,882	12,727,813
TOTAL	**174,633,096**	**151,837,660**	**183,808,317**

Table 14: Quarterly infrastructure system availability

System	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Communication	99,64%	99,83%	99,76%	99,54%	99,50%
Navigation	98,74%	97,43%	96,39%	95,17%	96,26%
Surveillance	99,77%	100%	100%	100%	99,64%

Table 15: Quarterly network availability`

System	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
SADC VSAT II	98,5%	99,95%	99,83%	99,99%	99,92%
NAFISAT	98,5%	99,99%	97,19%	99,98%	99,97%

the Company complies with the Department of Trade and Industry's (DTI's) Codes of Good Practice and benefits by:

- Increasing its security of service supply.
- Reducing the costs of goods and services through increased supplier competitiveness and/or reduced logistics costs.
- Benefiting from local supply rather than imports through:
  - Reduced exposure to foreign currency volatility.
  - Lower stock level requirements.
  - Improved responsiveness.
  - Simplified communication.
  - Reduced delivery times.

ATNS's Preferential Procurement Policy promotes the use of B-BBEE empowered suppliers to achieve the 70% compliance target and is available for view online at http://www.atns.co.za/annual-reports.

The policy prioritises procurement from suppliers who have the following B-BBEE credentials

- Exempt Micro Enterprises (EME)
- Qualifying Small Enterprises (QSE)
- Suppliers with 51% Black Ownership
- Suppliers with at least 30% Black Women Ownership.
- A level 4 minimum contribution

Table 16: Overview of B-BBEE procurement spend

Supplier category	Actual: 2012/13	Actual: 2013/14	Target: 2014/15
Total B-BBEE spend of total measurable procurement spend	R256,110,494	R367,014,361	R463,479,843
% B-BBEE spend of total measurable procurement spend	86%	79%	80%
% Spend: Black-owned enterprises	0,19%	21%	25%
% Spend: Black women-owned enterprises	0,02%	5%	7%
% Spend: Exempted Micro-Enterprises	6,50%	4,32%	5%
% Spend: Qualifying small enterprises	Not captured	Not captured	5%

Financial performance overview

ATNS's financial performance for the year is reviewed in more detail in the ATNS-AR and ATNS-AFS. Tables 17 and 18 provide a consolidated view of the Company's financial performance in the context of ATNS's broader economic sustainability from the perspective of economic value generated and distributed during the year.

Table 17: Economic value generated

Economic value generated	2013/14 R	2012/13 R	Progress ▲ – ▼
Total revenue	1, 326, 397 billion	1 223, 430 billion	▲
Tariff revenue	1, 159,327	1, 074, 657	▲
Other revenue	167, 071	148,773	▲
Total assets	1, 863, 431	1, 729, 085	▲
Total equity	1, 626,356	1, 382, 094	▲
Cash generated from operations	389,018	333,413	▲
Current ratio	6.7:1	4.1:1	▲
Gearing ratio	0	8%	▲
Total borrowings as at 31 March 2014	**0**	**118,979**	▼

Table 18: Economic value distributed

Economic value distributed	2013/14 R	2012/13 R	Progress ▲ – ▼
Value added			
Total operating cost	1, 096,944	1, 039,899	–
Distribution of wealth			
Employee wages and benefits	627,412	570,623	▲
Payments to providers of capital	118,979	91,394	▲
Payments to Government as income tax (including deferred tax)	94,064	74,843	▲

Managing economic sustainability risks

Table 19: Economic risk impacts and opportunities

Risk classification	Risk impact	Opportunities	ATNS's response
Risk 1: Major safety event			
• Physical • Institutional • Reputation	ATNS's business is firmly anchored in aviation safety, and specifically safe, secure and cost effective air transport. Any major safety event, whether local, regional or global, will place a spotlight on ATNS's performance. If a major safety event occurs in the context of ATNS's operations, the impact may be catastrophic in that lives will be lost. Other risk impacts include financial losses and reputational degradation.	ATNS's emphasis on safety has extended the Company's sphere of influence across South Africa's borders into the rest of Africa. ATNS is well placed to collaborate with ICAO to facilitate interoperability and modernisation of air transportation through its block upgrades initiative and to assist African countries in meeting the ICAO safety performance improvement standards of performance improvements.	• The introduction of supervisors in Operations. • Demand and capacity balancing in terminal airspaces (TMA). • Participation in national airspace design review. • Review, redesign and new procedure development. • Introduction of automated processes / system (rostering tool). • PANSOPS training for identified individuals. • Continuous training and development
Risk 2: Financial sustainability			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Financial • Reputation	Economic regulation by the Regulating Committee (RC) restricts revenue from tariffs by a price cap. This has a potential of limiting revenue growth within the South African market. Further, the maturity of ATNS's domestic operations will create future challenges for the business to generate new customers in South Africa.	It is imperative for ATNS to secure future growth and revenue by broadening its service offerings to other markets. The business's Africa strategy provides opportunities to maximise revenue and strengthen ATNS's position globally. Further, The functioning of the industry's economic regulation is also undergoing a review of the Funding Model used for the economic regulation of ACSA and ATNS. ATNS is actively collaborating with the Regulating Committee to ensure sustainable and favourable outcomes for the industry.	• ATNS's expansion strategy and associated market research and product/service development initiatives for new regional markets. • New product/service development for the South African market. • ATNS is ISO 9001:2008 accredited and operates a mature quality management system. • ATNS is preparing a new permission application as required by the RC which will be submitted in November 2014. • ATNS's capital investment strategy to support new technology acquisition. • ATNS's operational efficiency improvement initiatives.

Table 19: Economic risk impacts and opportunities (continued)

Risk 3: Inflexible and inefficient operations			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Physical • Institutional • Financial • Reputation	Inflexible and inefficient operations could have a critical impact on the business, including major safety events. Operational inefficiencies impact the availability and reliability of ATNS' services and can also have critical environmental impacts. Operational inefficiencies can further result in poor service, financial losses and reputational risk.	ATNS's focus remains firmly on creating the necessary efficiencies that will translate to value-add for its clients (users). The new permission cycle 2015/16 – 2019/20 will provide an opportunity to achieve the most efficient structure for ATNS to meet its strategic objectives and to deliver operational performance and cost-effectiveness.	• Participation in development of Airport Slot Management and compliance framework. • Participation in national airspace design review. • Participation in appropriate ICAO and regional forums and implementation of the ASBU modular concept. • Review, redesign and new procedure development. • Engagement of Collaborative Decision Making (CDM) process with Mozambique ANSP. • Business process alignment. • Mobile and virtual telecommuting office. • Capital investment targeting new technologies, aligned with global leading practice operational standards.
Risk 4: Structural economic challenges in South Africa			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Physical • Financial	Slow rates of global and local economic growth, volatile commodity markets, widening social inequality, structural unemployment and skills shortages in South Africa have a direct impact on ATNS's business, its customers, funders, employees and suppliers.	As a State-Owned Company, ATNS is mandated by the Department of Transport to create employment, particularly for unemployed youth and previously disadvantaged communities and to boost local supplier development. New product and market developments in the regulated business – as well as ATNS's Africa expansion strategy – are ideal vehicles to achieve these critical developmental imperatives.	• ATS bursar programme initiated in 2009 results in a steady flow of new ATS staff into the training pipeline. • Succession planning is implemented for mission-critical roles. • Development of internal Research and Development capacity within the Engineering and ATM areas. • ATNS's five-year Employment Equity Plan. • ATNS's B-BBEE Strategy to support empowerment and development objectives.

Ensuring economic sustainability through global partnerships

ATNS is a founding member of the Civil Air Navigation Services Organization (CANSO), the global voice of Air Navigation Services Providers (ANSP) worldwide. ATNS participates in CANSO activities with the strategic intent of aligning ATNS's business and operational practices with global standards. It does so by creating advantaged networks within the aviation industry and promoting competency training to promote an operational environment that embraces global leading practices.

CANSO was founded in 1996 to represent members' views in major regulatory and industry forums, including ICAO, where it has official observer status. Internationally, the potential of CANSO's influence has attracted more ANSPs to link and work with the organisation. Members share information and develop new policies with the aim of transforming the performance of the global air traffic management system. CANSO has a network of 79 'Full Member' ANSPs and 70 'Associate Members', comprising industry partners, suppliers, airports and other key aviation stakeholders. The number of partners has grown exponentially, and with it, the complex challenges of managing relationships, agreements and the syntheses of joint work.

The CANSO Africa office has successfully acquired 11 regional members, and regional engagement with other countries is on-going to expand membership on the continent.

The CANSO AFRICA regional vision and critical areas are aligned with the Global Vision 2020 Strategic Framework and work programmes, with input from all CANSO AFRICA members. The vision identifies critical areas of change needed within the domains of economic, social and environmental sustainability; and the safety, environmental, regulatory and operational issues that must be addressed to achieve a truly safe and sustainable African ATM system.

ATNS currently participates in the following CANSO workgroups by means of representation in the standing committees:

- Safety
- Operations
- Environment
- Seamless Airspace
- Human Resources
- Global Benchmarking
- Aeronautical Information Services transition to Aeronautical Information Management (AIS-AIM)

12. Social performance

Introduction

ATNS endeavours to create and sustain long-term social value by committing to the positive transformation of our society and our organisation through employment equity, black economic empowerment, and by enabling our employees to achieve their fullest potential through professional training initiatives. We recognise that this can only be achieved if we provide our employees with safe working conditions and respond perceptively to the needs of our various stakeholder communities.

ATNS' social sustainability reporting spans the Company's operational environment, and therein the professional environment within which its employees work; as well as the broader ATM community and the communities where we operate.

Material social aspects

Table 20: Consolidated view of material social issues linked to strategy

Strategic objective	Material issue	Why it is material to ATNS	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
Create a transformative organisation	1. Create a representative workforce	ATNS's long-term social value creation lies in being committed to the transformation of our society through employment equity and black economic empowerment. ATNS is committed to the principles of equity and anti-discrimination. We seek to create an organisation that reflects the diversity of our society and that maximises the potential of our employees. As a State-Owned Company, ATNS has a responsibility to align to the country's national goals and to support Government's initiatives to address the socio-economic legacy of the past. The Company has dedicated itself to providing employment for all demographics.	KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. KPA-5: Training to contribute to job creation. 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate. KPA-6: Broad-Based Black Economic Empowerment. 6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter. KPA-7: Employment Equity. 7.1. ATS EE targets (AIM0, ATS0, ATC0 1-3). 7.2. ATNS EE targets.
	2. Broad-Based Black Economic Empowerment	As a State-Owned Company, ATNS has a key responsibility as a national agent of commerce to strengthen the economic position of South Africa. Through our B-BBEE practices, we have the opportunity to shape the future of the South African air traffic management sector. Broadly, these practices extend to job creation, poverty alleviation and skills development.	KPA-6: Broad-Based Black Economic Empowerment. 6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter. KPA-7: Employment Equity. 7.1. ATS EE targets (AIM0, ATS0, ATC0 1-3). 7.2. ATNS EE targets.
Build a culture of safety	3. Building a culture of safety	Safety is the primary driver for ATNS's collective efforts and the Company strives to build a shared culture of safety among its employees as well as its external stakeholders from the wider ATM community. At a global level, civil aviation is planned to be seamlessly integrated across national boundaries, with common service standards and quality, irrespective of who provides the Air Navigation Service; be it a State, a group of States or delegated service providers. As an ICAO member state, South Africa has endorsed the ICAO Air Traffic Management Operational Concept, which defines the seamless global aviation system concept. This concept is in turn translated into the Global Air Navigation Plan (GANP), supported by the Global Aviation Safety Plan (GASP) and underpinned by the ICAO Standards and Recommended Practices (SARPs).	KPA-1: Transport safety and security. 1.1. Safety service provision. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.6. Performance-Based Navigation (PBN). KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards.
Build a skilled and capable employee resource base	4. Enhancing skills and building competencies	ATNS's continued success relies on its ability to attract, recruit and retain diverse, qualified and skilled professionals. ATNS continues to recruit, train and develop its staff to ensure the adequate supply of skills within the Company's operational departments. Globally regarded as a beacon of safety in airspace navigation, ATNS is regarded as a centre of excellence and an institute of reference. This standing can only be maintained if ATNS continues to employ and develop competent people who are aligned with the Company's desired culture of safety, professional excellence and sustainability awareness.	KPA-4: Implementation of Environmental Plan. • Human resources/training. KPA-5: Training to contribute to job creation. 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate. 5.2. Manage the training pipeline for ATS and technical staff. 5.3. Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines.

Maintaining a representative workforce

Our management approach

Employment equity
Representation in the workforce is guided by ATNS's internal Employment Equity (EE) Plan which is aligned to the Employment Equity Act, 1998 (Act No. 55 of 1998). ATNS' strategic objectives and prevailing organisational culture support on-going equal opportunity initiatives, with specific emphasis on the African, coloured and Indian designated groups, as well as women and people with disabilities (PWDs). The ATNS Board approved the five-year ATNS EE Plan for the 2010/11 to 2014/15 period in September 2010.

Implementation through the various line departments is championed by the CEO and executive management, and cascades to the middle, lower and operational levels in the Company. The five-year EE Plan is intended to transform the ATNS employee profile to reflect national demographics and is reviewed annually to adjust targets as and when required.

ATNS is currently in its pen-ultimate year of enabling the existing EE Plan. In the year ahead, a new five-year EE Plan will be compiled and will consider industry trends and macro-economic demands.

In line with the Employment Equity Act, the current ATNS five-year EE Plan encompasses the following objectives:

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

The EE Plan is reviewed on an annual basis and progress is monitored and reported through the Human Resource Committee on a monthly basis.

Table 21 reflects the historic EE profile from which future transformational goals are derived.

Table 21: Historic consolidated EE profile

Employee group	2009/10	2010/11	2011/12	2012/13	2013/14
African, Indian and Coloured	54,76%	58,17%	60,69%	63,37%	67,06%
Female	33,09%	33,09%	37,41%	38,52%	40,92%
Bursars and learners	122	118	86	47	84
Total staff complement	**833**	**874**	**927**	**983**	**1033**

Table 22: Expanded EE profile

Occupational Level	Black Men	Black Women	Indian Men	Indian Women	Coloured Men	Coloured Women	White Men	White Women
Top Management	2	0	0	0	0	0	0	0
Senior Management	1	2	0	0	0	0	2	0
Professional	13	7	3	0	1	0	6	3
Skilled	222	227	44	31	37	35	238	95
Semi-Skilled	15	3	0	0	5	0	2	0
Unskilled	1	11	0	0	0	0	0	0
TOTAL	**254**	**250**	**47**	**31**	**43**	**35**	**248**	**98**

Developing the roles of Women within ATNS
The Women Development Programme (WDP) was designed to provide developmental opportunities for women in the organisation. The initiative comprises four programmes which address incremental stages of corporate development for women. The programme is voluntarily offered to all women at ATNS who wish to further their personal or career development. The facilitation of appropriate representation of women at all levels of the organisation aligns strategically with ATNS's EE Plan.

Since its inception in 2009, the WDP has had the following objectives:

- Providing opportunities for women to progress in the organisation.
- Enabling sufficient representation of women at the various organisational cadres, particularly professional, executive and management levels.
- Attracting and retaining professional women.
- Supporting the achievement of employment equity objectives where the need to appoint/promote women has been identified.
- Enhancing 'employer of choice' recognition by ensuring equity and representation of women.
- Providing a space for women to share their insights, wisdom, experiences, challenges, fears and circumstances with a view to enriching their lives and work practices.
- Creating a greater recruitment pool for women, together with opportunities for career advancement as stipulated in the ATNS EE Plan.
- Improving the lives of women within ATNS as well as the broader South African community.

Broad-Based Black Economic Empowerment

Our management approach

ATNS's B-BBEE strategy is an important driver in achieving the Company's goals towards economic and social sustainability. Certain initiatives have been identified to improve ATNS's B-BBEE contribution level, including the development of a B-BBEE Strategy in accordance with the B-BBEE Codes of Good Practice that will guide the organisation towards an improved rating. The Codes of Good Practice will be implemented during the 2014/15 financial year with the intention of achieving a Level 3 rating by 2015/16.

The ATNS B-BBEE Strategy aligns with the South African Governments' transformation initiatives of job creation, poverty alleviation and skills development. The strategy addresses all six elements of the generic B-BBEE scorecard, namely: management control, employment equity, skills development, preferential procurement, enterprise development and socio economic development.

The associated B-BBEE action plan highlights the need to enhance employment equity at senior management levels; as well as increase the number of black learnerships for people living with disabilities; promote the use of B-BBEE empowered suppliers to achieve the 70% compliance target; develop and implement a comprehensive enterprise development (ED) programme focusing on the training of current EMEs and QSEs providing goods and services across the ATNS value chain; and develop socio-economic development (SED) programmes and partnering frameworks.

Management control: ATNS performed well on this element during the year, scoring 15 points. All non-executive board members are independent and ATNS can therefore score a bonus point for this element.

Employment equity (EE): During the 2013 verification process ATNS scored 9,75 points out of a potential 18 points, with no points being scored for the employment of black people with disabilities.

Skills development (SD): ATNS's current state indicates a score of 14,33 out of 20 points as recorded during the 2013 verification process.

ATNS is developing learning programmes for employees living with disabilities in line with organisational needs, thereby improving on the SD score. Further, the Company regularly reviews the Skills Development Strategy that forms part of the ATNS Talent Management Initiative. The Learning Management System maintains records of training interventions implemented for disabled employees.

Preferential procurement: A score of 15,77 out of a possible 20 points was achieved during the 2013 verification process. To improve this score, the Company developed a Preferential Procurement and Enterprise Development Policy. According to the policy, **which can be viewed online at http://www.atns.co.za/annual-reports**, a dedicated focus will be placed on procuring from suppliers who have the following B-BBEE credentials:

- Exempt Micro Enterprises (EME)
- Qualifying Small Enterprises (QSE)
- Suppliers that are 51% Black-Owned
- Suppliers that are 30% Black Women-Owned
- Local suppliers with a level 1 – 4 B-BBEE recognition contribution factor

Furthermore, the Company's Financial System is being reviewed and upgraded. This upgrade will allow detailed B-BBEE credentials of all suppliers to be captured, enabling the Company to report accurately on all Preferential Procurement indicators.

Socio-Economic Development (SED): ATNS continued to promote and develop its partnering framework with schools to fund Mathematics and English programmes through the ATNS Centres of Excellence for Mathematics and English for Grade 11 and 12 Learners.

Table 23 outlines the core elements of ATNS's B-BBEE Strategy and the annual targets set to achieve a Level 3 rating by 2015/16.

Building a culture of safety

Our management approach

Safety is the primary driver for ATNS's collective efforts and the Company strives to build a shared culture of safety among its employees as well as its external stakeholders from the wider ATM community. At a global level, civil aviation is planned to be seamlessly integrated across national boundaries, with common service standards and quality, irrespective of who provides the Air Navigation Service; be it a State, a group of States or delegated service providers. As an ICAO member state, South Africa has endorsed the ICAO Air Traffic Management Operational Concept, which defines the seamless global aviation system concept. This concept is in turn translated into the Global Air Navigation Plan (GANP), supported by the Global Aviation Safety Plan (GASP) and underpinned by the ICAO Standards and Recommended Practices (SARPs).

Safety Management System (SMS) Policy

ATNS Safety Management System (SMS) and SMS Policy, together with the Safety Management Plan form part of the Company's risk management and compliance assurance initiatives. ATNS officially implemented the ATNS SMS during September 2006 to comply with the ICAO Annex 19 requirement for States to implement ATS safety management programmes. ATNS is compliant with South African Civil Aviation Regulations (CAR) Part 40, supporting Annex 19 requirements. **The SMS policy is available online at http://www.atns.co.za/annual-reports.**

Excellence in safety, as a guiding principle, remains non-negotiable across our ATM system activities. We are committed to implementing, developing and improving appropriate strategies, management systems, processes and procedures to ensure that all our ATM Service Delivery (ATMSD) activities uphold the highest levels of safety performance and meet national and international standards and expectations.

Accordingly, we remain steadfast in delivering the following safety imperatives:

- Developing and embedding a safety culture across all our ATM system activities that recognises the importance and value of effective aviation safety management and acknowledges, at all times, that safety is paramount.
- Clearly defining for all personnel their accountabilities and responsibilities for development and performance, which include safety imperatives.
- Minimising the risk associated with an aircraft incident or accident to a point that is "as low as reasonably practicable/achievable".
- Ensuring externally supplied systems and services that impact upon the safety of our ATM service delivery (ATMSD) operations meet appropriate safety standards.
- Actively developing and improving our safety processes and procedures to meet the safety standards and, whenever possible, exceeding ICAO standards and recommended practices (SARPs).
- Ensuring that all personnel are provided with adequate and appropriate safety information and training; are competent in safety matters; and are only allocated tasks commensurate with their skills.
- Ensuring sufficiently skilled and trained resources are available to develop safety strategy and implement policy.
- Establishing and measuring our ATM system safety performance against objectives and targets.
- Achieving the highest levels of safety standards and performance in all our ATM activities.
- Continually improving on our safety performance.
- Conducting safety and management reviews and ensuring that relevant action is taken where required.

Table 23: Overview of the core elements of ATNS's B-BBEE Strategy

Element	Target	Verified Performance (2012/13)	Current Performance (2013/14)	Target 2014/15	Target 2015/16
Management Control	15.00	15.00	15.00	20.00	22.50
Employment Equity	15.00	11.45	9.73		
Skills Development	20.00	14.33	14.33	18.00	20.00
Preferential Procurement	20.00	12.33	15.77		
Enterprise Development and Supplier Development	15.00	0	0	30.00	35.00
Socio-Economic Development	15.00	6.61	6.21	15.00	15.00
Overall Score	100.00	59.72	61.04	83.00	92.50
Procurement Recognition Level	Level 5	Level 5	Level 5	Level 3	Procurement Recognition Level

Scope of the Safety Management System (SMS)

The Safety Management System encompasses all ATNS's ATMSD activities, including that of the ATA. Its scope extends to all levels of management, instructors involved in training ATMSD staff, operational air traffic controllers, air traffic service assistants, aeronautical information management personnel and technical support. Project execution, as well as the acquisition and commissioning of equipment and systems are performed in conjunction with appropriate safety assessments and the identification and mitigation of associated risks, including security implications related to ATNS' staff, installations and facilities.

During the year, ATNS reviewed the SMS process, which resulted in a significant reduction in safety investigation timeframes. The Company has approved and published a Safety Roadmap addressing aspects of safety, QMS and risk audits, safety investigation and safety assessments; and has introduced safety dashboards for each operational unit.

SMS benchmarking is conducted against CANSO and EUROCONTROL Standards of Excellence. Comprehensive safety audits are now conducted to include air traffic services, technical services and criteria relating to human factors.

Figure 14 represents the core components of ATNS' Safety Management System and demonstrates the Company's integrated approach to safety management, with a view to embedding a culture of safety into the organisation.

ATNS' Safety Management Plan

Safety performance is a multivariable continuous system which requires continuous improvement and participation from all stakeholders, both in the front line and in supporting roles. Accordingly, ATNS's Operations Management held the 1st Operations Safety Workshop in September 2013. The workshop intended to promote the sharing of safety information; and to facilitate engagement and discussions around safety performance and planning for safety interventions in the year ahead.

Safety critical concepts and messages identified during the Safety Workshop are used as the basis for developing safety initiatives, training and promotion. Planned safety management interventions for the 2014/15 year include the following components:

- Regional Airport Safety Programme
- Advanced ATM Concepts
- Safety Culture Improvement Plan
- Continuation training
- Safety awards

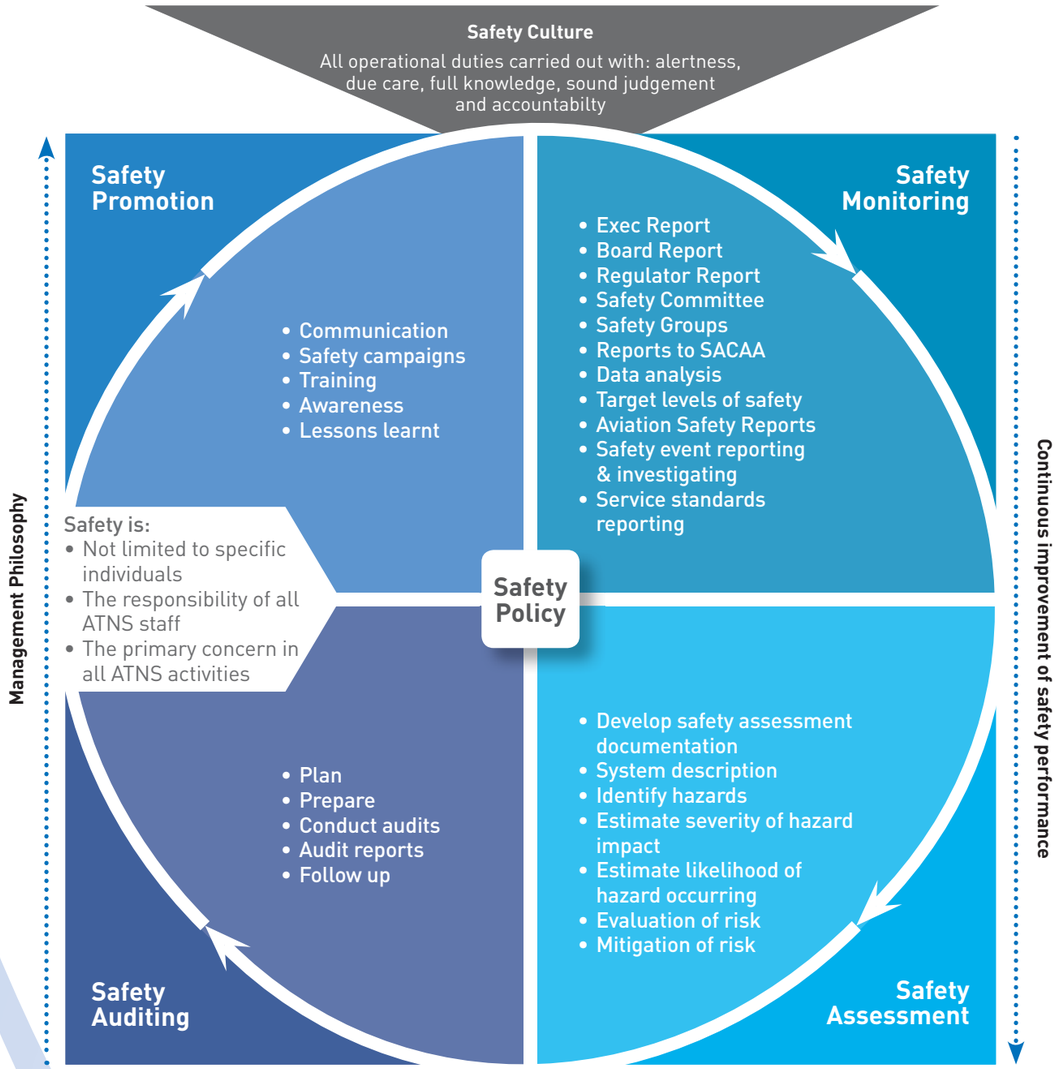
Regional Airport Safety Programme

Differences exist in the realms of resource allocation and support between the Regulated Airport Service Providers and those of the Non-regulated Contract Parties and outsourced Airport Management Service Providers, thereby introducing various risks to ATNS's organisational well-being. In some cases, lack of or inadequate service provision contracts hamper the liaison and partnerships required to drive safety programmes. A Regional Airport Safety Programme will assist in streamlining contractual terms and coordinating resource allocation and service provision between the various service providers.

Advanced ATM Concepts

Performance-Based Navigation (PBN) is increasingly seen as the most practical solution for regulating the expanding domain of navigation systems. The implementation of PBN in South Africa requires a radical realignment of the way that navigation systems are perceived. This impacts on the way that certification, regulation, oversight and operation of navigation systems is performed. Going forward, the buy-in and commitment from stakeholders will be of critical importance for the implementation of PBN on national level.

Figure 14: Safety Management System Components



Supporting organisational requirements:

- Responsibility and accountability
- Role of safety manager
- Training and competencies of personnel
- Safety documentation
- Security
- Resources

Safety Culture Maturity Model

There is an obvious need for a proactive safety culture in ATNS, especially within its operations, where controllers are directly involved in the separation of aircraft. The need for having 'informed', 'just', 'flexible' and 'learning' cultures in an operational centre is apparent; however, this requirement is not always obvious to those who are not at the operational 'sharp end', such as the developers of new technologies, systems and procedures. The Safety Culture Maturity Model contains five iterative stages of maturity, against which organisations can benchmark and progress sequentially by building on their safety culture strengths and minimising weaknesses.

Continuation Training

Continuation training spans various training programmes to maintain the skills of air traffic controllers, and to provide refresher courses and emergency training. Continuation training further consists of theoretical and practical courses, together with simulation training, where appropriate.

Continuation training aims to provide all ATS personnel with the necessary knowledge and understanding to retain the current level of competence required by ATNS. It is intended that re-currency training will reinforce and confirm past knowledge gained and ensure that current competency levels are maintained.

Safety awards

Various ATNS employees make significant contributions in the field of safety management in the normal course ATM operations without formal recognition of their contributions. Accordingly, ATNS endeavours to formally and appropriately recognise all contributions to ATM safety management.

Safety performance assurance

Safety metrics

ATNS has set strategic safety objectives (Imperatives) which are measurable and linked to the major components of the ATNS SMS. The strategic safety objectives provide practical expression to the Company's safety management expectations. They provide the benchmark reference against which the Regulator, the aviation industry and the public can determine the safety performance of the organisation.

Safety performance assurance provides the means by which ATNS can verify that it is meeting its safety performance targets. To do this, data must be collected and analysed to enable the achieved level of safety performance to be assessed. In addition, an effective monitoring programme increases the probability of detecting any weaknesses in the system's defences before an active failure leads to a serious safety occurrence or accident.

Identifying weaknesses in the system's defences requires more than just collecting data and producing summary statistics. The underlying causes of reported occurrences are not necessarily immediately apparent. Hence, an investigation of occurrence reports - and any other information concerning possible hazards – should go hand-in-hand with safety performance assurance. Safety performance assurance and investigation activities play both a reactive and a proactive role in the safety management system.

The following safety metrics are currently being utilised within ATNS to assist in identifying the required safety performance indicators and targets:

- Safety Ratio: Number of Safety Events attributed to ATNS per 100,000 movements, based on total tower movements i.e. arrival, departure, training and over-flight statistics.
- Risk Safety Index (RSI).
- Runway Incursion Severity Classification (RISC).

The current set of performance indicators are based on benchmarking activities that originated with CANSO during the year 2000. These indicators were adopted by the ATNS Board and Executive Committee over the years, given that the SACAA had not promulgated the required target levels of safety for the State (South Africa). While the first performance indicator is acceptable to ATNS and, as such cannot be changed given that this is the desired outcome, the remaining two indictors have not evolved. Further research work is indicated on the remaining indicators given that the safety ratio and SSE scheme have flaws that would place ATNS in a false sphere of security.

Safety Risk Indicator (SRI)

A scoring system has been developed to present the RSI in a meaningful way. Overall, 25 blocks are assigned a value where the high risk safety events score a low value and the low risk safety events score a high score This information is then plotted onto the RSI classification table (Figure 15). To assess which safety events fall within the acceptable, tolerable and intolerable ranges, the safety risk tolerability

matrix is utilised from the ICAO Safety Management Manual (DOC 9859) Chapter 5 to determine these ranges.

The calculated ranges are as follows:

- "Acceptable" range between 100 and 77 (Green);
- "Tolerable" range between 76 and 27 (Yellow); and
- "Intolerable" range between 26 and 0 (Red).

To enhance performance information in relation to the current safety ratio (events per 100,000 aircraft movements), which fall within a 12-month moving average, additional research is conducted into past safety events and these are converted (using the RAT and the scoring system) to calculate a 12-month moving average.

An average is determined for each month where there is more than one safety event and then included into the calculation for the moving average. Currently, ATNS displays safety performance data on two graphs utilising safety metrics: The first indicates the average safety risk to ATNS (Graph 1), with the value not being influenced by air traffic movements, and the second, indicates the existing safety ratio of safety events per 100,000 movements (Graph 2). Analysis of the graph in Graph 1 indicates that an acceptable performance is achieved where the safety ratio decreases towards 2.0 and below, and the RSI increases in value i.e., the lines of the graph diverge away from each other.

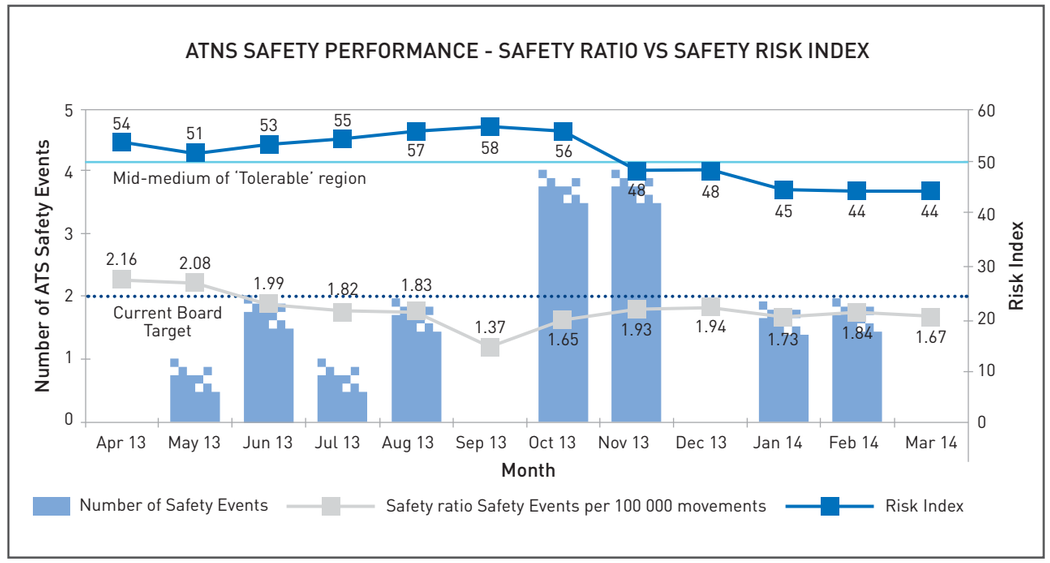
In some cases the RSI can continue to increase (improve) indicating lower risk to ATNS for safety events, even though the number of safety events may have increased, including the safety ratio (i.e. reference January 2014). A midpoint median has been determined to be at 50 points in the "Tolerable" region. It is proposed that the RSI target should be at this midpoint and the improvements increasing towards the "Acceptable" region.

Figure 15: RSI Classification Table

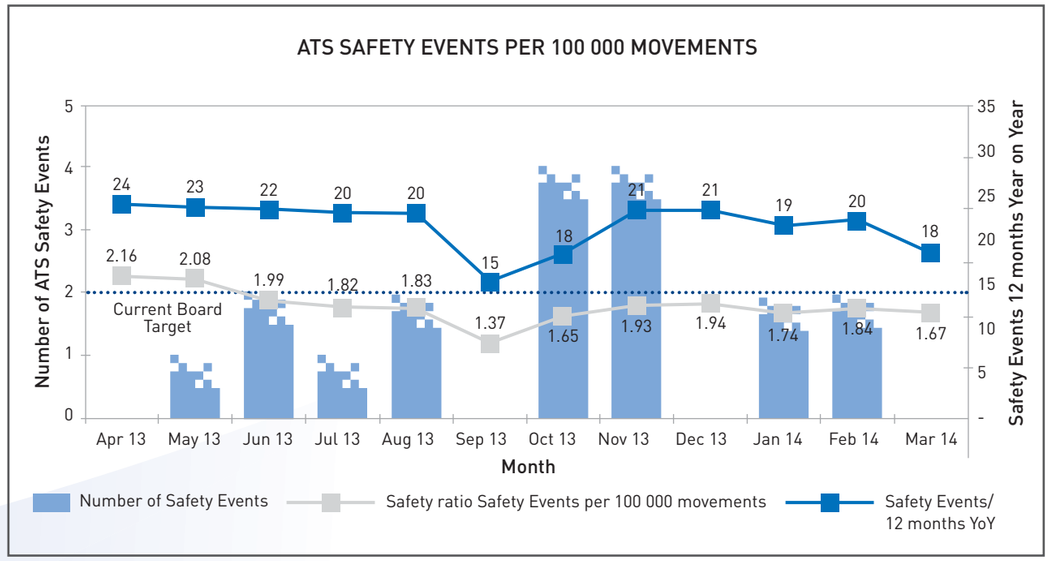
Frequency Indicator	Value	Serious	Major	Significant	Not determined	No safety effect
		A	B	C	D	E
Very frequent	5	5A (4)	5B (12)	5C (24)	5D (52)	5E (72)
Frequent	4	4A (8)	4B (25)	4C (36)	4D (56)	4E (76)
Occasional	3	3A (20)	3B (32)	3C (48)	3D (68)	3E (88)
Rare	2	2A (28)	2B (44)	2C (48)	2D (84)	2E (96)
Extremely rare	1	1A (40)	1B (60)	1C (80)	1D (92)	1E (100)

— Line = range:
Acceptable: 100 - 77 (Green)
Tolerable: 76 - 27 (Yellow)
Intolerable: 26 - 0 (Red)

Graph 1: ATNS safety performance: safety ratio vs. safety risk index



Graph 2: ATS Safety events per 100,000 movements



Safety Performance Measurement - April 2013 to March 2014

The successful provision of safe operations and the application of separation standards based on 316,188 IFR flight hours, equates to 99,995% and an error margin of 0.005%. For the year in review, ATNS aimed for the CANSO 2012 Benchmark, which equates to an average of 99, 995% with an error margin of 0.005%.

Table 24: Quarterly safety performance for 2013/14

Targets 2013/14	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual
≥ 99.992%	99.995%	99.996%	99.995%	99.994%

Planning for safer African skies

ATNS's business is firmly anchored in aviation safety, and specifically safe, secure and cost effective air transport. This safety imperative has extended ATNS' sphere of influence across South Africa's borders into Africa. The primary strategic rationale for expanding ATNS's operations into the continent is based on air traffic safety and the maxim of 'working together with other states for safer African skies', as stated in the ATNS Wider Management meeting on 19 September 2013.

Traditionally Africa's air traffic safety records have been below acceptable international standards due to poor infrastructure and skills limitations. With the steady increase in air traffic due to trade and passenger movements in and between the African states, safety will remain a critical objective for all ANSPs and one which ATNS is well positioned to address.

As an ICAO member state, South Africa has endorsed the ICAO Air Traffic Management Operational Concept and plans, which define the seamless global aviation system concept. ATNS can strategically collaborate with ICAO to facilitate interoperability and modernisation of air transportation world-wide through its block upgrades initiative; and assist African countries to meet the ICAO standards of performance improvements to enhance overall safety.

The main focus areas for the industry going forward, as expressed through the ICAO global plans include:

- **Reducing the rate and number of air traffic accidents worldwide** through greater transparency of safety information, collaboration and responsiveness, using real-time analysis and reporting cycles, and greater regional accountability.
- **Ensuring a globally harmonised air navigation system** that will provide unprecedented levels of transparency and planning certainty to States, regional implementation groups, service providers, airspace users, and industry stakeholders, based on agreed operational targets, standards, technologies, procedures, and regulatory approvals as expressed in the Global Air Navigation Plan (GANP).
- **Achieving greater balance between effective control measures and system-wide connectivity and efficiency** by applying key principles such as risk management-based prioritisation, mutual recognition of equivalent security measures, and improved international cooperation.

A skilled and capable workforce

Our management approach

ATNS's continued success relies on its ability to attract, recruit and retain diverse, qualified and skilled professionals. The Company's Human Resource (HR) function monitors HR developments in the local and global labour markets as well as in the air navigation sector to benchmark performance standards and market-related remuneration levels. The Company's Human Capital Strategy is adjusted to align with ATNS' strategic objectives as well as the specific national development objectives outlined in the Company's Shareholder Mandate and associated key performance areas.

The HR function also partners with the business to define and promote the desired organisational behavioural aspects – such as integrity, safety and harmlessness – that align with the Company's value system and supports the ATNS organisational culture. These values are incorporated in the Company's 'people management' processes, policies and procedures.

The Company's Human Capital Strategy provides a medium to long-term contextual framework for the following HR components:

- Promoting optimal organisational performance and reward, and encouraging positive employee morale.
- Positioning the HC function as an active role-player in the Company's 'value chain'.
- Enhancing organisational capability through integrated talent management.
- Promoting continual transformation through sound leadership practices.
- Optimising the effectiveness of human capital transactions through appropriate human resource management information systems (HRMIS).

ATNS's human resource philosophy promotes an in-depth understanding of the business among employees, together with an appreciation for their unique roles within the organisation's value chain. The Company uses a balanced score-card approach to measure individual and team performance relative to ATNS' strategic objectives. Various initiatives have been introduced to ensure organisational alignment and a collaborative culture as the Company continues to transform in line with its commercial, developmental and expansionary aspirations.

Refer to page 35 in this report for a consolidated view of how ANTS embeds its desired organisational behavioural aspects within the Company.

Refer to page 60 in the ATNS-IR for ATNS's remuneration philosophy.

Employee wellness: managing change and building leadership

Employee wellness forms an integral part of ATNS's overall Human Capital Strategy to ensure that employees are engaged and productive in their jobs and are present at work. For ATNS, an operational environment that is anything less than performance-oriented could impact the Company's overall efficiency and performance, incur costs as a result of absenteeism and pose a safety risk.

Excellence through development

The flagship Women's Development Programme continues to provide development opportunities within the following streams:

- The **WITS Aviation Management Development Programme**, which was developed specifically for ATNS, provides management training with an Aviation perspective. To date, 15 women have graduated from this programme, with another 20 scheduled to commence training in March 2014.
- The **ATNS Coaching and Mentoring Programme** provides combined training and interaction sessions with coaches and coaches. To date, 30 female employees have been selected to participate, with dedicated coaches from different work streams in the organisation.
- The **New Management Coaching Programme** provides external coaches for newly appointed female Senior Managers and Managers; and is designed to enhance participants' abilities to acclimatise and function optimally in their management roles.
- The **WITS Executive Development Programme** provided an opportunity for 2 female acting executives to receive exposure to the executive development environment in preparation for executive roles.
- The **IATA Aviation Management Diploma** provides preferential training opportunities for female employees.
- The **PA and Secretary Programme** provides development opportunities for PAs and Secretaries to enhance their office management skills.

As ATNS drives transformation throughout its operations, the Company continues to build a strong HR function to assess our operational performance against local and global professional norms. In so doing, we are able to identify points of concern related to organisational change (e.g., low levels of morale, increased absenteeism or higher staff turn-over) as well as opportunities to innovate (e.g., enhancing leadership capability or promoting career development based on unique talents and competencies). ATNS recognises that organisational development is sustained by individual development, which in turn relies on an organisational culture that encourages people to experience, reflect and grow.

The ATNS Leadership Blueprint, developed in 2009, continues to promote organisational leadership through the following initiatives:

- Executive coaching.
- The Women's Development Programme.
- The ENAC Masters Programme.
- Executive Development Programmes.
- International Leadership Development.

There was a general increase in absenteeism[3] for the period under review, from a total of 5,060 days lost in 2012/13 to 9,727 days lost in 2013/14.

[3] Definition of "**Absenteeism**": Employees may be absent from work due to incapacity of any kind, not simply as the result of work-related injury or disease. Permitted leave absence such as holidays, study, maternity and paternity leave, and compassionate leave are excluded from the definition.

Table 25: Overview of annual absenteeism within ATNS

Gender	2011/12	2012/13	2013/14
Male	4,140	2,538	5,017
Female	5,659	2,522	4,710
Total	**9,799**	**5,060**	**9,727**

Table 26: Leave type calculated quarterly for 2013/14

Leave Type	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Annual Leave	3,951	5,186	8,676	3,596	21,409
Sick Leave	1,665	1,717	1,460	1,331	6,173
Maternity Leave	616	556	402	589	2,163
Unpaid Maternity Leave	109	80	16	79	284
Family Responsibility Leave	216	167	121	154	658
Study Leave	340	32	258	65	695
Special Leave	6	30	398	290	724

Table 27: Total turnover of ATNS employees for 2013/14

Occupational Level	Black Men	Black Women	Indian Men	Indian Women	Coloured Men	Coloured Women	White Men	White Women
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional	1	2	0	0	0	0	0	0
Skilled	14	10	0	0	2	3	18	5
Semi-Skilled	1	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**17**	**13**	**0**	**0**	**2**	**3**	**18**	**5**

Table 28: Total new ATNS employees hired during 2013/14

Occupational Level	Black Men	Black Women	Indian Men	Indian Women	Coloured Men	Coloured Women	White Men	White Women
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	1	0	0	0	0	0	0
Professional	1	1	0	0	1	0	0	1
Skilled	34	57	2	3	0	5	10	4
Semi-Skilled	1	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**36**	**58**	**2**	**3**	**1**	**5**	**10**	**5**

Performance management and reward

ATNS recognises the critical links between effort and performance, and between performance and reward. The Company's key performance areas (KPAs) and associated targets – as mandated by the Shareholder Compact – direct our collective efforts and deliverables. In turn, our recognition and reward system aims to cultivate a culture of trust, confidence, shared innovation and performance leadership within the ATM sector. This is particularly relevant in terms of the vital contributions ATNS employees make to safety management in the normal course of ATM operations.

In the past two years, we have made significant progress in the design and implementation of ATNS's performance management system to refine those performance measures that best fit the Company's operational structure, strategic goals, professional competencies and industry leadership aspirations. ATNS's reward and remuneration programmes are market aligned and comply with all relevant laws and regulations.

Promoting excellence through recruitment and training

ATNS continues to recruit, train and develop its staff to ensure the adequate supply of skills within the Company's operational departments. Globally regarded as a beacon of safety in airspace navigation, ATNS is regarded as a centre of excellence and an institute of reference. This standing can only be maintained if ATNS continues to employ and develop competent people who are aligned with the Company's desired culture of safety, professional excellence and sustainability awareness.

ATNS's divisional training institution, the Aviation Training Academy (ATA), provides a full range of air traffic services training, technical support training and related training to delegates in South Africa and the broader African continent in the disciplines of engineering, air traffic services and management. The ATA is an ISO9001:2000 accredited institution and has international cooperation agreements with partners such as the Embry Riddle Aeronautical University, ENAC and WITS, enabling the ATA to maintain mutually beneficial partnerships in the presentation and accreditation of ATS International courses.

Contributing to a pool of engineering skills

ATNS drives the recruitment of engineering learnerships from accredited institutions, thereby further contributing to the overall development of a qualified pool of engineering skills nationally. Typically, ATNS recruits ten students annually; however, in January 2014 the Company awarded six engineering learnerships and recruited six engineering graduates. Successful students from the learnership pipeline usually feed into the pool of qualified engineering technicians.

The number of ATS bursars and engineering learnerships for the year are outlined in Table 29:

Table 29: Number of ATS bursars and engineering learnerships

Discipline	2009/10	2010/11	20011/12	2012/13	2013/14
ATS bursars	107	108	69	47	74
Engineering learnerships / Graduates	15	10	17	12	6 learnerships 4 graduates

The continual training of ATS personnel and engineers through the current training pipeline has resulted positively in the growth of qualified ATCO1s (Air Traffic Control Officers) and engineering technicians.

Table 30 illustrates the current complement in these disciplines.

Internal training
Since 2009, ATNS has trained a total of 2,034 students in ATS-related disciplines and 1,516 students in Engineering-related disciplines at an average pass rate of 92,2%.

External training
Since 2009, ATNS has trained a total of 583 ATS and 384 Engineering students, at a pass rate of 92%.

Table 31 shows the overall staff requirement including ATS core personnel, bursary students and learnerships for the year under review, whilst Table 32 shows an expanded view of traffic service and engineering bursars and learnerships.

Table 30: Operations numbers

Discipline	2013/14 complement
ATSO	137
ATCO1	109
Trainee engineering technicians	14
Assistant engineering technicians	15
Engineering technicians	71

Table 31: Overall staff requirement including ATS personnel, bursary students and learnerships

Year ending	Actual March 2012/13	Actual March 2013/14	2014/15
ATNS core	1,021	1,110	1,093
VSAT/NAFISAT (finance)	4	3	4
VSAT/NAFISAT (technical services)	6	4	6
Total	**1,031**	**1,117**	**1,103**

Table 32: Expanded view of traffic service and engineering bursars and learnerships

Year ending	Actual March 2011/12	Actual March 2012/13	Actual March 2013/14	2014/15
ATSO	128	122	137	142
ATCO 1	117	116	109	119
ATCO 2	40	42	40	37
ATCO 3	189	190	206	226
Graduate engineers/Learnerships	12	0	10	11
Technical specialists	11	12	13	18
Engineering technicians	75	75	71	84
Total	**572**	**557**	**586**	**637**

Positive community involvement

ATNS's commitment to social transformation finds expression in its community development programmes, which aim to empower and uplift those most vulnerable in society. In support of Government's socio-economic development objectives, ATNS's total spend on Corporate Social Investment (CSI) for 2013/14 was R1,343,760 (2012/13: R208,131) which contributed to the Company's achievement of an overall B-BBEE score of Level 5.

ATNS Corporate Social Investment (CSI) Strategy

ATNS's Corporate Social Investment Strategy is based on a programme of staff volunteerism, as a key enabler of the Company's social responsibility drive. The volunteerism programme recognises that ATNS's employees live within the broader South African social context and are, therefore, well placed to identify deserving projects. Accordingly, the staff volunteerism approach encourages ATNS's employees to identify projects within their own communities for CSI participation according to the Company's approval and funding guidelines.

Over time, the Company will build a comprehensive database of projects to facilitate a trend analysis of the social areas requiring most assistance, such as education, job creation, environmental projects or HIV/Aids projects. Within a three-year period the Company will determine which areas should become ATNS's formal CSI target areas for on-going funding and support.

During the reporting year, ATNS identified two main projects to form part of the Company's CSI strategy, namely: the Container Library project, a joint initiative between ATNS and Breadline Africa; and the Badplaas Bantwanabethu Secondary School upgrade project. Both projects will be supported by other smaller existing staff volunteerism projects within the Company, as per the CSI guidelines.

Badplaas Project: Bantwanabethu Secondary School and Elukwatini Community Hall

ATNS is assisting Bantwanabethu Secondary School, situated in the town of Badplaas in the Mpumalanga Province, with a much needed infrastructure upgrade project. The school is one of the oldest in the area. Through this project, the Company is providing upgrade assistance both in terms of the school's physical infrastructure as well as providing new learning tools. The structural upgrade includes enhancing access to information technology through a new computer laboratory and the refurbishment of the school's main library and science laboratory. Other structural defects have also been identified for renewal. The Bantwanabethu Secondary School project will be rolled out over the next three to five years, and will ultimately extend to include the upgrade of the nearby Elukwatini Community Hall.

Table 33 provides an overview of projects supported, together with invested amounts, since the launch of ATNS's CSI Strategy:

Table 33: CSI projects supported since the launch of ATNS's CSI strategy

Project	Amount investment
Joint Aviation Awareness Programme (JAAP), a DoT project	R100,000.00
Container libraries project	R1,000,000.00
St Francis Hospice in Boksburg	R50,000.00
Women of Worth in Gauteng	R10,000.00
Nelson Mandela Day Book Drive	R30,000.00
Discovery 702 Walk the Talk race	R50,000.00

Managing social sustainability risks

Social Sustainability Risk Management framework

The following material risks have been derived from the Company's ERM analysis as they pertain to ATNS's long-term social sustainability.

Table 34: Social sustainability risk impacts and opportunities

Risk 1: Safety related risks / failure to align with global air-traffic safety standards			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Physical • Reputational • Regulatory • Financial	Safety is the core driver for ATNS's collective efforts. In the ATM sector, safety incidents can have catastrophic impacts.	ATNS's key opportunity for expanding its operations into the continent is based on the issue of air traffic safety, as expressed through the maxim "working together for safer African skies". ATNS can play a leadership role in improving air-traffic safety in Africa through infrastructure management and skills transfer.	• Implementation of ASBU modules. • Participation in CANSO safety workshops. • The introduction of supervisors in Operations. • Demand and capacity balancing in terminal airspaces (TMA). • Participation in national airspace design review. • Review, redesign and new procedure development. • Introduction of automated processes / system (rostering tool). • PANSOPS training for identified individuals.

Table 34: Social sustainability risk impacts and opportunities (continued)

Risk 2: Over-reliance on third party service providers			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Financial • Institutional • Regulatory	An over-reliance on third party service providers could result in institutional knowledge being drained from the Company rather than forming part of ATNS's institutional knowledge. Further, ATNS could face additional risks of non-compliance with safety or professional standards, which in turn may cause regulatory risks, reputational harm and financial losses.	ATNS can build lasting strategic partnerships with key suppliers and industry partners. These relationships should be built on trust, relevance, flexibility and be mutually beneficial. Skills transfer and process improvements can become an important aspect of these relationships, particularly in terms of the Company's expansion strategy.	• Approved supplier database. • Service level agreements (SLAs). • Annual review of the disaster recovery plans. • Regular testing of the contingency plans. • Supplier code of conduct. • ATNS training and leadership development programmes.
Risk 3: Failure to source critical skills that are globally in demand			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Institutional • Physical	The failure to attract, recruit and retain critical skills can result in reduced competency, efficiency and productivity for the Company. Operating in the ATM sector, these can have catastrophic consequences in terms of safety, reliability and cost-effectiveness.	ATNS can leverage its existing skills expertise and institutional knowledge as it expands into the African continent to transfer skills to other countries that lag in skills and social development.	• ATNS's training academy (ATA) and training programmes provide a pipeline of skilled engineering graduates. • Implementation of human capital plan to address skills shortages. • Workshop the internal parity exercise for ET instructors. • Formal HR benchmarking process. • Review, refinement and implementation of ATNS training. • Succession Planning for core critical positions. • Skills development programmes – e.g. Leadership Development Blueprint.
Risk 4: Failure to achieve the target employment equity (EE) and B-BBEE targets			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response going forward**

13. Environmental performance

Introduction

South Africa is a signatory to the Chicago Convention, which established the International Civil Aviation Organization (ICAO) as a specialised agency of the United Nations. As an ICAO member state, South Africa, and ATNS in particular, has an implicit and seminal role to play on the African continent in promoting maximum compatibility between the safe and orderly development of civil aviation and the quality of the environment.

As a global issue, environmental protection requires collective, global solutions. ATNS, in line with its Shareholder mandate from the Department of Transport, is committed to meeting its responsibilities to bring about the sustainable future of civil aviation in South Africa; as well as regionally and internationally where it manages business operations.

Further, in pursuing its regional expansion strategy, the Company is well positioned to play a leadership role in promoting accountable and environmentally sustainable business practices on the continent. Doing so requires our sustained local, regional and indeed global support for social and economic development objectives, whilst undertaking resolute measures to reduce the impact of civil aviation on the environment.

ATNS's environmental sustainability reporting relates to both the Company's own environmental impacts, as well as the implications of environmental sustainability and Climate Change for its customers and the wider aviation industry. Further, environmental reporting covers impacts related to inputs (such as energy, fuel and water) and outputs (such as emissions and noise).

Material environmental aspects

Table 35: Consolidated view of material social issues linked to strategy

Strategic objective	Material issue	Why it is material to ATNS	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
Manage the organisation's contribution to Climate Change	1. Reducing CO2 emissions	Climate change may contribute to a number of changes in weather patterns including an increased frequency and intensity of severe weather events. Such environmental events negatively impact the aviation industry. ATNS recognises the need to understand potential risks associated with climate change and, therein, to ensure safe and efficient air transport. The risks of not doing so are very high as it directly impacts on safety.	KPA-1: Transport safety and security. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.6. Performance-Based Navigation (PBN). KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. KPA-4: Environmental protection. • Minimise gaseous emissions. • Human resource training on matters of sustainability. • Performance assessment.
Manage and preserve scarce and vulnerable resources	2. Managing natural resources: electricity and fuel.	ATNS provides a service to the airspace users within South Africa on a sustainable basis to meet user expectations in terms of safety, efficiency, predictability and affordability. In providing this service ATNS does not consume raw material or natural resources in a production process. However, ATNS provides a service within South African sovereign and delegated airspace, and in this context airspace can be considered a natural resource. The services of ATNS, therefore, influence the impact airspace users have on natural capital through gaseous emissions and noise. Further, ATNS uses energy to provide communication, navigation and surveillance services to the airlines and to facilitate the safe movement of aircrafts in the controlled airspace.	KPA-1: Transport safety and security. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. 1.6. Performance-Based Navigation (PBN). KPA-4: Environmental protection. • Minimise gaseous emissions. • Human resource training on matters of sustainability. • Performance assessment.
	3. Reducing aircraft noise and improving of airspace air quality.	ATNS supports the activities of ICAO's technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and recommendations for minimising the impact of aviation on the environment, and specifically the reduction of airspace noise and improvement of airspace air quality. The key risk associated with not addressing aircraft noise is the adverse reactions of communities impacted by the noise. This could lead to complications and delays in future development and expansion of airports. Additionally, this could lead to flight restrictions, which may have a negative impact on fuel burn as aircraft may be forced to use a less efficient route to minimise noise.	KPA-1: Transport safety and security. 1.2. Airspace capacity and efficiency. 1.3. / 1.4. Operational efficiency. KPA-4: Environmental protection. • Performance assessment of noise abatement initiatives.
Develop enterprise-wide awareness for accountable environmental impacts	4. Embedding a culture of sustainability	ATNS approaches the management of climate change and sustainability performance within the organisation strategically. Although ATNS is in the early stages of its sustainability journey, the Company is committed to making environmental sustainability practices part of our core business, not to simply achieve compliance, but to ensure a viable, relevant and sustainable future for the Company. Training and education on environmental impacts and socially responsible behaviour form an integral part of the Company's overall drive to create long-term environmental sustainability.	KPA-3: The fight against fraud and corruption. 3.1. Comply with relevant legislation, regulation and standards. KPA-4: Environmental protection. • Minimise gaseous emissions. • Human resource training on matters of sustainability. • Performance assessment.

ICAO Block Upgrades: Minimising the adverse environmental impacts of civil aviation activities

The ATNS Roadmap is being reviewed to include the newly introduced ICAO initiative, Aviation System Block Upgrades (ASBU). We are fully supportive of the modular ASBU concept and value the contribution it will make towards addressing the air traffic management (ATM) community's needs and expectations for equitable access, safety, efficiency, predictability and environmental sustainability.

According to ICAO, air traffic growth expands two-fold every 15 years. If not properly supported by the necessary regulatory and infrastructure framework, this growth can lead to an increase in safety risks and negative environmental impacts. A careful balance between these factors is critical for maintaining continued air traffic growth. A key challenge for the aviation community is the achievement of safety and operational improvements on a globally harmonised basis, while remaining environmentally responsible and cost-effective.

To meet this challenge, ICAO has collaborated with member states, industry and international organisations to develop the ASBU concept, which aims to ensure the following operational imperatives:

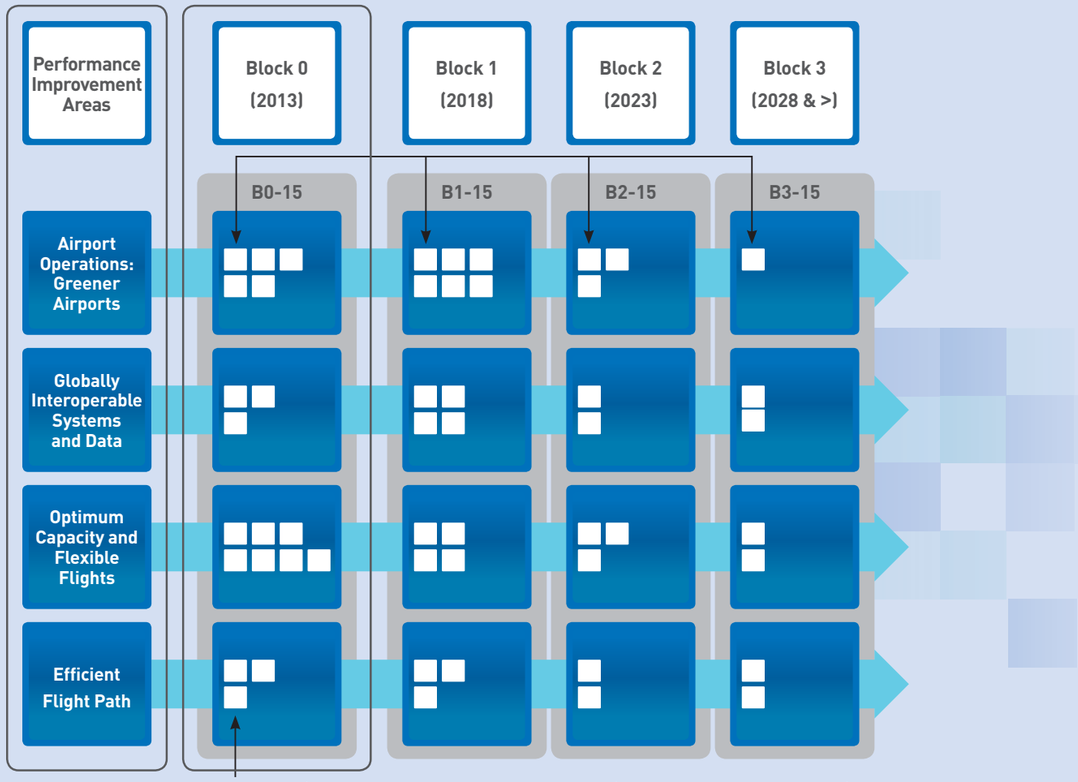
- Maintaining and enhancing aviation safety.
- Harmonising air traffic management improvement programmes.
- Removing barriers to future aviation efficiency and environmental gains at reasonable cost.

The Block Upgrade concept is a pragmatic 'system of modules', each one comprised of technologies and procedures that are structured to achieve a specific performance capability. Each module is linked to one of four specific and interrelated performance improvement areas, namely:

1. Airport operations
2. Globally interoperable systems and data
3. Optimum capacity and flexible flights
4. Efficient flight paths.

Structuring the modules in this way, the ASBU concept allows for a flexible global systems approach, which enables all member states to advance their own air navigation capabilities based on their specific operational requirements.

Figure 16: Aviation System Block Upgrade Methodology



Modules (actual number of modules per block/performance area may vary)

By implementing many of these modules, the adverse environmental effects of civil aviation activities can be minimised. For instance, modules that allow for improved flexibility and efficiency in descent and departure operations significantly reduce fuel burn and therefore provide fuel savings and reduced CO2 emissions. Modules which apply the concept of continuous descent operations (CDOs) feature optimised profile descents that enable aircraft to descend from high cruise altitudes to the final airport approach at minimum thrust settings, thus decreasing noise in local communities and using up to 30% less fuel than standard "stepped" approaches.

Further, adding to the general benefits derived from less thrust being employed, the use of Performance-Based Navigation (PBN) ensures that the lateral path can also be routed to avoid more noise-sensitive areas.

Continuous Climb Operations (CCO) do not require a specific air or ground technology. They are derived from aircraft operating techniques aided by the appropriate airspace and procedure design. Since a large proportion of fuel burn occurs during the climb phase, enabling an aircraft to reach and maintain its optimum flight level without interruption will optimise fuel efficiency and reduce emissions. CCO can also reduce noise, while increasing flight stability and the predictability of flight paths for both controllers and pilots.

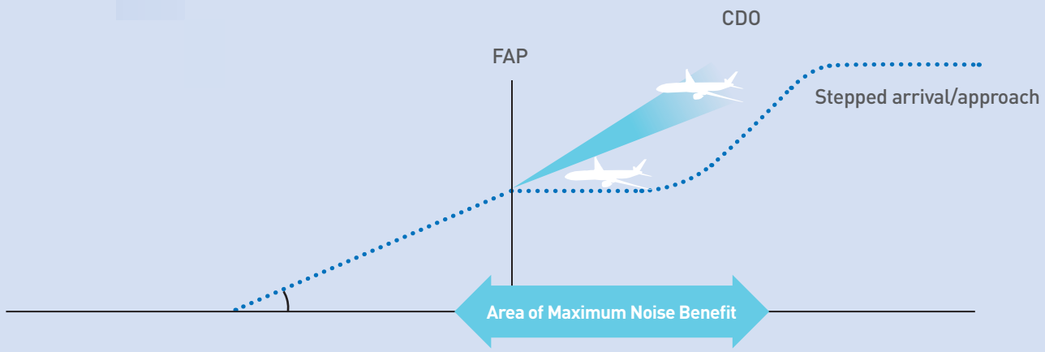
Another good example of how the ASBU concept can improve airport operations is the use of collaborative decision-making (CDM), also known as A-CDM. Modules relating to A-CDM allow for the implementation of a collaborative set of applications and permit the sharing of surface operations data among the different operators at the airport. A-CDM aims to improve the management of surface traffic, leading to reduced delays on movement and manoeuvring areas. Apart from the enhanced safety, efficiency and situational awareness gained, A-CDM contributes to reduced taxi time, reduced fuel and carbon emissions, and reduced aircraft engine run time.

Several other modules are expected to deliver benefits through fuel savings and reduced CO2 emissions. The Committee on Aviation Environmental Protection (CAEP) has undertaken an initiative to quantify these reductions, in order to provide member states and stakeholders with a better assessment of the expected environmental benefits.

ATNS fully endorses the ASBU initiative as it is essential in setting the vision and framework for the global harmonisation of air traffic management. ATNS is progressing well with its performance improvements through the implementation of all the relevant provision of ASBU 'Block 0' of the ICAO GANP by developing South African priorities and targets according to the operational needs.

ATNS's ATM Roadmap and the Integrated Technology Plan form part of the South African National Airspace Master Plan, which in turn conforms to the ICAO GANP.

Figure 17: Example of continuous descent operation (CDO)



Reduction of Aircraft CO2 emissions

Our approach to managing CO2 emissions

ATNS recognises that as an ANSP, it has an influence on carbon emissions from aircraft, mainly relating to the efficiency of the ATM network. ATNS further recognises the need to address GHG emissions from aviation activities, and that this requires the active engagement and cooperation of the Company and its various stakeholders.

Climate change may contribute to a number of changes in weather patterns, including an increase in frequency and intensity of severe weather events. ATNS recognises the need to understand potential risks associated with climate change and, therein, to ensure safe and efficient air transport. The risks of not doing so are critical as they directly impact on safety.

ATNS pursues enhanced operational efficiency for the organisation and its customers through various initiatives, including the implementation of the International Civil Aviation Organisation (ICAO) Aviation System Block Upgrades (ASBU) concept. The ASBU concept aims to ensure the following operational imperatives:

- Maintaining and enhancing aviation safety.
- Harmonising air traffic management improvement programmes.
- Removing barriers to future aviation efficiency and environmental gains at reasonable cost.

By aligning with the ASBU concept, ATNS is able to promote various operational efficiencies, including fuel efficient routing, optimal traffic flow management, Performance-Based Navigation (PBN) and attention to fuel optimal speed control. In continuously improving these processes, ATNS has an opportunity to provide added value to airspace users through a decrease in fuel usage, as well as a reduction in fuel costs and reduced environmental impact.

The following initiatives are at the centre of ATNS's operational efficiency drive:

- **Performance-Based Navigation (PBN)**
  Performance-based, fuel-efficient flying navigation utilises the improved navigation capability of aircraft to enable more accurate operations in the departure, en-route and arrival phases of flight. The enhanced navigation capability allows for reduced separation between aircraft and facilitates optimum trajectories, resulting in reduced fuel burn and less CO2 and noise emissions. We are also planning to further develop the continuous descent approaches. This initiative will allow for aircraft to use the minimum power setting and to reduce fuel burn during the descent and arrival phases of flight.

  ATNS will implement PBN in South Africa, achieving the ICAO near-, and medium-term targets as articulated in the South African PBN Roadmap.

- **Airspace efficiencies**
  ATNS is implementing a project to review the design and operating efficiencies of the airspace servicing the Gauteng area. The project aims to improve efficiencies relating to optimum trajectories and, therefore, reduced emissions.

- **Procedure design**
  The procedures developed for the new King Shaka International Airport all allow for 'clean speed arrivals and departures' and shortened routings. The term 'clean speed' indicates that the aircraft flies at a speed and power setting that does not require the use of additional control surface (i.e., flaps, slats, and so forth.). The same principles are applied to all new procedure design activities.

- **Oceanic random routing areas**
  ATNS has been instrumental in implementing random routing within the Atlantic and Indian Ocean areas. This initiative allows aircraft to make optimum use of upper winds in their route planning and execution, enabling higher efficiencies and reduced fuel burn, with less CO2 emissions.

- **Reduced vertical separation minima (RVSM)**
  The RVSM initiative allows for aircraft to operate at optimised cruising levels with reduced vertical separation standards, depending on the aircraft and flight crew certification. RVSM contributes significantly to reduced fuel burn and the reduction of emissions. ATNS continues to provide regional monitoring services and supports the RVSM project management team with post-implementation review and reporting services.

- **ATFM tool: balancing demand and capacity**
  The Central Airspace Management Unit (CAMU) utilises a number of techniques at the strategic and pre-tactical operational planning phase to balance demand and capacity in order to minimise potential delays in the national airspace system. These include the allocation of arrival and departure slots at the slot-coordinated airports and, thereafter, dynamic allocation of calculated take-off and arrival times on the day of operations. These

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The INSPIRE initiative

As part of its on-going commitment towards reducing GHG emissions, ATNS is one of the founding members of the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE), a partnership with airlines, ANSPs and airport partners to looks for ways to reduce aviation's impact on the environment. The INSPIRE partnership is intended to be a collaborative network of partners and peer organisations across the Arabian Sea and Indian Ocean region dedicated to improving the efficiency and sustainability of aviation.

On 17 October 2013, the Arabian Sea Indian Ocean User Preferred Route (UPR) Geographic Zone was formally established. This marked an important milestone in Global Aviation history, with nine states (Australia, India, South Africa, Sri Lanka, Maldives, Seychelles, Kenya, Madagascar and Mauritius) formally promulgating the UPR Geo Zone.

Benefits for operators will include the widespread availability of 'user preferred routes' (UPR) within the zone. UPRs enable airline operators to reduce fuel burn and therefore emissions, by taking advantage of optimum routing and conditions for a particular flight. The UPR Zone is estimated to reduce CO2 emissions in excess of 10,000 tons per year.

These flights incorporate techniques to reduce fuel consumption and emissions, such as flying the most direct and optimum route between departure and destination. This also includes using ground power (instead of the aircraft's auxiliary power unit, which burns jet fuel), thereby minimising on-ground delays, utilising expedient taxi and preferential runways, and conducting uninterrupted climb and descent paths.

Figure 18: Formally promulgated UPR Zone

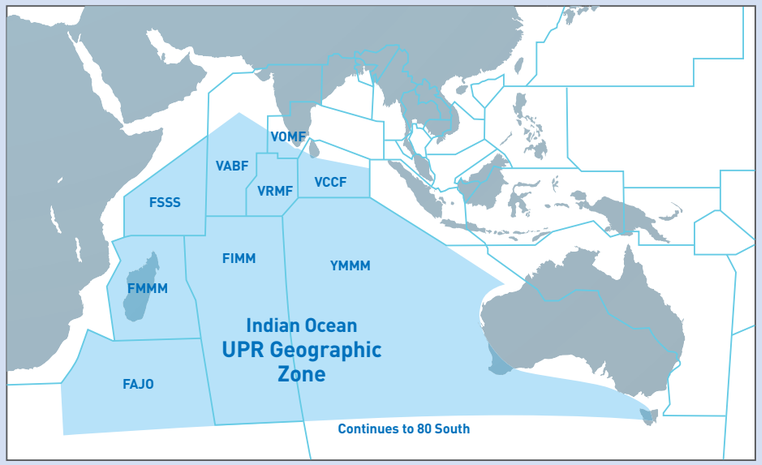
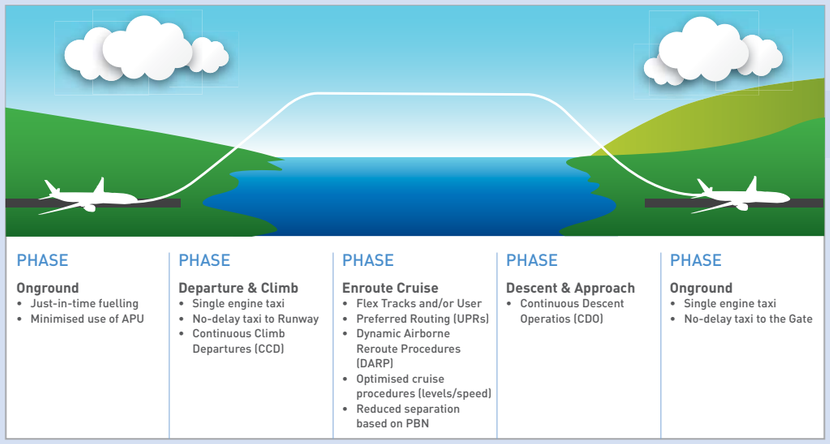


Figure 19: Gate-to-gate phases



(Continued from page 83)

two techniques reduce delays resulting from operational and weather events; and as a consequence, reduce the need for aircraft to hold on the manoeuvring area with engines running, which contributes to the reduction in GHG in the airport environment.

- **The INSPIRE initiative**
  As part of its on-going commitment towards reducing GHG emissions, ATNS is also one of the founding members of Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE). The initiative is a partnership with airlines, ANSPs and airport partners to identify ways to reduce aviation's impact on the environment. The INSPIRE partnership is intended to be a collaborative network of partners and peer organisations across the Arabian Sea and Indian Ocean region, dedicated to improving the efficiency and sustainability of aviation.

Manage natural resources

Our approach to managing electricity and fuel usage

ATNS uses energy to provide communication, navigation and surveillance services to the airlines to facilitate the safe movement of aircrafts in the controlled airspace. The failure to manage electricity and fuel consumption within the Company's daily operations can lead to inefficient operations and operational cost-increases.

Managing energy and fuel consumption
ATNS has introduced several initiatives to monitor and manage the Company's energy and fuel usage in its daily operations. The Company performs an annual energy assessment and calculates a yearly carbon inventory to measure the Company's energy usage and fuel efficiency.

Energy assessment Initiative
ATNS's Energy Assessment Initiative is based on an in-depth review of billing information on electricity and fuel consumption. The following activities formed part of the assessment during the year:

- Identifying the major sources of energy consumption within the energy footprint by asset class.
- Providing commentary on future price-risk.
- Providing commentary on the associated carbon risks and opportunities associated with the Company's energy footprint.
- Providing high level recommendations on energy management approach options.

Energy management activities
During the year, ATNS introduced numerous organisational activities to improve energy management within the organisation, including:

- Developing a business case for measures that will reduce energy consumption.
- Incorporating energy efficiency into the existing corporate and site environmental policies.
- Implementing an energy savings awareness campaign.
- Defining an energy management business case to incorporate into strategic planning.
- Partnering with Eskom on an 'energy-saving' campaign.

Carbon Emission Inventory Initiative
The first ATNS Carbon Emission Inventory was calculated in the 2012/13 financial year in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. The Carbon Emission Inventory Initiative entails accounting for all GHG emissions released as a result of the Company's operations. The results of the first carbon inventory acts as a baseline for benchmarking the current year's carbon footprint and that of future years.

Green IT Initiative
In 2012, ATNS's Information Technology department introduced a 'green' practice as part of the global drive to reduce the carbon footprint of server environments through the efficient use of available resources. This was achieved by employing innovative server virtualisation technologies, resulting in ATNS achieving efficiency improvements in the server environment amounting to 75% less power and cooling; as well as a reduction in associated infrastructure costs for the range of servers that have been virtualised.

During the year, ATNS further reduced its physical server count of identified servers from 30 down to 9 servers. A further reduction in power and cooling was achieved through SMART server technology, which enables the server to only use additional resources when under processing load. During periods of 'low load' or 'no load', the servers run using the bare minimum of power.

Calculating ATNS's carbon inventory
ATNS calculated the organisation's carbon inventory for the 2013 financial year (1 April 2012 to 31 March 2013). The carbon inventory involved accounting for all Greenhouse Gas (GHG) emissions released as a result of ATNS's operations.

Operational footprint
ATNS's operational footprint spans a number of locations throughout South Africa including all major airports, the ATNS head office building in Bruma and a number of smaller sites along the routes of major flight paths.

The following facilities were included in the 2013/14 carbon inventory:
- ATNS operations at regulated airports.
- ATNS head office and training academy.
- ATNS remote sites (Communication, Surveillance and Navigational (CNS) equipment).

Operational boundaries
In line with the calculation approach used in 2012, only Scope 1 and Scope 2 carbon emissions were included in the 2013/14 carbon inventory calculation.

The calculation of Scope 1 emissions includes emissions resulting from ATNS's leased and owned vehicles as well as fuel from ATNS-owned diesel bowsers.

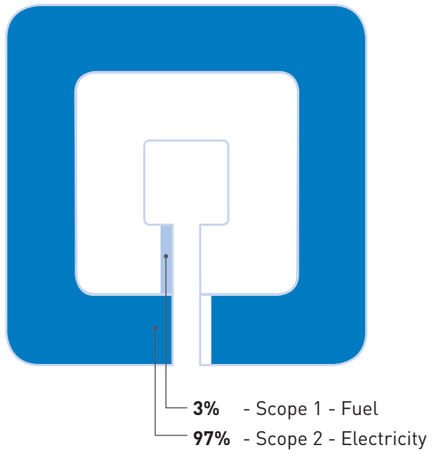
The calculation of Scope 2 emissions includes emissions resulting from the consumption of electricity by ATNS's operations. ATNS owns and leases numerous sites across South Africa. Many of these sites include equipment that consume electricity. The emissions from electricity consumption at each of these operational sites are reported under Scope 2 emissions.

ATNS overall carbon inventory for 2013/14
ATNS's total carbon inventory for the 2013/14 financial year is 16,356 tons of CO2e. Approximately 97% of the organisation's carbon emissions relate to electricity consumption, whilst the remaining 3% relate to the use of fuel. This represents a 36% increase on the 2012/13 carbon inventory, which totalled 10,469 tons of CO2e. This increase is most likely explained by an improvement in data used for the calculation compared with the previous year, with specific reference to data for Scope 2 emissions.

Our approach to managing airspace quality

ATNS supports the activities of ICAO's technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and recommendations for minimising the impact of aviation on the environment, and specifically the reduction of airspace noise and improvement of airspace air quality. The key challenge associated with not addressing aircraft noise is the adverse reactions of communities impacted by the noise. This could very well lead to complications and delays in future development and expansion of airports. Additionally, this could lead to flight

Graph 3: ATNS 2012/3 financial year carbon inventory by emission scope



restrictions, which may have a negative impact on fuel burn, as aircraft may be forced to use a less efficient route to minimise noise.

Educating and collaborating with local governments and affected communities could result in optimised, more efficient routing as these stakeholders gain a better understanding of air traffic management.

Improving air-quality through noise abatement
The issue of noise abatement is as critical an issue in improving environmental quality in the global aviation industry, as are the issues of fuel burn and CO2 emissions, and constitutes a critical basis for ICAO's environmental goal of reducing the number of people affected by significant aircraft noise.

The following initiatives have been introduced to reduce noise in the air traffic environment:
- Flight procedure design to support compliance with noise abatement requirements, as specified in the Environmental Impact Assessment Record of Decision (EIA ROD). Noise profiling and noise contours are also being considered.
- Application of power setting and climb gradient restriction to support noise abatement.
- Compliance with specific noise abatement rules for individual airports.
- Design of 'clean speed' procedures.
- Continuous descent approaches.
- South African Air Force Baro-VNAV proposal to provide greater access to those Air Force Bases for diversionary purposes.

Our approach to managing biodiversity, the rehabilitation of protected areas, waste and recycling

ATNS's material issues are focused on providing efficiency in operational procedures to reduce aircraft CO2 emissions. When designing procedures, ATNS takes the following into consideration as required by the National Environmental Management Act (NEMA) and Civil aviation regulation:
- Noise Footprint
- National heritage sites
- Noise sensitive areas such as hospitals, schools, religious areas

Further, the following sustainability initiatives have been introduced to promote a paperless environment and recycling activities:
- Centralised Aeronautical Database (CAD) and AFI-CAD, paperless environment initiative.
- Paperless ATM initiative.
- Paper recycling initiative.
- Electronic filing initiative.

Embedding a culture of sustainability

Our management approach

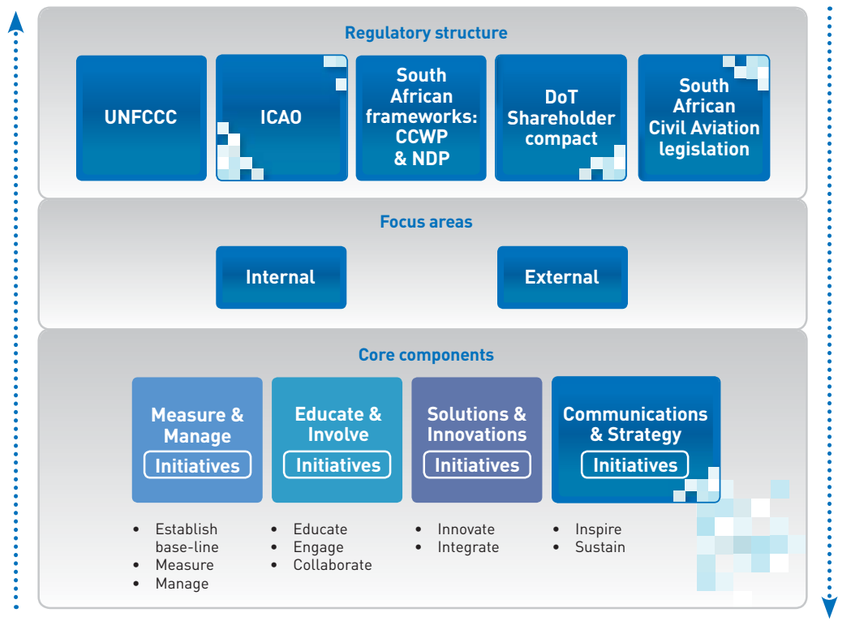
ATNS developed a Sustainability and Climate Change (SCC) Strategy in 2011 (Figure 20) to build a strong foundation for promoting sustainable business practices in its operations. The strategy speaks to ATNS's values and is intended to complement the B-BBEE strategy and CSI Strategy to enhance the overarching business sustainability strategy. The strategy follows on from the foundational strategy developed by Deloitte in 2011 and confirms the Company's long-term commitment to being an environmentally responsible organisation.

The SCC Strategy provides the multiple bases for identifying and monitoring material sustainability risks and opportunities; and facilitates the overall management of material environmental impacts. Further, the strategy addresses legislation and regulatory frameworks relating to Climate Change and how these frameworks impact ATNS's customers and the wider aviation industry.

The SCC Strategy relates to both ATNS's own operational sustainability performance as well as the implications of environmental impacts from its customers' activities and that of the aviation industry at large.

The strategic approach of the SCC Strategy is illustrated by Figure 20. The controlled and regulated environment in which ATNS operates is represented by the regulatory structure, of which the guiding principles have been considered in the development of the SCC strategy. Given ATNS's definitive dependence on customers, the strategy

Figure 20: ATNS Sustainable Climate Change Strategy



has both an external and an internal focus area. The external focus area provides added value to ATNS customers and the internal focus area ensures the environmental impact of ATNS's activities remains at a minimum and that sustainability becomes part of the Company's culture.

During the year, ATNS embarked on the following activities as directed in the SCC Strategy:

- Calculated the ATNS's carbon footprint inventory for the 2012/13 and 2013/14 financial years.
- Designed an internal Environmental Awareness Programme for ATNS employees.
- **Developed an EXCO-approved Stakeholder Engagement Policy available online at http://www.atns.co.za/annual-reports.**
- Reviewed the National Environmental Management Act (NEMA) to ascertain air-quality standards and requirements.
- Developed a legal and regulatory register as well as a monitoring and reporting framework for the Social and Ethics Committee with regards to 'green practices' within the Company.
- Participated in the South African Civil Aviation Authority (SACAA) Aviation Environmental Protection (AEP) Forum and contributed to the overall State Environmental Protection Plan.

Sustainability and Climate Change Strategic Plan

Our Sustainability and Climate Change Strategic Plan defines our approach to managing long-term environmental sustainability in the organisation. We will continue to use our best efforts to embed a culture of sustainability within the organisation by prioritising material environmental aspects, improving performance information, setting appropriate environmental KPIs, sharing information on environmental impacts and impeccable business practices with our employees and engaging internal and external stakeholders in our improvement initiatives.

Environmental compliance

ATNS periodically monitors its compliance with NEMA as it relates to relevant and material issues that affect ATNS, as well as ATNS stakeholders.

Managing environmental risks

The following six material risks have been derived from the Company's ERM analysis as they pertain to ATNS's long-term environmental sustainability.

Table 36: Environmental risk impacts and opportunities

Risk 1: Failure to reduce carbon emissions in operations			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Physical • Reputational	The risk of not addressing the issue of fuel burn and CO2 emissions include: failure to comply with international and national aviation regulations and significantly contributing to climate change.	Fuel burn and CO2 emissions are directly proportional. When fuel burn is reduced so too are CO2 emissions. ATNS has the opportunity to add value to its customers: through initiatives such as Performance-Based Navigation (PBN), fuel burn is reduced, providing fuel savings for the airlines and reducing CO2 emissions.	• Calculating ATNS's carbon footprint and obtaining an assurance and verification report. • Performing energy-efficiency audits of ATNS's least efficient sites. • Defining and mapping the ATNS Flight Efficiency Programme and prioritise initiatives. • Staying abreast of what Eskom and Government are doing to bring more renewable energy onto the national grid.
Risk 2: Failure to reduce electricity and fuel consumption in ATNS's daily operations			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Physical • Institutional	The failure to reduce electricity and fuel consumption relates to inefficient operations and operational cost-increases. Further, not paying attention to the organisation's daily impact on the environment can set a poor example for employees and other stakeholders in that ATNS is not seen to take a 'leadership' position in terms of its own sustainability 'house-keeping'.	Lower fuel and energy consumption can result in directly reduced operational costs. Further, by promoting operational efficiencies in its daily operations – through greater energy and fuel efficiency and lower rates of consumption – ATNS sustainability leadership sets a positive example for responsible environmental awareness among internal and external stakeholders.	• Implementing an energy management strategy and framework as well as and energy management system in line with ISO50001. • Exploring energy efficiency options, including the use of power generation facilities at remote sites. • Implementing an energy policy and supporting management processes. • Exploring alternative sources of electricity supply. • Exploring options for reducing electricity consumption, such as high efficiency power supply transformers; ensuring efficiency of existing building design (air leaks, ventilation and insulation); and installing efficient air conditioning units. • Performing a detailed measurement of ATNS's fuel/cost efficiency resulting from ATNS initiatives.
Risk 3: Price uncertainty of electricity and fuel			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Regulatory • Physical • Institutional	Both electricity and fuel prices are forecast to increase significantly in the coming years, resulting in increased operational costs. In particular, electricity forms 71% of ATNS's energy footprint.	Opportunities exist to reduce operational costs by reducing electricity and fuel costs on both the supply and demand side. Further, 'quick win' opportunities and long-term benefits exist for ATNS to become more energy-efficient through initiatives such as energy conversion, load shifting and energy substitution.	• Exploring energy purchasing options, e.g. negotiating tariffs.

Table 36: Environmental risk impacts and opportunities (continued)

Risk 4: Non-compliance with Climate Change environmental regulations			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Regulatory • Institutional • Reputational	Not addressing the risk of possible future changes in regulation could place ATNS in a situation where operational changes may need to be done as a last minute resort to avoid penalties and reputational risk. This may disrupt the quality of the Company's service delivery and have a negative impact on customers.	Environmental sustainability is fast becoming a high priority for governments and the private sector. ATNS has an opportunity to collaborate with stakeholders to influence future legislation to ensure a high degree of uniformity with recognised ICAO principles.	• Developing a legal and regulatory register as well as a monitoring and reporting framework for the Social and Ethics Committee. • Identifying and confirming processes to be integrated into the day-to-day business processes for critical areas. • Participating in CANSO Environmental Workgroup. • Participating in SACAA AEP Forum and contributing to the overall State Environmental Protection Plan.
Risk 5: Failure to embed climate change awareness programmes in the organisation			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Institutional • Reputational	Lack of education and awareness creates the risk that sustainability efforts may be wasted due to a lack of understanding of how the Company's operations impact the natural environment. Another risk is that due to a lack of education, opportunities may be lost as employees are unable to identify and suggest solutions which could be beneficial for the Company.	The opportunity for ATNS is to embed a culture of sustainability excellence through education and environmental impact awareness. Educated employees will be able to identify opportunities and risks in their daily activities and as such drive innovation, especially when provided with a platform for feedback.	• Providing sustainability and Climate Change training to the financial team. • Implementing organisation-wide Sustainability and Climate Change awareness programmes.
Risk 6: Failure to engage the ATM community on ATNS's Climate Change management initiatives			
Risk classification	**Risk impact**	**Opportunities**	**ATNS's response**
• Regulatory • Institutional • Reputational	Should ATNS work in isolation, it runs the risk of becoming a stagnant organisation, negatively impacting the reputation and longevity of the Company.	ATNS is highly dependent on customers for its financial sustainability. Air traffic management affects communities living in close proximity to airports. Collaboration with stakeholders provides opportunities to share information, which could inspire new and innovative ideas and promotes ATNS as a responsible corporate citizen, thereby preserving reputational integrity.	• Constructing a Stakeholder Engagement policy and engagement plan. • Participating in the newly formulated SACAA Aviation Environmental Protection Committee which is the forum for the State to provide involvement at the ICAO's Committee on Aviation Environmental Protection. • Continuing to attend industry symposiums and workgroups (e.g. ICAO and CANSO) to share in progress on environmental objectives and to ensure ATNS's environmental objectives align with that of the ATM community. • Participating in the Department of Transport's environmental forums.

14. Materiality Reporting Index

Table 37: Materiality Reporting Index

Material issue	ATNS-SR Reference	ATNS-IR Reference
Economic sustainability		
1. Growing revenue in ATNS's non-regulated business.	15, 45, 46, 48, 49, 51	8, 11, 27, 28, 71, 72, 76, 87, 99
2. Protecting South Africa's economic interests and trade.	45, 46	71, 72, 73
3. Creating employment opportunities for South Africans.	46, 58, 60, 61, 62, 63, 64, 77	8, 17, 19, 71, 73, 78, 80, 96
4. Improving operational efficiencies and service reliability.	10, 27, 43, 45, 47, 49, 51, 58, 70, 81, 82, 83, 86, 87, 90	7, 9, 28, 54, 56, 57, 71, 74, 75, 88, 94, 89, 99
5. Deploying and using leading technologies.	35, 45, 47, 48, 49, 50, 51,52, 53, 82, 85	13, 17, 22, 23, 27, 28, 71, 75, 85, 86, 89, 99, 102
6. Exerting more influence and market confidence in our abilities.	9, 45, 47, 76, 77, 79	71, 75, 76, 77, 89, 99
7. Improving air traffic safety in Africa.	10, 19, 21, 43, 44, 45, 48, 49, 57, 70, 76, 81, 82, 83	7, 8, 27, 28, 71, 77
Social sustainability		
1. Maintaining a representative workforce.	30, 31, 38, 44, 46, 61, 62, 72, 73, 77	8, 9, 28, 45, 56, 57, 71, 78, 79, 90, 96, 99,
2. Promoting Broad-Based Black Economic Empowerment.	30, 31, 36, 44, 54, 58, 61, 62, 63, 77	17, 28, 29, 34, 45, 46, 57, 58, 65, 71, 79, 90, 96, 99
3. Building a culture of safety.	61, 64, 65, 66, 67, 68, 69, 70	9, 29, 56, 57, 71, 80, 91, 94, 100
4. Enhancing skills and building competencies.	31, 36, 61, 63, 64, 67, 71, 73, 74, 77	8, 9, 29, 56, 71, 73, 80, 86, 92, 100
Environmental sustainability		
1. Embedding a culture of sustainability.	8, 10, 80, 87, 88, 91	71, 80, 84,
2. Reducing CO2 emissions.	27, 80, 82, 83, 84, 86, 87, 88 , 90, 91	7, 9, 17, 56, 57, 71, 81, 84, 92, 93, 95, 100
3. Managing natural resources: a. Electricity and fuel b. Airspace quality c. Biodiversity and protected habitats.	4, 5, 10, 45, 79, 80, 82, 83, 84, 85, 86, 90	9, 17, 29, 71, 82, 83, 93, 100

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Abbreviations and acronyms

AASA	Airline Association of Southern Africa
AATO	Association of African Aviation Training Organisation
ACSA	Airports Company South Africa
ADS	Automatic Dependent Surveillance
ADS-B	Automatic Dependent Surveillance Broadcast
AFCAC	Africa Civil Aviation Committee
AFI	African Indian Ocean Region
AFIS	Aeronautical Flight Information Service
AFRAA	African Aviation Authority
AIM	Aeronautical Information Management
AIP	Aeronautical Information Publication
AIROPS	Airspace User Operations
ANSP	Air Navigation Service Provider
AORRA	Atlantic Ocean Random Routing Area
APIRG	AFI Planning and Implementation Regional Group
ATA	Aviation Training Academy
ATC	Air Traffic Controller
ATCO	Air Traffic Control Officer
ATFM	Air Traffic Flow Management
ATNS	Air Traffic and Navigation Services
ATM	Air Traffic Management
ATMRPP	Air Traffic Management Required Performance Panel
ATS	Air Traffic Services
ATS/DS	Air Traffic Service/Direct Speech
BARSA	Board of Airline Representatives of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BD	Business Development
BI	Business Intelligence
C	Communication
CA	Current Assets
CAC	Civil Aviation Committee
CAD	Centralized Aeronautical Database
CAMU	Central Airspace Management Unit
CANSO	Civil Air Navigation Services Organization
CAPEX	Capital Expenditure
CAR	Civil Aviation Regulation
CATS	Civil Aviation Technical Standard
CDU	Curriculum Development Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CISM	Critical Incident Stress Management
CNS	Communication, Navigation and Surveillance

D/E	Debt/Equity Ratio
DME	Distance Measuring Equipment
DoT	Department of Transport
DRC	Democratic Republic of the Congo
DSCR	Debt Service Coverage Ratio
EE	Employment Equity
EGNOS	European Geostationary Navigation Overlay System
EIA ROD	Environmental Impact Assessment Record of Decision
ERM	Enterprise Resource Management
ETS	Engineering and Technical Services
EUROCONTROL	European Organization for the Safety of Air Navigation
FACT	Cape Town International Airport
FAJS	OR Tambo International Airport
FALE	King Shaka International Airport
FEC	Foreign Exchange Contracts
FIR	Flight Information Region
FMCG	Fast Moving Consumer Goods
GA	General Aviation
GASP	Global Aviation Safety Plan
GDP	Gross Domestic Product
GNSS	Global Navigational Satellite System
GPS	Global Positioning Systems
HR	Human Resources
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICAS	Independent Counselling and Advisory Service
IFRS	International Financial Reporting Standards
ILS	Instrument Landing Systems
IP	Internal Protocol
ISO	International Standards Organization
IT	Information Technology
IVSAT	Internal Very Small Aperture Terminal
JFPDP	Joint Flight Procedure Development Programme
KPI	Key Performance Indicator
MIDVSAT	Middle East Communication Network
MIS	Management Information System
MLAT	Multilateration
MSSR	Mono-pulse Secondary Surveillance Radar
N	Navigation
NAFISAT	North East African Communication Network
NAMP	National Airspace Master Plan
NASCOM	National Airspace Committee

NEXTGEN	Next Generation
OEM	Original Equipment Manufacturer
OPEX	Operational Expenses
OT	Operational Technology
PBN	Performance-Based Navigation
PFMA	Public Finance Management Act
QMS	Quality Management System
R&D	Research and Development
RNAV	Area Navigation
RNP	Required Navigational Performance
ROCE	Return on Capital Employed
S	Surveillance
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SAIEE	South African Institute of Electrical Engineers
SARPS	Standards and Recommended Practices
SARS	South African Revenue Services
SESAR	Single European Sky Air Traffic Management Research
SID	Standard Instrument Departure
SLA	Service Level Agreement
SMS	Safety Management System
SOE	State-owned Enterprise
SWIM	System Wide Information Management
TS	Technical Services
UACC	Upper Airspace Control Centre
UN	United Nations
USTDA	United States Trade and Development Agency
VCCS	Voice Communication and Control System
VDF	VHF Directional Finder
VSAT	Very Small Aperture Terminals
WAN	Wide Area Network
WGS-84	World Geodetic System – 1984