

INTEGRATED REPORT **2017**

RUN AIRPORTS
DEVELOP AIRPORTS
GROW OUR FOOTPRINT



AIRPORTS COMPANY
SOUTH AFRICA




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NAVIGATION ICONS

The following icons are used in this report to indicate where additional information can be found.

	Online information
	Page reference
	Consolidated annual financial statements

STRATEGIC PILLARS

We report our performance according to our three strategic pillars, and indicate references with the icons below.



	Run airports
	Develop airports
	Grow our footprint

SUSTAINABILITY FRAMEWORK

Our Sustainability Framework guides our strategy. It comprises three elements:

	Our business
	Our people and society
	Our environment

The following icons indicate the level of assurance applied:

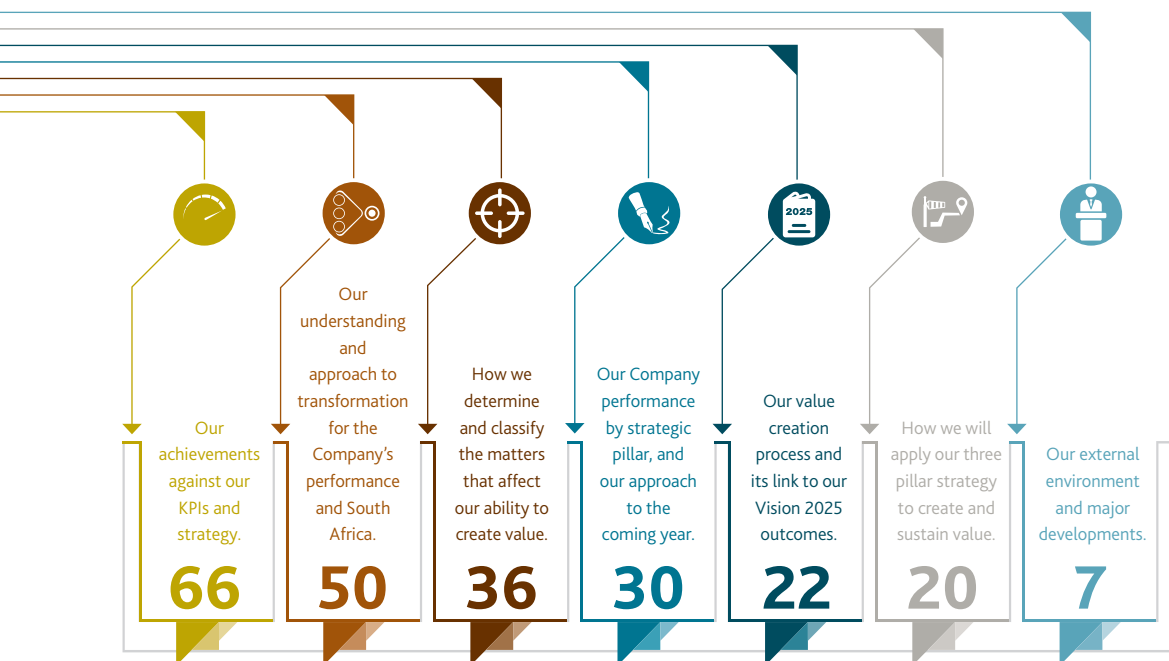
-  Externally assured: Information assured by persons or entities outside of Airports Company South Africa.
-  Internally assured: Information assured by our internal audit team.

OUR COMPANY AT A GLANCE

Airports Company South Africa SOC Ltd (the Company) owns and manages nine South African airports. The Company is involved in equity investments abroad, and provides technical advisory and consultancy services to other airports worldwide. To view our geographic footprint, refer to page 16.

Our majority shareholder is the South African Government (74.6%). In line with the government's objectives, we focus on creating sustainable value that positively impacts our business, our people and society, and our environment. These elements are the core tenets of our Sustainability Framework.

Our three pillar strategy, namely to Run airports, Develop airports and Grow our footprint, underpins the delivery of sustainable value. This strategy outlines key outcomes that define our success. They will help us achieve our Vision 2025 objectives and become the most sought-after partner in the world for sustainable technical advisory and consultancy services.



FORWARD-LOOKING STATEMENTS

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

ABOUT OUR INTEGRATED REPORT

REPORTING FRAMEWORKS

Airports Company South Africa's integrated report was developed considering and applying frameworks including:

- › the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework;
- › the International Financial Reporting Standards (IFRS);
- › ISO/SANS 31000 as a best practice to guide risk management implementation;
- › the Companies Act, No. 71 of 2008, as amended (Companies Act);
- › the Public Finance Management Act, No. 1 of 1999, as amended (PFMA);
- › the Airports Company Act, No. 44 of 1993, as amended; and
- › the King Report on Corporate Governance for South Africa 2009 (King III).

The Company endeavours to adopt the principles enshrined in King IV™.

We review integration, board and executive committee education as the first phase of the process.

Informs

REPORTING PHILOSOPHY

This is our fourth integrated report. We continuously strive to improve our reporting elements, alignment to relevant reporting frameworks and best practice. In the year under review, we introduced quarterly Chief Executive Officer integrated reports for board consideration.

We seek to provide relevant and material information for investors and other stakeholders through a report that is accessible to the reader.

Our objective is to strengthen our application of the <IR> Framework's guiding principles and content elements, focusing on:

- › advancing the material matters chapter;
- › streamlining financial reporting;
- › enhancing the transparency of the remuneration chapter;
- › benchmarking performance according to achievements; and
- › improving connectivity of information.

Informs

REPORT STRUCTURE

Our strategic pillars (Run airports, Develop airports and Grow our footprint) provide context and feedback on performance and act as the foundation for developing this report. For more information on our strategy, refer to page 20.

Leads to



SCOPE AND BOUNDARY

This report provides material information on Company performance across our areas of operation for the financial year 1 April 2016 to 31 March 2017 (the financial year). Where relevant, internal and external factors which substantially influence our business are disclosed. Matters are deemed material if they have the potential to substantially affect our ability to create and sustain value for our stakeholders in the short, medium and long term and to support our strategic goals. Refer to page 36 for our material matters.

Apart from our new strategy and strategic pillars (refer to page 20), there were no significant changes to the scope, boundary or measurement methods applied in our reporting. There were no restatements to comparatives unless otherwise stated. The financial reporting boundary was determined in accordance with IFRS.



ASSURANCE

The financial statements were prepared in accordance with IFRS, the requirements of the Companies Act, and the PFMA. Refer to www.airports.co.za or the second booklet of this report, for the full consolidated annual financial statements and external auditor's opinion.

The Pre-determined Objectives were internally and externally assured, and audited by the Auditor-General of South Africa as per the Public Audit Act of South Africa, No. 25 of 2004. According to the National Treasury's Framework for Managing Programme Performance Information, performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time bound and relevant. These attributes drive the standard of information and data presented in this integrated report. The external audit opinion in the consolidated annual financial statements 2017 includes a summary of the work performed against our Pre-determined Objectives.



BOARD APPROVAL

The board acknowledges responsibility for overseeing the integrity and completeness of this integrated report and exercises this responsibility assisted by its sub-committees. The board confirms that, after applying its collective mind to the preparation and presentation of the report and reviewing the content herein, they consider this report to be accurate, reliable and complete in presenting data and material matters. The board concludes that this report is presented per the <IR> Framework and has approved the 2017 integrated report on 31 August 2017.

Roshan Morar
Acting Chairperson

Bongani Maseko
Chief Executive Officer

Dirk Kunz
Acting Chief Financial Officer

ABOUT OUR INTEGRATED REPORT CONTINUED

FEEDBACK

We are committed to enhancing our reporting on an ongoing basis and value our stakeholders' input in making these advancements. Should you wish to contribute to the improvement of our integrated report through comment, or have any queries, email Refentse Shinnars, our Group Executive: Corporate Affairs at: Refentse.Shinnars@airports.co.za.

ADDITIONAL REPORTING INFORMATION

Report source	Framework/ standards	Purpose	Assurance
Results presentation	Not applicable	This document is a high level operational and financial performance summary for the year and outlines our short, medium and long-term strategies. Our executive leadership team uses this material on annual roadshows after the financial results announcement.	<ul style="list-style-type: none"> › Internal controls › Management and governance oversight
Stakeholder engagement supplementary report	Not applicable	Additional information on the type and level of engagement that we have with our stakeholders.	<ul style="list-style-type: none"> › Internal controls › Management and governance oversight
Consolidated annual financial statements	<ul style="list-style-type: none"> › IFRS › Companies Act › PFMA 	<p>This document provides consolidated financial reports on the business and statements presented to the shareholders which contain:</p> <ul style="list-style-type: none"> › Report of the audit and risk committee › Directors' responsibilities and approval › Company Secretary's certification › Report of the Auditor-General to Parliament on our business › Directors' report › Annual financial statements 	<ul style="list-style-type: none"> › Internal controls › Management and governance oversight › Internal audit › External audit opinion
Board and executive <i>curricula vitae</i>	Not applicable	<ul style="list-style-type: none"> › To provide a comprehensive overview of the skills and competencies of our board and executive committee members. 	Not applicable



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





MESSAGE FROM THE CHAIRPERSON

“Our core remains **strong**
and our future, **bright.**”

Roshan Morar
Acting Chairperson

INTRODUCTION

It is my pleasure to address you after a difficult but productive financial year. There have been positive and negative milestones to reflect upon, but the net effect has been one of growth and added impetus to our continued evolution as a Company.

I extend my gratitude to the outgoing Minister of Transport, Dipuo Peters, who made many significant contributions to the Company. Her counsel was tremendously supportive. We welcome the new Minister of Transport, Joe Maswanganyi, and I look forward to working with him to pursue growth and economic transformation opportunities for the Company. To our outgoing Chairperson, Skhumbuzo Macozoma, I am thankful for your distinguished direction and hard work during your tenure. We wish you well for your future endeavours.

OUR EXTERNAL ENVIRONMENT

The Company's external economic environment was characterised by low South African gross domestic product (GDP) growth of 1.1% (2016: 0.8%). Our currency was highly volatile in the reporting period, driven largely by both domestic and international events such as national elections in the United States and the European Union exit by the United Kingdom. The South African economy is projected to recover in the 2017 calendar year before achieving 1.8% growth in 2018. This remains in question considering recent economic events such as credit rating downgrade in the first quarter of 2017, but the Company remains optimistic. In South Africa, the transport sector contributes 3.5% or R12 billion of the country's GDP (source: IATA Oxford Economics). In 2017, the Company created 24 018 job opportunities. We hope to continue playing a critical role in supporting our economy through our services and infrastructure.

TRANSFORMATION

Our commitment to transformation and supporting the governments National Development Plan 2030 (NDP) is a responsibility that we continue to take seriously. Our transformation approach

took a significant step forward this year with seven distinct sector strategies that were developed by our executive team to support our transformation mandate. These board-approved sector strategies have been formulated for the areas of information technology, construction, property, retail, advertising, car rental and ground handling. The board supports our executive team in continuously improving these strategies to ensure relevance and effectiveness moving forward. Internal education and alignment to embed the strategies is ongoing. This will improve transformative thinking as a component of our integrated thinking as a Company. Refer to page 51 for our transformation model. 

ECONOMIC REGULATION

The Economic Regulator promulgated a new permission to levy airport charges on 23 December 2016. The impact on airport charges was published in the *Government Gazette* on 29 January 2017, effective for our 2018 financial year. The board and executive committee have adequately considered the potential business impact of the 35% tariff decrease which will take effect from the next financial year. The 2018 – 2020 Corporate Plan, approved by the board in February 2017, recognises this impact and outlines the Company's plans to maintain a strong operating position. A comprehensive explanation of the Permission Decision impact is in the Chief Financial Officer's review on page 56. The 2019 to 2023 permission cycle is underway, with submission due to the Economic Regulator by September 2017. 

BUSINESS DEVELOPMENT

Our airports welcome millions of business people and visitors to our country annually. We are proud that our world-class infrastructure supports economic growth, job creation and contributes to the tourism value chain. We are committed to running our airports efficiently and ensuring we remain relevant while contributing towards the country's economy.

MESSAGE FROM THE CHAIRPERSON CONTINUED

One of the Company's future key focus areas is to expand our footprint to external airports in South Africa, Africa and emerging markets. We will achieve this by:

- › rendering technical advisory and consultancy services;
- › and/or considering viable equity investments to support traffic and route development activities of our business development division.

The business development strategy is identifying and securing opportunities for growth. Our focus resulted in 10 new routes and an increase in traffic across the Company. Refer to page 82 for details.

GOVERNANCE

We strive to apply sound governance and remain accountable to reflect our stance as a responsible corporate citizen. Some areas were monitored to ensure effective and amicable resolution for future progress. Two significant examples are the minority shareholder court case dealing with the share buy-back matter and the supply chain management (SCM) forensic audit investigation. The minority shareholder case is undergoing court processes and is yet to be finalised. The SCM forensic audit investigation is complete and a report was released in August 2016. Our board followed and continues to follow due process in implementing the recommendations of the report.

Airports Company South Africa considers the principles of the King Code on Corporate Governance for South Africa 2016 (King IV™) in our approach to ethical and accountable governance. The move supports our desire to be transparent, adaptable and to remain fit for purpose in all of our dealings. The former Minister of Transport revised our board structure in February 2017, reducing our complement by four members. The new Minister subsequently reinstated these members at the end of May 2017. Airports Company South Africa is guided by a dynamic board, committed to directing the Company towards our intended future which includes our Vision 2025 objectives. I am confident that the board embodies the appropriate mix of skills, experience and talent to drive our strategic objectives. Refer to page 92 for our governance approach and leadership details.

FUTURE OUTLOOK

I can say with confidence that we are on route to attaining our Vision 2025 objectives. I believe that the volatile economic landscape will persist and the Company will manage the impact of the Permission Decision as best as possible. I am proud that our employees and partners continue to invest their time and effort towards our combined success. Such stability and stakeholder backing supports our commitment to Run airports, Develop airports and Grow our footprint. This aligns with our ultimate impact on business, people and society, and the environment towards the realisation of our Vision 2025 objective – to be the most sought-after partner in the world for the provision of sustainable technical advisory and consultancy services by 2025.

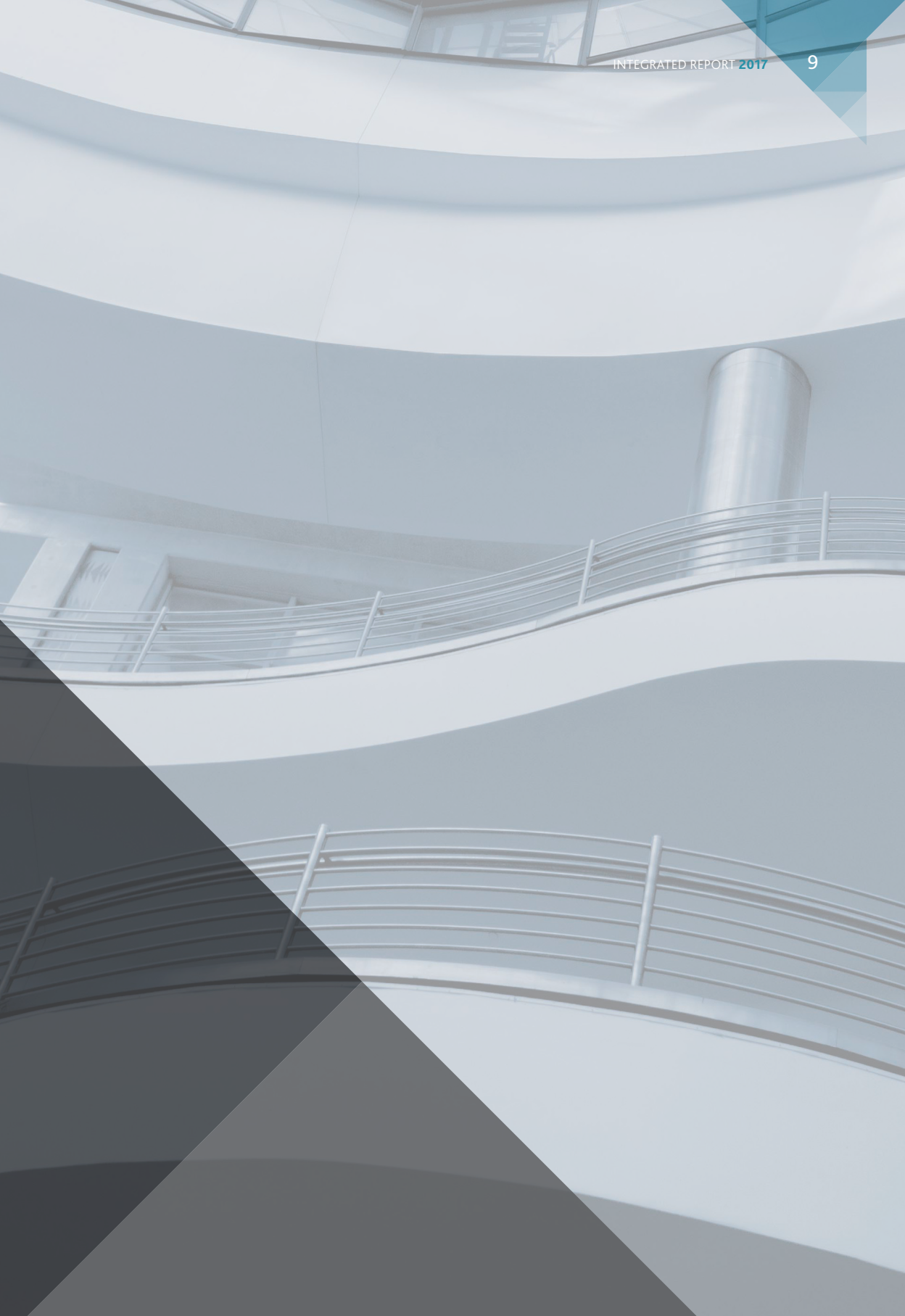
APPRECIATION

The Company's performance was possible because of the people who actively participate in our value creation process and who believe in our vision as a business. It is with appreciation that I note the contributions of my fellow board members, who showed resilience and steadfast focus during our transition to a new way of working. To our Chief Executive Officer, Bongani Maseko, and the executive team, your tireless commitment to implementing the operating model in line with our strategy did not go unnoticed; I thank you and our employees for making this year fruitful. To our stakeholders, your trust and support is greatly appreciated.



Roshan Morar
Acting Chairperson





RECOGNITION HIGHLIGHTS

AREA OF RECOGNITION

BENCHMARKING AUTHORITY AND APPROACH

On-time performance

OAG Aviation Worldwide's Annual Punctuality League rates the top 10 most punctual airports internationally after assessing on-time performance by airlines and airports.

World's top 100 airports

Skytrax World Airport Awards are based on a customer satisfaction survey across 550 airports globally.

Reporting excellence

Nkonki Integrated Reporting Awards 2016 assessed the integrated reports of 18 state-owned companies.

Chartered Secretaries Southern Africa Integrated Report Awards for 2016.

Airport service quality

Airports Council International (ACI) is the trade association of the world's airports in 176 countries and facilitates the Airport Service Quality (ASQ) Awards.

Top employer status

The Top Employers Institute certified the group along with 86 other employers in South Africa. The certification is based on company submission to the Institute and subsequent analysis.

Cargo business support and facilitation

Air Cargo Africa Conference and Exhibition hosts an annual conference and exhibition with awards for service excellence across 14 categories in Africa.

Infrastructure superiority bolsters infrastructure ranking for country

The World Economic Forum's Global Competitiveness Index 2016 – 2017 analysed the 138 countries in terms of economic stature.

Carbon accreditation

ACI provides airport carbon accreditation for airports that actively reduce carbon and manage their emissions. There are four levels of certification detailed in our performance dashboard on page 78.



ACHIEVEMENTS

3 airports recognised in
top 10 of Annual Punctuality
League

3 airports recognised in the
top 100 airports in the world

**First place and
merit award** in two
different reporting competitions

3 airports recognised out
of **1 940** airports worldwide

**Fifth consecutive
year** of top-tier status achieved

Fourth consecutive year
of recognition

Ranking of **10 out of 138**
countries for airport infrastructure

4 airports recognised by
ACI – airport carbon accreditation

PLACEMENT

- › O.R. Tambo International Airport achieved eighth place in the large airport category
- › Cape Town International Airport achieved sixth place in the medium airport category
- › King Shaka International Airport achieved 10th place in the small airport category

In the top 100 airports in the world ranking:

- › Cape Town International Airport ranked 19th (2016: 22nd)
- › King Shaka International Airport ranked 35th (2016: 35th)
- › O.R. Tambo International Airport ranked 37th (2016: 30th)
- › King Shaka International airport ranked sixth in the world's best regional airport category out of 10 competitors.

In the public sector entities in South Africa section of the Nkonki Integrated Reporting Awards, Airports Company South Africa won, ahead of Telkom (second) and Transnet (third).

The Company received a merit award in the large state-owned companies category of the Chartered Secretaries Southern Africa Integrated Report Awards.

- › In the best airport by region: Africa category (over 2 million passengers per year), King Shaka International Airport won second place followed by Cape Town International Airport.
- › Bloemfontein Airport won the best airport by region: Africa category (under 2 million passengers per year), and won the Africa region award for the most improved airport.

The Company won "Top Employers South Africa" certification in 2017. This reflects our dedication to employee satisfaction.

O.R. Tambo International Airport won African Airport of the year, a result of continuous real-time support to meet the business needs of our cargo stakeholders.

We received recognition for significant expansion and investment programmes in infrastructure development over the last few years, which contributed to the country's overall ranking of 47.

Airports Company South Africa attained the Airport Carbon Accreditation Level 1 Mapping Certification for O.R. Tambo International Airport, Cape Town International Airport, Port Elizabeth International Airport and King Shaka International Airport.

COMPANY OVERVIEW

OUR ORGANISATION

OUR MANDATE

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

WHAT WE STAND FOR

OUR VALUES

OUR MISSION

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

OUR VISION

To be a world-leading airport business.

Vision 2025

To be the most sought-after partner in the world for the provision of sustainable technical advisory and consultancy services by 2025.

OUR STRATEGIC PROPOSITION

To build an efficient customer-focused business.

We define our values through the acronym **PRIDE**:



OUR COMMITMENT TO STAKEHOLDERS

To have purposeful engagements with all our stakeholders towards an agreed scope of engagements and the delivery of expected outcomes.

OUR PLEDGE TO OUR CUSTOMERS

To drive a culture of excellence in customer service and communication.

SHAREHOLDING

Airports Company South Africa is a Schedule 2 public entity in terms of the PFMA and operates as a legally and financially autonomous company within the legal framework outlined in the Companies Act.

South Africa's airports were owned and operated by the state until 23 July 1993, when **Airports Company South Africa** was officially established and nine airports were transferred to the Company.

Our shareholding

Public Investment Corporation (PIC)

The PIC shareholding is held through ADR International Airports SA (Pty) Ltd, a wholly owned subsidiary of PIC.

Empowerment investors

The 4.2% comprises:

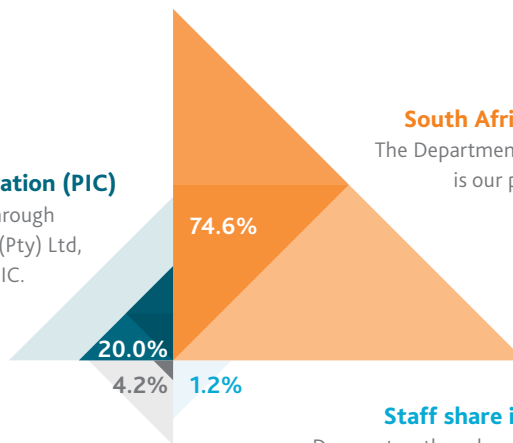
- › 1.2% G10 Investments (Pty) Ltd
- › 1.4% African Harvest Strategic Investments
- › 0.4% Pybus Thirty Four Investment (Pty) Ltd
- › 0.8% Telle Investments (Pty) Ltd
- › 0.4% Upfront Investments 64 (Pty) Ltd

South African Government

The Department of Transport (DoT) is our primary shareholder.

Staff share incentive scheme

Dormant as the scheme is being dissolved.

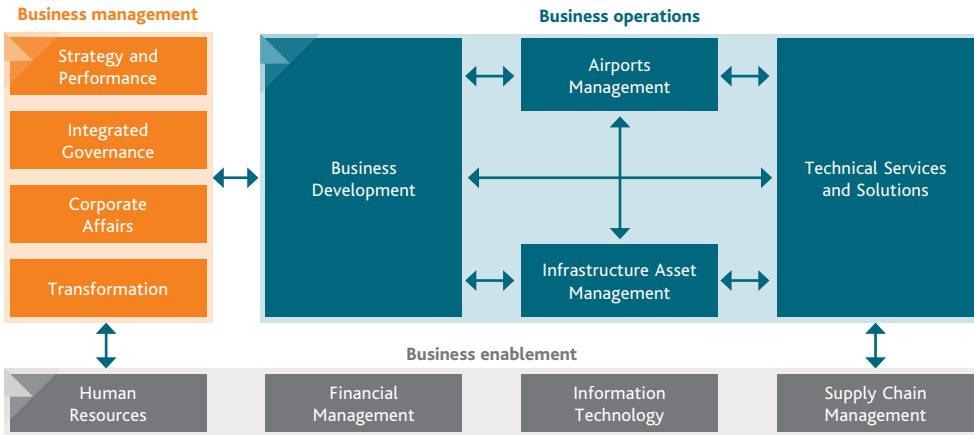


COMPANY OVERVIEW CONTINUED

HOW WE ARE STRUCTURED TO CREATE VALUE

OUR OPERATING STRUCTURE

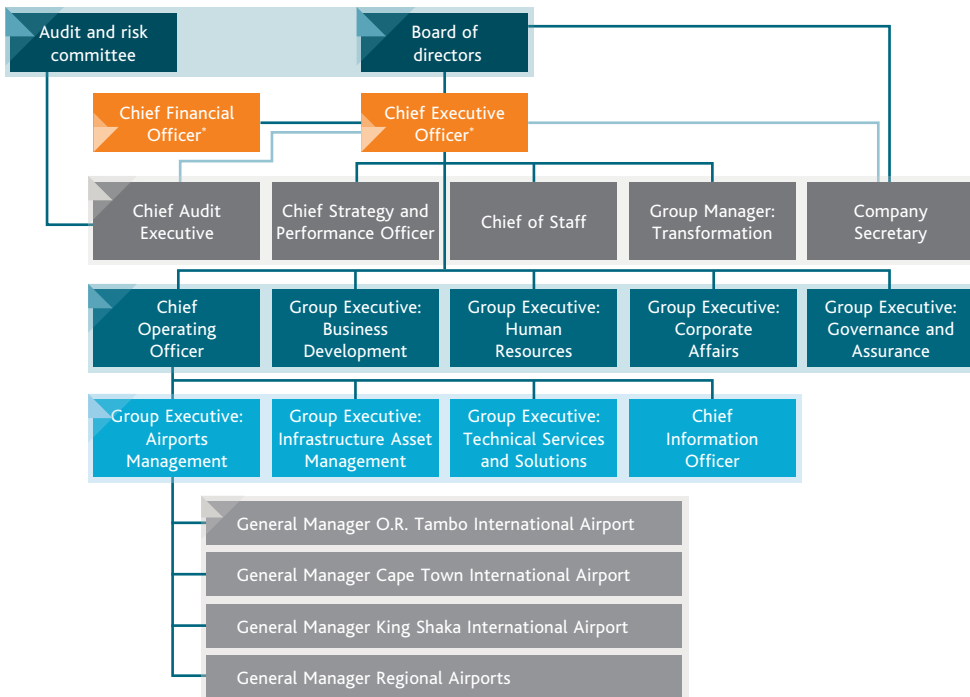
The operating structure is contained within our governance framework and operating model.



This structure is integrated with our strategy and is at the heart of our operations. Refer to the business model on page 22 to view the role of this structure in creating and sustaining value.

OUR REPORTING AND ACCOUNTABILITY STRUCTURE

Airports Company South Africa has a clear structure to support our governance procedures while defining levels of accountability.

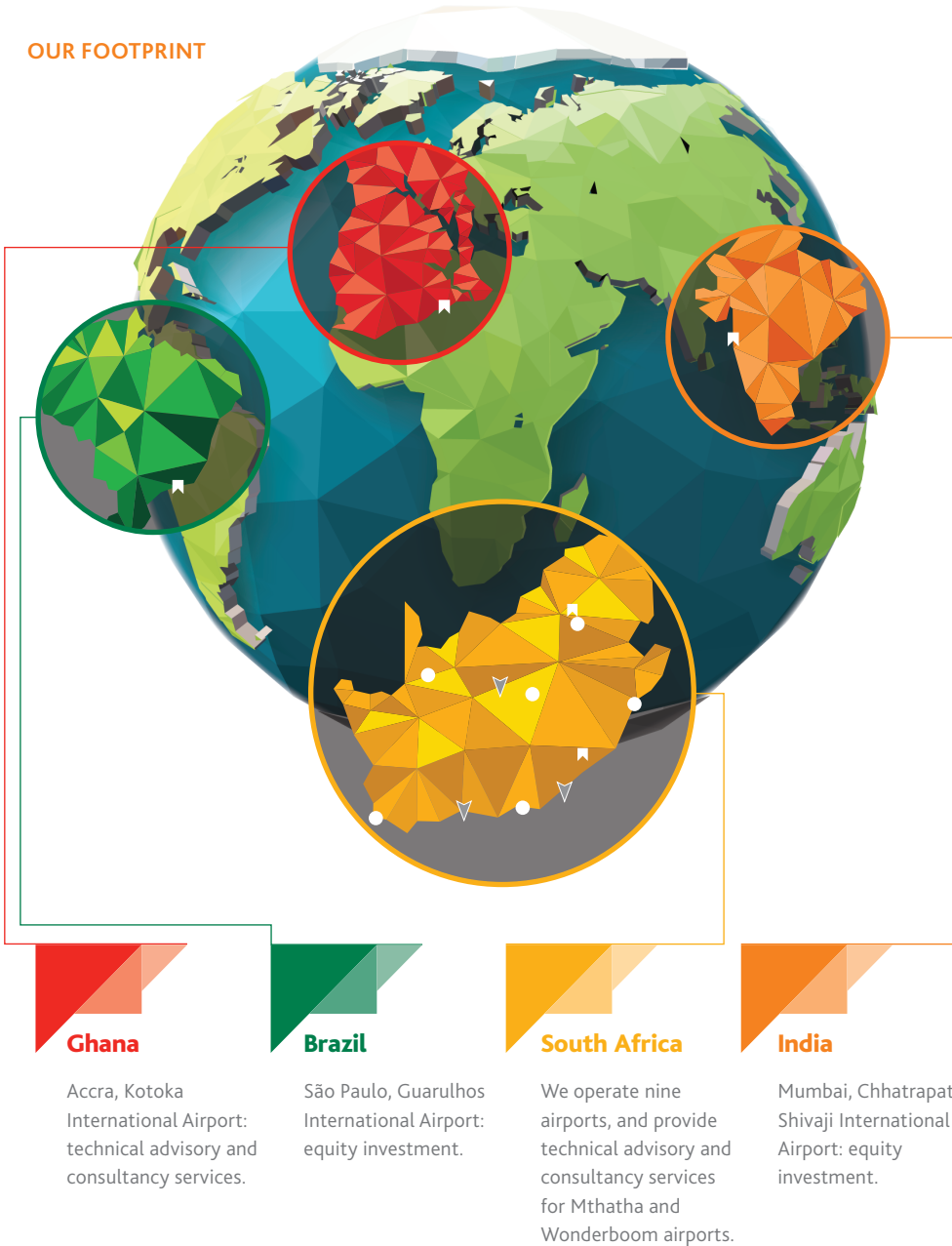


* Executive Director



COMPANY OVERVIEW CONTINUED

OUR FOOTPRINT



LEGEND



International airport

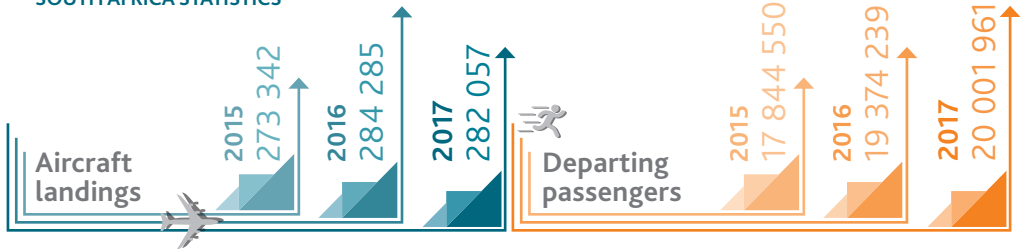


Regional airport



Equity investment or technical advisory and consultancy services

SOUTH AFRICA STATISTICS



Airport	Total annual departing passengers	Annual passenger throughput capacity	Aircraft landings	Permanent employees	On-time performance ¹ %	ASQ ²	Total asset value R'000
O.R. Tambo International Airport	10 365 712	28 000 000	111 232	1 216	85.91	3.93	39 321 634
Cape Town International Airport	5 128 236	14 000 000	49 663	588	87.91	4.16	12 307 613
King Shaka International Airport	2 624 072	7 500 000	27 495	428	87.65	4.24	7 872 088
Port Elizabeth International Airport	793 228	2 000 000	30 256	129	85.21	3.94	1 769 395
Bram Fischer International Airport	198 311	600 000	9 053	74	86.19	4.25	635 836
Upington International Airport	31 955	100 000	6 504	30	87.28	4.40	318 093
East London Airport	399 776	1 200 000	15 004	74	83.40	3.98	809 481
George Airport	371 434	900 000	27 999	68	84.52	4.23	785 633
Kimberley Airport	89 237	200 000	4 851	41	83.48	3.79	277 440
Total	20 001 961	54 500 000	282 057	2 648*	86.42	4.04³	64 097 721

* We have 317 employees at our corporate office and 24 employed via regional management. The Company employs a total of 2 989 permanent employees.

¹ On-time performance is the percentage of aircraft departures within 15 minutes of their slot time.

² Airport Service Quality (ASQ) is a programme operated by the Airports Council International (ACI). It is a globally established benchmarking programme measuring passengers' satisfaction on a scale of 1 (poor) to 5 (excellent).

³ Weighted average (ASQ).

COMPANY OVERVIEW CONTINUED

SHAREHOLDING

OUR LEGAL STRUCTURE

In deriving value from aeronautical and non-aeronautical operations, Airports Company South Africa is structured to include local and international investments. This is structured as follows:

Name	100% owned subsidiaries ¹				Special purpose entities (SPEs) ²	
	ACSA Global Ltd	Airports Consultancy and Advisory Services	JIA Piazza Park (Pty) Ltd	Precinct 2a (Pty) Ltd	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd
Purpose of existence	The investment holding company through which Airports Company South Africa holds its 10% interest in the Mumbai International Airport Ltd (refer to investments and associates on page 19.)	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidy will be leveraged to provide services for future prospects.	The holding company through which we operate the Inter-Continental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow rental property income.	An employee share option entity, wholly owned by the ACSA Kagano Trust. ³	Employee share incentive scheme that holds investments (specifically company ordinary shares) on behalf of the airport's participating employees. ⁴
Year of inception	2005	2016	1998	1998	1999	1999
Airports Company South Africa shareholding	100%	100%	100%	100%	SPE	SPE
Other shareholders and their respective shareholding	N/A	N/A	N/A	N/A	Airports Company South Africa Kagano Trust	Airports Company Management Share Incentive Scheme Trust
Equity injections	R100 million	Nil	R100 million	R100 million	Nil	Nil
Net asset value at 31 Mar 2017	R587 million	Nil	R30 million	R108 million	R43 million	R13 million

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

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

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

Special purpose entities (SPEs) ²	Investments in joint venture ⁵	Investments in associates ⁶		
Sakhisizwe Community Programme	Airport Logistics Property Holdings (Pty) Ltd	La Mercy JV Property Investments	Mumbai International Airport Private Limited	Guarulhos International Airport Private Limited
Non-profit company (education).	A property holding company with the Bidvest group that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.	A land development and property investment company in collaboration with Dube Trade Port Corporation (DTPC). Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port through land-lease agreements.	A company through which we hold a 30-year concession (with the option to renew for another 30 years) to develop, operate and maintain the Mumbai Airport.	A company through which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo. We provide technical advisory and consultancy services.
1996	2003	2009	2006	2012
SPE	50%	40%	10%	10.2%
N/A	Bidvest Holdings Limited (50%)	Dube Trade Port Corporation (60%)	GVK (50.5%) Bidvest (13.5%) Airports Authority of India (26%)	A joint venture between Investimentos e Participações em Infraestrutura S.A (Invepar) (80%) and Airports Company South Africa (20%) which holds 51% of Guarulhos Participações S.A (GruPar).
Nil	Nil	Nil	R347 million	R776 million
R3 million	R48 million	R176 million	R7.5 billion	(R4.3 billion)

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

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

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

STRATEGY

“A successful **future** relies on a steadfast **strategy**.”

Roshan Morar
Acting Chairperson

In April 2016, we began implementing our three-pillar strategy towards attaining the objectives outlined in our Vision 2025. Our strategy is supported by a newly implemented governance framework and operating model, which aims to enrich and augment the way we do business.

Our Sustainability Framework outlines three fundamental references for our business's sustainability, and ensures that our decisions and actions aid our journey towards Vision 2025 responsibly and sustainably.

Our environment
Minimise our environmental impact and strive to be carbon neutral



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

Our business

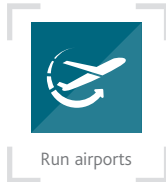
Our people and society

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

THREE FUTURE HORIZONS CONCEPTUALISE OUR OUTLOOK

Horizon 1	Horizon 2	Horizon 3
Year 2020: Extend and defend our businesses.	Year 2025: Build emerging businesses and drive medium-term growth.	Year 2025 and beyond: Create viable options to ensure the Company's success in future.

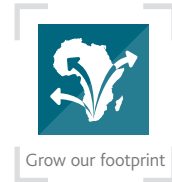
OUR STRATEGY



By running our airports efficiently and developing them innovatively, we will enhance the regional economy.



Improving our capacity and infrastructure grows our footprint through effective operation and partnerships.



A larger footprint provides more impactful outcomes for the country and the world. As our footprint develops, we increase our exposure to diverse methods, allowing us to learn and grow, and further improve the way we run airports.

EFFECTIVELY APPLYING OUR STRATEGY WILL RESULT IN:

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

BUSINESS MODEL



BUSINESS MODEL

How to read this business model: Review information from left (our strategy) to right (Vision 2025) to get a complete picture of our value creation process. Where relevant, references will guide you to more detailed information within the report.



Our value creation process of converting inputs to outputs, which lead to outcomes that impact our society.

Our governance framework

Business operations

- › Airport management
- › Technical service solutions
- › Infrastructure asset management
- › Business development

Business management

- › Strategy and performance
- › Integrated governance
- › Corporate affairs
- › Transformation

Our building blocks of success

- › Our Sustainability Framework
- › Governance framework and operating model
- › Business digitisation
- › Supply chain management evolution

Transformation and our sector strategies are integral to our value creation process. Read more on page 43.



IT



Construction



Property



Retail

Our strategy guides our activities to deliver on our Vision 2025 objectives

TRANSFORMATION

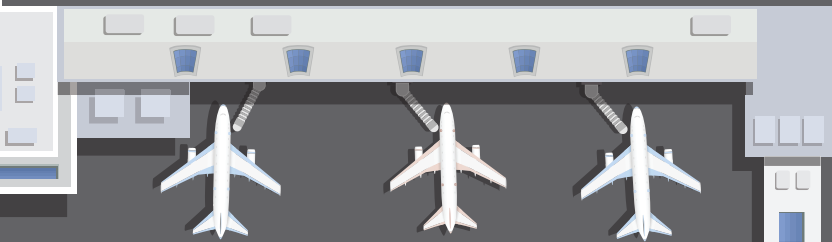
EMPLOYEES

BRAND AND REPUTATION

CUSTOMER PROFILE AND TRENDS

OUTPUT

We operate **9 airports** across South Africa and have equity investments in Brazil and India. We provide technical advisory and consultancy services to local and international airports.



and operating model

Business enablement functions

- › Financial management
- › Human resources
- › Information technology
- › Supply chain management

- › Economic transformation network

ages 50 to 54.



Advertising



Car rental



Baggage handling

The products and services created f

AERONAUTICAL OUTPUTS

- › Aircraft landing, parking and passenger handling
- › Cargo handling
- › Passenger transport

NON-AERONAUTICAL OUTPUTS

- › Retail, car rentals, parking and advertising
- › Property management and rentals – handling, airline lounges, technical handling
- › Technical advisory and consultancy services, consultancy, advisory concessions, strategic research, security, project management, planning, commercial management, environment consulting, among others

SOCIETAL OUTPUTS

- › Support socio-economic transformation
 - CSI initiatives
 - Preferential procurement
 - Skills development
 - Education support
 - Multi-modal transport access

ENVIRONMENTAL IMPACTS AND

- › Electricity consumption: photovoltaic airports provide electricity to the nation
- › Water consumption
- › Fuel consumption
- › Noise pollution

ACCESS TO AND COST OF FUNDING
TECHNOLOGY AND DIGITISATION
VERTICAL INTEGRATION AND OUTSOURCING
INBOUND BULK SERVICES INFRASTRUCTURE

Technology and information

Compliance

S

from our activities.

er services

sing
hotels, ground
angers
services – aeronautical
strategic investment,
nt, IT, training, airport
quality management,
rs

ion through:

ADVANCEMENTS
plants at some
onal grid

OUTCOMES

The ultimate impact of our activities and outputs on society as a whole. These outcomes are directly linked to our Vision 2025.

OUR BUSINESS

- › Return on equity
- › Positive internal and external reputation index measure (RepTrak®)
- › Superior airport service quality
- › High airport connectivity index for passengers
- › Generate non-core income
- › Achieve 37.3% non-aeronautical revenue as a percentage of total revenue
- › Reduced B-BBEE level as result of new codes
- › 24 018 job opportunities created
- › Return on equity of 11.3%
- › Reputation score 63.1 (Top 10 SA company)

OUR PEOPLE AND SOCIETY

- › Positive and satisfied employees
- › Positive and accountable leaders
- › Growth in regional airport departing capacity by 2 829 693

OUR ENVIRONMENT

- › Establish an ACI carbon accreditation level
- › Actively reduce carbon emissions
- › Be an environmentally responsible corporate citizen

Vision 2025

To be the most sought-after partner in the world for sustainable technical advisory and consultancy services by 2025.

- › Obtain a stakeholder satisfaction survey score of more than 4
- › Attain connectivity index of 70% for O.R. Tambo International Airport
- › Improve domestic connectivity by 10%
- › Obtain a R200 million contribution of non-core business to total revenue
- › Achieve B-BBEE Level 1
- › 65% black business share of operational and developmental spend
- › Create 50 000 job opportunities

- › Achieve a demographically representative workforce (against economically active population (EAP))
- › Provide support services to airports in all South African provinces

- › ACI Level 3 optimisation certification for at least one airport



SA INC (SOUTH AFRICAN ECONOMY) AND GLOBAL ECONOMY

NATURAL ENVIRONMENT

COMPETING COUNTRIES




LEGAL LICENCE TO OPERATE, GOVERNMENT POLICY AND REGULATION



BUSINESS MODEL CONTINUED

BUSINESS MODEL DEFINED

Our business model is delineated to illustrate and emphasise the value creation links between our strategy, inputs (the six capitals), activities, outputs and outcomes.

How we operate		Inputs	
Our business 	Manufactured capital	<p>Our airports are world-class and operate in an effective network.</p> <p>We invest capital expenditure in infrastructure to ensure airports are properly maintained and upgraded to deliver exceptional service to our customers and passengers.</p>	<ul style="list-style-type: none"> › Passengers, goods and cargo › Airlines and airport infrastructure › Equipment, utilities and fuel › Concessions
	Financial capital	<p>Our vision is to be a world-leading airport business. This will be achieved by obtaining funding with a fair rate of return for our capital-intensive infrastructure investments, and growing our capacity while delivering positive financial results. The country's sovereign rating and the economic regulations affect our credit rating.</p>	<ul style="list-style-type: none"> › Funding (equity and debt) › Cash flow generated operations › Operating assets
	Intellectual capital	<p>Our experience, advisory capabilities and reputation led to us being approached by local and international airport companies to aid their development and management. We invest in research and development, and approved an information technology (IT) strategy that will allow the Company to compete with the best in the world.</p>	<ul style="list-style-type: none"> › Innovation › Information technology › Stakeholder relationships › Employee skills
Our people and society 	Human capital	<p>We develop a high-performance team by focusing on succession planning, leadership development, meaningful employee relations and engagement while enhancing employee benefits. The Company embarked on a total remuneration equality journey which has supported transparent interaction with our people. We engage with our employees' representative trade unions.</p>	<ul style="list-style-type: none"> › Employee skills, ability and passion › Union and organised labour › Human resources
	Social and relationship capital	<p>Quality relationships and a positive reputation with our key stakeholders underpin our value mandate. The government is a major shareholder and we support its mandate through social and transformation imperatives, including job creation, employment equity, gender equality, supporting people with disabilities, enterprise development, preferential procurement and investing in socio-economic development programmes.</p>	<ul style="list-style-type: none"> › Stakeholders › Transformation policy
Our environment 	Natural capital	<p>We manage our environmental impact through an environmental management system (EMS) which ensures compliance with legislation. The Company's environmental activities focus on energy conservation, climate change, water, waste, air quality, noise management and biodiversity. Access to electricity is critical to maintaining operations. We operate a range of energy-saving initiatives at our airports.</p>	<ul style="list-style-type: none"> › Environmental policy and strategy › Electricity and water › Fuel, diesel and carbon footprint › Biodiversity

Activities performed through our governance framework and operating model
Outputs
Outcomes

- › Airport operation, maintenance, upgrades and construction
- › Infrastructure asset management
- › Innovation

- › Airports that operate efficiently and safely
- › High levels of ASQ
- › Win-win partnerships with stakeholders
- › Infrastructure capacity sustainably managed
- › Organic and new business growth

- › High airport connectivity index for passengers
- › Superior airport service quality measure

- › Capital allocation model
- › Capital expenditure and project management
- › Budgeting and forecasting
- › Cost and management accounting
- › Interaction with the National Treasury

- › Maintained or improved agency ratings
- › Improved capital expenditure management
- › Return on capital employed
- › Net debt/EBITDA
- › Optimised gearing levels
- › Strong balance sheet
- › Financial and business sustainability

- › Return on equity
- › Achieve 37.3% aeronautical revenue as a percentage of total revenue
- › Generation of non-core income

- › Specialist advisory services
- › Benchmarking
- › Operating model review
- › Business intelligence and data analytics
- › Managing and furthering stakeholder relations
- › Technical research and development

- › World-class services
- › Improved knowledge management, decision-making, processes and services
- › Financially rewarding products and services
- › Agile governance and application of our governance framework and operating model

- › Positive reputation index measure internally and externally

- › Workforce planning and sourcing
- › Succession planning and talent management
- › Training and leadership development
- › Workforce aligned to strategy and strategic objectives

- › Visionary leadership supported by stable employee relationships and low turnover
- › Skilled employees supported by development and succession plans
- › Committed and engaged employees delivering against strategy
- › Employees' health and wellness

- › Positive and satisfied employees
- › Positive and accountable leaders

- › Stakeholder engagement
- › Implementation of the socioeconomic development strategy
- › Managing and furthering stakeholder relations

- › Job creation and enterprise development
- › National development plan deliverables
- › Tangible contributions to society
- › Improving opportunities for black women, black youth and people with disabilities

- › 24 018 job opportunities created
- › Growth in regional airport departing capacity by 2 829 693
- › Reduced B-BBEE level as a result of new codes. The Company remains committed to helping the country to realise its full economic potential by supporting the development of black people

- › Environmental management
- › ISO 14001 certification activities for all airports
- › Compliance with laws and regulations
- › Environment impact assessments
- › Measurements and control
- › Smarter environmental plan and build infrastructure solutions

- › Improved electricity and water consumption
- › Improved recycling
- › Lower operational costs
- › Improved management of waste, air quality and noise
- › Increased use of alternative sources of energy

- › Establish an ACI carbon accreditation
- › Actively reduce carbon emissions where possible
- › Be an environmentally responsible corporate citizen

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“Our **evolution is ongoing** to ensure that we attain our vision and **remain a world-leading airport business.**”

Bongani Maseko
Chief Executive Officer

OVERVIEW

It is my pleasure to address you as Chief Executive Officer (CEO). This section of the report acts as a prelude and synopsis to the performance sections that follow. The Company had a challenging year, but we leveraged skills and stabilised operations after the 2016 implementation of our new governance framework and operating model. This has enabled us to take advantage of opportunities and evolve the business further using our new strategy.

We achieved 76% of our Pre-determined Objectives and our revenue increased by 3% to R8.6 billion.

Four of our 17 KPIs were not achieved. This was due to the following:

KPI	Reason
Assess passenger customer service	We aimed to improve the Airport Service Quality (ASQ) ranking of at least six airports in their respective size categories in the year, but managed to improve to the aspired level at only three of the airports. Increased competition between international airports led to a reduced correlation between increased customer satisfaction and an increased airport rating. We are assessing and investigating areas of improvement to address this challenge.
Enhance non-aeronautical revenue as a percentage of total revenue	An unintended outcome of the delay in the Permission Decision is a reduction in aeronautical tariff by 35%. Overall the Company's non-aeronautical revenue grew by 3% to R3.2 billion (2016: R3.1 billion), providing a 36.8% contribution compared to the targeted 48%. The Permission Decision impacted our revenue projections, however, the board acted decisively by taking cognisance of these changes while remaining focused on achieving profitable and sustainable operation.
Create job opportunities	Lower capital expenditure of 14% – R893 million (2016: R1.3 billion) and a 7% deficit in budgeted operational expenditure of R3.5 billion (2016: R3.2 billion) resulted in fewer job opportunities created than planned, a total of 24 018 (2016: 23 505) in the year.
Employee satisfaction survey	The employee satisfaction survey results of 3.31 (2016: 3.51) against the targeted 3.75 are reviewed against the background and context of the transition period to a new operating model during the financial year. The Company's leadership is committed to embarking on positive interventions to improve employee engagement and satisfaction levels in the Company.

Refer to page 66 for a dashboard outlining the performance of all our KPIs. 

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

OUR STRATEGIC EVOLUTION

Our strategy is designed to deliver value creation by leveraging our governance framework and operating model.

We began the official implementation of our new three-pillar strategy this year, namely to Run airports, Develop airports and Grow our footprint.

The governance framework and operating model is a key driver of all our operations. This model was developed through extensive internal collaboration driven by our leadership and considers the requirements of the future. The model has further standardised operations across the Company and is being ingrained through a structured transition programme focusing on critical elements such as roles and responsibilities, processes, governance, and culture.

Our outlook stretches well beyond our Vision 2025 objectives in terms of conceptualising who we want to be as a company, and how we impact society and the economy of South Africa. Refer to page 22 for our business model which encapsulates our value creation story.

Our commitment to uplifting the previously disadvantaged members of our society is unwavering and has recently been enhanced. The development of our seven transformation sector strategies for seven business elements aid our business development division to fulfil its mandate and effect positive transformational growth in our value creation process. Refer to page 50 for the sector strategies and our transformation approach.

PERFORMANCE BY STRATEGIC PILLAR

Revenue increased to R8.6 billion (2016: R8.3 billion) driven by increased passenger numbers and the delayed Permission Decision tariff. That said, the numerous accolades for infrastructure, customer service and cargo relations indicate that our performance was largely a result of a concerted effort to remain profitable during our strategic transition. Refer to page 10 for our recognition highlights table.

RUN AIRPORTS

Aeronautical revenue increased to R5.4 billion (2016: R5.2 billion) as a result of improved passenger numbers, particularly over the 2016 festive season. We broke records for passenger throughput with 20 001 961 (2016: 19 374 329) departing passengers recorded in the year.

Non-aeronautical revenue contributed R3.2 billion (2016: R3.1 billion) based predominantly on the performance of our customer-facing services and commercial revenue for the year. Car rentals performed well in the year despite economic tension reflected in lower corporate volumes. Alternative modes of transport adversely affected our car parking business segment and challenge our car rental partners. The Company's property portfolio grew in line with expectations and our core retail, advertising and property rental activities continue to reduce the impact of a challenging car parking business segment. Our transformation sector strategies include plans to evolve the non-aeronautical business. These are a landmark step in our quest to ingrain transformation and effect positive socio-economic impacts.

The formation of the South African Federation of Trade Unions (SAFTU) in April 2017 created intense competition in the country's unionised workforce. The changes impacted our trade union interactions, yet positive engagements continue, lending further stability to operational prospects in the medium to long term. Refer to page 87 for details of our engagement activities.

Fuel shortages (refer to page 73) and flash floods (refer to page 42) in November 2016 are just a few of the challenges that our team and partners worked tirelessly to resolve. Our dedicated employees, world-class infrastructure, digital systems and effective collaboration are the reason we continue to operate effectively in a world of continuous disruption.

Our positive interaction with law enforcement has resulted in some arrests of possible perpetrators of the cash-in-transit heist that took place at O.R. Tambo International Airport in March 2017. The Company takes safety and security seriously and continues initiatives such as Smart Security to provide additional levels of security and safety to our passengers and employees (refer to page 73).

DEVELOP AIRPORTS

South Africa's air transport infrastructure was recently ranked 10th out of 138 global economies in the World Economic Forum's Global Competitiveness Index 2016 – 2017. This achievement was an important contributor to the country's overall ranking.

We invested R893 million to further improve infrastructure and continue to analyse and evaluate a number of opportunities with various stakeholders. These initiatives dovetail into our long-term aspirations such as our Vision 2025 objectives which feature initiatives like our aerotropolis developments at O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport.

The year was characterised by improved business intelligence derived from a more thorough review of our internal systems, both operational and electronic. This analysis included interaction with external partners and allowed us to operate with an improved knowledge of our customers and our own strengths and weaknesses. An example is the APEX software development programme. This programme provides opportunities to our operations through digital monitoring and data extraction. Refer to page 79.

This data informed innovations such as our Smart Security initiative, the first on the African continent. We thank our security and IT teams for their efforts in delivering this added value. Refer to page 73 for details.

Technological developments continue in passenger-centric innovations and systems. For example, our departing international passengers will soon have a conveyor system for checking in hand luggage and a new scanning booth will allow swift security assessments for individual passengers. A handful of high-tech passenger security screening systems are in use globally, and we are proud to be at the forefront of innovation.

Another notable initiative is the improvement to our commercial contract policy from a supply chain management (SCM) perspective, allowing for more equitable tendering for business. Refer to page 89.

A significant initiative is the implementation of our supporting sector strategies for transformation (refer to page 50), providing guidance and support to targeted business areas.

GROW OUR FOOTPRINT

Our business development division has been entrusted with developing traffic routes and forming new partnerships to support our drive for improving non-core revenue generation. Local competition for domestic flights created a thriving market and additional routes. A notable contribution was made by Safair, whose market share increased from 1% to 11% over two years. Ensuring that partnerships and opportunities continue will be the core work of this skilled team.

In a move to enhance our brand internationally and share knowledge, the Company and Germany's Munich Airport extended their Sister Airport Agreement, initially signed in 2015. It now includes joint marketing activities to raise awareness of the partner airports in the respective countries, including exhibitions at airports, mutual links on websites and joint appearances at events. Refer to page 83.

OUTLOOK

Airports Company South Africa has been a leading provider of airport management services for more than 20 years and the Company's position remains sound despite a challenging and volatile external environment. Our outlook remains positive, primarily due to the effort placed in supporting our growth using our governance framework and operating model to drive our strategy. The operating model is enabled by a balanced group of business leaders, ready to take us into the next stage of growth.

It is unfortunate that the delay in the Permission Decision will create additional infrastructure pressure on our capacity to respond to the air traffic movements and passenger numbers at our main gateways, but we take pride in the work of our operations and executive teams who are introducing measures to counter potential negative customer experience and deliver an effective and consistent level of service.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

APPRECIATION

I would like to express my sincere thanks to our former Chairperson, Skhumbuzo Macozoma, who resigned in November 2016, for his leadership during his role as Chairperson. His tenacity and guidance laid the platform for several milestones that we can look back on today. To Roshan Morar, our acting Chairperson who has five years of experience having served on our board since 2012 – I look forward to your leadership, insights and contributions to the business. In December 2016 and January 2017, respectively, the Chief Operating Officer (COO), Tebogo Mekgoe, and Chief Financial Officer (CFO), Maureen Manyama, resigned. I thank them both for their service and dedication and wish them well in their future endeavours. We welcome Girish Gopal to the role of acting COO, and Dirk Kunz as acting CFO.

To our board, thank you for your counsel and guidance during a time of change, our spirited debates and actions remind me of our wealth of expertise and experience. To my former and current fellow executives, please receive my sincere thanks for your unrelenting focus on leveraging our strategy daily to achieve our definition of success. My thanks to our employees, passengers, customers and partners for your continued support.



Bongani Maseko

Chief Executive Officer





MATERIAL MATTERS

HOW WE VIEW MATERIALITY

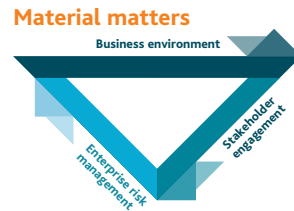
We view materiality in the context of the International Integrated Reporting Council's <IR> Framework definition. The Company considers matters to be material if they have the potential to substantially affect our ability to create and sustain value for our stakeholders in the short, medium and long term, and to support our strategic objectives.

MATERIALITY'S ROLE IN VALUE CREATION

In creating value for our stakeholders, we need to monitor and consider the matters that substantively impact our ability to deliver on our desired outcomes. Executing this efficiently supports our major shareholder, the government, in creating jobs and improving the socio-economic status of our country.

DETERMINATION PROCESS

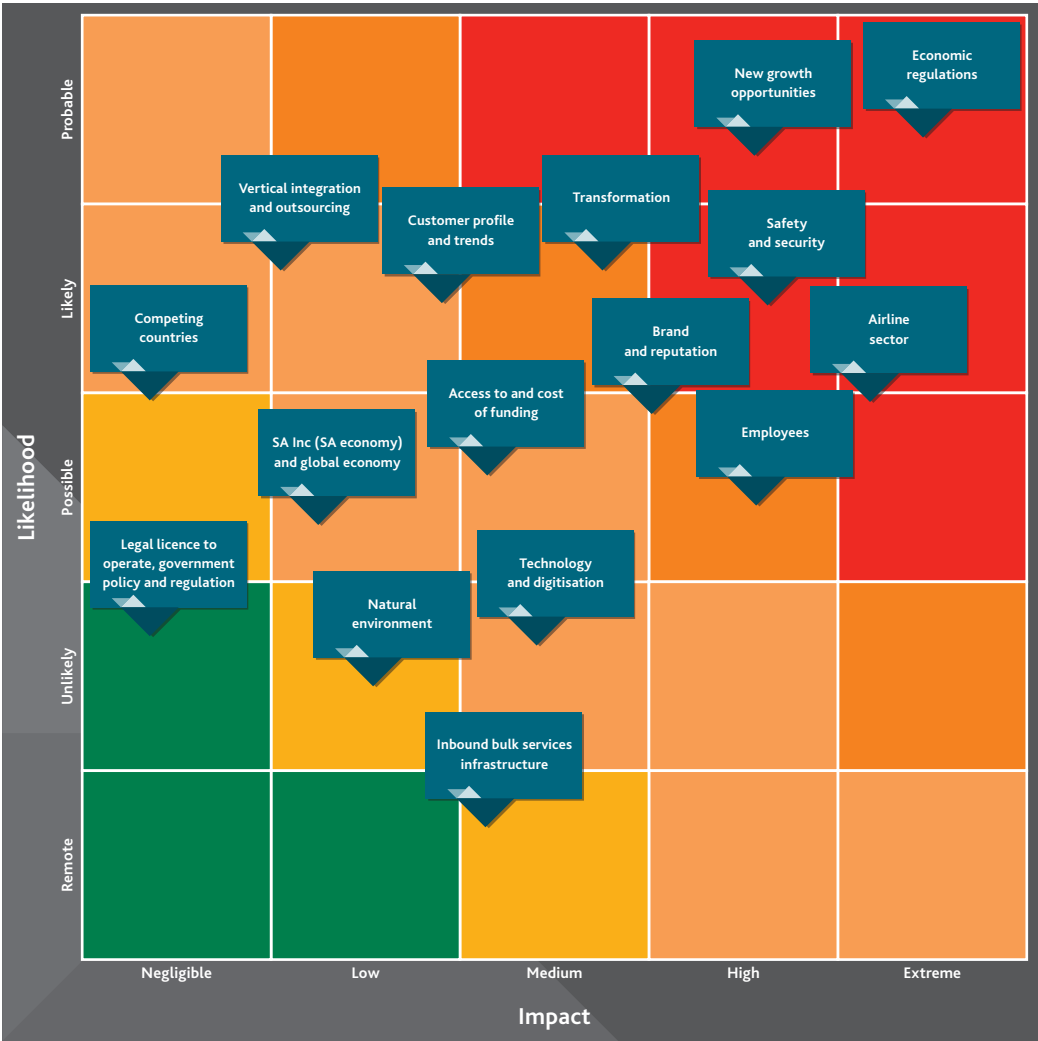
Our material matters are derived through an integrated assessment process depicted below. This ensures that relevant matters are identified and are consistent with how we view materiality. As part of our determination process, we interviewed executives to provide input on each material matter. This guided our material matter classifications, year-on-year movements and strengthened the depth of the process.



MATERIAL MATTERS CLASSIFICATION

Our material matters were assessed according to likelihood and impact on a heat map. We correlated information to assess the degree of relation and completeness against global trends, industry reviews, media searches and a peer analysis. Our executives individually reviewed the material matters heat map to assess relevance and to ensure its completeness and accuracy. This resulted in the identification of some additional matters, and subtle movements to the likelihood and impact axis of existing matters. This robust analysis is reflected in the heat map below with explanations of significant year-on-year movements in the table overleaf.




MATERIAL MATTERS HEAT MAP



MATERIAL MATTERS CONTINUED

MATERIAL MATTERS CONTEXTUALISATION

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

Material matter and ranking	Description	Change year-on-year in:	
		Impact	Likelihood
1. Economic regulations	Airports Company South Africa's business and infrastructure development is highly dependent on the promulgation of appropriate tariffs by the Economic Regulator.	↔	↔
2. New growth opportunities 	The importance of a diversified business for revenue and growth is increasing for Airports Company South Africa. Non-core revenue diversification provides lower reliance on traditional business areas such as aeronautical revenue, helping to reduce concentration risks.		
3. Safety and security	As a national key point, the risk of terror attacks, crime and various security threats have the potential to significantly affect operations of airports and airlines, as well as the country. Further risks include, but are not limited to, aircraft crashes, accidents, diseases and cyber-attacks.	↔	↔
4. Airline sector	Airlines are business partners whose operations directly affect our sustainability as they carry passengers and cargo to our airports. The viability and success of the airline sector ultimately drives the volumes that sustain and grow Airports Company South Africa's business.	↔	▼
5. Transformation	The Company views transformation as a legislative and ethical requirement of successful business operation and growth.	↔	▲
6. Employees	Employing the right people with critical skills enables the Company to execute our strategy while embracing transformation and developing people. As our strategy and operating model evolve, we need to acquire and retain the right skill sets to ensure continuing business momentum.	↔	▲
7. Brand and reputation	Our reputation is the collective perception and experience that stakeholders develop by engaging with the Company. Our good reputation provides technical and advisory service opportunities at non-Company airports. The risk of a poor reputation exists from poor service by the Company, ineffective operation, scandal and negative perceptions. Actions or perceptions of partners such as airlines or the South African brand may also affect our status.	▼	▼
8. Customer profile and trends	This matter relates to understanding the continuously evolving profile of our customers and their needs to provide service that meets and surpasses expectations to remain an airport provider of choice. Poor review of customer trends and needs could lead to mismatched offerings and a high risk of dissatisfaction, adversely affecting revenue and reputation.	▼	▼



Decrease



Unchanged movement



Increase



New material matter

Monitoring and responding to our material matters

Economic regulations provide certainty for our business and we welcome the tariff promulgation in December 2016. It was effective from 1 April 2017, applying to the next three financial years (2018, 2019 and 2020). The new permission cycle is underway and we will continue to proactively engage with relevant stakeholders. Refer to page 65.



The Company actively seeks business development opportunities in South Africa, Africa and internationally to provide additional revenue streams to support our aeronautical and non-aeronautical activities. The primary focus is to use business intelligence, technical advisory and consultancy services, process knowledge and other expertise to secure contracts that enable the growth of our footprint.

Our prior activities were further aligned through our business development strategy to obtain and tender for new opportunities. Refer to page 81.



Although it remains paramount to our success, this material matter reflected an unchanged position year-on-year as a result of consistent interaction with law enforcement partners and continuous security advancements. Airports Company South Africa has prevention and threat response procedures in place to deal with an emergent crisis and ensure the continuity of operations. As a result, the incident that happened in ORTIA in March 2017 did not interrupt the operations.

Stable relationships with airlines and additional entrants are increasing levels of competition, leading to reduced airfare, increased air traffic movements and more routes. The Company positively engages with such partners and actively develops routes through our business development division. Refer to page 81.



The increased likelihood is linked to operational and country imperatives intensifying the importance of this business element. We support the socio-economic upliftment of South Africans and strive to contribute towards a skilled and diverse population to meet our business needs and those of the country.

The Company implemented sector-specific transformation sector strategies to further guide development. Refer to page 50.



Formerly the *People* material matter in 2016, the increased impact is a result of the importance that our employees will play in leveraging the new governance framework and operating model. Our support for employees and their children (e.g tertiary study assistance) allows the Company to empower people and support the skills requirements of South Africa while enabling our own potential. Monitoring occurs through internal interactions including an annual employee satisfaction survey.

The Company's brand embodies our reputation and identity as a pre-eminent airport operator in the developing world. Reduced intensity due to renewed corporate affairs and stakeholder relations strategies to empower external responsiveness and proactive engagement. Refer to page 43. The Company uses a range of stakeholder engagement surveys and reports to monitor and evaluate our brand and reputation.




















Monitoring and control remains effective. This includes travel preferences, analysing where customers spend their time and money within an airport, and the role of technology in providing access to information and automation. Improved business intelligence from electronic systems allows the Company to accurately map passenger profiles and trends. Collaborative information sharing with partners is being piloted to improve the overall customer experience at our airports. Refer to page 79.



MATERIAL MATTERS CONTINUED

MATERIAL MATTERS CONTEXTUALISATION CONTINUED

Material matter and ranking	Description	Change year-on-year in:	
		Impact	Likelihood
9. Access to and cost of funding	An inability to obtain affordable funding necessary to develop facilities and expand operations would inevitably lead to congestion of our major airports. Due to the related nature of credit ratings, any downgrade of the government's credit rating might result in a similar downgrade of the Company's rating, negatively impacting access to affordable funding.		
10. Technology and digitisation	All forms of technology including, but not limited to, the internet of things, automation, disaster recovery systems, digital integration and information management. Poor innovation and awareness provide an inherent operational risk, while effective use of technology and digitisation provide opportunities for business improvement and customer satisfaction.		
11. Vertical integration and outsourcing 	Opportunities exist to vertically integrate the operations of the Company to further participate in the value chain for airport activities (e.g. advisory services on airport operations).		
12. Inbound bulk services infrastructure	Inbound bulk services infrastructure comprises vital utilities that impact our ability to operate successfully. Infrastructure such as electricity, water, fuel and transport networks have the potential to significantly impact operations.		
13. SA Inc (South African economy) and global economy	Global economic trends and fluctuations have the potential to impact currency strength, economic growth and various economic conditions of the airline sector, and our country's and the global economy.		
14. Natural environment	Environmental impacts include appropriate natural resource usage and outputs (water and electricity usage, CO ₂ emissions and waste). This matter further includes initiatives that improve usage (photovoltaic power and water-saving initiatives) and considers climate change events that may impact operations, such as severe storms that may hinder safe take-off and landing, or floods that damage infrastructure.		
15. Competing countries	Competition from airports in Africa remains a challenge, especially those in west and east Africa. These competing hubs may cause a loss of traffic volume and revenue, and ultimately the erosion of airport sustainability.		
16. Legal licence to operate, government policy and regulation	Legislation, laws, policies and regulations directly impact our operations due to the need for compliance and their effect on business activities. Non-compliance could jeopardise operations and lead to legal ramifications, while compliance promotes our reputation as a responsible corporate citizen. In addition to compromising our licence to operate, poor monitoring and adherence to regulations and policies may also carry financial penalties.		

Monitoring and responding to our material matters

Lower impact as a result of increased certainty of future tariffs through the promulgation of the Permission Decision. Notably, South Africa's credit rating downgrade in the first quarter of 2017 to *Junk* status resulted in the Company's issuer rating being downgraded in June 2017.

Formerly *Digitisation* in 2016. We monitor digital systems, emerging technology-related matters, often referred to as "the fourth industrial revolution", and technology disruptors that may impact traditional business models. The Company performs routine maintenance on our digital infrastructure with upgrades as necessary. Likelihood reduced as a result of digital infrastructure enhancements and growth year-on-year. Refer to page 53.



Combined with the *Value chain trends* material matter from 2016. The Company actively monitors opportunities through our business development division. The nature of this material matter links it closely to our *New growth opportunities* material matter, leading to increased impact and likelihood year-on-year.

Decreased impact and likelihood as a result of infrastructure stability and investment over the last few years. Refer to page 53.



The Company routinely reviews and acknowledges important economic movement. There is a transition from austerity towards growth globally, however, the transition is slow in emerging economies like South Africa. GDP growth for the country is forecast at 1.1% for 2017, compared to 0.8% in 2016, and 1.3% in 2015. The 2016 GDP was the lowest rate of growth since 2009. Overall, South Africa is projected to remain largely below the average growth rate of 4.5% for sub-Saharan Africa in 2017. The increase in likelihood is as a result of political, social and global impacts on the economic operating environment of South Africa.

The impact of the material matter increased in relation to weather patterns, particularly with growth in air traffic movements, airline routes and passenger numbers. The slight decrease in likelihood is based on consistent environmental monitoring and management. Refer to page 76.



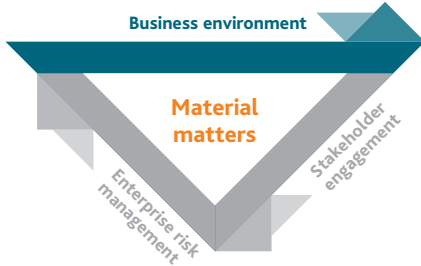
Airports Company South Africa pursues business development opportunities to further our reach. We position our airports as preferred gateways into Africa, primarily through the advantage of being multi-modal transport hubs. The decreased impact is based on good relationships with cargo movers, improved route development and competitive infrastructure at our top-three international airports. Refer to page 72.



This remained unchanged as no major changes in policy or regulation were experienced that could impact our value creation process in the short, medium and long term. We conduct ongoing monitoring and compliance activities through our relevant responsible divisions.

MATERIAL MATTERS CONTINUED

Business environment



Our business environment is assessed at internal and external levels.

The process involves consideration of possible macro-economic and micro-economic effects on our business and environment. It includes an assessment of possible effects on our stakeholders or ourselves. The opportunities presented by the impacts and level of risk are analysed in the process. To contextualise the results of this analysis, below are the significant business environment factors in our materiality process.

Economic Regulator

In December 2016, the Economic Regulator approved a three-year Permission Decision that lends further stability to our operating horizon for the future. The stability provided creates a base from which the Company will plan, both financially and in terms of infrastructure prospects. Refer to



Challenging economic environment

Slow economic growth, high inflation and high levels of unemployment in the country persist. The sovereign credit rating downgrade placed additional stress on our currency and credit profile. The economic operating environment remains challenging, however, increasing airline competition resulted in lower domestic airfares. A favourable

foreign exchange rate resulted in improved international passenger numbers and additional airline routes (refer to page 82). Despite the positive impact of passenger growth, revenue growth is expected to be countered by the tariff decision based on a 35% decrease in the next financial year. As a result, the Company will allocate capital and investments more efficiently while aligning to the measures in place set by the National Treasury.



Social environment

Airports Company South Africa operates in an economically strained social environment. We work with partners to make airline access affordable and to improve skills development for our benefit and for the benefit of our country. We engage with society at large in our value creation process in tune with the needs of our partners.

Technology

As with adoption and demand needs globally, technology and digitisation remain a critical part of our business. The need to be responsive to our customers' needs and innovate with concepts such as smart phone technologies remain a business imperative. The functionality and improvements that technology provides will leverage our position as a world-leading airport business. We have invested in new technological solutions and are in the process of piloting an advanced Smart Security system to bolster our security with technological advancements. More details are available on



Natural environment

Extreme weather conditions in the last year tested the strength of our infrastructure and ability to recover and operate safely. During flash flooding at O.R. Tambo International Airport in November 2016, the safety of passengers was kept foremost, resulting in necessary diversions of airlines. Our world-class infrastructure and disaster

management protocol allowed the airport's full operational recovery within 24 hours of the event.

Refer to page 74 for details.

Remaining vigilant in our approach to preparing and dealing with such events will allow us to mitigate impacts. We remain cognisant of our environmental responsibilities and seek to reduce the impact of our operations through water, electricity and waste reduction efforts, among others. Refer to pages 76 and 77 for details.

Supply chain management (SCM)

Airports Company South Africa experienced some challenges with SCM activities in the year, leading to negative brand and reputational damage. The forensic audit investigation was partly due to some concerns in this area. The assimilation and rationalisation of SCM activities as per the governance framework and operating model are the approach sought for aligning current and future activities. The support of our digitisation teams and operational leaders will support this transition. Refer to page 87 for an overview of the material developments and performance.

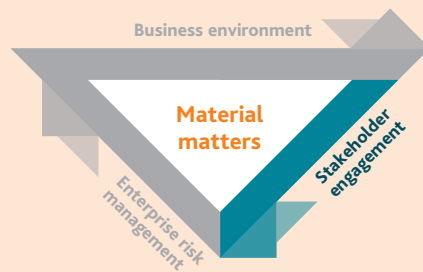
Stakeholder engagement

Stakeholder engagement is a fundamental part of our business and key to building a strong reputation. To deliver on our objectives and Vision 2025 outcomes, partnerships with key stakeholders are paramount. This part of our business goes beyond a "licence to operate" and aligns to our broader mandate as an SOC and our development mandate for the country.

How our stakeholder engagement has changed

To advance our relationships with stakeholders, we developed a new stakeholder relations strategy that focuses on delivering operational benefits in addition to the strategic benefits originally targeted by the strategy. This includes a fluid and proactive approach to engagement instead of the primarily reactive stance held previously. Continuous engagement with our internal and external stakeholders is a significant component of this refined strategy, reflected in the multi-level engagement plans developed for executives, general managers and the implementation of a multi-stakeholder perception survey. The Company will drive the integration of this stakeholder relations strategy through the Company's leaders and by appointing stakeholder engagement champions. They will be measured according to defined KPIs related to stakeholder engagement.

Internal awareness and support are developed through workshops and various interactions to position the strategy effectively for implementation in line with our governance framework and operating model. This model prioritises stakeholders and emphasises effective and continuous stakeholder relations. We are investigating stakeholder relations KPIs in all employee performance contracts to ensure adoption and application at all levels.



MATERIAL MATTERS CONTINUED

How we view our stakeholders in our value creation process

Our stakeholder universe is broad and unique. The table below outlines our stakeholders and their material expectations and concerns in line with our material matters and KPIs.

Our stakeholder category	Social responsiveness		Industry	
Our stakeholder clusters	Dependent	Independent	Partners	
Our stakeholders	Community, NGOs and environmentalists	Media and special interest groups	Associations, partners, professional bodies, joint venture partners, competitors, tourism bodies	
Examples of nature of engagement	Investment in socio-economic development programmes Website and events Stakeholder meetings and task team forums	Brand awareness, networking and stakeholder hospitality	Providing input for International Civil Aviation Organisation (ICAO) regional bodies, African Civil Aviation Commission Meeting with airline associations	
Examples of expectations and concerns	Job creation and community development	Airline liquidations Sustainability Safety and security incidents, business performance and customer satisfaction	Long-term industry sustainability, compliance with regulator licensing requirements Industry safety and security	
Benchmarking or assessment	RepTrak®	RepTrak® ASQ	RepTrak® Operational stakeholder survey	
Link to KPI	<ul style="list-style-type: none"> › Create job opportunities › Promote employment equity › Grow black business share of commercial revenue generated › Grow black business share in operational and developmental spend › Achieve B-BBEE Level 4 › Attain an ACI carbon accreditation 	<ul style="list-style-type: none"> › Increased reputation index measure › Attain an ACI carbon accreditation 	<ul style="list-style-type: none"> › Grow regional airport departing capacity › Increase O.R. Tambo International connectivity index › Increased reputation index measure › Assess airport operations service and interactions by our airport operations and commercial stakeholders 	
Link to material matters	<ul style="list-style-type: none"> › Transformation › Vertical integration and outsourcing › Employees › Natural environment 	<ul style="list-style-type: none"> › Brand and reputation 	<ul style="list-style-type: none"> › Safety and security › Legal licence to operate, government policy and regulation 	

Enabling		Value creation	
Capital and funding providers	Policy economic regulation and licence to operate	Input	Output
Shareholders, investors, lenders, rating agencies	Government, Economic Regulator, various regulators	Employees, unions, suppliers	Passengers, airlines, tenants, suppliers
Roadshows, results presentations and AGMs Rating reviews Meetings with institutional bond holders, funders, investors	Quarterly reviews with Economic Regulator Reports and engagements with the Department of Labour	Employee roadshows and collective bargaining structures. Preferential procurement programmes and tender processes for suppliers.	Airline operating committees Social media, and ASQ programmes for passengers
Financial performance, strength and dividends Competitive risk profile and compliance with terms and governance	Long-term industry sustainability and licence to operate Alignment to government mandates and programmes (e.g. NDP) Compliance for regulators	Fair and transparent remuneration with job security and career progression Transformation, fair price and ease of doing business for suppliers	Negotiated low airport charges for airlines Access to infrastructure, support and information for tenants Understand passenger market needs, safety and security for passengers
Assurance of annual financial statements Rating agency assessments RepTrak®	RepTrak®	RepTrak® Leadership Culture Index Employee satisfaction survey	RepTrak® Operational stakeholder survey ASQ
<ul style="list-style-type: none"> › Deliver return on equity (ROE) (Group) 	<ul style="list-style-type: none"> › Create job opportunities › Promote employment equity › Grow black business share of commercial revenue generated › Grow black business share in operational and developmental spend › Achieve B-BBEE Level 4 › Increased reputation index measure 	<ul style="list-style-type: none"> › Positive employee satisfaction survey results › Promote employment equity › Positive Leadership Culture Index results 	<ul style="list-style-type: none"> › Grow regional airport departing capacity › Increased reputation index measure › Assess passenger customer service › Assess airport operations service and interactions by our airport operations and commercial stakeholders
<ul style="list-style-type: none"> › Economic regulations › Access to and cost of funding › Airline sector › Transformation › SA Inc (SA economy) and global economy › Legal licence to operate, government policy and regulation › Vertical integration and outsourcing 	<ul style="list-style-type: none"> › Transformation › SA Inc (SA economy) and global economy › Legal licence to operate, government policy and regulation › Economic regulations 	<ul style="list-style-type: none"> › Transformation › Vertical integration and outsourcing › Employees › Inbound bulk services infrastructure 	<ul style="list-style-type: none"> › Safety and security › Airline sector › Customer profile and trends › Brand and reputation › Transformation › Vertical integration and outsourcing › Inbound bulk services infrastructure › Technology and digitisation › SA Inc (SA economy) and global economy › Legal licence to operate, government policy and regulation

MATERIAL MATTERS CONTINUED

Our assessments

The Company uses a number of survey and analysis techniques to achieve results.

Leadership Culture Index

We believe that the quality of leadership influences employee engagement and, consequently, the productivity of our employees. The Company measures the quality of our leadership through the Leadership Culture Index to intervene should it fall below expectation. Leaders are assessed by subordinates per a set of questions using a rating scale. Every line manager receives feedback based on their performance. At an organisational level, we will identify areas where our leaders require growth and development to implement the required interventions.

Airport Service Quality

Airport Service Quality (ASQ) is a programme operated by the Airports Council International (ACI). The globally benchmarked programme measures passengers' satisfaction while they are travelling through an airport on a scale of one (poor) to five (excellent). Airports are individually assessed.



Refer to page 17 for our scores.

Employee satisfaction survey

The annual employee satisfaction survey provides the Company with feedback on the state of employee comfort in areas such as working environment, career management, values of the business, leadership and customer service levels. The decrease to 3.31 (2016: 3.51) indicates a decrease in levels of satisfaction, noting that the review was conducted against the background and

context of the Vision 2025 strategy design and transition period to a new governance framework and operating model. We are reviewing and assessing the decrease.

Operational stakeholder survey

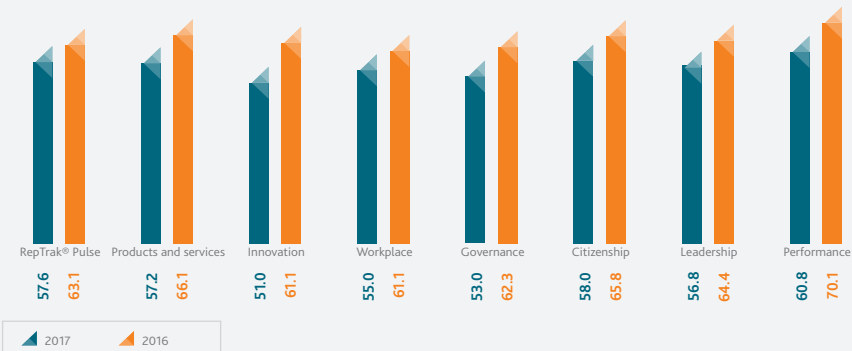
This is an annual survey assessment of our airport operations service and interactions by our airports and commercial stakeholders. Survey assessment data collection and results are managed by an external company. The Company score is calculated based on a weighted average approach from one (poor) to five (excellent), using the passenger count as the basis. Our rating was maintained at 3.7 (2016: 3.7) exceeding our target of 3.6 for the year.

RepTrak®

Reputation Institute's RepTrak® survey is an independent stakeholder reputation assessment done every four years to assess stakeholder perception. In our 2016 report we included feedback on our reputational health (a survey undertaken in 2013), which validated our activities to enhance stakeholder engagement. The results further provided executive management with an opportunity to reflect on how strategy and related initiatives should be geared to materially respond to stakeholder needs through a new stakeholder relations strategy. The result reflects the overall improvement of our RepTrak® rating to 63.1 (2013: 57.6), which is a testament to being responsive to our stakeholders' legitimate needs and concerns. The survey comparison that follows demonstrates progress between the two surveys according to the seven pillars used in the survey.

DIMENSION SCORES: OVERALL STAKEHOLDERS

2013 versus 2017



We acknowledge that, although our score has improved, the survey still indicates opportunities to enhance our engagement and performance. The survey revealed that governance, citizenship and leadership (which account for 50% of our reputation) drive the Company's reputation.

Effective stakeholder engagement supports the Company in developing partnerships that increase stakeholder satisfaction and create mutually beneficial relationships.

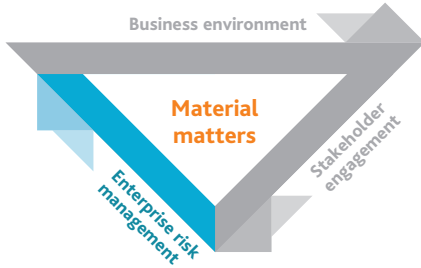
The findings of the RepTrak® survey provide an objective stakeholder perception of the Company and the study demonstrated alignment with our material matters heat map, with specific reference to the stakeholder segments that scored the lowest, airlines and governing agencies and regulators. In addition to focusing on improving interaction with these two stakeholders through the stakeholder relations strategy, we will seek to maintain and enhance our reputation with all stakeholders.



Going forward, we will take cognisance of RepTrak® and ensure that stakeholder needs remain at the heart of our business operations, while creating more platforms for ongoing positive interaction.

MATERIAL MATTERS CONTINUED

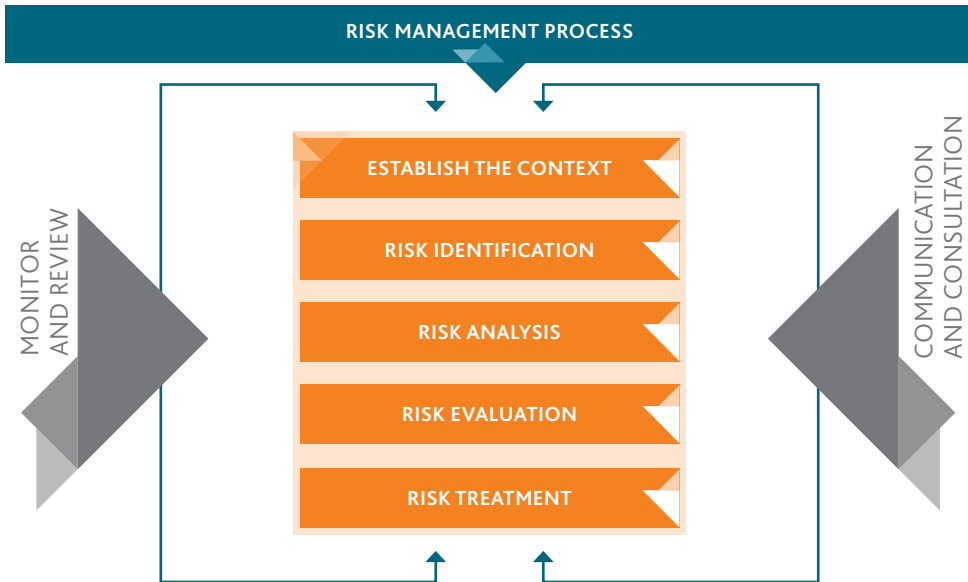
Enterprise risk management



The board is responsible for the governance of risk.
The audit and risk committee is the delegated board

committee responsible for governance and effective risk oversight.

The Company's key risks and opportunities are continuously monitored through our enterprise risk management process which includes an annual review by our internal audit division. The process is based on the outcomes of best practice reviews, annual maturity assessments and continuous interaction with our governance structures, including executives, executive committees, sub-committees and the audit and risk committee. The board vets and monitors operational and residual risks on a strategic register. Our risk management process remains unchanged and aligns to ISO/SANS 31000 methodology.



The Company applied the following parameters in forming the risk management process:

- › The foundation principles of the PFMA
- › The Companies Act
- › The International Standards Organisation (ISO) 31000:2009
- › Guidelines from various international risk management benchmarks

The framework is based on current best practice and will be adapted through ongoing benchmarking and networking.

We focused on disclosure of year-on-year changes and the reasons for the movement. The table that follows provides a view of the top five key risks (Priority I being critical risks, and Priority II being significant risks) with a description, of the risks and year-on-year movement if applicable. We linked these risks to the relevant material matter and strategic response. These responses indicate possible opportunities and proactive actions. Refer to the enterprise risk management supplementary report (on request) for information on our 13 risks.

Top five key risks

Risk title	Risk description	Rating in 2017	Rating in 2016	Response to risks and opportunities	Related material matter	KPI link
1. Regulatory	Adverse and/or delayed decisions by the Economic Regulator as a tariff business	I	I	Continued active participation in the Department of Transport's Economic Regulatory Review Process through the steering committee and project team to ensure the Company's objectives are considered. The Permission Decision tariff was in line with Airports Company South Africa's expectations and was factored in the business planning process.	Economic regulations	Create value for our shareholders
2. African strategy	Fragmented approach to the development of, and expansion into the African market	I	New	The business development strategy was created. Its investment framework includes an African strategy. This approach acquired all necessary approvals with core markets identified for business development focus.	Competing countries New growth opportunities	Promote regional integration Provide connectivity to the regions we serve
3. Revenue concentration	Concentrated revenue profile (e.g. aeronautical revenue)	I	New	A strategy was developed to create alternative revenue streams such as concessions. The strategy acquired necessary approvals. We are exploring various opportunities and partnerships.	New growth opportunities	Create value for our shareholders Diversify the business portfolio
4. Skills	Inability to attract, develop, retain and appropriately develop critical skills	II	II	The Company implemented the Remuneration Parity Project to better enable fair, transparent and equitable pay decisions. A succession management framework is in place, supported by a competency framework to assess skills in line with our objectives. Initiatives include company culture development, young talent programmes and bursaries.	Employees	Foster a positive employee workforce
5. Transformation	Failure to exploit the Company's status and strategic development plans to promote transformation	II	II	The Company's transformation policy was approved and seven sector strategies were developed to aid our transformation activities. Refer to pages 51 to 54 for our transformation model.	Transformation	Maintain and improve our contribution to B-BBEE Support black entrepreneurs

Most new risk elements are linked to our business development strategy, which was effected in the year. The associated risks and opportunities received increased attention to ensure our plans to grow our footprint are well positioned.

Future outlook

The country's sovereign credit rating downgrade by the credit rating agencies placed additional emphasis on the security of funding as a material risk and an opportunity for innovation. Our revitalised business strategy presents an opportunity to innovate our approaches to be more responsive to managing critical emerging risks, such as digitisation, which is transforming the way we do business in Africa and internationally.



TRANSFORMATION

A row of silver metal luggage trolleys with blue handles, receding into the distance at an airport terminal. The trolleys are arranged in a perspective line, leading the eye towards the background. The background is slightly blurred, showing the structural elements of an airport terminal. The overall color palette is dominated by the silver of the trolleys, the blue of the handles, and the warm brown tones of the geometric overlays in the corners.

TRANSFORMATION

TRANSFORMATION IN ACTION

Airports Company South Africa is committed to developing the socio-economic status of previously disadvantaged South Africans. Our transformation initiatives look beyond legislation and focus on tangible development to strengthen our democracy.

We are committed to the transformation imperatives of the National Development Plan and seek to aid the eradication of poverty through various programmes and initiatives. Socially, we position ourselves in a manner that guides development while embodying equality and fairness.

The Company's and country's needs inform our transformation model and activities, which directly relate to our strategy.

STRENGTHENING OUR DEMOCRACY

Our
transformation
activities focus
on enhancing
South Africa's
democracy.

TRANSFORMATION IMPERATIVES

Align with the government's
focus areas.

SOCIAL IMPERATIVE

Design and implement socio-economic activities that will empower our communities to ultimately lead better lives.

MORAL IMPERATIVE

Create fair, transparent, equal opportunities for the economically active population and eliminate unfair discrimination.

ECONOMIC IMPERATIVE

Develop small, medium and large-sized businesses with a broad objective of changing the face of business at Airports Company South Africa to reflect South African demographics.

SUSTAINABILITY FRAMEWORK

The framework guides the decisions and actions of our strategy



OUR BUSINESS

Increase our reputation, improve passenger experience, increase stakeholder satisfaction, increase airport traffic and diversify our business.



OUR PEOPLE AND SOCIETY

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



OUR ENVIRONMENT

Minimise our environmental impact and strive to be carbon neutral.



TRANSFORMATION AGENDA

Our transformation agenda and its policies underpin our seven sector strategies. Our policy outlines directives to be attained by 2020:

- › Align our business to reflect the demographics of South Africa towards economic equality
- › Assist people living below the poverty line to participate in mainstream economic growth
- › Promote equality and mitigate imbalances

TRANSFORMATION SECTOR STRATEGIES

These support strategies were developed to ensure that transformation is effected in our business operations. These support strategies are continuously evolving in line with best practice.



IT



IT enables the Company's growth and focuses on:

- › Passenger experience;
- › Social and mobile engagements;
- › Intelligent business and optimisation; and
- › Digital infrastructure development.

Construction



Airports Company South Africa develops shareholder value by creating world-class facilities. Over the next 10 years, our infrastructure development programme will:

- › Create value for our shareholders;
- › Enhance our reputation;
- › Provide efficient and cost-effective development;
- › Use efficient development channels and opportunities; and
- › Improve the efficiency of our assets.

Property



In the next five years, we will develop 1 000 hectares of serviceable land at our nine airports. This will provide gross income of R3 billion per annum. Key elements of the strategy are:

- › Land opportunities;
- › Service provider partnerships;
- › Tenant negotiations (we secure tenants through bidding; and long-standing relationships are a barrier to entry for new developers, particularly B-BBEE entities); and
- › Obtaining appropriate funding.

Retail



The Company aims to increase non-aeronautical revenue to 55% of total revenue by 2020, and grow retail revenue from R1 billion to R2.7 billion by 2025. This will be achieved by increasing spend per passenger by:

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

Advertising



Airports Company South Africa intends to increase annual advertising income from R200 million to R300 million. We will achieve this by changing our business model to unlock revenue potential. The strategic objectives are to:

- › Provide high return on investment for advertisers;
- › Declutter airports and leverage advertising to obtain optimal income;
- › Invest in digital advertising opportunities; and
- › Maximise income by enhancing the passenger journey

Car rental



Positioning car rental facilities at optimal locations at our airports will increase revenue and make car rental the dominant mode of transport at our facilities. This will result in us maintaining approximately 60% of car rental transactions in the country. To achieve this, we will:

- › Attract high-quality operators and brands;
- › Design world-class facilities; and
- › Structure win-win contracts.

Baggage handling



Airports Company South Africa provides effective airport handling services to airline operators. This includes ramp handling (such as water services and bussing), and passenger and crew handling. These services are outsourced, and new contract awards will give preference to black-owned businesses.

CHANGE MANAGEMENT APPROACH

We have a three-step process to embed transformation:

1. Create awareness about the change and methodology.
2. Agreement and accountability for change process, specifically through systems and skills development.
3. Ownership and implementation, leading to accountability.

RESULTS DESIRED

The seven sector strategies will positively influence the South African economy to support the previously disadvantaged.

OUTLOOK

Effective transformation is an ethical component of good governance, and we will strive to develop leaders as representatives of permanent culture change. In the short and medium term, our sector strategies will be further mobilised and resourced to deliver on the transformation agenda and integrated transformation. In the long term the Company will continue stimulating self-sustaining and competitive black-owned businesses to deliver on the government objective of empowered and transformed companies.

Key milestones

MAY 2016

The Company hosted a transformation enablers conference with external stakeholders to develop awareness. This conceptualised our sector-specific transformation strategies.

AUGUST 2016

We officially launched the transformation sector strategies after board approval.

OCTOBER 2016

Our integrated approach to ratings included internal assessment and external verification of B-BBEE ratings. This promoted awareness of transformation achievements and requirements, which positively impacted our culture.

NOVEMBER 2016

Participated in developing content for the aviation paper shared with a range of stakeholders at the DoT Indaba conference.

NOVEMBER TO DECEMBER 2016

The Company presented its transformation agenda at the Advertising Summit (November) and Car Rental Forum (December). The sessions focused on engaging with suppliers and ensuring understanding of our strategic commitment to affecting change.

FEBRUARY 2017

The Company engages with stakeholders through the DoT forum meeting. The forum focused on the youth, gender, and people with disabilities. In partnership with the forum, focus areas for each are being formulated for 2018.



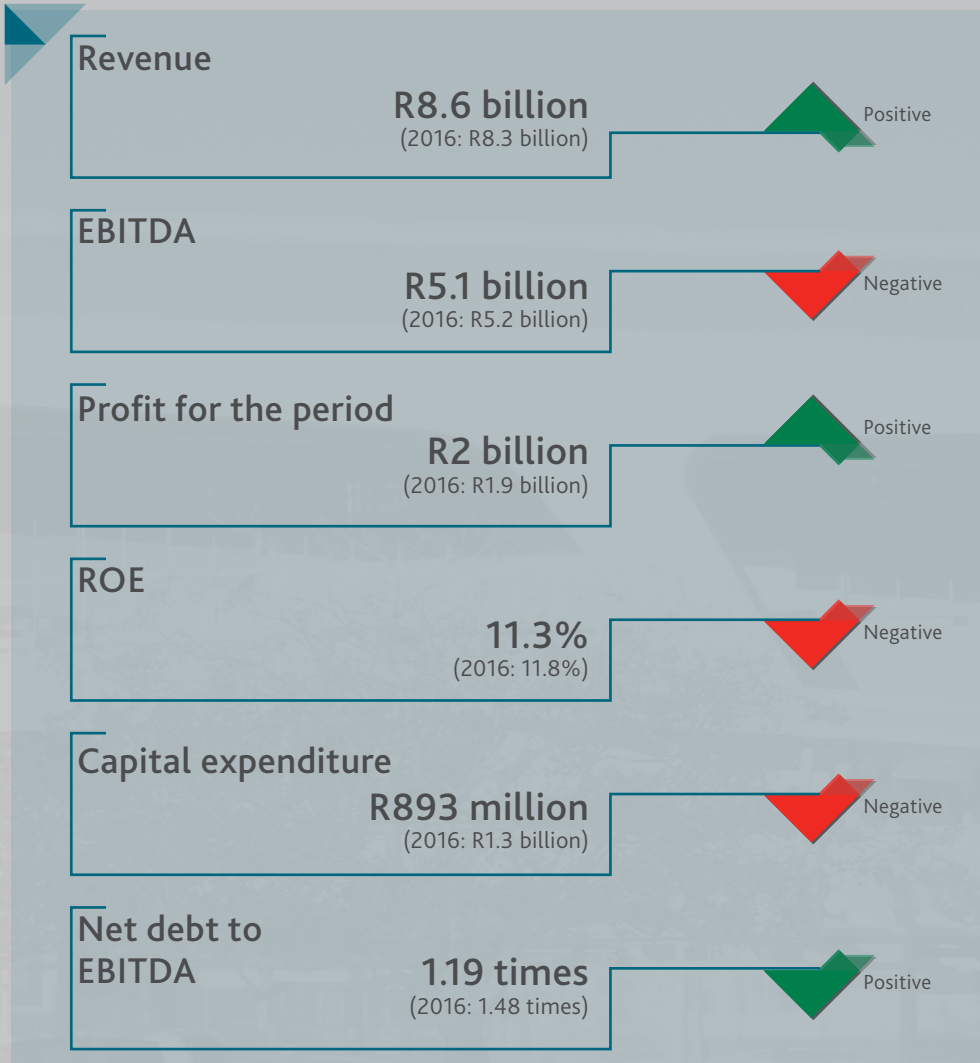
MESSAGE FROM THE CHIEF FINANCIAL OFFICER

“The **Company** continued to deliver **stable results** in a challenging and dynamic economic environment.”

FINANCIAL RESULTS OVERVIEW

The Company's positive financial performance in a challenging and dynamic economic environment continued this financial year. Revenue increased by 3.4% to R8.6 billion (2016: R8.3 billion), driven primarily by traffic volume increases of 3.2%. This allowed the Company to achieve a return on equity of 11.3% (2016: 11.8%). The Company acknowledges that a major contributor of this performance was the two-year delay to the Permission Decision that kept airport charges at the same levels as the previous two years.

PERFORMANCE AT A GLANCE



Overleaf is an overview of our annual financial results and position, including abridged results and commentary analysis. Our Group annual financial statements can be accessed at www.airports.co.za



MESSAGE FROM THE CHIEF FINANCIAL OFFICER CONTINUED

ABRIDGED STATEMENT OF FINANCIAL POSITION

The Group's total assets increased to R30.2 billion (2016: R29.9 billion) with investment properties comprising 18.3% (2016: 16.6%), and cash and short-term investments 10.7% (2016: 7.1%).

Figures in rand thousand	Financial year		Movement	
	2017	2016	R'000	%
ASSETS				
Non-current assets	25 817 728	26 634 400	(816 672)	(3)
Property and equipment, investment properties and intangible assets	24 386 165	24 394 393	(8 228)	0
Investments in associates and joint ventures	1 173 748	1 909 394	(735 646)	(39)
Other non-current assets	257 815	330 613	(72 798)	(22)
Current assets	4 351 985	3 236 066	1 115 919	35
Investments and cash and cash equivalents	3 246 016	2 129 668	1 116 348	52
Other current assets	1 105 969	1 106 398	(429)	0
Total assets	30 169 713	29 870 466	299 247	1
EQUITY AND LIABILITIES				
Equity	19 033 249	17 163 476	1 869 773	11
Non-current liabilities	8 848 819	9 356 154	(507 335)	5
Interest-bearing borrowings	8 268 457	7 914 261	354 196	4
Other non-current liabilities	580 362	1 441 893	(861 531)	60
Current liabilities	2 287 645	3 350 836	(1 063 191)	32
Total liabilities	11 136 464	12 706 990	(1 570 526)	12
Total equity and liabilities	30 169 713	29 870 466		

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

The Group's profit after tax increased by 11% to R2 billion (2016: R1.8 billion).

Figures in rand thousand	Financial year		Movement	
	2017	2016	R'000	%
Revenue and other operating income	8 653 602	8 372 534	281 068	3
Employee costs	(1 345 636)	(1 185 791)	(159 845)	(13)
Operating expenses	(2 204 721)	(1 977 437)	(227 284)	(11)
EBITDA	5 103 245	5 209 306	(106 061)	(2)
Fair value gains on investment properties	483 286	326 754	156 532	48
Depreciation, amortisation and impairments	(1 270 333)	(1 307 885)	37 552	3
Loss from equity-accounted investments	(1 017 103)	(690 435)	(326 668)	(47)
Net finance expense	(750 684)	(904 454)	153 770	17
(Losses)/gains on property and equipment	(9 603)	546	(10 149)	100
Profit before tax	2 538 808	2 633 832	(95 024)	4
Tax expense	(494 703)	(789 128)	294 428	37
Profit for the period	2 044 105	1 844 704	199 404	11

Comment

Losses of R911 million in Guarulhos International Airport, Brazil; and R120 million in Chhatrapati Shivaji International Airport, India. Profit in Airports Logistics Property Holdings of R27 million.

Lower finance costs due to lower debt levels, and higher interest income due to higher cash balances.

Early settlement (R343 million) of inflation-linked bond.

Unchanged aeronautical charges and traffic volume increases of 3.2%, resulted in higher revenues.

The impact of the revised operating model as well as annual increase (effective September 2016) resulted in 14% increase.

General annual contractual increases, and additional investment in IT and security facilities resulted in the increased costs.

The property portfolio remained stable, increasing in value due to appreciation in market values.

Operational losses of R911 million in Guarulhos International Airport, Brazil; and R120 million in Chhatrapati Shivaji International Airport, India.

Lower debt levels have resulted in lower finance costs (due to early settlements). Interest income was higher due to consistently higher cash balances throughout the year compared to the prior year.

Comprises assets written off as a result of physical assets verification.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER CONTINUED

OUR STRATEGIC PERFORMANCE FEEDBACK

RUN AIRPORTS – TRADING RESULTS

The Company regards real growth in GDP as a key driver of traffic volume growth. Over the past two years performance was not aligned to the GDP growth of South Africa or its major trading partners.

The domestic traffic volume growth of 11.4% in 2016 was a direct result of additional low fare airline capacity on a number of South African routes by new entrants. This was supported by new, more efficient and larger aircraft which created broader accessibility to flights for the South African domestic market. In 2017 this additional capacity was increased, resulting in a further 2.2% increase in domestic traffic volume growth.

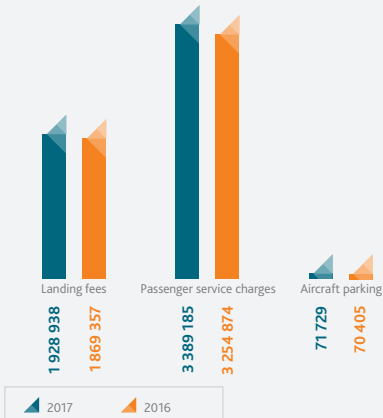
International traffic volume continued to grow by 4.7%, with Cape Town International Airport growing by 27% year-on-year. This positively impacted aeronautical revenues, but less so for non-aeronautical revenue due to a lower yield per departing passenger at Cape Town International Airport compared with O.R. Tambo International Airport. The retail revenue per passenger decreased slightly by 0.6% to R59.22 (2016: R58.92).

Aeronautical revenue

Revenue from aeronautical activities totalled R5.4 billion (2016: R5.2 billion), broken down as follows:

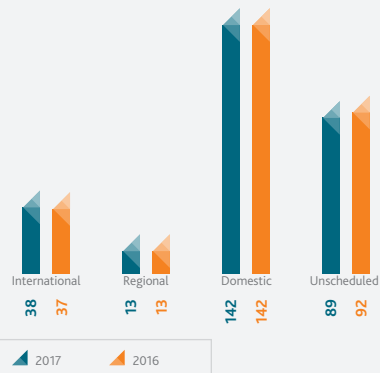
AERONAUTICAL REVENUE

(R'000)

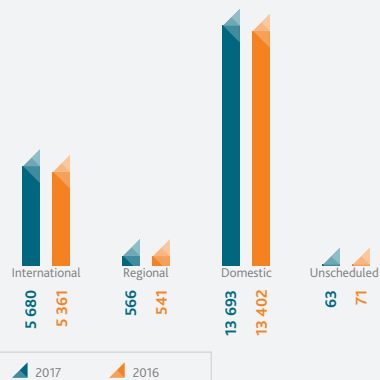


Total aircraft landings for the year under review were 282 000 (2016: 284 000), and total departing passenger volumes were 20.0 million (2016: 19.3 million).

AIRCRAFT LANDING VOLUMES ('000)

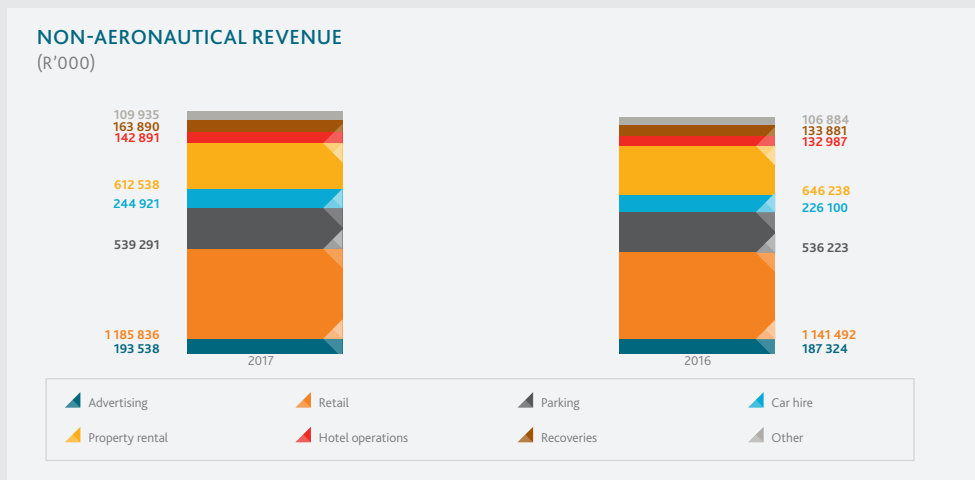


DEPARTING PASSENGER VOLUMES ('000)



Non-aeronautical revenue

Revenue from non-aeronautical activities increased to R3.2 billion (2016: R3.1 billion) broken down as follows:

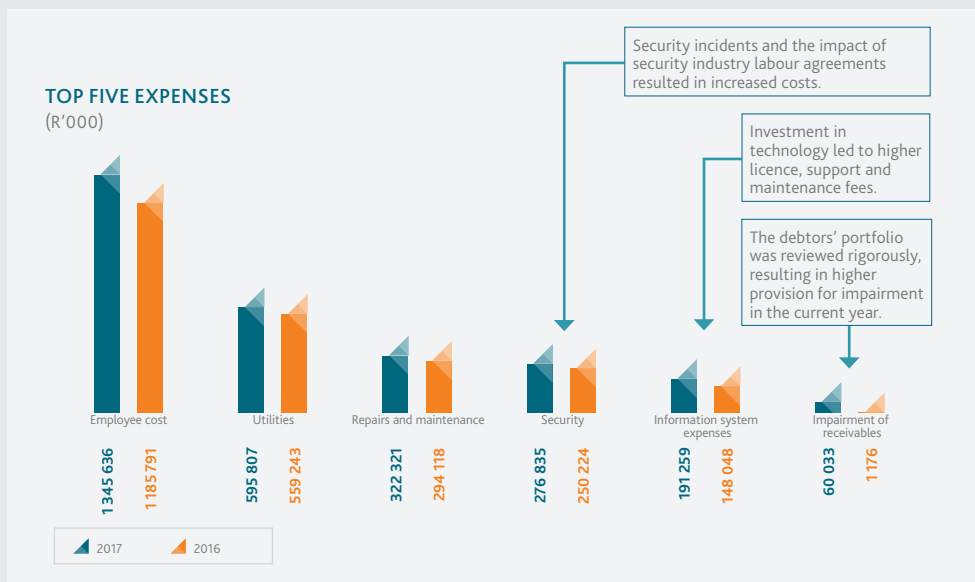


Non-aeronautical revenue as a percentage of total revenue was 37.3% against a target of 48%.

Operating expenses

The Company aims to reduce the impact of increases to administrative or regulatory costs, to which it has high exposure, through cost-efficiency programmes. The implementation of the new governance framework and operating model, although it increased employee costs by 13.5% in the short term, will further enhance the Company's capability to innovatively manage future operations and revenue streams more effectively and efficiently.

A further analysis of the top five expenses is depicted in the graph below.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER CONTINUED

OUR STRATEGIC PERFORMANCE FEEDBACK CONTINUED

DEVELOP AIRPORTS AND GROW OUR FOOTPRINT – FINANCIAL POSITION

Develop airports

The two-year delay to the Permission Decision impacted the Company's ability to incur capital expenditure, specifically in relation to major infrastructure investments. Capital expenditure was maintained at refurbishment and replacement levels as evidenced by the R893 million applied during the financial year.

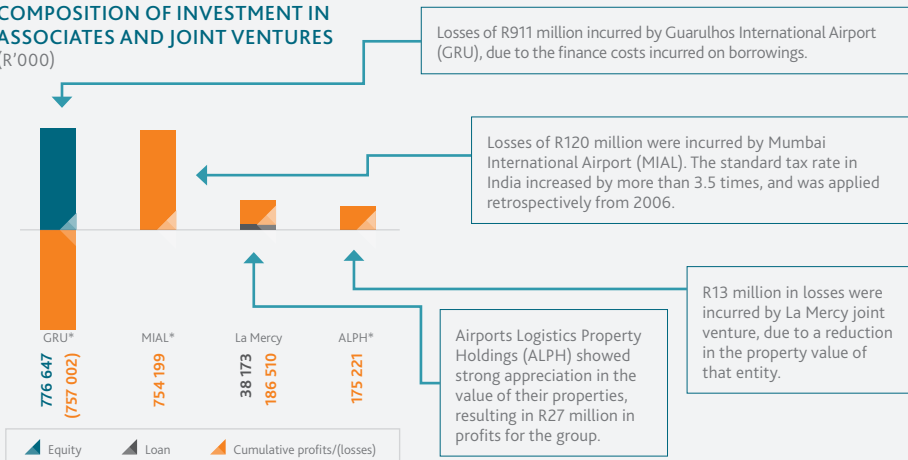
The uncertainty created by the Permission Decision delay resulted in no new major infrastructure projects being initiated for the past two years, even though key interventions were required based on traffic volume projections.

Grow our footprint

Our consultancy and technical advisory activities are a key driver in fulfilling our mission to develop and manage world-class airport businesses for the benefit of all stakeholders. Our business development division has been equipped to pursue opportunities on the continent and abroad, with a specific focus on partnership, refer to page 83.

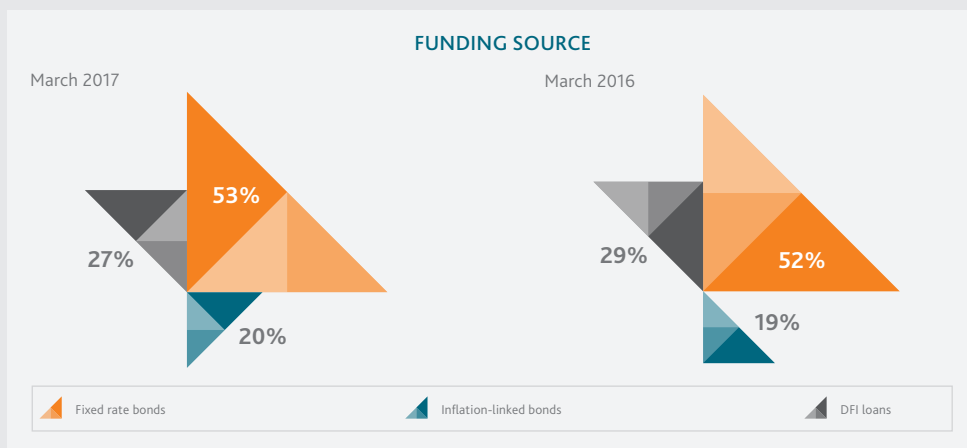
Concession investments like those in Mumbai and São Paulo will require major capital expenditure in the first few years following the concession. It will result in high borrowings to fund the capital expenditure programme. Once complete, depreciation and interest charges will be incurred by the concession company, resulting in a negative impact on the profitability of the Company in the first few years. Over time, the depreciation and interest charges will reduce, and revenues will start increasing on the back of traffic volume growth, leading to benefits in the medium to long term. The Company aims for a balanced portfolio of concession investments with different maturities to reduce the impact of numerous new concessions on profitability.

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



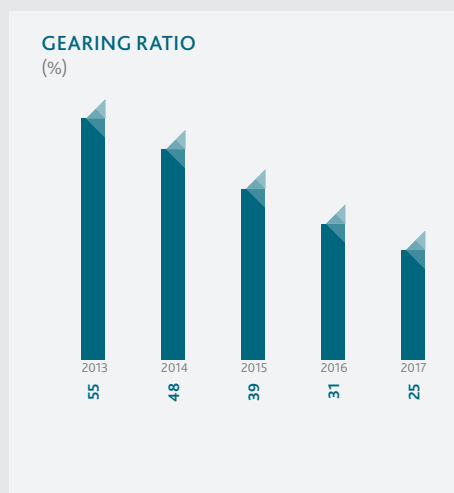
FUNDING

Diverse funding sources are paramount for the Company so that capital expenditure can be funded cost effectively under various economic and market conditions. The summary of funding sources is shown in the chart below.



Total debt outstanding was R9.3 billion, down from R9.8 billion in the prior year. The weighted cost of debt remains unchanged at 9%. Our fixed-rate debt was 82% of the total debt and the floating-rate debt was 18%.

The Company's gearing ratio declined by 63% in 2010 to 25% in the current year, largely due to the early debt redemption strategy. The early debt redemption was adopted against the backdrop of a favourable cash position and moderate investment plan. Since 2013, the Company has repaid approximately R7.5 billion worth of debt back to its lenders.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER CONTINUED

Credit rating

In June 2017, the Company's credit issuer rating was downgraded by Moody's from Baa2 to Baa3. At the same time the Aa1.za national scale issuer rating was affirmed and a negative outlook assigned. The rating action was driven by the downgrade of the sovereign credit rating. It should be noted that the current rating of Baa3 is one notch above sub-investment grade.

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

The Company's credit rating is underpinned by:

- › Ownership of key airports, including three international airports;
- › Strong and diverse service areas that include all major conurbations in South Africa;
- › Well-invested asset base with scope to accommodate growth;
- › Moderately levered financial profile and conservative financial policy; and
- › Strong likelihood of support from the South African Government.

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

- › A system of economic regulation that has proved challenging;
- › The Company's exposure to the South African Airways Company, which relies on financial support from the South African Government; and
- › Exposure to the volatile economic conditions of South Africa, including below-trend economic growth expected and relatively high financing costs.

OUTLOOK AND FOCUS AREAS

The Permission Decision brought some certainty for the 2016 to 2020 planning periods, but continues to provide for sub-optimal financial returns and unpredictability over the medium to long term. Investments that the regulatory framework allow to be ring-fenced, such as Guarulhos International Airport and Chhatrapati Shivaji International Airport, have not yet delivered the returns that the Company will need to mitigate the impact of current regulatory decisions. The recession in Brazil had a material impact on the performance of Guarulhos International Airport in 2015 and 2016. The Company will continue to monitor the performance of its investments and partner with management teams and shareholders.

The 2018 financial year will see the introduction of the reductions to airport charges that have been expected since the 2016 financial year. A 35.5% reduction in airport charges is based on the claw-backs dating back to the 2011 to 2015 Permission period with respect to the sale of the old Durban International Airport land and lower capital expenditure than planned. This was due to low growth experienced since 2010. This will result in lower aeronautical revenues, however, as these decreases were expected, the Company planned for their introduction. Excess cash collections were used to reduce debt or invest in terms of the Company's investment policies. This conservative approach assisted during the Company's recent credit rating review.

The 2018 financial year marks the submission of the 2019 to 2023 Permission application. Engagements with airline associations continue to agree a capital expenditure programme that forms the basis of the application for airport charges. Delays as experienced during the previous Permission cycle are not anticipated, however, the conservative financial management approach introduced by the Company over the past few years will continue to be applied as a form of mitigation against any uncertainty and unpredictable regulatory decisions.



Dirk Kunz

Acting Chief Financial Officer



PERFORMANCE REVIEW

OVERVIEW

Our performance for the year is summarised below.

PERFORMANCE REPORT BACK

Strategic objectives	KPI	Calculation/description
Create value for our shareholders <i>Aligned to:</i> <i>All three pillars</i>	Deliver return on equity (ROE) (Group) The amount of net income returned as a percentage of shareholders' equity. ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. Refer to page 57.	Profit after tax/shareholders' funds.
Increase our reputation through demonstrated business excellence <i>Aligned to:</i> <i>Run airports</i>	Increase reputation index measure The reputation index measure comprises the perceptions and the degree to which stakeholders admire, trust, respect and have an overall good feeling towards the Company. Refer to page 46.	Reputation Institute's RepTrak® research methodology is the global standard for measuring corporate reputation. The reputation survey data is captured in the RepTrak® Pulse, with an outcome score from zero to 100, a score of 100 being the best. This review is conducted every second year and is based on a peer review of the Company.
Increase stakeholder satisfaction through effective partnership <i>Aligned to:</i> <i>Run airports</i>	Assessment of our airport operations service and interactions rendered by our airport operations and commercial stakeholders This indicator illustrates our airport stakeholders' perceptions of our business interactions and support on the following airport operation elements: environment, facilities, people and productivity, and technology and equipment. Our airport stakeholders comprise: <ul style="list-style-type: none"> ➤ Operations stakeholders such as airlines, ground handlers and government service providers (SARS, SAPS, immigration, customs, port health, and security companies); and ➤ Commercial stakeholders such as retail service providers, car rental agencies, food and beverage providers and financial service providers. 	Various operational and commercial stakeholders complete a survey assessment, through a structured survey programme. Survey assessment data collection and results are managed by an external company. The Company score is calculated based on a weighted average approach using passenger count as the basis.
Improve passenger experience through demonstrated operational excellence <i>Aligned to:</i> <i>Run airports</i>	Assess passenger customer service This indicator illustrates the passengers' view and assessment of our delivery of airport customer-focused services. It is derived from the independent and approved Airport Service Quality (ASQ) programme managed by Airports Council International (ACI). The ASQ programme is the globally established benchmarking programme, measuring passengers' satisfaction while they are travelling through an airport. Results are comparable to local and international airports. Refer to page 17.	Passengers complete a survey assessment, through a structured passenger ASQ survey programme. The ASQ survey covers 34 service areas clustered across the following categories: access, airline service, security, finding your way, airport facilities, airport environment and airport arrivals services. Survey assessment data collection and results are managed by ACI. Our score is calculated based on a weighted average approach using passenger count as the basis. Using this score, the airports are compared against peers by ranking them according to size categories. The following categories are relevant to our network of airports: 15 – 25 million annual passengers (MAP), 5 – 15 MAP, 2 – 5 MAP and 0 – 2 MAP.

Refer to appendix on page 120 for airport abbreviations.

Key: ▲ – Target achieved ▼ – Target not achieved

Metric	2017 target	Target achieved	2017 actual	2016 actual	2015 actual	2025 target
%	2.8	▲	11.3	11.5	11.6	6.0 (10)
Weighted average	≥58	▲	63.1	57.6	57.6	≥70
Rating from 1 (poor) to 5 (excellent)	3.6	▲	3.7	3.7	3.6	>4.0
Rating from 1 (poor) to 5 (excellent)	<p>At least six airports to achieve the ranking as per their size category:</p> <ul style="list-style-type: none"> › 15 – 25 MAP: Top 20 › 5 – 15 MAP: Top 30 › 2 – 5 MAP: Top 20 › 0 – 2 MAP: Top 35 	▼	<p>15 – 25 MAP: Top 20 ORTIA 28/37</p> <p>5 – 15 MAP: Top 30 CTIA 53/86</p> <p>2 – 5 MAP: Top 30 KSIA 41/86</p> <p>0 – 2 MAP: Top 35 UPN 15/66 BFN 19/66 GRJ 28/66 PLZ 56/66 ELS 41/66 KIM 57/66</p>	<p>15 – 25 MAP: Top 20 ORTIA 29/35</p> <p>5 – 15 MAP: Top 30 CTIA 45/79</p> <p>2 – 5 MAP: Top 20 KSIA 19/49</p> <p>0 – 2 MAP: Top 35 UPN 8/49 BFN 42/49 GRJ 7/49 PLZ 26/49 ELS 22/49 KIM 39/49</p>	<p>15 – 25 MAP: Top 20 ORTIA 19/30</p> <p>5 – 15 MAP: Top 30 CTIA 32/77</p> <p>2 – 5 MAP: Top 20 KSIA 23/54</p> <p>0 – 2 MAP: Top 35 UPN 5/51 BFN 17/51 GRJ 15/51 PLZ 14/51 ELS 20/51 KIM 32/51</p>	All airports in top 15 in their size category globally

PERFORMANCE REVIEW CONTINUED

Strategic objectives	KPI	Calculation/description
<p>Contribute to increase traffic through the airports we operate</p> <p><i>Aligned to:</i> <i>Grow our footprint</i></p>	<p>Increase ORTIA connectivity index</p> <p>This reflects the relative degree of connectedness of O.R. Tambo International Airport and is a measure of the number of destinations and economic importance destinations served from our country's hub airport. This includes the frequency of service to each destination and the number of onward connections available from each destination. The higher the level of connectivity, the greater the level of access to the global economy.</p>	<p>International Air Transport Association developed a connectivity indicator to measure the degree of integration a country has within the global air transport network: (frequency x available seats per flight x weighting of destination airport)/1000</p> <p>The weighting of the destination airport is defined in terms of number of passengers handled in each year (with 100 points assigned to the airport with the largest passenger handled in that year). The connectivity indicator is based on the number of available seats to each destination served annually.</p>
<p>Diversify the business portfolio</p> <p><i>Aligned to:</i> <i>Grow our footprint</i></p>	<p>Generate realised non-core income</p> <p>Realised non-core income, defined as "income generated by the company independent of traditional passenger and cargo traffic, and excluding fair value adjustments on investments, i.e. realised income". This indicator informs stakeholders of our diversification efforts.</p>	<p>Income from non-core business may be derived from consulting fees and training revenue.</p>
	<p>Enhance non-aeronautical revenue as a percentage of total revenue</p> <p>The percentage of non-aeronautical revenue contributed to the overall revenue of the Company. Refer to page 61.</p>	<p>Non-aeronautical revenue/total revenue</p> <p>Non-aeronautical revenue includes revenue from:</p> <ul style="list-style-type: none"> ➤ Retail; ➤ Car rental; ➤ Car parking; ➤ Advertising; ➤ Property rentals; ➤ Consulting revenue; and ➤ Other commercial revenue including cost recoveries, permit income and subsidiary revenue.
<p>Maintain and improve our contribution to B-BBEE</p> <p><i>Aligned to:</i> <i>Business enablement and support functions</i></p>	<p>Achieve B-BBEE Level</p> <p>The Company's B-BBEE recognition level is based on a public sector scorecard framework which reflects the Company's contribution to B-BBEE. Refer to page 87.</p>	<p>B-BBEE rating using the Department of Trade and Industry (dti) qualification scoring and Empowerdex approved score.</p>
<p>Support black business entrepreneurship</p> <p><i>Aligned to:</i> <i>Business enablement and support functions</i></p>	<p>Grow black business share in operational and developmental spend</p> <p>An indication of the Company's intent to further black business entrepreneurship by increasing the share of operational and developmental opportunities awarded to black businesses.</p>	<p>(B-BBEE procurement spend from all empowering suppliers that are at least 51% black-owned based on applicable B-BBEE recognition levels as a percentage of total measurable procurement spend (TMPS) X 100)/(B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of TMPS)..</p>
<p><i>Aligned to:</i> <i>Business enablement and support functions</i></p>	<p>Grow black business share of commercial revenue generated</p> <p>An indication of the Company's intent to further black business entrepreneurship through increasing the share of commercial revenue opportunities awarded to black businesses.</p>	<p>(Commercial revenue to black business X 100)/(Total commercial revenue generated)</p> <p>Where a black business is defined as a company with >51% black management control and ownership. Commercial revenue is defined as revenue generated from revenue-sharing models, i.e. retail, car hire/rental, and advertising.</p>

Refer to appendix on page 120 for airport abbreviations.
Key: ▲ – Target achieved ▼ – Target not achieved

Metric	2017 target	Target achieved	2017 actual	2016 actual	2015 actual	2025 target
Number of available seats to each destination	ORTIA score: At least maintain current connectivity score (≥ 46.5)	▲	46.86	Not measured	Not measured	70
R million	38	▲	50.75	27.9	23	200
%	48.0	▼	37.3	37.5	36.6	57.5
B-BBEE as per code	Level 4	▲	Level 3	Level 2	Level 2	Level 1
%	45	▲	46	47	35	65
%	45	▲	51	52	–	65

PERFORMANCE REVIEW CONTINUED

Strategic objectives	KPI	Calculation/description
Promote regional integration and localisation of our airports <i>Aligned to: Business enablement and support functions</i>	Create job opportunities An indication of the number of job opportunities we create.	Job opportunity model developed by KPMG for the Company, primarily using key economic indicators, and operating and capital expenditure.
Achieve a demographically representative workforce <i>Aligned to: Business enablement and support functions</i>	Promote employment equity A measure of how demographically representative the Company's workforce is of the country. Refer to page 85.	Company representation against economically active population (EAP) demographics.
Foster a positive employee workforce and environment <i>Aligned to: Business enablement and support functions</i>	Employee satisfaction survey An employee satisfaction survey (ESAT) administered with the Company employees, with primary emphasis on opportunity, organisation, people, work and reward. Refer to page 84.	Independent annual assessment of our ESAT
Leadership Culture Index <i>Aligned to: Business enablement and support functions</i>	Leadership Culture Index Survey undertaken by employees to ensure that the highest levels of professionalism and key leadership skills are demonstrated to employees by reflecting on the ideas, customs, social behaviour and state of mind of the Company's leadership.	The research survey is measured on a four-point scoring scale of statements made from 0 to 3 where 0 is strongly disagree, 1 is disagree, 2 is agree and 3 is strongly agree. The categories assessed are based on the areas of agreed importance during that period.
Provide equitable access to safe airports in all SA regions to allow more people to fly <i>Aligned to: Grow our footprint</i>	Participation with external airports in South Africa An indication of how many South African airports the Company services.	Number of consultancy working days provided to external airports in South Africa.
Improve connectivity to the regions we serve <i>Aligned to: Grow our footprint</i>	Grow regional airport departing capacity This reflects the relative degree of local connectedness of our regional airports in terms of domestic traffic. It is a measure of the seating capacity, in terms of departure maximum passengers. The higher the level of capacity, the greater the level of access to the local economy.	The sum of the departure maximum passengers for BFN, GRJ, ELS, PLZ, KIM and UPN for freighter, non-scheduled and scheduled domestic traffic for the year.
Reduce our environmental impact <i>Aligned to: Run airports</i>	Attain an ACI carbon accreditation The assessment and recognition of our airports' efforts to manage and reduce our CO ₂ emissions. Refer to page 78.	Attain an independent ACI certification. ACI's Airport Carbon Accreditation recognises and accredits the efforts of airports in managing and reducing carbon emissions. There are four levels of certification: mapping, reduction, optimisation and neutrality, with neutrality being the best. Airport Carbon Accreditation is based on existing international standards in the reporting and accounting of greenhouse gas (GHG) emissions.

Refer to appendix on page 120 for airport abbreviations.

Key: ▲ – Target achieved ▼ – Target not achieved

Metric	2017 target	Target achieved	2017 actual	2016 actual	2015 actual	2025 target
Number of opportunities	25 746	▼	24 018	23 505	22 063	50 000
%	92.5	▲	92.7	92.2	91.5	Achieve a demographically representative Company workforce (against EAP) per level
Rating from 1 (poor) to 5 (excellent)	3.75	▼	3.31	3.51	3.7	4.2
%	≥60%	▲	77.25	Not measured	Not measured	≥80%
Advisory service man days provided to non-Company airports in South Africa	30	▲	92.6	Not measured	Not measured	Airports in all of the country's provinces
Departure maximum passengers	At least maintain current regional airport capacity (≥2 788 871 seats)	▲	2 829 693	Not measured	Not measured	10%
ACI level as per mapping certification criteria	Attain ACI Level 1 – Mapping certification for ORTIA and CTIA	▲	Attained ACI Level 1 – Mapping certification for ORTIA, CTIA, KSIA, PLZ	Not measured	Not measured	ACI Level 3 optimisation certification for at least one airport

PERFORMANCE REVIEW CONTINUED



RUN AIRPORTS OVERVIEW

Airports Company South Africa has two distinct revenue streams that allow us to effectively run our airports. One source is defined as aeronautical income and is derived from regulated charges or tariffs. These consist of aircraft landing and parking charges, and passenger service charges. The Company's non-aeronautical income is generated from commercial undertakings which flow from retail operations, car parking, car rental concessions, advertising, property leases and hotel operations. Non-core revenue comprises the provision of technical advisory and consultancy services in South Africa and abroad.

PERFORMANCE

Performance data for the year indicates that the Company is running airports successfully.

Airport operations

The Company has defined infrastructure development plans to develop capacity, but during the year increased passenger numbers and airline routes contributed to stress on our infrastructure. The saturation of aircraft slots during peak periods has necessitated improved management, which will be supplemented by the infrastructure development plans in future.

Our total passenger numbers increased by 627 632 passengers to 20 001 961. Our three major airports reflected this growth as follows:

- › O.R. Tambo International Airport: 3.8% increase
- › Cape Town International Airport: 7.3% increase
- › King Shaka International Airport: 8.5% increase

King Shaka International Airport is classified as a Category 2 airport by South African Civil Aviation Authority, reducing landing restrictions and allowing it to act as an improved aid to O.R. Tambo International Airport for international flight diversions. International flights at Cape Town International Airport increased by 27% year-on-year.

Additional passenger numbers did not lead to a compromise in service levels and our on-time performance was effectively maintained at 86.42% (2016: 86.97%). A significant contributor

to achieving this performance was our airport management centre (AMC), the operational centre of all airport activities. The AMC is responsible for seamless coordination between airlines, baggage handlers, security employees, customer service employees, aircraft engineers and marshals to ensure that our passengers and cargo receive fluent and efficient services while reaching their destinations safely and on time. This integrated approach allowed us to exceed our stakeholder satisfaction target of 3.6, attaining 3.7 out of 5 (2016: 3.7). Recent process investigation and data mining of our processes was converted into data that feeds business intelligence initiatives, directing our focus to further efficiencies that will enhance our offering.

Property

Airports Company South Africa makes property development opportunities available to all members of the market through open, transparent, fair and equitable processes. A tender and panel plan for property development is being developed to aid value creation in this area. Engagement with the South African Institute of Black Property Practitioners (SAIBPP), Previously Disadvantaged Individuals (PDIs) and Previously Disadvantaged Enterprises (PDEs) continues. Property income for the year was in line with expectation of R612 million (2016: R646 million) and the Company continues to focus on retaining tenants during this difficult economic climate. Tenants on month-to-month leases will soon re-apply through tenders, providing further stability to property rental income in the process.

Retail

The retail business contested with currency fluctuations that impacted duty-free purchases positively, and was supported by increased passenger numbers of 20 001 961 (2016: 19 374 329). The Company achieved retail revenue of R1.2 billion (2016: R1.1 billion).

Cape Town International Airport increased retail revenue by 13% to R195 million (2016: R174 million). Additional routes and the status as a direct flight option for international

visitors contributed significantly to the total. This is reflected in the milestone of 10 million passengers being passed by Cape Town International Airport in 2016 and the double-digit growth in air traffic movements as a result of international channels.

King Shaka International Airport increased retail revenue by 33% to R57 million (2016: R43 million) due to increased passenger and airline figures.

O.R. Tambo International Airport remains the leading retail revenue airport, providing R921 million (2016: R915 million), an increase of 1.1% driven primarily by increased flight routes and frequencies, and a favourable foreign exchange rate disposition for tourists.

Car parking and car rental

The Company's car park division developed by a mere 1% in the year to R539 million (2016: 536 million). The challenges in this segment emanate from an improved transport network, increase in drop-offs, competitor parkades, and disruptor transport services such as Uber and shuttles. To remedy this, we made a submission to the investment committee which includes a yield management model. The model will seek to adjust car parking tariffs relative to traffic volumes. This will address and offset non-peak revenues to provide greater long-term revenue stability.

Car rental opportunities continue to grow at R245 million (2016: R226 million) with the expansion of facilities at various airports underway. Car rental concessionaire leases expired during the year and new 10-year tenders have been put to market to attract a range of potential entrants to the car rental facilities at our airports.

Advertising

Airports Company South Africa garnered R194 million (2016: R187 million) from advertising activities. The income growth was limited to 6% as a consequence of a reduced spending by advertisers and shorter contract renewal periods to allow for the issuing of an advertising tender in July 2017. It is the Company's intention to grow its annual advertising income to R300 million which has been identified as our market potential. We will achieve this through the implementation of structural and tactical

interventions as outlined in the transformation sector strategy on pages 52 and 53. The Company expects the advertising tender to aid the achievement of our market potential and develop the economy while providing opportunities to previously disadvantaged members of society.

Fuel shortage

The Company remains acutely aware of the reducing manufacturing capability and availability of liquid fuels nationally, and remains highly responsive to fuel shortages through appropriate airport management structures. The fuel shortage experienced at George Airport in December 2016 was a result of external factors beyond the airport's control. The airport received an off-specification delivery of Jet A-1 fuel that led to flights being redirected due to refueling constraints, causing some flight delays. The Company exercised contingency plans to ensure passenger safety and communicated with fuel suppliers to ensure that reserves were restored with the correct fuel shortly afterwards. Airports Company South Africa will assess import options to address this challenge in future.

Safety and security

We continue to hold the safety of all of our stakeholders in high regard, and aviation security remains top of mind with recent events reminding us of the need to be vigilant and continue our strong partnership with law enforcement entities. The heist that took place at O.R. Tambo International Airport in March 2017 is an example of such interaction. Despite the unfortunate circumstances of the R20 million theft, our engagement with the SAPS and the Hawks resulted in eight arrests and further investigations into the matter to obtain valuable intelligence to mitigate the chance of such events occurring in future.

An internal milestone will be pioneering a new Smart Security checkpoint at O.R. Tambo International Airport, making it the first African airport to implement the system. Passengers will experience a digitised security check process using state-of-the-art scanners, which will accelerate progress through security to enhance their experience and provide the Company with improved ability to counter emerging threats at airports.



PERFORMANCE REVIEW CONTINUED

In line with the safety management system implemented last year, our safety protocols and systems are reviewed frequently to ensure that our employees and partners have clear guidance on actions to take in the event of an emergency.

Home Affairs

The Department of Home Affairs (DHA) intends to increase its employee count at O.R. Tambo International Airport during 2018. The additional employees should bolster the capacity of the DHA's on-site team and ease passenger congestion.


Extreme weather conditions

In November 2016, O.R. Tambo International Airport experienced a one-in-100-year storm, causing severe flight delays and flooding to some lower levels. All our facilities were designed to withstand natural disasters within reason, and are supported by agile systems and effective disaster protocol to manage such events. As a result, the airport was fully operational within 24 hours. Airports Company South Africa is completing and settling warranted claims.



PERFORMANCE REVIEW CONTINUED

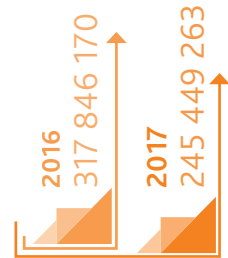
Environmental management feedback

 The Company manages environmental matters, including legislative compliance, through an environmental management system (EMS). In line with materiality as outlined on page 78, the Company provided consolidated figures on environmental performance this year. The boundary of environmental impacts is restricted to the financial year and materiality.

Electricity consumption in kilowatt hours



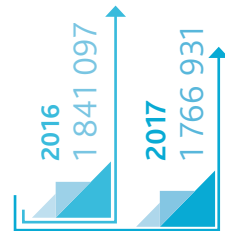
Effective and responsible use of electricity drove the 22.8% year-on-year reduction. The Company has three operational solar farms (photovoltaic plants) at Kimberley, George and Upington airports. The collective contribution of the plants is 1 750 kW of electricity. In the next financial, additional plants for Port Elizabeth, Bram Fischer and East London airports are being considered. These additions will reduce grid electricity usage further.



Water consumption in kilolitres



We continue to use water harvesting tanks for airport activities and necessities such as irrigation and firefighting. Car rental companies at Cape Town International, Port Elizabeth International, George and East London airports all make use of recycled water for washing vehicles. In the year, 174 166 kilolitres of water were saved through such initiatives. King Shaka International, Port Elizabeth International, Kimberly and East London airports all have on-site water reservoirs. Two water reservoirs are under construction at Bram Fischer and Upington International airports to enhance on-site storage capabilities.



Fuel and diesel consumption in litres



The 9% change in usage was marginal by fuel standards and was primarily as a result of an increase in new vehicle purchases, increased vehicle activity and improved reporting of fuel consumption by various airports in the Company.



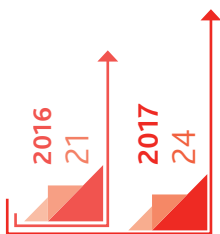
Waste recycled in '000 tonnes



Airports Company South Africa is committed to reducing waste and recycling where feasible to support the requirements of the National Environmental Management: Waste Act, No. 59 of 2008. Awareness campaigns support the 12% reduction in waste.



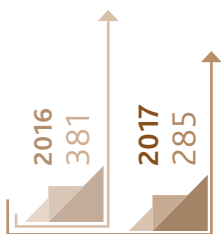
Noise incidents reported



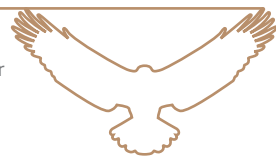
Continuous engagements with surrounding communities take place through noise consultative committees to note any significant noise-related problems. The three unit increase in complaints in the context of increased air traffic movement proves the effectiveness of the approach and corrective action. The planned review of our calculated and predicted aircraft noise contours (monitoring noise levels around our three major airports) was deferred to 2018.



Bird strikes



The 25% decrease in bird strikes could not be attributed to a singular cause. The likelihood is that bird-friendly deterrent initiatives to move birds further from our airside operations have influenced this reduction. Our responsible approach to improvements includes our engagements with organisations such as BirdLife South Africa.



Various renewable energy initiatives are in the pipeline for the future. The Company will look to create photovoltaic plants at East London and Bram Fischer airports in 2018 and 2019, and investigate the use of Trigen gas to precool or preheat ventilation systems and provide back-up electricity capacity.

PERFORMANCE REVIEW CONTINUED

The Company achieved ACI carbon accreditation for four airports, surpassing the target set.

 Refer to pages 76 and 77.

Other environmental disclosures

Area of disclosure	Material changes
Air quality, emissions	<p>The Company obtained ACI Level 1 – Mapping certification for O.R. Tambo International Airport, Cape Town International Airport, King Shaka International Airport and Port Elizabeth International Airport, surpassing the target set of two airports for the year. The performance is a reflection of persistent application of our EMS.</p> <p>We continue to measure and report on air quality monitoring at our top three airports in line with the National Ambient Air Quality Standards and SANS 1929 Ambient Air Quality Standard. No transgressions were recorded this year.</p>
Fuel spills	The Company had no significant fuel spills or fines levied for non-compliance.
Compliance with laws and regulations	We remain on course to obtain International Organisation for Standardization 14001 Environmental Management System Certification (ISO 14001) at all airports, using a phased approach to accreditation. O.R. Tambo, King Shaka and Bram Fischer International airports, and Kimberly Airport were recommended to receive ISO 14001:2015 certification by the official certification body. This is one year ahead of the three-year plan.

OUTLOOK

As a responsible corporate citizen, Airports Company South Africa remains committed to operating in a manner that develops the society and economy of South Africa. Our areas of attention in the coming year will rest primarily on improving operational efficiency with the aid of business intelligence data, technology, and our governance framework and operating model. Cost-effective ways of working and further departmental alignment will be further trademarks of our efforts to run airports effectively. The Company will actively seek to embed a quality management system in the next three years to create an efficient dashboard of compliance.



DEVELOP AIRPORTS

OVERVIEW

Developing our airports and service offerings will provide Airports Company South Africa with an effective platform to further grow our footprint and reach. Two fundamental requirements are the improvement and expansion in infrastructure, and leveraging innovation and opportunities.

PERFORMANCE

Business intelligence

The business intelligence initiative was piloted with a domestic airline, an international airline and a retail electronics store. Information from the various entities was collected, processed and put through a proactive engagement to identify passenger trends. Pertinent information is provided to concessionaires, which allows them to better position products and services according to passenger needs. Obtaining further market intelligence is being investigated through a new point of sale system to gain more customer information for improved passenger profiling. Passenger data may be used to inform pricing and areas of improvement with airlines in future.

APEX

The Company commissioned APEX software in December 2016. The customised software was developed collaboratively with an external service provider to digitally map and render all the airports' significant operational elements, such as departure gates, passenger information, airline details, routes and times. The APEX programme enables real-time monitoring and tracking of airport operations from any authorised computer, providing airport managers with accurate and timely information to effectively run their airports and make key decisions.

Engagements on global navigational procedures will augment the system through improved electronic navigation from satellites. This data and guidance will enhance traffic control and guide aircraft for more efficient take-off and landing trajectories.

Infrastructure and capacity upgrades

Infrastructure asset management is realising the benefits of the governance framework and operating model through improved inter-departmental support. This division is composed of four elements:

- › Enterprise asset management (responsible for day-to-day operations including maintenance and engineering related to infrastructure)
- › Planning division (created a master plan in the year and is responsible for traffic studies and environmental plans to best leverage the land available to the Company)
- › Economic modelling (responsible for planning and executing economic plans)
- › Commercialisation infrastructure (responsible for infrastructure opportunities)

Our capital expenditure programme is developed in consultation with the airline industry to ensure a fit-for-purpose application and adjusted where appropriate to support our strategy. Central to this is the growth in passenger numbers leading to a corresponding increase in infrastructure demands on our facilities.

Our recent infrastructure awards are a reflection of the Company's commitment to providing world-class infrastructure to support our stakeholders and the country. We invested R893 million in infrastructure this year and investment in our facilities will continue, with R28 billion committed to such as set out in the 2017 to 2027 Permission. Of this, R23 billion will be directed to new capacity development and the remaining R5 billion will be allocated to maintenance, refurbishment and replacement work. The most material expansions of our facilities are at O.R. Tambo International Airport and Cape Town International Airport.

O.R. Tambo International Airport

The Company is planning on constructing remote apron stands that will enable the housing of more aeroplanes.

PERFORMANCE REVIEW CONTINUED

Approximately R2 billion has been set aside for the project, scheduled for completion in 2023. The project will improve Terminal A capacity and will feature an additional baggage carousel.

In addition to creating a platform to ensure O.R Tambo International Airport remains the biggest airport in South Africa, these and other upgrade and development plans position it to become one of the most efficient globally. Refer to page 90 for details on our digital system upgrades and Smart Security.

Cargo

According to industry estimates, airline goods transportation accounts for 35% of global trade value, confirming the contribution of cargo to economic and socio-economic development. Our infrastructure, intermodal connectivity and capacity position our airports as ideal gateways to Africa for trade and development. In 2017, the total air cargo processed through the O.R. Tambo International gateway was 394 430 398 tonnes (2016: 376 854 575 tonnes).

O.R. Tambo International Airport consistently meets the needs of international and local cargo operators, as reflected in the fourth consecutive year of receiving the *Airport of the year* award at the Air Cargo Africa Conference and Exhibition. The award is a result of continuous real-time support to meet the business needs of our cargo stakeholders. The accolade is a result of our focus on infrastructure needs and support to the entire cargo value chain.

O.R. Tambo International Airport will look to develop the western precinct and the midfield cargo terminal to create opportunities for various stakeholders in the aerotropolis supply chain, and our business development division will aid this process. The Company secured an additional 187 000 square metres of development rights, and the proclamation of the first phase of 43 hectares of industrial-zoned land is set to be completed during the next financial year.

Cape Town International Airport

Approximately R3 billion has been budgeted for the completion of the re-alignment of a runway and associated taxiways. Planned completion is in 2021. The project will provide improved traffic flow to the airport.

New domestic terminal upgrades are in progress with completion aimed for April 2020 and plans to develop terminal two from 2019 are being refined. Construction of new boarding gates and an international departure lounge are planned to start in 2018, providing additional capacity for the airport's growing passenger frequencies.

Our aerotropolis plans continue

With the support of our partners, our aerotropolis initiatives will develop socio-economic opportunities and support employment around our three major airports.

The City of Ekurhuleni is pursuing the 21 catalytic projects identified to create jobs, build business and convert the metropolitan area surrounding O.R. Tambo into a business hub within the next 25 years. The Company will incorporate regional development plans into our activities to ensure seamless collaboration.

Progress for Cape Town's two major aerotropolis initiatives, the Symphony Way Development Corridor Project and the Swartklip Development, continue with the assistance of the City of Cape Town. The KwaZulu-Natal Provincial Government and Dube Trade Port Corporation are our partners in creating similar business hubs near King Shaka International Airport. As with activities in Cape Town, these last two initiatives are still to be launched, but positive relationships and development characterise these hub developments.

Refer to page 88 for more on our economic development engagements.



OUTLOOK

The Company will continue to focus on developing operations to support a win-win relationship with our stakeholders. The Permission Decision will be managed as effectively as possible in line with our financial and infrastructure planning needs to ensure effective operation in the most profitable and ethical manner. Capital expenditure for the 2018 to 2020 financial periods will amount to R4.9 billion and will support our rationalisation activities and KPI achievement going forward. Infrastructure asset management will continue to be a priority, including refurbishment and technology upgrades to enhance the effectiveness of our operations.



GROW OUR FOOTPRINT

OVERVIEW

Growing our footprint refers not only to our capacity and global reach, but also to our brand and value creation process. Infrastructure capacity and efficiency are our current focus areas and will be supported by capital investment programmes to address refurbishment and replacement requirements of existing infrastructure. Where apt, this will extend to creating additional capacity to ensure that our network of airports can sustainably support growing demand for cargo and passenger air traffic.

PERFORMANCE

Business development

The purpose of the business development division is to position the Company as a partner of choice in achieving complementary business objectives and delivering sustainable airport management solutions.

Our governance framework and operating model provided a clear platform for the business development division to support our non-core revenue generation through consultancy and advisory services, airport management services, traffic development, training and investment in strategic international airports concessions.

Expanding our reach

Airports Company South Africa is securing and executing memoranda of understanding (MOUs) with a number of local and international partners. Locally, technical advisory and consultancy services continue for Mthatha, where the Company has concluded a due diligence aimed to establish fatal flaws and implement a corrective action to ensure the airport meets international standards. Five airports in the Limpopo province have been evaluated in partnership with the Department of Public Enterprises. Engagements take place with Ghana, Liberia, Kenya, Nigeria, Mozambique, Namibia and Malawi. Further MOU opportunities are being investigated in Africa, India, South America, South East Asia, South East Asia, and the Middle East. This will include MOUs with possible consortium partners on specific concession opportunities.

We seek to develop our footprint as a Company by providing increased access to air travel for South Africans while increasing air traffic movements and the connectivity of our airports. As per our KPI targets, the Company's connectivity index at O.R. Tambo International Airport was more than 46.5 seats to each destination served. The Company achieved this with a score of 46.86 seats. We exceeded our target for growth in regional airport capacity (in terms of departing passengers) with 1.8 million passengers.

The Company has defined the range of fields and skills required to establish a panel of external experts through a Request for Proposal basis, often for three-year periods. These experts supplement our expertise with capabilities that may not be readily available in the Company, adding support in areas where additional input or services are required. This standing arrangement aids our flexibility in obtaining and adequately servicing business opportunities as they arise to remain competitive.

PERFORMANCE REVIEW CONTINUED

Traffic development

Traffic development entails stimulating the growth of passenger and cargo traffic to our network of airports. The Company works closely with provincial government route development committees and forums, providing meaningful input through competitive landscape analysis, market intelligence data and infrastructure to support airlines and business in a collaborative manner. Examples of route development committees and development support systems include:

- › **The Western Cape Investment and Trade Promotion Agency:** The Company is a member of the Cape Town Air Access steering committee that includes tourism and provincial partners to develop direct air services connecting Cape Town International Airport with international destinations.
- › **Dube Tradeport:** A purpose-built business and logistics company with which Airports Company South Africa has a public-private partnership agreement. The entity is an agency of the provincial government with various partners from government and non-government fields that make up a steering committee. The Company is a partner of this committee that aims to develop direct air services connecting King Shaka International Airport with international destinations.
- › **The Gauteng route development committee:** This is near finalisation with an MOU agreed with provincial government to provide similar support to airlines in the Gauteng province.

The efforts of our business development division yielded 10 new routes (2016: 19) at our three main airports.

New routes developed for each airport

O.R. Tambo International Airport	Cape Town International Airport	King Shaka International Airport
São Paulo to Johannesburg – Latam Airline Group	London Gatwick to Cape Town – British Airways	Gaborone to Durban – Air Namibia
Madrid to Johannesburg – Iberia	Livingstone to Cape Town – Kenya Airways	
	Frankfurt to Cape Town – Lufthansa	
	Doha to Cape Town – Qatar Airways	
	Istanbul to Cape Town – Turkish Airways	
	Addis Ababa to Cape Town – Ethiopian Airlines	
Singapore to Cape Town via Johannesburg – Singapore Airlines		

The division in collaboration with key stakeholders in the Western Cape and KwaZulu-Natal has secured increased frequencies from airlines, specifically from Ethiopian Airlines, TAAG Angola, Fastjet, Kenya Airways, Emirates, Qatar Airways, Air Seychelles, Austral Air (La Reunion), KLM or Air France KLM Group, Lufthansa and Condor Airlines. This equated to 10 new routes and 1 179 flights from existing airlines.

The liberalisation of commercial aviation rights between the Republic of South Africa and some countries has assisted with the increase of flight frequencies. An allocation of additional frequencies per week brokered between South Africa and Angola has enabled carriers in both countries to increase the number of flights from seven to 21 per week over a three-year period, and then more towards open skies. A similar Hong Kong/South Africa Bilateral Air Service Agreement was concluded, which provides a possible future flights increase between the two countries (i.e. Cathay Pacific/SAA and any other Hong Kong/RSA airlines to increase flight frequencies and establish new routes).

Consultancy services

We extended the reach of our brand and expertise to stimulate growth outside the Group by providing 92.6 days of consultancy services to non-Company airports:

- › **Kotoka International Airport in Ghana:** design and master plan review; project management; stakeholder management strategy; services standards; and operational readiness and transfer.
- › **Mthatha Airport:** renewal of airport operator licence; training staff to meet requirements of the operator licence; due diligence; and airport management contract.

Training academy

The Company operates a training academy to build aviation skills and expertise in South Africa which we expanded to include the entire continent. This centre of excellence offers operationally based training, including safety, security and airport management training. Airports Company South Africa is creating customised training courses for individual airport needs. To date, 20 countries on the African continent continue to be beneficiaries of the Company's training academy.

Airport networking developments

The Company continues to share knowledge and best-practice solutions with Munich airport in Germany to generate opportunities. The original 2016 *Sister Agreement* included three phases of development for areas such as IT, aviation infrastructure and security by sending delegations to the partner airports to obtain skills and knowledge.

This agreement has since been expanded to improve international connectivity, and a new agreement was signed in March 2017 to include six airports. The addendum to the existing agreement allows for new areas of cooperation including marketing and awareness campaigns at sister airports.

Equity investments activity

The Company views its investment in Guarulhos International Airport in Brazil as viable despite the losses stemming from the economic recession. Investment activity continues in Chhatrapati Shivaji International Airport with the capital expenditure programme nearing completion. Although the investment continues to make accounting losses, it has made a cash profit of over R900 million in the year under review. Further financial information on both investments is available in the message from the Chief Financial Officer on page 62.



OUTLOOK

The Company is a premier airport manager in Africa and significant competitors from various BRICS countries provide us with added incentive to remain world class. We believe that our niche lies in working together with various hubs to develop air transport in a way that benefits the South African economy and the entire continent. Thus, our role will be to act as a catalyst for development throughout Africa.

In this respect, the Company will continue to invest in our greatest asset – qualified and experienced people. As a state-owned entity, we will adhere to the PFMA while doing our best to be swift and decisive in seizing opportunities. Our activities in business development will remain intrinsically linked to our aerotropolis activities to deliver on our Vision 2025 objectives.

PERFORMANCE REVIEW CONTINUED

BUSINESS ENABLEMENT AND SUPPORT FUNCTIONS

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

- › Human resources;
- › Digitisation;
- › Supply chain management; and
- › Communication and branding.

HUMAN RESOURCES

Our employees are a key enabler for creating sustainable value and delivering on our strategic objectives. In the year, we finalised the new human resources (HR) strategy. A significant outcome is that individual KPIs dovetail into the main performance metrics of the Company. These were developed through persistent, continuous and fruitful engagement, while maintaining the context of our three strategic pillars.

Our refined HR strategy

The new HR strategy is underpinned by five focus areas to support and align with our strategic objectives:

Contribute to growing our footprint	Develop business capability	Create an enabling culture	Always on people management	Transformation
Leveraging our human capital to enable the business to grow its footprint	Vision 2025 requires that we optimise our capacity and capability, HR will ensure that appropriate skills and experience are obtained	Using HR to create a culture of growth, accountability and innovation	Operating in a manner that keeps the end user in mind and ensures that people and the employee experience are positively managed	Developing a company mindset that goes beyond compliance

In the 2017 financial year we focused on developing the right employee capability and composition to support critical business needs, in line with the new governance framework and operating model. To this end, R54 million (2016: R45 million) was spent on employee skills development programmes. In terms of developing young talent to positively contribute towards the availability of skills in South Africa, we provided job opportunities to 135 candidates (2016: 88).

Our employee turnover for the year was 5.18% (2016: 5.20%) which is lower than market attrition trends and reflects the confidence placed in the Company. Our employee satisfaction survey (ESAT) reflected a score of 3.1 compared to a target of 3.75. The Company is analysing survey results to implement interventions focused on increasing employee satisfaction. Refer to the highlights on page 10 for our top employer status achievement.

There were 67 (2016: 147) promotions, 145 (2016: 152) terminations and 110 (2016: 217) appointments in the year. The Company had 29 CCMA cases in the year compared to 59 in 2016.

Employment equity

We strive to reflect the demographics of our country and our total workforce of 2 990 (2016: 2 978) has 44.9% (2016: 45.5%) female representation. Our workforce reflects an improvement in representation of black employees which is 92.7% (2016: 90.4%) within the economically active population (EAP).

Workforce profile per year

Year	Male				Female				Foreign		Black employees representation (ACI)	Total
	A	C	I	W	A	C	I	W	Male	Female		
2012	944	247	122	177	730	174	53	130	4	1	2 270	2 582
	36.6%	9.6%	4.7%	6.9%	28.3%	6.7%	2.1%	5.0%	0.2%	0.0%	87.9%	
2013	996	229	114	159	814	161	50	114	4	1	2 364	2 642
	37.7%	8.7%	4.3%	6.0%	30.8%	6.1%	1.9%	4.3%	0.2%	0.0%	89.5%	
2014	1 080	224	111	153	939	159	50	111	3	2	2 563	2 832
	38.1%	7.9%	3.9%	5.4%	33.2%	5.6%	1.8%	3.9%	0.1%	0.1%	90.5%	
2015	1 138	209	103	141	1 032	146	46	104	1	2	2 674	2 922
	38.9%	7.2%	3.5%	4.8%	35.3%	5.0%	1.6%	3.6%	0.0%	0.1%	91.5%	
2016	1 183	204	103	133	1 065	144	46	97	1	2	2 745	2 978
	37.9%	6.9%	3.5%	4.7%	35.8%	4.8%	1.5%	3.3%	0.0%	0.1%	90.4%	
2017	1 223	205	97	122	1 067	139	42	92	1	2	2 772	2 990
	40.9%	6.9%	3.2%	4.1%	35.7%	4.6%	1.4%	3.1%	0.0%	0.1%	92.7%	
Goal 2017	1 192	217	102	118	1 059	162	45	105	0	2	2 777	3 002
	39.7%	7.2%	3.4%	3.9%	35.3%	5.4%	1.5%	3.5%	0.0%	0.1%	92.5%	
EAP	42.8%	5.3%	1.8%	5.3%	35.1%	4.5%	1.0%	4.2%	0.0%	0.0%	90.5%	

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

PERFORMANCE REVIEW CONTINUED

Women

The employment of women improved marginally and the positive trend year-on-year resulted in exceeding our target for 2017 by 0.9%. This is encouraging for the Company and will allow us to build a strong pool of talent to draw on for future senior positions and leadership roles. Furthermore, the intake of female students for vacation work in the Company's technical environments provides opportunities for female apprentices to gain workplace exposure and qualify for trade test certifications.

People with disabilities

The Company's challenge in employing people with disabilities persists. The Company target was to employ 76 people with disabilities, however, we employed 54, which is 1.8% (2016: 1.8%) of our total workforce. Specific affirmative action measures have been introduced to our employment equity plan to accelerate reasonable accommodation, awareness and increased representation of people with disabilities. We will continue to review avenues to increase the employment and retention of people with disabilities.

Reaching out to our people

Airports Company South Africa goes beyond mandatory services and basic employee aid to empower and develop people to help them improve their livelihoods.

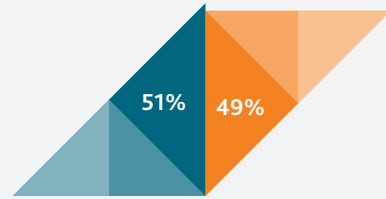
Housing scheme

The purpose of the scheme is to reduce indebtedness and enhance the financial affordability portfolio of our employees to increase home ownership and to live in decent accommodation. The programme offers debt counselling and financial management assistance as a precursor to providing a sum of R75 000 towards an approved bond. In addition, financial wellness training and various support programmes are offered to help employees improve their livelihoods through financial responsibility, wealth creation and fostering a saving culture.

Salaried employees have access to the following benefits under the housing scheme:

- › An upfront deposit subsidy to improve affordability and to reduce level of employee debt. This benefit is granted only to first-time home owners.
- › A monthly rental subsidy is granted for a period of three years to employees who lease property.
- › A monthly housing subsidy is granted for salaried employees who qualify for the housing scheme.

HOUSING SCHEME PARTICIPATION



2 399 employees eligible for housing scheme, of which 49% are participating

Not yet participating/ineligible to participate

The existing housing scheme was reviewed after a due diligence investigation to identify enhancement areas. The result was an increase in the number of participating employees to 1 088 (2016: 542). In 2017, 750 payments were made with an increase in home ownership of 8.1%. The decreased percentage of employees' debt levels in the Company year-on-year and the improved ownership figures are a reflection of the scheme's effectiveness.

Supporting learning

Our employees have access to an internal bursary programme for any tertiary level studies or courses relevant to the business. This enables employees to take initiative in developing their career prospects.

Airports Company South Africa provides a bursary scheme for the children of employees to study tertiary degrees and courses, provided that it falls under the national scarce skills list of the country. This is combined with holiday work while studying and is often a precursor to employment and supports incumbents in entering the job market. The Company sponsors accounting, life science, physical science and mathematics tutoring through professional learning institutions to support the country's need for proficiency in these four subjects.

Trade union relations

The labour relations environment in South Africa experienced significant shifts. One of the more pertinent moments was the formation of the South African Federation of Trade Unions (SAFTU) in April 2017, making it the second largest trade union federation. The Congress of South African Trade Unions (COSATU) remains the largest in South Africa, representing approximately 25.3% of the workforce.

A total of 51% (2016: 65.96%) of our workforce is unionised as follows:

- › National Education, Health and Allied Workers Union (NEHAWU): 39.1%
- › National Transport Movement (NTM): 21.2%
- › National Union of Metalworkers of South Africa (NUMSA): 3.9%

Through consultation and regular engagements, we maintained a solid relationship with NEHAWU. For the second year in our history, the Company secured a three-year wage negotiation providing further stability to the business.

TRANSFORMATION

B-BBEE

According to the Integrated Transport Sector Codes in line with the National Land Transport Act of 2009, the Company is a Level 3 contributor.

B-BBEE business spend

Our B-BBEE procurement spend from all empowering suppliers:

that are at least 51% black-owned, based on applicable B-BBEE recognition levels as a percentage of measurable procurement spend (TMPS), amounted to R1 124 079 251 (2016: R1 161 790 303); and	based on the B-BBEE procurement recognition levels, as a percentage of TMPS, amounted to R2 447 547 935 (2016: R2 604 577 716).
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Procurement from suppliers that are 51% black-owned is 46% of our TMPS. With our approved transformation sector strategies, our B-BBEE efforts will include a focus on enterprise and supplier development and improving the total spend with black suppliers. Results of this effort are expected to come to fruition in the next financial year.

Enterprise development

In addition to revising our supply chain management (SCM) processes for improvements, continued emphasis will be placed on supporting emerging black business through entrepreneurship opportunities or by increasing the share of operational and developmental opportunities awarded to black businesses.

The Company spent R10 million (2016: R12 million) on enterprise development to support this principle. Our transformation sector strategies take into account the role of black entrepreneurs in improving the socio-economic state of the country and employing people with disabilities. Airports Company South Africa created 24 018 (2016: 23 505) new job opportunities in the year.

PERFORMANCE REVIEW CONTINUED

Socio-economic development projects

The Company contributes to the development and social upliftment of our country in a number of ways, including corporate social investment. During 2017, we spent R39 million (2016: R55 million) on worthy causes to support socio-economic development near our airports.

Goodbye Malaria pop-up stores

Goodbye Malaria is an initiative working towards the elimination of malaria in Africa. The Company aligned to the initiative through a youth entrepreneurship programme operated at O.R. Tambo International Airport in partnership with Nando's. Prospective entrepreneurs are developed over 12 months with support through retail space allocation, start-up capital, coaching and mentorship. Two sponsored pop-up stores employ nine people directly and create employment for 44 more people. Local talent is sourced to create an attractive range of retail products and develop awareness of the fight against Malaria. The entrepreneurs develop an understanding of owning and managing a micro retail business and acquire soft skills in financial management and human resources in the process. A total of R1.6 million was generated from the pop-up stores.

Runway development programme

In developing the new runway at Cape Town International Airport, the Company engaged with local community members to provide construction skills development and a sports development programme to aid the less fortunate. There are 50 trainees enrolled in the skills development portion of the programme for a three-year course through the False Bay College. A total of 72 coaches and referees will benefit from the sports development programme in conjunction with the South African Football Association of the Western Cape.

Nature Guides Training Programme

The Nature Guides Training Programme in the Ekurhuleni Municipality will develop 12 learners to obtain their national certificate, allowing them to work as a wildlife officer or tour guide anywhere

in the country. The participants will be coached to acquire their driver's licence and complete a first aid qualification. The programme is operated by our long-standing partner, BirdLife South Africa, through the Field Guides Association of South Africa (FGASA).

Other programmes

The Company pioneers an educational pilot programme with three early childhood development centres for children with disabilities in KwaZulu-Natal. The Uhambo project was undertaken in partnership with the Department of Social Development. We donated assistive devices for use by the children to the value of R1.5 million.

A learner and teacher development programme in Port Elizabeth and East London is developing 1 900 learners and 20 teachers in critical subjects such as maths, natural science, physical science, accounting and English. The Company donated learning materials, and teacher development takes place through training sessions on Saturdays and public holidays. Teachers observe subject matter experts teaching the material, then complete examinations to assess improvement areas. These are subsequently developed to ensure competency before teaching students. The indirect benefits extend to transport providers contracted to transport 170 learners from farms and informal settlements around East London International Airport for the programme. Various local women have established small to medium-sized enterprises to provide food catering to the value of R1 million.

SCM

SCM faced challenges during the year related to due diligence process and business alignment. These challenges were isolated and identified through an audit process by the Auditor-General for the 2015 and 2016 financial years. Cumulative irregular expenditure of R446 million was reported, that information and other results have provided the board and management with clear focus areas of improvement, particularly in areas of SCM governance, the SCM policy, the Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA) and other regulations.

Corrective actions undertaken:

- › An all-inclusive tender checklist was instituted as part of the tender file with the objective to eliminate any weakness in document management and ensure compliance with the SCM manual.
- › A quotation scorecard was introduced incorporating mandatory fields to ensure compliance with the SCM manual.
- › Only valid and original B-BBEE and tax clearance certificates will be accepted by the Company going forward.
- › With the introduction of the new Tax Compliance Status requests system rolled out by SARS, public entities will now have direct access to the SARS database to confirm whether a supplier or potential supplier is tax compliant on an ongoing basis.
- › Roadshows and question and answer sessions were conducted across the business over and above the SCM policy and procedure training that is already provided.
- › Review and reconstitution of local bid adjudication committees: The performance appraisals and final scores of officials responsible for irregular expenditure were moderated accordingly and disciplinary proceedings were carried out where necessary.

The Company grew the black business share of commercial revenue by 50% (2016: 52%), exceeding the 45% target, reflecting our intent to further black business entrepreneurship, particularly black-owned, and black women-owned businesses that made up 36% and 63% of the spend respectively.

Preferential procurement analysis	2017 %	2016 %	2015 %	Commentary
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of TMPS	113	110	104	Our continued focus on ensuring that suppliers are B-BBEE compliant generated an increased spend of 3%
B-BBEE procurement spend from all empowering suppliers who are qualifying small enterprises based on applicable B-BBEE recognition levels as a percentage of TMPS	38	23	27	Various developments to embed transformation activities in procurement processes led to a 15% increase in spend on qualifying small enterprises
B-BBEE procurement spend from all empowering suppliers who are at least 51% black-owned, based on applicable B-BBEE recognition levels as a percentage of TMPS	57	47	35	The 10% improvement underlines our thrust on transacting with businesses that adopt our transformation objectives and that are willing to sub-contract to enterprise development suppliers
B-BBEE procurement spend from all empowering suppliers who are at least 30% black women-owned based on applicable B-BBEE recognition levels as a percentage of TMPS	35	30	20	The focus on procurement spend on black women-owned suppliers realised a 5% increase

A significant step forward this year was the enhancement of our commercial contract policy. Through extensive legal counsel and a forward-thinking win-win approach, the SCM policy received an addendum – moving from 90:10 to 50:50 black-owned business ratios. Tenders are now more balanced across B-BBEE status and price, a significant opportunity to further aid economic transformation in the country.

PERFORMANCE REVIEW CONTINUED

Digitisation

In line with our commitment from the previous year, the Company finalised the information technology (IT) strategy to take the business forward and developed an effective disaster recovery system. These developments allow us to become a digital business that informs the airport business and enables decisions in line with future-oriented digital thinking. After a wide-scale systems analysis with the aid of external partners, the Company identified and implemented various infrastructure upgrades to the core layer of business systems, specifically at O.R. Tambo International Airport.

A number of focus areas were developed in the year, including:

1. **Passenger-centric products:** Developing products that have a significant customer focus, which will ultimately improve the passenger experience through self-services such as the E-gate pioneered at Cape Town International Airport that uses self-baggage drops to ease check-in processes. Smart Security was piloted and the Company will implement common user terminal equipment (CUTE) at O.R. Tambo International Airport. This digital interface reduces the need for multiple electronic devices, allowing a range of stakeholders (both internal and external) to obtain information about the airport and operations from a single equipment interface. The Company will pioneer InfoGate units in 2018. This digital interface provides multi-language, video-based personal customer communication and extensive functionality for information and navigation to support passengers seeking information.
2. **Business intelligence:** Business intelligence and analytics are used to improve allocation of resources through internal data and information analysis across a range of systems. The digitisation of HR interfaces is ongoing and will create a centralised repository for HR data on a cloud database, allowing the division to function online. SCM is being investigated for further improvement through five different projects. In addition to upgrading the servers and storage, the O.R. Tambo International Airport Smart Security system will become digitised and run as a pilot for 12 months before roll-out to other airports. The Company is exploring the use of a mobile application to provide operational assistance to employees, including elements such as digital approvals from the Oracle mobile approval system.
3. **IT commercial strategy:** The strategy aims to develop tools and products to support the business development division and stimulate the provision of non-aeronautical revenue into the environment. The IT commercial unit will be designed to run as a business partner under the technical advisory and consultancy services component of our governance framework and operating model.

The IT division secured a partnership agreement with the University of Witwatersrand to operate a digital technology skills development hub with research and development capacity. In addition, the Company completed the development of enterprise architecture to drive and direct the operational efforts of the IT strategy and ensure that transitions from current systems and requirement to future capability are aligned and effective.

Cyber-security remains a concern and appropriate safeguards and digital protection are continuously assessed to ensure the stable and secure operation of our systems.

Communication and branding

The Company believes that effective communications and branding should:

- › position and promote Airports Company South Africa as a world-class partner of choice in an innovative and sustainable manner for the benefit of stakeholders;
- › build and protect the brand;
- › raise the Company's profile among key target audiences; and
- › engage employees through innovative platforms.

To this end, an updated communications and branding strategy was implemented in the year. This strategy gives clear guidance for a cohesive Company approach for positively influencing stakeholder perceptions, aligning communication to and supporting business priorities using a strategic communications framework based on our Sustainability Framework.

Challenges and our approach to resolving them

An assessment of our approach and interactions with stakeholders from a Company perspective was conducted. The resultant challenges discovered were mapped to appropriate remedies to address them.

Challenge	Remedy
Communication activities are not anchored on business objectives and vision	We now filter all our activities for relevance against business strategy and Vision 2025 objectives
Message platforms are outdated and monotonous	Modernise communication channels and invigorate the Company's messaging tone to be effective, yet less formal
People cannot differentiate the Company from our aviation partners	Strong basic education campaign to collaborate with stakeholders proactively and regularly
Untold stories of business excellence and employee communication	Find and communicate positive content throughout the business and ensure that our people are the first to know about relevant and reputation impacting events

OUTLOOK

Going forward, the Company will engage proactively rather than reactively with stakeholders, aligning our communication and branding strategy with our stakeholder engagement strategy to maintain a singular approach to stakeholder engagement. We will use internal resources to leverage our communication and brand potential (such as intranet and extranet mediums) and pursue the digitisation of our communication platforms. A stronger brand presence will be developed by enhancing partnerships with internal stakeholders, pursuing unconventional and engaging communication techniques, and constantly measuring and evaluating our brand based on audience feedback.

GOVERNANCE

OUR LEADERSHIP

The board of directors is appointed by the Minister of Transport and the PIC, and is responsible for strategic direction and ultimate control of Airports Company South Africa. The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management and operations of the Company. We believe that our team has the right combination of skills and abilities to drive our Vision 2025, with the ability to interrogate issues, have robust discussions and offer insights in all areas of our operations, including transformation and business evolution.

THE BOARD

The board was reduced by four members in February 2017 by the Minister of Transport. Post-deliberation and consultation, these members were reinstated at the end of May 2017.

Independent Non-executive Directors



Dr John Lamola (55)
Appointed: 1 December 2012
Resigned: 5 July 2017



Bajabulile Luthuli (44)
Appointed: 1 December 2012
Resigned: 16 February 2017
Reinstated: 31 May 2017



Siyakhula Simelane (35)
Appointed: 1 March 2015



McDonald Kenosi Moroka (55)
Appointed: 1 December 2012
Resigned: 16 February 2017
Reinstated: 31 May 2017



Chwayita Mabude (48)
Appointed: 1 December 2012
Resigned: 16 February 2017
Reinstated: 31 May 2017



Skhumbuzo Macozoma (41)
Appointed: 1 March 2012
Resigned: 30 November 2016



Dr Matlodi Mabela (47)
Appointed: 1 March 2015



Kate Matlou (46)
Appointed: 1 March 2015
Resigned: 16 February 2017
Reinstated: 31 May 2017

Company Secretary



Nosisa Kekana (45)
Appointed: 1 November 2013

Non-executive Directors



Roshan Morar (51)
Acting Chairperson¹
Appointed: 1 January 2012



Deon Botha (48)
Appointed: 1 August 2013

Executive Directors



Bongani Maseko (49)
Chief Executive Officer
Appointed: 15 May 2013



Maureen Manyama (40)
Former Chief Financial Officer
Appointed: 1 April 2013
Resigned: 4 January 2017

Executive Committee



Dirk Kunz (45)
Group Manager: Corporate
Finance and Acting Chief
Financial Officer²



Girish Gopal (53)
Group Executive: Technical
Services and Solutions and
Acting Chief Operating Officer³



Bongiwe Mbomvu (49)
Group Executive: Governance
and Assurance



Refentse Shinnars (41)
Group Executive: Corporate
Affairs



Charles Shilowa (45)
Group Executive: Business
Development



Pieter du Plessis (55)
Group Executive: Human
Resources



Sello Mmakau (42)
Chief Information Officer



Badisa Matshego (40)
Group Executive: Infrastructure
Asset Management



Andre Vermeulen (47)
Group Executive: Airports



Sithembiso Ngwenya (35)
Chief Audit Executive⁴
Appointed: 21 November 2016



Tebogo Mekgoe (42)
Former Chief Operating Officer

Board and executive capabilities and qualifications are available online at www.airports.co.za



¹ Former Deputy Chairperson, appointed Chairperson by the PIC.

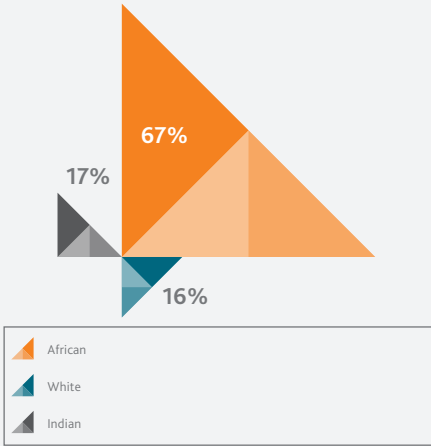
² Replaces Maureen Manyama who resigned in January 2017.

³ Replaces Tebogo Mekgoe who resigned 31 December 2016.

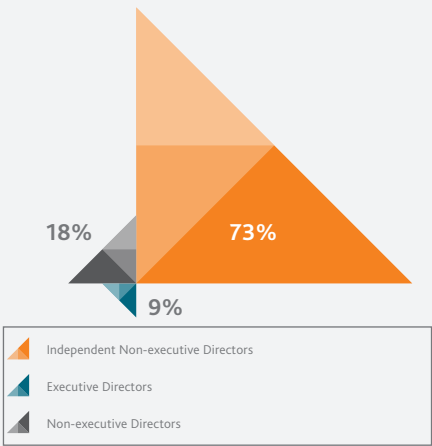
⁴ Permanent invitee to the Executive Committee.

GOVERNANCE CONTINUED

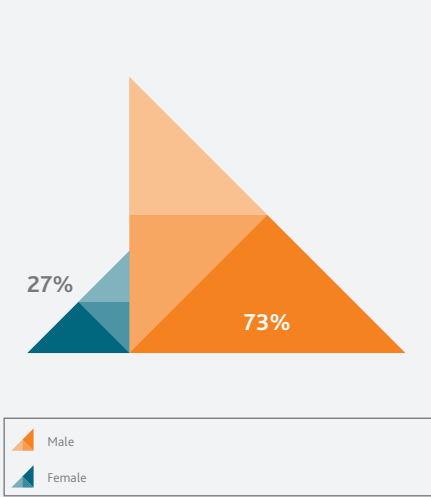
BOARD DEMOGRAPHICS



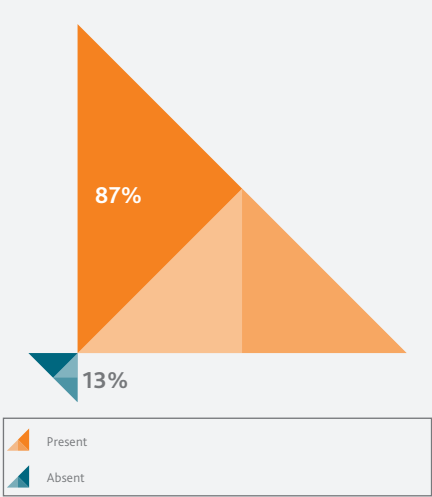
BOARD COMPOSITION



BOARD GENDER BALANCE



BOARD MEETING ATTENDANCE





GOVERNANCE CONTINUED

GOVERNANCE STRUCTURE

Shareholders

South African Government		Public Investment Corporation
Board of directors		
The board of directors is appointed by the Minister of Transport, the PIC and the applicable minority shareholders, and is responsible for strategic direction and oversight of Airports Company South Africa.		
Non-executive Directors		
<ul style="list-style-type: none"> Roshan Morar Acting Chairperson 	<ul style="list-style-type: none"> Deon Botha John Lamola Bajabulile Luthuli Matlodi Mabela 	<ul style="list-style-type: none"> Chwayita Mabude Kate Matlou Kenosi Moroka Siyakhula Simelane
Board committees		
Six committees, which report directly to the board, were established to focus on key functional areas where specialist expertise is required.		
Audit and risk committee	Board investment committee	Board regulation committee
<ul style="list-style-type: none"> Siyakhula Simelane¹ Chairperson John Lamola³ Bajabulile Luthuli⁵ Matlodi Mabela Chwayita Mabude⁵ Roshan Morar² 	<ul style="list-style-type: none"> Roshan Morar Chairperson Matlodi Mabela Chwayita Mabude⁵ Bongani Maseko Kate Matlou⁵ Kenosi Moroka⁵ 	<ul style="list-style-type: none"> John Lamola Chairperson Deon Botha Bajabulile Luthuli⁵ Matlodi Mabela Roshan Morar Kenosi Moroka⁵
Accountable to the shareholders as set out in section 76 of the Companies Act in respect of its audit committee functions and to the board in respect of its other functions.	Assists the board in discharging its duties in relation to capital projects, commercial activities, regulated and unregulated investments, procurement and SCM, and treasury activities including funding and borrowing plans.	Oversees the development and implementation of the economic regulatory strategy and ensures compliance with all regulatory legislation and/or requirements. At the core of its function is the deliberation of the approach leading to the permission application for submission to the regulating committee which sets the tariffs for the Company.
Management committees		
Projects committee	National bid adjudication committee	Transformation and sustainability committee
Risk and regulatory committee ⁴		Infrastructure asset management committee ⁴

¹ Appointed as committee Chairperson on 2 March 2017.

² Currently does not serve as a member of this committee due to his capacity as the acting Chairperson of the board.

³ Appointed to committee on 2 March 2017.

Shareholders

Minority shareholders			
Executive Director			
<ul style="list-style-type: none"> › Bongani Maseko › Maureen Monyama⁶ 			
Remuneration and nominations committee	Social and ethics committee	Executive Committee	
<ul style="list-style-type: none"> › Deon Botha Chairperson › John Lamola › Bajabulile Luthuli⁵ › Siyakhula Simelane 	<ul style="list-style-type: none"> › John Lamola¹ Chairperson › Deon Botha › Bongani Maseko › Kate Matlou⁵ › Kenosi Moroka⁵ 	<ul style="list-style-type: none"> › Bongani Maseko Chairperson › Dirk Kunz Acting Chief Financial Officer › Girish Gopal Acting Chief Operating Officer › Pieter du Plessis 	<ul style="list-style-type: none"> › Badisa Matshego › Bongiwe Mbomvu › Sello Mmakau › Charles Shilowa › Refentse Shinnars › Andre Vermeulen
Assists the board on matters of strategic remuneration by ensuring decisions are aligned to the Company's strategic objectives. The committee directs and oversees the human resources planning and development strategies aimed at creating and sustaining technical and managerial excellence required in order for the Airports Company South Africa to achieve its objectives.	Monitors the Airports Company South Africa's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice relating to: <ul style="list-style-type: none"> › Social and economic development › Good corporate citizenship › The environment, health and public safety › Consumer relationships › Labour and employment › Ethics framework › Engagement and interaction with stakeholders 	Deals with the general management activities that form part of leading and managing Airports Company South Africa towards achieving our core outcomes while upholding applicable legislation and regulation that pertain to the operation of the Company.	
Information technology steering committee	Financial risk management committee	Airports operations committee	Talent committee
	Business development committee ⁴		Planning committee

⁴ To effectively apply our governance, the board determined that it was necessary to add three sub-committees.

⁵ Resigned 16 February 2017 and reinstated on 31 May 2017.

⁶ Resigned in January 2017.

GOVERNANCE CONTINUED

EXECUTIVE SUMMARY

INTRODUCTION

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

The board is collectively aware of its responsibility and applies the good governance and accountability as outlined in King III and its board charter. Each of the members possesses a range of necessary skills, experience and competencies to perform their occupation and are provided with additional support on demand from the Company. The Company's memorandum of incorporation (MOI) states that the board shall comprise of a minimum of three directors and a maximum of 12 directors, the majority of which should be the non-executive directors. Our CEO is an executive director.

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

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

- › Airports Company Act, No. 44 of 1993
- › Civil Aviation Act, No. 13 of 2009
- › King Report on Corporate Governance for South Africa, 2009 (King III)
- › Protocol on Corporate Governance for the Public Sector 2002
- › Public Finance Management Act, No. 1 of 1999
- › Treasury Regulations
- › Companies Act, No. 71 of 2008
- › Income Tax Act, No. 58 of 1962
- › Value Added Tax Act, No. 89 of 1991

KEY GOVERNANCE INITIATIVES FOR THE YEAR

Key matters discussed by the board in the course of the financial year:

Month	Matter
August 2016	Receipt of board evaluation report and approval of transformation sector strategies
November 2016	King IV training for the board
December 2016	Receipt of the final Permission Decision
February 2017	Approval of 2018 – 2020 Corporate Plan
March 2017	Approval of business development strategy

COMMITTEE STRUCTURES, ATTENDANCE AND FEEDBACK FOR THE YEAR

Committee	Member	Attendance %	Summarised committee feedback
Audit and risk committee	Chairperson: Siyakhula Simelane	100	<ul style="list-style-type: none"> › Recommendation of the new strategic risk register to the board for approval › Recommendation of the delegated level of authority for board approval
	Roshan Morar	75	› Approval of various infrastructure projects, the internal audit charter and the audit response plan
	Bajabulile Luthuli ¹	100	› Whistleblowing policy approved
	Chwayita Mabude	92	› Recommendation of the revised Terms of Reference for board approval
	Matlodi Mabela	100	<ul style="list-style-type: none"> › Approval of the internal audit plan › Reviewed and recommended the annual financial statements and integrated report to the board for approval › Approval of the external auditors strategy and fees › Recommendation of the following amended policies to the board for approval: <ul style="list-style-type: none"> – Renewal of insurance policies – Inventory management policy and statement – Accounting, assets management statement and policy, travel subsistence employees claim – Approval of the external audit strategy and fees for subsidiaries › Going forward, the Company will apply more stringent management of the external audit processes to enhance accountability and improve oversight, ideally leading to a more favourable outcome of the audit report
Remuneration and nominations committee	Chairperson: Deon Botha	100	<ul style="list-style-type: none"> › Appointment of directors to subsidiary boards › Recommendation of the 2016/2021 Employment Equity Plan to board for approval
	John Lamola	75	› Board evaluation conducted
	Skhumbuzo Macozoma	75	› Reviewed committee terms of reference
	Siyakhula Simelane	75	› Finalisation of 2015/2016 performance assessments and performance contracts for 2016/2017
	Bajabulile Luthuli	100	<ul style="list-style-type: none"> › Employee policy amendments recommended for board approval › Conclusion of the 2016/2017 wage negotiations › Considered the redesign of the short-term incentive scheme (STI)

¹ Acted as Chairperson until February 2017.

GOVERNANCE CONTINUED

Committee	Member	Attendance %	Summarised committee feedback
Board investment committee	Chairperson: Roshan Morar	100	<ul style="list-style-type: none"> › Monitoring capital expenditure › Monitoring of commercial activities and approval of relevant policies and new business ventures (business development and expanding the Company's footprint) › Monitoring the Company's equity investments › Recommendation of revised terms of reference for board approval
	Kenosi Moroka	100 ²	
	Skhumbuzo Macozoma	100 ¹	
	Chwayita Mabude	100 ²	
	Matlodi Mabela	100	
	Bongani Maseko	100	
	Kate Matlou	100 ²	
Social and ethics committee	Chairperson: Kenosi Moroka	100	<ul style="list-style-type: none"> › Approval of the transformation sector strategies › Monitoring the effectiveness of the anti-corruption hotline › Litigation and the equitable distribution of cases was monitored › Ethics management oversight including the review and approval of code of ethics and conflict of interest policies › Competition law manual approved › The socio-economic development expenditure was monitored
	Kate Matlou	100	
	Deon Botha	0	
	John Lamola	100	
	Bongani Maseko	100	

¹ Excludes meetings post 10 November 2016 due to resignation.

² Excludes 24 February 2017 meeting as this was post-resignation.

The board dealt with all matters on behalf of the Board Regulations Committee due to the delay in the conclusion of the Permission Decision. There were no committee meetings in the year.

ASSURANCE

Assurance is being aligned further by instituting and supporting singular processes from the governance and assurance division that each business segment can apply. This approach will resolve the inefficiency perpetuated by silo-based policy creation and instead favour a central approved repository to ensure holistic application of processes in the business.

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

Our combined assurance model remains unchanged and supports this centralised approach. The use of combined assurance will support our efforts to drive integrated assurance throughout the Company which will support our path of integrated assurance.

COMBINED ASSURANCE

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



GOVERNANCE CONTINUED

INTERNAL AUDIT

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

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

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

The Internal Audit stakeholders at Airports Company South Africa were classified into three main categories, namely:

Primary: Those who have direct interest, and/or responsibility for Internal Audit or required substantial engagement from the Internal Audit function. It includes stakeholders upon whom Internal Audit placed reliance for work or who wanted to rely on Internal Audit work.

Secondary: Those who have an indirect primary interest in the Internal Audit function achieving their objectives. It includes stakeholders who require key information from Internal Audit and vice versa.

Tertiary: Stakeholders who have an interest in the information that could be provided by Internal Audit or vice versa.

The assessment by the Head of Internal Audit this year surmises that although the internal control environment was found to be adequate, there were concerns identified related to SCM and fixed assets management. It is Internal Audit's opinion that risk management processes are generally adequate and provide reasonable assurance that its strategic objectives will be met.

The Internal Audit function's primary focus for the next financial year will be to embed the IT work tools that were implemented during the previous year. It is expected that these tools will enable Internal Audit to cover a wider audit scope to realise improved efficiencies. A primary focus will remain the implementation of the final phase of the combined assurance journey within the Company.

DELEGATED LEVELS OF AUTHORITY

Our board is responsible for the periodic review and approval of our delegated levels of authority policy. This includes King III and all legislative and governance frameworks. Board delegation, decision-making and accountability structures are clearly defined in the policy, as is responsibility for risk management. *The Framework for Determination of Delegated Levels of Authority Limits* is a board-approved document that sets the parameters in which the Executive Committee can develop the *Delegated Level of Authority Procedure Manual*. The Executive Committee periodically reviews and approves the *Delegated Level of Authority Procedure Manual* which indicates approval limits.

RISK

The enterprise risk management framework focuses on the identification, assessment and implementation of responses to the risks facing the Company while the Combined Assurance Framework focuses on ensuring that an appropriate level of assurance is provided on the effectiveness of the risk management process and the controls implemented. Refer to page 49 for our risk disclosure and responses in the material matters chapter.



COMPLIANCE

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

COMPLIANCE LANDSCAPE

The Company embarked on projects to review and align various compliance instruments:

- › We reviewed and updated the compliance policy and the compliance universe. Both were then aligned with the new business divisions and departments as per the governance framework and operating model launched in April 2016.
- › We reviewed and updated the Company compliance profile and continuously reported on non-compliance to the Executive Committee and the audit and risk committee. We improved our tracking and reporting of progress on non-compliance identified in the previous years.
- › Our compliance risk management processes was extended to comply with legislation, which are classified as secondary in terms of our compliance universe.

COMPLIANCE MONITORING

In conjunction with Internal Audit, various compliance monitoring reviews were undertaken at selected business units, namely those in occupational health and safety and bird and wild life environments. The reviews were aimed at ascertaining if business activities are conducted in compliance with relevant regulatory requirements, internal policies and procedures. This process would then assist the Company in identifying relevant areas of and improvement. The reviews further assessed whether controls designed to protect the Company against non-compliance are adequate and are being properly implemented.

TRAINING AND AWARENESS

The implementation of the competition law compliance programme continued and a progress report was submitted to the Competition

Commission. The initial phase of the training is complete and has since been extended to new employees and others in various areas with exposure to competition risk. The competition law manual was approved and further training will be undertaken in the next financial year to familiarise employees with the application thereof.

In addressing issues of non-compliance reported in the 2015 /2016 financial year, the Company embarked on various training programmes on the PFMA, PPPFA, Treasury Regulations, Treasury Practice Notes and SCM policies and procedures. 157 employees attended this training, which included the Executive Committee, management within the supply chain management functions, and members of the bid adjudication committees.

OUTLOOK

Collaboration between Internal Audit, risk management and other relevant combined assurance functions will remain a tool for improvement and will be extended to other areas of the business to enhance governance practices and support effective implementation of the Company's governance framework and operating model.

ETHICS

INTRODUCTION

King IV defines corporate governance as the exercise of ethical and effective leadership by the governing body towards the achievement of an ethical culture, good performance, effective control and legitimacy.

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

Our code of ethics is unchanged and outlines standards expected from directors, managers, employees, service providers, suppliers and trading partners.

GOVERNANCE CONTINUED

NEW DEVELOPMENTS IN THE REALM OF ETHICS

The Ethics Institute conducted an ethics technical gap analysis and ethics risk assessment. The purpose of the gap analysis was to assess the extent to which the organisation has implemented the basic elements of an ethics risk management programme. The purpose of the ethics risk assessment was to obtain from and assess the stakeholders' perspectives on the organisation's ethics and determine the state of ethics in order to inform our ethics strategy and ethics policies. The outcome of the gap analysis and risk assessment influenced the Company's ethics management strategy and determined the scope and content of subsequent ethics management interventions:

- › Recommendation to include an ethics presentation into the Company's on-boarding programme and training in ethics was extended to external partners.
- › A comprehensive report on trends, fraud and corruption cases was tabled at the social and ethics committee for review.
- › All our divisions appointed ethics champions.
- › The ethics communication from the CEO to employees, detailing the importance of ethical behaviour and anti-corruption, were published throughout the television network at all airports.
- › The conflict of interest policy and the code of ethics were reviewed and approved in the 2017 financial year.

TRAINING AND AWARENESS

Training was conducted throughout the Company including our code of ethics, gift policy, conflict of interest, anti-corruption management plan and whistleblowing policies. We trained 1 673 employees (2016: 2 220) and 20 external partners on all ethics policies.

WHISTLEBLOWING AND FRAUD PREVENTION PROGRAMMES

The Company's whistleblowing policy is in effect and the Company provides employees with various avenues, such as our anti-corruption hotline, to report unethical conduct. On average, 50 reports are received through the anti-corruption hotline monthly. The anti-corruption hotline is independently administered by an external company which submits reports daily for investigation. Preliminary investigation is conducted to establish whether there is a *prima facie* case. Thereafter, a further investigation is conducted with appropriate recommendations should a more detailed investigation be warranted or to take appropriate action where necessary – including referrals to external law enforcement agencies.

OUTLOOK

The Company will continue to implement an ethics strategy action plan which includes the following:

- › finalise the ethics pledge which will be signed by our board;
- › publish our ethics and values on our website;
- › conduct a follow-up ethics risk assessment;
- › incorporate the code of ethics for business partners in all our contracts;
- › print and distribute the code of ethics to all employees; and
- › create the CEO ethics awards to encourage and recognise ethical behaviour.



REMUNERATION

Our remuneration approach is aligned to shareholder value creation and the Company strategy. This approach includes employee performance and Company risk management considerations in the achievement of our strategy. This approach contributes towards our reputation as an employer of choice and fosters a healthy and collaborative relationship with employees and organised labour.

This chapter provides an overview of the Company's remuneration policy and broad principles. Although the board is ultimately accountable for the Company's remuneration philosophy and the application thereof, it is assisted by the executive committee in executing its duties. These include duties of remuneration, governance, skills attraction and retention, succession planning, disclosure, benefits, conditions of employment and performance-linked remuneration.

Details of executive and senior management remuneration and benefits are outlined on pages 109 and 110. The variable component of remuneration relies on various factors and is linked to the performance of employees. The remuneration and nomination committee carried out its objectives. It appreciates and promotes the importance of employees in the Company's value creation process.

BACKGROUND STATEMENT

Employee remuneration is market-related and in line with individual and Company performance. In determining remuneration, the Company considers factors such as affordability, economic pressures, industry changes, labour market landscape and regulatory requirements.

These considerations and other detailed requirements form part of our total reward philosophy and are underpinned by best practice. We remain competitive by benchmarking our rewards offering to the national market, which includes state-owned companies. Benchmarking enables us to attract and retain the right talent to execute our strategy in line with our Vision 2025 objectives.

REMUNERATION GOVERNANCE

The remuneration and nomination committee reports to the board on matters related to the executive management's and employees' remuneration and benefits. The remuneration and nomination committee comprises four independent Non-executive Directors. The CEO, CFO and the COO are permanent invitees to committee meetings.

The committee used the services of PricewaterhouseCoopers Inc. and Remuneration Consulting in different capacities during the year. They helped us to benchmark remuneration elements and practices against external comparatives, which inform our remuneration policy.

PHILOSOPHY AND POLICY

Airports Company South Africa's remuneration philosophy and policy are designed to support the Company and human resource strategy to attract and retain people with critical skills and promote high performance by offering competitive total rewards. This stimulates performance at individual and company level. Doing so allows us to remain an employer of choice.

Our shareholders have approved the Pre-determined Objectives, and thus, indirectly, the variable portion of the remuneration structure. The board approved the employee remuneration policy, taking into account the following internal and external factors:

- › the implementation of the remuneration parity project;
- › governance framework and operating model initiatives; and
- › remuneration market movements.

There were no material changes to the employee remuneration policy, which is available on request. However, the executive remuneration policy is under review for improvement and consideration by the Minister of Transport.

TOTAL REWARDS LINKED TO STAKEHOLDERS AND STRATEGY

The way we approach guaranteed and variable remuneration is summarised in the table that follows:

Element	Intent	Policy application
Guaranteed remuneration	Base salary	To attract and retain employees and ensure internal equity and external competitiveness. Our standard is to match the market in terms of the broad talent pool, but lead in areas of critical appointments, talented individuals, equity candidates and top performers. Pay levels are linked to inflation.
	Benefits	To ensure competitiveness and promote employee wellness, engagement and effectiveness. Employees are contractually obliged to belong to the approved medical and retirement funds inclusive of death and disability cover. Contributions are made by the Company and the employee.
	Optional benefits and allowances	To assist with productivity, ensure legislative compliance and retain skills. Some benefits are elective, and others are in line with statutory requirements.
Variable remuneration	Short-term incentives (STIs)	Group KPIs are approved by the board and the Minister of Transport. Group KPIs are assessed based on the Company's achievement of the Group's financial and non-financial business, people and society, and environmental outcomes. In addition, employee performance assessments are taken into account to compute STIs. There are incentives for the degree and level of achievement. STIs are subject to the achievement of performance measures and committee approval. STIs are paid annually.

Our remuneration policy is structured to ensure appropriate remuneration for different levels of occupation.

Remuneration parity project

The remuneration parity project was conceptualised in 2015 and is effective this year. The project introduced the standardised pay to remunerate all airport employees fairly, and make transparent and justifiable decisions. The remuneration parity project considers three principles:

- › defining the levels of work;
- › sizing the levels of work; and
- › equitable, market-related remuneration.

The Company used the Patterson Grading Framework as the cornerstone of our remuneration philosophy. The overall impact was reflected in market-related pay scales, and pay alignment in terms of jobs performed, and ensuring equitable and transparent remuneration practices. The Patterson Grading Framework further aligned the remuneration structure to our operating model and governance framework to deliver on our strategy.

REMUNERATION CONTINUED

Remuneration review approaches

We annually review and benchmark our total rewards offering with national and industry levels to remain competitive, and to attract and retain the right talent. The Group uses the following approaches when considering remuneration reviews:

- › **Skilled and general workers (inside the bargaining unit):** Collective bargaining is used to annually review basic salaries and conditions of employment.
- › **Senior management, middle management and professionals:** We conduct an annual salary review requiring board approval. Considerations include financial factors, external equity and Company performance.
- › **Executives:** Remuneration mix is reviewed annually by the board in line with latest executive remuneration benchmark¹. The CEO is appointed on a five-year contract. The CFO, COO and Group executives are permanently appointed.
- › **Non-executive Directors' fees:** Fees are reviewed and approved at the AGM in line with shareholder requirements.

KEY FOCUS AREAS AND DECISIONS

The remuneration committee focused on the following key areas to improve the positioning of our total rewards offering.

Focus areas	Key decisions made
The review and redesign of the executive remuneration framework and policy to align this with the Company's medium to long-term strategy	The board approved the redesign of the remuneration framework, which will be implemented in the coming year.
The review and redesign of the STI	Approved and to be implemented in the next financial year.
Annual salary review	Approved and implemented.
Guaranteed pay	The Company reviewed and aligned the executive remuneration offering with the Company's short and long-term objectives. This process is in its second phase of conclusion and has further ensured compliance to "Equal Pay for Work of Equal Value" Code of Good Practice enshrined in the Employment Equity Act.
Housing scheme	The Company enhanced its housing scheme to support employees seeking to become home owners. Refer to page 86.
Transport assistance programme	The Company is investigating shuttle transport for employees. The service will be for employees residing in surrounding airport precincts. This provides safe and accessible transport, especially during off-peak periods.



¹ Annual benchmarking establishes sustainable executive pay and considers the Company's size, number of employees, profit and other factors to position our salary levels appropriately for executives. This takes place in May.

REMUNERATION AND PERFORMANCE

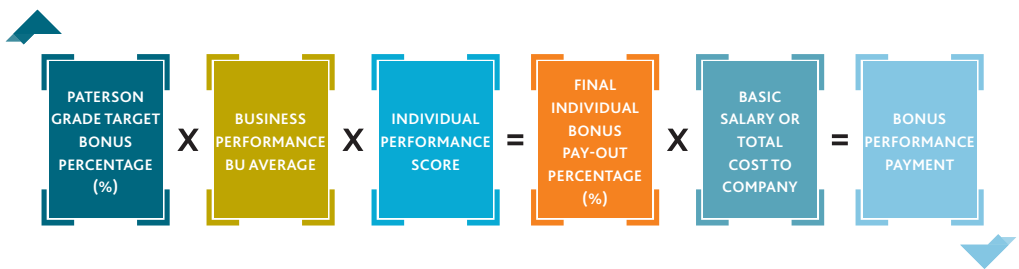
The Company actively seeks to apply consistent remuneration practices and offerings based on a defined framework. This includes Company and individual performance contracts linked to the total reward offering. To ensure transparency, performance-based remuneration considers the 50th percentile of the market as a reference point for remuneration.

Achieving short-term Company performance objectives and exceptional individual employee performance is rewarded through the STI scheme. The on-target bonus percentage (OTB%) range is detailed in the table that follows and represents a percentage of total guaranteed package that could be allocated should Company and individual performance targets be met.

Employee category	Salary structure	OTB%
CEO	Total cost to company	50%
CFO, COO and executives		35% to 45%
Senior management		30% to 35%
Management		25% to 30%
Non-unionised employees (OBU ¹)	Basic salary plus benefits	14% to 25%
Unionised employees (IBU)		8.33%

This scheme is linked to the Company's performance scorecard, which is directly linked to achievement of strategic objectives.

The scorecard is approved annually by shareholders and any bonus pool payments require board approval in accordance with the policy. Distribution to individuals are based on an OTB% individual performance score and business unit performance score subject to bonus pool availability.



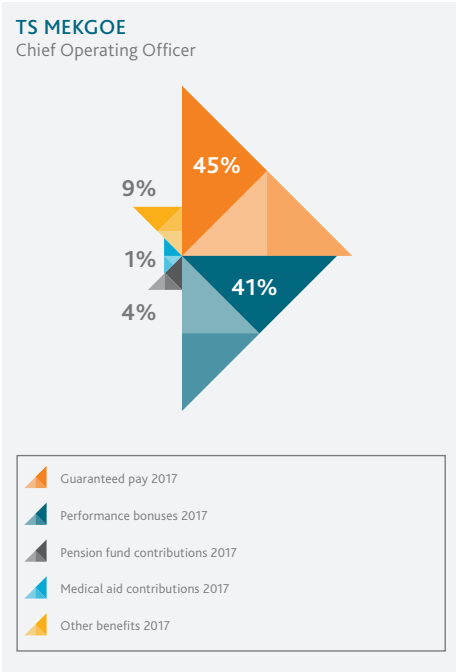
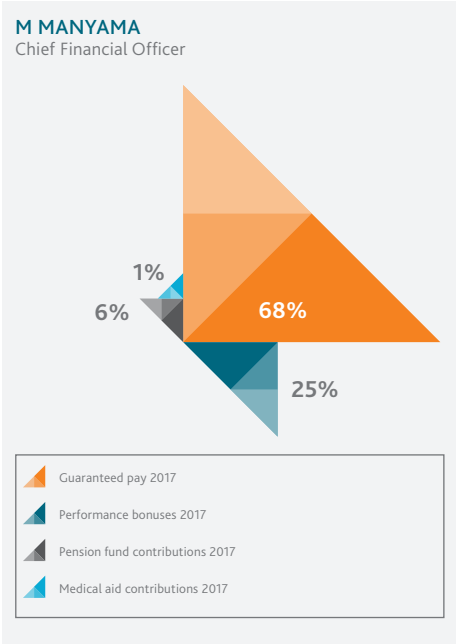
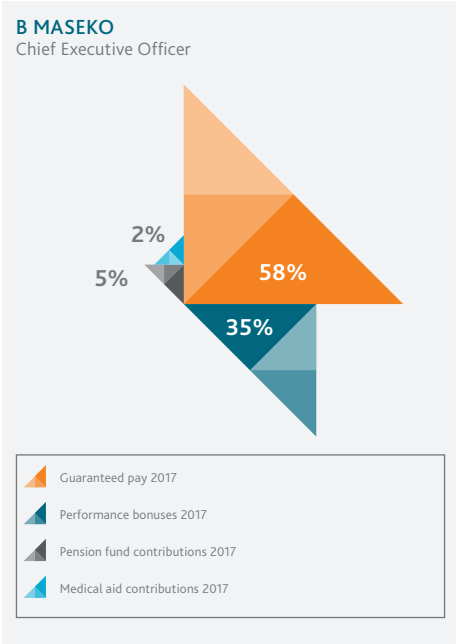
The bonus pool is determined by principles agreed with the shareholder through the corporate plan, affordability and other material considerations. Bonuses are paid a year in arrears; in 2016, the bonus pool was distributed to all qualifying employees.

¹ OBU refers to employees outside the bargaining unit whereas IBU are those inside the bargaining unit.

REMUNERATION CONTINUED

IMPLEMENTATION REPORT

The ratios for the remuneration mix align to various organisational levels. For our Executive Committee, the approved mix is as follows:



Refer to the payments table on page 114 for a full breakdown of payments made to our executive team.





Trolley Friendly Escalator

Trolley use on escalator

- Do not use trolleys on escalators
- Do not use trolleys on stairs

Safety Precautions on escalator

- Keep children close to you
- Hold handrails
- Do not use mobile phones
- Do not use trolleys
- Do not use trolleys on stairs
- Do not use trolleys on stairs
- Do not use trolleys on stairs

REMUNERATION CONTINUED

SUMMARY OF EARNINGS 2016/2017

Figures in Rand thousand

Category	Directors' fees		Guaranteed pay		Performance bonuses	
	2017	2016	2017	2016	2017	2016
Directors	5 534	4 589	–	–	–	–
Executives	–	–	35 221	32 127	18 466	13 359
Top-three earners	–	–	5 248	4 786	2 089	1 803
Management	–	–	255 935	218 320	66 949	52 336
General employees (OBU)	–	–	306 749	307 816	44 706	38 174
General employees (IBU)	–	–	333 394	260 733	18 892	14 173
Total	5 534	4 589	936 547	823 782	151 102	119 845

DETERMINATION AND DISTRIBUTION OF PREVIOUS YEAR BONUS

Determination

Positive profit after tax	R1.8 billion
Minimum of >75% of Pre-determined Objectives met	76% met



Refer to page 109 for the bonus calculation.

Distribution

Figures in Rand thousand

Non-executive Directors	–
Prescribed officers (Executives and top three earners)	R20 555
Senior and middle management	R66 949
Employees	R63 598

	Pension fund contributions		Medical aid contributions		Long-term incentives		Other benefits		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	–	–	–	–	–	–	–	–	5 534	4 589
	3 194	2 889	1 156	1 004	–	9 572	370	154	58 408	59 104
	473	431	146	166	–	–	–	–	7 956	7 186
	22 710	19 238	14 345	12 018	–	–	1 726	2 220	361 664	304 133
	30 263	31 536	21 886	22 384	–	–	1 737	1 485	405 341	401 394
	32 103	25 568	29 186	23 818	–	–	751	773	414 327	325 065
	88 743	79 662	66 719	59 390	–	9 572	4 584	4 632	1 253 230	1 101 471

REMUNERATION CONTINUED

PAYMENTS

Executives

Figures in Rand thousand

Name	Job title	Guaranteed pay		Performance bonuses		Pension fund contributions	
		2017	2016	2017	2016	2017	2016
PM du Plessis	Group Executive: Human Resources	2 018	1 922	1 248	898	183	172
G Gopal ¹	Group Executive: Technical Services and Solutions	2 036	1 914	1 339	410	188	175
D Kunz ²	Group Manager Corporate Finance	1 797	N/A	564	N/A	162	N/A
M Manyama ³	Chief Financial Officer	2 764	2 665	1 017	1 523	248	237
B Maseko	Chief Executive Officer	3 409	3 291	2 085	1 829	311	293
B Matshego	Group Executive: Infrastructure and Asset Management	1 955	1 404	881	–	179	127
B Mbomvu	Group Executive: Governance & Assurance	2 036	1 946	994	1 025	189	179
TS Mekgoe ⁴	Chief Operating Officer	1 955	2 473	1 759	1 615	178	224
S Mmakau	Chief Information Officer	1 989	1 903	1 463	368	179	168
S Ngwenya ⁵	Chief Audit Executive	706	N/A	100	N/A	62	N/A
C Shilowa	Group Executive: Business Development	2 027	835	–	–	179	72
R Shinnars	Group Executive: Corporate Affairs	1 956	1 874	863	–	177	168
A Vermeulen	Group Executive: Airports	2 390	2 274	1 483	1 012	217	204

¹ Acting COO

² Acting CFO

³ Resigned in January 2017

⁴ Resigned in December 2016

⁵ Appointed in November 2016

	Medical aid contributions		Long-term incentives		Other benefits		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	53	45	–	1 367	–	–	3 501	4 404
	114	104	–	–	–	–	3 676	2 603
	68	N/A	–	N/A	–	N/A	2 591	N/A
	52	48	–	–	–	–	4 081	4 473
	117	106	–	1 724	–	–	5 922	7 243
	75	52	–	–	–	–	3 089	1 583
	104	91	–	–	–	–	3 322	3 241
	63	79	–	–	370	–	4 325	4 391
	49	37	–	–	–	–	3 680	2 476
	–	N/A	–	N/A	–	–	868	N/A
	–	–	–	–	–	–	2 206	907
	49	45	–	–	–	–	3 045	2 087
	75	69	–	–	–	–	4 165	3 559

REMUNERATION CONTINUED

Non-executive Directors

Figures in Rand thousand

Name	Directors' fees	
	2017	2016
R Morar	608	468
S Macozoma	666	806
J Lamola	439	391
K Moroka	506	464
B Luthuli	735	643
C Mabude	579	443
M Mabela	773	523
S Simelane	769	482
K Matlou	459	351
Total	5 534	4 571

Airport General Managers

Figures in Rand thousand

Name	Guaranteed pay		Performance bonuses		Pension fund contributions	
	2017	2016	2017	2016	2017	2016
DA Cloete	1 962	1 845	1 317	992	185	174
T Delomoney	1 874	1 770	1 174	920	172	161
B Pityi	1 938	1 841	1 151	502	175	165
J Khambule	1 808	N/A	533	N/A	168	N/A
Total	7 582	5 456	4 175	2 414	700	500

Top-three earners

Figures in Rand thousand

Name	Job title	Guaranteed pay		Performance bonuses		Pension fund contributions	
		2017	2016	2017	2016	2017	2016
H Jeena	Group Executive: Commercial	2 297	2 171	1 161	1 020	205	194
A Matlabe	Group Manager: Treasury	1 746	1 649	713	606	158	149
K Reddy	Assistant General Manager: Operations Services	1 706	1 604	812	592	153	143
Total		5 249	3 253	2 089	1 198	473	292

FUTURE OUTLOOK

We are evolving our executive remuneration strategy and framework policy to enhance transparency and reveal details on how we remunerate our executives to demonstrate line of sight of Company strategy and long-term value, instead of unsustainable short-term incentives.

Our executive incentive scheme aims to remain forward-looking in line with best practice recommended by King IV, driving shareholder value creation, equal work for pay, positive incentivisation, and fostering sustainability. EBITDA will continue to be used as a figure to trigger the bonus pool and review remuneration requirements in line with operating our business in a cost-effective manner. We believe that this will yield our desired impact while stimulating a high performance culture.

Medical aid contributions		Long-term incentives		Other benefits		Total	
2017	2016	2017	2016	2017	2016	2017	2016
145	140	–	1 095	–	–	3 609	4 246
81	73	–	1 004	–	–	3 301	3 928
50	45	–	–	–	–	3 314	2 553
98	N/A	–	N/A	–	N/A	2 607	N/A
374	258	–	2 099	–	–	12 831	10 727

Medical aid contributions		Long-term incentives		Other benefits		Total	
2017	2016	2017	2016	2017	2016	2017	2016
32	53	–	1 547	–	–	3 696	4 984
52	48	–	–	–	–	2 669	2 452
26	22	–	–	–	–	2 697	2 361
146	70	–	–	–	–	7 957	4 813

STATISTICAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand thousand	GROUP				
	2017	2016	2015	2014	2013
Operations					
Aeronautical revenue	5 389 852	5 194 636	4 925 899	4 559 301	4 245 654
Non-aeronautical revenue	3 192 840	3 111 129	2 848 037	2 567 660	2 400 948
Revenue	8 582 692	8 305 765	7 773 936	7 126 961	6 646 602
EBITDA	5 103 245	5 209 306	4 836 115	4 647 029	4 442 297
Operating profit	3 832 912	3 901 421	3 359 153	3 234 364	3 030 344
Profit before tax	2 538 808	2 633 832	2 355 937	2 303 142	1 641 280
Profit for the year	2 044 105	1 844 704	1 627 750	1 712 454	991 310
Depreciation and amortisation	(1 270 333)	(1 307 885)	(1 476 962)	(1 412 665)	(1 411 433)
Dividends paid	(338 641)	(270 882)	(296 819)	(97 528)	–
Capital expenditure	877 859	(1 163 363)	(830 233)	(928 001)	(990 603)
Financial position					
Capital and reserves	19 033 249	17 163 476	14 953 552	12 580 016	10 838 599
Non-current liabilities excluding deferred tax	8 362 490	8 010 141	10 181 255	11 277 954	12 365 922
Deferred tax	486 329	1 346 013	1 365 207	1 125 960	956 461
	27 882 068	26 519 630	26 500 013	24 983 930	24 160 982
Property, plant and equipment, investment property and intangible assets	24 386 165	24 394 393	24 093 716	23 098 060	23 314 799
Investment in joint ventures	175 221	147 734	127 942	107 383	85 078
Investment in associates	998 527	1 761 660	1 348 026	1 422 739	932 832
Other non-current assets	257 815	330 613	95 021	228 714	270 096
Current assets	4 351 985	3 236 066	2 946 970	3 032 483	3 405 768
Non-current assets held for sale	–	–	–	–	–
Total assets	30 169 713	29 870 466	28 611 675	27 889 379	28 008 573
Current liabilities	2 287 645	3 350 836	2 111 662	2 905 449	3 847 591
Total equity and liabilities	30 169 713	29 870 466	28 611 675	27 889 379	28 008 573
Cash flow					
Net cash generated in operating activities	4 177 449	4 640 982	3 930 762	4 039 636	3 930 409
Cash (utilised)/generated in investing activities	(1 848 113)	1 763 784	(266 281)	(975 539)	(1 018 997)
Net cash (utilised)/generated by financing activities	(2 028 039)	(2 734 196)	(3 452 423)	(3 303 709)	(3 631 966)
Net cash inflow/(outflow)	301 297	143 002	212 058	(239 612)	(720 554)
Profitability					
Earnings per share (cents)	413.75	383.201	329.48	346.62	200.67
Dividends per share (cents)	68.55	55.491	60.00	19.82	–
Productivity					
Number of employees	2 898	2 841	2 932	2 819	2 715
Revenue per employee (R)	2 962	2 924	2 651	2 528	2 448
Operating profit per employee (R)	1 323	1 373	1 146	1 147	1 116
Departing passengers per employee	6 902	6 820	6 086	6 179	6 423
Cost-to-income ratio (%)	41	38	38	40	54

Other key statistics (in numbers)	GROUP				
	2017	2016	2015	2014	2013
Aircraft landings					
International	37 722	36 803	36 573	38 315	36 146
Domestic	142 230	141 978	133 093	125 956	126 388
Regional	13 138	13 080	12 157	11 131	11 251
Unscheduled	88 613	92 424	91 519	85 892	81 238
	281 703	284 285	273 342	261 294	255 023
Departing passengers					
International	5 680 282	5 360 767	5 198 086	5 116 779	4 914 163
Domestic	13 692 647	13 401 807	12 036 117	11 701 577	11 963 082
Regional	565 804	540 530	531 211	518 989	487 569
Unscheduled	63 228	71 225	79 136	81 838	73 072
	20 001 961	19 374 329	17 844 550	17 419 183	17 437 886
Number of airlines					
International	44	43	50	43	44
Domestic	9	9	8	7	6
	53	52	58	50	50
Aeronautical tariffs (R)					
Passenger service charges					
Domestic	111.40	111.4	111.4	105.3	101.8
Regional	230.70	230.6	230.7	218.4	212.2
International	303.51	303.6	303.5	287.7	279.8
Landing fees (based on an aircraft with a maximum take-off weight of 60 000 kg)					
Domestic	5 491.62	4 966.6	4 817.3	4 561.8	4 437.0
Regional	7 820.17	4 439.4	7 027.2	6 654.6	6 472.9
International	9 236.37	28 258.1	9 236.4	8 746.7	8 507.5
Operational volume (in numbers)					
Aircraft landings					
O.R. Tambo International Airport	111 232	112 177	108 792	103 341	100 007
Cape Town International Airport	49 663	50 127	45 587	44 281	44 537
King Shaka International Airport	27 495	26 190	24 693	24 797	24 850
Port Elizabeth International Airport	30 256	32 516	31 720	33 956	31 821
East London Airport	15 004	14 998	15 897	15 238	15 265
George Airport	27 999	29 161	27 722	22 233	19 815
Bram Fischer International Airport	9 053	8 780	8 418	7 281	8 925
Kimberley Airport	4 851	5 044	5 915	5 290	5 766
Upington International Airport	6 504	5 292	4 598	4 877	4 037
Total	282 057	284 285	273 342	261 294	255 023

ABBREVIATIONS

Abbreviation	Definition
AASA	Airline Association of South Africa
ACI	Airports Council International
ACSA	Airports Company South Africa
AGM	Annual general meeting
ALPH	Airports Logistics Property Holdings
AMC	airport management centre
APEX	airport excellence in safety
ASQ	Airport Service Quality
ATM	air traffic movements
B-BBEE	Broad-based black economic empowerment
BRICS	five major emerging national economies: Brazil, Russia, India, China and South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
Companies Act	Companies Act No. 71 of 2008
COO	Chief Operating Officer
CPI	consumer price index
CSI	corporate social investment
CSIA	Chhatrapati Shivaji International Airport
CTIA	Cape Town International Airport
DoT	Department of Transport
EAP	economically active population
EBITDA	earnings before interest, tax, depreciation and amortisation

Abbreviation	Definition
EDP	executive development programme
FIDS	Flight information display system
GDP	gross domestic product
ha	hectares
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Standards Organisation
IT	information technology
King III	King Code on Corporate Governance for South Africa (2009)
King IV	King Code on Corporate Governance for South Africa 2016
KPI	key performance indicator
KSIA	King Shaka International Airport
LMJVC	La Mercy Joint Venture Company
MAP	million annual passengers
MIAL	Mumbai International Airport (Private) Limited
MOU	memorandum of understanding
NDP	National Development Plan

Abbreviation	Definition
NEHAWU	National Education, Health & Allied Workers Union
ORTIA	O.R. Tambo International Airport
Pax	passengers
PFMA	Public Finance Management Act No. 1 of 1999
PIC	Public Investment Corporation
ROE	return on equity
ROCE	return on capital employed
SANS	South African National Standards
SCM	supply chain management
SOC	state-owned company
SPEs	special purpose entities
STI	short-term incentive
TMPS	total measurable procurement spend
UPN	Upington International Airport

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Company registration number	1993/004149/30
Directors	Independent Non-executive Directors S Macozoma ¹ B Luthuli ² C Mabude ² K Moroka ² K Matlou ² J Lamola M Mabela S Simelane Executive Directors B Maseko M Manyama ³ Non-executive Directors R Morar D Botha
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008
Postal address	PO Box 75480 Gardenview 2047
Bankers	Standard Bank Nedbank
Auditors	Auditor-General South Africa
Secretary	N Kekana


¹ Resigned as at 30 November 2016

² Resigned on 16 February 2017. Reinstated on 31 May 2017

³ Resigned as at 4 January 2017

AIRPORT CONTACT DETAILS

For airport specific queries, not integrated report or airline queries use the contact information below to engage with us:

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

For all queries, visit www.airports.co.za/contact or email us at customercare@airports.co.za.





Departures

Arrivals  