



# GOVERNANCE AND REMUNERATION REPORT 2022

Run Airports, Develop Airports and Grow our Footprint





# CONTENTS



p3

## 01 GOVERNANCE

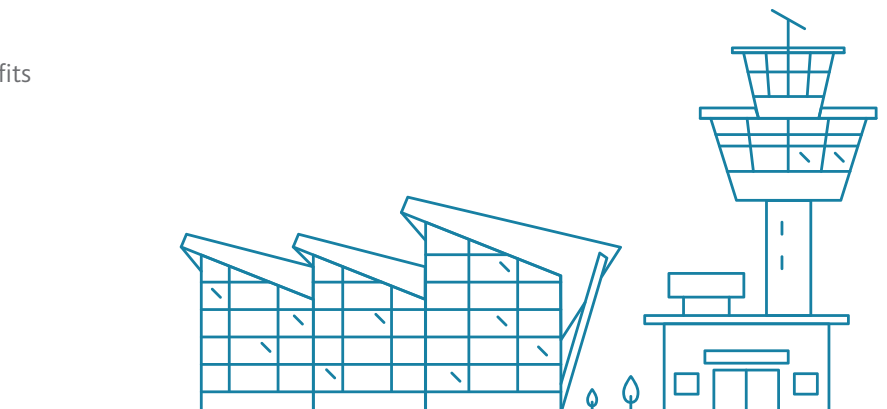
- 4 Message from the chairman of the Board
- 8 Our leadership
- 12 Our governance framework
- 13 Our Board
- 16 Delegation of Authority
- 17 Board evaluation
- 20 Reporting and accountability
- 21 Governance of risk
- 25 IT governance
- 27 Governance of compliance
- 29 Governance of stakeholder relationships
- 31 Board committees



p37

## 02 REMUNERATION

- 38 Overview
- 38 Performance review
- 39 Remuneration policy
- 40 Guaranteed pay and benefits
- 45 Implementation report

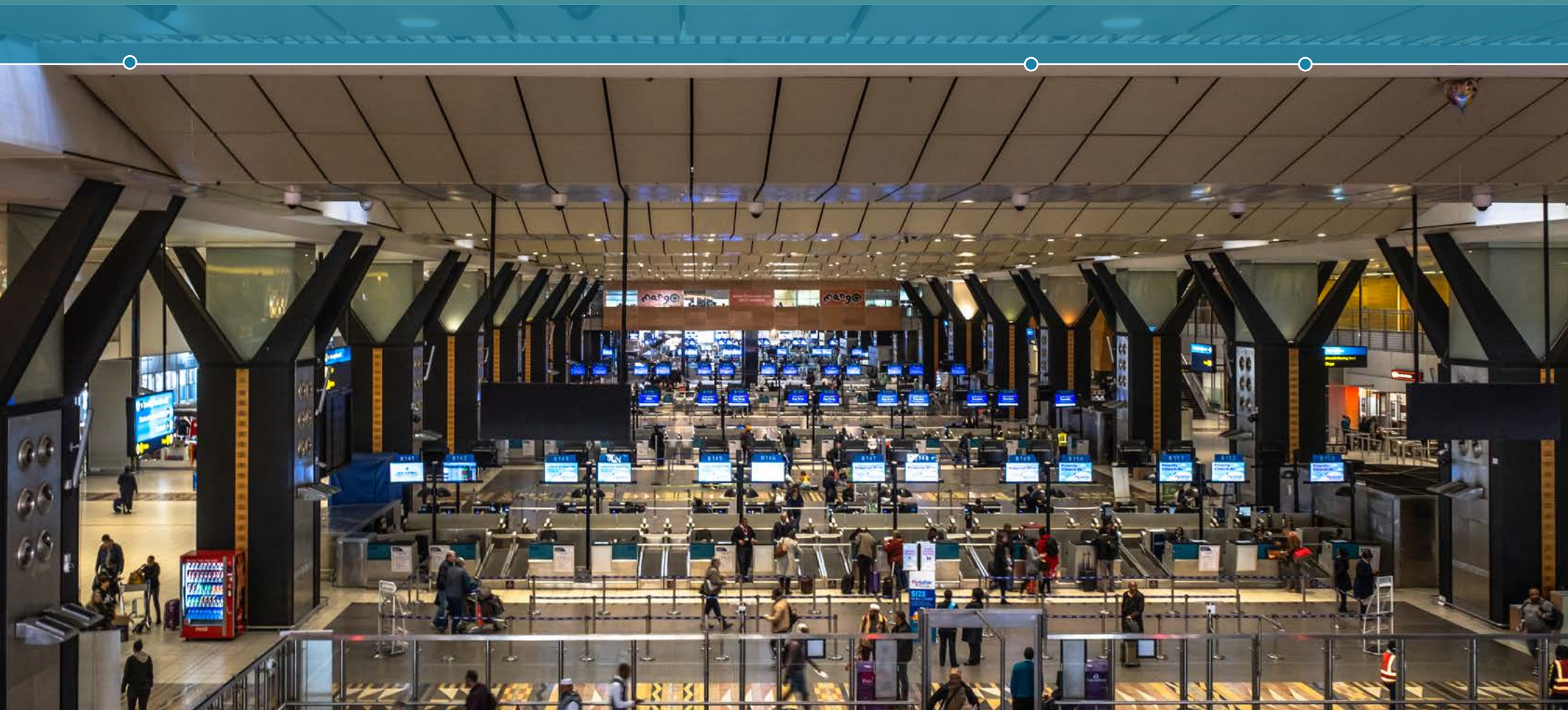




# 01

## GOVERNANCE

*How our corporate governance secures  
our brand, reputation and sustainability*



# MESSAGE FROM THE CHAIRMAN OF THE BOARD



We take great pride in our standing as a well-run State-owned company that has made a profit in all but two of its 28 years of operation.

It is my pleasure to present Airports Company South Africa's Governance and Remuneration Report for the year ended 31 March 2022. This gives details of our approach to corporate governance practice and our key activities during the year, as well as information related to our implementation of the principles in the King Report on Corporate Governance for South Africa (2016) (King IV), our annual Board evaluation process and our approach to remuneration.



Our reporting suite consists of three reports which provide our stakeholders with comprehensive information about the Group, its performance during the reporting period and its future prospects. The suite for the 2022 financial year was approved by the Board on 31 July 2022.

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

We take great pride in our standing as a well-run State-owned company that has made a profit in all but two of its 28 years of operation. Our commitment to robust governance and best-practice financial management principles has also enabled us to successfully navigate the impact of the COVID-19 pandemic, which is the most significant challenge our business has ever had to face. This culture of good governance has given us a solid, dependable foundation through many difficult operating conditions and has kept the Company secure from unethical conduct and malice.

According to the Airports Company Act (No. 44 of 1993, as amended), the Company is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any

airport, any part of any airport, or any facility or service at any airport normally related to an airport function. We fulfil this mandate within the context of our governance framework, which has enabled the Board and senior management to be agile in our response to the impact of the COVID-19 pandemic and the other challenges we have had to face over the past two years. The governance framework provides role clarity and delineation as well as areas of accountability, ensuring strategic alignment across the Group and efficient and informed decision-making at the appropriate levels.

My fellow Board members and I are committed to working with the Minister of Transport, the Auditor-General of South Africa and other relevant state organisations to sustain our recovery from the impact of the COVID-19 pandemic and to plan for future growth.

As always, we remain keenly focused on maintaining an organisational structure appropriate to market conditions and on scrupulous management of expenditure. This approach, together with our dedication to innovation and customer service, will always be the bedrock on which our Company is founded.

Dr Sandile Nogxina  
Chairman



## Vision

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

## Mission

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

## Values

**We define our values by using the acronym PRIDE:**

Passion – Results – Integrity –  
Diversity – Excellence

Our reporting suite consists of three reports, which provide our stakeholders with comprehensive information about the Group, its performance and its future prospects. These reports are prepared in compliance with the Public Finance Management Act (No. 1 of 1999) (PMFA), the Companies Act (No. 71 of 2008) (Companies Act), the JSE Debt Listing Requirements, the International Financial Reporting Standards, the International Integrated Reporting Council's International Integrated Reporting Framework and ISO/SANS 31000. External auditors provide assurance on all external reports.

The individual reports and supplementary documents are available online at [www.airports.co.za](http://www.airports.co.za).

# UPHOLDING AN ETHICAL CULTURE

## KING IV PRINCIPLE 1:

**The governing body should lead ethically and effectively.**

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

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

## KING IV PRINCIPLE 2:

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

## GOVERNING AND MANAGING ETHICS

The Board is accountable for ensuring that management actively cultivates a culture of ethical conduct and ensures that our Code of Ethics is adhered to by employees and associates.

All employees and stakeholders are expected to commit to the Code of Ethics and, in doing so, to be accountable and responsible for their actions. The Code of Ethics guides the

ethical behaviour of all employees and directors and is incorporated by reference in all employees' employment contracts. The Code is approved by the Board and its implementation is monitored by the Social and Ethics Committee. The Committee is also responsible for monitoring the behavioural standards specified in the Code and policies of the Company.

Employees are provided with a copy of the Code when joining the Company and it is addressed extensively as part of our induction process. Non-executive Directors are also provided with all relevant policies as part of their induction process.

Value-based training is conducted annually to reinforce the fact that ethics and compliance with the Code is a respected part of the Company's culture and that adherence is the responsibility of each employee.

## MONITORING ORGANISATIONAL ETHICS AND ADDRESSING OUTCOMES

We have a whistleblowing policy in place and this provides employees with various channels to report any unethical conduct. These include a whistleblowing hotline, walk-in reporting, direct calls through the ethics office or internal audit, and direct reporting to management. The hotline is independently administered by an external company that submits daily reports for review and investigation.

Whenever a report is received, a preliminary investigation is conducted to establish whether there is a prima facie case. Should further investigation be required, this is duly conducted and appropriate recommendations are given upon conclusion. If necessary, the case is referred to external law enforcement agencies.

	FY2021/22	FY2020/21	FY2019/20
Total number of cases	982	1 256	1 110
<i>Prima facie</i> cases	186	246	540
<i>Prima facie</i> cases closed	83	96	570

Hotline: 0800 00 80 80/ [acsa@thehotline.co.za](mailto:acsa@thehotline.co.za)/  
[www.thehotline.co.za](http://www.thehotline.co.za)

During the reporting period, the Social and Ethics Committee focused, in particular, on monitoring transformation, stakeholder relations, ethics, the reputation of the Company, socio-economic development, passenger mobilisation, and environmental, health and public safety.

Going forward, we will continue to implement and monitor the implementation of our Ethics Strategy. This will include continuously reinforcing our culture of ethical behaviour and integrating ethical conduct through ethics risk management initiatives as well as managing our exposure to prominent and influential persons in terms of the Financial Intelligence Centre Act.

As a Company, we have a Politically Exposed Person and Prominent Influential Person Policy in place, which provides a framework for the disclosure and treatment of domestic prominent influential persons. The Policy applies to all directors and employees in respect of any transactions or dealings with domestic prominent influential persons. The Company maintains a register of domestic prominent influential persons, which is made available annually on our website when the Annual Financial Statements are published.



# RESPONSIBLE CORPORATE CITIZENSHIP

## KING IV PRINCIPLE 3

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

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

Our dual mandate requires that we strive to be a successful business while also playing a pivotal role in the transformation and development of our country. As a State-owned company, an inherent part of our purpose is operationalising the economic transformation plans of government. As such, our commitment to transformation, environmental, social and development goals informs all our strategic decisions.

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

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

- Transformation (IR, page 75)
- Socio-economic impact (IR, page 86)
- Environmental health and public safety (IR, page 87)
- Human capital and the work environment (IR, page 97)

We are proud to be a net contributor of value in South Africa. Our contribution to the National Development Plan and the UN's Sustainable Development Goals is set out in our IR on page 89. On page 39 in the Remuneration Report, we have also included information on the focus of our remuneration policies and practices and on additional assistance available to employees.

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

# OUR LEADERSHIP

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The full curriculum vitae of each Board Director is available online at:  
[www.airports.co.za/about-us/executive-management/board-of-directors](http://www.airports.co.za/about-us/executive-management/board-of-directors)



**ADV SANDILE NGOXINA** <sup>63</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 9 November 2018

**Chairman of the Board**

- PhD Law Public Governance and Development Management
- Advocate of the High Court
- Bachelor of Law
- Post Graduate Diploma: Management
- Higher Diploma: Tax Law
- Masters of Law: Law Development



**NOSIZWE NOKWE-MACAMO** <sup>60</sup>  
 Lead Independent Director  
 Effective date of appointment: 1 September 2018

- MSc Chemical Engineering
- Diploma: Chemical Engineering



**DR KGABO BADIMO** <sup>62</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 6 August 2020

- PhD Information Systems Knowledge Management
- MSc Data Engineering
- BSc Computer Science
- Diploma in Business Administration
- Diploma in French Language



**KEMIRA ESTERHUIZEN** <sup>33</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 19 December 2019

- CA (SA)
- BCom Accounting



**DUDU HLATSHWAYO** <sup>58</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 6 August 2020

- BSocSc (Honours)
- Masters in Business Leadership



**PASCALIS MOKUPE** <sup>53\*</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 1 September 2018

- CA (L)



**NTOMBIFUTHI ZIKALALA MVELASE** <sup>57</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 1 September 2018

- BProc
- LLB
- Attorney of the High Court of South Africa



**IRVIN PHENYANE** <sup>53\*</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 1 September 2018

- BSc
- Master of Management
- Postgraduate Diploma in Project Management
- Postgraduate Diploma in Management



**YERSHEN PILLAY** <sup>38</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 1 September 2018

- MBA
- BSocSc Politics and Economics



**GRAEME VICTOR** <sup>66</sup>  
 Independent Non-executive Director  
 Effective date of appointment: 15 December 2019

- CA(SA)
- BSc Civil Engineering
- MSc Construction Engineering and Project Management
- MEng Construction Engineering and Project Management
- BCom Hons

\* Retired effective 5 November 2021 at the Company's Annual General Meeting.

## EXECUTIVE DIRECTORS



### MPUMI Z MPOFU <sup>56</sup>

Executive Director

Effective date of appointment: 1 February 2020

#### Chief Executive Officer

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



### SIPHAMANDLA MTHETHWA <sup>47</sup>

Executive Director

Effective date of appointment: 1 May 2020

#### Chief Financial Officer

- CA (SA)
- Postgraduate Diploma in Accounting/CTA
- BCompt Hons
- BCom Accounting
- Advanced Management Programme

## COMPANY SECRETARY



### FEFEKAZI SEFARA <sup>47</sup>

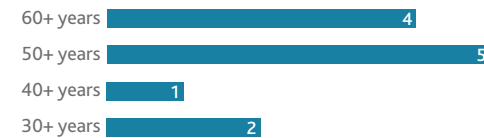
Effective date of appointment: 1 July 2018

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

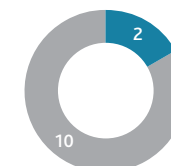


## DIRECTOR DEMOGRAPHICS

### AGE

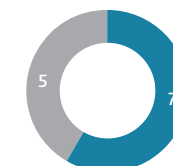


### INDEPENDENCE



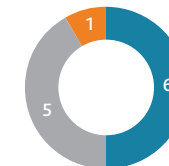
- Executive directors
- Independent directors

### GENDER DIVERSITY



- Male
- Female

### DEMOGRAPHICS



- Black men
- Black women
- White men
- White women

## OUR LEADERSHIP continued

### OUR EXECUTIVE COMMITTEE



**MPUMI Z MPOFU** <sup>56</sup>  
Chief Executive Officer

Effective date of appointment: 1 February 2020

**Executive Director**

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



**SIPHAMANDLA MTHETHWA** <sup>47</sup>  
Chief Financial Officer

Effective date of appointed: 1 May 2020

**Executive Director**

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



**REFENTSE SHINNERS** <sup>\* 45</sup>  
Group Executive: Corporate Affairs

- BTech Public Relations Management
- National Diploma Public Relations



**JABULANI KHAMBULE** <sup># 49</sup>  
Group Executive: Commercial

- NQF Level 8
- National Diploma Retail Management



**CHARLES SHILOWA** <sup>^ 50</sup>  
Group Executive: Business Development

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



**LUNGILE LANGA** <sup>44</sup>  
Group Executive: Human Resources

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



**BADISA MATSHEGO** <sup>\* 45</sup>  
Group Executive: Infrastructure Asset Management

- B.Sc Civil Engineering



**MTHOKO MNCWABE** <sup>45</sup>  
Chief Information Officer

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



**BONGIWE MBOMVU** <sup>\* 55</sup>  
Group Executive: Governance and Assurance

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



**MZWANDILE PETROS** <sup>62</sup>  
Group Executive: Enterprise Security

- NQF Level 8
- Advanced Diploma in Public Administration
- Secondary Teachers Diploma

\* Executive Committee members who left the Company during the reporting period.

# Was GE: Commercial, now RGM: O.R. Tambo International Airport.

^ Was GE: Business Development, now GE: Strategy and Sustainability.



**TERENCE DELOMONEY** <sup>54</sup>  
Group Executive: Operations Management

- BCom Accounting
- CA (SA)



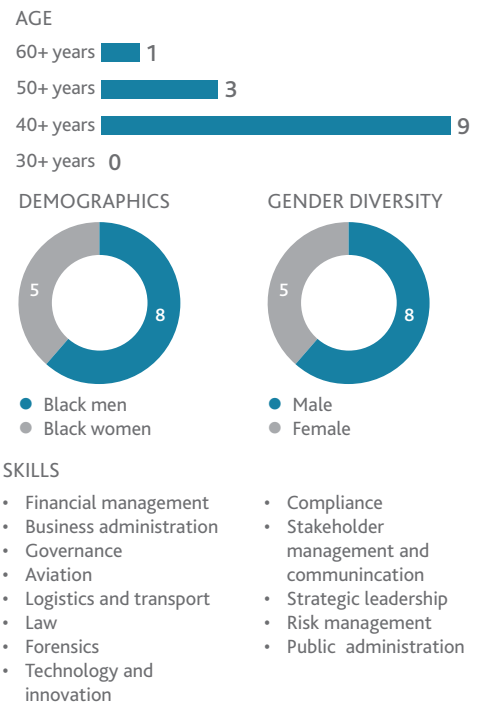
**LAURENE LESS** <sup>56</sup>  
Group Executive: Corporate Services

- BA
- Masters Public Administration



**STEMBISO NGWENYA** <sup>40</sup>  
Chief Audit and Risk Officer

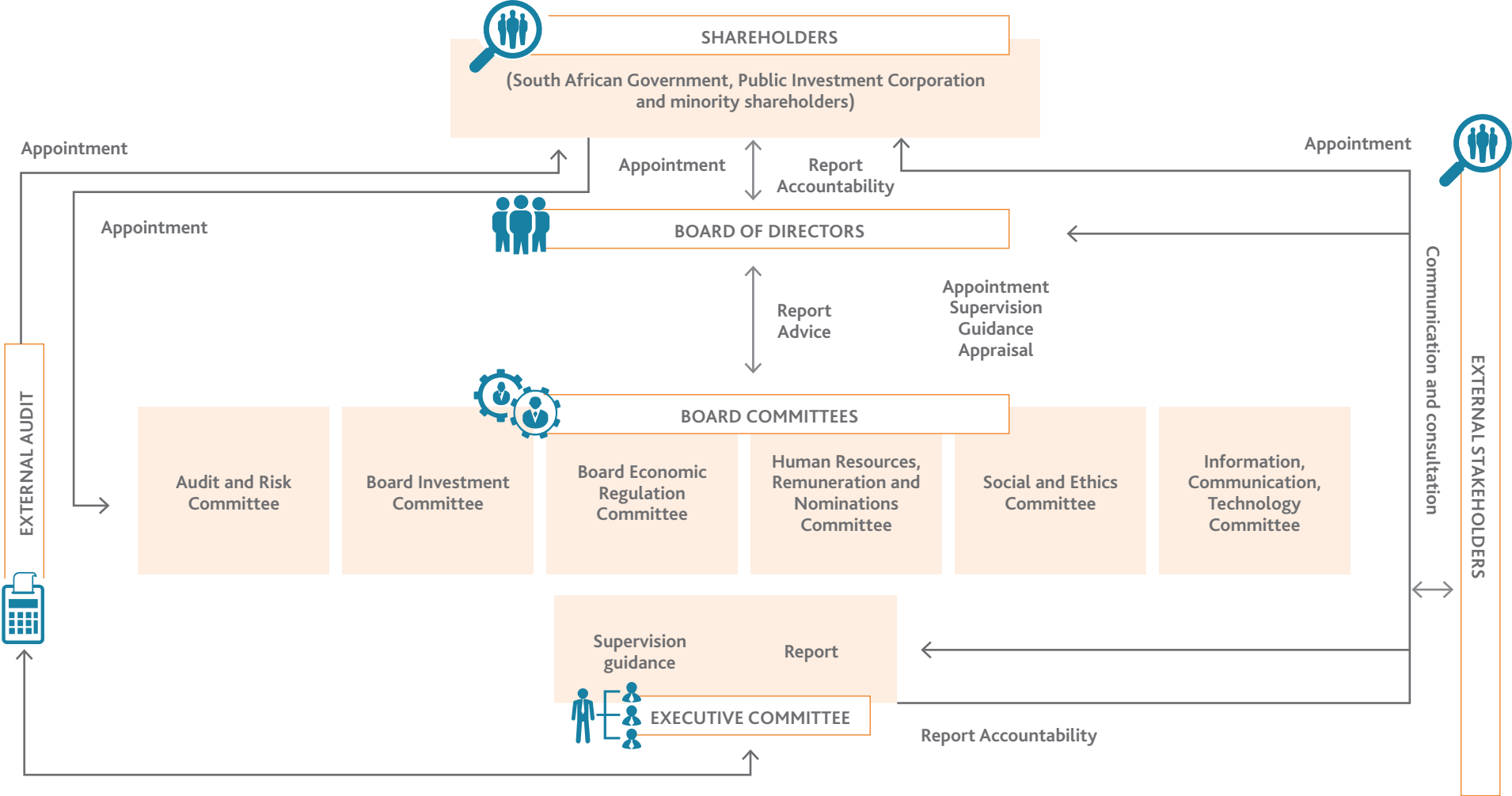
- CA (SA)
- BCom Hons Accounting



# OUR GOVERNANCE FRAMEWORK

## GOVERNANCE STRUCTURE

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



# OUR BOARD

## OUR GOVERNANCE AND CONTROL FRAMEWORK

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

Our Board of Directors is the accounting authority and the CEO is the accounting officer in terms of the PFMA. The CEO is accountable to the Board for the implementation of the Group's strategy. The CEO is assisted by the Executive Committee in conducting the day-to-day business of the Company, subject to the Company's Delegated Levels of Authority (DLA). The Executive Committee is accountable to the CEO. The detailed governance structure can be found on page 12.

### KING IV PRINCIPLE 4:

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

The Board is responsible for the sustainability of the Group and sets the strategic direction, approves the strategy and monitors the performance of the Company. Risks, opportunities, performance, operating model and sustainability matters are considered in terms of the Group's vision, targets, long-term goals and values, and are approved by the Board. The key performance measures and targets for assessing the achievement of strategic objectives over the short-, medium- and long-term have been approved and are monitored by the Board to ensure the viability of the Company. The strategy and related plans, which are consistently reviewed and updated as necessary, take into account business risks and the consequences of the Company's activities and outputs on the economy, society and natural environment.

The Board is responsible for providing continuous oversight over all material matters and holds the CEO accountable for the operational management and performance of the business.

The CEO holds the executive management accountable for their areas of responsibility in terms of managing the business. To enable executive management to achieve results, the Board has adopted a governance and control framework and aligned practices that:

- Provide role clarity through the assignment of specific areas of accountability to Board committees, the CEO and executive management.
- Provide for monitoring of the performance of the CEO.
- Enable effective decision-making by specifying which decisions are reserved for the Board and which are delegated to the Committees of the Board, the CEO and executive management.
- Provide for an effective enterprise risk management framework that gives the Board clear insight into key risks, enabling it to evaluate risk exposure and the mitigation strategies that safeguard stakeholder interests.
- Embed a value-driven culture across the Group's operations, build trust in our services and sustain meaningful stakeholder relationships.

These practices all collectively contribute to value creation.

## OUR BOARD continued

### COMMITTEES OF THE BOARD

The Board has established five permanent committees and an ad hoc committee to assist and support the Board in discharging its duties. These play an important role in enhancing the Group's standards of governance and effectiveness. Each committee acts in line with its terms of reference, which are reviewed annually. The committees report back on their activities at all Board meetings. The delegation of the Board's responsibilities to these committees is operational in function and does not abdicate any of the Board's fiduciary responsibilities.

A summary of the composition of the Committees of the Board, their responsibilities and the attendance of members at meetings, as well as the reports from the Audit and Risk Committee and the Human Resources, Remuneration and Nominations Committee are provided from pages 31 to 36. The full Audit and Risk Committee report is available on pages 3 to 7 of the Annual Financial Statements.

The Board operates under an approved Board Charter, which is reviewed annually. Within this framework, the Board ensures that financial management, risk management and internal controls are effective, as required by the PFMA. The roles and functions of the Chairman of the Board, the Lead Independent Director and the CEO are described in the Board Charter.

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

According to the criteria adopted by the Board for the assessment of the independence of Directors, which are recommended in King IV and set out in the Company's MOI, the Board comprised of eight independent directors as at 31 March 2022. Nosizwe Nokwe-Macamo is the Lead Independent Director.

### BOARD REPORTBACK CHANGES TO THE BOARD

Pascalis Mokupo (53) and Irvin Phenyane (53) retired effective 5 November 2021 at the Company's Annual General Meeting. No new appointments were made.

#### Attendance at Board meetings

The Board held eight meetings during the course of the reporting period:

Name of director	Special Unscheduled meeting	Scheduled meeting	Scheduled meeting	Special Scheduled meeting	Special Unscheduled meeting	Scheduled meeting	Special Scheduled meeting	Scheduled meeting
	06 Apr 21	10 Jun 21	08 Sep 21	14 Sep 21	17 Nov 21	08 Dec 21	17 Feb 21	09 Mar 22
Dr Sandile Nogxina (Chairman)	x	A	x	x	A	x	x	x
Ms Nosizwe Nokwe-Macamo	x	x	x	x	x	x	x	x
Dr Kgabo Badimo	x	x	x	x	x	x	A	x
Ms Kemira Esterhuizen	x	x	x	x	x	x	x	x
Ms Dudu Hlatshwayo	x	x	x	x	A	x	x	x
Mr Pascalis Mokupo*	x	x	x	x	Retired by rotation at the AGM			
Ms Nompumele lo Mpofo	x	x	x	x	x	x	x	x
Mr Siphamandla Mthethwa	x	x	x	x	x	x	x	x
Ms Futhi Zikalala Mvelase	x	x	x	x	A	x	x	x
Mr Irvin Phenyane*	x	x	x	x	Retired by rotation at the AGM			
Mr Yershen Pillay	x	x	x	x	A	x	x	x
Mr Graeme Victor	x	x	A	x	x	x	x	x

\* Retired effective 5 November 2021 further to retirement at the Company's Annual General Meeting.



## KEY FOCUS AREAS

Besides its regular agenda, many of the Board's key focus areas during the reporting period followed on from those in the previous period. These included:

- Monitoring the implementation of the Recover and Sustain Strategy and approval of the strategic initiatives needed to support the Growth Strategy.
- Continuing assessment and management of the impact of the COVID-19 pandemic on aviation and, in turn, on the Group.
- Monitoring the review and implementation of the COVID-19 Financial Plan and Budget based on the Beyond New Normal Scenarios.
- Reviewing the Key Performance Indicators in the Corporate Plan for FY2022 to FY2024 and the Growth and Non-aeronautical Revenue Strategies.
- Condoning and writing off irregular, fruitless and wasteful expenditure during the period.
- Overseeing the compilation and auditing of the Annual Financial Statements and the Report to the Auditor-General.
- Overseeing the development and approval of the FY2022 to FY2024 Corporate Plan, Financial and Borrowing Plan, and Action Plan for the Board Effectiveness Evaluation Report.
- Finalisation of the Macro Structure, Training Academy Strategy, Company Quarterly Reports, Policies and Frameworks.
- Reviewing the proposed disposal of ACSA shares in GRUpar.
- Mitigating strategic risks.
- Conducting stakeholder engagements.

The Board is satisfied that it executed its responsibilities during the reporting period.

## KING IV PRINCIPLE 5:

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

Integrated thinking is incorporated into our operations and reporting. The Audit and Risk Committee is an essential part of the Company's governance framework and the Board has delegated oversight over the integrity of the Group's financial statements and reporting processes to this Committee. It is responsible for reviewing all financial disclosures, including those made in the Integrated Annual Report, reporting on its findings to the Board and reviewing financial statements and information prior to it being released to stakeholders.

## KING IV PRINCIPLE 6:

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

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

Through the Audit and Risk Committee, the Board monitors the effectiveness of the governance framework across the Group in order to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy. We are committed to continually enhancing our corporate governance processes in line with best practice in a way that facilitates the development and management of world-class airports.

## KING IV PRINCIPLE 7:

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

The composition of the Board reflects an appropriate mix of skills, knowledge, experience, diversity and independence. Board members are supported by the Company Secretary and are entitled to seek independent professional advice concerning the discharge of their duties and to gain access to information they may require in discharging their duties. The Board has approved protocols to guide the Directors in these instances.

## INDUCTION AND BOARD DEVELOPMENT

Newly appointed Directors undergo a comprehensive induction process to enable them to make a full contribution to the Company within the shortest possible time. This process includes a comprehensive overview of the business, presentations on the duties and responsibilities of Directors, a briefing on the JSE Listings Requirements and airport visits to familiarise them with the operating environment.

In addition, ongoing education and training courses allow our Directors to continually enhance their skills. Among other opportunities, they are able to attend the development courses offered by the Institute of Directors and they also receive regular updates on national policy and aviation trends.

## SUCCESSION PLANNING

The nomination and appointment of Non-executive Directors is the prerogative of the shareholders, as provided for in the Company's Memorandum of Incorporation. The Board is not

## OUR BOARD continued

involved in the appointment of its members other than to advise shareholders of the skills required. Non-executive Directors retire by rotation at the end of their first term of service and may be re-appointed for a further term by the shareholders.

The Chief Executive Officer and the Chief Financial Officer are employed on five-year employment contracts, which may be terminated by either the Company or the employee by giving a three-month notice period that allows for a proper handover process. The Board may also terminate the contracts of the executive officers without notice for any reasons recognised in law as being sufficient for summary termination. Succession plans for the Chief Executive Officer and Chief Financial Officer were reviewed and finalised during the reporting period, taking into account the changes that have taken place within the business during the past two periods.

## CONFLICTS OF INTEREST

Directors are expected to ensure that any appointments outside the Group do not impinge on their ability to perform their duties as Directors of Airports Company South Africa and do not represent any conflicts of interest in terms of our Conflicts of Interest Policy.

Directors also sign annual declarations of interest disclosing their interests – as well as any direct or indirect personal or private interests that their spouses, partners or close family members may have – in any matter related to the business of the Group. In the event of there being a conflict of interest, Directors are obliged to excuse themselves from any deliberations relating to the matter.

No conflicts of interest were declared during the reporting period.

# DELEGATION OF AUTHORITY

## KING IV PRINCIPLE 8:

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

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

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

## SEPARATION OF ROLES AND RESPONSIBILITIES

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

### Chairman of the Board

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

### Lead Independent Director

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

### Non-executive Directors

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

### Chief Executive Officer

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

# BOARD EVALUATION

## KING IV PRINCIPLE 9:

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

Annual performance evaluations, which are either conducted by an external service provider or are either facilitated by the Company Secretary, enable the Board to monitor and improve its performance. These evaluations include an assessment of the Board as a whole as well as assessments of the Chairman of the Board, the individual Directors, the Board Committees, and the Chairpersons of the Board Committees.

The evaluation for the year under review covered an assessment of the application of governance principles against the following themes:

- Board attributes and culture
- Ethical culture and conduct
- Board meetings and processes
- Risk Management
- Environmental, Social, and Corporate Governance
- Oversight over the ACSA Strategy
- Information and Communication Technology
- Stakeholder management
- Role of the Chairman
- Role of the Chief Executive Officer
- Role of the Company Secretary
- Board induction, orientation and development
- Individual director assessment (peer review)

There are development areas that have been identified, such as a continued focus on cybersecurity, IT infrastructure, ESG framework implementation, risk sensing and scenario modelling. However, there have been areas in which there has been improvement, such as stakeholder management, the level of reporting to the various committees and the implementation

of a succession planning process. The Board, together with management, also needs to consider assessing the skills that are in-house as a number of employees were lost during the severance package process during the outbreak of the COVID-19 pandemic.



# EVALUATION OF THE COMMITTEES OF THE BOARD

Evaluation of the performance of the Committees of the Board is also undertaken annually within the framework of our Evaluation of the Board and Board Committees Policy, which is available on our website.

According to the evaluation, the Committees effectively discharge their roles and responsibilities and provide the Board with adequate feedback on their respective deliberations. The office of the Company Secretariat continues to provide unfettered guidance and support to the Board and the Committees. The CEO continues to ensure the effective implementation of the strategy and related strategic objectives.

The Committees of the Board will continue to focus on the following key areas during the current period (2023 financial year):

Financial sustainability and recovery, which will include:

- Implementation of the Recover and Sustain Strategy, the Growth Strategy, strategic initiatives and the revised Financial Plan
- Implementation of the first pillar of recovery: running airports efficiently and effectively
- Implementation of the revenue diversification and enhancement plans
- New opportunities that have been brought about by changes in the operating environment
- The liquidity of the Group
- Planning for future growth and development
- Recovery of the aviation industry
- Business competitiveness

Risk management, which will include:

- Risk sensing and scenario modelling

Revenue diversification, which will include:

- Generation of non-aeronautical revenue with more direction and purpose
- New investment opportunities

Innovation, which will include:

- Technological innovation in all areas of the Group
- Updating of the ICT infrastructure at airports

Cybersecurity, which will include:

- Vulnerability and penetration tests of the ICT environment
- Skills gap assessment in relation to critical ICT and cybersecurity skills

Aviation, which will include:

- Changes in the aviation industry that will have an impact on our network

Succession planning, which will include:

- Companywide skills assessment
- The training of new and future leaders at both Board and executive level

ESG, which will include:

- Implementation of the ESG Framework

These focus areas will be factored into the annual work plans for both the Board and the Committees of the Board.

## AUDIT AND RISK COMMITTEE

Board members were in agreement that the Committee had a culture of free, open and frank discussions and that meetings were productive and well managed. Committee members agreed that the Chairman of the Committee was experienced and knowledgeable, and that she adequately fulfilled her role and facilitated meetings effectively. Committee members further advised that they were satisfied with the level of preparedness, participation and engagement in Committee meetings and that the Committee obtained the information required for its deliberations. They also agreed that the Committee has a sound relationship with the Chairman of the Board and the management team.

## BOARD INVESTMENT COMMITTEE

Members of the Board advised that the Committee had been able to execute its mandate and, as a result, there had been an increase in focus on reassessing the investment strategy and investment opportunities during turbulent times. This resulted in a reduction of the investment exposure of the Company.

Board members were in agreement that the Committee had a culture of free, open and frank discussions and that meetings were productive and well managed. Committee members further agreed that the Committee obtained the information it required for its deliberations and that it has a sound relationship with the Chairman of the Board and the management team.

## HUMAN RESOURCES, NOMINATIONS AND REMUNERATION COMMITTEE

Members of the Board advised that the Committee had been able to execute its mandate and, as a result, that improvements – such as the development of the succession management policy and the succession management plan – had been noted. In relation to succession planning, which was identified as an area of improvement in the 2020 assessment, some Board members advised that the CEO should ensure the implementation of the succession plan and related programmes and that the Committee should play the necessary strategic oversight role.

Committee members indicated that they were comfortable with the composition of the Committee in terms of skills and experience, given that the Committee has members with governance, financial management, strategic leadership and legal experience. Members further advised that they were satisfied with the level of preparedness, participation and engagement in Committee meetings.

## INFORMATION COMMUNICATION AND TECHNOLOGY COMMITTEE

Members of the Board advised that the Committee had been able to execute its mandate and that, as a result, there had been a greater focus on cybersecurity-related issues as well as the appointment of a cybersecurity specialist. Board members were in agreement that the Committee had a culture of free, open and frank discussions and that meetings were productive and well managed.

Committee members further agreed that the Committee obtained the information required for its deliberations and that there was a sound relationship with the Chairman of the Board and the management team.

Committee members indicated that they were comfortable with the composition of the Committee in terms of skills and experience, given that the Committee has members with expertise in ICT applications, information systems, artificial intelligence, IT quality assurance, IT governance, cybersecurity, strategy, financial governance and digital innovation. Members of this Committee further advised that they were satisfied with the level of preparedness, participation and engagement in Committee meetings.

## SOCIAL AND ETHICS COMMITTEE

Members of the Board advised that the Committee had been able to execute its mandate and, as a result, there had been improvements noted. These included greater Board involvement in stakeholder management through the Chairman's proactive engagement and management of stakeholder relations. Board members were also in agreement that the Committee had a culture of free, open and frank discussions and meetings were productive and well managed.

Committee members indicated that they were comfortable with the composition of the Committee in terms of skills and experience, given that the Committee has members with stakeholder management and communications, governance, financial management, strategic leadership, aviation and policy development expertise. Members further advised that they were satisfied with the level of preparedness, participation and engagement in Committee meetings. They agreed that the Committee obtained the information required for its deliberations and that it has a sound relationship with the Chairman of the Board and with the management team.

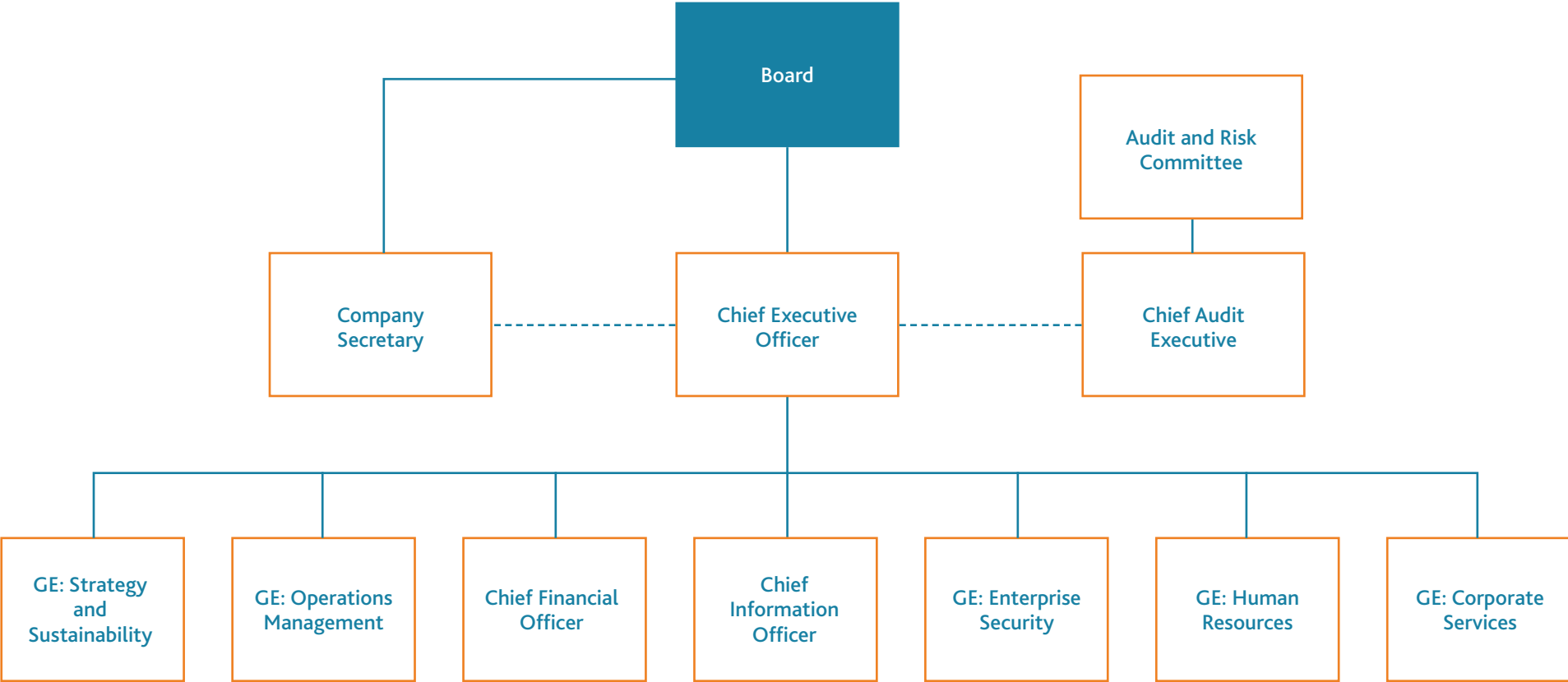
The Company has a clearly defined organisational structure and levels of accountability. These were extensively reviewed and adjusted in 2020 in response to the Recover and Sustain Strategy and the revised Financial Plan.

# REPORTING AND ACCOUNTABILITY

## KING IV PRINCIPLE 10:

The governing body should ensure the appointment of and the delegation to management contributes to role clarity and responsibilities.

The Company has a clearly defined organisational structure and levels of accountability. These were extensively reviewed and adjusted in 2020 in response to the Recover and Sustain Strategy and the revised Financial Plan.



# GOVERNANCE OF RISK



## Board

- Maintains ultimate responsibility for risk management with the Group



## Audit and Risk Committee

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



## Executive Committee



## Risk and Regulatory Committee

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

## KING IV PRINCIPLE 11:

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

## RESPONSIBILITY FOR RISK MANAGEMENT

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

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

In developing this framework, we applied the principles of the PFMA, the Companies Act, ISO 31000:2009 and the guidelines contained in international risk benchmarks.

The following were among the initiatives rolled out during the year to enhance risk management within the Group:

- Coordination of risk management across the organisation through continuous alignment with the Strategic Plan, training for business units, ongoing monitoring of risk appetite and tolerance, and scenario analysis of key risks and issues.

- Integration of risk management activities across the organisation, with advanced methods applied to define risk appetite both quantitatively and qualitatively, improved risk reporting and ongoing assessment of potential new strategic risks.
- Measuring, monitoring and reporting on risk management through quality risk information, relevant and adequate information for decision-making, and the implementation and monitoring of the action plans resulting from the ERM risk maturity report.

Focus areas for the year included skills enhancement for facilitators and enterprise risk management champions, typically in risk assessment and root cause analysis. The following is an account of how these initiatives were implemented:

## Skills enhancement for facilitators

A service provider was sourced to provide independent facilitation of the strategic risk assessment. The first session was conducted with the Executive Committee and a further combined session was held with the Board. To improve the quality of risk identified, a risk workshop demonstration was conducted.

To align with best practice and legislative requirements, the scope of the strategic risk assessment included the following:

- Setting the scene for the identification of strategic risks by taking the Board and the executives through the global, national, industry and local risk context.
- Assessing the strategic risks aligned to the ACSA Corporate Plan and the Risk Appetite and Tolerance Framework.
- Developing a strategic risk register and root-cause analysis.
- Approving key risk indicator thresholds as aligned to the Risk Appetite and Tolerance Framework.
- Compiling and providing the final report to the Board and Executive Committee on the outcome of the assessment.



### Skills enhancement for enterprise risk management champions

The role of risk champions was strengthened by the formal appointment of these individuals, followed by training.

The following is a high-level outline of the processes involved in the appointment of risk champions, as stipulated in the appointment letter:

- The risk owner (Group Executive) appoints a champion to assist him/her to discharge their risk management responsibilities.
- The Internal Audit and Risk Management Division provides the necessary technical support and training to the appointed risk champion.
- Should the appointed champion no longer be in a position to discharge their duties, the risk owner must appoint a new risk champion.

Focus areas for FY2023 include:

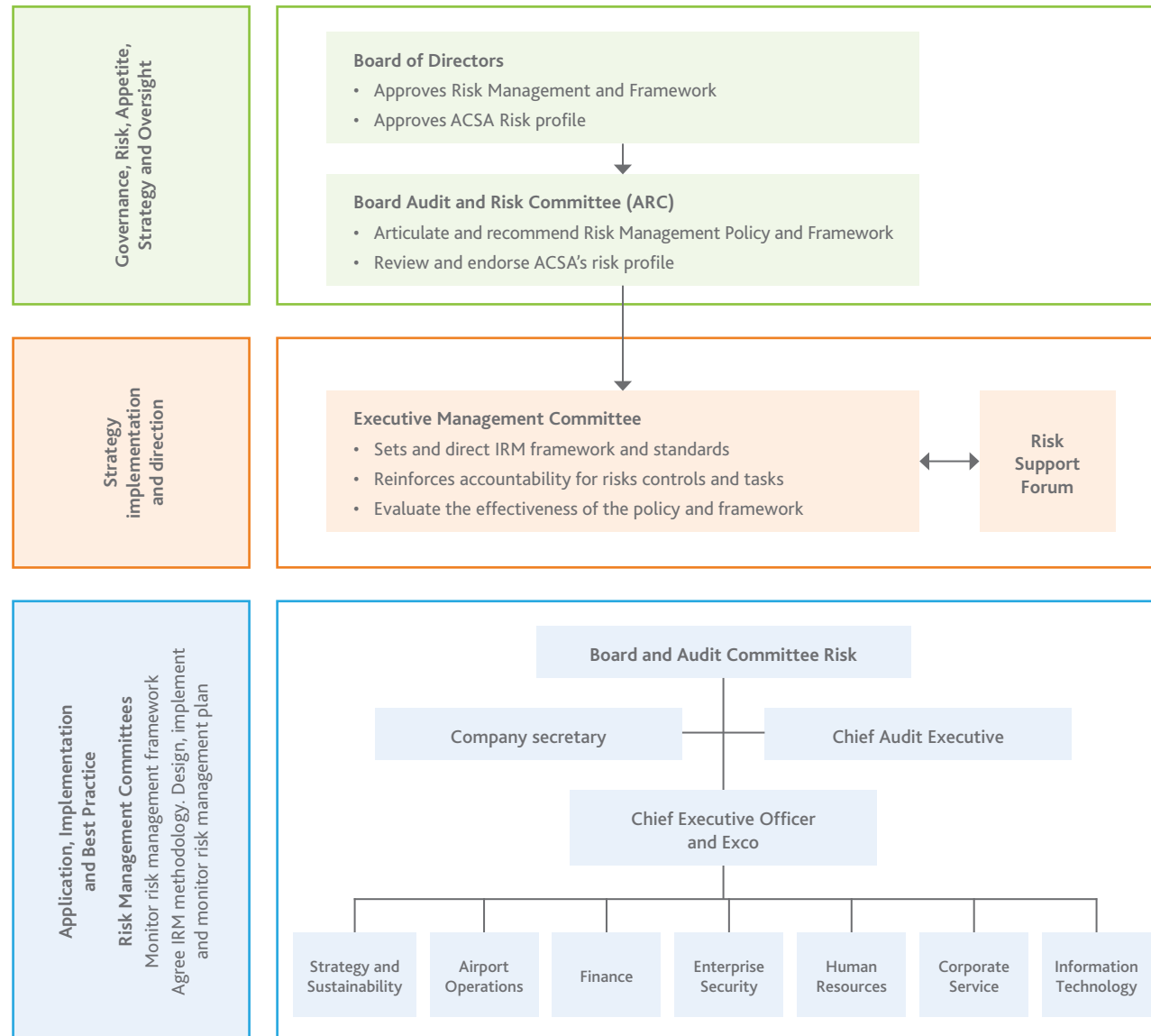
- Coordinating risk management throughout the organisation using scenario analysis for key risks/issues, aligning with ACI ESG guidelines for the sustainability of airport businesses, making use of predictive risk management and implementing leading risk indicators.
- Integrating risk management activities throughout the organisation by identifying risks to the achievement of ACI ESG goals, assessing the effectiveness of predictive risk analytics and continuing to benchmark to world-class standards.
- Measuring, monitoring and reporting on risk management by assessing and reporting on alignment with ACI ESG guidelines, assessing the effectiveness of predictive risk management and assessing the implementation of leading risk indicators.





## GOVERNANCE OF RISK continued

The following illustration indicates the roles and responsibilities in risk management:



## INTEGRATED RISK MANAGEMENT PROCESS

Our integrated risk management process is intended to achieve an appropriate balance between realising opportunities for gain while minimising adverse impacts. This process is used to continuously monitor key risks and opportunities and is reviewed annually. It is based on the outcomes of best practice reviews, annual maturity assessments and continuous interaction with our governance structures. Our governance framework supports the integration of risks throughout the Group.

The Board continuously assesses and monitors the treatment of strategic risks, and actively engages in the review of strategic risks and the identification of mitigation activities for each. Please refer to page 56 of our IR for more information on our strategic risks and mitigation commitments.

# IT GOVERNANCE

## KING IV PRINCIPLE 12:

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

## GOVERNING AND MANAGING IT AND INFORMATION

The Board is ultimately responsible for IT governance, the oversight of which is delegated to the Information Communication and Technology Committee. An IT governance framework is in place for monitoring the implementation of the Board-approved IT strategy and to assess IT risks, including the risks associated with remote and hybrid working practices. Collaboration within IT and across the business is actively promoted in order to facilitate governance integration into IT services. IT disaster recovery plans are in place and take into account emerging IT risks such as cybersecurity, hacking and ransomware.

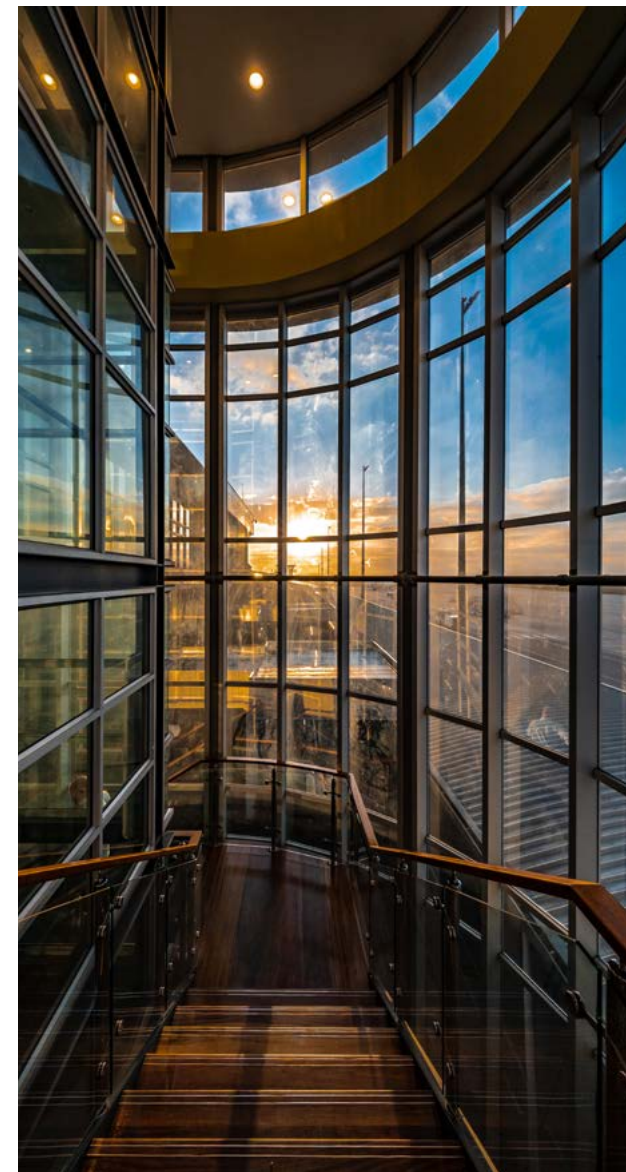
Future focus areas include:

- The Implementation of the security operation centre;
- Upgrading of the airport management systems to enhance passenger and airline experience through seamless and touchless technology;
- Upgrading of the core digital infrastructure and applications; and
- The digitalisation of all manual documents and the automation of business processes that generate paper or manual information required to support the remote working requirements.

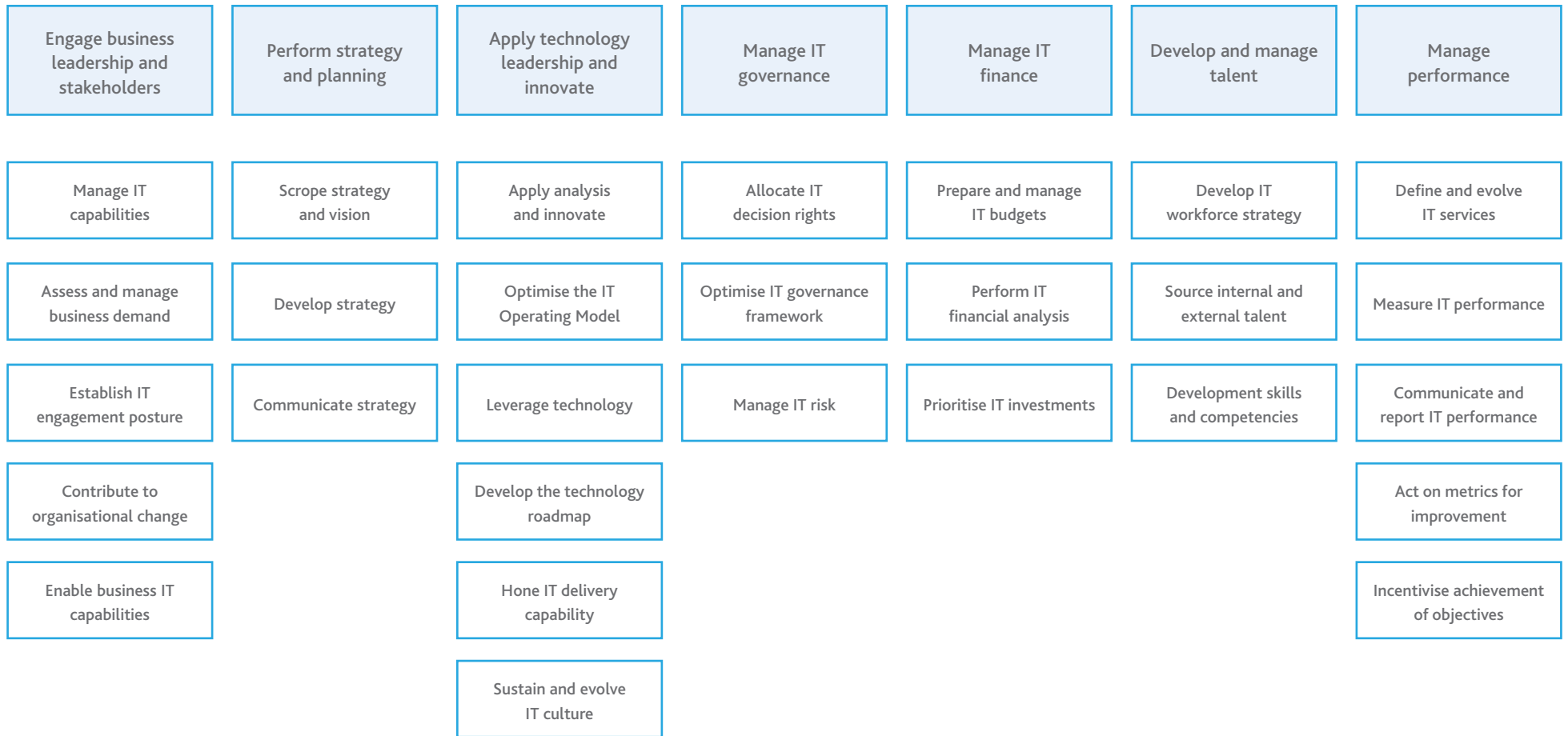
## TECHNOLOGY EFFECTIVENESS

IT measures performance across seven objectives and key functional activities that comprehensively represent the scope of the Group's activities. This baseline helps IT to track its contribution to the implementation of our business strategy and build a roadmap to improve the effectiveness of our operating model in realising strategic goals.

This process has resulted in an overall IT environment that has revealed a slight improvement in the control environment as compared to the previous year with a reduction of audit findings from 32 to 17. However, there were areas that still require further improvement. The parking management solution is still being implemented with adequate and effective user access. IT security management and physical and environmental controls have been improved to ensure that all systems operate in an efficient and effective control environment. Further, some automated controls in the financial reporting system on Oracle are being implemented to mitigate the risks posed to optimal business process functioning.



## IT GOVERNANCE continued



# GOVERNANCE OF COMPLIANCE

## KING IV PRINCIPLE 13:

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

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

## COMPLIANCE PROCESSES

In providing oversight and guidance to the Group, the Board is guided by legislation and various codes of good practice, which include but are not limited to the:

- Airports Company Act (No. 44 of 1993)
- Civil Aviation Act (No. 13 of 2009)
- King Code of Corporate Governance for South Africa™ (2016)
- 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)
- Protection of Personal Information Act (No. 4 of 2013)
- Promotion of Access to Information Act (No. 2 of 2000)
- Income Tax Act (No. 58 of 1962)
- Value Added Tax Act (No. 89 of 1991)

There were no changes in legislation that substantively affected the achievement of the Company's objectives during the reporting period.

The Board delegates oversight of the compliance function to the Audit and Risk Committee and processes are in place to report and address non-compliance. A quarterly compliance status report is produced in order to keep the Executive Committee and the Audit and Risk Committee informed of non-compliance issues and this is used to facilitate the escalation of issues if and as necessary. There were no material instances of non-compliance with legislation and regulations during the reporting period.

The effectiveness of our compliance function is monitored through Internal Audit and an integrated compliance management system was embedded in the business during the year, enhancing our capacity for recording and reporting instances of non-compliance.

Key focus areas during the year included:

- Monitoring of the implementation of the Compliance Strategy
- Developing the compliance governance landscape to include compliance policy, procedures and framework
- Implementing an integrated compliance management system

Various training programmes on the POPIA, PFMA, Preferential Procurement Policy Framework Act, (No. 5 of 2000), Treasury Regulations, Treasury Practice Notes, supply chain management policies and procedures, are conducted continuously and help to embed a culture of compliance.

Future focus areas include:

- Digitisation and digitalisation of compliance activities;
- Build a compliance culture to enable a strong and well-defined compliance function and Compliance ownership that needs to strengthen strategic decision-making;

- Implement compliance programme to coordinate compliance initiatives;
- Integration of compliance through the establishment of compliance risk management programmes;
- Continuous Monitoring and reporting on compliance through assurance and audit activities; and
- Increase the tracking and reporting of emerging compliance risks changes to applicable laws and regulations.

## GOVERNANCE OF REMUNERATION

### KING IV PRINCIPLE 14:

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

The Board is responsible for our remuneration philosophy and policy, and is guided in its responsibilities for this by the Human Resources, Remuneration and Nominations Committee. Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution towards achieving our strategic objectives. We offer competitive total rewards, which promote a high-performance culture that enables the fulfilment of our objectives.

The Remuneration Policy includes procedures for the governance of remuneration, the attraction and retention of skills, succession planning, disclosure, benefits, conditions of employment and performance-linked remuneration.

Details of all remuneration awarded to members of the governing body and executive management are disclosed in the Remuneration Report.

# ENSURING EFFECTIVE CONTROL

## KING IV PRINCIPLE 15:

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

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

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

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

## COMBINED ASSURANCE

Combined assurance refers to the integration, coordination and alignment of risk management and assurance processes to optimise and maximise the level of governance, control and oversight over the risk landscape. The Combined Assurance Model aims to optimise the assurance coverage obtained from

management and internal and external assurance providers on the risks facing the Company. Our Combined Assurance Model remains unchanged and supports this centralised approach.

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

Internal Audit's combined assurance processes are aimed at:

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

Combined assurance is governed by the Combined Assurance Framework. In terms of this framework, Internal Audit is a critical function that supports the implementation and

embedding of the Combined Assurance Framework and related reporting to the Audit and Risk Committee. Group Internal Audit is responsible for championing the implementation of the framework.

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

## INTERNAL CONTROLS

In executing its Board-assigned mandate, Internal Audit follows a risk-based audit methodology in compliance with the IIA and the International Standards for the Professional Practice of Internal Auditing. The main objective of Internal Audit is to assist the Board and Executive Committee with the effective discharge of their responsibilities by evaluating the adequacy and effectiveness of risk management, the control environment and governance processes. Internal Audit maintains its organisational independence by reporting functionally to the Audit and Risk Committee and administratively to the CEO.

Internal Audit provides its services and support to all of the airports in our network, including our subsidiaries. Our internal auditors are members of the IIA and, in conducting their work, comply with the IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

The detailed scope of work for Internal Audit is outlined in the three-year strategic and annual internal audit plans, both of which are subject to the Audit and Risk Committee's annual review and approval. Internal Audit's scope of work encompasses assessment and evaluation of the adequacy and effectiveness of the governance, risk management and internal control processes. Quarterly feedback on the progress of the annual plan is provided to the Audit and Risk Committee.

# GOVERNANCE OF STAKEHOLDER RELATIONSHIPS

The nature of work performed by Internal Audit, as is required by the International Professional Practices Framework, includes internal audit assurance and consulting services.

Internal audit assurance involves Internal Audit's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process or system. The nature and scope of an assurance engagement is determined by Internal Audit. Generally, three parties are participants in assurance services: the Group's executive and operational management, the process owner, Internal Audit, and the Board and its Audit and Risk Committee, which is the user.

Internal audit consulting services are advisory in nature and are generally performed at the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management but must be approved or ratified by the Audit and Risk Committee, as circumstances may require.

## INTERNAL AUDIT FINDINGS

It is the opinion of Internal Audit that, during the reporting period, processes were generally adequate and provided reasonable assurance that the operating environment demonstrates the implementation of effective controls. There were no events that would have compromised the internal audit function.

## KING IV: PRINCIPLE 16

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

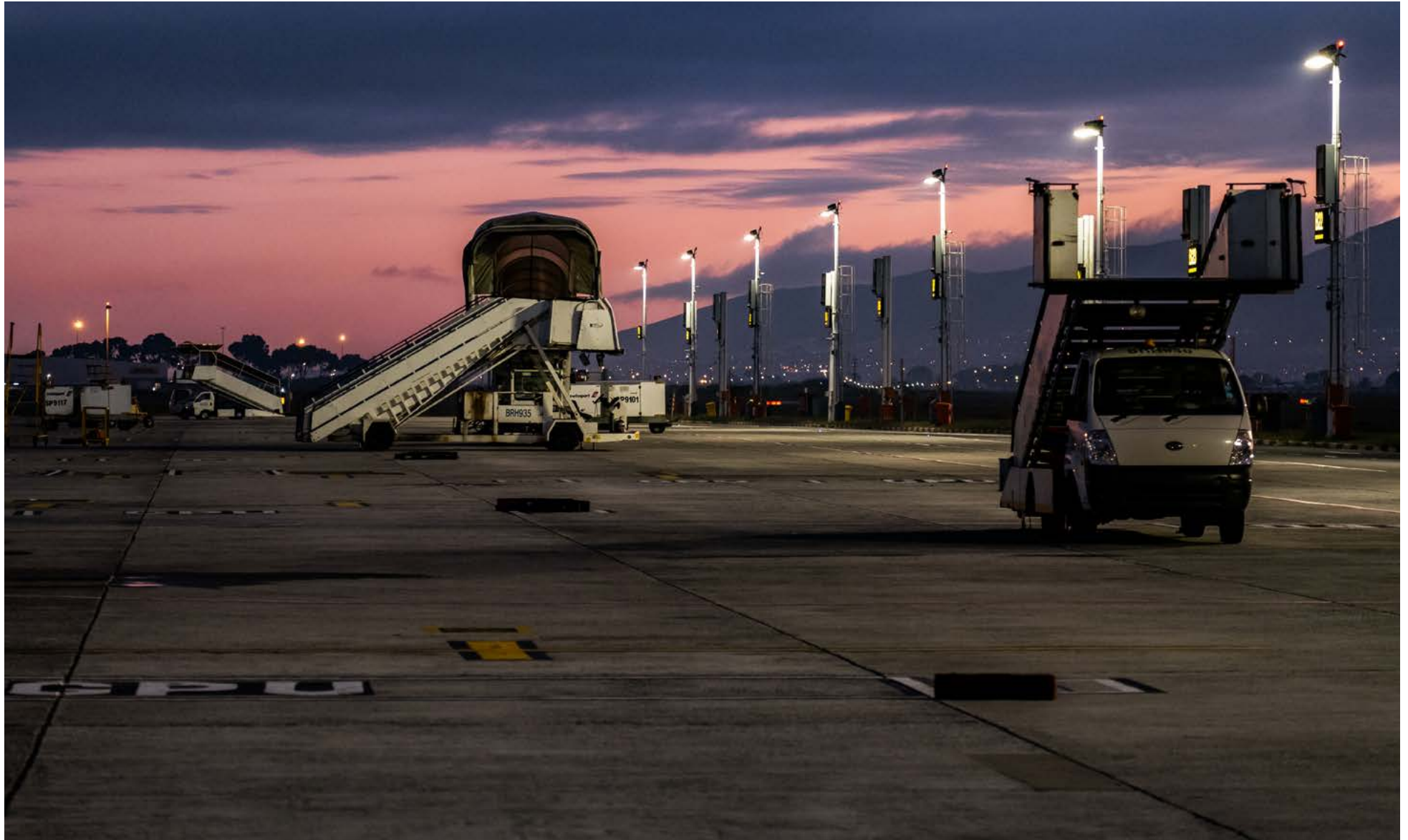
Our Board actively entrenches a stakeholder-inclusive approach, which has stood the business in good stead in managing the challenges we have had to face over the past two periods. The Board takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties. Active stakeholder engagement in the face of the unprecedented strain brought about by COVID-19 has deepened our relationships with our stakeholders. Key stakeholder groups have been engaged on the impact of COVID-19 on our business, the aviation industry at large, and our future sustainability. These have included shareholders, investors, lenders, airline associations, the Economic Regulating Committee, the media, Parliament, government departments, ground handlers and, most importantly, our passengers and employees. Our governance structures have proven agile and effective and have shown that a balance between the interests of our stakeholders and our business is embedded.

## SUBSIDIARY GOVERNANCE FRAMEWORK

The Board has approved a subsidiary governance framework for implementation across the Group. Subsidiaries adopt the policies of the Group to the extent that the policies apply to them. The JIA Piazza Board (Pty) Ltd, a subsidiary of the Company, has adopted the Asset Disposal Policy and Acceptable Use Policy of the Company. The Group Audit and Risk Committee and the Social and Ethics Committee have been mandated to perform statutory duties for the subsidiaries.

## FUTURE AREAS OF FOCUS

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





# AUDIT AND RISK COMMITTEE



**DUDU HLATSHWAYO**  
Committee Chair

## DESCRIPTION OF THE COMMITTEE

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

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

All of the members of the Committee are independent directors and meet predetermined skills, competency and experience requirements.

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

Members	Attendance
Pascalis Mokupo: Chair <sup>1</sup>	6/6
Dudu Hlatshwayo: Chair <sup>2</sup>	8/9
Nosizwe Nokwe-Macamo	9/9
Ntombifuthi (Futhi) Zikalala Mvelase	9/9
Yershen Pillay	7/9
Graeme Victor	9/9

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on considering and evaluating the following:</p> <ul style="list-style-type: none"> <li>• The FY2022 to FY2024 Corporate Plan</li> <li>• The Company's performance</li> <li>• The Company's financial performance</li> <li>• Irregular expenditure</li> <li>• The elimination of fruitless and wasteful expenditure</li> <li>• The Delegated Levels of Authority</li> <li>• The FY2022 Audit Engagement Letter and External Audit Strategy</li> <li>• The External Audit Reports</li> <li>• The Company's risk appetite and tolerance levels</li> <li>• The Internal and External Audit Evaluation Reports</li> <li>• The Evaluation of the CFO and the Finance function</li> <li>• The Integrated Annual Report for FY2021</li> <li>• The financial plans, policies and frameworks within the mandate of the Committee</li> <li>• The 2023/25 Combined Assurance Plan</li> <li>• The liquidity and solvency test for financial assistance to JIA Piazza</li> <li>• The Forensic investigation report for the Zondo Commission</li> <li>• The Insurance Renewal Report</li> <li>• The Internal Audit Plans and Reports</li> <li>• The Risk Management Plan and Reports</li> <li>• The BCM Plan and Reports</li> <li>• Legal reports</li> <li>• SCM reports</li> <li>• Implementation of the King IV Report</li> </ul>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>• The financial impact of COVID-19 on the long-term financial sustainability of the Group</li> <li>• Emerging risks and mitigating strategies</li> <li>• The implementation of the Financial Plan</li> <li>• The implementation of the reviewed control and governance framework and subsidiary governance framework</li> </ul>

<sup>1</sup> Pascalis Mokupo retired as Chair effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

<sup>2</sup> Dudu Hlatshwayo was elected as Chair effective 17 November 2021 following the reconstitution of the Board Committees.

# BOARD INVESTMENT COMMITTEE



**NOSIZWE NOKWE-MACAMO**  
Committee Chair

## DESCRIPTION OF THE COMMITTEE

The Board Investment Committee is an essential component of the Group's governance framework. Among others, the Board has delegated the following key functions to the Committee:

- Oversight of the Group's investment, commercial and treasury activities
- Oversight of major capital projects
- Oversight of infrastructure and property development activities
- Oversight of business development activities

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

Members	Attendance	Members	Attendance
Nosizwe Nokwe-Macamo: Chair	5/5	Kemira Esterhuizen <sup>3</sup>	3/3
Pascal Mokupo <sup>1</sup>	3/3	Nompumelelo (Mpumi) Mpofu	4/4
Dudu Hlatshwayo <sup>2</sup>	3/3	Ntombizethu Zikalala-Mvelase	1/2
Irvin Phenyane <sup>1</sup>	3/3	Kgabo Badimo	2/2
Nompumelelo Mpofu	5/5	Yershen Pillay	2/2

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on considering and evaluating the following:</p> <ul style="list-style-type: none"> <li>• Implementation of the Growth Strategy</li> <li>• The business case for the Ground Handling Services Strategy</li> <li>• The business case for the Fuel Infrastructure and Management Strategy</li> <li>• The Aerotropolis and Airport Cities Strategy</li> <li>• The business case for the Cargo Strategy</li> <li>• The business case for the Global Strategy</li> <li>• The Commercial Strategy</li> <li>• The business case for the Passenger Experience and Mobilisation Strategy</li> <li>• The business case for the Commercial business</li> <li>• The Non-aeronautical Revenue Strategy</li> <li>• Updates on the business case for the Aerotropolis and Airport Cities Strategy</li> <li>• The Disposal of ACSA shares in Aeroporto De Guarulhos</li> <li>• Treasury activities</li> <li>• The policies within the mandate of the Committee</li> <li>• The 2021 Board and Committee Evaluation Action Plan</li> </ul>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>• The impact of COVID-19 on the long-term financial sustainability of the Group</li> <li>• The monetisation and optimisation of the Group's assets</li> <li>• The implementation of the revised Operating Model</li> <li>• The Implementation of strategic growth initiatives</li> <li>• The disposal of the Group's shares in Guarulhos International Airport in Brazil</li> </ul>

<sup>1</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

<sup>2</sup> Elected as a Committee member effective 17 November 2021 following the reconstitution of the Board Committees.

<sup>3</sup> Ceased to be a Committee member effective 17 November 2021 following the reconstitution of the Board Committees.

# BOARD ECONOMIC REGULATION COMMITTEE



**ADVOCATE SANDILE NOGXINA**  
Committee Chair

## DESCRIPTION OF THE COMMITTEE

The Board Economic Regulation Committee is an ad hoc committee of the Board to which the Board has delegated responsibility for the development and implementation of the Economic Regulatory Strategy. Its primary function is to ensure compliance with all economic regulatory legislation and requirements.

At the core of its function is the deliberation of the approach leading to permission applications for submission to the Regulating Committee, which determines airport tariffs for the Company from time to time. The Committee meets as and when there is a need to meet. The Regulating Committee has decided to run the 2019 to 2023 permission in full, obviating the need for the committee to hold scheduled meetings during this period.

The Committee comprises the Chairman of the Board and the chairs of the other Board committees who are independent directors.

BERC did not meet in FY2021/22

### Members

Advocate Sandile Nogxina: Chair

Pascal Mokupo<sup>1</sup>

Nosizwe Nokwe-Macamo

Ntombifuthi Zikalala Mvelase

Yershen Pillay

The CEO, CFO, Group Executive: Strategy and Sustainability and Group Executive: Corporate Services are permanent invitees to committee meetings.

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on considering and evaluating the following:</p> <ul style="list-style-type: none"> <li>Review of the Economic Regulatory Strategy and Stakeholder Engagement Plan</li> </ul> <p>The committee is satisfied it has executed its duties during the year under review in accordance with its terms of reference.</p>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>Economic Regulatory Strategy and Stakeholder Engagement Plan</li> <li>Permission application for FY2023/24 – FY2027/28</li> </ul>

<sup>1</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

# HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE



**NTOMBIFUTHI ZIKALALA MVELASE**  
Committee Chair

## DESCRIPTION OF THE COMMITTEE

The Committee assists the Board on matters of people management, strategic remuneration and nominations by ensuring decisions are aligned with the Company's strategic objectives.

The Committee is made up of independent directors.

Members	Attendance
Ntombifuthi (Futhi) Zikalala Mvelase: Chair	8/8
Adv Sandile Nogxina	5/8
Kemira Estehuizen	8/8
Irvin Phenyane <sup>1</sup>	4/4
Dr Kgabo Badimo <sup>3</sup>	7/8
Nosizwe Nokwe-Macamo <sup>2</sup>	2/3
Graeme Victor	8/8

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on:</p> <ul style="list-style-type: none"> <li>Monitoring the review and implementation of the Staff Cost-Reduction Programme, the implementation of the Macro Structure, the Succession Management Policy and Plan, the Training Academy Strategy, the Workplace Skills Plan, the 2020 and 2021 Board and Committee Evaluation Action Plans, the Professional Development Programmes for Directors, and the constitution of the Board committees</li> <li>Overseeing and monitoring all other performance management policies and frameworks within the mandate of the Committee</li> <li>Monitoring human resources management</li> </ul>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>The implementation of the succession management policy and plan</li> <li>The Impact of COVID-19 on human capital</li> <li>The sustainability of the Human Resources function</li> <li>The Implementation of the People and Culture Strategy</li> </ul>

<sup>1</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

<sup>2</sup> Elected as Committee member effective 17 November 2021 following the reconstitution of the Board Committees.

<sup>3</sup> Ceased to be a Committee member effective 17 November 2021 following the re-constitution of the Board Committees.

# INFORMATION COMMUNICATION TECHNOLOGY COMMITTEE



**YERSHEN PILLAY**  
Committee Chair

## DESCRIPTION OF THE COMMITTEE

The Committee is responsible for monitoring compliance of the governance of technology, communications and information with the guidelines set out in King IV. It also oversees the alignment and integration of the Company's information and communication technology strategy with the Company's overall strategy and business needs. It further ensures implementation of Cybersecurity Strategy and that strategies emanating from innovative initiatives are reviewed and support digital capabilities.

The Committee is comprised of independent directors.

Members	Attendance
Yershen Pillay: Chair	4/4
Ntombifuthi (Futhi) Zikalala Mvelase <sup>3</sup>	2/2
Nosizwe Nokwe-Macamo <sup>3</sup>	2/2
Graeme Victor	4/4
Dr Kgabo Badimo	4/4
Dudu Hlatshwayo <sup>2</sup>	2/2
Pascal Mokupo <sup>1</sup>	2/2

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on:</p> <ul style="list-style-type: none"> <li>• Reviewing the ICT Strategy</li> <li>• Monitoring the governance of technology and information and the risk measures related to the this</li> <li>• Monitoring cybersecurity maturity</li> <li>• Monitoring the management of the Company's overall information and communication strategy and systems</li> <li>• Reviewing the progress of ICT projects</li> <li>• Monitoring the ICT audit findings</li> </ul>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>• The digitalisation of airports</li> <li>• The development of app-based services to improve passenger experience</li> <li>• Innovation initiatives and their impact on the Group's sustainability</li> <li>• Evolving cybersecurity threats</li> </ul>

<sup>1</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

<sup>2</sup> Elected as Committee member effective 17 November 2021 following the reconstitution of the Board Committees.

<sup>3</sup> Ceased to be a Committee member effective 17 November 2021 following the reconstitution of the Board Committees.

# SOCIAL AND ETHICS COMMITTEE



**KGABO BADIMO**  
Committee Chair

Members	Attendance
Kgabo Badimo: Chair <sup>1</sup>	4/4
Irvin Phenyanye <sup>2</sup>	2/2
Kemira Esterhuizen	4/4
N Nokwe-Macamo <sup>3</sup>	N/A
Dudu Hlatshwayo <sup>4</sup>	4/4
Yershen Pillay <sup>5</sup>	2/3
Nompumelelo (Mpumi) Mpofo	4/4

## DESCRIPTION OF THE COMMITTEE

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

The Committee is made up of five independent directors and the CEO.

## COMPOSITION AND FOCUS AREAS

<b>Focus for the year</b>	<p>The Committee's focus for the year was on:</p> <ul style="list-style-type: none"> <li>Monitoring economic transformation, stakeholder relations, ethics, reputation of the Company, socio-economic development, passenger mobilisation strategy, and environmental, health and public safety</li> <li>Strengthening security at our airports</li> </ul>
<b>Looking ahead</b>	<p>In the year ahead, the Committee will oversee and/or monitor the following:</p> <ul style="list-style-type: none"> <li>The safety and security at all of our airports</li> <li>Economic transformation</li> <li>The social and development impact of our activities</li> <li>The environmental impact of our activities</li> <li>The sustainability of the Group</li> <li>Implementation of the ESG Framework</li> </ul>

<sup>1</sup> Elected as Committee Chair effective 17 November 2021 following the reconstitution of the Board Committees.

<sup>2</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.

<sup>3</sup> Ceased to be a Committee member effective 10 March 2021 post the reconstitution of Board sub-committees.

<sup>4</sup> Elected as a Committee member effective 17 November 2021 following the re-constitution of the Board Committees.

<sup>5</sup> Ceased to be a Committee member effective 17 November 2021 following the re-constitution of the Board Committees.

# 02

## REMUNERATION

*We choose to compensate employees  
in a responsible manner*



# OVERVIEW

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

Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution to achieving our strategic objectives. We offer competitive total rewards, which promote a values-based, high-performance culture that enables us to execute those objectives. This section of the report aims to provide an overview of our remuneration policy as well as the factors that influenced both policy and implementation during the reporting period.

Details of all remuneration awarded to members of the governing body and executive management are disclosed in the Implementation Report below.

# PERFORMANCE REVIEW

The primary focus for the year was on managing the Company's remuneration costs in the face of severely constrained revenue for the second period in a row. Given the slow pace of recovery from the pandemic, we were faced with the challenge of having to save R200 million in remuneration costs in the 2022 financial year. In consultation with our employees, our first response was to reduce our leave liability, which enabled us to realise a saving of R50 million per annum. We also monitored natural attrition through resignations and were able to realise a savings of R31 million by not filling the resulting vacancies. Further, by not granting any increases for the 2023 financial year, we were able to realise a further saving of R54 million and, by re-aligning Sunday work, we were able to realise a saving of R4 million.

In addition to this, the Voluntary Separation Programme (VSP), which was first introduced in the previous period, was re-introduced during the reporting period and was accessible from 1 December 2021 to 7 January 2022. This enabled us to save R68 million on employee costs coming into the new financial year, which mitigated against us having to go into a retrenchment process.

Throughout both periods, we engaged with and had the support of both NEHAWU and NUMSA, the unions that represent 44% And 22% of our staff respectively.

In the normal course of business, our Remuneration Policy and practices are informed by total rewards benchmarking, which provides for the payment of equitable market-related remuneration. As our employees are fundamental to our

sustainability and success as a business, we are committed to offering fair remuneration through both financial and non-financial means, including through such benefits as subsidised housing, educational opportunities and employee recognition programmes. By way of example, between the inception of the housing scheme in 2016 and the onset of the pandemic in 2020, 1 972 employees had benefitted from the housing scheme.

However, with the advent of the pandemic, which had a devastating impact on the aviation industry, we had to review both our strategy and our financial plan. In line with this, the housing scheme and other subsidised benefits had to be put on hold. Staff who were already benefitting from these schemes at the time continued to do so, but no new benefits could be considered.

Following the adoption of the Recover and Sustain strategy and the revised Financial Plan in the previous period, Human Resources undertook a comprehensive review of the Governance Framework and Operating Model (GFOM) in order to align these with the new financial realities we were facing as an organisation. A new GFOM was presented to the Board for review during the reporting period and was duly adopted.

Within this context, the Human Resources, Remuneration and Nominations Committee is satisfied that it delivered on its mandate during the reporting period, The Committee will continue to monitor remuneration policy and practices, as well as to focus on maintaining the fair and ethical practices that the Company is committed to.



# REMUNERATION POLICY

Despite the challenges of the past two periods, our Remuneration Policy remains unchanged. Our total reward framework continues to allow for remuneration consisting of both fixed and variable pay, aligned with appropriate legislative frameworks, wider external factors and the business strategy.

While there have been limitations on our ability to offer variable pay during the pandemic, our policy nevertheless continues to allow for it and we will resume our normal remuneration practices as soon as revenue allows.

Our guiding principles in the application of the remuneration policy are:

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

Ensuring fair and responsible remuneration will always be a top priority, even as we adjust to new operating realities. The values that inform our fair and responsible remuneration philosophy are:

- Transformation
- Promoting employment equity

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

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

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

Our remuneration mix is made up of two elements:

1. Guaranteed pay and benefits
2. Variable pay, including short-term incentives (STI) and long-term incentives (LTI)

At present, guaranteed pay and certain benefits, such as medical aid, continue to be offered to employees. All incentive schemes and certain discretionary benefits have, however, had to be put on hold. In line with our commitment to good governance and transparency, we have nevertheless retained the information on how we calculate variable pay in this report as it remains an important component of our remuneration policy.

# GUARANTEED PAY AND BENEFITS

Our standards for guaranteed pay and benefits are detailed below:



## Guaranteed pay

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

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

### Executives

- (a) Individual parity
- (b) Individual and Group performance

### Senior management, middle management and professionals

- (a) Individual parity
- (b) Individual and Group performance

### Skilled and general workers

- (a) National negotiations
- (b) Internal parity
- (c) 13th cheque forms part of the guaranteed pay



## Benefits

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

### Executives, senior management, middle management and professionals

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

### Skilled and general workers

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



## Circumstantial allowance

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

### Executives, senior management, middle management and professionals

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

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

### Skilled and general workers

- (a) Shift
- (b) Standby
- (c) Overtime
- (d) Relocation

## GUARANTEED PAY

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

### Peer group modifier

For the purposes of peer group benchmarking, we refer to:

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

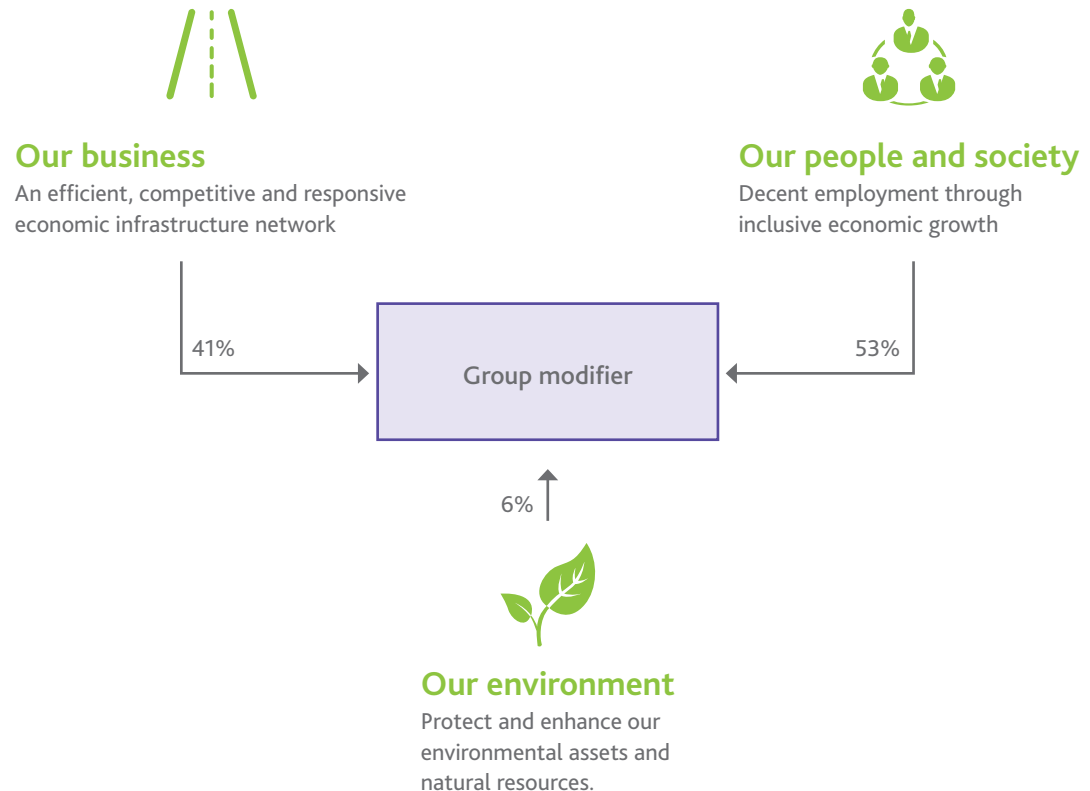
## VARIABLE PAY

In the normal course of business, variable pay is determined according to two incentive structures: the STI and LTI structures. The STI aims to cultivate a high-performance culture and promote the attainment of short-term targets that will ultimately lead to the achievement of long-term goals.

## SHORT-TERM INCENTIVES

The structure of the STI programme is aligned to the key performance indicator (KPI) framework in our Performance Management Policy and is weighted according to the nature of our business (41%), our people and society (53%) and our environment (6%), as reflected in the graphic opposite:

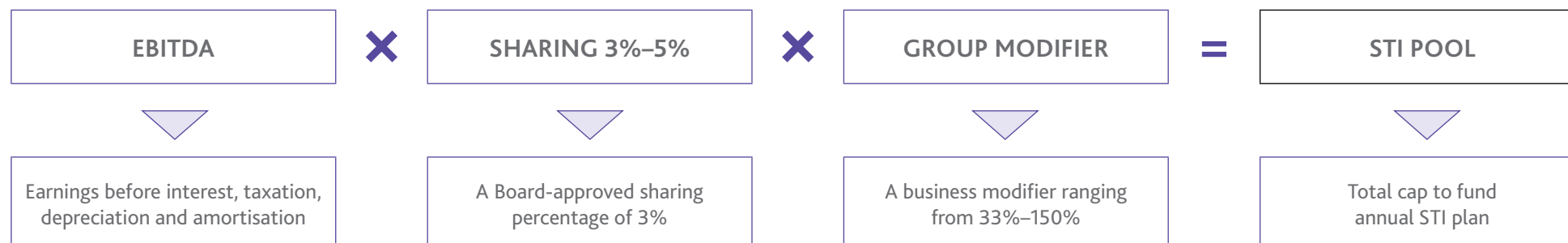
The objective of the STI programme is to reward eligible employees who display exceptional performance in working towards achieving the Company's objectives. The programme is designed to drive short-term goals through short-term performance incentives that are in accordance with peer group, divisional and individual performance KPIs. The approved incentive pool is distributed based on peer group, divisional and individual performance. The following graphic outlines the application of the STI programme with reference to the principles that determine the incentive pool, including the group modifier, and how the pool is distributed to individuals.



## GUARANTEED PAY AND BENEFITS continued

### Incentive pool determination

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



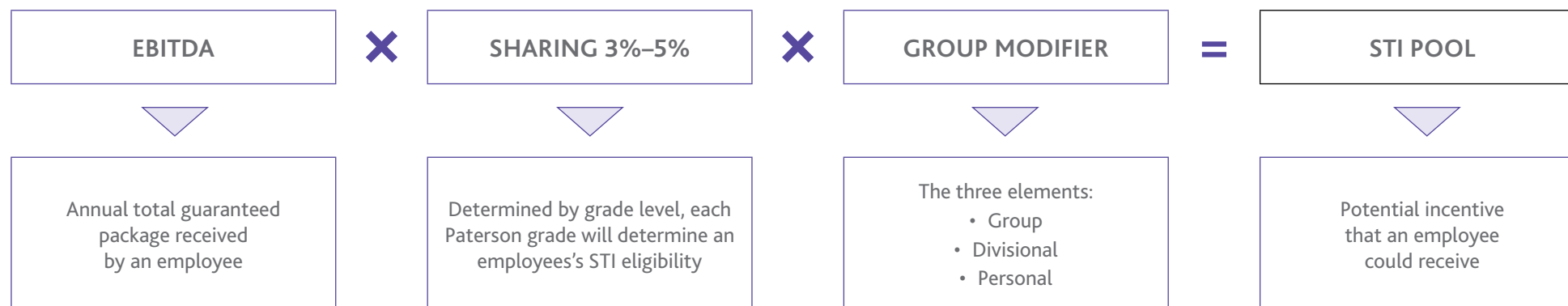
The bonus pool is based on a sharing percentage within a range of 3% to 5% of earnings before interest, tax, depreciation and amortisation (EBITDA), which is subsequently modified against performance according to the group modifier.

The sharing percentage is reviewed by the Board on an annual basis and the group modifier contains KPIs from the Shareholders' Compact. The group modifier is based on a performance sliding scale of:

- Threshold of 50%
- Target of 100%
- Stretch of 150%

At the end of each financial year, the Board, through the Audit and Risk Committee, verifies actual performance against approved targets. Consideration for STI payments is, however, not made if the Company receives a qualified audit opinion from the external auditors.

The incentive pool is distributed to individuals as follows:



### Board discretion

The Board has the discretion to grant payment of the STI bonus and it is therefore not an automatic entitlement. The discretion of the Board is dependent on the annual financial results of the Company and/or any other factors as determined by the Company from time to time. The STI payments will not be approved if the payment results in a net loss after tax for the financial year.

As in the previous period, performance incentives were not paid during the 2022 financial year due to financial constraints.

## LONG-TERM INCENTIVES

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

The LTI cash plan is based on the following principles:

### Eligibility to participate

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

- Incentivise employees to achieve the long-term objectives set out in our Strategy and Corporate Plan.
- Stimulate employees to achieve sustainable performance, instil a culture of performance excellence and grow the business.
- Align the Shareholder's Compact to employee performance objectives.
- Reward employees for significant discretionary efforts and achievements within their performance areas.
- Retain key talent.

### Award allocation

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

Total guaranteed pay x Annual market % allocation

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

### Performance assessment and vesting

For each performance condition, at the point of assessment, the achievement percentage is determined according to the table below:

Performance	Achievement %
Threshold	30
Target	100
Stretch	125

### Board discretion in final payments

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

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

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

### Eligibility and annual percentage (%) market allocation

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

No awards were made during the reporting period.

## MALUS AND CLAWBACK

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

- Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any member of the Company.
- Assessment that any performance condition(s) or condition was based on error, inaccurate or misleading information.
- Discovery that any information used to determine the amount of an incentive award was based on error or on inaccurate or misleading information.
- Action or conduct of an employee which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.

## GUARANTEED PAY AND BENEFITS continued



- Events or behaviour of an employee that have led to the censure of a member of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any member of the Company, provided the Board is satisfied that the relevant employee was responsible for the censure or reputational damage and the censure or reputational damage is attributable to them.

### EXECUTIVE EMPLOYMENT CONTRACTS

The following are the types of employment contracts are offered to Executive Directors and Group Executives:

- The CEO and CFO are appointed on a five-year fixed term contract in line with the MOI and the Board of Directors' recommendation to the Minister of Transport.
- All Group Executives are appointed by the CEO.
- In line with the revised operating structure, all Group Executives are also now on five-year contracts. These include the Group Executive: Human Resources, the Group Executive: Enterprise Security and the Group Executive: Commercial.
- The employment contracts for Group Executives have a six-month probation period.
- Executive Directors and Group Executives are eligible for guaranteed pay, short-term performance incentives (where the key performance areas are determined and evaluated annually) and long-term incentives (where performance conditions are measured over a rolling three-year period).
- Employment contracts are offered until the retirement age of 65 years.

### NON-EXECUTIVE DIRECTORS

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

# IMPLEMENTATION REPORT

The table below declares the remuneration paid to Executive Directors and Group Executives during the reporting period. There were no deviations from the Remuneration Policy, the Recover and Sustain Strategy and the revised Financial Plan, as approved by the Board:

## REMUNERATION FOR EXECUTIVE DIRECTORS AND GROUP EXECUTIVES

Name	Position	Guaranteed pay		Medical Aid contribution		Pension fund contribution		STI		Other fees and allocation		LTI		Total single figure remuneration	
		FY2021/22	FY2020/21	FY2021/22	FY2020/21	FY2021/22	FY2020/21	FY2021/22	FY2020/21	FY2021/22	FY2020/21	FY2021/22	FY2020/21	FY2021/22	FY2020/21
All figures stated in R'000															
NZ Mpofo	Chief Executive Officer	4 203	4 210	175	168	386	386	—	—	—	—	—	—	4 764	4 764
S Mthethwa	Chief Financial Officer	2 834	2 665	190	167	288	264	—	—	240	160	—	—	3 552	3 256
F Sithebe <sup>1</sup>	Chief Operating Officer	255	3 061	7	86	24	293	—	—	15	185	—	—	301	3 625
B Mbomvu <sup>2</sup>	Group Executive Governance and Assurance	2 657	2 651	127	134	256	256	—	—	120	120	—	—	3 160	3 161
L Langa	Group Executive Human Resources	2 367	797	114	30	219	73	—	—	—	—	—	—	2 700	900
T Dolomoney <sup>3</sup>	Group Executive Operations	1 386	—	71	—	134	—	—	—	53	—	—	—	1 644	—
B Matshego <sup>4</sup>	Group Executive Infrastructure and Asset Management	1 253	2 508	53	102	128	257	—	—	472	531	—	—	1 906	3 398
M Mncwabe	Chief Information Officer	2 774	2 779	124	118	255	255	—	—	—	—	—	—	3 153	3 152
S Ngwenya	Chief Audit Executive	2 492	2 492	—	—	220	220	—	—	—	—	—	—	2 712	2 712
C Shilowa	Group Executive Strategy and Sustainability	2 926	2 926	—	—	258	258	—	—	—	5	—	—	3 184	3 189
R Shinnars <sup>5</sup>	Group Executive Corporate Affairs	2 802	2 807	124	118	258	258	—	—	—	—	—	—	3 184	3 183
L Less <sup>6</sup>	Group Executive Corporate Services	184	—	7	—	17	—	—	—	—	—	—	—	208	—
M Petros	Group Executive Enterprise Security	3 000	1 000	—	—	—	—	—	—	—	—	—	—	3 000	1 000
J Khambule	Group Executive Commercial	1 315	565	85	35	125	54	—	—	—	8	—	—	1 525	662
		<b>30 448</b>	<b>28 461</b>	<b>1 077</b>	<b>958</b>	<b>2 568</b>	<b>2 574</b>	<b>—</b>	<b>—</b>	<b>900</b>	<b>1 009</b>	<b>—</b>	<b>—</b>	<b>34 993</b>	<b>33 002</b>

<sup>1</sup> Chief Operating Officer – resigned with effect from 30 April 2021 under the voluntary severance programme.

<sup>2</sup> Group Executive Governance and Assurance – resigned with effect from 30 April 2022 under the voluntary severance programme.

<sup>3</sup> Group Executive Operations Management – appointed 20 September 2021.

<sup>4</sup> Group Executive Infrastructure Asset Management – resigned with effect from 30 September 2021 under the voluntary severance programme.

<sup>5</sup> Group Executive Corporate Affairs – resigned with effect from 30 April 2022 under the voluntary severance programme.

<sup>6</sup> Group Executive Corporate Services – appointed 1 March 2022.

## IMPLEMENTATION REPORT continued

### SERVICE FEES FOR NON-EXECUTIVE DIRECTORS

Non-executive director	Appointment date	Director fees	
		FY2021/22	FY2020/21
All figures stated in R'000			
S Nogxina	09/11/2018	770	819
Y Pillay	01/09/2018	524	635
N Zikalala Mvelase	01/09/2018	616	858
P Mokupo <sup>1</sup>	01/09/2018	309	671
N Nokwe-Macamo	01/09/2018	529	728
I Phenyane <sup>1</sup>	01/09/2018	287	766
K Esterhuizen	19/12/2019	461	533
G Victor	15/12/2019	500	629
K Badimo	06/08/2020	507	310
D Hlatshwayo	06/08/2020	493	331
<b>Total</b>		<b>4 996</b>	<b>6 280</b>

<sup>1</sup> Retired effective 5 November 2021 further to his retirement at the Company's Annual General Meeting.




# NOTES


# GROUP INFORMATION

Country of incorporation and domicile	South Africa										
Company registration number	1993/004149/30										
Non-executive Directors	<table> <tr> <td>S Nogxina</td> <td>I Phenyane</td> </tr> <tr> <td>N Nokwe-Macamo</td> <td>Y Pillay</td> </tr> <tr> <td>K Esterhuizen</td> <td>G Victor</td> </tr> <tr> <td>P Mokupo</td> <td>N Zikalala Mvelase</td> </tr> <tr> <td>D Hlatshwayo</td> <td>K Badimo</td> </tr> </table>	S Nogxina	I Phenyane	N Nokwe-Macamo	Y Pillay	K Esterhuizen	G Victor	P Mokupo	N Zikalala Mvelase	D Hlatshwayo	K Badimo
S Nogxina	I Phenyane										
N Nokwe-Macamo	Y Pillay										
K Esterhuizen	G Victor										
P Mokupo	N Zikalala Mvelase										
D Hlatshwayo	K Badimo										
Executive Directors	<table> <tr> <td>NZ Mpofu</td> </tr> <tr> <td>S Mthethwa</td> </tr> </table>	NZ Mpofu	S Mthethwa								
NZ Mpofu											
S Mthethwa											
Register office	1 Jones Road Western Precinct Aviation Park O.R. Tambo International Airport Gauteng 1632										
Postal address	PO Box 75480 Gardenview										
Bankers	Standard Bank Nedbank										
Company secretary	Fefekazi Sefara										
Nature of business and principal activities	Airports Company South Africa is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.										



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

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