

Director's biographies

Chairman

Dr Paul Golby CBE FREng

Paul served as Chief Executive Officer of E.ON UK plc from 2002 to 2011 and is a Fellow of the Royal Academy of Engineering. He is Chair of Costain Group plc and a non-executive director of National Grid plc and ERA Foundation. Paul chairs the Nomination Committee. Paul also attends the Audit Committee, Remuneration Committee, Safety Review Committee and Transformation Review Committee by invitation.

Executive Directors

Martin Rolfe, Chief Executive Officer

Martin took up the post of Chief Executive in May 2015 having been Managing Director, Operations since 2012, with responsibility for NATS' economically regulated UK and North Atlantic services. An engineer by training, Martin holds a Master's degree in Aerospace Systems Engineering from the University of Southampton. He has 20 years of experience in the defence and aerospace industry, and prior to joining NATS was the Managing Director of Lockheed Martin's Civil Division with responsibility for worldwide ATM programmes as well as UK Government business. Martin has also worked for the European Space Agency and Logica plc.

Alistair Borthwick, Chief Financial Officer

Alistair joined NATS as CFO in August 2019. In addition to his responsibilities for finance Alistair leads NERL's regulatory affairs team. Previously he worked for SSE plc, most recently as Group Finance Director for its Regulated Networks

and Enterprise divisions, as well as being responsible for Group Reporting, Tax and Treasury. He also spent time as Acting Managing Director for the Enterprise division.

Having qualified as a Chartered Accountant with Deloitte, working in both audit and corporate finance, Alistair subsequently held a number of senior roles in practice and industry focused on transport and infrastructure, including positions with John Menzies plc and FirstGroup plc.

Non-Executive Directors

Maria Antoniou

Maria is Group HR Director for Morgan Advanced Materials, she was appointed to this role in November 2020. Until April 2020 Maria was Senior Vice President HR/Executive HR based in E.ON's headquarters in Germany.

Maria joined E.ON in 2008 as the UK HR Director. During her time in the UK the business was significantly restructured and emphasis given to becoming a customer focused organisation. Prior to joining E.ON, Maria spent two years in the public sector as Group HR Director for Transport for London and 20 years with Ford Motor Company. Whilst at Ford, Maria was global HR Director for Jaguar, Land Rover and Aston Martin. Maria is Chair of Trustees of Transport for London's Pension Fund. Maria chairs the Remuneration Committee and is a member of the Nomination Committee. She is also a director and chairs the NATS Employee Sharetrust. Maria is also the designated non-executive director for workforce engagement with the Board.

Dr Harry Bush CB

Harry spent most of his career in HM Treasury where he focused latterly on policies towards growth, science funding and privatisation and private finance. He was UK Director at the European Investment Bank from 2001 to 2002. Harry left HM Treasury in 2002 to join the CAA Board as Group Director Economic Regulation responsible for the economic regulation of the designated airports and NATS, as well as the CAA's economic analysis generally. He was a member of Eurocontrol's Performance Review Commission from 2005 to 2009 and of the UK's Commission for Integrated Transport from 2006 to 2010. Since leaving the CAA in 2011, Harry has been a consultant on economic regulation, undertaking assignments across a range of industries in the UK and overseas. He was vice chair of UCL Hospitals Foundation Trust for six years until August 2019. He is a Fellow of the Royal Aeronautical Society. Harry is a director of The Airline Group Limited (AG) and NATS Employee Sharetrust, and a member of the Audit Committee.

Mike Campbell

Mike joined the Board in 2017 having spent the previous 11 years at easyJet initially as Group People Director and subsequently as Group Director Europe. During his time at easyJet he has also been Group Director, Transformation and has led on a series of strategic projects including the integration of GB Airways and the successful development of easyJet's presence in Europe. Mike's early career has covered a range of sectors, from high end luxury goods to high volume, low margin electronics and he has direct experience

across a number of disciplines. Mike has a Bachelor's degree in Mathematics and a Masters in Fluid Dynamics with a background in education and HR. He has operated in organisations across the world and has led businesses and change programmes across all of these. Mike is Chair of AG, Chair of the Transformation Review Committee and a member of the Nomination and Remuneration Committees.

Richard Keys

Richard is a non-executive director of Merrill Lynch International, Glaziers Hall Limited and a non-executive member of the Departmental Board of the Department for Transport. He was previously a non-executive director of Sainsbury's Bank plc, Wessex Water Services Limited and a Council member of the University of Birmingham. He retired from PricewaterhouseCoopers in 2010 where he was a senior partner and Global Chief Accountant. Richard chairs the Audit Committee and is a member of the Nomination Committee and Transformation Review Committee.

Kathryn Leahy

Kathryn is currently Director of Operations at Heathrow Airport, where she holds functional responsibility for airside and airfield operations, as well as umbrella responsibility for the day-to-day management and operations of the Airport Operations Centre, resilience and emergency planning. Kathryn sits on the Risk and Assurance Committee and chairs the Airspace Governance Board for Heathrow and is a Trustee for the Heathrow Multi-Faith Chaplaincy Charity. She joined Heathrow Airport in 2010 as Risk and Safety Director and has held a number of senior operational roles.

Kathryn started her career in financial services working for AIG, and moved to the aviation industry in 1997. She spent 13 years at Virgin Atlantic Airways running their Risk and Safety Management team, as well as establishing the Internal Audit department and Board Audit Committee. She is a member of the Safety Review Committee.

Hugh McConnellogue

With over 30 years' experience in the airline industry, Hugh has held senior leadership roles across engineering and airline operations functions. He holds two senior roles with easyJet, Director of ATM strategy and Delivery and Director of Operations Gatwick. Hugh started his career as an apprentice engineer for Britannia Airways moving on to work in freight and passenger operations with airlines across Europe. In his time with easyJet he has been responsible for line and hangar maintenance, maintenance operations control, deputy post holder for engineering for easyJet Switzerland, airline network operations and emergency response management. During this time he led the merger of airline operations through acquisitions, implementation of new technologies and systems as well as managing large teams of people. Hugh is a director of AG and a member of the Safety Review Committee.

Iain McNicoll CB CBE

Iain served 35 years in the Royal Air Force, retiring in 2010 as an Air Marshal. His military flight hours total over 4,300, the majority in fast-jet aircraft, but he also flew large multi-engine aircraft, light aircraft and helicopters. He commanded a Tornado squadron from 1992-1995, a Tornado station from 1998-2000, and was Air Officer

Commanding No. 2 Group from 2005-2007. In his last appointment, Deputy Commander - Operations, he was responsible for generating and delivering all of the RAF's front line operational capability. He had RAF responsibility for all safety and environmental matters, and was the RAF's first Chief Information Officer. Since 2010, Iain has been an aerospace, defence and security consultant. He is a Fellow of the Royal Aeronautical Society. Iain chairs the Safety Review Committee and is a member of the Transformation Review Committee.

Gavin Merchant

Gavin joined Universities Superannuation Scheme (USS) in 2011 and is Co-Head Direct Equity with responsibility for sourcing, evaluating and monitoring investments within the infrastructure and related portfolio. Gavin serves on a number of portfolio company boards for USS as well as a number of advisory boards for infrastructure funds. Gavin has worked in the infrastructure sector in the UK and Australia for 20 years. Prior to joining USS, Gavin was a Director at Equitix Limited. Gavin graduated with an honours degree in Law from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland. Gavin is a director of AG and a member of the Remuneration Committee.

Louise Street

Having completed a degree in Japanese and Business Management at Durham University, Louise joined British Airways on the graduate intake scheme in 1998. Her first 8 years were in the commercial organisation specifically in Sales and Revenue Management. She then moved to the operational side of the business and has

undertaken a number of senior management roles in Customer Service and Operations. In March 2021, Louise was appointed into her current role as Head of Business Readiness which is responsible for overseeing the airline's preparation to safely return to a full flying programme as demand returns following the Covid pandemic. Louise is a director of AG and a member of the Audit Committee.

Officer

Richard Churchill-Coleman, Legal Director

Richard is Legal Director which includes the role of Company Secretary. He joined NATS in June 2007 from TUI Northern Europe Limited where he held the position of Group Legal Counsel. Richard has more than 30 years' experience in the aviation industry having begun his career as an undergraduate aerospace engineer with British Aerospace plc before qualifying as a solicitor with Norton Rose and subsequently as a Chartered Secretary. Richard has previously held positions at Thomsonfly, Virgin Atlantic Airways and DHL Worldwide Express and holds a private pilot's licence.

NATS governance framework

Introduction

NATS was formed as a PPP in July 2001. A key element in its governance structure is the Strategic Partnership Agreement (SPA) between its main shareholders: the Secretary of State for Transport; The Airline Group Limited (AG); and LHR Airports Limited (LHRA).

The SPA sets out the relative responsibilities of the signatories and, in particular, requires the group and the directors to adhere to the UK Corporate Governance Code so far as reasonably practicable and save to the extent inconsistent with the other provisions of the SPA.

The Board and Directors

Ultimate responsibility for the governance of NATS rests with the Board of NATS Holdings, which provides strategic direction and leadership and is responsible for ensuring that the NATS group is run safely, efficiently, effectively and legally, with appropriate internal controls to safeguard shareholders' investment and group assets, ensuring it delivers value to shareholders and fulfils its wider role as a provider critical national infrastructure.

The Board plays an important leadership role in promoting the desired culture of the organisation. Through governance activities in the year it monitored and input to key aspects of culture including:

- the highest governance and ethical standards reflecting the aspirations of the PPP;
- a prominent safety culture through 'Just Culture' reflecting the company's purpose of advancing aviation and keeping the skies safe;

- consultation with customers on service performance, capital investment and plans for RP3;
- a cost efficient, service oriented and commercially smart organisation, requiring best in class performance of its workforce and partners; and
- diversity and inclusion and fair treatment of its workforce, valuing the contributions of Trades Unions.

The boards of the subsidiary companies within the group are accountable to the NATS Holdings Board for all aspects of their business activities.

As at the date of approval of the accounts, the NATS Holdings Board comprised a non-executive Chair and 11 directors, as follows:

Executive Directors

- Chief Executive Officer (CEO); and
- Chief Financial Officer (CFO).

Non-Executive Directors

- a Chair, appointed by AG, subject to the prior approval of the Crown Shareholder;
- five directors appointed by AG;
- three Partnership directors, appointed by the Crown Shareholder; and
- one director appointed by LHRA.

Changes to the Directors

From 1 April 2020 to the date of approval of the accounts, there were no changes to the directors. Richard Keys and Maria Antoniou were re-appointed (see Nominations Committee report).

The roles of the Chair, Chief Executive and executive management

The Chair of the NATS group is responsible for the leadership of the Board and for its governance. He has no day-to-day involvement in the running of the

group. Day-to-day management of the NATS group is the responsibility of the CEO, Martin Rolfe, supported by the NATS executive team. The NATS executive team is responsible for delivering NATS' overall strategy. The executive team is structured as follows:

- CEO;
- CFO;
- Operations Director;
- Safety Director;
- Commercial Director;
- HR Director;
- Technical Services Director;
- Communications Director; and
- Legal Director.

The responsibilities of the Board

The Board has adopted a schedule of matters reserved for its decision and has put in place arrangements for financial delegations to ensure that it retains overall control of the business. The Board also has oversight of key business drivers and risks. Matters reserved for the Board include the monitoring of NATS' safety performance, appointments to the NATS executive team, and issues with political, regulatory or public relations implications. In addition to the schedule of matters reserved to the Board, specific matters are reserved for Partnership directors, AG directors and the LHRA director, as follows:

Partnership and AG directors

- adoption of the business plan;
- entry into significant debts, charges or contingent liabilities;
- major agreements outside the ordinary course of business;
- significant litigation proceedings; and

- external investments, and acquisition and disposal of material assets.

LHRA director

- acquisition or disposal of any asset representing more than 10% of the total assets of the business;
- any aspects of the business plan which could adversely affect NERL's service to UK airports; and
- disposal of NATS Services shares by NATS.

Access to legal and professional advice

All directors have access to the advice and services of the Legal Director, Richard Churchill-Coleman, who acts as Secretary to the Board. If necessary, in furtherance of their duties, directors may take independent professional advice at the group's expense.

Board meetings

The Board routinely meets seven times per year in January, March, May, June, July, September and November, and supplements these scheduled meetings with additional meetings as business priorities require. This year, the Board met ten times with each member (who served as a director during the year) as set out in the table on page 42. This includes additional meetings which have also taken place to review the impact of Covid on the business and management's response.

The non-executive directors meet with the Chair, but without the executive directors' present, after each Board meeting. Reports and papers are circulated to Board members in a timely manner in preparation for meetings, and this information is supplemented by any information specifically requested by directors from time to time. The directors also receive monthly management reports and

information to enable them to review the group’s performance.

The group’s performance is also reviewed monthly by the executive team. This includes reviewing performance against operational targets and financial targets.

The Board’s performance

Board effectiveness review

The Board is committed to continuous improvement and a performance evaluation of the Board, its committees, and the Chair is conducted each year. This year, the Board Effectiveness Review was administered internally. The results were assessed by the Board at its 25th March 2021 meeting and appropriate actions agreed.

Director induction

Following their appointment, the Company Secretary consults with new directors on the scope of induction to NATS which they require and a personalised induction programme is developed.

The Board’s Committees

The Board has established five standing committees which operate within approved terms of reference. These are the:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee;
- Safety Review Committee; and
- Transformation Review Committee.

The number of meetings held by the principal Board committees, and attendance by executive directors and by non-executive director committee members, is provided in the table below together with attendance at Board meetings:

	Number of meetings attended / Number of eligible meetings					
	Board	Audit	Nomination	Remuneration	Safety Review	Transformation Review
Paul Golby	10/10		3/3			
Martin Rolfe	10/10	9/10	3/3	4/4	3/4	6/6
Alistair Borthwick	10/10	10/10				
Maria Antoniou	10/10		3/3	4/4		
Harry Bush	10/10	10/10				
Mike Campbell	10/10		3/3	4/4		6/6
Richard Keys	10/10	10/10	3/3			6/6
Kathryn Leahy	10/10				4/4	
Gavin Merchant	9/10			4/4		
Hugh McConnellogue	10/10				4/4	
Iain McNicoll	10/10				4/4	6/6
Louise Street	10/10	10/10				

The terms of reference for the Board and its committees are available to all employees and shareholders and can be made available externally with the agreement of the Legal Director. Reports from each of the standing committees are set out on pages 45 to 77. However, in addition to the standing committees, from time to time the Board may form committees on an ad hoc basis to deal with specific business issues. During the year the Board continued with the RP3 sub-committee comprising the Chair, Martin Rolfe, Alistair Borthwick, Harry Bush and Richard Keys, to consider the RP3i plan and CAA’s investigation under s34 of the Transport Act 2000 (Project Palamon).

Meetings with shareholders

A shareholders meeting is usually held once a year to provide the group with an opportunity to update the shareholders on the progress of the annual business plan and long term strategy. This year meetings were held on 30 July 2020, 2 December and 9 March 2021. Shareholders may also meet

informally with the Chair, CEO, CFO and other members of executive management upon request.

Compliance with the UK Corporate Governance Code

NATS is committed to maintaining the highest standards of corporate governance. The SPA requires the group and the directors to adhere to the UK Corporate Governance Code so far as reasonably practicable and save to the extent inconsistent with the other provisions of the SPA. The company applied the principles of the Corporate Governance Code 2018 from 1 April 2020, to the extent considered appropriate by the Board. A number of the principles and provisions in the Code are not relevant to the partnership nature of NATS' ownership and the principal areas where NATS did not comply are summarised below.

Provision 9: Independence of the Chair

The Chair is nominated by AG, his appointment being subsequently approved by the Secretary of State for Transport. He therefore does not fully meet the independence criteria as set out in the Code and this affects NATS' compliance with a number of the Code's provisions.

Provisions 11 and 12: Independence of Directors and appointment of Senior Independent Director

The arrangements for appointing non-executive directors, as set out in the SPA, are such that none of the directors meet the Code's criteria for independence. This affects NATS' ability to comply with a number of the Code's provisions, including the requirement to appoint a senior independent director.

Provisions 17 and 32: Composition of the Nomination and Remuneration Committees

Details of the work of the Nomination and Remuneration Committees are set out below. However, the manner in which directors are appointed, as noted above, means that these committees' processes do not fully comply with the Code as regards independence.

Provision 39: Notice or contract periods for non-executive directors

As noted in the Remuneration Committee report, the AG nominee directors and Partnership directors do not have service contracts with NATS. The Partnership directors are typically engaged on three-year fixed-term contracts and have letters of appointment from the DfT. Currently Iain McNicoll and Richard Keys have letters of appointment to 31st August 2022 and Maria Antoniou to 31st May 2024. The Chair has a service contract with NATS, details of which are set out in the Remuneration Committee report.

Provision 18: Re-election of directors

The non-executive directors are appointed by the shareholding groups and are therefore subject to the relevant shareholding groups' selection processes, rather than those included in the provisions of the Code. They are therefore not subject to annual re-election as stipulated by Provision 18, although Partnership directors are appointed by the Government on three-year fixed-term contracts. The tenure of non-executive directors at 31 March 2021 was as follows:

Name	Date of appointment	Years of service to 31/3/21
Paul Golby	1/9/14	6 years 7 months
Maria Antoniou	1/8/16	4 years 8 months
Harry Bush	27/5/14	6 years 10 months
Mike Campbell	26/5/17	3 years 10 months
Richard Keys	1/9/13	7 years 7 months
Kathryn Leahy	31/5/18	2 years 10 months
Hugh McConnellogue	4/10/18	2 years 6 months
Iain McNicoll	1/9/13	7 years 7 months
Gavin Merchant	20/3/14	7 years
Louise Street	29/11/18	2 years 4 months

The group is mindful of the Code principle that the board and its committees should have a combination of skills, experience and knowledge, with consideration of the length of service of the board as a whole and its membership and of the provision relating to the nine year tenure of the Chair.

Provision 3: Engagement with major shareholders

Within the PPP structure, there are no institutional or public shareholders. However, the nature of the SPA is such that the shareholders have representatives amongst the directors with whom they enjoy a close working relationship. All non-executive directors are invited to relay the views of their respective shareholders into Board discussions. The Board is therefore able to take decisions in the best interests of the group, having taken account of the views of the shareholders. The Chair also has regular discussions with shareholders in addition to the formal meetings noted under the 'Meetings with shareholders' section above.

Audit Committee report

The role of the Audit Committee

The Committee has met six times since the publication of the 2020 Annual Report and Accounts in October 2020. Of these meetings, three were held to consider routine business and three to provide Board oversight to the refinancing completed in June 2021 (see Refinancing below). It is chaired by Richard Keys; Louise Street and Harry Bush are the remaining two members of the Committee. The Committee members all have wide-ranging commercial and management experience and Richard Keys, a former audit partner at PricewaterhouseCoopers LLP (PwC) has recent, relevant financial and audit experience. The Committee members maintain their competence in the sector and on company specific issues (such as pensions) through targeted training and briefing at Committee meetings.

The Chairman, CEO, CFO, Director Group Financial Control, Head of Internal Audit and the responsible partner from our outsourced internal audit provider, NATS Head of Business Risk and the external auditors are invited to attend each meeting dealing with routine business by standing invitation and others by exception as appropriate.

Part of each routine business meeting is set aside as required for members of the Committee to hold discussions without executive management present, including holding separate discussions with the external and internal auditors.

The main duties of the Committee include:

- monitoring the integrity and compliance of the group's financial statements;
- reviewing the effectiveness of both the external and internal auditors;
- reviewing the scope and results of internal and external audit work; and
- reviewing NATS' risk management and internal controls.

During the last year the Committee has also provided oversight on behalf of the Board of the refinancing completed in June 2021.

The Committee makes recommendations to the Board on matters relating to the appointment, independence and remuneration of the external auditors and, to ensure independence, monitors the extent of non-audit services provided by the external auditors (as explained below). The Committee also reviews whistleblowing arrangements under which employees and third parties dealing with NATS may confidentially report suspected wrongdoing in financial reporting or other matters with the objective of confirming that the arrangements in place and for the investigation and follow-up of matters raised are appropriate. The Committee reviews its Terms of Reference annually and, taking account of updates to corporate governance best practice, recommends any changes to the Board for approval.

Main activities of the Committee during the year

a. Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditors the

annual financial statements of the group and its subsidiaries and NERL's regulatory accounts, having regard as appropriate to:

- the suitability of accounting policies adopted by the group;
- the clarity of disclosures and compliance with Companies Act legislation and financial reporting standards, including the requirements of NERL's Air Traffic Services Licence; and
- whether significant estimates and judgements made by management are appropriate.

In addition, the Committee assists the Board in its assessment of whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

To aid its reviews the Committee considers reports from the CFO and reports from the external auditors on the outcome of the annual audit.

The Committee considered the following significant accounting judgements and sources of estimation uncertainty in the year:

Impact of Covid

The Committee considered the financial reporting implications of Covid and the CAA's proposals for the redetermination of NERL's price control including the significant judgements, sources of estimation uncertainty and other assumptions made in the preparation of the financial statements and the adequacy of disclosures. In

particular, the Committee considered: the recognition of NERL's revenue and the recoverability of its revenue allowances (see below); the carrying value of goodwill (see below); the carrying values of the group's investments, including in Aireon; the recoverability of other assets; and onerous contracts.

The Committee also reviewed the evidence supporting the assessments of going concern and viability, including the impact of the refinancing transaction completed since the balance sheet date on projected liquidity, the company's March 2021 business plan financial plans, the significant judgements and assumptions in the company's forecasts of the recovery in air traffic volumes and the timing and likelihood of further mitigating actions in the form of cost savings and government support measures. Following its review, the committee concluded it was satisfied with the approach being taken and the reasonableness of the judgements made together with the relevant disclosures, in particular the disclosures made in the going concern and viability statements and in note 3 to the financial statements.

Revenue recognition

The economic regulatory price control for UK en route services allows for the recovery (or reimbursement) of regulatory allowances where actual traffic volumes or inflation are different to the regulator's forecasts made at the start of the reference period, where actual service performance is different to the regulator's annual targets and for adjustments brought forward from the previous charge control period. NATS'

policy is to recognise these regulatory adjustments in the year of service, based on traffic, inflation and service performance experienced. Where regulatory adjustments for pension costs are assessed after the end of a reference period, their recoverability (or reimbursement) is dependent on the assessment of the economic regulator and recognised on this basis.

As a result of Covid, the CMA's determination of the referral of the RP3 price control (2020 to 2024) was for a three-year settlement for 2020 to 2022 with NERL's charges set initially as if Covid had not occurred but recognised that the CAA would need to take a view subsequently of the recoverability of regulatory allowances for this three-year period as part of its redetermination of a new five-year price control for the period 2023 to 2027. The CAA's redetermination of the price control and its assessment of the recoverability of NERL's regulatory allowances will not be completed until 2022. As a result, the company was required to estimate the amount of licence revenue to which it expects to be entitled for the services it provided in the financial year, giving consideration to the risk of potential reversal in making that estimate.

The Committee reviewed the nature, value and basis of the regulatory adjustments, having regard to the reduction in air traffic volumes due to the impact of Covid and the risk of recovery of regulatory allowances in the event of changes by the CAA to the regulatory framework through the redetermination of the price control from 2023 to support the recovery in the aviation sector,

including the impact of there being an extended period for the recovery of those allowances.

The Committee also considered the International Accounting Standards Board's Exposure Draft (ED) on Regulatory Assets and Regulatory Liabilities which was published in January 2021 and the similarities between the approach proposed and the company's existing revenue recognition policy.

NATS has followed its policy on the recognition and measurement of regulatory allowances since adopting IFRS in the 2005/06 financial year with further detailed review being undertaken as part of the implementation of IFRS15 in the 2018/19 financial year. Our auditors have been satisfied with this approach; their opinions have been unqualified. Without a specific applicable IFRS dealing with regulatory assets and liabilities we have applied the principles of IFRS 15 in relation to variable consideration and the recognition and measurement of regulatory allowances. The accounting policy, and the basis for recognising in the period of service variable consideration arising from the regulatory agreement, has been clearly described and amounts recoverable or payable under the regulatory agreement have been disclosed within the notes to the accounts.

The committee reaffirmed its view and that of the board that the recognition of regulatory allowances has been and continues to be fundamental to a true and fair view being given by the financial statements providing users with relevant and reliable financial information concerning the effects of the regulatory

environment in which NATS operates and its economic impact.

In conducting its review, the Committee acknowledged, pending the finalisation of the ED, the continuing lack of definitive guidance in IFRS on the recognition of regulatory allowances and their related treatment which the ED is intended to address. The Committee however takes note of the consequence of the guidance contained within the ED that regulatory allowances are distinct from revenue from contracts with customers as defined by IFRS15 at the point they are recognised, albeit that the regulatory framework is such that they become so subsequently when combined into the regulator agreed revenue charges to customers in future periods. Accordingly the Committee agreed it was appropriate to reassess the accounting policy to ensure that its historical basis and the related disclosures were clearly explained and suitably enhanced, differentiating between revenue for the amount of consideration for ATC services provided to customers for flights in airspace controlled by NATS and the variable consideration associated regulatory allowances due or payable due to the operation of the regulatory framework in place. In the circumstances the group has changed its accounting policy and the presentation of its income statement and balance sheet, also restating prior years, to enable users to understand better the impact of Covid on the results and financial position, and to gain a better understanding of the relationship between the regulatory framework and future cash flows.

The Committee notes that the restatement has no prior year effect on the quantum of net assets in the comparative period, nor on the net results or cash flows for that period. There is however greater clarity on the accounting adopted for regulatory allowances both in the balance sheet and income statement.

The carrying value of goodwill

The Committee continued its focus on this recognising both the materiality of the group's carrying value of goodwill, the impact of impairment on the group's result and the inherent subjectivity of judgements made in assessing recoverable value and the associated impairment testing. The key judgements relate to: the assumptions underlying the calculation of value in use, including the extent to which cash flow projections are achievable taking account of the CMA's price control for 2020 to 2022 and the CAA's forthcoming redetermination of the price control from 2023, including its review of the reconciliation of actual costs incurred in the period 2020 to 2022, to take account of the impact of Covid; and assessing fair value less costs of disposal, including the extent of any premium which may be realised in excess of the value of regulatory assets.

In addressing this review, the Committee had regard to the higher of the values determined on a value in use and fair value less costs of disposal basis reflecting: NERL's revenue allowances taking account of the matters referred to above and the cash flows implied by a the group's business plan and an extended period over which the revenue shortfall for years 2020 to 2022 is to

be recovered; the cost of capital assumption used to discount value in use; and the value of NERL's regulatory assets, including the extent to which a premium was appropriate to reflect the scope for out-performance of regulatory settlements having regard to those implied by market transactions in regulated entities but also reflecting upon the potential impact of the Covid pandemic on these factors. The Committee also considered the costs of a theoretical disposal of NERL's regulatory assets and appropriate sensitivities. Following its review, the Committee was satisfied with the explanations and disclosures provided in notes 2, 3 and 13 to the accounts.

Retirement benefits

The pension funding position determined under international accounting standards requires a number of actuarial assumptions to be made, including judgements in relation to long term interest rates, inflation, longevity and salary growth. The Committee reviewed the basis for determining these assumptions. The final calculations in respect of the defined benefit pension scheme are performed by a qualified actuary, independent of the scheme. Note 3 to the accounts summarises critical judgements and key sources of estimation uncertainty and note 33 sets out the main actuarial assumptions used, including sensitivity analysis.

The Committee also considered the adequacy of the explanations for the different basis of valuation for the Trustees funding assessment and for the balance sheet position under international accounting standards. The

Committee was satisfied that the approach being taken and related disclosures were appropriate.

Refinancing

The Committee discussed and reviewed the refinancing transaction with the CEO, CFO and Director, Group Treasury and Corporate Finance. On behalf of the Board, the Committee reviewed the refinancing strategy involving the decision to repay the existing bonds and subsequently the proposed transaction and timetable, the terms and conditions of the bank facilities, the bonds and the hedging strategy, the bond prospectus and the process for effecting the redemption of the existing financing arrangements. In particular the Committee's review had regard to: the sources and uses of funding; the cost efficiency of the proposed new funding including the redemption of the existing bonds; the sufficiency of funding taking account of the likely extended period of recovery of revenue allowances following the CAA's redetermination of the price control and the risk of an uncertain recovery in air traffic volumes; and the implications for the company's gearing levels under a range of scenarios. The Committee also reviewed the company's engagement with key stakeholders, including: shareholders, existing lenders, the CAA and rating agencies.

Other matters

The Committee also reviewed the half year financial statements issued to shareholders under the terms of the SPA.

b. Internal audit

The group's internal audit department reviews the controls in place to mitigate NATS' business risks, which includes reviews of internal financial control and risk management. In order to access the specialist skills required to perform assessments across the wide range of areas in which NATS operates, the internal audit function has been operated as a co-source arrangement, primarily with PwC but with other providers if required. Going forward from financial year 2021/2022, this will change to a fully outsourced model provided by PwC.

The results of internal audits and agreed actions are reported as appropriate to relevant directors, executives and managers and reported on regularly to the Committee. The Committee oversees and monitors the completion of actions taken by management to address internal audit findings and considers the ongoing independence of internal audit. The Committee oversees the performance of internal audit through the receipt of a report on its work presented to each Committee meeting and agrees the annual work plan in the context of the group's audit and assurance universe. Work is also continuing to develop the universe in supporting more broadly the assurance needs of the group across its business leveraging the work of Risk Management and Internal Audit to provide an integrated approach. Through its process of regular review of Internal Audit's work, the Committee is able to ensure also that assurance resource is appropriately directed to meet specific needs, for example in response to

exceptional circumstances. This was the case with respect to the impact of the Covid pandemic, where internal audit have reviewed measures undertaken by the company in response, including NATS' use of the Government's furlough scheme, mitigations to ensure that any capability gaps arising from voluntary redundancies were mitigated, and the reshaping of NATS' technology transformation programme.

c. External audit

BDO LLP was re-appointed as external auditor on 21 October 2020. The Committee reviewed the performance and the continuing independence of BDO at its June 2021 meeting and recommended to the Board that BDO be re-appointed.

Accordingly, a resolution recommending their re-appointment will be considered by shareholders.

d. Risk management

The Committee receives each meeting reports from risk management and the internal auditor on the performance of principal risks, the effectiveness of internal controls, and material emerging risks. These reports include reviews of the policies and processes for identifying, assessing and mitigating emerging and principal risks and assessing risk appetite.

During the last 12 months the committee has continued its oversight of risk by conducting a regular review of key risks and, as appropriate, supplementing this with detailed review of specific risks. The Committee has also reviewed changes to the risk management process and its reporting. Risk reports to the executive and the Committee are clearly organised by principle risk. Each of the principal risks is owned by an

accountable executive director who is responsible for the framework, policies and standards that are required for keeping the risk within appetite.

NATS is committed to implementing an effective and resilient Enterprise Risk Management framework across the business.

In conjunction with the review of internal controls, commented on further below, the Committee reviews the processes in place to identify, assess, mitigate and manage risk, in particular at enterprise level, in order to satisfy itself that they are appropriate and within the specified risk tolerance agreed by the Board or where that is not the case, to ensure that the Board is aware and that appropriate steps are in place to manage and mitigate the exposure.

On the basis of this work, the Committee is satisfied that the directors have carried out a robust assessment of the emerging and principal risks facing the business. The Committee also reviews the extent of warranties and guarantees entered into by the group, with particular focus on any unlimited liability indemnities entered into as part of commercial arrangements.

The Committee specifically considered the risk management and controls aspects arising as a result of the Covid pandemic and the response to it with management and internal audit (as noted above), including those arising from changes in working practices and the widespread adoption of working from home.

To ensure adequate and timely risk-based decisions during the pandemic the Audit Committee endorsed an enhanced programme of

board and Audit Committee meetings and related management reporting. These changes were implemented and continue to date.

e. Internal control

The Board is responsible for the group's system of internal control and risk management and for reviewing its effectiveness.

NATS' system of internal control is designed to ensure that the significant financial, operational, safety, legal, compliance and business risks faced by the group are identified, evaluated and managed to acceptable levels. This system was in place during the year and up to the date of approval of the Annual Report and Accounts. As explained above, the Committee receives regular reports from internal audit concerning the results of their work and agrees their annual programme of work, as well as regular reports from risk management.

The Committee's reviews of internal audit work have covered reports on the effectiveness of controls which manage key risks including financial and information technology controls, key aspects of the technology investment programme, and commercial processes. The Committee also approved the scope and phasing of activity for the internal audit function for the first half of 2021/22 which focussed on key aspects of NATS' response to the Covid outbreak and the associated risks. The Committee continues to monitor the follow-up by internal audit of management actions taken to address the internal audit recommendations arising from their work.

In addition, to the work of internal audit, the Committee also reviews reports from the external auditors, reports of any attempted or actual frauds, reports from the management's Tax and Treasury Committees and considers the circumstances of whistleblowing reports. However, as with all such systems, internal controls can only provide reasonable but not absolute assurance against misstatement or loss.

On the basis of the foregoing, the Committee believes that the directors review the effectiveness of internal controls on an ongoing basis during the year.

In overseeing NATS' whistleblowing procedures, the Committee reviewed progress since the appointment of an independent provider for NATS' whistleblowing hotline in 2017. The Committee was satisfied that the appointment of the independent provider and the associated whistleblowing procedures continue to meet best practice and are promulgated effectively throughout the company and to interested stakeholders and third parties.

The Committee is satisfied that the company's response to whistleblowing reports received during the year has been appropriate and, if necessary, appropriate actions have been taken in line with the high standards of governance which the Board requires.

Richard Keys

Chairman of the Audit Committee

Nomination Committee report

The role of the Nomination Committee

The Nomination Committee is chaired by Paul Golby and, during the year, comprised three further non-executive directors, Mike Campbell, Richard Keys and Maria Antoniou. The Committee meets when considered necessary by its members and may invite executives and advisors to attend meetings as appropriate.

Appointments to the Board are made by the relevant sponsoring shareholder under the terms of the SPA. The Committee evaluates the balance of skills, knowledge and expertise required by the Board and makes recommendations to the shareholders with regard to Board appointments. It also reviews succession plans for executive directors and senior executives.

During the year the DfT undertook a recruitment process for two Partnership Directors, following which Richard Keys and Maria Antoniou were re-appointed in April 2021.

The Chairman's contract was renewed on 1 September 2020 for a three-year term.

Main activities of the Committee during the year

During the year, the Committee met three times in October and November 2020 and March 2021. In October the Committee received an overview of the voluntary redundancy programme and talent update with a further talent and succession update (including CEO succession) in November and March.

The Committee's terms of reference require it to give due regard to the benefits of diversity, including gender, on the Board. Currently there

are three female directors on the Board, representing 25%. There is one female member of the Executive, representing 11%.

Paul Golby
Chair of the Nomination Committee

Remuneration Committee report

Dear Shareholders,

I am pleased to present the directors' remuneration report for the year ended 31 March 2021. A key priority for NATS is to deliver a safe, efficient, and reliable service to our customers, every day, and that we reward the management team accordingly. In this context, we have incorporated overrides into our variable pay schemes to ensure that no additional reward is delivered to our executives if a safe and reliable service is not delivered.

Our remuneration policy's primary objective is to ensure we are able to attract, retain and motivate key executives to deliver strong sustainable business performance which is aligned with both the long-term success of the company and with the interests of our key stakeholders. This report highlights the remuneration decisions made by the Committee over the course of the year, including the Remuneration actions that have been taken since our last report in response to the Covid pandemic.

Response to Covid

In particular since the start of 2020 the Remuneration Committee and the Board have had regard to the impacts of Covid on the company and the wider aviation sector. Since the severity of the pandemic became clear, pay across the company has remained at 2019 levels. In our last report we noted that NATS Executive team, non-executive directors and management team took part in voluntary salary and fee reductions for the period April to June 2020.

Given the continued disruption caused by the Covid pandemic, Martin Rolfe (CEO) asked the company to defer the long-term incentive payments due to him during 2020/21 until a more appropriate time. The company supported this personal decision of the CEO.

The executive proposed to the Remuneration Committee during 2020 that the Annual incentive (AMPRPS) payments relating to 2019/20 that would have been paid in June 2020 be deferred. The Committee agreed that it was appropriate to release those deferred incentive payments earned prior to the Covid pandemic relating to 2019/20 performance in December 2020, consistent with the company wide performance incentive payments for 2019/20. The Committee continue to focus on actions that recognise the importance in this period of protecting the workforce, preserving liquidity and ensuring that the company supports and enables the sector's recovery.

Key decisions made in 2020/21

Following a review of external sector practice and market conditions, advice received and on the recommendation of the Executive team, it was agreed that no incentive schemes would be granted for the 2020/21 performance year, reflecting the practice seen across our industry. A review of target measures for both short and long term incentives has been conducted, and it has been agreed that no incentive schemes will be granted until a further review of the external environment and traffic recovery has taken place later in 2021.

Reward for 2020/21

The Committee agreed that no salary increases would be applied to the NATS Executive team, non-executive directors, or the wider management group due to the external environment and ongoing cash preservation measures in place. There were no active incentive arrangements in place for 2020/21, this is appropriate and in line with best practice for organisations who have utilised the Coronavirus Job Retention Scheme (CJRS) for this period .

Remuneration for 2021/22

For the 2021/22 financial year, in light of the Covid pandemic, the Committee will operate the remuneration policy as set out over the following pages. The highlights include:

- no base salary increases for the CEO, CFO and wider Executive and management teams; and
- no short or long term incentive schemes will be granted until a further review of the external environment and traffic recovery has taken place later in 2021.

Conclusion

Whilst we continue to ensure that our policy delivers a robust link between reward and performance, this year we are in extremely unusual circumstances and it is important that our reward strategy appropriately reflects the challenging external environment our customers are facing and the additional work the executive team is undertaking to deal with Covid. We continue to respond to the remuneration challenges and also review emerging practice across our industry and the UK. We are working to evaluate appropriate target measures in preparation for a positive recovery of traffic to

ensure that we continue to motivate and incentivise our executive team and management team during a critical period for the business.

Maria Antoniou

Chair of Remuneration Committee

Purpose and responsibilities of the Committee

The Committee meets when necessary and is responsible for:

- considering and approving, on behalf of the Board, the arrangements for determining the remuneration, benefits in kind and other terms of employment for the Chairman and executive directors and the company's Personal Contract Group (around 360 senior managers);
- considering and approving company incentive targets for executive directors and other members of the wider executive team;
- considering and approving a statement of remuneration policy;
- confirming details of the remuneration of each executive director for inclusion in the Annual Report and Accounts;
- confirming reward arrangements for all executive team members; and
- considering exit arrangements for executive team members.

The terms of reference for the Committee require it to ensure the company's remuneration policy complies with the current Corporate Governance Code, as far as practicable under the SPA. No director is involved in decisions relating to his or her own remuneration.

Activities in the year

The Committee met four times in the year and its main activities were to:

- Review and approve the approach to remuneration incentive arrangements for 2020/21 and 2021/22 in response to Covid, considering independent advice, financial stability and the external environment

- review and approve the timing and payment of deferred incentives relating to the 2019/20 performance year.

Membership

The Remuneration Committee of the Board is comprised entirely of non-executive directors. It is chaired by Maria Antoniou. Other members are Gavin Merchant and Mike Campbell. Paul Golby also attends the meeting (but is absent for discussion about his own remuneration).

Advisers and other attendees

As appropriate, the CEO and HR Director are invited to attend Committee meetings.

Wholly independent advice on executive remuneration is received from the Executive Compensation practice of PwC UK who were appointed in January 2021 to replace Aon plc. There were no fees charged by Aon in the year. PwC fees for advice to the committee for 2020/21 were £23,000.

Directors' Remuneration Policy

It is the company's policy to establish and maintain competitive pay rates that take full account of the different pay markets relevant to its operations. In return, employees are expected to perform to the required standards and to provide the quality and efficiency of service expected by our customers and in line with the NATS values and behaviours. In fulfilling this policy, the company adheres where possible to the principles and provisions of the UK Corporate Code on directors' remuneration as outlined below.

The level of executive directors' remuneration takes into account competitive practice across comparator companies as agreed with the

Committee, (companies from which NATS might seek to recruit employees or are considered similar to NATS) together with the need to attract and retain talent. Executive directors are rewarded based on responsibility, competence and contribution, and the average budgeted increase in salaries elsewhere in the group. Performance-related reward forms a substantial part of the total remuneration package and is designed to align the interests of directors with those of stakeholders and to promote the long-term success of the company.

Performance is measured against a portfolio of key business objectives and payment is determined based on performance beyond that expected of directors as part of their normal responsibilities. In implementing this strategy, the Committee adopts the principle that incentive scheme targets must be stretching and in line with the Board's agreed strategic growth and business plans.

The tables on pages 59 and 60 describe the key components of each element of the remuneration arrangements for the executive directors, and the company's policy in this respect. Earnings and benefits are set out in the table of directors' remuneration on page 66.

Discretions retained by the Committee in operating the variable pay schemes

The Committee operates the group's various incentive plans according to their respective rules and, where applicable, in accordance with relevant legislation and HMRC guidance. In order to ensure efficient administration of these plans, certain discretions are reserved to the Committee, these include:

- determining who may participate in the plan;
- determining the timing of grants of awards and/or payments under the plans;
- determining the quantum of awards and/or payments (within the limits set out in the remuneration policy table);
- determining the performance measures and targets applicable to an award (in accordance with the remuneration policy table);
- where a participant ceases to be employed by the company, determining whether 'good leaver' status applies;
- determining the extent of vesting of an award based on assessment of the performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a 'good leaver' or on the occurrence of corporate events);
- whether recovery and/or withholding shall be applied to any award and, if so, the extent to which they shall apply; and
- making appropriate adjustments to awards on account of certain events, such as major changes to the constitution of the company.

Approach to recruitment remuneration

In the event that the company recruits a new executive director (either from within the organisation or externally), when determining appropriate remuneration arrangements, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests for the company and its shareholders. This will include the application of the policy described in the policy table. In exceptional circumstances for externally recruited

directors, the Committee may offer additional cash awards to compensate an individual for remuneration forfeited on leaving a previous employer.

The awards would not exceed what is felt to be a fair estimate of the remuneration forfeited and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions.

For an internal appointment, any remuneration terms awarded in respect of the previous role may either continue on its original terms or be adjusted to reflect the new appointment.

When recruiting non-executive directors, the remuneration arrangements offered would normally be in line with those paid to existing non-executive directors, details of which are set out in the Annual Report on Remuneration.

Remuneration policy table

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
Base salary	To provide fixed remuneration for each role which reflects the size and scope of executive directors' responsibilities and their individual skills and experience	Executive directors' salaries are normally reviewed annually and fixed for the 12 months commencing on 1 April. The Committee takes into consideration: <ul style="list-style-type: none"> • role, experience and performance of the individual; • internal and external relative positioning for total reward; and • the average budgeted increase in base salaries elsewhere in the group. 		Not applicable	Not applicable
Benefits	To provide flexible, market aligned benefits on a cost-effective basis.	May include private health cover for the executive and their family, life insurance cover of up to eight times annual base salary, income protection and a car allowance. Relocation support and any associated costs or benefits may also be provided if considered by the Committee to be appropriate and reasonable to meet the requirements of the business. Other benefits may be offered from time to time broadly in line with market practice. Executive directors may participate in any all-employee share plan which may be operated by the company on the same terms as other employees.	The overall value of benefits will depend on the individual's circumstances and therefore there is no formal maximum. Participation in the all-employee share plan will be subject to the scheme's rules and in line with any relevant statutory limits.	Not applicable	Not applicable
Pensions	To provide cost-effective and competitive post-retirement benefits	Executive directors' pensions and life assurance are based on salary only, with performance-related incentive payments and other discretionary benefits excluded. The principal method of securing pensions for executive directors is auto-enrolment into the NATS Defined Contribution Pension Scheme (DC). NATS also offers a company-wide pension cash alternative in lieu of employer pension contributions for those with total pension savings close to the Lifetime Allowance, which is also available to eligible executive directors.	Maximum employer contributions are: <ul style="list-style-type: none"> • 18% for members of the DC; or • 15% of base salary as a pension cash alternative in lieu of employer contributions to the DC; or for legacy members of the defined benefit pension scheme (DB) who have transferred out of that scheme, 25% of base salary as a pension cash alternative in lieu of employer contributions to the DB. 	Not applicable	Not applicable
Annual Incentive	To reward and incentivise the	An Annual Incentive scheme (AMPRPS) is in place for the executive team and all employees in the Personal Contract	Maximum opportunity is capped at 70% of base salary.	Targets are set annually and are a mix of corporate and personal	The rules of the annual incentive include a recovery

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
	achievement of annual financial and strategic goals which are selected to align to the strategy of the business.	Group. The annual incentive is paid entirely in cash. As per the rules of the scheme, the Committee may determine that vesting should not be applied for any participant(s) should the Committee consider that individual performance or other circumstances makes this an appropriate outcome. This power would only be exercised in circumstances when the Committee decides that there has been or could be significant damage to the reputation of the company either during the performance years or as a result of the award. In these cases, the decision would be referred to the non-executive directors of the Board for ratification.	The annual incentive starts accruing from threshold levels of performance. The current maximum potential for each executive director is set out in the annual report on remuneration.	performance. They are determined by the Remuneration Committee each year taking into account the group's key strategic priorities and the approved budget for the year and are set out in the Annual report on remuneration. The Committee may apply discretion as appropriate.	provision whereby individuals are liable to repay or forfeit some or all of their AMPRPS if there is a material misstatement of the results.
Long-term incentive	To incentivise executives to achieve the company's long-term strategy and enhance shareholder value.	Cash awards based on the achievement of financial targets over the relevant regulatory price control period. The RP3 award is currently being considered to ensure that the structure, timing and performance conditions align to the revised regulatory periods and are appropriate in the business environment.	Award levels for the future (2020+) regulatory price control periods are being considered and will be reported in future years.	Awards vest based on both performance-measuring the weighted return performance of NERL and NATS Services over the applicable measurement and regulatory periods, and also based on the payment opportunity dates linked to approved share valuations.	The rules of the current LTIP include provisions for recovery and withholding to apply if the Committee concludes that: <ul style="list-style-type: none"> the performance on variable pay awards, that have been made or vested, was materially misstated or should have been assessed materially differently;
Legacy arrangements: Long-term incentive (Cycles 6 and-7)	To incentivise executives to achieve the company's long-term strategy and enhance shareholder value.	Awards of notional shares are made annually with vesting dependent on the achievement of performance conditions over the three subsequent years. To the extent that performance conditions are met, awards will normally vest in three tranches: 50% in the third financial year, 25% in the fourth financial year and 25% in the fifth financial year. Notional shares are linked to the NATS all-employee share ownership plan share price and, subject to remaining eligible under scheme rules, participants receive cash payments in relation to the value at the time of vesting and dividends paid in the period, representing a total shareholder return.	Maximum annual opportunity is capped at 110% of salary Outstanding awards are set out in the Annual report on remuneration	The LTIP is designed to reward the achievement of a set of financial and strategic targets for rolling three-year periods.	<ul style="list-style-type: none"> the assessment of any performance condition was based on an error, or inaccurate or mis-leading information or assumptions; the relevant individual has committed serious misconduct; or there is a major safety or operational incident resulting in serious consequences for the organisation, its customers or air passengers. <p>Recovery and withholding may be applied for up to the third anniversary of the end of the LTIP award's performance period.</p>

Service contracts

Executive Directors

The employment contracts of the CEO and CFO provide for 12 months' notice in the event of termination by the company or 6 months' notice from the Executive Director.

Exit payment policy

The Committee is committed to ensuring that it does not pay more than is necessary when executives leave NATS. The table below sets out the key provisions for executive directors under their service contracts and the Incentive Plan rules.

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees in connection with a settlement agreement.

Non-Executive Directors

Charges for the services of non-executive directors are determined in agreement with the relevant sponsoring body: the DfT in the case of the Partnership directors and The AG in the case of AG appointed directors.

Partnership directors are normally engaged on three-year fixed-term contracts and have letters of appointment from the DfT.

When setting the policy for directors' remuneration, the Committee takes into account the pay and employment conditions elsewhere in the group. The Committee is informed of salary increases for the general employee population and is kept informed of pay negotiations. It takes these into account when determining salary increases for executive directors.

Where relevant and appropriate, the Committee seeks to align the remuneration policy for executive directors with that of other senior managers, or exercise upward or downward discretion where appropriate. Selected employees are able to share in the success of the group through participation in the Annual incentive. Executive Directors and other members of the Executive management team are eligible for participation in the LTIP.

Exit payment policy table

Element	Termination policy
Base salary, benefits and pension	Payment will be made up to the termination date in line with relevant contractual notice periods and will not exceed contractual entitlements.
Annual incentive	Unless otherwise provided in the service contract, executives are not entitled to accrued Annual incentive payments unless the individual is determined by the Committee to be a good leaver. A good leaver is any individual who leaves due to death, agreed retirement or for any other reason if the Committee so decides.
Long-term incentive	Unvested tranches will generally lapse at the time of exit. Vested tranches will remain exercisable for a period of one month following the date of cessation. For individuals determined by the Committee to be a good leaver (defined above), unvested tranches shall continue under the plan on existing terms save that the Committee may adjust down the size and/or life of such tranches on such basis as it determines appropriate (for example, on account of assessment of performance conditions over curtailed periods and by reference to time elapsed into performance periods) and retains discretion for early vesting.

Consideration of the views of shareholders in setting the Remuneration Policy

The Committee is mindful of the views of the DfT and AG and the Regulator in determining the appropriate levels of remuneration and ensuring that shareholder, Regulator and director interests are aligned.

Annual Report on Remuneration

This part of the directors' remuneration report sets out how the remuneration policy will be applied for the financial year ending 31 March 2022 and summarises the emoluments of executive and non-executive directors for the 2021 financial year.

Implementation of the remuneration policy for the year ending 31 March 2022

Executive directors

Base salaries

	Annual base salary with effect from 1 April		
	2020	2021	% change
Martin Rolfe	£463,500	£463,500	0%
Alistair Borthwick	£300,000	£300,000	0%

Base salaries for both Martin Rolfe and Alistair Borthwick remain unchanged. Both elected for a 3-month voluntary effective 20% reduction in basic pay for the period April to June 2020 (equivalent to 5% for the full year) in response to the Covid pandemic. Of this reduction, half was salary waived and half was donated by them to the NHS Covid relief fund.

Pension and benefits

Martin Rolfe and Alistair Borthwick both receive a pension cash alternative of 15% of base salary in lieu of employer contributions to the defined contribution scheme. The cash percentage is applicable group-wide.

Annual incentive scheme

No incentive schemes will be granted until a further review of the external environment and traffic recovery has taken place later in 2021

Long-term incentive plan (LTIP) – RP3

No LTIP incentive schemes will be granted until a further review of the external environment and traffic recovery has taken place later in 2021

Long-term incentive plan (LTIP) – CEO entitlement to payments

Given the current circumstances, Martin Rolfe (CEO) asked the company to defer the long-term incentive payments due to him in 2020/21 until a more appropriate time. The company supported this personal decision of the CEO.

Non-Executive Directors

The company's approach to setting the fees of non-executive directors is by reference to those paid by similar companies. Fees are reviewed annually by the NATS CEO and HR Director and it was agreed that it was not appropriate to make any changes to base fees this year. As for executive directors, all non-executive directors elected for a three-month voluntary reduction in fees of 20% for the period April to June 2020.

Chairman

The Chairman's contract was renewed on 1 September 2020. He has a three-year contract specifying the remuneration he receives. This is £165,120 on an annualised basis, which represents no increase from his previous contract period base fee. The Chairman's effective salary for 2020/21, reflecting his voluntary 20% reduction in pay was £156,864, equivalent to an annual pay reduction of 5%.

Partnership directors

Fees with effect from 1 April	2020	% change	2021
Base fee	£36,900	0%	£36,900
Fee for chairs of Board sub-committees *	£8,200	0%	£8,200

*Remuneration Committee; Audit Committee; Safety Review Committee; Transformation Review Committee

The base fees remain unchanged. In 2020/21, non-executive directors elected for a voluntary reduction of 20% for April to June 2020 in the fees they received (see below).

Airline Group (AG) appointed directors

AG directors receive no remuneration for their services to the NATS Board. Fees are reviewed on annual basis by the NATS CEO and HR Director and it was agreed that it was not appropriate to make any changes to fees this year. The Airline Group elected to take a 20% reduction in fees to cover the period April to June 2020. As a result, the annual fee for 2020/21 was £206,416, which represents a 5% reduction for the year (2019/20: £217,280). The annual fee for 2021/22 will remain unchanged at £217,280.

LHR Airports (LHRA) appointed director

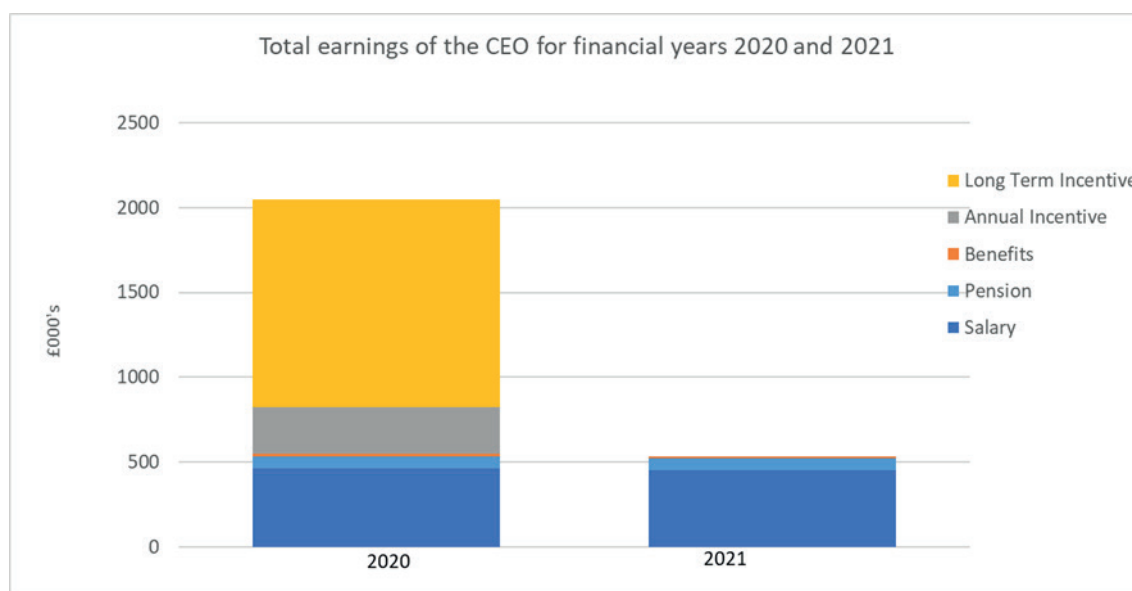
The LHRA Director is employed and remunerated by LHRA. LHRA does not charge NATS for the services of its director.

Directors' remuneration for the year ended 31 March 2021

Base salaries of executive and non-executive directors and AG fee for AG appointed directors (audited)

	Annual salary with effect from 1 April or date of appointment		
	2019	2020/(after waiver of entitlement and charitable donation)	% change/(after waiver of entitlement and charitable donation)
Martin Rolfe	£463,500	£463,500/(£440,325)	0%/(-5%)
Alistair Borthwick	£300,000	£300,000/(£285,000)	0%/(-5%)
Partnership directors:			
Base fee	£36,900	£36,900/(£35,055)	0%/(-5%)
Fee for chairs of Board sub-committees	£8,200	£8,200/(£7,790)	0%/(-5%)

Martin Rolfe and Alistair Borthwick both elected for a three-month voluntary effective 20% reduction in basic pay for the period April to June 2020 (equivalent to 5% for the year) in response to the Covid pandemic. Of this reduction, half was salary waived and half was donated by them to the NHS Covid relief fund. Non-executive directors also elected for a voluntary pay reduction of 20% for the period April to June 2020. The following chart explains the change in the CEO's earned remuneration between financial years ended 31 March 2020 and 2021.



AG Directors receive no remuneration for their services to the NATS Board. However, a payment of £206,416 for 2020/21 (2019/20: £217,280) was made to AG in lieu of remuneration for these directors. This sum is used to fund the activities of AG.

Annual incentive award for the year ended 31 March 2021 (audited)

No annual incentive was agreed for 2021 in light of the impact of Covid on the aviation sector and the company's response by preserving liquidity and reducing operating expenditure.

Long term incentive payments

Long term incentive payment (LTIP) arrangements are established for executive directors and other members of the NATS Executive in order to incentivise long term performance and align performance with shareholder interests, and reward exceptional performance. Performance conditions are generally established for LTIPs for periods of three years. Payments under LTIP arrangements are made according to a predetermined vesting schedule covering a period of three years following completion of each LTIP scheme. Payments are subject to eligibility criteria under scheme rules. These require participants to be employed at the vesting date or to be good leavers under the scheme rules.

Given the continued disruption caused by the Covid pandemic, Martin Rolfe (CEO) asked the company to defer the long-term incentive payments due to him during 2020/21 until a more appropriate time. The company supported this personal decision of the CEO.

Outstanding LTIP Cycles (audited)

LTIP schemes (Cycles 6 and 7) awarded up to April 2017 were based on awards of notional shares made annually with performance conditions measured over a period of three years. Performance conditions relating to Cycle 6 and Cycle 7 were determined in previous years and achieved 46.4% and 71.7% of target respectively.

Amounts paid under LTIP Cycles 6 and 7 are based on the value of notional shares at each vesting date, which is linked to the price of an employee share and the total shareholder return since the award date. The value of vesting payments under these LTIP cycles is determined at the vesting dates indicated in the table below and are reported in the directors' emoluments table when vested (or paid to a good leaver). The values of Cycle 6 and 7 tranches vesting from July 2020 onwards remain undetermined, being dependent on an HMRC approved employee share price at the vesting date. Vesting under all tranches since July 2020 has been deferred due to Covid and additionally is not capable of being determined following suspension of the employee share scheme.

Director	Cycle	Date of award	% of salary awarded	Value of notional shares awarded	Share price at award (£)	Outstanding vesting schedule
Martin Rolfe	Cycle 6	April 2016	110%	£440,000	£4.20	25% July 2020; 25% July 2021
	Cycle 7	April 2017	110%	£473,000	£3.95	50% July 2020; 25% July 2021; 25% July 2022

Amounts earned by Martin Rolfe based on the % of target performance conditions determined for each cycle (46.4% for cycle 6 and 71.7% of cycle 7) will be reported in the table of director's remuneration in the year in which the outstanding awards vest.

Nigel Fotherby, a former Finance Director, was granted awards of 90% of salary under LTIP cycles 6 and 7 during his period of service. He was deemed a good leaver on retirement in June 2019 and is eligible for vesting payments based on the % of target performance conditions determined for each cycle (46.4% for cycle 6 and 71.7% of cycle 7). Amounts paid will be reported as a payment to a past director in the financial year payment is made.

Remuneration earned by directors for the year ended 31 March 2021 (audited)

The table sets out the emoluments of the Chairman and directors. It shows all of the remuneration earned by an individual during the year and reports a single total remuneration figure. Amounts actually paid to directors during a financial year will be different reflecting the timing of annual bonus payments and the vesting schedule of long-term incentive schemes explained above.

Audited information

Directors' remuneration

Emoluments of the Chairman and directors were as follows:

	Notes	Salary or fees*		Benefits*		Performance related payments*		Long term incentive plan*		Replacement award*		Pension Cash Alternative*		Total*	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chairman															
Dr Paul Golby CBE	1	161	165	4	8	-	-	-	-	-	-	-	-	165	173
Executive directors															
Martin Rolfe	2, 3, 4, 5	452	464	13	13	-	279	-	1,221	-	-	70	70	535	2,047
Alistair Borthwick	4, 6	293	150	19	19	-	106	-	-	87	87	45	23	444	385
Non-executive directors															
Maria Antoniou		44	45	-	-	-	-	-	-	-	-	-	-	44	45
Richard Keys		44	45	-	-	-	-	-	-	-	-	-	-	44	45
Iain McNicoll CB CBE	1	44	45	-	1	-	-	-	-	-	-	-	-	44	46
Michael Campbell	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr Harry Bush CB	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gavin Merchant	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hugh McConnellogue	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Louise Street	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kathryn Leahy	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Former director (at 31 March 2020)															
Nigel Fotherby		-	107	-	4	-	34	-	549	-	-	-	18	-	712
		1,037	1,021	37	45	-	419	-	1,770	87	87	115	111	1,275	3,366

* There were no resignations or appointments in the year ended 31 March 2021.

Notes to the table of directors' emoluments:

- Benefits paid to the Chairman and non-executive directors represent the reimbursement of travel costs.
- The table sets out Martin Rolfe's earnings during the financial year. For 2020 this included future long term incentive payments which are conditional, as explained in note 5 to this table below. Actual payments made to Martin Rolfe in 2021, including for 2020 performance related payments to which he was entitled in the financial year, amounted to £802,000 (including salary sacrifice) as shown on page 67. Martin took a voluntary reduction in salary of 20% in the first three months of the 2021 financial year. Of this amount half was waived and is not reported above, while half was donated by Martin to the NHS Covid relief fund.
- Martin Rolfe is a member of the defined contribution pension scheme in order to make employee contributions only and sacrificed £4,000 (2020: £10,000) of his salary under the company's salary sacrifice arrangements. These contributions are reported in his salary above. The company did not make any employer contributions.
- Martin Rolfe and Alistair Borthwick were eligible for the pension cash alternative payment scheme in lieu of employer pension contributions. Under the pension cash alternative payment scheme, Martin Rolfe received £69,525 for the year (2020: £69,525), Alistair Borthwick received £45,000 for the year (2020: £22,500).
- Martin Rolfe participates in the Long Term Incentive Plan. The value for 2020 included amounts which vested in the year. In light of Covid, **Martin Rolfe (CEO) asked the company to defer all long-term incentive payments due to him from June 2020 onwards until a more appropriate time. The company has agreed this as a personal decision by the CEO.**
- Alistair Borthwick's salary and benefits for the previous financial year are reported from the date of his appointment to the Board in October 2019. Alistair took a voluntary reduction in salary of 20% in the first three months of the 2021 financial year. Of this amount half was waived, and is not reported above, while half was donated by Alistair to the NHS Covid relief fund. His remuneration includes partial compensation for performance related remuneration that he forfeited on leaving his previous employer. His contractual entitlement of £261,063 is payable in three equal annual instalments. Annual amounts are reported above as a replacement award. Alistair has voluntarily deferred his payment for 2021 until after completion of both the refinancing and publication of the annual report and accounts.
- These directors are appointed by The Airline Group (AG) which charged NATS a total of £206,416 (2020: £217,280) for the services of the directors. The Airline Group elected to take a 20% reduction in fees covering the period April to June 2020.
- Kathryn Leahy is appointed by LHRA and received no fees from NATS for her services.

Ratio of the Chief Executive's pay to UK employees

Although the requirement to disclose the pay ratio is not a statutory requirement for NATS, the Committee considered it appropriate to include the relevant disclosures on an entirely voluntary basis as it helps to

demonstrate the link between the Chief Executive's pay and the remuneration of the wider workforce. We have published our pay ratio for April 2020 and April 2021, in addition to the previous two years.

Date	Method of calculation adopted	25 th percentile pay ratio (Chief Executive: UK employees)	Median pay ratio (Chief Executive: UK employees)	75 th percentile pay ratio (Chief Executive: UK employees)
April 2019	Option B	18 : 1	13 : 1	9.5 : 1
April 2020	Option A	35 : 1	23 : 1	16.5 : 1
April 2021	Option A	8.5 : 1	6 : 1	4 : 1

The median, 25th percentile and 75th percentile figures used to determine the ratios in 2018 and 2019 were calculated by reference to option B, which uses the most recent pay information available from the NATS gender pay report data to allow us to make best estimates on the 25/50/75th centile pay data for comparison. For 2020 and 2021, the Committee changed the calculation methodology to Option A, as it was decided that this considered more statistically accurate, and data became available to use this method. The Committee considers that the median pay ratio disclosed above is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole. Due to the flexibility that employees have around pensions and benefit selections, some variance in the ratios and comparator employees is to be expected from one year to the next. The significant movement in ratios from 2019 to 2020 and the reduction in 2021 is primarily due to the vesting of the CEO's Long Term Incentive Plans. The employees used in the calculations are considered to be reasonably representative of the 25th, 50th and 75th percentiles of the Company remuneration for the relevant financial year.

Five-year history of Chief Executive remuneration

The following table sets out a five-year history of the remuneration of the Chief Executive. It also details amounts actually paid in each financial year, reflecting the timing of annual bonus and long-term incentive payments.

Financial years ended 31 March	2017	2018	2019	2020	2021	
Earned for the year (£'000s)	944	1,179	1,103	2,047	535**	
Paid in the year (£'000s)	836	956	1,098	1,061	802	
AMPRS (% of maximum entitlement)	75.3%	92.5%	89.8%	86.0%	0%	
LTIP (% of maximum entitlement)	Cycle 4 96.3%	Cycle 5 80.0%	Cycle 6 46.4%	Cycle 7* 71.7%	RP2* 100%	n/a

* Given the current circumstances, Martin Rolfe (CEO) has asked the company to defer any long-term incentive payments due to him until a more appropriate time. The company has agreed this as a personal decision by the CEO.

** This value is consistent with the statutory single figure of remuneration for the CEO in the emoluments table and includes the value of all vested incentive schemes in the year. For 2021 no incentive schemes were earned, however the CEO received payment of the deferred 2019/20 annual incentive during this period.

Statement of directors' interest in shares

Aggregate emoluments disclosed above do not include any amounts for the value of shares awarded under the company's all-employee share ownership plan. NATS' all-employee share ownership plan is designed to give every employee (including executive directors but not non-executive directors) an equal opportunity to acquire a stake in the future success of the company.

The share plan holds 5% of the shares in NATS and is administered by a special trustee company with three directors – one each appointed by HM Government, AG and the Trades Unions (collectively known as the Trustee). Maria Antoniou chairs the Trustee meetings.

Details of the shares held by directors during the year are set out in the table below. The value of Martin Rolfe's shareholding at 31 March 2021 is indicative only. For the purpose of this report this indicative value is based on an internal valuation and market comparable benchmarks in the absence of an HMRC approved valuation since Covid and the temporary suspension of the employee share scheme. Proceeds from the disposal of employee shares can only be realised and therefore ascertained based on an HMRC approved valuation.

Director	Date from which exercisable			Holding (number of shares)	Indicative value at 31 March 2021 (estimated at £3.12 per share)	Indicative value at 31 March 2020 (estimated at £2.85 per share)
	Exercisable (brought forward)	30/10/2021 (brought forward)	30/10/2023 (brought forward)			
Martin Rolfe	662	162	200	1,024	3,195	2,918

There were no awards of employee shares during the 2021 financial year.

Maria Antoniou

Chair of the Remuneration Committee

Safety Review Committee report

The role of the Safety Review Committee

The Safety Review Committee (SRC) supports the Board in discharging its accountabilities for the safe provision of air traffic services and for security arrangements across NATS. It meets quarterly as a formal committee and receives separate in-depth briefings as required. Its remit includes the requirements to:

- monitor and review the effectiveness of the safety and security arrangements in place in the group;
- review the delivery of the Group's safety objectives through its operations, structures and processes;
- review the group's safety performance;
- monitor the implementation of safety enhancement programmes; and
- make recommendations to the Board for improving the group's safety and security management systems.

The Committee is chaired by Iain McNicoll and there were two other non-executive director members in the period of this report: Kathryn Leahy and Hugh McConnellogue. In addition, the NATS Chair attends the Committee.

During the year, the Committee took advice from the following special adviser, who attended each meeting by standing invitation:

- Captain John Monks, Director of Safety and Security, British Airways.

At least two of the following four members of NATS Executive team are required to attend routine meetings: the CEO, Safety Director, Operations Director and Technical Services Director.

Director En Route ATM, Director Airports, Director Commercial, Director Safety & Assurance - Operations, Director Safety & Assurance - Technical Services and Director Safety Management and Oversight are invited to attend routine meetings, but may not be required. Attendance is coordinated through the executive team.

The Chief Security Officer formally reports to the Committee on the security arrangements in NATS twice per annum. In addition, FerroNATS and Aquila provide an update on their safety performance once per annum.

The CAA's Head of Airspace, ATM and Aerodromes has an annual invitation to meet and brief the Committee. This year, ensuring the strong relationship between NATS and the CAA continues and is developed after Brexit (given that the CAA has taken over EASA responsibilities for the UK) has been an area of joint focus. However, the regulator's and NATS' main emphasis was on the impact of the Covid pandemic on the aviation industry, on managing the associated potential aviation safety risks, and on taking pragmatic and proportionate steps to ensure safety.

• Safety Performance

The SRC carefully monitors the group's safety performance and progress towards its targets. New regulatory targets were set for RP3, building upon the learning gained in RP2. These new measures provide a broader and more detailed understanding of NATS safety performance. In calendar year 2020 NATS met all of these performance targets. While the sustained fall-off of traffic for the past year has contributed to excellent safety statistics as assessed by these metrics, the sound performance has also been a result of effort

across the company during the pandemic to maintain a clear focus on safety and to keep all risks as low as reasonably practical.

- **Safety Risk Management**

The risk of an accident involving aircraft under NATS control is NATS' top safety risk; the Committee regularly reviews an assessment of this risk. Information on safety occurrences, together with models to estimate the probability of different accident scenarios, including runway incursions, controlled airspace infringements, aircraft leaving controlled airspace and drone encounters, provides the Committee with oversight of event types, trends and, importantly, associated safety improvement activities. As the Covid pandemic effect on global aviation developed, NATS risk management approach necessarily evolved from strategic safety improvements by adding tactical and immediate measures required to ensure both operational and occupational safety were managed in the crisis. The response used the existing safety management framework, ensuring that safety risks were reassessed and addressed during the downturn in traffic and then identifying proportionate actions to prepare for service regeneration. The Committee was briefed on the measures put in place and reviewed current mitigations for their operational effectiveness, and future actions for continued relevance for the rate of recovery. For the longer term, the issues from 2019 with the then rising traffic levels creating capacity management problems have decreased, but the need for technical innovation and airspace modernisation traffic remains.

The Committee also welcomed the work within NATS on merging Health & Safety/Wellbeing with

operational safety, and viewed this as essential in order to tackle human factors risks holistically.

- **Board Safety Workshop**

A safety workshop in October provided the Board and SRC members with an overview of how NATS was responding to the significant challenges of the Covid pandemic and managing the consequences and potential risks. There was a particular focus on the cultural impacts of the changes to the organisation as a result of Covid, and on the voluntary redundancy programme and the subsequent re-organisation of the business.

- **NATS Safety Strategy**

The NATS Safety Strategy sets out the vision for how safety will evolve in NATS out to 2030. Since its publication, actions have been identified and progressed to deliver enhanced safety capabilities and associated outcomes.

- **Physical Security**

Covid secure ways of working have been used by the business, including pre-authorisation for site access and ensuring all visits are business critical, in order to protect the operation and reduce the risk of workplace transmission.

External Threat and Incident Management: NATS security teams continued to work with the Joint Terrorism Analysis Centre to assess threats and to maintain vigilance. An external threat to a NATS remote site was successfully responded to, working closely with Hampshire Constabulary. A new incident management tool has been deployed and a virtual incident room established to support remote working in the event of an incident.

Insider Threat Activities: Work has continued to ensure that NATS takes all reasonable steps to

mitigate the risk from potential insider threat activities.

Overseas Support and Travel Security: Travel safety guidelines were updated to ensure that any business travel during the pandemic was authorised and business critical.

Security Vetting: Vetting activities have continued throughout Covid, albeit in a limited capacity as the UK Vetting Agency has been unable to provide its normal services.

Data Protection: GDPR is now well established within the organisation and there were no GDPR infringements.

Iain McNicoll, CB CBE

Chair of the Safety Review Committee

Transformation Review Committee report

The role of the Committee

The Committee's objective is to provide the Board with oversight of NATS' transformation programmes and assurance on the quality of the strategy, planning and delivery of those programmes.

This includes the development of and the delivery of adequate and cost-effective long-term investment plans (LTIP), operational transformation programmes, wider company transformation programmes and additional items, such as cyber security, as well as the people and procedure changes required to realise the operational and commercial benefits.

The Committee is chaired by Mike Campbell with two other non-executive directors as members: Iain McNicoll and Richard Keys. The NATS Chair, Paul Golby, also attends. The CEO is invited to attend the TRC by standing invitation and the following executive directors are invited to attend as appropriate:

- Technical Services Director;
- Operations Director;
- Commercial and Strategy Director;
- Legal Director;
- Human Resources Director;

Main activities of the Committee during the year

As part of its governance and oversight, the Committee receives regular in-depth reports and briefings on the existing and planned transformation agenda and organisational risk

profiles. During 2021, the following have been the key areas of focus by the Committee:

The impact of Covid

The impact of Covid has presented significant challenges during the last year to the sustainability of the LTIP portfolio to upgrade our technology and modernise our airspace. The TRC provided scrutiny of these challenges, reviewing several options alongside the prevailing economic conditions and uncertainty across the industry in order to make the recommendation of a six month delay to the Board. The pause was necessary to protect the business but also provided an opportunity to respond to the emerging priorities of customers post-Covid and ensure that these priorities could be accommodated within the revised plan and approach. Several options were investigated in consultation with our customers via the Service and Investment Plan (SIP) and the revised plan has identified the appropriate scale of investment to fit the current environment that will deliver key components of SESAR, essential changes to airspace, as well as critical sustainment of our current operational systems. The capital investment plan restarted in December 2020.

DSEsar

SESAR is the European wide standard for future systems, designed to produce a step change in safety, performance and efficiency. The main challenge in the years ahead is the introduction of SESAR compliant systems which NATS will achieve through its Deploying SESAR Programme. Each of the main programme components represents a significant change to the operation and its systems. The size and complexity of the composite programme brings an additional scale

of risk to the business as a whole, which the Committee is committed to review on a continuing basis, in order to provide the necessary levels of assurance to the Board.

At the heart of the programme is iTEC. This is the new generation of core flight data processing systems which will underpin all NATS future operations and will operate on a common modern architecture to support all of UK airspace.

During the last year, the TRC maintained oversight of all aspects of this programme including programme sustainability, investment governance and programme delivery and responded to the challenges presented as a result of the Covid pandemic.

The Committee remains focused on oversight of key elements of the transformation programme including:

- Core infrastructure
- Voice communications and
- Surveillance strategy

The final business case for the deployment of iTEC and a new main voice communications system into operational service over the next number of years was approved by the TRC in March.

As well as adapting to the Covid constraints, lessons have been learnt from transformation programmes from the previous reference period, a variety of audits and other similar external projects including review of the Slaughter & May report into issues surrounding TSB's migration onto a new IT platform in April 2018 in order to provide assurance that NATS had appropriate controls in place to ensure that risks are managed appropriately during technology deployments.

Airspace Change

Modernising airspace remains a top investment priority and the impact of Covid has made it more critical than ever to deliver improved performance to our customers.

Airspace changes in Essex airspace (SAIP AD6) will improve capacity and safety in the airspace above Stansted and Luton through new arrival routes and a new hold. The public consultation took place in February on a virtual platform as a result of Covid restrictions and received public and customer engagement beyond levels of a traditional approach. It is planned to deploy in early 2022 subject to CAA approval of the formal airspace change proposal. Work continued in support of this airspace change during the LTIP pause as customers were strongly in favour of progressing network level airspace change while traffic levels remained low. The introduction of Free Route Airspace (FRA) in less congested upper airspace will enable airlines to plan their own routes improving airspace capacity. The first deployment across Scottish airspace is on track for delivery in December 2021.

Operational improvements and structural changes to airspace also form a crucial part of the wider industry effort to decarbonise in response to the net zero requirements of aviation in the UK by 2050.

Airspace change initiatives are reviewed by the Committee on a continuing basis, in order to provide the necessary levels of assurance to the Board.

Cyber Security

The TRC plays a key role in providing Board oversight of cyber security and receives updates

from the Chief Security Officer (CSO) on all aspects of cyber security assurance, including technical compliance, monitoring and reporting on events as well as people and cultural aspects designed to improve awareness and reduce risk. Changes in the external threat environment are monitored and the effectiveness of key controls within the organisation are assessed, considering the highest risks to operational and corporate systems. During 2021, specific topics reviewed by the Committee included the implications of significant remote working, assurance of the supply chain, incident management preparedness and activities to comply with the CAA's newly established Cyber Oversight Process (CAP1753).

Resilience

The TRC regularly reviews the approach taken to deliver and maintain resilience of current operational systems. The revised capital investment plan includes critical sustainment of our current operational systems to continue to provide service continuity to air traffic control and mitigating technical risk over a longer lifespan than originally planned.

This year the Committee has also reviewed NERL's incident management approach in the virtual environment to understand how the business operates through key stages of response to an event, including initiation, escalation and recovery. The virtual incident management process was proven to provide some benefits over the traditional 'in person' incident management response due to the instantaneous virtual availability of all required parties and ability to share information.

ATC Training

The TRC has reviewed the ATC training transformation programme and controller supply chain over the past year. A key area of focus for the Committee has been the review of the supply of valid controllers to ensure operational staffing levels are sufficiently resilient to support service delivery for safe industry restart and future traffic growth.

Impact of transformation on our employees

The people element of the transformation programmes is an area of focus for the TRC to ensure that the impact of the transformation is understood and our employees are engaged with the change being delivered.

Programme Governance

The organisational aspects of the programmes are another key consideration of the TRC to ensure that the right level of governance is in place so that the programmes deliver the benefits against the baseline plan.

Mike Campbell

Chair of the Transformation Review Committee

Report of the directors

The directors present their annual report on the affairs of the group, together with the financial statements and the auditor's report for the year ended 31 March 2021.

The Governance report is set out on pages 36 to 77 and forms part of this report. A review of the group's key business developments in the year and an indication of likely future developments, as well as information regarding greenhouse gas emissions, energy consumption and actions to increase energy efficiency, are included within the Strategic report. Information about the use of financial instruments by the group is given in note 22 to the financial statements.

Dividends

The company has paid no dividends in the year (2020: £59m). The Board recommends a final dividend for the year of £nil (2020: £nil).

Directors and their interests

The directors of the company at the date of this report are set out on pages 36 to 39. Details of changes in the Board during the year and to the date of this report are set out in the Governance report on page 40.

The interests of the directors in the share capital of the parent company, through their participation in the All-Employee Share Ownership Plan, are set out on page 68.

None of the directors have, or have had, a material interest in any contract of significance in relation to the group's business.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors

which were made during the year and remain in force at the date of this report.

Employee engagement

The directors are committed to the involvement of employees in the decision-making process through effective leadership at all levels in the organisation, including engagement with the Board through a designated non-executive director. Employees are frequently involved through direct discussions with their managers, cross company working groups and local committees. Regular employee consultations cover a range of topics affecting the workforce, including such matters as corporate performance and business plans. The directors encourage the involvement of employees in the company's performance through the All-Employee Share Ownership Plan. Following the outbreak of Covid, the directors had regard to the health and well-being of employees and consulted on and implemented adjustments to the working environment, including social distancing measures and home working, to protect the workforce and the company's operation. The NATS CEO maintains high visibility with employees through visits to NATS sites, or through virtual engagements where more appropriate, where he talks to them about current business issues and takes questions in an open and straightforward manner. As a result of Covid travel restrictions, the NATS CEO and the Executive team provided regular updates to staff through the company's internal media. Such actions enable employees to achieve a common awareness of those factors affecting the performance of the company. Also, employees' views are represented through an open dialogue with Prospect and the Public and Commercial Services Union (PCS), the recognised unions on all matters

affecting employees. Formal arrangements for consultation with employees exist through a local and company-wide framework agreed with the Trades Unions.

The group pay policy is explained in the Remuneration Committee's report. The group is an equal opportunities employer. Its policy is designed to ensure that no applicant or employee receives less favourable treatment than any other on the grounds of sex, age, disability, marital status, colour, race, ethnic origin, religious belief or sexual orientation, nor is disadvantaged by conditions or requirements applied to any post which cannot be shown to be fair and reasonable under relevant employment law or codes of practice.

During the year the Chairman and Maria Antoniou met with globeAll, the employee network representing BAME and other cultural minorities, in the wake of the murder of George Floyd and the response of the Black Lives Matter movement to this.

The group is also committed to improving employment opportunities for disabled people. The group will continue to promote policies and practices which provide suitable training and retraining, and development opportunities for disabled employees, including any individuals who become disabled, bearing in mind their particular aptitudes and abilities and the need to maintain a safe working environment. The group strives to maintain the health, safety and wellbeing of employees through an appropriate culture, well-defined processes and regular monitoring. Line managers are accountable for ensuring health and safety is maintained and responsibility for ensuring compliance with both legal requirements and company policy rests with the Safety Director.

Business relationships

We explain on pages 33 to 35 how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholders, and the effect of that regard, including on principal decisions taken during the financial year.

Going concern, viability statement and subsequent events

The directors' assessment of going concern and their viability statement are set out on pages 22 to 24.

Subsequent events are disclosed in note 37 to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the parent company, and of the profit or loss of the group and the parent company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each person who is a director at the date of approval of these financial statements confirms that:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as director in order to make himself/herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and

dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the Strategic report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Auditor

At the meeting to approve the financial statements, the Board resolved to re-appoint BDO LLP as statutory auditor.

Approved by the Board of directors and signed by order of the Board by:



Richard Churchill-Coleman

Secretary

9 July 2021

Registered office

4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL

Registered in England and Wales
Company No. 04138218