

The NATS logo is positioned in the top right corner of the page. It consists of the letters 'NATS' in a bold, italicized, white sans-serif font. The background of the entire page is a dark blue night sky with several bright, curved light trails from aircraft, some of which are dotted with small red and blue lights. The bottom edge of the image shows a dark silhouette of trees.

NATS

Responsible Business report 2020–21

nats.aero

Contents





CEO introduction

As a responsible business, our priority over the past year has been to ensure that our company and our employees come out of the other side of the pandemic in good shape and well placed to support our customers in their recovery.

We have placed great focus on ensuring the physical and mental wellbeing of our people. All of our office-based teams have been working from home, while our operational teams have continued throughout the pandemic to safely deliver an air traffic service to the small number of aircraft that have been operating in UK airspace. This has been conducted from unusually empty control centres and airports, where they have had to get used to social distancing in what is normally a closely collaborative environment.

Almost a quarter of our non-operational colleagues have left under voluntary redundancy and many more colleagues have been on furlough for long periods. We had to close our training college temporarily as there simply hasn't been the traffic to complete the training for those controllers who have already graduated from the college. We also paused our capital investment programme for around six months until we had a better view of the future needs of our customers in a post pandemic world.

Like all in aviation, it's been a tough year, as indeed it has been for so many people across society. We have used this period of low air traffic to explore how we can build back better, so that when traffic returns—which is slowly showing signs of happening—our staff are

confident and prepared, and we have used the quiet skies wisely to consider how we can improve our future operations.

That includes our environmental performance, not only in how we manage UK airspace and modernise it to deliver CO₂ and noise benefits, but also our own estate. I'm very proud that in a new Financial Times survey, we have been identified as one of the top ten companies in Europe—across all sectors—for our environmental performance since 2014, a listing we will look to maintain in future years.

Later in 2021 the UK will host the global COP26 climate conference. That will be a major statement of our national 2050 commitment to net zero. NATS is a founding member of

Sustainable Aviation, an industry coalition which has been working for more than 15 years to address the environmental impact of aviation and has just published its revised roadmap to 2050.

Our employees are also members of the public, and voters, and every one of us is working for the future of our children, and our planet. Our commitment to deliver a more sustainable aviation industry is real—our future depends upon it—and we have the expertise and experience to make it happen.

Martin Rolfe
Chief Executive Officer

2020–21 Highlights



Maintained safe, resilient airspace system with low Covid infection rates among our employees



Gender pay gap reduced, more action in progress



Employee networks go from strength to strength; globeAll, SkyPride, Ability, Womens and YoungProfessionals



Awarded Royal Society for Prevention of Accidents President's Award, having achieved the Gold Award for the tenth year in a row



Payroll giving hits new highs with 12% of employees donating £228k to charity



Brought forward our estate net zero targets from 2050 to 2035



Recognised as a European Climate Leader by the Financial Times



Agreed sustainability-linked bank facility



Emissions from running our business have reduced 45% since our baseline 2018/19



Improvements to airspace efficiency helped enable almost 40,000 tonnes of CO₂ emissions savings



Commitment to science-based targets to limit warming to 1.5 degrees above pre-industrial levels



Supported Employees

Our business relies on the competencies, capabilities and experience of our employees. We are committed to providing a safe, inclusive and supported workplace to help employees thrive.

Supported employees



Dr Rae-Wen Chang / Chief Medical Officer

Dr Chang talks about our response to Covid...

“Our priority remains the health and safety of our employees, contractors and visitors at all our sites across the UK and overseas where we have people; including Gibraltar, the Middle East and Asia-Pacific regions. This has driven an immense collective effort to ensure our workplaces are Covid-secure for colleagues who have to be on-site, and importantly that everyone has the knowledge and skills to reduce their infection risk as far as possible. Since 2020 there have been scientific strides

made with new vaccinations and more widely available testing, and we have added these mitigation layers to our pandemic response.

We have maintained a low case rate while continuing a critical 24/7 operation, with early notification and contact tracing to reduce the risk of outbreaks among staff on-site. Our Occupational Health team provides tailored advice to individuals and managers. We understand operational and regulatory requirements, and act as a bridge with public

health teams. We are fortunate to have a well-educated and considerate group of colleagues in NATS who also act as ambassadors in the community, thereby doing our part to control the Covid situation in the UK. It is important we make that link between individual responsibility, local action and supporting the safe resumption of international travel.

The pandemic has highlighted a myriad of challenges for people, whether working on site or remotely, juggling home-schooling

or challenging domestic situations. As an employer, NATS strives to provide proactive support with integrated Human Resources, Occupational Health and Well-being services, to equip employees and managers with tools to help balance work and home responsibilities. The future of work is changing, and we are adapting as an organisation to look after our people while meeting our customer requirements.”



Supported employees

Marie-Louise Chandler / Director of Quality, Health, Safety & Wellbeing

Marie talks about our focus on occupational health and wellbeing...

“There is always a close link between Operational Safety and Occupational Health, Safety & Wellbeing. Over the past year that relationship has been even more important in managing the actual and potential consequences of the pandemic and achieving our primary aim to maintain a safe and healthy environment for everyone. We did this through effective leadership by all levels of management, the active participation of

all our employees and open and responsive communications channels.

The challenge of maintaining and promoting safety and personal responsibility has provided many points of learning over a period of sudden and significant change. Working from home is different, less personal, and with reduced general interaction with the rest of the business. We have focused on the wellbeing

of our staff, providing support through our Peer Support Programme and our Employee Assistance Programme (EAP) where staff can be open and honest around their wellbeing and mental health issues, and receive the help and support they need.

Our Wellbeing programme is designed to help individuals spot the early signs of wellbeing issues in themselves and others, helping

us reduce the risk of long-term sickness absences, work related stress incidents and, importantly, reduce the stigma of wellbeing issues in the workplace.

Our ongoing focus on occupational health and safety was recognised by the Royal Society for Prevention of Accidents, with a tenth successive gold award, which means we are now the proud holders of a President’s Award.”



Supported employees

Chris Last / Human Resources Director

Chris describes our progress on diversity and inclusion...

“We have continued to work on building a working environment that creates a safe space in which all our people are respected and valued for their individuality.

Diversity empowers innovation and we are committed to increasing representation from minority groups at management levels and in our wider workforce. Working in partnership with our employee networks, we have seen some positive action over the past year including the introduction of Equality Impact

Assessments and ‘Let’s talk about race’ sessions, and our commitment to HeForShe. We have created Human Resources and Trade Union lead positions to support diversity and inclusion. We are continuing to raise awareness, review our processes and striving to ensure that our culture is truly inclusive.

We have identified clear benefits of the home working that was forced upon us by the pandemic and built on that in adopting

our approach to more agile working into the future. This was already part of our action plan to address the gender pay gap where we are working to support our employees to work in ways which take into account their personal circumstances, preferences and needs.

With a recruitment freeze in place for most of the year, we continued to use this time to review and improve our recruitment and selection processes to ensure they are inclusive and fair, with a fresh eye on

unconscious bias, consistent assessments and scoring frameworks and how we promote people.

We have also continued to support the development of our employees through the delivery of virtual training. This included the roll-out of ‘Team Effectiveness’ sessions and My Career, a new career development tool to help employees take control of their career path.”



Healthy Environment

For more than a decade we have reported on how we impact on the environment, including our progress on managing airspace efficiently and our reductions in greenhouse gas emissions and other resource use associated with running our buildings and infrastructure.



Healthy environment

Graeme McCoy / 3Di Environmental Focal Point and Group Supervisor

Graeme describes the work to improve airspace efficiency...

“This past year has given us all a chance to look at the world of aviation through a different lens and allowed the operation to bring sustainability more into focus.

The low traffic levels have, unsurprisingly, led to a great improvement in airspace efficiency (see environmental performance), and highlighted areas where we believe improvements can be made for the long term as traffic returns. Building back better means we need to be sure that all changes we make are permanent and

enduring, to give our customers predictability, irrespective of the traffic levels. We have established a specific initiative, the Operational Service Enhancement Project (OSEP), to provide these changes delivering benefits to both our customers and to the operation. To date this project has delivered various changes to airspace restrictions and the ‘standing agreements’ between sectors, delivering enabled fuel/CO₂ benefit, workload reduction and 3Di improvements.

The low traffic levels allowed us to develop and deliver more environmental training packages. Initially this was geared towards our operational colleagues but the interest from employees across the wider business has meant we have already expanded the availability of this training. Future, role specific, training packages will be rolled out during the Autumn 2021.

We have also been talking to our airline customers to ensure we support each other

in our environmental aims. We have helped many of them already with flight planning improvements and found areas of the operation in which they would like to see improvements. One of these is an extension to the current night time fuel saving routes and we have started a review of these routes to see what may be possible.”

Healthy environment



Paul Hughes / Head of Facilities Management

Paul talks about agile working and our work to reduce our business environmental impacts...

“NATS’ role is to keep the UK aviation industry operating 24 hours a day, 365 days a year. To do this we operate a vast infrastructure of communications, navigation and surveillance sites across the UK, providing our air traffic control centres and airport units with the ability to talk to and see where aircraft are positioned in our skies. The need to reduce our environmental impacts and costs was firmly part of our plans prior to Covid. Now

the pandemic has hastened discussions on the amount and type of property and accommodation the business will need in the future, particularly in the context of agile working, which will allow NATS to make better use of people and space. This can help us improve sustainability while reducing cost and the company’s carbon footprint. A more permanent element of remote working also potentially supports a reduction in car

journeys. Creating a new, agile-ready office work environment offers the opportunity to ‘go green’, and we’re encouraging employees to make the most of the ‘new office and new start’ post-Covid.

The emissions intensity of running our business reduced markedly last year, although at many sites our CO₂ emissions remained high, even with a skeleton workforce in place. To help address this we have been accelerating

energy efficiency schemes with our landlords, and the feasibility of generating renewable energy at our larger sites. We will need to do more though, particularly as we replace ageing air traffic control equipment and we will be working with our investment teams to ensure we embed energy efficiency measures and the latest low CO₂ emissions technology.”



Healthy environment

Jacob Young / Manager Operational Performance/Oceanic Group Supervisor

Jacob describes a historic development in oceanic airspace...

“In the 1960’s the Organised Track Structure (OTS) was introduced in the North Atlantic – essentially an invisible high-altitude road network. The OTS allows flights to join a route system across the ocean, which helps maximise efficiency in a setting where there is no real-time aircraft surveillance data (radar). The price of that efficiency is a reduction in the availability of optimal flight profiles, but there was no better solution available until the introduction of Space-based ADS-B, which determines aircraft position by satellite

navigation in the same way as radar does over land.

For several years we have been working with airline customers to develop a vision for the Oceanic region where the requirement for an OTS is reduced as far as possible. However, the discussions have always been limited to ‘what if’ scenarios with restricted scope for change.

Following the integration of ADS-B, significantly reduced separation standards and improved

controller toolsets, we were able to take a giant step forward by initiating days where zero tracks have been published. On ‘OTS Nil days’, customers have been able to flight plan their most optimal routes without being constrained by the track structure. Initial feedback from operators has been nothing but positive!

Only with ADS-B in place could we consider the reduction and longer-term removal of the track structure, with the added benefit of providing enhanced safety barriers.

Now we have proved that we can technically and procedurally introduce this OTS Nil option, we are working closely with airline customers to offer a more permanent solution. The initiative which started in March 2021 is looking closely at the fuel and CO2 benefits of OTS Nil and will help determine where we go from here.”



Healthy environment

Mark Asquith / Director Investment and Portfolio Strategy

Mark talks about how Covid has impacted our planning and our benefits led improvement plans...

“Our people, across Technical Services play a crucial role in designing and delivering our services and ensuring that our safety critical systems meet our customer and business needs. We can all be proud of how we’ve responded to the pandemic with extraordinary speed and agility in order to ensure that we continued to protect some of the critical aviation infrastructure and set ourselves up to support traffic regeneration. As part of our response we paused most of our investment portfolio to support cost control measures amid massive national uncertainty over how long the pandemic would last. Now, as we

emerge from the worst of the crisis, we are making sure our modernisation portfolio, for both systems and airspace, focuses on delivering transformation including fuel and emissions benefits for our airline customers, while the wider industry is focused on longer term goals such as sustainable fuels and electric aircraft.

We have a rolling investment programme with agreed short term priorities and a longer term investment roadmap, with clear environmental, safety and cost benefits. That includes building agility and responsiveness into the capital

investment programme on which we consult our customers.

Our IT infrastructure has played a fundamental role in supporting the business in operating effectively and reliably over the past year of largely remote working, and our investment in this will be equally important in supporting continued agile working, further reducing the travel needs of our staff.

The acceleration of the UK’s net zero goals will require us to think differently and even radically, while at the same time always assuring safety.

This will bring challenges, for example what we can rationalise and how can we deliver more with less; and what forms of sustainable energy we can build into our systems and infrastructure. Our Research & Development team is already researching future solutions to help drive us towards a lower carbon future.

With the capabilities that exist within our teams, we are well placed to support the transformation needed towards net zero.”



Strong communities

As a large company with multiple sites across the UK and overseas, we play a positive role in the socio-economic development of the communities in which we operate, creating highly skilled and paid roles, and secondary employment, as well as supporting a range of charities and other good causes.



Strong communities

Anne Marie Black / Corporate PR & Charities Manager

Anne-Marie describes our ongoing work supporting charities...

“Even in the face of the pandemic, our employees have continued to support charities and causes they care about via our Payroll Giving scheme, with more of them than ever before contributing more money than ever before. Last year 571 employees (12%) donated £228,390 via the scheme to 267 different charities, from Cancer Research UK and the Trussell Trust to Help the Aged, Mind and Hampshire Fire & Rescue. The Footprint Fund, a grant scheme for which our

employees nominate their chosen charities, was suspended due to Covid related budget restrictions, but individuals still carried on running marathons, completing burpee challenges and climbing virtual mountains to raise funds. Some employees gave their time on furlough to helping out, volunteering for food banks, and making kit bags and scrubs for the NHS, among others. Some of our peer support colleagues volunteered in their spare time with the NHS, training and upskilling so

they can now offer psychological support in the coming months via a dedicated helpline to assist our key workers on the frontline.

The past year has been particularly challenging for charities, and that includes our corporate sponsored charities, Aerobility and the Jon Egging Trust (JET). Our volunteers helped Aerobility put on a successful ‘Armchair Airshow’, a first of its kind in the world. We also supported Aerobility’s Aviators Ball @ Home,

which raised £45k for the charity.

With JET, a charity set up to support vulnerable young people realise their potential, we have developed a series of videos where NATS employees share tips about resilience and communication in challenging times. JET is sharing these as part of a wider online initiative designed to reach and support many more young people.



Strong communities

Robin Clarke / Community Relations Manager

Robin talks about aircraft noise and our first virtual consultation...

“Understanding the perspective of communities affected by aviation is a central part of our work to be a responsible business. We listen to the wide range of views and feed these back into the business, so colleagues understand the societal impacts of the day-to-day and longer-term decisions we make.

Over the past year we have worked with London Luton Airport (LLA) on a consultation

about changing the airport’s arrival routes to separate them from Stansted’s. Because of the pandemic, we had to rethink consultation with the public when we couldn’t meet them face-to-face.

We designed an innovative digital-led consultation with a centrepiece 3D virtual exhibition where visitors could explore and engage with exhibits to help them understand

our proposals. By the end of the consultation there had been over 11,000 unique visitors, far more than we would ever hope to achieve with a face-to-face exhibition. The consultation was also supported by multiple webinars for a range of different audiences. Recognising that not everybody is online, we undertook extensive mapping to these ‘digitally excluded’ communities ensuring that they knew about the consultation and how to respond to it. We

continue to work closely with our operational colleagues and airport customers to support airport noise forums and other community initiatives, to help raise awareness of how we manage airspace and the work we are doing to modernise it, which will bring with it noise and CO₂ emission benefits.”



Strong communities

Helen Fuge / Head of Learning & Talent

Helen talks about our support for STEM and apprenticeships...

“We have continued to support the promotion of Science, Technology, Engineering and Mathematics (STEM) in schools and colleges delivering virtual STEM days and career insight sessions.

The pandemic presented barriers to our usual practical support for work experience, but we

are committed to supporting this activity in the future and are currently considering virtual options for delivery, which also offers the potential to engage a wider audience. Some of the businesses worst hit by lockdown in the southern region are Small and Medium sized Enterprises. The Solent Hub launched an initiative for businesses, across all sectors,

to help each other through this difficult time, which involved large levy-paying businesses such as NATS, pledging a proportion of their unspent levy funds to transfer to smaller businesses to fund apprenticeship training. NATS will be pledging £100,000 of unused levy funds to SME's across the Solent region to cover the cost of apprenticeship training

for smaller businesses, giving them a boost to their businesses to better support their survival and growth prospects.”



Good Business Practice

Our business is built on partnerships with our customers, suppliers, peers and other stakeholders. These relationships are built on trust and our high standards of ethical behaviour and integrity.



Good business practice

Louise Tomicic / General Manager Customer Affairs

Louise provides an airline customer angle...

“For our airline and airport customers, the past year has been devastating and the uncertainty continues for them even now, as a second summer season is under threat.

The ever-changing environment has meant they have had to adapt their businesses weekly and sometimes daily, operating cargo flights and modifying their fleets and routes. With the seasonal demand for summer 2021 not

materialising as hoped, we now expect to see an extended holiday period, with increased demand into the autumn months of the year. We conduct regular bi-lateral sessions with our customers and host a monthly look-ahead discussion to ensure we are aligned in our thinking and planning, and can work together to navigate the situation and prepare to meet the challenges of the future. Longer term, we are working to improve how we engage with

them, to provide the information they need, when they need it and to give us insights that help our long-term business planning.

In December, we met with our customers to discuss our Service and Investment Plan for 2021, sharing the good progress made on our technology infrastructure replacement programme and discussing the way forward for our investment plan in a post-Covid

environment. In support of this, we have introduced a Technical Customer Advisory Board to enhance our dialogue further, with more time to explore options and share ideas and thoughts between us and our customers. As a result of Covid, the next price control period will now run from 2023–2027 and we are in the process of consulting with our customers on what this period will look like.”



Good business practice

Stephen Rose / Head of Business Services

Stephen talks about responsible business in our supply chain...

“As a responsible business, we work with suppliers to ensure that our high standards are reflected throughout the supply chain. Our [Supplier Charter](#), which is published on our website, sets out our commitments, and our expectations of suppliers around ethics, conduct, health and safety, fair treatment of

employees and contract staff, corporate & social responsibility, and the environment.

Our suppliers are key to how we deliver our services and run our business and the way in which we work together can help us work towards our net zero emissions targets. For

example, we are working closely with our fleet provider to reduce the CO₂ emissions from our pool, allocated, and service vehicles and future purchases will be subject to a cap on vehicle CO₂ emissions. In addition to removing higher CO₂ emission vehicles, we have introduced hybrid models and electric cars to the available

fleet. Where charging facilities exist at our customer’s airports, we solely use electric vehicles airside.

Over the coming months, we will be engaging further with other suppliers on how they can help us achieve our targets.”



Good business practice

Stuart Gray / Director, Group Treasury & Corporate Finance

Stuart talks about sustainability-linked finance...

In 2021, as part of the broader refinancing of its debt structure, NERL agreed a £400 million sustainability-linked revolving credit facility with a syndicate of six banks. The key performance indicators (KPIs) for this facility relate to our scope 1 and 2 emissions, scope 3 emissions (i.e. categories 1, 3, 4, 6 and 7)

and the group's CDP rating. The annual targets for CO₂ emissions reductions from running our business are currently being validated by the Science Based Target initiative (SBTi) and will reflect the group's broader net zero 2035 ambition. The CDP target score is A-, which is higher than our most recent score of B (for

2019). Our performance against these targets could lead to an adjustment to the credit margin for any loans drawn under this facility.

Our decision to enter into a sustainability-linked facility and to include challenging KPIs reflects the strong desire within the company and with

external stakeholders, including airport/airline customers, providers of finance and the public, to improve our environmental performance even further. We see this as the first step towards a broader reflection of responsible business within our financing arrangements.



Good business practice

Craig Foster / Manager Safety Performance

Craig discusses our priority on operational safety...

Safety is always our first priority and over the past year we've had to be increasingly agile as the pandemic unfolded, to maintain safe operations.

Airspace is part of the UK's critical infrastructure and to keep UK and North Atlantic airspace open and our employees safe, we made our operations and facilities 'Covid secure' and moved non-operational employees to remote working. Reduced staffing in the operation, due to reduced traffic, and measures to socially distance employees in the operations room had to be balanced against the needs for team-working

and normal procedures that rely on social interaction. Normal patterns of work were disrupted, challenging operational vigilance and situational awareness. The low levels of traffic, and consequent reduced numbers of safety incidents, also disrupted meaningful comparisons with previous years, and therefore trend identification.

We used the existing measures and procedures within the Safety Management System as far as reasonably possible and adapted and complemented these for the changed circumstances. For instance, we placed greater emphasis on local expertise

in managing the unique circumstances being experienced at our operational units, working with them to ensure that the required assurance evidence was available in a timely manner and that lessons and best practices were shared across the units.

Our positive working relationship with our regulator and stakeholders was also important and we worked closely with them to develop tailored and proportionate responses to regulation designed for more normal times.

We are continuing proactively to identify emerging risks resulting from the prolonged

and ongoing period of reduced traffic. Activities at our centres, and the airports where we provide a service, include modelling different scenarios for traffic return and maintaining controller competency levels using, for example, simulator training and awareness programmes.

The primary safety priority for 2021–22 will be to achieve or improve upon our safety targets through a period of (possibly rapid) change post Covid.



Governance

Effective governance is essential to ensuring we set and meet our responsible business goals and we reinforce that from the top of the company.

Our Chief Executive is accountable for our responsible business policy. And, in accordance with their accountabilities under the UK Corporate Code, our Board takes an active interest in the policy and its implementation as part of their strategic responsibility for the culture of the company. Oversight from the NATS Executive covers our policies for employee relations, environmental performance, anti-bribery and corruption, prevention of modern slavery and human trafficking through various strategy, risk and governance sub-committees.

A Benefit Delivery Panel is responsible for overseeing delivery of projects in support of environmental targets, while an Executive level Environment Steering Group manages environmental risks, compliance and oversight of environmental performance.

Our people and organisation strategy is reviewed by the Board twice a year and an Oversight Group monitors our commitment to minimising the risk, and proactively addressing any suspicions, of modern slavery and human trafficking in our business activities and supply chain.

We have adopted a number of management systems to ensure compliance with legislation and mitigate business risks, many of which are certified, such as: ISO9001 (quality), ISO14001 (environment), ISO27001 (information security), ISO55001 (asset management) and OHSAS18001 (health and safety). Governance processes are in place to ensure oversight for these management systems.

Our material issues have been identified taking account of the views of our customers, suppliers and employees, including key performance areas subject to regulatory targets, and responsible business issues subject to mandatory reporting. Some of these are addressed in our Annual Report & Accounts.

Policies and priorities

Our responsible business policy sets out our core principles as they relate to human rights, ethics, protecting our natural world, working with communities and transparent reporting.

We have set targets to improve our environmental performance, both in the airspace we manage and from running our business. We also continue to monitor and pursue social and governance

initiatives, including how our business can further support the UN sustainable development goals. A sustainability strategy sets out goals and milestones that will help us achieve our net zero emissions target and support the wider UK aviation industry to do the same. We expect our regulator to continue to focus on targeting the environmental efficiency of the service we provide, using the 3Di metric. Community annoyance continues to be of concern and we work closely with airport operators, airlines, our regulator, the Department for Transport, ICCAN, ICAO and community representatives to help manage aircraft noise near airports.

Public disclosure and performance

Modern Slavery

Our annual Slavery and Human Trafficking Statement describes the steps we have taken during the financial year to deal with modern slavery risks within our supply chain and business. NATS' policy requires everyone within the organisation to prevent slavery and human trafficking and to comply with the requirements of the Modern Slavery Act 2015.

Gender Pay

We report annually on our gender pay gap under the UK Equality Act Obligations. Our latest [Gender Pay Report](#) relates to data up to April 2020. For the first time since we started reporting in 2018, we have seen an improvement in our gender pay gap, (18.4% vs.18.9% for the previous year). Our recent voluntary redundancy programme and continued reorganisation gives us an opportunity to redress some of the gender imbalance and agile working, which was already part of our action plan, is of course now the norm. We are also reviewing our selection and recruitment processes to ensure they are fair and inclusive, to help us attract a diverse range of talent.

CDP

We have sought a CDP (formerly the Carbon Disclosure Project) climate change rating annually since 2016 (except for 2019-20 due to Covid) and we are awaiting our 2020-21 rating. We have been awarded consecutive B grades in our last two submissions and our ambition is to achieve an A- rating in the near future.

Licence reporting requirements

NATS' en route licence sets out a number of reporting requirements, including an annual update to the CAA (Condition 10) on our environmental performance. This information is also published in our Annual Report & Accounts and the Responsible Business reports. In addition, we report our airspace environmental performance using the 3Di metric on our website bi-annually, as part of our Condition 11 requirement.

GHG report

In order to ensure transparency and accuracy in the reporting of our environmental impacts our greenhouse gas emissions data is externally verified to the ISO 14064 standard. To achieve this requires us to prepare and publish a technical report outlining how our GHG emissions have been calculated on our [website](#). The verification statement and GHG report are updated annually to take account of updated performance information and any changes in approach, methodology, boundaries, etc. and published on our [website](#).



Environmental targets and results

Airspace

As NATS is a monopoly provider of en-route air traffic control services across the UK, the Civil Aviation Authority (CAA) determines our costs and expected performance levels through rolling 5-year regulatory 'price controls'. Since 2012, this has included financial performance targets on the efficiency of UK domestic airspace using a metric called 3Di (three-dimensional insight score). This was a world first, and we believe we are still the only air navigation service provider to have financial incentives based the efficiency of its overall airspace.

The 3Di metric encourages us to reduce aircraft fuel burn and emissions by improving aircraft trajectories across the UK. It does this by computing an efficiency score for every commercial aircraft, which across the year are averaged and compared to targets set by the CAA. Financial penalties or bonuses apply, depending on how we perform against targets which have historically been stretching as they get harder year-on-year and as traffic has increased. 3Di targets for the current price control period, called Regulatory Period 3 (RP3), which was set to run from 2020-2024 are outlined in the figure below.

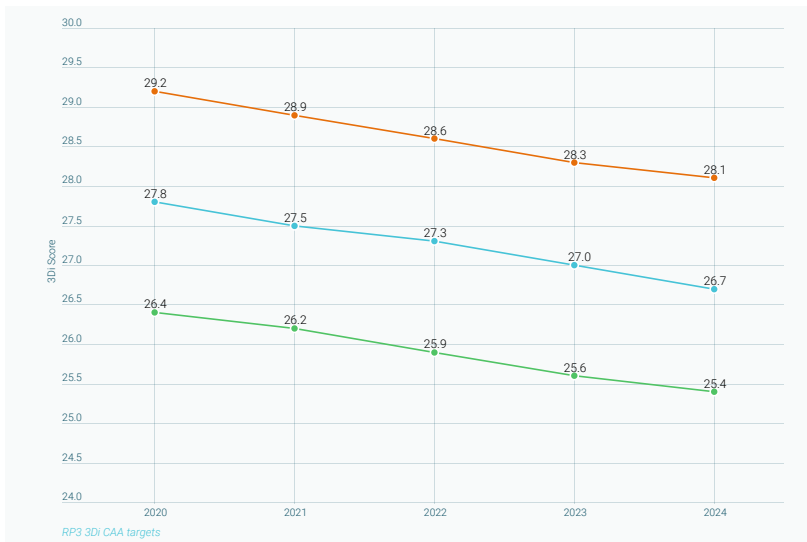
As an indicator that captures the overall efficiency of UK domestic airspace, 3Di is inclusive of others' behaviours and actions. This includes NERL and other ANSPs, pilots, airlines, airports and danger area users amongst others. The metric also captures the impacts of traffic levels upon efficiency.

Due to the reduction in air traffic volumes because of Covid, the RP3 3Di targets are currently not relevant; unsurprisingly, for 2020 we recorded our most efficient 3Di score ever (see environmental results section). Our 3Di targets are expected to be redetermined by the start of 2023.

We also have non-incentivised airspace performance indicators adopted as part of the European Commission performance regulation. This includes 'KEA' which measures average horizontal en-route flight efficiency (based on the actual trajectory of flight). With the endorsement of our airline customers and our regulator, our primary focus remains on the 3Di metric which not only includes KEA within its construct, but goes beyond it in scope; to include additional areas of horizontal flight efficiency excluded by KEA, as well as all elements of vertical flight inefficiency, also not covered by the KEA metric.

Where we deliver tower air traffic control services to airport customers, it is usual to have local environmental targets and controls to work towards, both financial and non-financial. These typically focus on improvements to continuous descent arrivals, which reduce both noise and emissions, aircraft taxi time, or ensuring local noise restrictions are met.

We are part of the UK aviation industry's goal to reach net zero emissions by 2050, which replaces our previous 10% commitment to reduce average CO₂ per flight. As part of the Sustainable Aviation decarbonisation roadmap we have set out our expected contribution to reducing airspace CO₂ emissions as a result of planned airspace modernisation, new controller tools and other initiatives in RP3 and beyond.



Running our business

In 2019 we adopted a net zero by 2050 target. Aware of the need to make early progress, we developed a series of interim targets to ensure the impacts from running our business are reduced in line with limiting temperature rise to 1.5°C above pre-industrial levels.

This year (Feb 2021), we recognised that we needed to make changes faster and earlier and chose to accelerate our net zero goal to 2035 across each of our GHG emissions sources. We have submitted our targets for validation by the [Science Based Targets initiative \(SBTi\)](#).

Bringing forward our net zero emissions goal means we need to achieve deeper reductions sooner. We have also set additional public targets to support our environmental ambitions.

Our targets:

- NATS Holding Limited commits to reduce absolute Scope 1, 2 and 3¹ (categories 1, 3, 4, 6 and 7) GHG emissions 41% by 2025/26 (financial year) from 2018-19 (financial year) base year².
- NATS Holdings Limited commits to at least A- grade CDP rating, annually from FY 2021-22 to 2025-26. Measured annually after financial year end in March and reported to CDP in July.
- A commitment to consume or self-generate renewable electricity and low carbon gas.

The first two targets have been used as the basis of our [new sustainability linked bank facility](#). They represent a comprehensive set of targets covering our material environmental impacts, including direct emissions from electricity and combustion of gas, fuel and oil, and what are often considered some of the hardest to manage e.g. commuting and business travel emissions.

Our approach to managing down our emissions is based on the following hierarchy;

- **Avoiding**—policy decisions to stop carbon intense activities from happening (e.g. size and shape of our business, embedding carbon targets within all of our investment projects, developing minimum purchase standards, review of fleet)
- **Reducing**—improving energy efficiency, reducing business and commuting travel emissions
- **Self-generating**—installation of on-site renewable energy with energy security and cost co-benefits
- **Offsetting**—Any residual CO₂e emissions will need to be balanced with direct carbon removals until they can be replaced with zero carbon alternatives, to meet the net zero target.
- **Verifying**—ensuring our data is robust and transparent by continuing to have it verified annually to the carbon reporting standard ISO14064.

Footnotes

¹ Description of scope 3 emissions categories included within net zero targets

1. Purchased goods and services,
2. Fuel and energy related activities
3. Upstream transportation and distribution
4. Waste generated in operations
5. Business travel
6. Employee commuting

² NATS emitted 40,321 tCO₂e emissions in the baseline year, from all scope 1, 2 GHG emissions and scope 3 category 1, 3, 4, 6, and 7 GHG emissions

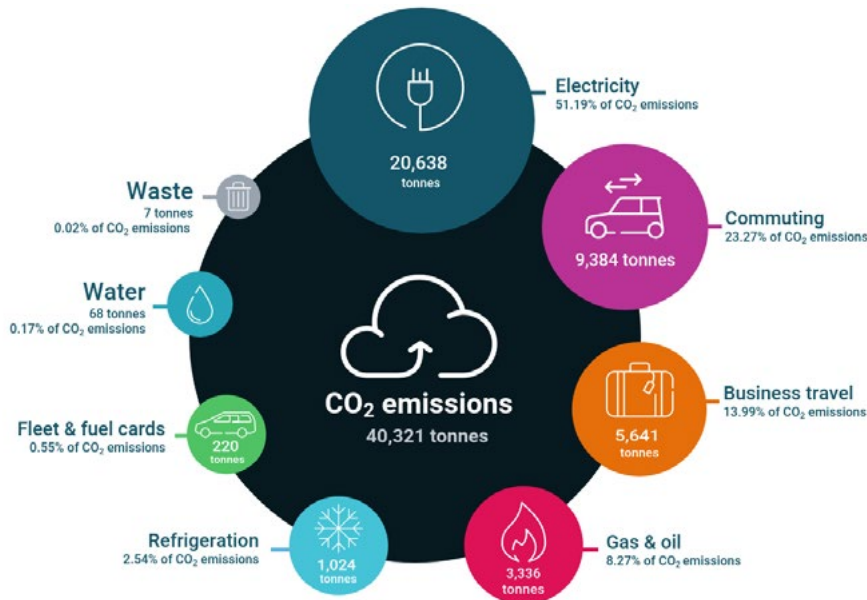
Environmental Results 2020-21

Summary of 2020-21 environmental performance

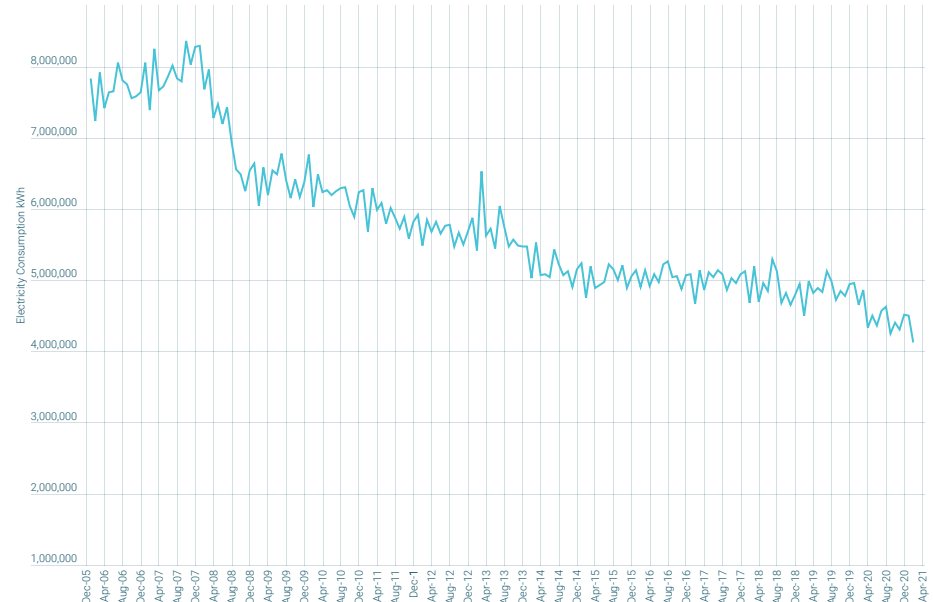
Our environmental performance continues to improve, both in terms of the impact of running our business and our management of air traffic at airfields and in airspace we are responsible for.

Estate Performance

We have a good track record, having reduced electricity consumption across our estate by over 35% since 2006. Through the pandemic, as our non-operational workforce moved largely to working from home, we were able to reduce the size and number of buildings we occupy which resulted in a 13% reduction in gas use and a 10% reduction in electricity last year. As we move into 2021 and embrace more agile working, we will continue to scale back the buildings in our portfolio and realise more energy savings from those we continue to occupy. Electricity consumption is and always has been the largest contributor to our estate emissions (see our most recent baseline) and it is understandably a continued area of focus in our drive towards net zero.



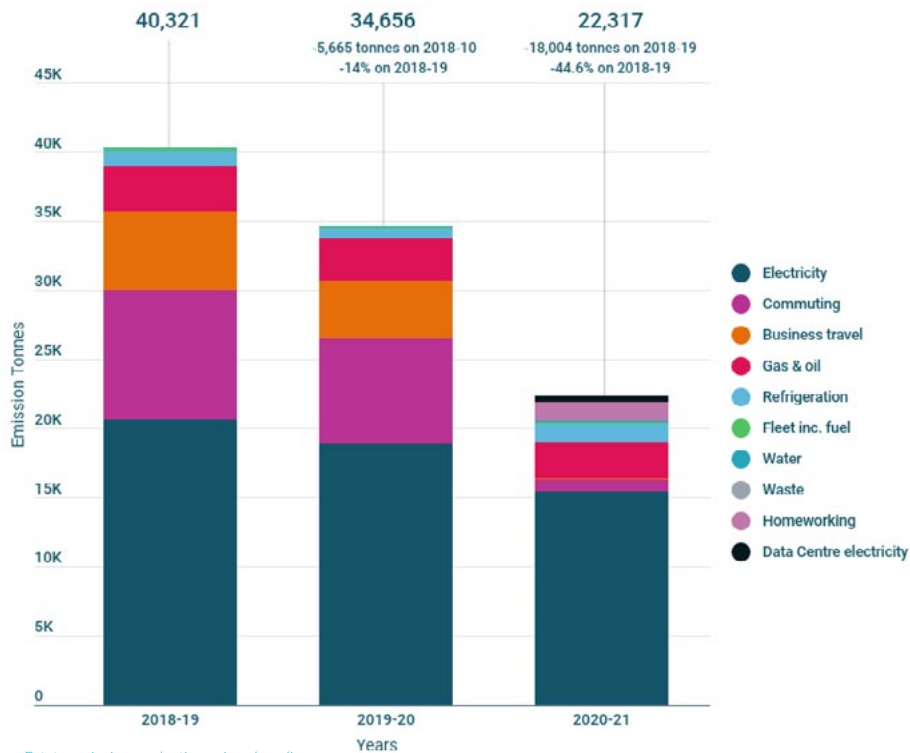
NATS baseline emissions 2018/19



Reduction in electricity consumption kWh from 2006–2019

Emissions resulting from commuting have fallen by 88%, largely as a result of the shift to homeworking and recognising that it is an indirect impact from running our business we have used the [eco-act homeworking emissions methodology](#) to calculate and include emissions from homeworking in our 2021 disclosure. This emission source is also part of our net zero target and will continue to feature in future disclosure.

The above changes, as well as an almost complete stop of business travel, have resulted in a 45% reduction in total emissions from our baseline year in 2018/19.



Estate emissions reductions since baseline

We have completed our second year of procuring green gas certificates for all-natural gas supplied, and purchased renewable electricity for over 96% of total electricity consumed during the year (up from 93% last year).

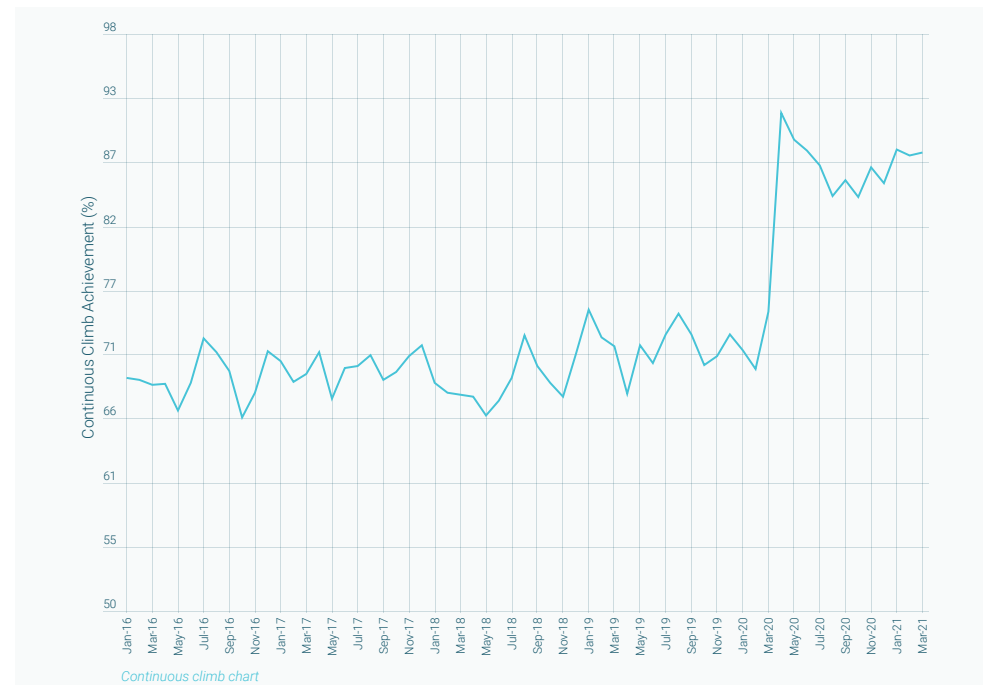
The combination of these actions has contributed to us being identified as a European Climate Leader by the Financial Times 2021 - for our environmental performance since 2014, a listing we will look to maintain in future years.

We have continued to expand the scope of our environmental management system too with new additions to the NATS operational portfolio; Barkston Heath, Woodvale and St Athan all achieving

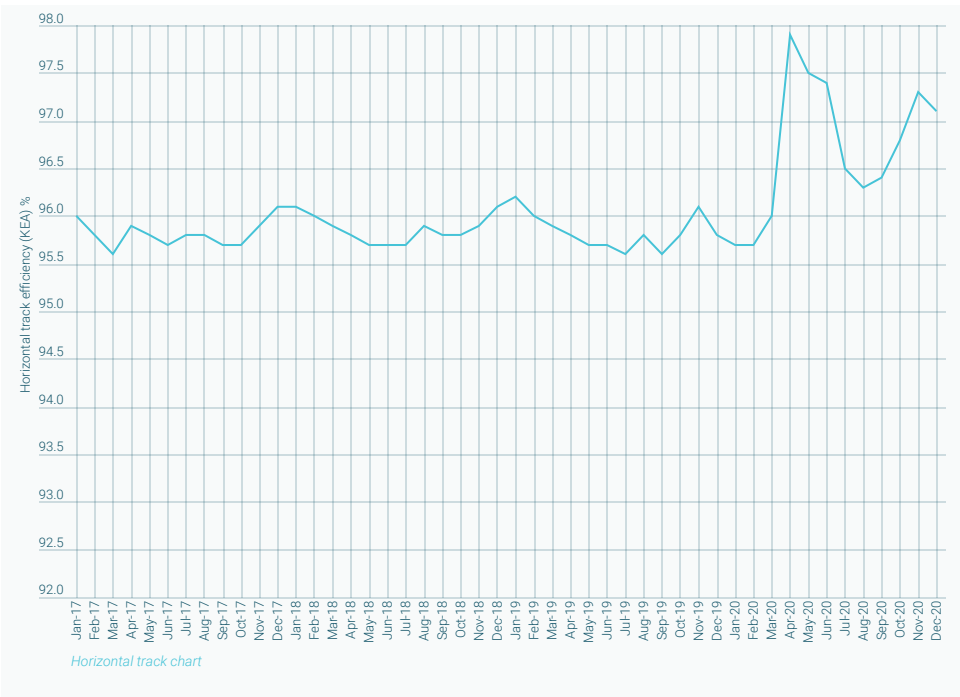
ISO14001 certification in the last year. They join 19 other sites across the UK, including all civil airport towers with certification to ISO14001:2015, and audited by DNV.

Airspace Performance

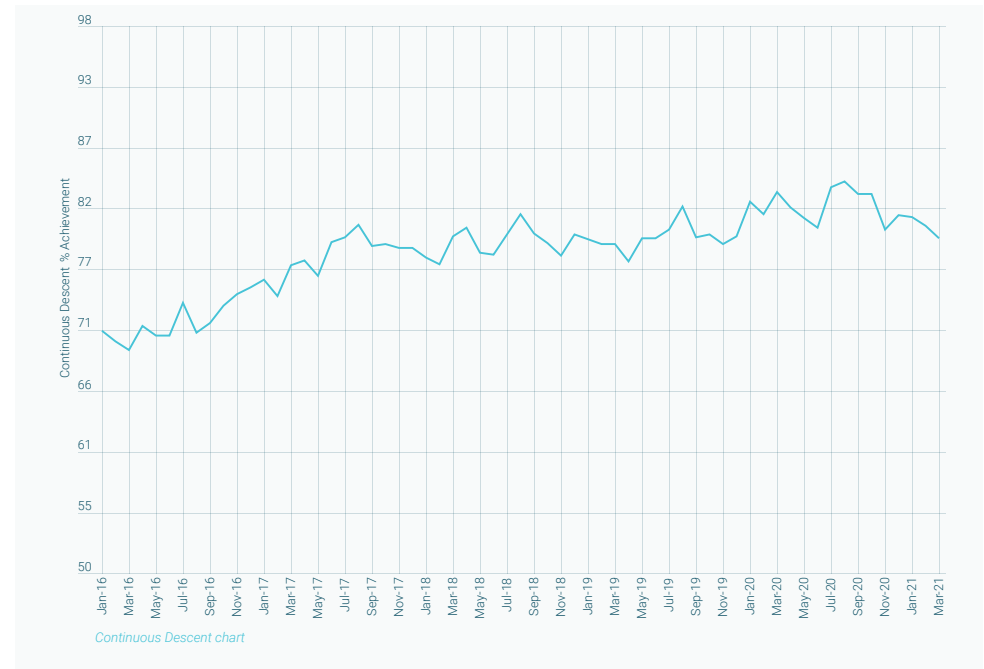
The reduction in traffic levels as a result of Covid has had a profound impact on the efficiency of the UK domestic network. We saw arrival holding almost entirely vanish, direct routeing increase, and constraints impacting the vertical flight efficiency largely disappear.



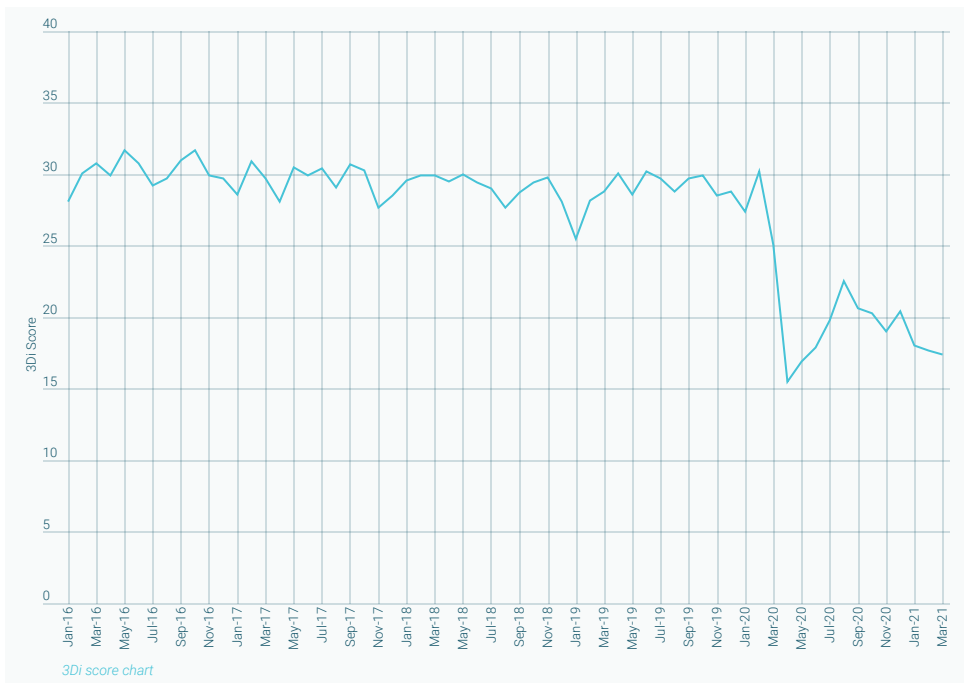
Continuous climb is a measure of airspace efficiency between 0- 10,000ft across the UK. A flight has achieved a continuous climb if it performs a smooth continuous climb without levelling off. We saw a 15% increase in fuel efficient climbs following Covid. Figure represents monthly averages for all departures across 22 (Sustainable Aviation) airports.



Horizontal track efficiency is a proxy measure of efficiency in the horizontal plane of flight, measuring how direct a flight's path is across our airspace (100% is achieved by every aircraft taking the most direct track over the earth). Figure represents monthly averages of all flights within UK domestic airspace.



Continuous descent is a measure of arrival fuel and noise efficiency near to airfield level in the UK (local height definitions apply). Performance levels have been able to be maintained over the past year. 100% is achieved when every aircraft achieves a continuously descending profile without levelling off. Figure represents monthly averages of all arrivals across 22 (Sustainable Aviation) airports.



UK flight efficiency performance, as measured by 3Di. A zero score represents zero inefficiency. Figure represents monthly averages of all flights in UK domestic airspace.

The improved tactical delivery to flights post Covid led to the lowest scoring 3Di days and months we have ever seen, with the average score being up to 50% lower than in pre-Covid times.

The NERL target for calendar year 2020 was 27.8 (threshold for bonus and penalty being 26.4 and 29.2 respectively) and the actual performance registered was 23.9. It was clear that the performance regime quickly became void for such low traffic levels and did not provide any additional incentives to NERL. As a result, NERL proposed to set aside the performance incentive scheme for the current RP3 period, during which traffic has been and is forecast to continue to be significantly below the levels against which the financial incentives were originally calibrated.

Our challenge now is to facilitate the expected increase in air traffic in the months and years

ahead, while providing the most fuel-efficient flight profiles possible. Our role in supporting the industry to build back better is to ensure the improvements we can make retain some of the recent gains seen in airspace efficiency. Across the reporting period we continued to develop and implement specific changes to improve airspace efficiency. As a result of these improvements and the actions of air traffic controllers in supporting improved tactical performance, we have helped enable almost 40,000 tonnes of CO₂ emissions savings, representing savings of £3.5 million in fuel costs for airlines.

Description*	FY 2020-21 (or CY 2020)	FY 2019-20 (or CY 2019)	FY 2018-2019 (or CY 2018) Baseline Year
Service performance and resilience			
3Di (calendar year)	23.9	29.0	-
Environmental performance			
Scope 1 (location-based tonnes CO ₂ e)	3,706*	3,477	4,094
Scope 1 (Direct emissions from the consumption of gas-green gas / biogas (market based))	2	2^	-
Scope 2 (location-based tonnes CO ₂ e)	12,500*	15,301	16,561
Scope 2 (market-based tonnes CO ₂ e)	668	1,064	21,024
Total scope 1 + 2 (location-based tonnes CO ₂ e)	16,206*	18,778^	20,655
Total scope 1 + 2 (market-based tonnes CO ₂ e)	670	1,066^	21,024
Total scope 1 + 2 intensity metric (location-based tonnes CO ₂ e per £m of revenue)	19.7*	21.0	23.3
Scope 3 categories 1, 3, 4, 6 and 7 emissions (tonnes CO ₂ e)	6,111*	15,878^	19,666
Total scope 1, 2 and 3 categories 1, 3, 4, 6, 7 (tonnes CO ₂ e) – location based	22,317*	34,656	40,321
Percent reduction of CO ₂ e against 2018-19 baseline towards net zero 2035 target (scope 1 and 2 emissions)**	-22%	-9%	-
Percent reduction of CO ₂ e against 2018-19 baseline towards net zero 2035 target (scope 3 categories 1, 3, 4, 6, 7)**	-69%	-19%	-
Percent reduction of CO ₂ e against 2018-19 baseline towards net zero 2035 target (Scopes 1, 2 and 3 categories 1, 3, 4, 6, 7)**	45%	14%	-
Scope 3 category 11 emissions (tonnes CO ₂)	7,146,000*	24,405,000	
Avoided / modelled enabled ATM-related CO ₂ reduction in tonnes)***	39,785*	30,379^	
Water consumption (m3)	45,091*	54,500	64,285
Energy consumption (gas + electricity) MWh	63,864*	71,686	71,262

“ Verified to ISO 14064

^ restated due to inclusion of additional information, improvements to modelling accuracy and data quality.

* The Responsible Business statement and the environment metrics reported above have been prepared in accordance with non-financial information reporting guidance from the Financial Reporting Council, the European Commission, the Climate Disclosure Standards Board and the Task Force on Climate-related Financial Disclosures. An operational control approach is taken to non-financial information using the same boundary as NATS Holding Limited.

** Our net zero target applies to total scope 1 and 2, plus and 3 (categories 1, 3, 4, 6, 7) CO₂e location-based emissions by 2035, using a 2018-19 baseline.

*** Modelled enabled ATM-related CO₂ reductions represent the saving in CO₂ emissions from improvements to the ATM network, such as technical changes which enable us to provide more fuel-efficient flight profiles, based on projections of the volume of flights likely to take advantage of the improvements. The enabled reduction in emissions is reported in full in the year in which the improvement is made. This is modelled based on industry best practice and is outlined in detail in our GHG report, available at www.nats.aero/environment/cr

Contact

Your views matter to us, please let us know if you have any feedback.

For more information visit or email:

 nats.aero/environment

 responsible@nats.co.uk