

Tax Strategy for the NATS Group

The tax strategy of NATS Holdings Limited and its subsidiaries is set out below.

NATS' Chief Financial Officer and Senior Accounting Officer Alistair Borthwick has ultimate responsibility for tax within the NATS group and for ensuring compliance with the Tax Strategy. This strategy (which applies to the UK and all overseas operations) is approved and overseen by the Board and managed through a governance structure reporting to the Tax Committee, which in turn reports to the Audit Committee and to the Board. Tax compliance is taken seriously and considered at all levels of the business in line with the group's commitment to act as a responsible taxpayer. Tax includes all taxes within the business including corporation tax, VAT, payroll taxes and business rates as well as other taxes and levies.

Approach to risk management and governance

Tax matters are proactively managed by having robust business and tax controls and processes which are documented and monitored on an ongoing basis by NATS' internal audit and tax teams, led by the group's Senior Accounting Officer.

The tax function strives for full compliance in all jurisdictions in which it operates, ensuring that all required tax returns are completed, and tax payments are made, on an accurate and timely basis. NATS intends for profits to be declared in the place where their economic substance arises and determines pricing between group companies ('transfer pricing') on what is an arm's length basis. Where overseas tax returns are required, we utilise the expertise of professional advisors to achieve this. Where the NATS Group holds investments in associates and joint ventures, as far as we are able to, we ensure that the same objective is targeted.

Where the NATS Group pursues business opportunities in new territories we engage third party professional advisors as required to ensure we are aware of our relevant tax and legal obligations and that we operate in a low risk but tax efficient manner.

Twice a year, the Tax Committee meets to review the group's tax position, address any areas where operations may be tax inefficient and to discuss and mitigate any identified tax risks. The Tax Committee maintains a tax risk register and risks are escalated to the Audit Committee and Board when required. The Tax Committee is

chaired by the group's Chief Financial Officer and includes a partner from an external tax practice as well as other members of the senior finance and management team.

Each year, a tax risk report is produced that outlines the key tax risks, controls, and mitigations that the Group has in place. This is reviewed by the Chief Financial Officer and is reviewed internally every three years. This document is shared with HMRC. The Group places strong emphasis on systems, their controls, and a strong internal governance framework in maintaining its low-risk status that is supported by HMRC.

Attitude towards tax planning and level of risk in relation to taxation that NATS is prepared to accept

The Group adopts a low-risk attitude towards tax planning. It seeks to operate in a tax efficient manner, utilising tax reliefs and concessions where these are available and appropriate, NATS strives to operate within the spirit as well as the letter of the law. Decisions are made on a generally accepted interpretation of the tax law, taking into account HMRC's published guidance. Advice from HMRC and professional advisors is sought where the application, or purpose, of a law is considered unclear.

NATS only operates in territories overseas when there is a genuine business purpose and to pursue commercial opportunities. This includes territories which are considered low tax jurisdictions.

When evaluating tax planning and efficiency, we consider the group's corporate, ethical, and social responsibilities and will consult HMRC or equivalent regulators, where appropriate. The group will not consider tax planning that deviates from the group's commercial objectives or that involves artificial steps with no commercial purpose. Annually, the Tax Committee reconfirms this position, by considering the appetite of the group to tax planning risk and compliance risk.

Approach in its dealings with HMRC

The NATS Group has a low-risk rating with HMRC at the present time. We seek to maintain this status and so manage the group's tax affairs accordingly.

The NATS Group meets annually with HMRC to ensure that HMRC is aware of major developments within the business. The Group has an open and transparent relationship with its HMRC Customer Compliance Manager and maintains an on-going dialogue with HMRC to ensure that they are involved at an early stage should any tax issues arise.

Tax reporting and transparency

The NATS Group aims to be transparent in its tax affairs. The use of the group's published website is considered important in making information, such as this tax strategy, readily available.

The NATS Group provides relevant financial data that might be of use and interest to the public on a country-by-country basis. We are cognisant that there are countries in which we currently have a limited presence (a small number of contracts or employees), and the publication of information must therefore respect personal privacy and commercial sensitivities. For example, details of an identifiable individual's salary should not be disclosed, nor the margin earned on a single, identifiable contract. However, such information can still be made available on an aggregated basis.

This strategy outlines the purpose of the tax function and is reviewed annually by the Tax Committee. Ownership of the strategy ultimately sits with the Board. Responsibility for its delivery sits with the tax department and spans all areas of the business.

The NATS group considers that publication of this tax strategy meets its duty under paragraph 16(2) Schedule 19 of the Finance Act 2016.

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