Governance Report

Annual Report and Accounts 2024

Directors of NATS Holdings

Director's biographies

Chairman

Dr Paul Golby CBE FREng

Paul served as Chief Executive Officer of E.ON UK plc from 2002 to 2011. He is a Fellow of the Royal Academy of Engineering and a non-executive director of Era Foundation. In May 2024, Paul was appointed as inaugural Chair of the National Energy System Operator which is to be fully established later in the year as a new independent public body responsible for planning and operating the UK's electricity and gas networks. 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.

Directors of NATS Holdings



Director's biographies

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 a director and chairs the NATS Employee Sharetrust. Maria is also the designated non-executive director for employee engagement with the Board.

Greg Bagwell CB CBE

Greg served for 36 years in the Royal Air Force, retiring in 2016 as Deputy Commander with overall responsibility for all aspects of safety for all personnel and equipment and, as an independent member of four MOD Boards, helped shape policy on Safety, Information, Logistics and Infrastructure.

He began his distinguished military career as a pilot for more than 20 years, with more than 4,000 flying hours on Tornado and CF-18 Hornet aircraft, and as a Commander. He became Chief of Military Plans at UK Joint HQ, Air Officer Commanding No 1 Group RAF and Director Joint Warfare, Joint Forces Command.

For the past five years, Greg has worked in the private sector with Cobham Ltd, AirTanker Ltd and is currently an Executive Director with Cobham Ltd. Greg is President of the UK's Air & Space Power association, a Fellow of the Royal Aeronautical Society and a Distinguished Fellow of the Royal United Services Institute. He is also a chair for senior programmes at the Windsor Leadership Trust, and a trustee of "Flying for Freedom", which enables wounded, injured and sick service personnel to go solo in microlights. Greg is chair of the Safety Review Committee and a member of the Transformation Review Committee.

Ross Baker

Ross is Chief Customer Officer of Heathrow Airport. Previously he was Heathrow's Director of Operations and before that, Director of Strategy. Prior to joining Heathrow in 2011, Ross held a mix of advisory and aviation industry roles.

At Bain & Company, he advised on a range of strategic, commercial and operational engagements. Prior to Bain, Ross spent a decade with British Airways where he held operational and commercial management roles, in the UK and overseas.

Ross has been the Executive Chairman of Heathrow Express since 2017 and is a Trustee of The Air League, the UK's leading aviation and aerospace charity. Ross graduated with an MA (Hons) degree in Politics from The University of Edinburgh. Ross is a member of the NATS Audit Committee.

Directors of NATS Holdings

Director's biographies

Non-Executive directors

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.

Gavin Merchant

Gavin joined Universities Superannuation Scheme (USS) in 2011 and is Head of Asset Management, Direct Equity with responsibility for managing the performance of investments within the infrastructure and renewables portfolios. Gavin serves on a number of portfolio company boards for USS. Gavin has worked in the infrastructure sector in the UK and Australia for over 25 years. Immediately prior to joining USS, Gavin was a Director at Equitix Limited having worked at Merrill Lynch. 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.

Directors of NATS Holdings



Director's biographies

Non-Executive directors

Bart Prudon

Captain Bart Prudon is easyJet's Director of Flight Operations, responsible for one of Europe's busiest and largest airline operations with 330 aircraft over 1,000 routes across 34 countries. Bart also holds the position of Nominated Person Flight-Operations, responsible for safety and compliance of easyJet's UK Air Operation Certificate (AOC) towards the Civil Aviation Authorities.

Previously Bart held the Position of Chief Pilot providing leadership to the group AOC Nominated Persons for Flight Operations and ensured consistency across 3 AOC's post Brexit. Bart's role includes transforming IT within Flight Operations to deliver a true paperless cockpit and maximising the use of connectivity to deliver an even more efficient and sustainable operation.

Bart started his career in 1996 flying a range of turbo-prop aircraft before joining easyJet in 2004. He has flown over 14,000 hours and joined management as Flight-Operations Manager in Germany before joining the central leadership team. Bart is a director of AG and a member of the Safety Review Committee.

David Smith

David has nearly 40 years' blue-chip experience in the highly competitive global automotive, aerospace and defence industries, including Ford, Jaguar Land Rover and Rolls-Royce. He retired in late 2021 after four years as Group CFO and Board member at QinetiQ.

David worked for Ford for more than 25 years, in a variety of finance and treasury roles including CFO of Ford Otosan (Turkey), CFO of Land Rover and CFO and Strategy Director of JLR. In 2008 he became CEO of JLR during the transition to Tata ownership. Following two years as CEO of JLR he took up two more CFO roles, first at Edwards Group and then at Rolls-Royce before joining QinetiQ.

David was also a Board member of Motability plc for ten years and is a Fellow of the Royal Society of Arts. David chairs the Audit Committee and is a member of the Transformation Review 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 eight 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 July 2021, Louise was appointed into her current role as Head of Worldwide Airports, with responsibility for British Airways' operation and customer service at all British Airways served airports outside of London. Louise is a director of AG and a member of the Audit Committee.

Directors of NATS Holdings

Director's biographies

Officer

Richard Churchill-Coleman, General Counsel

Richard is General Counsel 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 35 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

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 the shareholders' investment and group assets, ensuring it delivers value to shareholders and fulfils its wider role as a provider of 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 NR23;

> a cost efficient, service oriented and commercially smart organisation, requiring best in class performance of its employees and partners; and

> diversity and inclusion and fair treatment of its employees, valuing the contributions of all employees.

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 2023 to the date of approval of the accounts, there were the following changes to directors: Kathryn Leahy resigned on 4 June 2023 and was replaced by Ross Baker on 30 November 2023.

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;

> Chief Operations Officer;

> Safety and Sustainability Director;

> Managing Director, NATS Services;

> Human Resources Director;

> Technical Services Director;

> Communications Director; and

> General Counsel.

The responsibilties 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.

NATS governance framework

Access to legal and professional advice

All directors have access to the advice and services of the General Counsel, 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 nine times with each member (who served as a director during the year) as set out in the table below.

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 undertaken internally. The results were assessed by the Board at its 21st March 2024 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. This year inductions were undertaken for Bart Prudon and Ross Baker.

NATS governance framework

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	9/9	6/7	1/1	4/4	4/4	9/9
Martin Rolfe	9/9	4/7	1/1	3/4	3/4	8/9
Alistair Borthwick	9/9	7/7	-	-	-	-
Maria Antoniou	9/9	-	1/1	4/4	-	-
Greg Bagwell	9/9	-	-	-	4/4	9/9
Harry Bush	9/9	7/7	-	-	-	-
Mike Campbell	9/9	-	1/1	4/4	-	9/9
Kathryn Leahy	0/1	-	-	-	-	-
Gavin Merchant	9/9	-	-	4/4	-	-
Bart Prudon	8/9	-	-	-	4/4	-
David Smith	9/9	7/7	-	-	-	8/9
Louise Street	7/9	4/6	-	-	1/1	-
Ross Baker	3/3	1/1	-	-	-	-

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 General Counsel. Reports from each of the standing committees are set out on pages 49 to 73. 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 NR23 sub-committee comprising the Chair, Martin Rolfe, Alistair Borthwick, Harry Bush and David Smith. The committee met once in November 2023 to consider the CAA's Final Decision on NR23.

Meetings with shareholders

There was no formal shareholders meeting held in the year, which is not unusual for the company given the shareholder appointees on the Board, but the Chair, CEO and CFO met informally with shareholders throughout the year.

NATS governance framework

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 has applied the principles of the Corporate Governance Code 2018 since 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. However, the Chair of The Airline Group acts as Senior Non-independent Director in the absence of the Chair.

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 19: Chair nine-year period

The Chair has served for ten years. His contract was extended in 2023 for a further year, to provide continuity ahead of the CAA final decision on NR23, and will expire on 31 August 2024. Warren East has been appointed as his successor and will start on 1 September 2024.

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 David Smith and Greg Bagwell have letters of appointment to 30 September 2025 and Maria Antoniou to 31 May 2025. 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 2024 was as follows:

Name	Date of appointment	Years of service to 31/3/24
Paul Golby	1/9/14	9 years 7 months
Maria Antoniou	1/8/16	7 years 8 months
Greg Bagwell	1/10/22	1 year 6 months
Ross Baker	30/11/23	4 months
Harry Bush	27/5/14	9 years 10 months
Mike Campbell	26/5/17	6 years 10 months
Gavin Merchant	20/3/14	10 years
Bart Prudon	30/3/23	1 year
David Smith	1/10/22	1 year 6 months
Louise Street	29/11/18	5 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 formal meetings noted under the 'Meetings with shareholders' section above.

Reports from Board Committees

Audit Committee report

The role of the Audit Committee

The Audit Committee met seven times during the year. Of these meetings, four considered routine business and one was to determine the outcome of a mandatory re-tender of the statutory audit, which will result in a change of statutory auditor for the year ending 31 March 2025 (see below).

The committee is chaired by David Smith. There were three other non-executive director members in the period of this report: Harry Bush, Louise Street who served until January 2024 and Ross Baker who replaced Louise in January 2024. The Committee members all have wide-ranging commercial and management experience and David Smith, former CFO of QinetiQ has recent, relevant financial and audit experience. The Committee members maintain their competence in the sector and on company specific issues through targeted training and briefing at Committee meetings.

The Chair, CEO, CFO, Director Group Financial Control, Director of Assurance and Risk, Head of Business Risk, the responsible partner from our outsourced internal audit provider 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 the effectiveness of internal controls.

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, tax compliance 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:

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 a price control period, where actual service performance is different to the regulator's annual targets and for adjustments brought forward from the previous price 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 the recovery of pension costs are to be assessed after the end of a price control 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. The CMA recognised that the CAA would need to undertake a retrospective reconciliation of NERL's actual income and costs to determine the value of the Covid revenue shortfall due to NERL for this three-year period alongside its redetermination of a new five-year price control for the period 2023 to 2027 (NR23). The CAA's final decision on the NR23 price control and the retrospective reconciliation was published in November 2023. For the prior year, the company was required to estimate variable consideration at the amount of licence revenue to which it expected to be entitled for the services it provided in that financial year, giving consideration to the risk of potential reversal in making that estimate. Following the CAA's final decision on the retrospective reconciliation that estimation uncertainty was removed and the value of the amount recoverable under regulatory agreement was aligned with the CAA's decision in the results and financial position at 31 March 2024.

Reports from Board Committees

Revenue recognition (continued)

After review, the Committee was satisfied with management's assessment of the impact of the CAA's retrospective reconciliation as well as the NR23 price control decision. The Committee also considered the clarity of the explanation of the results provided in the financial review section of this report (see page 14).

Also, during the year the Chair of the Board received a request for further information from the Financial Reporting Council (FRC) on the basis of recognition of amounts recoverable from or payable under NERL's regulatory agreement. The Committee deliberated in detail on the specific points of enquiry, as well as other matters raised by the FRC, and reviewed the CFO's response. The Committee, and wider Board, had regard to the FRC's enquiry letter in the preparation of the financial statements. In particular, the Audit Committee considered the additional disclosure provided in note 3 to the financial statements of the company's relevant significant judgements, having regard to the company's specific circumstances of NERL's regulatory framework, made in developing an accounting policy based on IFRS 15 by analogy including the basis for referring to the definitions of assets and liabilities in the 2001 Framework and concluding that these are satisfied.

Aquila joint venture

The Committee reviewed the latest projections from the Aquila joint venture of the outlook for its Project Marshall contract. The Committee considered the circumstances and evidence for unavoidable costs which the joint venture faced under its Project Marshall contract, which exceeded the economic benefits it was expected to receive under it. It also reviewed the consequential impact on NATS as a shareholder in the joint venture. The Committee considered the recoverability of the shareholder loan and the carrying value of the group's investment in the joint venture in the context of the joint venture's losses. The Committee challenged the basis for the impairment of the outstanding shareholder loan balance and the likelihood of unavoidable costs being incurred by virtue of Aquila's right to draw up to the limit of the shareholder loan facility of £25m. The Committee concluded that it was appropriate to recognise a share of losses, a liability for the obligation to fund up to the facility limit and an impairment of the outstanding loan to the joint venture at an aggregate of £29.5m, and was satisfied with the disclosure at note 34.

Retirement benefits

The pension funding position determined under international accounting standards requires a number of actuarial assumptions to be made in assessing the value of liabilities, 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 32 sets out the main actuarial assumptions used, including sensitivity analysis. The Committee considered the assets of the pension scheme and the approach to their valuation, in particular having regard to categorisation of assets according to the fair value hierarchy.

The Committee also considered the adequacy of the explanations for the different basis of valuation for the Trustees funding assessment of a deficit of £172m at 31 December 2020 and for the balance sheet position under international accounting standards of a surplus of £6m at 31 March 2024, and recognition of the surplus under IFRIC 14. The Committee was satisfied that the approach being taken and related disclosures were appropriate.

Carrying value of investment in Aireon

Since its acquisition, the group's equity investment in Aireon has been accounted for at fair value through profit and loss. The Committee reviewed and challenged the valuation which used present value techniques based on the anticipated dividend and tax cash flows underlying Aireon's own long-term operating plan, with management risk adjustments to Aireon's revenue growth assumptions, and a discount rate of 15%.

Assets in the course of construction

The company holds material balances in assets in the course of construction which reflects the nature of its capital investment programme. Assets are held at cost during development and depreciated when in the location and condition necessary to be capable of operating as intended. The Committee received reports on the process undertaken by management to review the carrying value of these assets and the impairment charge of £19.4m recognised in the year.

Reports from Board Committees

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. Goodwill comprises the remaining balance arising from the public private partnership transaction (PPP) in 2001 and the goodwill on acquisition of the controlling interest in Searidge Technologies Inc. in December 2021, which was impaired in the previous financial year.

The key judgements in relation to the PPP balance relate to: the assumptions underlying the calculation of value in use, including the extent to which the company's Board approved business plan cash flow projections, which are based on the CAA's NR23 price control, are achievable 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: the cash flows implied by 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; the costs that would likely be incurred by the company should a disposal of NERL's regulatory assets take place; 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. The Committee evaluated management's judgement in setting a 7.5% RAB premium for fair value less costs of disposal and for the value in use terminal value. This was within the range of 5-10% of an independent professional assessment undertaken in the year which the Committee had reviewed.

With respect to goodwill arising on acquisition of Searidge the key judgements related to the calculation of value in use, including the extent to which its business plan revenue growth and cash flow projections are achievable and the appropriateness of the discount rate.

The Committee also considered appropriate sensitivities. Following its review, the Committee was satisfied with the explanations and disclosures provided in notes 2, 3 and 12 to the accounts.

Going concern and viability

The Committee also reviewed the evidence supporting the assessments of going concern and viability (see page 19), including the company's March 2024 business plan, the level of available liquidity and the net debt to RAB covenant, the company's long-term forecast for air traffic volumes, the funding position of the defined benefit pension scheme and the recovery over an extended period of the Covid income shortfall determined by the CAA, together with plausible downside scenarios and reverse stress tests. 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.

Other matters

The Committee received presentations during the year on the work being undertaken to comply with mandatory climate-related financial disclosures and reviewed and commented on the detailed disclosures at page 25.

During the year, the Committee reviewed the half-year financial statements for the period to 30 September 2023, issued to shareholders under the terms of the SPA.

b. Internal audit

The group's Internal Audit department conducts a programme of work to review and examine the controls in place to mitigate NATS' business risks, which encompasses 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, since the 2022 financial year the Internal Audit function has been operated under a fully outsourced model provided by PwC. This approach has been reviewed for the current financial year, with the recruitment of a Head of Internal Audit to bolster internal capability and return to the previous co-source model with a blend of internal and external resources.

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. Internal Audit monitors the satisfactory completion of actions by management to address their findings and reports on this to the Committee to assist its oversight. 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 assurance map and key risks. Work is continuing to develop the assurance map in articulating more broadly the assurance needs of the group across its business, leveraging the work of risk management, 2nd line of defence functions 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 that assurance resource is appropriately directed to meet specific needs, for example in response to exceptional circumstances. The Committee also considers the ongoing independence of internal audit.

Reports from Board Committees

c. External audit

BDO LLP was re-appointed as external auditor on 29 June 2023 for the year ended 31 March 2024. The Committee reviewed the performance and the continuing independence of BDO periodically during the year and at its June 2024 meeting. As explained in last year's annual report, this marks ten years of service for BDO. As a result, in line with the requirements of the Code, the Committee led a mandatory tender for the audit service during the year. The Committee designed its process according to the FRC's best practice guidance for an effective tender process. The Committee considered a range of firms and invited proposals from BDO, two Big-4 firms and another mid-tier firm. The Committee established a Steering Group that included the Chair of the Committee. The Steering Group reviewed the tender proposals and put forward BDO and EY to present to the Committee and the Chair of the Board at its January 2024 meeting. The two firms presented and responded to questions. Following that process, EY was put forward to the Board as the preferred candidate and the Board endorsed this. Each of the bidders received feedback on their proposal and the decisions that had been taken. A resolution to appoint EY as auditor for the financial year ending 31 March 2025 will be put to shareholders.

d. Risk management

The Committee receives at each meeting reports from risk management on the performance of principal risks, the effectiveness of internal controls, and material emerging risks. These reports include reviews of the risk framework and methodology applied for identifying, assessing and mitigating enterprise and emerging risks and assessing risk appetite.

During the last 12 months the Committee has continued its oversight of risk by conducting a regular review of the most significant enterprise risks and, as appropriate, supplementing this with detailed review of specific risks. The Committee has also reviewed changes to the risk management framework and its reporting. Risk reports to the executive and the Committee are clearly organised by the most significant enterprise risks, risk categories and which strategic objectives they relate to. Each of the 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 maintaining 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 appetite 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 principal risk exposures of the company. 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.

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. Work continues to improve the group's assurance map, with the aim of increasing the clarity around the key control frameworks in the business, the risks they mitigate and the internal and external sources of assurance available. Further, 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.

In addition to the work of Internal Audit, the Committee also reviews reports from the external auditor, 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 remains 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.

David Smith
Chair of the Audit Committee

Reports from Board Committees

Nomination Committee report

The role of the Nomination Committee

The Nomination Committee is chaired by Paul Golby and, during the year, comprised two further non-executive directors: Mike Campbell 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 respect to Board appointments. It also reviews succession plans for executive directors and senior executives.

Main activities of the Committee during the year

The Committee met once during the year to oversee the recruitment of a Chief Operations Officer and a Technical Services Director, both members of the executive management team.

As reported last year the succession search for Chief Operations Officer and Technical Services Director started in 2023. The Committee approved the role profiles and the appointment of Heidrick & Struggles as search agency in 2023, based on their previous experience of delivering similar searches, their knowledge of the industry, and ability to identify diverse candidates.

The Committee considered both long and short-listed candidates prepared by Heidrick & Struggles. Following initial interviews by Martin Rolfe and Alistair Borthwick, further interviews were undertaken by the Chair and Greg Bagwell for the Chief Operations Officer role and by the Chair and Mike Campbell for the Technical Services Director role.

The Committee then reviewed the feedback from the interview process and endorsed the proposed appointments, following which the Remuneration Committee approved appropriate remuneration packages. Kathryn Leahy was appointed Chief Operations Officer on 30 October 2023 and Kuldeep Gharatya as Technical Services Director on 6 November 2023.

The Chair's contract is due to expire on the 31 August 2024. Under the SPA, The Airline Group is entitled to appoint the Chair (subject to final approval of the Secretary of State for Transport). This recruitment process started in January 2023. An external search agency, MWM, was appointed. Members of the Committee assisted The Airline Group with the recruitment process. Warren East was appointed as Chair-designate in February 2024 and will take over as Chair on 1 September 2024.

The Committee's terms of reference require it to give due regard to the benefits of diversity, including gender, on the Board. During the year there were two female directors on the Board, representing 17%. There is one female member of the Executive, representing 11%.

Paul Golby
Chair of the Nomination Committee

Reports from Board Committees

Remuneration Committee report

Dear Shareholders,

I am pleased to present the directors' remuneration report for the year ended 31 March 2024.

As a Board, we evaluate the performance of NATS through several different lenses which mirror the perspectives of our various stakeholders. Within the Remuneration Committee, we ensure that a balanced view is reflected appropriately in the pay of the executive team. Performance in this last year has been strong in a number of areas, but not in all.

Safety is always our first priority and the organisation's performance in this sphere has been excellent. Financial performance has continued to improve as traffic volumes have returned to pre-pandemic levels and some of the issues from that period have been resolved.

However, the Committee has been acutely sensitive to the service performance issues resulting from two unconnected issues in the year. To this end, a significant amount of time has been spent reviewing the outturn of the 2023/24 Annual Management Performance Related Pay Scheme (AMPRPS). The Committee felt that the formulaic outcome did not appropriately reflect the overall business context and, while safety was maintained, the experience of the travelling public during the two unconnected service-related issues in the year. Therefore, the Committee exercised discretion, of which the Executive Directors were in agreement, to adjust downwards the outcome on both the company performance outturn and personal performance outturn to take account of the disruption caused by the service-related issues in the year. Further detail regarding the outturn is provided on page 63.

Looking ahead, the Committee also carefully reviewed the metrics to ensure these remain appropriate and sufficiently capture and therefore assess our executive directors on the impact of significant events. The Committee was also mindful of the need to carefully balance the outcome experience of our customers and the travelling public with the incentive outturn for the senior team, and continue to support our ability to attract, retain and develop high calibre talent, ensuring the business remains safe, competitive and innovative.

The next sections highlight the key remuneration decisions made by the Committee over the course of the year.

Other remuneration decisions for 2023/24

- In April 2023, as described in last year's report, the Committee agreed a base salary increase of 6.5% for the CEO and CFO, in line with the increases applied to the wider management team. The pay award was implemented in May 2023 and backdated to 1 April 2023. Market increases for executive teams were often lower than the wider workforce in 2023, however the Committee deemed the same level of award was appropriate given due consideration to individual performance.
- Payment of the second (and final) instalment of the CFO's retention and incentive arrangement in July 2023.
- Overseeing the parameters of the wider management team pay review for 1 April 2023 (management pay had previously been frozen during the Covid period from April 2019 to end December 2021), taking into consideration the level of pay increases seen externally as well as individual performance.
- Approving the final rules and targets to enable granting of the new LTIP plan for executives aligned with the NR23 regulatory period, which includes both financial and ESG related performance conditions.
- Vesting in June 2023 of the second (and final) tranche of the Transitional LTIP, which was awarded in 2021/22 and covered the period 1 April 2021 – 31 March 2023.

Remuneration for 2024/25

For the 2024/25 financial year, the Committee will operate the remuneration policy as set out below. The highlights include:

- Agreeing the executive director and executive team pay awards for 1 April 2024, and overseeing the parameters of the wider management team pay review, with the budget allocation and application carefully taking into consideration external market pay increases, internal pay dynamics and individual performance.
- A revised set of targets for the 2024/25 AMPRPS incentive plan which incorporate measures linked directly to supporting the company strategy, including targets that focus on financial performance and business growth, customer service and ESG related areas such as improving diversity and emissions reduction. There are safety overrides to ensure that no additional reward is delivered to our executives if a safe service is not delivered. Additionally, an underpin on the NERL delay measure linked to significant events has been reinstated since traffic levels have returned to a more predictable level following the Covid recovery period.
- A revised target weighting structure for the NATS Services (NSL) leadership team 2024/25 AMPRPS, ensuring this is fit for purpose in incentivising performance in support of the ambitious NSL business strategy.
- Vesting of the first payment opportunity of the new NR23 LTIP.

Maria Antoniou
Chair of Remuneration Committee

Reports from Board Committees

Purpose and responsibilities of the Committee

The Committee meets when necessary but no less than twice a year 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 Chair and executive directors and the company's Personal Contract Group (around 400 senior managers);

> company incentive targets for executive directors and other members of the executive team;

> a statement of remuneration policy;

> details of the remuneration of each executive director for inclusion in the Annual Report and Accounts;

> reward arrangements for executive directors and other members of the executive team;

> exit arrangements for executive directors and other members of the executive team; and

> the appointment of independent advisors to the Committee taking into consideration any potential conflicts with the Company.

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

Activities in the year

During the 2023/24 financial year, the Committee met four times and its main activities were to:

> Review and approve the executive director and executive team salary increases effective 1 April 2024 and discuss the allocation to apply for the wider management team pay review;

> Review and approve the 2023/24 AMPRPS incentive arrangements (payments due in June 2024);

> Review and approve the 2024/25 AMPRPS targets for executive directors, the executive team and Personal Contract Group;

> Review and approve the final rules and performance targets for the NR23 LTIP;

> Review and approve the vesting of the second tranche of the Transitional LTIP; and

> Conducting the annual review of the Committee's Terms of Reference.

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. PwC were selected by the Committee following a full tender exercise in December 2020; their performance is regularly reviewed, and the Committee are satisfied with the services rendered. PwC fees for advice to the Committee in 2023/24 were £49,750.

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 Governance 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, for example, in having a high degree of public accountability) 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 plan objectives.

The tables on pages 62 to 65 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 61.

Reports from Board Committees

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 the 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.

Reports from Board Committees

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: > 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 via the NATS Limited Section of the Mercer Master Trust, a defined contribution (DC) pension arrangement. NATS also offers a company-wide pension cash alternative in lieu of employer pension contributions for those with total pension savings close to the most recent Lifetime Allowance, which is also available to eligible executive directors.	Maximum employer contributions are: > 18% for members of the DC scheme; or > 15% of base salary as a pension cash alternative in lieu of employer contributions to the DC scheme; 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. The contribution levels offered to Executives are consistent with those for other NATS employees.	Not applicable	Not applicable

Reports from Board Committees

Remuneration policy table (continued)

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
Annual incentive	To reward and incentivise the achievement of annual financial and strategic goals which are selected to align to the strategy of the business.	An Annual Management Performance Related Pay Scheme (AMPRPS) is in place for the executive team and all employees in the Personal Contract Group. The AMPRPS 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 AMPRPS starts accruing from threshold levels of performance as follows: Threshold: 20% or 40% (target dependant) Target: 50% or 75% (target dependant) Stretch: 100% The current maximum potential for each executive director is set out in the annual report on remuneration and will achieve a maximum of 70% of base salary for the CEO and 55% of base salary for the CFO.	Targets are set annually and are a mix of corporate and personal 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.	The rules of the annual incentive include a recovery provision whereby individuals are liable to repay or forfeit some or all of their AMPRPS if there is a material misstatement of the results.

Reports from Board Committees

Remuneration policy table (continued)

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
Long-term incentive (Transitional LTIP and the NR23 LTIP)	To incentivise executives to achieve the company's long-term strategy and enhance shareholder value.	Cash awards based on the achievement of long term, financial and strategic targets over the relevant regulatory price control period. The Transitional LTIP was implemented to replace the previously agreed RP3 plan, with a reduced performance period of two years. The plan was based on five strategic priorities which focussed on the ongoing recovery of NATS for the period 1 April 2021 to 31 March 2023. The first tranche of the award vested in June 2023, and the second tranche will vest in June 2024. The NR23 LTIP award, which covers the new five-year regulatory period from 1 January 2023 to 31 December 2027, follows a similar structure as the previously agreed RP3 LTIP which was never granted due to Covid. The performance conditions have been approved by the Committee and are based 85% on financial measures and 15% on the Company's ESG climate goals.	The current maximum potential for each executive director is set out in the annual report on remuneration and will achieve a maximum of 110% of base salary per annum.	Awards vest based on performance-measuring the return against a set of agreed targets as approved by the Committee for each respective plan. LTIP awards granted prior to 2020 also contained a link to the Company's independent share valuation and awards vest based on the share valuation at the time of vesting. Current in-flight and future LTIP awards are no longer linked to this share valuation.	The rules of the current LTIP include provisions for recovery and withholding to apply if the Committee concludes that: > the performance on variable pay awards, that have been made or vested, was materially misstated or should have been assessed materially differently; > the assessment of any performance condition was based on an error, or inaccurate or misleading information or assumptions; > the relevant individual has committed serious misconduct; and the employment of the relevant individual could have been or was terminated as a result thereof; > the Company is censured by a regulatory body or suffers a significant detrimental impact on its reputation and the relevant individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; > the Company or entities representing a material proportion of the Group becomes insolvent or otherwise suffers a corporate failure that the relevant individual should be held responsible (in whole or in part) for that insolvency or failure; or > there is a major safety or operational incident resulting in serious consequences for the organisation, its customers or air passengers. Recovery and withholding may be applied for up to the third anniversary of the end of the LTIP award's performance period. The provisions of this clause have not been used in the last financial year nor the last five years.

Reports from Board Committees

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 six 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 Airline Group (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 considers 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 team are eligible for participation in the LTIP.

Consideration of the views of stakeholders 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.

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 (AMPRPS)	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.

Reports from Board Committees

Annual Report on Remuneration

Directors' remuneration for the year ended 31 March 2024

This part of the directors' remuneration report summarises the emoluments of executive and non-executive directors for the 2023/24 financial year.

Remuneration earned by directors for the year ended 31 March 2024 (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.

Audited information - Director's remuneration

Emoluments of the Chairman and directors were as follows:

		Salary or fees*		Benefits*		Pension Cash Alternative*		**Total fixed pay***		Annual incentive*		Other awards*		Long-term incentive plan*		**Total variable pay***		**Total remuneration***	
	Notes	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Chairman																			
Dr Paul Golby CBE	1	**181**	171	**14**	13	**-**	-	**195**	184	**-**	-	**-**	-	-	-	**-**	-	**195**	184
Executive directors																			
Martin Rolfe	2, 3, 4, 5	**508**	477	**14**	14	**76**	72	**598**	563	**106**	281	**-**	-	**459**	555	**565**	836	**1,163**	1,399
Alistair Borthwick	4, 5, 6	**373**	340	**37**	28	**56**	51	**466**	419	**69**	167	**150**	150	**243**	-	**462**	317	**928**	736
Non-executive directors																			
Maria Antoniou		**49**	47	**-**	-	**-**	-	**49**	47	**-**	-	**-**	-	**-**	-	**-**	-	**49**	47
Greg Bagwell	1	**49**	23	**2**	-	**-**	-	**51**	23	**-**	-	**-**	-	**-**	-	**-**	-	**51**	23
Richard Keys	1	**-**	24	**-**	2	**-**	-	**-**	26	**-**	-	**-**	-	**-**	-	**-**	-	**-**	26
Iain McNicoll CB CBE		**-**	24	**-**	-	**-**	-	**-**	24	**-**	-	**-**	-	**-**	-	**-**	-	**-**	24
David Smith	1	**49**	23	**4**	-	**-**	-	**53**	23	**-**	-	**-**	-	**-**	-	**-**	-	**53**	23
Michael Campbell	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Dr Harry Bush CB	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Gavin Merchant	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Hugh McConnellogue	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Bart Prudon	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Louise Street	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Ross Baker	8	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Kathryn Leahy	8	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
		1,209	1,129	**71**	57	**132**	123	**1,412**	1,309	**175**	448	**150**	150	**702**	555	**1,027**	1,153	**2,439**	2,462

*For year, or from date of appointment or up to date of resignation.

Notes to the table of directors' emoluments:

1. Benefits paid to the Chairman, Greg Bagwell, David Smith and, in the prior year, to Richard Keys represent the reimbursement of travel costs.
2. Martin Rolfe's benefits include a car allowance, medical and dental benefits.
3. Martin Rolfe is a member of the defined contribution pension scheme in order to make employee contributions only and in 2024 sacrificed £10,000 of his salary under the company's salary sacrifice arrangements (2023: nil). These contributions are reported in his salary above. The company did not make any employer contributions.
4. 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 £76,265 for the year (2023: £72,132), Alistair Borthwick received £55,913 for the year (2023: £51,300).
5. As explained above, Martin Rolfe and Alistair Borthwick received a payment in June 2023 for fulfilling the performance conditions of the transitional long-term incentive plan (LTIP) for the period 1 April 2021 to 31 March 2023. A final payment under this LTIP is due in June 2024.
6. In 2022, the Remuneration Committee approved a retention incentive arrangement for Alistair Borthwick, given the critical nature of his role in securing an appropriate NR23 outcome and completing NERL's refinancing. An amount of £150,000 was paid in this financial year in this respect, as well as the prior year, and is included in Other awards. His benefits include a car allowance, medical and dental benefits and reimbursement of work-related travel from Prestwick to London and Hampshire.
7. These directors are appointed by The Airline Group which charged NATS a total of £233,596 (2023: £221,505) for the services of the director.
8. Ross Baker was appointed by LHRA in November 2023, replacing Kathryn Leahy who resigned from the Board in June 2023. Neither Ross nor Kathryn received any fees from NATS for their services.

Reports from Board Committees

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

	Annual base salary		
	Year ended 31 March 2023	Year ended 31 March 2024	% change
Martin Rolfe	£477,405	£508,436	6.5%
Alistair Borthwick	£350,000	£372,750	6.5%
Partnership directors:			
Base fee	£38,000	£40,363	6.2%
Fee for chairs of Board sub-committees	£8,450	£8,970	6.2%
Chair	£170,074	£180,618	6.2%

As discussed in last year's report, a base salary increase of 6.5% was implemented in May 2023 for the CEO and CFO and backdated to 1 April 2023. Increases were agreed by the Committee taking into consideration our annual benchmarking exercise, external pay practice as well as individual performance. The Committee also agreed to an increase to the base fees for non-executives, including the Chair of 6.2%.

Airline Group (AG) appointed directors

AG directors receive no remuneration for their services to the NATS Board. However, a payment of £233,596 for 2023/24 (£221,505 for 2022/23) was made to AG in lieu of remuneration for these directors. This sum is used to fund the activities of AG.

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.

CFO Retention Incentive

Alistair Borthwick received the second and final instalment (£150,000) of his retention incentive in June 2023. The Remuneration Committee had approved a retention and incentive arrangement for the CFO for the two-year period through to 2023, given the critical nature of his role in securing an appropriate NR23 outcome and completing NERL's refinancing over this period.

Reports from Board Committees

Annual Management Performance Related Pay Scheme (AMPRPS) incentive for the year ended 31 March 2024 (audited)

The maximum potential award under the AMPRPS for 2023/24 for the CEO was up to 70% of salary and 55% of salary for the CFO. AMPRPS awards are determined based on company performance and personal performance. As set out in the Chair's letter, whilst safety was prioritised throughout the year, the Committee was extremely mindful of the disruption caused by the service-related issues in the year when determining the final outturn.

The Committee recognised that the company's overriding priority for safety was maintained at all times during the two unconnected service performance issues. However, following its review and taking into account the experience of our stakeholders, the Committee decided to exercise downward discretion on both the company and personal performance outturn of the scheme. As a result, for the 2023/24 scheme, the final financial, customer focus and strategic priorities targets (the company element of the scheme weighted at 75% of the maximum opportunity) resulted in an AMPRPS outturn of 13.57% of maximum for executive directors (see table below). This is a significantly reduced company payout compared with previous years (for example, 2022/23: 61.1%).

Financial measures	**Weighting %[1]**	**Threshold (40%)**	**Target (75%)**	**Stretch (100%)**	**Outcome £m**	**Payable %**
NERL Underlying Controllable Operating Costs	26.87%	506	497	470	503.3	13.57%
NSL EBITDA	6.72%	17.2	18.2	22.2	(13.2)	0%
By 2040 - Every airspace user relies on our services	**Weighting %[1]**	**Threshold (20%)**	**Target (50%)**	**Stretch (100%)**	**Outcome (seconds)**	**Payable %**
NERL Average seconds of delay per flight (en route)	11.19%	n/a	9.7	9.1	8.8	*Formulaic outturn payable = 11.19%* **Actual amount payable** (after Committee discretion exercised) = 0%
NSL Average seconds of staffing and engineering delay per arrival (UK airports excluding Gatwick until staffing levels are normalised)	5.60%	2.0	1.8	1.6	2.1	0%
First TATC apprentices have commenced initial training and we have achieved 90 first validations across Operations	11.19%		By end of March 2024		73 first validations	0%
By 2040 - We will be carbon negative			**Weighting %[1]**	**Target date**	**Outcome**	**Payable %**
To achieve a target 3Di score of 27.59 or below			7.84%	By end December 2023	28.3	0%
By 2040 - We will be a Top 25 UK Company to work for			**Weighting %[1]**	**Target date**	**Outcome**	**Payable %**
Achieve a 50:50 gender diversity for new recruits to the business			5.60%	By end March 2024	32% female	0%

[1]These weightings were revised mid-year following the withdrawal of a ninth measure that assessed the CAA Singapore (Changi) tender, as the timescales for the tender process have been moved by the customer. The weighting on this measure was proportionately spread across the remaining measures.

Reports from Board Committees

Annual Management Performance Related Pay Scheme (AMPRPS) incentive for the year ended 31 March 2024 (audited) (continued)

NERL's underlying operating costs were neutral to pension rates, exceptional items (redundancy, relocation, restructuring costs, share scheme costs), costs arising out of any change in capital structure and/or ownership, foreign exchange gains/losses, fixed asset sales, bad debt, bonus scheme costs, changes in accounting treatment for above the line tax credits and CAAPS costs charged directly to NATS.

NSL's EBITDA was neutral to pension rates, exceptional items (redundancy, relocation, restructuring costs, share scheme costs), costs arising out of any change in capital structure and/or ownership, foreign exchange gains/losses, fixed asset sales, bad debt, bonus scheme costs, changes in accounting treatment for above the line tax credits and CAAPS costs charged directly to NATS. The metric includes the share of joint venture profits but excludes Aireon results including fair value adjustments.

As indicated in the table above, the NERL service performance target would have paid out in a formulaic sense as the average seconds of delay per flight over the year was 8.8 seconds. However, as discussed, the Remuneration Committee exercised downward discretion, of which the Executive Directors were in agreement, to apply a zero payout on this element, reflecting the experience for customers and the travelling public during the two unconnected service performance issues in the year.

With regards to validations, as indicated in the table above, the target set at the beginning of the year was for 90 first validations. However, to maximise operational resilience, the business prioritised extension validations over first validations during the year (achieving the highest combined total for the last 5 years). As a result, the validations target as originally set was not met. Whilst it was recognised by the Committee that management's actions were in the best interests of the company and delivered greater service flexibility, the Committee did not feel it was appropriate to consider any positive discretion on this element.

Personal performance (weighted at 25% of the maximum opportunity) was assessed against objectives that covered areas including, but not limited to, the conclusion of the NR23 regulatory process, recruitment and validation of new operational staff across centres and airports, and progress towards integrating new users into our airspace. Measurement is based on the NATS Personal Performance Rating System, however, as described above the Remuneration Committee exercised downward discretion in reducing the personal performance rating percentage for executive directors, reflecting the experience for customers and the travelling public during the two unconnected service performance issues. The personal performance outturn for the executive directors was originally 18.75% for the CEO and 22.5% for the CFO. Following the Committee's application of downward discretion, the final personal performance outturn was 16.25% for the CEO and 20% for the CFO. An overall summary table is provided below:

		Company performance element % payable		Personal performance element % payable		
Director	**Opportunity (% of salary)**	**Formulaic outturn**	**Final outturn following exercise of discretion**	**Original outturn**	**Final outturn following exercise of discretion**	**Total AMPRPS payable June 2024 (£)**
Martin Rolfe	70%	24.76% out of 75%	13.57% out of 75%	18.75% out of 25%	16.25% out of 25%	106,122
Alistair Borthwick	55%	24.76% out of 75%	13.57% out of 75%	22.5% out of 25%	20% out of 25%	68,818

Reports from Board Committees

Long-term incentive payments

LTIP arrangements are standard components of executive remuneration practice and are established for executive directors and other members of the executive team to incentivise long term performance, align performance with shareholders' interests, and reward exceptional performance. Performance conditions are generally established for LTIPs for periods of three years; however, awards may also mirror any five-year period aligned to regulatory periods in future, the latter has been applied for the new NR23 LTIP described on page 68. Payments under LTIP arrangements are made according to a predetermined vesting schedule; vesting will typically occur in tranches over at least a three-year period. 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.

Transitional LTIP (audited)

In June 2023, the first tranche of the Transitional LTIP award vested following the Committee's assessment of performance which was measured over the period 1 April 2021 to 31 March 2023. As disclosed last year, performance under the Transitional LTIP award was assessed against five strategic priorities as shown in the table below. No increase was made to the maximum annual grant values for participants (110% per annum for the CEO and 90% per annum for the CFO). The performance conditions were:

Target	Weighting (%)	Performance outcome	Payable (%)
Successfully conclude phases 1 and 2 of the refinancing (March 23) and extend the duration of the bridge arrangements by June 2022 in an efficient manner with a clear path to sustainable solution identified	35%	Complete	35%
Negotiate and agree a triennial valuation outcome	15%	Complete	15%
Successfully agree an NR23 plan that balances the needs of our key stakeholders, customers and the company	20%	Complete[1]	20%
Gain a NERL licence extension from 10 - 15 years	15%	Complete	15%
Successful Gatwick transition by October 2022, with five months of successful operation	15%	Complete	15%

[1] 1An interim assessment was reported in the 2022/23 report. Following conclusion of the NR23 settlement, the Committee agreed the final performance assessment of 100%. This was applied to the vesting amounts in June 2024 and meant an adjustment was required to top up the previous vesting amount in June 2023.

Since the two vesting dates for this LTIP are in June 2023 and June 2024, the equivalent vesting amounts have been and will be included in the single figure table in this report and the 2024/25 director's remuneration reports respectively; this is in line with the Company's decision going forward to move to reporting LTIP figures when they are paid (vest) rather than when the performance period ends (discussed further on page 68).

Payments to past directors

As disclosed in the Remuneration Committee's report for the 2020/21 annual report and accounts, Nigel Fotherby (former Finance Director) was granted awards of 90% of salary under the legacy LTIP Cycles 6 and 7 during his period of service. Upon his retirement he was deemed a good leaver and eligible to receive payments based on a final vesting outturn of 46.4% and 71.7% for Cycles 6 and 7 respectively, noting that Nigel's Cycle 7 award was pro-rated to reflect the proportion of the performance period he was in role.

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. 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 relevant vesting dates and are reported in the directors' emoluments table when vested (or paid to a good leaver).Vesting under all tranches on or after July 2020 had been deferred due to Covid and were not capable of being determined following suspension of the employee share scheme. The operation of the share scheme recommenced during 2022/23 when HMRC approved a share valuation and there have been subsequent valuations since. Nigel previously exercised his Cycle 6 awards and these have been disclosed accordingly in the relevant years. For his outstanding Cycle 7 award, following the latest share valuation, a Total Shareholder Return value was confirmed as £7.37 per share. Nigel exercised his right to tranche A of Cycle 7 of the award, amounting to £117,898 which was paid in March 2024. Cycle 7 tranche B and C shares remain un-exercised, and Nigel has two remaining windows upon which to do this in July 2024 and January 2025 respectively.

Payments for loss of office

There were no payments made for loss of office during the financial year.

Reports from Board Committees

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. The table below shows the pay ratios over the past six years.

Date	Method of calculation adopted	25th percentile pay ratio (Chief Executive: UK employees)	50th percentile pay ratio (Chief Executive: UK employees)	75th percentile pay ratio (Chief Executive: UK employees)
April 2019	Option B	18:1	13:1	10:1
April 2020	Option A	35:1	23:1	17:1
April 2021	Option A	9:1	6:1	4:1
April 2022	Option A	10:1	8:1	5:1
April 2023	Option A	19:1	14:1	9:1
April 2024	Option A	15:1	11:1	7:1

The remuneration data reference period to which the calculations were completed were in line with the financial year 1 April to 31 March. All required components were included and the single figure methodology was applied. To determine the full-time equivalent remuneration for each employee, each employee's working percentage as at 31 March is used to calculate their full time equivalent (FTE) remuneration. This FTE remuneration is then ordered from lowest to highest to determine the 25th, 50th and 75th percentiles in relation to the CEO.

Percentile	Base salary (£'000)	Total Remuneration (£'000)	Ratio of CEO total remuneration to percentile
25th	65	76	15
50th	88	108	11
75th	129	162	7
CEO	508	1,163	1

The 25th, 50th and 75th percentile figures used to determine the ratio in 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. From 2020, the Committee changed the calculation methodology to Option A, as it was considered more statistically accurate, and data became available to use this method. The Committee considers that the 50th percentile pay ratio disclosed above is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole. The employees used in the calculations are considered to be reasonably representative of the 25th, 50th and 75th percentiles of the company's 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.

Financial years ended 31 March	2020		2021	2022	2023	2024
Earned for the year (£'000s)	2,047		535	713	1,399	1,163
AMPRPS (% of maximum entitlement)	86.0%		0%	50%	83.6%[1]	29.8%
LTIP (% of maximum entitlement)	Cycle 7 71.7%	RP2 100%	n/a	n/a	100%[2]	100%[3]

[1]Updated to reflect total combined outturn value i.e., including the personal element, as reported last year.

[2]As discussed on page 65, the 2023 value has been updated in this report to reflect the final performance assessment agreed by the Committee.

[3]As discussed on page 65, this relates to the Transitional LTIP which had a performance period that ended on 31 March 2023.

Reports from Board Committees

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.

The price of an employee share is currently valued by HMRC at £5.45 per share which applies for the period 1 January 2024 to 30 June 2024. Details of the shares held by directors during the year are set out below.

		Indicative share value	
Director	**Total holding (no. of shares)**	**At 31 March 2024 (£5.45 per share)**	**At 31 March 2023 (£3.70 per share)**
Martin Rolfe	1,024	5,581	3,789

There were no dividend payments or awards of employee shares made during the 2023/24 financial year. In March 2024, employees, including executive directors, were offered the option to participate in an award of 250 partnership shares at fair value (being the lower of the share price at the start of the accumulation period of £5.45 and the end of the accumulation period) by deductions from gross salary over a six-month accumulation period ending August 2024. Participants will also receive one free matching share for every partnership share purchased. The CEO is participating in this offer.

Implementation of the remuneration policy for the year ending 31 March 2025

This part of the directors' remuneration report sets out how the remuneration policy will be applied for the financial year ending 31 March 2025.

Executive directors

Base salaries

	Annual base salary (effective from 1 April)		
Director	**2023**	**2024**	**% change**
Martin Rolfe, CEO	£508,436	£528,774	4%
Alistair Borthwick, CFO	£372,750	£391,388	5%

Base salaries for Martin Rolfe and Alistair Borthwick have increased by 4% and 5% respectively, effective from 1 April 2024. Increases were agreed by the Committee taking into consideration our annual benchmarking exercise and individual performance; the CEO and CFO awards are below those of the wider workforce.

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 (DC). The cash percentage is applicable group-wide and equates to a maximum of 15% for members opting out of the DC pension and 25% for those opting out of the defined benefit pension scheme.

Reports from Board Committees

Annual incentive scheme

An AMPRPS award will be in place for 2024/25, with the following opportunity levels:

> CEO – 70% of base salary.

> CFO – 55% of base salary.

Performance measures will continue to be aligned to the company strategy and will include financial, service performance and ESG related measures (combined weighting of 75%), as well as personal performance measures (25% weighting). The 2024/25 scheme also incorporates a return of an underpin in relation to NERL delay performance, (C4), where no payment on this element will be possible should a significant event occur in the year that exceeds the defined points score.

Long-term incentive plan (LTIP)

A new LTIP award (the NR23 LTIP) was approved by the Remuneration Committee aligned to the new five year regulatory period beginning 1 January 2023. The final performance conditions were approved in March 2024, which enabled the plan to be formally granted in April 2024.

No increase was made to the maximum annual grant values for participants. As such, the opportunity levels for the NR23 LTIP are as follows:

> CEO – 550% of salary (110% of base salary per annum).

> CFO – 450% of salary (90% of base salary per annum).

The performance conditions incorporate financial and ESG related metrics as shown in the table below, and the award will vest based on the performance outcome with five equal payment opportunities starting in 2025 through to 2029.

Financial Performance Conditions	**Threshold (20% Vesting of Payment Opportunity)**	**Target (60% Vesting of Payment Opportunity)**	**Stretch (100% Vesting of Payment Opportunity)**	**Weighting (% of maximum of Payment Opportunity)**
NERL Regulatory Return[1]	2.55%	3.19%	3.83%	60%
NSL Profitable Revenue Growth[2]	£257 million		£303 million	25%
Environmental, Social and Governance ("ESG") Performance Conditions	**Threshold (40% Vesting of Payment Opportunity)**	**Target (75% Vesting of Payment Opportunity)**	**Stretch (100% Vesting of Payment Opportunity)**	**Weighting (% of maximum of Payment Opportunity)**
SBTi Validated Estate CO_2 reductions[3] (scope 1 and 2)	Reduction of 41% - 46.9%	Reduction of 47% - 52.9%	Reduction of 53% or more	10%
CDP Score – Climate Change[4]	To achieve and maintain an A- rating throughout the Performance Period			5%

[1] The target values have been updated since the 2022/23 report to reflect the final NR23 regulatory settlement.
[2] With straight-line vesting between Threshold and Stretch.
[3] With straight-line vesting between Threshold and Target and straight-line vesting between Target and Stretch.
[4] This Performance Condition is binary; either the CDP rating has been achieved and maintained (100% vesting) or not been achieved (0% vesting).

NATS will disclose LTIP payments for the NR23 scheme in line with Schedule 5 of SI 2008/410 of the 2006 Companies Act. In this way, the disclosure of earnings under this plan will reflect the point in time at which the participant becomes unconditionally entitled to receive a payment (i.e. at the vesting date) rather than the date when performance is tested. This disclosure approach is considered appropriate given that the listed company regulations (Schedule 8) are more appropriate for a share-based incentive plan, which the new LTIP is not, it is a cash-based incentive. In most other regards, however, NATS will continue to follow the disclosure requirements for listed companies set out in Schedule 8 in the spirit of adherence to best-practice governance and disclosure.

Reports from Board Committees

Non-executive directors

The company's approach to setting the fees for non-executive directors is by reference to those paid by similar companies. Fees are reviewed annually by the NATS CEO and HR Director.

Chair

The current Chair will be in position until 31 August 2024, having served in the role for the last ten years. There is no further salary increase due for the final period of his appointment.

A new Chair has been appointed and will be in position from 1 September 2024. The agreed base fee will be £188,240, with no further review due for the three-year contract duration.

Partnership directors

Fees with effect from 1 April 2024	2023	2024	% change
Base fee	£40,363	£41,980	4%
Fee for chairs of Board sub-committees *	£8,970	£9,330	4%

*Remuneration Committee, Audit Committee and Safety Review Committee.

Airline Group (AG) appointed directors

AG appointed directors receive no remuneration for their services to the NATS Board. However, a fee is paid to AG in lieu of remuneration for these directors. This fee is reviewed on an annual basis by the NATS CEO and HR Director. It was agreed that the annual fee from 1 April 2024 would increase to £243,205.

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.

Maria Antoniou
Chair of the Remuneration Committee

Reports from Board Committees

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;
- Consider future risks and review company plans for addressing these;
- 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 Greg Bagwell with two other non-executive director members Louise Street and Bart Prudon. In addition, the NATS Board Chair attends the Committee.

During the year, the Committee took advice from the following special advisors, who attended meetings by standing invitation:

- Captain John Monks, Director of Safety and Security, British Airways.
- Professor George Bearfield, Director of Health, Safety and Cyber Security, Rock Rail.

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

The Chief Security Officer formally reports to the Committee on the security arrangements in NATS twice per annum. 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. Emphasis this year was on ATCO resourcing, training bottlenecks as well as licence recognition options to help ensure there are no ATCO shortages in the next ten years.

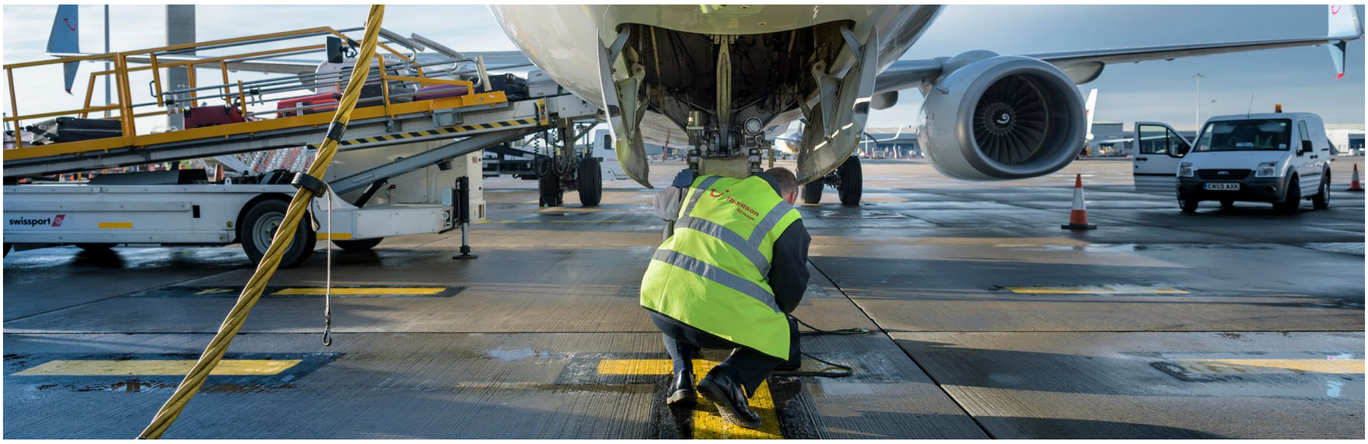
> Safety performance

The SRC carefully monitors the group's safety performance and progress towards its targets. The NR23 reporting period (2023 to 2027) commenced with a new set of NR23 safety performance targets approved by the SRC in 2022. Despite a 12% rise in traffic in the 2023 calendar year compared to the 2022 calendar year, NATS has exceeded all safety performance targets and reported the strongest annual NATS RAT rate since the RAT scheme was adopted in 2015. In addition to the main targets, NATS continues to have a strong reporting rate and had the lowest rate of Runway Incursions compared to all previous years going back to 2015.

> Safety risk management

SRC continues to steer NATS to be more forward-looking and focused on risks on the horizon as well as in current operations. NATS has provided an overview of the residual risks with a view to delve further into specific risks in 2024. The Committee regularly reviewed information on safety occurrences along with recommendations and updates on serious events. A deep dive into Level Busts (an unauthorised vertical deviation of more than 300 feet from the level set by ATC) was brought to CAA's attention during CAA's regular attendance at the SRC meeting to highlight the concerning trend in the aviation sector.

With the rising traffic levels, the committee was seeking assurance that NATS was effectively managing its risks. Focus topics discussed included: level busts; a drone study; runway excursions; compliance monitoring; ATCO licensing, ATCO training currency and competence; infringements of military areas; and airspace infringements. Current progress with the issues and future plans for improvements were studied and challenged for each topic.



Reports from Board Committees

Safety Review Committee report (continued)

The role of the Safety Review Committee

> Safety workshops

A safety workshop in 2023 provided the SRC with an update on the NATS Safety Risk Profile to inform the members of current NATS Safety Risk Management principles and practices including a demonstration of how data is monitored and utilised to support NATS' ATC Accident Risk.

> Safety culture

The NATS Safety Culture Survey was conducted in March 2023 over a five-week period. There was an 83% response rate with over 80% favourable responses which compares well with most other ANSPs which report an average of 40 to 50% favourable responses. A review of the 4,000 free-form comments have been distilled into three common themes – fatigue, resourcing and 'safety behaviours'.

> Physical and personnel security

External threat and incident management:

Penetration testing in Autumn 2022 indicated there was an overall good deterrent effect at both Swanwick and Prestwick sites with a satisfactory level of physical protection. The Committee discussed the potential for environmental protestors and NATS provided assurance that contingency plans were in place.

NATS security procedures were robust following the technical incident of 28 August and the increased media attention as well individuals who visited national security sites attempting to cause disruption. The security staff had been trained to deal with such incidents and dealt with matters professionally.

Insider threat activities

Insider threat risks are regularly considered with a positive level of referrals from colleagues, which enables a review of indicators of behaviour. Work has continued to ensure that NATS takes all reasonable steps to mitigate the risk from potential insider threat activities, with improvements in support and guidance.

The overall security risk had heightened during 2023 given the geopolitical environment. The SRC were briefed on measures that NATS were taking, aligned to activities in cyber and information security. NATS maintained a watching brief on group memberships and associations and made employees aware of their obligations and necessary measures to safeguard services.

Greg Bagwell, CB CBE
Chair of the Safety Review Committee

Reports from Board Committees

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 and delivery of 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: Greg Bagwell CB CBE and David Smith. 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;
- Chief Operations Officer;
- Managing Director, NATS Services;
- Safety and Sustainability Director;
- General Counsel; and
- Human Resources Director.

During the year the Committee took advice from Paul Taylor, special adviser to the Committee who attended meetings by standing invitation.

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 the financial year, the following have been the key areas of focus by the Committee:

28 August technical incident

On 28 August 2023, NERL experienced a failure of the automated flight planning system which resulted in significant operational impact. The failure was triggered by a flight plan with a unique set of attributes being fed into the automated flight planning system, resulting in the system going into maintenance mode. While the incident was managed safely, there was significant impact to customers and heightened media attention. Since the incident, there has been considerable focus on applying lessons learned and minimising the probability of a similar incident reoccurring. Threads of activity have included:

- Ongoing prioritisation of safety;
- Software changes made within 21 days to prevent the unique combination of six attributes causing the exception, to ensure no reoccurrence of a similar incident;
- New procedures to reduce the impact should a similar incident occur, including supplier contact;
- Enhancements to the command and control structure, its supporting technology, training, decision-making escalation and processes;
- Improved customer communication, including pre-warning and post-incident support;
- Review of media response during and following the incident.

Alongside the applying of lessons learned, NERL has been assisting the CAA Independent Review Panel with their enquiries. NATS supports the Panel's suggestion of a multi-agency rehearsal of the management of an incident of this nature and scale, which is best practice in other sectors. The CEO and the Chief Operations Officer assured the Transport Select Committee that NATS would take the lead on this.

The TRC has provided oversight of the learning from the incident, offered counsel and feedback in the preparations of the investigation, both for the internal major incident investigation and the CAA's independent review.

Reports from Board Committees

Transformation Review Committee report (continued)

Portfolio Reprioritisation

The technology transformation programme was reviewed in the year to ensure that delivery priorities were being set appropriately, as newer technologies were taking longer to implement than the portfolio plan assumed. In part this reflected the resourcing challenges faced by the portfolio and reliance on the same resources for delivery of different programmes.

The portfolio's delivery priority was determined to be safety and service resilience activities, followed by future improvements and airspace change.

The review also established three areas of focus for portfolio deliverability:

- Prioritisation of demand using a consistent assessment criteria;
- Improvement in delivery capability by addressing resource constrained activities;
- Strengthen the portfolio oversight with appropriate controls and governance.

The Committee were consulted on the change in the portfolio prioritisation and provided input to management informed by insights from its independent advisor.

The reprioritisation of the portfolio sits alongside the regular review and focus on system resilience, which determines critical sustainment activities. The Committee will continue to oversee the direction of the portfolio and the progress for its delivery.

DP En Route (DPER)

Linked closely with the requirement for the portfolio prioritisation activity, the DPER programme has experienced some schedule challenges. The primary cause of delays has been the increased demand for critical resources across the portfolio which, alongside the focus on minimising operational risk during the summer, has impacted delivery timescales.

The TRC has continued to review the DPER programme progress at each meeting over the last year to provide Board-level oversight.

Airspace Change

Progress of the planned airspace changes has also been monitored by the Committee, with particular focus on the Scottish, Manchester and London terminal manoeuvring areas.

The Committee also considered NATS' input to the proposal by the DfT and the CAA to establish a Single Design Entity (SDE) as the body responsible for all design work needed to deliver airspace change and modernisation across the UK in the future. The SDE would strengthen the delivery model and address the challenge of coordinating multiple stakeholders on airspace design.

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 continues to play a key role in providing Board oversight of cyber security and receives updates from the Chief Security Officer on all aspects of cyber security assurance, including technical compliance, monitoring and reporting on events. Changes in the external threat environment continue to be monitored and the effectiveness of key controls within the organisation are assessed, considering the highest risks to operational and corporate systems.

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 2024.

The Governance report set out on pages 40 to 73 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 21 to the financial statements.

Dividends

The company has paid no dividends in the year (2023: nil). The Board recommends a final dividend for the year of nil (2023: nil).

Directors and their interests

The directors of the company at the date of this report are set out on pages 40 to 43. Changes in the Board during the year and to the date of this report as explained on page 45.

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 67.

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 them, 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.

The directors have regard to the safety, health and wellbeing of employees (and contract staff). 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. The NATS CEO hosts a quarterly executive open session for the whole organisation and a separate quarterly update for the wider management team. The CEO also hosts a monthly call with his senior leadership team. His weekly written update on the company's intranet has a 75% readership. Such actions enable employees to achieve a common awareness of those factors affecting the performance of the company. An employee engagement survey was conducted in March 2023 and its feedback is shaping improvement plans. 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.

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 and Sustainability Director.

Business relationships

We explain on pages 35 to 38 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 and viability statements

The directors' assessment of going concern and their viability statement are set out on page 19.

Report of the directors

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 UK adopted 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK adopted International Accounting Standards, 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

Following the mandatory re-tender of the audit explained in the Audit Committee's report, the Board has resolved to appoint EY as statutory auditor for the financial year ending 31 March 2025.

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

Richard Churchill-Coleman
Secretary
27 June 2024

Registered office
4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL

Registered in England and Wales
Company No. 04138218