

ANNUAL REPORT 2024

HEATHROW AIRPORT LIMITED
COMPANY REGISTRATION NUMBER: 01991017

As the UK's only hub airport and the best-connected airport in the world, Heathrow connects all of the UK to global growth, enabling world-leading travel and trade connections. From passengers going on their dream holiday to small businesses trading in far-flung economies, Heathrow Airport is a national asset.



The scale of our business is extraordinary, having welcomed 83.9 million passengers in 2024. We handle over 450,000 flights annually and link Britain to over 230 destinations. We enable the carriage of 1.6 million tonnes of cargo, valued at £215 billion, making us the UK's biggest port by value.



Our purpose was, and continues to be, 'making every journey better', which is the reason we exist. Every single Team Heathrow colleague can take inspiration from this and can contribute to making every journey better. This doesn't only mean the passenger journey – although this is a key element of what we do – but everyone that Heathrow Airport interacts with, whether that's our customers, colleagues or members of the local community. We want to help make things better at every opportunity, every single day.

Our new vision is 'to be an extraordinary airport, fit for the future'. This is an aspirational articulation of what we want to achieve in the coming years, our north star. Every day at Heathrow, extraordinary things happen, but we know there is work to be done to make every area of the airport extraordinary and fit for the future.

As well as a new vision, **we have six new beacons**, or strategic priorities, to guide us. These reflect the areas that most need attention in the short to medium term, providing the guidance that will enable us to become an extraordinary airport and realise our long-term strategic goals. There are also **three new foundations**, these underpin the day-to-day running of Heathrow, and it is critical to excel in those areas.

Our company values underpin all that we do as a business and how we interact with one another and with our passengers, as we help to make every journey better. They remain unchanged.

Our Purpose MAKING EVERY JOURNEY BETTER

Our Vision To be an extraordinary airport, fit for the future

Our Beacons



Our Foundations

EXCELLENT...



Enablers and Activity

Activity that sits under each beacon and foundation, backed up by functional execution plans

Our Values



Looking forward, our medium to long-term direction remains clear.

We endeavour to be **extraordinary for all our stakeholders**. We will continue to be the world's most connected hub, connecting Britain to the rest of the world.

We remain committed to an expanded Heathrow, **enabling success and connectivity** for the UK in a deliverable, affordable, and sustainable manner. Our long-term plans are being reviewed to understand how best to achieve capacity growth.

The Heathrow Masterplan is the long-term plan for infrastructure development of an expanded Heathrow, spanning from present day until 2050 including future trends and mitigations.

The Beacons, our immediate areas of focus, **lay the foundations for success** with the long-term ambition. In particular, the Creating Capacity beacon highlights our commitment to increasing terminal capacity and how to achieve this uplift.

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OUR REPORTING SUITE



Our Sustainability Report 2024



Our Net Zero Plan



Our Connecting People and Planet Sustainability Strategy



Our Gender and Ethnicity Pay Gap Report 2024



Our Investor Reports



Our Nature Positive Plan



For further information, visit our corporate website www.heathrow.com/company

CHAIR'S STATEMENT



Dear All,

2024 was a pivotal year for Heathrow – we have now firmly closed the book on the pandemic with passenger numbers surpassing their previous 2019 peak; we are delivering better value for customers with a safe and steadily improving operational performance; our financial health is robust because of management's focus on driving efficiency and growth; new shareholders are bringing fresh expertise and energy to the Board; and our new strategy is providing a clear direction for our future. Taken together, these provide a strong platform for Heathrow to seize on its global position and make the new investments which will modernise the existing airport and unlock new capacity in the decade ahead.

LORD PAUL DEIGHTON
CHAIR



The UK Government has been clear that Heathrow is the UK's gateway to growth. That's a recognition of the role the airport plays today facilitating over £200 billion of British trade with the world and driving tourism and investment to every corner of the country. But it is also a signal that finally unblocking Heathrow's capacity constraint with a new runway will be the catalyst for a transformation in the wider UK economy.

Expanding Heathrow will be a series of projects over the years ahead. Some will be small, some large, some clearly enabling a third runway, others more about improving existing assets so that they can support more flights when the runway opens. This will be the largest private sector investment in the UK's transport network. It will be transformational for Heathrow, but it will also boost the UK economy with billions of pounds of stimulus during construction, even before new connectivity from a third runway comes onstream. The project has exciting potential for our colleagues, our customers, our suppliers and the country. We are now working with Ministers to put in place the policy changes and right framework which will enable us to successfully unlock this growth potential at pace.

While infrastructure development is critical to securing Heathrow's future, we are also focused on the operational improvements which need to be delivered today – particularly in the face of strong, growing passenger demand. Passenger wait times at security remain very low, baggage performance is stable and there is more work to be done to improve overall punctuality. Unlocking improvements in these areas alongside Team Heathrow partners will remain the key focus for the Heathrow management team.

All of this will need to be underpinned by a fit-for-purpose regulatory settlement. We have been constructively engaging with our airline partners on their priorities for Heathrow's future and will aim to submit our initial business plan for the next regulatory settlement to the Civil Aviation Authority ('CAA') in June.

As our business strategy focuses on our collective responsibility to create a better Heathrow, now and for the future, we continue making tangible progress on our sustainability efforts. We have refreshed our sustainability strategy, Connecting People and Planet, with new goals and stretching targets and a new Nature Positive Plan. Decarbonising remains critical for the sector's long-term survival and Heathrow is leading the global aviation industry in pushing progress – including with a sustainable aviation fuel incentive that will see up to 3% of the airport's fuel come from SAF this year, ahead of the UK Government's mandate of 2%.

Our financial position remains robust, and our balance sheet is strong, with continued access to global capital markets. In 2024, we successfully raised £1.1 billion, including more sustainability-linked bonds, reflecting investor confidence in Heathrow's financial discipline and sustainability commitments. While adjusted EBITDA declined by 9% due to the lower aero charges set by the CAA for the H7 regulatory period, our profit before tax demonstrated resilience.

This year also saw significant changes in our leadership. Javier Echave, previously Chief Financial Officer, took over the Chief Operating Officer role on the same day. Sally Ding, previously Director of Treasury and Corporate Finance, was appointed to the permanent position of Chief Financial Officer, and we also welcomed Jo Butler as the new Chief People Officer.

At the end of the year, on 12 December 2024, our ownership structure changed as we welcomed two new international shareholders: French private equity firm Ardian and Saudi Arabia's Public Investment Fund ('PIF'), who acquired c.22.61% and c.15.01% respectively of the share capital of FGP Topco. Ferrovial, CDPQ and USS reduced their shareholdings in FGP Topco to 5.25%, c.2.65% and c.2.10% respectively. This strategic development underscores global confidence in Heathrow's long-term growth and our unique role in global aviation.

With this transition, we are pleased to welcome new members to the Board: Juan Angoitia and Alexis Ballif, representing Ardian; and Turqi A. Alnowaiser and Yazeed Alrubaian, representing PIF. Their expertise will bring valuable insights as we continue to deliver on our ambitious goals. I would also like to extend my thanks to the outgoing Board members, Ernesto Lopez, Shawn Kinder, Olivier Fortin and Mike Powell for their service, dedication and contributions to Heathrow's success. We look forward to building on this strong foundation and working together to shape the next chapter of Heathrow's journey.

I am encouraged that Heathrow has a clear strategy for its future and the right people in place to deliver it. The sector is strong, and momentum is with us. We look forward to making good progress in the year ahead to make Heathrow an extraordinary airport, fit for the future.

AT A GLANCE



Customer demand to fly from Heathrow continues to grow

2024 was a record year for Heathrow, with colleagues welcoming a record **83.9 million passengers**. Heathrow's status as the best connected airport in the world and good customer service contributed to the 6% annual passenger growth. We also saw a 10% increase in cargo boosting British exports to markets around the world. More flying and larger aircraft will help drive growth in 2025 although constrained capacity will likely see a smaller uptick in annual performance.

83.9
million passengers

Delivering value for customers remains our key priority

Teamwork across the airport has driven improvements in service with stable security wait times, more on-time departures and better baggage performance. We were delighted to be recognised by both **Condé Nast** and **Travel Weekly** as the **UK's best airport**, and for our retail and VIP services to be recognised as **'Best in Class'**. We are redoubling our efforts to deliver more improvements this year.



Revenue down 3% on lower airport charge

Despite record passenger numbers, Heathrow's total revenue declined to £3.5 billion with adjusted EBITDA also down to £2.0 billion as a result of a lower airport charge set by the CAA. We continue to focus on reducing costs and delivering more efficiencies to improve our EBITDA margin. Our financial resilience remains robust including a **strong liquidity position at £3.4 billion**. For the first time in five years and as a result of strong 2024 business performance, Heathrow's Board has decided to pay a dividend of £250 million to its ultimate shareholders in the coming weeks.



New targets in a refreshed sustainability strategy

Connecting People and Planet is our refreshed sustainability strategy which includes new targets after we achieved progress on our previous goals. We launched our first **Nature Positive Plan** with a commitment to tackling the challenges of climate change and biodiversity loss. Record amounts of sustainable aviation fuel ('SAF') were used at Heathrow during 2024 and we continued to lead on SAF use in the UK, with our 3% incentive in 2025 being 1% above the UK mandate. We became the **first airport in the world to commit to adopt the recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD')**, committing to disclose our environmental impacts and dependencies annually from 2025.



Expanding the UK's gateway to growth

The UK Government is clear that Heathrow is the **UK's gateway to growth**. Over the next decade, we will be embarking on the largest private investment in the UK's transport network as we look to modernise our existing facilities and unlock new capacity. A series of projects on the path to a third runway will enhance our terminal infrastructure, improve customer experience and punctuality, expand local and sustainable transport options and boost the environmental credentials of our facilities. We will be submitting proposals for a third runway to the Government this summer. Policy changes are needed to deliver the project successfully and we will also be working with Ministers to agree these changes, particularly around airspace modernisation, planning reform and adjustments to the regulatory model for a third runway. Our aim is to meet the Government's ambition to have planning permission for a third runway before the end of this Parliament.



CHIEF EXECUTIVE'S REVIEW



2024 underscores why Heathrow is the UK's gateway to growth. Our colleagues welcomed a record number of passengers with good service, cargo volumes increased 10% boosting British trade and we invested over £1 billion to improve facilities and boost resilience which creates more value for customers at Britain's front door.

Securing future economic growth means investing in the infrastructure that powers it. Over the next decade, we will be making the largest private investment in the UK's transport network which will modernise Heathrow and unlock new capacity for growth. This will grow the economy, make Heathrow better for all of our customers and give the UK a competitive world-class hub fit for the future. This is an exciting time for our customers, our colleagues and the country and we're looking forward to working with the Government to deliver it.

THOMAS WOLDBYE
CHIEF EXECUTIVE OFFICER



HIGHLIGHTS	2024	2023
PASSENGERS	83.9m	79.2m
REVENUE	£3,482m	£3,602m
ADJUSTED EBITDA ^{1,2}	£1,968m	£2,153m
PROFIT BEFORE TAX	£1,379m	£1,067m
ADJUSTED PROFIT BEFORE TAX ¹	£902m	£485m
REGULATORY ASSET BASE ¹	£20,422m	£19,804m

BUSINESS PERFORMANCE

2024 was a good year for Heathrow. From maintaining our position as the best connected airport in the world, to welcoming more passengers than ever before, there is magic happening at Heathrow every day and colleagues can be proud of what they've achieved together. Heathrow's two runways were already the busiest in the world, but this year we pushed even further. With passenger demand to fly from Heathrow growing, we welcomed 3 million more passengers in 2024 versus the previous peak in 2019, taking the total for the year to a record 83.9 million. That included 75 days across the year where we were welcoming more than 250,000 passengers a day in our terminals.

We had higher passenger ATMs, seat factor levels of 80.7% and offered a record number of seats, almost 104 million. We remain Europe's busiest hub, with New York, Dubai, Doha, Dublin and Los Angeles amongst the busiest routes in 2024. We also saw a 10% increase in cargo boosting British exports to markets around the world, emphasising Heathrow's vital role in linking Britain to global trade.

Passenger traffic increased in almost all of our markets, particularly in the UK with double-digit growth. Africa saw a normalisation of traffic due to the reallocation of slots. Our seats per ATM slightly decreased due an increase in the proportion of short-haul travel.

While we are expecting passenger demand to grow in 2025, capacity constraints at the airport will naturally limit our ability to service it and continue to present a challenge when it comes to maintaining peak operational resilience. Our continued success will continue to be down to the dedication of our Winning Team of colleagues and Team Heathrow. We are focused on making Heathrow a great place to work, providing career opportunities that help our people reach their full potential. I'm pleased to see that our 'Lead the Way' training programme won the British Training Awards, and our team also won the 'Diversity Team of the Year' at the British Diversity Awards.

Delivering more value for our customers will continue to be our priority. Our service levels improved in 2024 with better punctuality, lower baggage misconnect rates and stable security wait times – partly a result of the £1.1bn we invested this year to improve our facilities – but there is more work to do to get to where we want to be. That also includes becoming more efficient.

Passengers (millions) ³	2024	2023	Var % ⁴
UK	4.7	4.2	11.9
Europe	33.8	31.5	7.3
North America	20.6	20.0	3.0
Asia Pacific	10.8	9.8	10.2
Middle East	8.5	8.0	6.3
Africa	3.3	3.6	(8.3)
Latin America	2.2	2.1	4.8
Total passengers	83.9	79.2	5.9

Other traffic performance indicators ³	2024	2023	Var % ⁴
Passenger ATM	471,298	450,194	4.7
Seat factor (%)	80.7	79.6	1.4
Seats per ATM	220.6	221.0	(0.2)
Cargo tonnage ('000) ⁵	1,580	1,431	10.4

Service standard performance indicators ³	2024	2023
ASQ	3.98	3.99
Arrival punctuality %	68.0	67.0
Departure punctuality %	69.0	63.4
Security performance %	92.6	92.8
Baggage connection %	98.3	98.1

¹ The performance of the Company is assessed using a number of Alternative Performance Measures ('APMs'), including adjusted EBITDA, adjusted profit before tax, consolidated nominal net debt and Regulatory Asset Base. Management believes that APMs more appropriately reflect the underlying financial performance of the Company's operations. APMs are discussed in detail and defined from page 195 of the financial statements.

² EBITDA (2024: £2,093 million, 2023: £2,362 million) is profit before interest, taxation, depreciation, amortisation. Adjusted EBITDA is EBITDA excluding fair value adjustments on investment properties and exceptional items.

³ For the year ended 31 December.

⁴ Calculated using unrounded passenger figures.

⁵ Cargo tonnage includes mail volumes.

This year we achieved a score of 3.98 out of 5.00 in the global Airport Service Quality ('ASQ') survey. While relatively stable compared to 2023 (3.99), it was against a backdrop of increasing passenger numbers and the reintroduction of carry-on liquid rules in June 2024. Overall, 74% of passengers surveyed between January and December 2024 rated their Overall Satisfaction with Heathrow as either 'Excellent' or 'Very good', remaining consistent with 2023. The proportion of 'Poor' ratings remained low at only 1%.

Our biggest improvement came from the 'Ease of Making Connections with other Flights', and 'Check-in Waiting Time' and 'Availability of Seats at the Gate Areas' outperformed their 2023 levels. Other performance uplifts included 'Wi-Fi Service Quality' and other 'Check-in' aspects.

Security performance was stable, with most direct passengers passing through security within five minutes, despite the operational challenges that the implementation of our next-generation security programme presents. Improved operational performance across the airfield has seen improved aircraft turnarounds, with departure punctuality outperforming arrivals. However, overall punctuality continues to be impacted by airspace congestion and adverse weather events. Baggage performance improved despite the increased traffic.

Despite record passenger numbers, Heathrow's total revenue declined to £3.5 billion with adjusted EBITDA also down to £2.0 billion as a result of a lower airport charge set by the CAA. We have more work to do to reduce costs and increase efficiencies. Lower financing costs helped to increase profit before tax to £1,379 million and for the first time in five years and, as a result of our 2024 business performance, Heathrow's Board has decided to pay a dividend of £250 million to its ultimate shareholders in Q1. Our overall liquidity remains strong at £3.4 billion. We have also made progress to reduce our gearing to historically low levels. In the year ahead, we will continue to challenge ourselves to streamline our business.

Improving the sustainability of our operations is also a key focus area. In 2024, we set new and stretching targets in our refreshed Connecting People & Planet sustainability strategy reflecting the progress we have made towards our objectives. Our world-leading sustainable aviation fuel incentive programme continues to drive uptake at Heathrow – our 3% incentive in 2025 is outpacing the Government's mandate.

We also published our first-ever Nature Positive Plan which outlines how Heathrow will transition to a nature positive future, and achieved a record 189 nights without late flights. We successfully completed our debut GBP Sustainability-Linked Bond ('SLB'), the first SLB in the Sterling market to include all scopes of emissions and priced our first use of proceeds green issuance, deliberately linking our future financial performance to our sustainability strategy. While mitigating our environmental impacts can seem overwhelming, there is a lot of dynamism and energy surrounding our efforts to decarbonise and make Heathrow a great place to live and work.





Looking to the future, unlocking new capacity at Heathrow is central to our strategy. It will improve operational performance and resilience for our customers, enable more global connectivity and competition for consumers and grow the UK economy through increased trade, tourism and investment. Over the next decade, we will be embarking on the largest private investment in the UK's transport network as we look to modernise our existing facilities and unlock new capacity. A series of projects on the path to a third runway will enhance our terminal infrastructure, improve customer experience and punctuality, expand local and sustainable transport options and boost the environmental credentials of our facilities.

We welcome the Government's recognition of the role we play in driving economic growth for the UK and desire to build a third runway at Heathrow.

We will be submitting our plans to the Government on how this might work by the summer, as well as working with Ministers to agree the policy changes on airspace modernisation, planning reform and regulation that are required to successfully deliver it. In tandem, we are also preparing our initial business plan for the next regulatory settlement (H8) which will begin in January 2027. We have had several constructive engagement sessions with our airline partners to understand their priorities which we will be factoring into our initial plan to submit to the CAA in June.

The progress we made in 2024 is a strong foundation, but there is more work to do. Service levels are good, but we can make further improvements to boost operational performance and resilience. Looking at how we can become more efficient and reduce costs is also important. Growing capacity responsibly while mitigating our environmental impacts must

also remain a priority. To tackle these challenges, I was pleased to launch our refreshed corporate strategy this year. Composed of six beacons (Winning Team, Focus to Go Faster, Value for Customers, Digital Future, People & Planet and Creating Capacity) and underpinned by three foundations (Safety, Security & Compliance; Service & Operations; and Governance & Financial Resilience), the refreshed strategy sets the flight path for what we need to do to prepare Heathrow for the future while empowering colleagues with the tools they need to make every journey better. I am pleased to report that we are already making good progress in delivering the new strategy, and our colleagues can take pride in the remarkable year we delivered together. Onward to 2025.

THOMAS WOLDBYE
Chief Executive Officer

25 February 2025

OUR BUSINESS



JAVIER ECHAVE
Chief Operations Officer

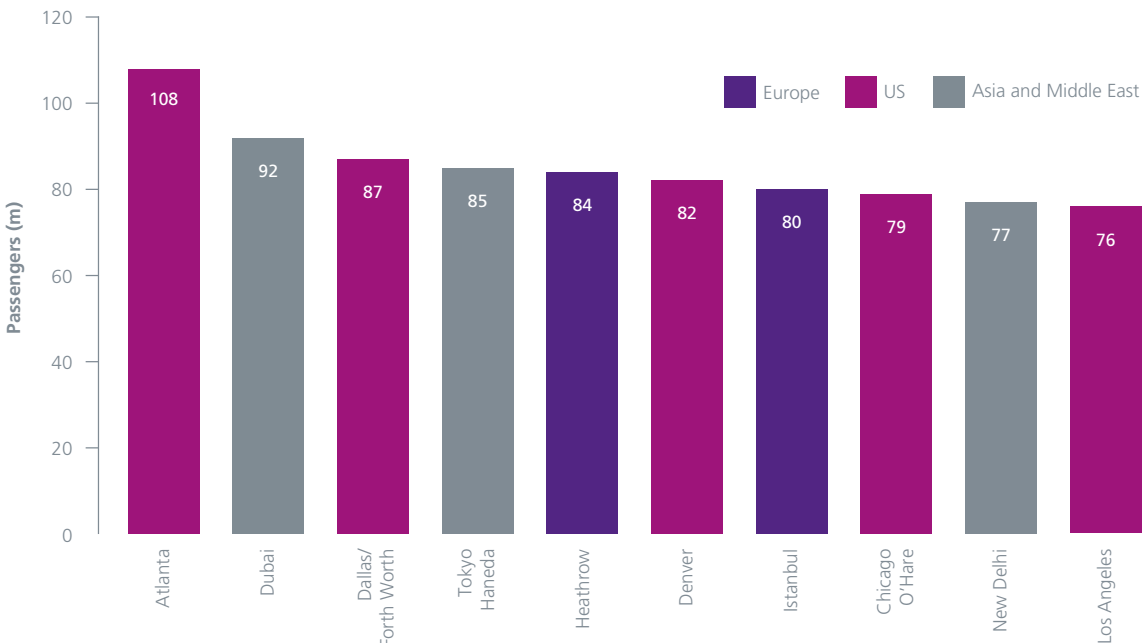
WHAT WE DO

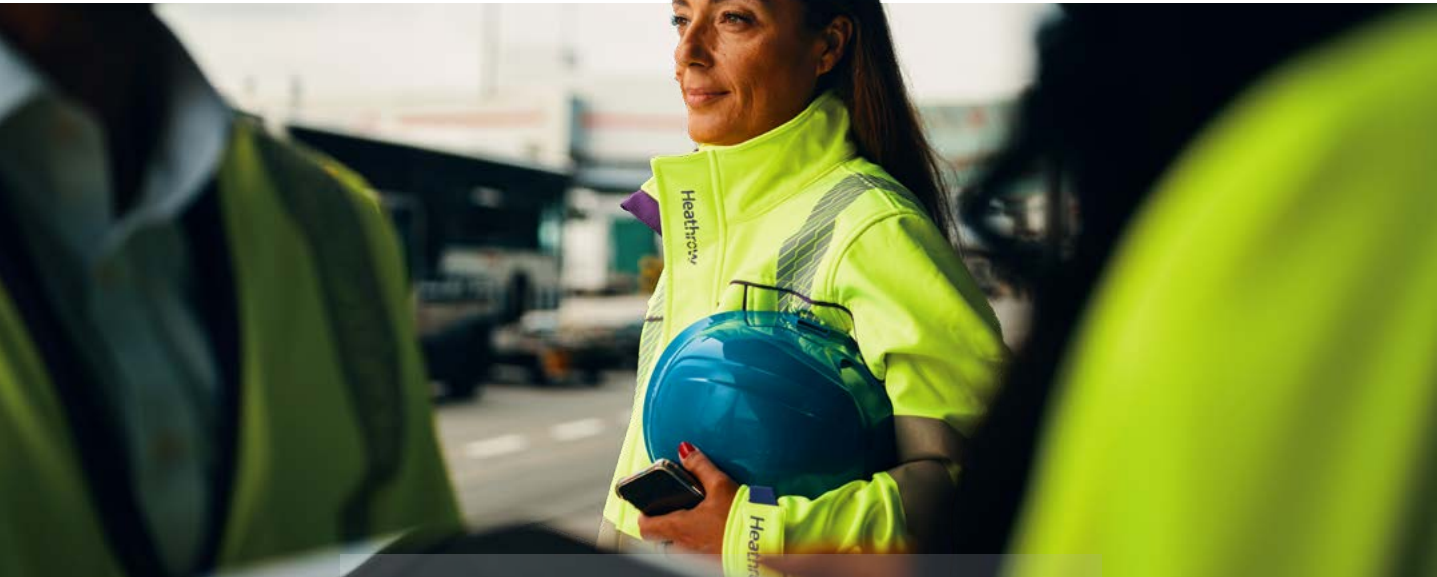
Heathrow is the UK's only hub airport. Hub airports combine direct passengers, transfer passengers and freight to enable long-haul aircraft to fly to destinations all over the world. These destinations could not be served with regular, year-round flights by point-to-point airports that rely on local demand alone. In 2024, Heathrow remained the most connected airport in the world, according to the OAG Megahubs Index 2024.

In 2024, we served 83.9 million passengers, a 5.9% increase in passenger numbers compared to the prior year (2023: 79.2 million). Heathrow is currently the busiest passenger airport in Europe and the fifth busiest airport globally, based on the passenger numbers for the 12 months to 30 November 2024.



Top 10 busiest global airports 12 months to 30 November 2024





We serve a range of market segments, including business and leisure travellers, direct and transfer passengers, and long and short-haul routes operated by a diverse range of major airlines.

As well as earning aeronautical income from airlines, we also generate income from a variety of other sources. They include concession fees from retail operators, income from car parks, advertising revenue, rents from property space and income from the provision of airport facilities and transportation services, notably the Heathrow Express rail service.

We maintain a strong focus on operational performance, improving the passenger experience and investing in new and upgraded facilities. At the 2024 Globe Travel Awards by Travel Weekly, Heathrow was named best UK airport, and at the Business Traveller Awards, Heathrow was named the best airport in Europe and the second-best airport in the world.

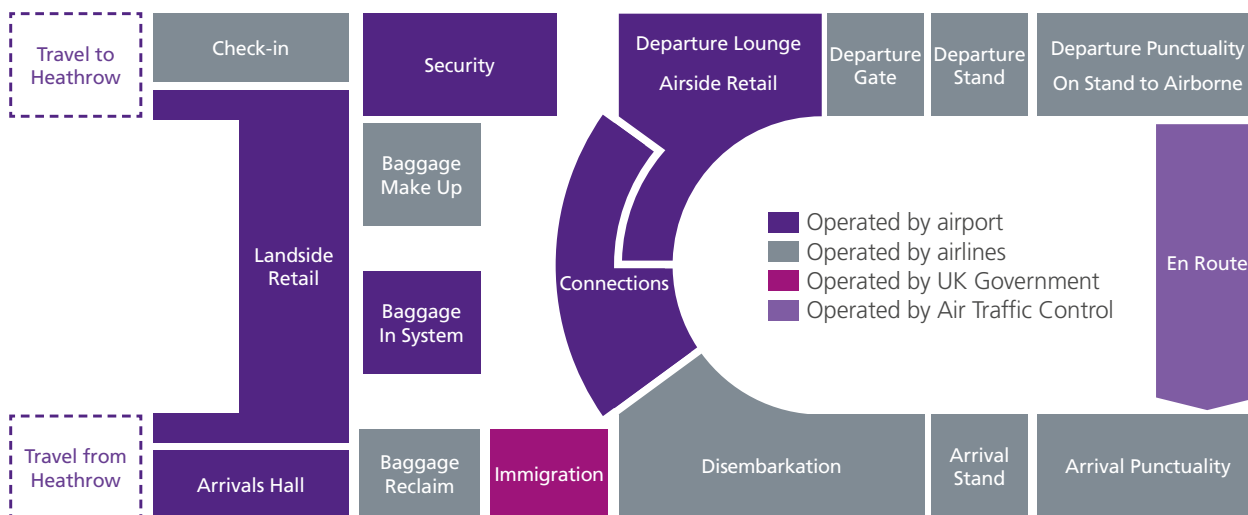
The structure of Team Heathrow is complex, and services are delivered by multiple parties. As the diagram below shows, the airport structure involves four main stakeholder groups: the airport, the airlines, the UK Government and Air Traffic Control. In practice this involves 80 airlines, 8 principal ground handlers, nearly 200 secondary airside handling companies related to aircraft activities and several Government functions.

Long haul passenger flights from Heathrow provide the trading routes which carry the UK's exports and supply chain. Heathrow is the largest UK port by value with 1.6 million tonnes of cargo valued at over £215 billion, passing through it in 2024 (2023: 1.4 million tonnes, valued at £198 billion).

Sustainability is core to our strategy. In 2024 we updated our sustainability strategy which aims to connect people and planet. This updated version of our strategy includes a range of changes to our goals and targets.

We have reworked our responsible business foundations to ensure they cover issues that are of most interest to our stakeholders. All the changes have been informed by a refreshed double-materiality assessment incorporating views from all key stakeholder groups. Key areas that the strategy covers include:

- Net zero aviation – decarbonising the aviation sector and our own airport operations remains a key priority for Heathrow.
- A great place to live and work – delivering on the issues that are most important to local communities, managing the environmental impacts of the airport and championing equality, diversity and inclusion are critical factors to Heathrow's success.
- Responsible business foundations – our commitment to continue to do the right thing across a range of key issues including safety, security and governance through our strategies and policies.



Team Heathrow structure

INVESTMENT AND INFRASTRUCTURE

We have invested over £14 billion of private money, at no cost to taxpayers, transforming Heathrow's infrastructure since privatisation in 2006, including £1.1 billion invested in 2024 (2023: £0.6 billion).

Our H7 capital investment plan is centred around six core programmes:

- Asset management and compliance programme.
- Terminal 2 baggage programme.
- Next-generation security programme.
- Commercial revenue programme.
- Carbon and sustainability programme.
- Efficient airport programme.

Terminals

We have four operational terminals:

- Terminal 2 is known as the 'Queen's Terminal'. The new Terminal 2: the Queen's Terminal opened for business in 2014. The terminal measures 40,000 square metres.
- Terminal 3 was opened in 1961. The terminal measures 98,962 square metres.
- Terminal 4 opened for business in 1986 and underwent a major refurbishment in 2009. The terminal measures 105,481 square metres.
- Terminal 5 opened in 2008. The terminal measures 353,020 square metres.

We have a total of approximately 58,600 square metres of retail space served by retail and food and beverage outlets.

Runways

We operate two parallel runways, generally operating in segregated mode, with arriving aircraft allocated to one runway, and departing aircraft to the other. To mitigate noise impact to residents living below the approach and departure routes, the runways for arriving and departing aircraft are usually swapped at 15:00 each day, or as weather conditions dictate.

The airport is permitted to schedule up to 480,000 air-traffic movements ('ATM') a year. In 2024 we operated at 99% (2023: 95%) of this cap.

Other infrastructure

We own railway infrastructure including stations, tunnels and track from Heathrow as far as Airport Junction on the Great Western Mainline.

We also own public car-park spaces that are available to passengers and the general public. The terminals and their approaches provide advertising space, which yields further income.

REGULATORY ENVIRONMENT

The Regulatory Framework

As set out by the Civil Aviation Act 2012 (the Act), an airport with Significant Market Power ('SMP') must be subject to economic regulation by means of a licence issued by the Civil Aviation Authority ('CAA'), the UK's independent aviation sector regulator. In 2014 the CAA determined that Heathrow met SMP conditions and, as set out in the Act, issued Heathrow's economic licence.

Under the current regulatory regime, the CAA establishes a price cap being the maximum price of aeronautical charges that Heathrow can charge per passenger for services over the following regulatory period. The duration of the regulatory period is defined by the CAA, usually five years.

In addition to setting prices, the CAA also defines service quality standards that Heathrow must meet. These standards cover aspects such as baggage handling, security, and passenger services.

The price cap calculation

The price cap is calculated via the 'building blocks' model. Based on this approach, the CAA:

- Sets a passenger forecast to better understand what level of demand the airport is expected to serve over the next regulatory period.

- Estimates all costs Heathrow will have to incur to provide its services, including (i) operating expenditure, (ii) return to investors, considering cost of capital determined by the CAA, and (iii) regulatory depreciation. The cost of capital and depreciation amounts are based on the value of Heathrow's regulatory asset base ('RAB'), formed by the existing assets used to provide regulated services and planned capital investment.
- Deducts from these costs the projected non-aeronautical revenues, including Other Regulated Charges and commercial activities (e.g., retail and parking). This is because the CAA adopts a 'single till' principle, under which all airport activities, both aeronautical and commercial, are taken into consideration when determining the level of airport charges.
- Divides the resulting gap, i.e., the total required revenue to be covered by charges, by the forecasted passenger number to calculate a price cap per passenger, a per passenger maximum allowable yield.

The RAB

The RAB is a regulatory construct that reflects the value of the assets used to run the business, representing the summation of the efficient expenditure that Heathrow has made but has not yet recovered through charges. The RAB is adjusted each year by taking the opening RAB, adding new capital expenditure (the proportion of which to be determined according to the revised incentive framework for capital delivery), and deducting regulatory depreciation and any proceeds from asset disposals. The value of the RAB is also annually uplifted by inflation.

Incentive-regulation

The framework aim is to replicate the outcomes of an efficient, competitive market, while allowing Heathrow to finance its activities and earn a reasonable rate of return. Heathrow can outperform the CAA's economic settlement by attracting more passengers, reducing operating costs or delivering higher commercial revenues. However, Heathrow also bears the risk in case of shortfalls in passenger numbers or additional costs unless in exceptional circumstances and agreed with the CAA. The framework does include several protection mechanisms for Heathrow.

Protections

The regulatory framework provides Heathrow with important protections:

- The CAA has a statutory duty to set a return that secures financeability of our operations.
- Building blocks reset at a new baseline at the start of every regulatory period which restricts long-term risk exposure.
- Clarity and defined timing for recoverability of efficiently incurred capital investments through the RAB.
- Both pricing and RAB value are indexed by inflation.
- A traffic risk sharing mechanism provides protection against under performance on traffic volumes and sharing of outperformance.
- Some protection against exceptional circumstances, for example changes in security regulation proposed by the Government, changes in traffic mix, intra-period movements in property rates costs and capital investment risk in early phases of maturity.
- When market conditions are found to have changed or shifted, Heathrow can request the CAA to reopen a price control and use its powers under section 22 of the Civil Aviation Act to modify Heathrow's licence.

KEY REGULATORY DEVELOPMENTS

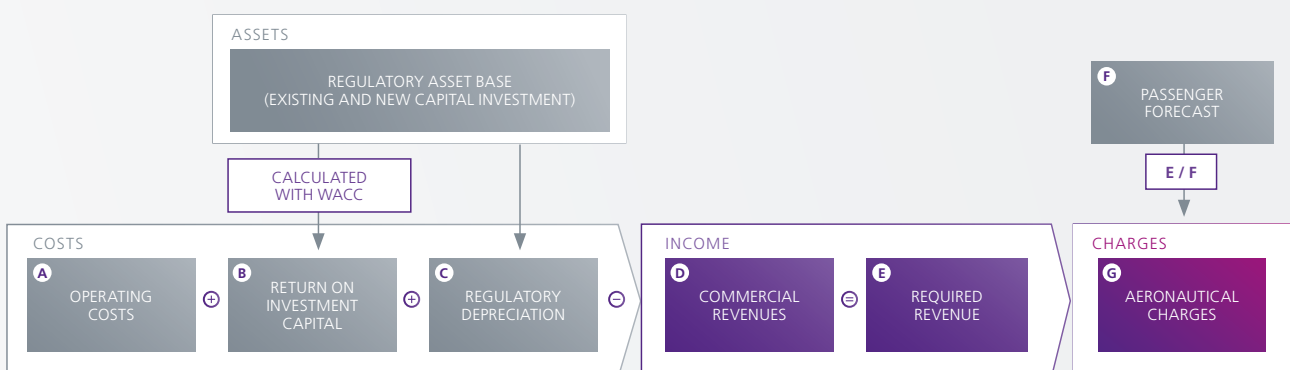
Significant progress has been made during the year with respect to H8, which is due to commence at the start of 2027. The current timetable is for Heathrow to submit its business plan in June 2025, for the CAA to set out its Initial Proposals in December 2025, and for a Final Decision in September 2026. Alongside this process, the CAA has set out four rounds of constructive engagement ('CE'), two ahead of Heathrow's business plan submission, one afterwards, and the final one after the CAA's Initial Proposals. The first round of CE started in November, with five sessions focusing on broad priorities around capacity and resilience, passenger forecast, customer experience, and capital choices. This early round of CE has allowed Heathrow to gain a deeper understanding of our airline partners' requirements ahead of developing our plan, assisting in our aim to ensure that the Business Plan we submit is truly customer led.

In November, the CAA published a consultation on the methodology for H8 together with a consultant report on potential cost of capital for H8. After considering stakeholders' views, the CAA should issue a final method statement, including guidance for Heathrow's business plan submission, in February 2025.

Heathrow has responded to the methodology focussing on five key areas where we seek changes.

- Enhancing the regulatory framework to boost investment opportunities – reform of the single till boundary to address the harm to consumers arising from the lack of property investment in the central terminal area and the perimeter of Heathrow.
- Seeking a collective approach to Measures, Targets and Incentives (MTIs) – drive improved performance, resilience and consumer outcomes through a collective MTI regime.
- Evolving and targeting capex governance changes – a framework to deliver small and digital/technology focused capex projects faster and more efficiently.
- Setting a clear direction on financeability fundamentals – agreeing an approach that recognises the importance of the right credit rating, cost of capital and approach to inflation.
- Improving the business plan incentive – clear, objective and measurable assessment criteria to allow Heathrow the framework to deliver on the CAA's ambition for the business plan incentive.

In addition, Heathrow responded to the CAA consultation on cost of capital, focussing on the appropriate asset beta for Heathrow and ensuring that the cost of embedded debt is consistent with Heathrow's actual cost.

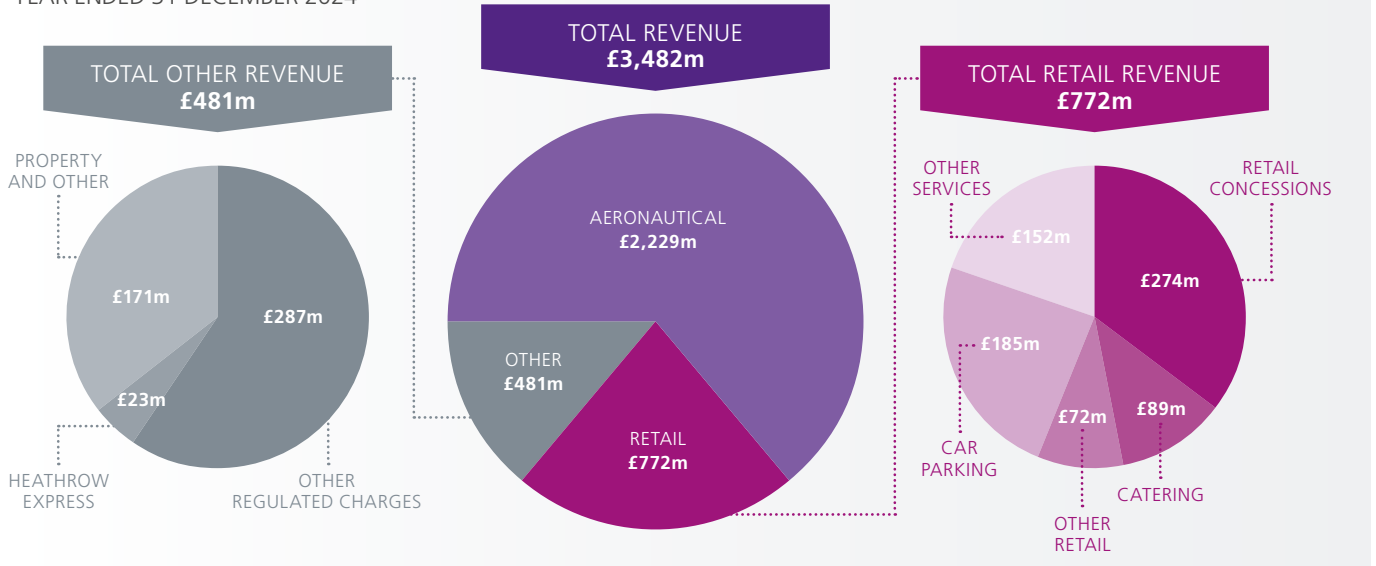


Building blocks for maximum allowable yield calculation

GENERATING REVENUE

We generate three categories of income: aeronautical income, which is generated from fees charged to airlines for use of the airport's facilities, retail and other income.

YEAR ENDED 31 DECEMBER 2024



AERONAUTICAL INCOME

Aeronautical income reflects the fees charged by Heathrow to the airport's airline customers. The tariff structure can vary in consultation with stakeholders, but includes three key elements:

Passenger charges

Passenger charges are based on the number of passengers per aircraft and levied in respect of all departing passengers. There is no charge for crew members. Charges vary by route area (Domestic, Common travel area, European Economic Area and Rest-of-world) and type (direct and transfer passengers). These charges are passed on directly by airlines to passengers.

Movement charges

Movement charges are applicable to each aircraft on take-off and landing. These are calculated in accordance with the certified maximum take-off weight of the aircraft and are banded into categories for aircraft weighing less than and those weighing more than sixteen metric tonnes, which includes nearly all commercial aircraft. These charges are broken into further categories based on the noise chapter rating of each aircraft, with the quietest aircraft attracting the lowest charge.

The noise rating component of these charges also includes a multiplier for any movements that are unscheduled between 23:30 and 06:00. Arriving aircraft are also subject to charges based on their nitrogen-oxide ('NOx') and carbon emissions.

Parking charges

Each aircraft is given a free stand parking allowance of 30 minutes for narrow bodied aircraft and 90 minutes for wide bodied aircraft. Parking charges are levied for every 15-minute slot beyond this.

RETAIL AND OTHER INCOME

The 'single till' principle means that higher retail and other income reduces per-passenger charges. Retail and other income is generated from a variety of sources, including:

- **Retail** – concession fees from retail and commercial concessionaires and direct income from car parks, advertising and premium products.
- **Other regulated charges** – the recovery of certain costs incurred for the provision of facilities such as baggage handling and passenger check-in.
- **Heathrow Express** – fare revenue from the Heathrow Express rail service.
- **Property and other** – income from rental of airport property space, such as aircraft hangars, warehouses, cargo storage-facilities, maintenance facilities, offices and airline lounges.

OUR STRATEGY

In 2024, we launched our new business strategy, sharing a new vision and business priorities with our colleagues and our Team Heathrow partners to ensure we continue to deliver our purpose, to make every journey better.

Having last revised our strategy in 2014, we needed to reset and establish new goals. We had spent several years rebuilding the business after the pandemic, thanks to the determination and skill of our colleagues, but it was time to refocus the future of our airport.

Our strategy gives us a clear direction and sets the path to achieving our new vision – to be an extraordinary airport, fit for the future. We have six new business priorities, our Beacons, that will help us become extraordinary.

Additionally, we have three new Foundations, our non-negotiables that underpin everything we do. This strategic framework will enable our continued success and future growth.

OUR PLAN TO ACHIEVE OUR VISION



OUR BEACONS EXPLAINED

The six Beacons are our six strategic priorities for the upcoming years. We will drive improvement in these areas to ensure success and achievement of our vision.



Winning Team

Be a great place to work by providing an inclusive and engaging colleague offering and culture that attracts and retains diverse talent, creates a performance culture and unlocks colleague's full potential for now and in the future.

Our colleagues are, and always have been, a crucial part of our operation and part of who we are; investing in their development remains key to our strategic success.



Focus to go Faster

Improving the overall effectiveness of the organisation, by doing more but faster and, where possible, with less. Being efficient in our processes, resource allocation and decision making, whilst delivering programme benefits at greater speed to increase revenue.

After the pandemic, we scaled up rapidly to meet rising demand and provide excellent service for our customers. Now, we must ensure an efficient and effective business.



Value for Customers

We have a range of customers including our passengers, airlines, retailers, tenants and surface access users. We need strong working relationships with all of them to deliver a good service for passengers and to create value for all customers, which also drives value for us.



Digital Future

Exploiting our existing digital capability alongside embracing new opportunities for digitisation to improve productivity and create efficiencies. Promoting a 'data culture' at Heathrow – capturing the right data and using it to inform decisions and enhancing our data and analytical capability. Keeping up with the changing technological and data landscape.

The external world has changed rapidly, use of digital technologies is more widespread. This beacon represents our commitment to investing in this area and keeping pace with the world around us.



People and Planet

Delivering on our publicly declared Connecting People and Planet sustainability commitments and managing our environmental impact, as well as using our role and reputation to achieve positive change.

We must use our position in the aviation industry for good; protecting the environment and investing in sustainability are more important than ever.



Creating Capacity

Taking action now to protect and enable growth in the future. Making the best use of our existing capacity and infrastructure, creating additional capacity and developing long-term plans to ensure we have the capacity to meet demand.

We are currently capacity constrained and remain committed to an expanded Heathrow, ensuring we can connect not only London but the whole country to the rest of the world.

OUR FOUNDATIONS EXPLAINED

Our Foundations are the non-negotiables that underpin everything we do at Heathrow. They are fundamental to running our airport and are areas we must absolutely get right. We need to have **excellent** Safety, Security and Compliance, Service and Operations, and Governance and Financial Resilience.

Safety, Security and Compliance

Delivering high safety and security standards across Heathrow, keeping everyone safe and secure, both physically and digitally, and consistently meeting our compliance obligations.

Safety is both one of our core values and foundations, highlighting its importance. Everyone who passes through Heathrow, whether colleagues or customers, should feel safe.

Service and Operations

Ensuring the smooth running of the airport – making sure that day-to-day operations take place as planned and any issues are handled with minimal effect on passengers – whilst providing continually excellent service.

Our passengers are an essential customer, so it is vital that we provide them with a service that meets expectations and delivers minimal disruption.

Governance and Financial Resilience

Ensure effective governance and business controls, generate increased cashflow, allocate capital efficiently and optimise our debt structure to create financial returns to shareholders.



OUR VALUES EXPLAINED

DOING THE RIGHT THING

Doing the right thing means acting with **integrity** and thought for others, ourselves and Heathrow. It means living the values in everything we do and underpins all our **actions, decisions and interactions**. Doing the right thing is something that sets us apart. For colleagues at Heathrow, it's something that is ingrained in our culture from our proud history and connects all of us. It enables us to **feel confident in our decisions and proud of our actions**. We're **responsible in the way we do business**. We take a lead on Sustainability and doing the right thing by being a good neighbour and delivering against Connecting People and Planet.

'Doing the Right Thing' means...



- Take care, do things right
- Own our actions
- Take pride in what we do

TREATING EVERYONE WITH RESPECT

In every Heathrow interaction, people are valued, respected, included and treated fairly. Everyone deserves to be treated with respect and consideration. When we feel respected and included, we can **trust one another** and feel **confident to bring our true selves to work and able to speak up**. Trust enables us to have honest conversations and the confidence to face challenging situations to achieve the best solutions. An inclusive culture leads to **diversity of ideas** and helps us to make better decisions.

'Treating Everyone With Respect' means...



- Value everyone's contribution
- Actively listen to understand
- Embrace differences

GIVING EXCELLENT SERVICE

Giving excellent service is about our ambition to lead, to **be our best and give our best**. It means living our **Service Signatures in every interaction** - with colleagues, customers and partners. We give excellent service because we are proud that passengers see Heathrow as the best place to fly from, through and to. By doing this we will achieve our vision of giving passengers the best airport service in the world.

'Giving Excellent Service' means...



- Notice and Care
- Share what we Know
- Make things Better

WORKING TOGETHER

Working together constructively to achieve a common goal. We are stronger and achieve more when we work together. It feels good to be **valued for your contribution**, to **appreciate others and to bring out the best in each other**. Working together supports a sense of **belonging and connection**, with us each playing our part to achieve the best outcomes.

'Working Together' means...



- Connect with others to deliver our best work
- Bring out the best in each other
- Recognise and appreciate others

KEEPING EVERYONE SAFE

Caring for ourselves and one another, so that we feel **safe, secure and well** and empowered to **speak up**, across all settings and activities. We notice and care and act with consideration for others, ourselves, Heathrow and the community. The safety of our colleagues and passengers has always been a **non-negotiable**. It's our first and foremost objective to running our business. The **physical and mental wellbeing of ourselves and each other** has never been more important, so they go hand in hand. When we and those around us feel safe, secure and well, we can achieve and enjoy a great place to work.

'Keeping Everyone Safe' means...



- Look out for ourselves and others
- Stop, think and act
- Care and speak up

IMPROVING EVERYDAY

Being ambitious and always striving for the best, with the right tools and mindset to succeed. We feel proud of our ambition and feel fulfilled because we are always **improving, learning and growing** together in the pursuit of it. We **grow and learn** from each other by **sharing our knowledge and experience**. It's **not always about perfection** every time, but a desire to **embrace change** and have a **growth mindset**. We **learn from the past and apply those learnings to the future** to continuously reach the best solutions.

'Improving Everyday' means...



- Keep things simple in every interaction
- Seek out new opportunities
- Learn, adapt and grow

OUR STAKEHOLDER JOURNEY:

What does extraordinary mean for...

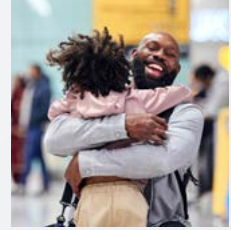


AIRLINES

An airport that operates efficiently, provides growth opportunities, provides a platform for strong business and collaborates to improve operational performance and resilience.

PASSENGERS

An airport that understands my specific needs and is somewhere I want to travel from; providing an excellent service and helping me enjoy my time at the airport.



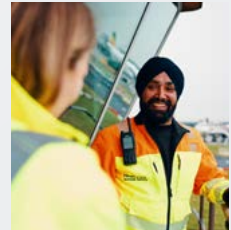
GOVERNMENT AND THE UK

A resilient hub airport that delivers significant economic growth to the country by connecting people and cargo from all regions and nations of the UK to the world.



TEAM HEATHROW COLLEAGUES

A great place to work, that motivates me and provides an inclusive culture that drives me to be my best, allowing me to progress my career.



COMMUNITIES AND ENVIRONMENT

An airport that is a great place to live near, creating a positive impact for local communities and the environment, and delivering on decarbonisation commitments.



SUPPLIERS AND COMMERCIAL PARTNERS

An airport that works collaboratively with everyone in the Team Heathrow ecosystem to deliver an extraordinary service to passengers; that is easy to work with, operates efficiently, and is exciting to be a part of.



INVESTORS

A responsible and efficient business that provides a sustainable return on investment with growth opportunities.



OUR BEACONS IN ACTION: WINNING TEAM



Our Winning Team beacon is at the heart of our strategy. In 2024, we made significant progress toward an inclusive and engaging culture that attracts and retains diverse talent while unlocking colleagues' potential.

A new career champions programme was designed and launched, with over 300 colleagues participating in the career advice and guidance programme. The 2022 graduates secured new management roles, and we launched our 2025 graduate campaign.

We introduced an improved virtual GP and employee assistance benefit for all colleagues and their families, and our family friendly policies were enhanced, providing a better offering for our colleagues.

Our internal manager and leadership programmes continued to deliver high engagement and attendance with 1,604 participants, and Heathrow won the prestigious British Training Awards for our 'Lead the Way' management programme. We launched a new recognition platform enabling colleagues and line managers to say 'thank you' at the click of a button.

Recognising diversity and inclusivity saw National Inclusion Week celebrating our five equality, diversity and inclusion ('ED&I') networks, highlighting belonging and engagement within our colleagues. Heathrow also won 'Diversity Team of the Year' for the delivery of ED&I strategy at the British Diversity Awards.

To foster a great place to work, we have developed a robust engagement engine that empowers us to make informed organisational decisions based on our colleagues' collective voice. Our bi-annual Pulse engagement surveys, most recently conducted in November 2024, saw a record-breaking 91% participation rate. We ended the year with 67% of colleagues agreeing that Heathrow is a Great Place to Work.



JO BUTLER
Chief People Officer

INCLUSIVE EMPLOYER OF CHOICE FOR LOCAL DIVERSE TALENT

We want to attract and retain diverse talent by fostering an inclusive culture where every one of our colleagues can thrive with us and feel that they belong. In 2024:

- 38.6% of senior managers identified¹ as female down from 39.8% in 2023, and 21.7% of senior managers identified as Black, Asian and Minority Ethnic up from 20.1%.
- We set a new goal focused on inclusion to help us make Heathrow an employer of choice for diverse talent. In our latest survey, 66% of colleagues agreed that Heathrow is inclusive for all colleagues, and we aim to increase this to 80%.
- Training on diversity and inclusion has been completed by more than 6,750 colleagues and 116 senior leaders.

ACCESS FOR LOCAL PEOPLE TO DEVELOP CAREERS AT HEATHROW

We connect our communities to the world of work through skills development, work experience and early careers to support local employment and strengthen our talent pipeline. In 2024:

- We delivered 1,637 career opportunities, 7,700 since 2022, either with us or brokered with Team Heathrow partners, and in-person and virtual experience of work days of 15,628 since 2022.
- The Heathrow Employment and Skills Academy celebrated its 20th anniversary and partnered with a local college to launch a two-year course to prepare students for careers in aviation.

	Target ²		Performance		
	2026 Target	2030 Target	2024	2023	2022
% of female colleagues at senior levels (Exec-Band C)	41%	43%	38.6%	39.8%	39.5%
% of all colleagues who are female	-	-	43.8%	41.4%	41.3%
% of Black, Asian and Minority Ethnic colleagues at senior levels (Exec-Band C)	22%	23%	21.7%	20.1%	18.3%
% of all colleagues who are Black, Asian and Minority Ethnic	-	-	51.7%	54.3%	48.1%

¹ As recorded per right to work documentation in line with statutory reporting.

² We have adjusted our targets for female and Black, Asian and Minority Ethnic representation at senior levels to reflect changing circumstances. The previous targets were set during a period of high turnover and new hiring in the aftermath of the COVID-19 pandemic. The new targets remain challenging but are more realistic in the context of reduced turnover.

OUR BEACONS IN ACTION: FOCUS TO GO FASTER



The Focus to go Faster beacon promotes our commitment to improving Heathrow's effectiveness by delivering faster, and with greater efficiency. In 2024, we continued to streamline processes and optimise resource allocation to enhance speed and productivity while maintaining service standards.

Key achievements included delivered management initiatives to drive EBITDA improvement and upsizing the H7 capital plan to £4.5 billion. Agile decision making also enabled swift responses to the rapid vacation of Eastern Business Park to enable demolition ahead of site transformation in line with the plan.

Additionally, new security lanes were implemented at a pace across our terminals as part of our Next Generation Security Capex programme. In June 2024, we implemented security fast track lanes across all terminals to enhance the customer experience. This initiative is designed to streamline the security process and provide a more efficient journey for our passengers.

Further highlights include streamlining external financial reporting, removing quarter 1 and quarter 3 results, and replacing them with a short Trading Statement.



HELEN ELSBY
Chief Solutions Officer

SPOTLIGHT:

Southern Runway resurfacing complete



In October the runway resurfacing project reached a milestone as resurfacing the Southern Runway was completed.

More than 200 operatives and 150 vehicles were involved in the overnight work over 29 weeks. The Southern runway, which is 50 metres wide and 3,659 metres long (equivalent to around 40 football pitches), was resurfaced in sections each night, ready in time for the first aircraft to take off or land back on the runway at 06:00.

The Southern runway task list included:

- Laying approximately 50,000 tonnes of asphalt.
- Replacing about 1,100 runway lights with more energy-efficient LED units.
- Cutting over 7 million metres of grooves into the surface to aid drainage.
- Upgrading 22 entry/exit taxiways and the runway shoulders which is almost the same surface area as the runway.

In line with our sustainability goals, all material was brought to the local Colnbrook centre by rail, with only the final journey airside being by road. 70,000 tonnes of planed asphalt from the project was also taken off-site to be processed and reused in local road resurfacing or used in other similar facilities across the country.

This project is just one of our H7 capital investment programmes, which are helping to enhance the service and resilience we deliver as the UK's hub.

OUR BEACONS IN ACTION: VALUE FOR CUSTOMERS



The Value for Customers beacon highlights Heathrow’s commitment to deliver good service for passengers and create value for all customers.

In 2024, we significantly expanded our retail and food offerings, with 15 new retail openings. We also trialled new fast charging options in terminals to meet increasing passenger demand, and improved service offering through our Heathrow Helper team with the majority of passengers rating their service interactions with this team as ‘very good’ or ‘excellent’.

Operational improvements enhanced the customer experience, including further automation of Self-Service Bag Drop, updated Terminal 4 connections routing, reducing journey times, continued roll out of next-generation security scanners and completion of the Southern Runway resurfacing.

For Passengers requiring support, all areas exceeded ‘good’ scores, setting a new standard for accessibility.

Further investments included transforming retail spaces into luxury units, completing the VIP Windsor Suite lounge refurbishment, and installing 40 Ramp Information Display Screens to streamline operations.



ROSS BAKER
Chief Customer Officer

SPOTLIGHT:

Passengers requiring support (‘PRS’) services improved

In 2024, Heathrow received 2.2 million requests for its assistance service, significantly more than any other airport in Europe, and we are focused on offering better service than ever to this critical segment.

Demand for our assistance service is more than 50% higher than in 2019, demonstrating that more people than ever before with access requirements are travelling.

We have worked in close collaboration with our airline customers and our service delivery partner to improve and invest in our assistance service to make Heathrow more accessible.

Our approach to accessibility is all about supporting independence and choice for our passengers. The Independent Journeys Project, for example, will empower passengers requiring additional support, and give them a choice to travel in the most independent way throughout the airport.

We are adopting an industry leadership role by participating actively in Aviation Accessibility Task and Finish Group which was established in 2024 by the Secretary of State for Transport and it is chaired by leading advocate Baroness Tanni Grey-Thompson, to support reform to further improve access to air travel.



OUR BEACONS IN ACTION: DIGITAL FUTURE

The Digital Future beacon reflects Heathrow's commitment to leveraging digital capabilities, embracing innovation to improve productivity and efficiency as well as elevating the passenger experience through digital capability.



In 2024, key achievements included the launch of AI service replies for customer Live Chat, reducing average handling times, and a successful trial of digital-only Heathrow Express fares. We also introduced innovative initiatives, such as the Pay in Advance option for Reserve & Collect retail and user experience insights for Heathrow Express bookings and airport lounge upselling.

Passenger experience was further enhanced with the launch of a virtual guide for Terminal 2, and the integration of WhatsApp into the Heathrow app, expanding communication channels.

Sustainability and cost efficiency were also priorities, demonstrated through the successful trial of ePaper for digital signage and preparations for deploying a 5G public network. We have begun a full transformation of our Information and Technology function which will enable us to move fast through utilising Agile project management disciplines, as well as ensure the safe and secure IT operation every day. In addition to this, we have recruited new leadership roles in both Data and Analytics, and Digital Transformation so that our entire business and customer offering is more digitally capable.

These achievements underscore Heathrow's commitment to digital solutions to remain competitive in the global aviation sector.

SPOTLIGHT:

Virtual guide of Terminal 2

Take a tour of the airport before you travel

In 2024, we launched a virtual guide of Terminal 2 to provide passengers with peace of mind and reassurance ahead of their airport journey.

Passengers can navigate and familiarise themselves with Terminal 2 from the comfort of their own home before their journey commences. The step-by-step virtual tour allows anyone to view and experience each stage of the airport journey before they even get there; from the moment of stepping

foot into the terminal to check in, through security, and all the way to the gate.

The virtual tour can be experienced on all devices, including smartphones, desktops, and tablets. This allows any passenger to explore the virtual tour on a bigger screen on their home desktop or have it comfortably in the palm of their hand as they approach the airport entrance.



[Terminal virtual guide](#)
[Heathrow](#)



OUR BEACONS IN ACTION: PEOPLE AND PLANET



A strong focus on sustainability is vital to realise our vision to be an extraordinary airport, fit for the future.

For us, this means working towards Net Zero Aviation and making Heathrow A Great Place to Live and Work. Our sustainability strategy, Connecting People and Planet, provides a roadmap of goals and targets to 2030 to drive progress towards these ambitions. It is underpinned by our Responsible Business Foundations.



Delivering on our sustainability strategy is at the heart of our People and Planet beacon which feeds into the Winning Team beacon described on page 24. It also supports delivery of our other beacons and foundations by helping us retain our licence to operate, maintain our reputation as a positive influence on sustainability issues, build strong relations with neighbouring communities, and create a compelling colleague proposition that attracts and retains the talent we need to run the airport now and in the future.

Our previous sustainability strategy, Heathrow 2.0, was last updated in 2022. Now the airport is busier than ever with 83.9 million passengers in 2024, an increase of 5.9% on 2023 and we have made significant progress on several goals.

In 2024, we refreshed our sustainability strategy in light of our recovery and to align it with our revised business strategy. The updated strategy, Connecting People and Planet, strengthens our ambitions in many areas while revising our approach in others to help drive progress more effectively. Changes to goals or targets are signposted in our sustainability strategy and our Sustainability Report.



Photo by NASA on Unsplash



We have also reframed our Responsible Business Foundations to more clearly align our strategy with the material environmental, social and governance ('ESG') issues identified through the double materiality assessment we completed in 2023. Each issue was assessed based on the potential impact on the business, including financial impact, and the potential impact we can have on society and the environment.

Engaging with stakeholders informs the development and implementation of our strategy. See page 82 for more on stakeholder engagement. We are working closely with others, including airlines, Team Heathrow partners, suppliers, communities and government bodies, to achieve our goals.

The following pages provide an overview of progress towards the goals of our sustainability strategy in 2024, with further detail published in our full sustainability report.



Sustainability Strategy: Connecting People and Planet

View our full sustainability strategy on our website, together with detailed plans on specific topics: www.heathrow.com/sustainability



Sustainability Report 2024

Our sustainability report details our progress towards each of the goals and targets in our sustainability strategy, and the challenges we face along the way. It also discloses ESG performance metrics and showcases how we are putting our strategy into action connecting people and planet. Find out more [here](#).

NET ZERO AVIATION

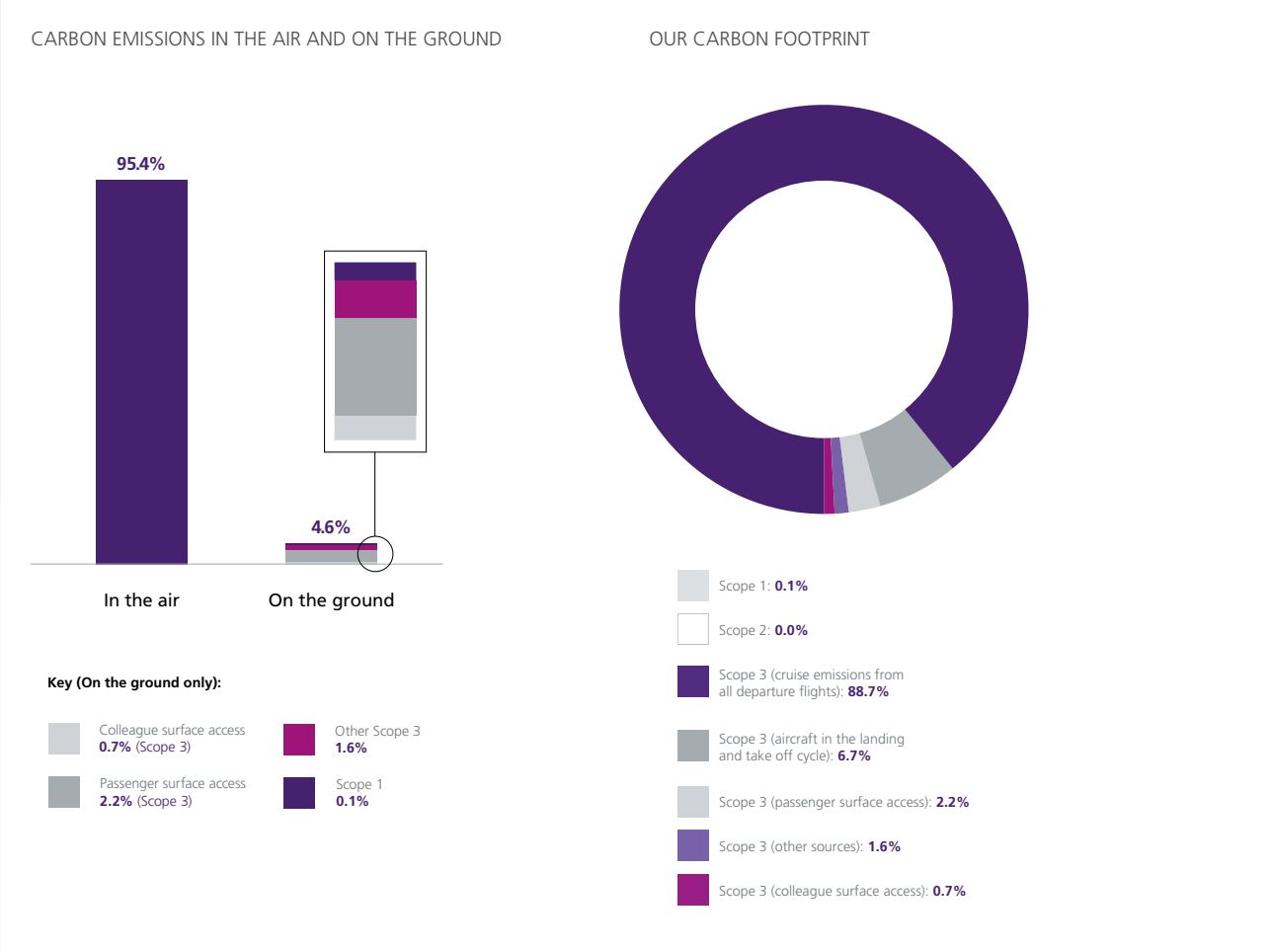
Our Net Zero Plan sets a carbon reduction trajectory to 2050 with goals to cut carbon emissions both in the air and on the ground, even as passenger numbers increase. It is supported by near-term science-based targets validated by the Science Based Targets initiative ('SBTi') and in line with a 1.5°C pathway for further details see page 68.

We work with airlines, Team Heathrow partners and suppliers to reduce the scope 3 emissions that make up over 99% of our carbon footprint, as well as taking steps to cut scope 1 and 2 emissions from our operations.

To help us achieve net zero, we are investing in UK nature-based projects that will deliver carbon removals to cover residual emissions in future.

In the meantime, we maintain carbon neutrality by offsetting scope 1 and 2 emissions and scope 3 emissions from business travel.¹

We are also working to adapt our operations to enhance resilience in the face of climate change risks such as extreme heat, storm events and flooding. See our Climate-related Financial Disclosures on page 52 for more detail on climate-related financial risks and page 72 for carbon footprint data.



¹ Verified Carbon Standard offsetting credits purchased to achieve carbon neutrality to the Airport Council International Carbon Accreditation Scheme Level 4+.

NET ZERO IN THE AIR

We are working with others in the aviation industry and the UK Government to drive progress towards net zero flights by increasing the adoption of sustainable aviation fuel ('SAF'), contributing to research into zero carbon emissions flights ('ZEF'), and improving aircraft and airspace efficiency. In 2024:

- Our 'In the Air' emissions totalled 18.5 million tonnes. Even with the recovery of passenger numbers to pre-pandemic levels, emissions are 7.5% less compared to 2019.
- Our SAF incentive increased to 2.5% of fuel uplifted at Heathrow, and we supported wider efforts to drive uptake of SAF as detailed in the case study below.
- We contributed to research into the airport infrastructure needed to enable hydrogen fuelled ZEF in future, including co-funding a new role at Cranfield University.
- We incentivised lower carbon flights through landing charges and our relaunched Fly Quieter and Greener league table, and began expanding provision of pre-conditioned air to cut fuel use on stand.
- We have progressed into Stage 3 'consult' of the airspace change process supporting airspace modernisation, promoting resilience and cutting carbon.

SPOTLIGHT:

Driving uptake of sustainable aviation fuel ('SAF')

SAF has a crucial role to play in decarbonising aviation, cutting emissions by an estimated 70%². Made from sources such as used cooking oil or municipal waste, SAF is a biofuel that can be used in existing aircraft engines blended with conventional aviation fuel.

Heathrow has led the way in driving adoption of SAF in the UK by integrating it into our fuel supply early and encouraging uptake by airlines with our first-of-its-kind incentive programme that lowers the price premium associated with SAF using funds raised from landing charges.

We welcome the UK Government's new mandate that SAF must make up 2% of total jet fuel uplifted in the UK in 2025, rising to 10% by 2030.

To help increase supplies of SAF, we are supporting the Government's proposed revenue certainty mechanism to promote investment in UK production facilities and give investors' confidence in their returns. Heathrow is a founding member of Rise, a coalition of leading airlines, airports, manufacturers, producers, engineers and industry associations advocating development of a strong domestic SAF industry.

In 2024, we partnered with Heston Blumenthal's Perfectionists' Café at Heathrow to produce an award-winning campaign that raised awareness of SAF's role in cutting carbon from flying with the launch of the Fly Up breakfast a fry-up cooked in oil that is recycled into biofuels.



NET ZERO ON THE GROUND

We are investing in infrastructure, setting standards, and engaging suppliers, passengers and colleagues to cut emissions associated with our supply chain, our buildings and ground transport to, from and at the airport. In 2024:

- Our 'On the Ground' emissions totalled 890,000 tonnes. While there has been an increase compared to 2023 due to higher supply chain capital expenditure, our emissions remain significantly lower than our 2019 baseline, by 14.6%.
- More passengers and colleagues chose sustainable transport options to and from the airport. For further details, see the 'Clean air at and around the airport' section on the next page.
- Uptake of hydrotreated vegetable oils ('HVO') biodiesel at the airport rose by 57% compared to 2023 and we installed a hub of 12 ultra-rapid charging bays to support the switch to electric airside vehicles. Further ultra-rapid charging hubs will be rolled out over the next three years.
- We introduced a new carbon management standard to track, manage and reduce supply chain emissions from capital infrastructure projects.

We continue to source grid electricity backed by Renewable Energy Guarantees of Origin, and we have developed a strategy to decarbonise heating and hot water as part of our investment proposals for the next Civil Aviation Authority ('CAA') regulatory period H8, 2027 to 2031.

² Compared with conventional fossil-based aviation fuel: [Sustainable aviation fuel initiatives - GOV.UK \(www.gov.uk\)](https://www.gov.uk/sustainable-aviation-fuel-initiatives)

A GREAT PLACE TO LIVE

We strive to be a good neighbour and an inclusive employer of choice by working with colleagues, communities and partners to make the airport a great place to live and work.

CLEAN AIR AT AND AROUND THE AIRPORT

We are focusing on reducing emissions from road transport, airside vehicles and the wider airport operation to help improve air quality for our colleagues and communities. In 2024:

- 45%¹ of passengers used public transport, up from 43% in 2023 and colleagues commuting in single-occupancy cars decreased to 52%, from 62% in 2017 when we last surveyed colleagues on this.

Based on the latest year for which we have full data available, in 2023, 54% of airport vehicles were zero emission or used biofuels, and aircraft meeting the latest, most stringent standards on air pollution² made up 60% of air traffic movements at Heathrow.

QUIETER NIGHTS, QUIETER FLIGHTS

We are committed to making Heathrow quieter for neighbouring communities by insulating homes, incentivising quieter planes and reducing flights at night. In 2024:

- We relaunched our Fly Quieter and Greener airline league table to promote use of quieter, cleaner aircraft and began a large-scale residential insulation scheme for homes near the airport. See case study below.
- We achieved a record 189 nights without flights between 23:30 and 04:30, compared with 144 in 2023.

Based on the latest year for which we have full data available, in 2023, 508,300 people were exposed to noise above Lden 55dB³ which was 23% fewer than in 2019.

SPOTLIGHT: Noise-proofing our neighbours' homes

We launched a new scheme in 2024 that will provide noise insulation for around 20,000 homes near Heathrow that are most affected by airport noise. In the first phase, we will offer a free independent home survey and noise insulation measures worth up to £34,000 for 2,605 homes in four villages close to the airport. Work will be done in order of priority based on recommendations from an independent prioritisation panel that includes community representatives.



NATURE POSITIVE AIRPORT

Our new Nature Positive Plan builds on our long history of protecting biodiversity with ambitious goals to nurture nature at and around the airport, and at national and global level. In 2024:

- We published our Nature Positive Plan and retained the Wildlife Trusts' benchmark award for the 16th consecutive year for 10 of our biodiversity sites.
- We became the first airport to commit to reporting in line with the Taskforce for Nature-related Financial Disclosures recommendations, with a disclosure planned for our 2025 annual reporting.

ZERO WASTE AIRPORT

We are working with our Team Heathrow partners on approaches to better manage materials and minimise waste from the airport. In 2024:

- Airport waste increased by 1.7% from 2023 due to record passenger numbers but remained 8% lower than 2019. Around 49.8% was recycled.
- We introduced reusable cups at our main office, trialled new systems with Team Heathrow partners to increase recycling and enhanced our focus on avoiding waste.

¹ Based on Heathrow's Profiler Survey data- not CAA collected data.

² Compliant with International Civil Aviation Organization ('ICAO') Committee on Aviation Environmental Protection ('CAEP') standard 8 for nitrogen oxide ('NOx') emissions.

³ Lden refers to day-evening-night level, a standard that measures average noise level over a 24-hour period.

THRIVING SUSTAINABLE SUPPLY CHAIN

We build sustainability criteria into supplier relationships to mitigate risk, enhance resilience and drive progress on sustainability, as well as supporting small businesses. In 2024:

- 93% of our strategic suppliers achieved the highest gold standard on one or more measures in the Balanced Scorecard we use to assess their sustainability performance.
- We used our Lift Off programme and CompeteFor platform to connect local small businesses to opportunities with us and Team Heathrow partners.

BETTER QUALITY OF LIFE IN HEATHROW'S NEIGHBOURING COMMUNITIES

We aim to give back to 1 million people by 2030 by connecting communities to funding, the world of work, the local environment, and wider Team Heathrow support. In 2024:

- Our Giving Back programme benefited an estimated 123,896 people, totalling 218,808 to date and colleagues volunteered 4,193 hours to support community activities.
- We contributed a total of £827,605 to the independent Heathrow Community Trust, donating £602,696 and leveraging £224,909 from colleague and passenger fundraising and noise fines.

RESPONSIBLE BUSINESS FOUNDATIONS

Our Responsible Business Foundations underpin our sustainability strategy and our business strategy.

Policies and procedures in these areas address material ESG impacts and help to mitigate several of Heathrow's principal business risks, including a safe and secure operating environment, cyber and information security, and resource and talent see page 45 for further details.



For more information on our responsible business foundation see our [Sustainability Report](#).

EMBEDDING SUSTAINABILITY IN OUR BUSINESS

We embed sustainability into our decision making, including our long-term capacity planning, through robust governance, clear policies, sustainability-linked financing and incentive schemes, leadership training and colleague engagement.

To enable progress on our sustainability goals, we have included £250 million of investment in carbon and sustainability improvements in our business plan as part of our settlement with the CAA for the H7 regulatory period from 2022 to 2026.

Further investment will be sought as part of our plans for the H8 regulatory period from 2027 to 2031.

GOVERNING SUSTAINABILITY

The HAH Board⁴ has overall accountability for setting and overseeing the implementation of Heathrow's strategy, including ESG matters which are embedded across our business. See page 101 for more information on our Governance Structure and page 54 for more on climate-related governance.

MANAGING ESG RISKS

We build identification and management of ESG risks into our enterprise risk management policy and processes, and risks related to sustainability are among the principal risks for Heathrow's business. See page 42 for more on our approach to enterprise risk management and on our principal risks, and page 51 for more on climate-related financial risks.

⁴ The HAH Board is the Board of Directors of Heathrow Airport Holdings Limited as defined on page 90.

OUR BEACONS IN ACTION: CREATING CAPACITY

In 2024, Heathrow achieved record seats per movement, the busiest-ever days in seat capacity, and an all-time high in connectivity. The

Creating Capacity beacon reflects Heathrow's short, medium and long-term strategy with a focus on maximising capacity through current infrastructure, modernising and upgrading the airport. This is to ensure we remain internationally competitive through improving the passenger experience whilst preparing for future growth by creating additional capacity.



THE UK'S GATEWAY TO GROWTH

Unlocking new capacity at Heathrow is central to our strategy because it will improve operational performance and resilience for our customers, enable more global connectivity and competition for consumers and grow the UK economy through increased trade, tourism and investment.

We welcomed the Government's recognition of the important role Heathrow plays in driving economic growth for the UK and ambition for a third runway to be operational within a decade. In a major address delivered at British Steel Scunthorpe, our CEO Thomas Woldbye responded to the Government's strong support by announcing the largest private investment programme in Heathrow's history and confirming the airport is developing proposals for a third runway to share with Government by summer. We will also be working with Ministers to agree the policy changes on airspace modernisation, planning reform and regulation that are required to successfully deliver a third runway.

Ahead of then, as part of a phased expansion programme and supported by the Government's clear backing, we also confirmed multi-billion-pound investment plans, 100% privately funded, to upgrade our terminal buildings, enhance passenger experience, and improve resilience and sustainability. This is vital investment and will ensure Heathrow remains globally competitive and a jewel in the country's crown – the UK's Gateway to Growth.

Full details of the pathway to a third runway will be part of Heathrow's initial proposals submitted to Government this summer, but plans confirmed will include new investment in:

- Terminal infrastructure: Heathrow will work with airlines and the regulator to finalise plans to invest in the capacity of Terminal 2 and make changes to optimise and increase passenger capacity in Terminal 5.
- Improving customer experience and punctuality: Reconfigure and improve the layout of the airfield, increasing the number of aircraft stands, to improve resilience and punctuality.
- Local transport connections and sustainable travel: Our plans include to further improve bus and coach connections to encourage sustainable and active travel options and benefit our local communities.
- Sustainability: New infrastructure will have improved environmental credentials and will use more sustainable sources of power, supporting the ambitious targets set out in Heathrow's Connecting People and Planet sustainability strategy.

This privately funded programme to transform Heathrow's current infrastructure, with early tangible benefits felt this year, will start with projects within the airport's existing boundary and work towards a third runway. To develop and finalise proposals, we will be engaging with key stakeholders including airlines and local communities.

Expanding Heathrow will add more long-haul and short-haul routes to help drive direct investment and tourism across the UK, as well as opening up new markets for our goods and services. A third runway will bring passengers new destinations, more choice and lower prices through an increase in competition between airlines and for business travellers, students and tourists visiting the UK, it would make it easier to reach our shores. For businesses, the additional cargo capacity afforded by new routes will enable new trading opportunities. Heathrow is an economic catalyst, with many businesses choosing to base themselves in the UK because of the ease of connections from Heathrow.

As the global economy increases, British businesses will need more trading routes with Asia Pacific, Africa and the Americas, which will mean more long-haul flights. Without more runway capacity at Heathrow, Britain will become increasingly dependent on EU hubs to access long-haul markets, which puts the UK at a competitive disadvantage, and potentially puts trade routes at risk if those countries close their borders, as happened during the pandemic. Expanded capacity and cargo facilities at Heathrow would better connect British exporters to global markets and make it easier for investors to come to the UK.

POLICY AND REGULATORY SUPPORT

Policy changes are needed to deliver the project successfully and we will also be working with Ministers to agree these changes, particularly around airspace modernisation, planning reform and adjustments to the regulatory model for a third runway. Over the months ahead, we will be working with Ministers to agree these changes.

Demand for aviation has recovered from COVID-19 and the additional capacity at an expanded Heathrow will allow the UK, as a sovereign nation, to compete more effectively. Expansion at Heathrow would help the Government's ambitions for UK economic growth. By expanding Heathrow, the UK's only hub airport, we would be able to connect all of UK to global growth markets, creating hundreds of thousands of jobs in every nation and region of the country, deliver private investment in critical national infrastructure, and give Britain a competitive advantage over our EU rivals.

The policy framework required to expand Heathrow remain in place. In December 2020, the Supreme Court unanimously ruled that the policy framework governing expansion – the Airports National Policy Statement ('ANPS') – is lawful UK Government policy. On 26 May 2022, the Department for Transport published a policy paper, 'Flightpath to the future: a strategic framework for the aviation sector', in which it reaffirmed that the ANPS continues to have full effect and that the UK Government remains supportive of airport expansion where it can be delivered within environmental obligations. This was reiterated with the publication of the Jet Zero Strategy on 19 July 2022 where the ANPS was again stated as having 'full effect'.

As set out in Heathrow's response to the CAA's 2024 consultation CAP3044 ('Draft H8 method statement and business plan guidance'), should any costs associated with Expanding Heathrow and in relation to the ANPS be brought forward by Heathrow during the remaining H7 and full H8 price control period, the CAA will need to outline clearly how those costs will be dealt with and recovered. We look forward to working with the CAA to understand how best this can be delivered in an effective and efficient manner as plans for Expanding Heathrow continue to develop.

THE BUSINESS CASE

We welcomed a record 83.9 million passengers in 2024 including 75 days with over 250,000 passengers. We know there is strong demand to travel. Our 2025 passenger forecast indicates the coming year is set to continue to be the busiest on record at 84.2 million passengers with Heathrow at operational capacity.

Long-term passenger forecasts are continually reviewed by management and the Board, which still support the fact that the Long-term Growth programme would be affordable and financeable. This explains why the Board launched the Modernising Heathrow programme, working towards a third runway.

In order to obtain planning consent for the third runway, we will have to demonstrate that Expanding Heathrow is compatible with the UK's climate change obligations, including the Paris Climate Agreement. The Government made decarbonising aviation a central part of its green growth agenda, publishing its Jet Zero Strategy in July 2022, through accelerating the use of sustainable aviation fuel and new technology. Our scenario analysis that feeds into our long-term forecast is discussed in the Climate-related Disclosure from page 52. We have an ambition to make 2019 the peak year for carbon emissions at Heathrow and a plan to get to net zero aviation by 2050. Please see page 30 for our Net Zero Aviation section.

RECOVERABILITY OF EXISTING LONG-TERM GROWTH RELATED ASSETS

As at 31 December 2024, £485 million of Long-term Growth related assets in the course of construction, consisting primarily of costs directly associated with, and incurred solely for the purpose of, seeking planning permission, are recognised on the balance sheet. In addition, there are £112 million of investment properties representing properties purchased within the footprint of a third runway. Refer to page 164 for the critical accounting judgements that management has applied in recognising these assets, including related to future passenger demand, climate change risk on long-term passenger numbers, the legislative and regulatory environment, and any likely financeability risks.

FINANCIAL REVIEW



A record 83.9 million passengers were served by Heathrow in 2024. Despite the increase, total revenue declined by 3.3% to £3.5 billion and adjusted EBITDA decreased by 8.6% to £2.0 billion, driven by the lower airport charges set by the CAA.

We invested £1.1 billion during the year on our H7 Capital Plan ensuring Heathrow will be fit for the future. Liquidity has remained strong, and we continue to have support from the global capital markets, raising £1.1 billion in new funding in the year, including issuing our debut GBP sustainability-linked bond and our first green issuance.”

SALLY DING
Chief Financial Officer



Year ended 31 December	2024	2023
	£m	£m
Revenue ¹	3,482	3,602
Adjusted operating costs ²	(1,514)	(1,449)
Adjusted EBITDA³	1,968	2,153
Depreciation and amortisation	(623)	(687)
Adjusted operating profit⁴	1,345	1,466
Net finance costs before certain re-measurements and exceptional items	(443)	(981)
Adjusted profit before tax⁵	902	485
Tax charge on profit before certain re-measurements and exceptional items	(281)	(162)
Adjusted profit after tax⁵	621	323
<i>Including certain re-measurements⁶ and exceptional items:</i>		
Fair value gain on investment properties	147	209
Fair value gain on financial instruments	352	373
Exceptional items ⁷	(22)	–
Tax charge on certain re-measurements	(137)	(126)
Profit after tax	961	779

¹ Revenue does not contain any adjustments for non-GAAP items.

² Adjusted operating costs exclude depreciation, amortisation, fair value gains and losses on investment properties and exceptional items which are explained further in note 2.

³ Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties and financial instruments and exceptional items.

⁴ Adjusted operating profit excludes fair value gains and losses on investment properties and exceptional items.

⁵ Adjusted profit before and after tax excludes fair value gains and losses on investment properties and financial instruments, exceptional items and the associated tax impact of these.

⁶ Certain re-measurements consist of: fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.

⁷ Exceptional items are irregular material write-off charges that result from a review conducted of existing Long-term Growth related assets in the course of construction for obsolescence.

BASIS OF PRESENTATION OF FINANCIAL RESULTS

Heathrow Airport Limited (the 'Company') has prepared its financial statements and financial review in accordance with United Kingdom accounting standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The financial information presented within these financial statements has been prepared on a going concern basis. More detail can be found in the going concern statement on page 149.

Management uses Alternative Performance Measures ('APMs') to monitor performance as it believes this more appropriately reflects the underlying financial performance of the Company's operations. A reconciliation of our APMs has been included from page 195.

SUMMARY PERFORMANCE

For the year ended 31 December 2024, the Company's revenue decreased by 3.3% to £3,482 million (2023: £3,602 million). Adjusted EBITDA decreased 8.6% to £1,968 million (2023: £2,153 million) due to lower aeronautical charges set by the CAA and increased adjusted operation costs from rising demand and inflationary pressures. The Company recorded a £961 million profit after tax (2023: £779 million).

REVENUE

For the year ended 31 December 2024, revenue decreased to £3,482 million (2023: £3,602 million), a 3.3% decrease compared to the year ended 31 December 2023.

	2024	2023	Var.
Year ended 31 December	£m	£m	%
Aeronautical	2,229	2,473	(9.9)
Retail	772	698	10.6
Other	481	431	11.6
Total revenue¹	3,482	3,602	(3.3)

¹ Revenue does not contain any adjustments for non-GAAP items.

Aeronautical revenue has decreased, driven by lower H7 charges set by the CAA, partially offset by higher passenger numbers. Retail income, which includes retail concessions and car parking, has increased, driven by higher departing passengers and an increased use of premium services. Other revenue has increased due to higher other regulated charges ('ORCs'), mainly from under recovery from prior years, offset by the greater travel choice and price competition impacting modes of travel. More detail can be found in note 1 of the financial statements.

ADJUSTED OPERATING COSTS

Adjusted operating costs increased 4.5% to £1,514 million (2023: £1,449 million).

	2024	2023	Var.
Year ended 31 December	£m	£m	%
Employment	474	424	11.8
Operational	444	411	8.0
Maintenance	235	211	11.4
Rates	114	111	2.7
Utilities and other	247	292	(15.4)
Adjusted operating costs¹	1,514	1,449	4.5

¹ Unadjusted operating costs for the year were £2,012 million (2023: £1,927 million). This included depreciation and amortisation of £623 million (2023: £687 million), fair value gain on investment properties of £147 million (2023: £209 million) and a loss in exceptional items of £22 million (2023: £nil).

Employment costs, which include overtime, recruitment and training, have increased due to additional colleagues, needed to accommodate the higher demand, and inflation.

The rise in operational and maintenance is mainly due to higher levels of passengers requiring support ('PRS'), cleaning and maintenance.

Finally, tight cost controls and stable energy prices have resulted in slightly lower utilities and other costs.

NET FINANCE COSTS

Net finance costs before certain re-measurements decreased to £443 million (2023: £981 million). The RPI annual growth rate has decreased year on year from 5.3% to 3.6%, resulting in a lower principal accretion on inflation-linked liabilities.

FAIR VALUE GAIN ON FINANCIAL INSTRUMENTS

Fair value movements on financial instruments are measured with reference to market expectations of inflation and interest rates. The inflation forward and interest rate forward curves increased by an average of 11bps and 61bps, respectively. Collectively these resulted in a non-cash, fair value gain of £352 million (2023: £373 million).

TAXATION

It is important to us that the right amount of tax is paid at the right time. We operate within the UK's tax legislation and seek to adhere to its spirit. Our operations, whilst large, are conducted entirely from the UK with no overseas operations. All profits are within the scope of UK corporation tax and no profits are routed through tax havens. We have no investments outside the UK that are not subject to UK tax.

Our tax strategy is published on the Heathrow corporate website and confirms:

- Our approach to risk management and governance arrangements in relation to UK taxation.
- Our attitude towards tax planning (so far as affecting UK taxation).
- The level of risk in relation to UK taxation that we are prepared to accept.
- Our approach towards dealings with HM Revenue and Customs ('HMRC').



Our 2024 tax strategy can be found [here](#).

The effective tax rate on profit before tax, certain re-measurements and exceptional items was 31.2% (2023: 33.4%), based on a tax charge of £281 million (2023: £162 million). This was higher than the statutory rate of 25%, primarily due to a large amount of depreciation, which is unallowable for tax purposes, increasing the tax charge for the year. In addition, a tax charge of £137 million (2023: £126 million) was recognised on certain re-measurements. The total tax charge for the year was, therefore, £418 million (2023: £288 million).

In the year, the Company paid £51 million of Corporation Tax (2023: £1 million).

CASH POSITION

At 31 December 2024, the Company had £1,556 million (2023: £1,939 million) of cash and cash equivalents and term deposits, of which cash and cash equivalents were £1,131 million (2023: £189 million).

This equated to a £942 million increase in cash and cash equivalents for the year, compared with a £83 million decrease in the year ended 31 December 2023.

CAPITAL EXPENDITURE

In 2024, £1,120 million (2023: £635 million) of capital expenditure was incurred.

We made great progress on our H7 Capital Plan, investing almost double in 2024 than in 2023, bringing the total invested in H7 to over £2.1 billion across the portfolio of 450 projects in six programmes. Our next-generation Security Programme is progressing well, with training for 4,000 Security and Engineering staff in progress. In the T2 Baggage Programme, the new system design is being developed with five multidisciplinary partners. The Commercial Revenue Programme delivered new media screens in terminals, and we also saw further developments in our retail estate, including a new Harrods store in Terminal 3. The Carbon and Sustainability Programme continues to roll out electric vehicle ('EV') chargers, with stations for airlines and staff now operational airside in Terminal 2 and Terminal 3, along with plans for new carbon-efficient pre-conditioned air units for aircraft stands. We have implemented enhanced time-based separation for arrivals, a global first. In the Asset Management and Compliance Programme, we are progressing well, having completed the resurfacing of the southern runway and installed safety systems in the cargo tunnel. The new virtual control facility building is complete and ready for systems fit out. Lastly, the Efficient Airport Programme is delivering projects to enhance punctuality, service, and operational efficiency across the airport, including 80 new screens in T5 to display live updates on airfield activities, improving ground operation management.

RECENT FINANCING ACTIVITY

In 2024, Heathrow Finance plc group ('Heathrow Finance') successfully accessed public and private debt markets, navigating the macro volatility of the UK and US elections, and as inflation and interest rates moderated from elevated levels. In February, we issued a £350 million, 8-year, Class B sustainability-linked bond ('SLB'), marking our debut in the GBP SLB market and the first SLB in the Sterling market to encompass all scopes of emissions. Additionally, in March, we issued a £400 million, 7-year bond, the largest transaction ever completed by Heathrow Finance. In May, we also priced £100 million in new Class A debt and £100 million in new Class B debt through the private placement market, including our first green issuance with maturities in 2039 and 2054, with proceeds received in August. Furthermore, in December, we successfully issued a CHF220 million, 8-year, Class A SLB, our debut in the CHF SLB market, which also included all scopes of emissions and was the first by a non-domestic issuer and an undrawn £50 million Class B loan.

PENSION SCHEME

We operate a defined benefit pension scheme (the 'BAA Pension Scheme'), which closed to new members in June 2008. At 31 December 2024, the defined benefit pension scheme, as measured under IAS 19, was funded at 96.2% (2023: 95.6%). This translated into a deficit of £99 million (2023: £128 million). The £29 million decrease in the deficit is largely due to actuarial gains of £35 million attributable to a 0.9% increase in the discount rate; service costs of £13 million; a finance charge of £7 million; and contributions paid in the year of £14 million (2023: £14 million) into the defined benefit pension scheme. No deficit repair contributions have been paid in the year (2023: £nil). The Directors believe that the scheme has no significant plan-specific or concentration risks. Further details can be found in note 16.



CLIMATE CHANGE

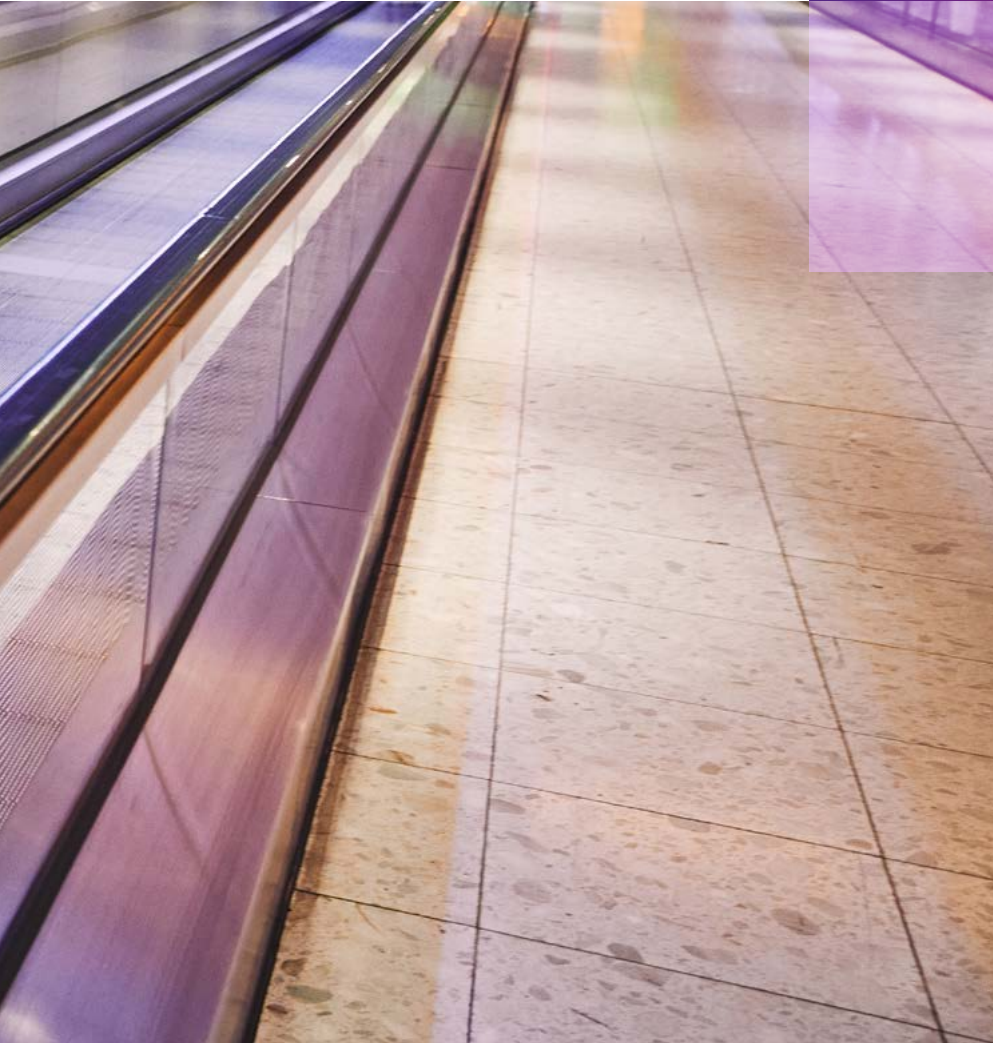
Climate change will have a significant impact on the aviation industry and Heathrow in the years to come, and we have both a responsibility to continue to be ambitious in our endeavours to take carbon out of flying, as well as a responsibility to minimise risk to the business in the long-term. As part of our work over Climate-related Financial Disclosures ('CFD'), as described from page 52, we have considered both transition and physical risks and have ensured that they are factored fully and consistently into our future financial long-term forecasts for those areas of the statement of financial position whose recoverability is assessed based on expected future cash flows, including property, plant and equipment, intangible assets, investment properties and deferred tax assets. In addition, we have ensured that the useful economic lives of our existing assets are appropriate, particularly with regard to the physical risks identified in the CFD as well as with regard to our net zero sustainability strategy as described on page 30.

DIVIDEND

On 20 February 2025 the Directors of Heathrow Airport Holdings Limited proposed a dividend of £250 million. The proposed dividend is intended to finance a future dividend being paid by the ultimate parent company of the Group, FGP Topco Limited. To facilitate the future dividend to shareholders of FGP Topco Limited the Company will be required to undertake a capital reduction in which £250 million of share capital will be returned to the parent company, Heathrow (AH) Limited.

SALLY DING
Chief Financial Officer

25 February 2025



OUR APPROACH TO RISK MANAGEMENT

Identifying, understanding and managing risk is fundamental to our strategy and future success.

ENTERPRISE RISK MANAGEMENT POLICY AND FRAMEWORK

The Heathrow Risk and Assurance Management Framework is an enterprise risk management system that is embedded Group-wide with the principal aim of providing oversight and governance of the key risks that Heathrow faces, and to monitor current, upcoming and emerging risks.

The framework provides guidance on how risks should be identified, mitigated, reviewed and reported within Heathrow. During the year we continued the evolution of our risk processes while building on the current risk management structure. We have enhanced the information captured through our reporting process while incorporating our updated approach to risk appetite.

The H AHL Board¹ has overall responsibility for the framework and for reviewing the effectiveness of the risk response system. There are two H AHL Board sub-committees which are responsible for risk:

- The Audit Committee, which reviews the effectiveness of systems for internal financial and operational control.
- The Sustainability and Operational Risk Committee ('SORC'), which reviews the effectiveness of operational reporting and performs an oversight review of the performance against sustainability goals and operational targets.

To achieve a balanced view of our risk landscape in line with wider company objectives, risks are evaluated against defined risk appetite levels, which are captured in a formal risk appetite statement that is reviewed on an annual basis.

The most significant risks are collated and reported to the Risk and Assurance Committee, a sub-committee of the Executive Committee, which meets quarterly. The risks are then reviewed by the Executive Committee before being submitted to the Audit Committee and Sustainability and Operational Risk Committee for independent review and challenge. The final Heathrow Risk Outlook Report is then reviewed and approved by the H AHL Board on a quarterly basis.

OUR RISK APPETITE STATEMENT

'Heathrow Airport has no appetite for safety risk exposure that could result in injury or loss of life to the public, passengers and colleagues.

Similarly, robust controls and contingency measures are in place to contain any potential security, environmental or legal breach within minimal levels of impact.

To this extent, risks that are emerging or that could cause critical harm to the business are subject to enhanced executive oversight.

In a dynamic and evolving environment our appetite and tolerance of risk must be progressive, and it should be defined in a proportionate and calibrated way.

The business accepts that absolute operational, system and infrastructure resilience is impossible. It will work proactively to mitigate the impacts on the business within the risk/return balance set by the company.

In the pursuit of its objectives, Heathrow Airport is willing to accept, in some circumstances, risks that may result in some financial loss or reputational exposure. Heathrow Airport will always comply with legislative and regulatory requirements.'

¹ The H AHL Board is the Board of Directors of Heathrow Airport Holdings Limited as defined on page 90.



MINE HIFZI
General Counsel and
Company Secretary

PRINCIPAL AND EMERGING RISKS

A Principal Risk is a risk that has been identified by the HAHL Board, its formal Committees, the Executive Committee or the Risk and Assurance Committee, as an important risk that fundamentally affects the ability of the business to deliver on its overarching objectives. This ensures a comprehensive top-down approach to risk identification and management. A Principal Risk is assessed according to the likelihood, impact, and velocity by which the risk may impact Heathrow. Each principal risk is assigned to a responsible director, an accountable executive director and has a documented risk mitigation strategy.

Emerging risks and risks being managed at a functional level are also analysed on a quarterly basis as part of our bottom-up functional risk management reviews. They are assessed in line with the Heathrow Risk and Assurance Management Framework, with a summary of those that warrant Executive Committee and HAHL Board visibility provided in the quarterly Risk Outlook report.

RISK LANDSCAPE

It is important to acknowledge the dynamic, rapidly changing and challenging risk landscape that Heathrow operates within. Many of the risks we face are closely interlinked and have a high level of external dependency. This landscape encompasses a range of factors such as operational risks from the ever-increasing exposure to cyber attacks, our ability to maintain access to financial markets to fund the business, and broader geopolitical uncertainty. Throughout all our decision making and assessment of risk, our commitment to the security, health and safety of colleagues and passengers remains at the core.

Significant geopolitical risk has also characterised the risk landscape over the last 12 months with ongoing unrest in the Middle East, tensions with China, the continuing war in Ukraine, a changed UK political landscape and weak global and UK economic growth. Although passenger demand for air travel has held up strongly in 2024, the continuation of these headwinds alongside the uncertainties of a new United States administration, could further restrict access to airspace. Airspace restrictions continue to prove both challenging for us operationally and for our airline customers.

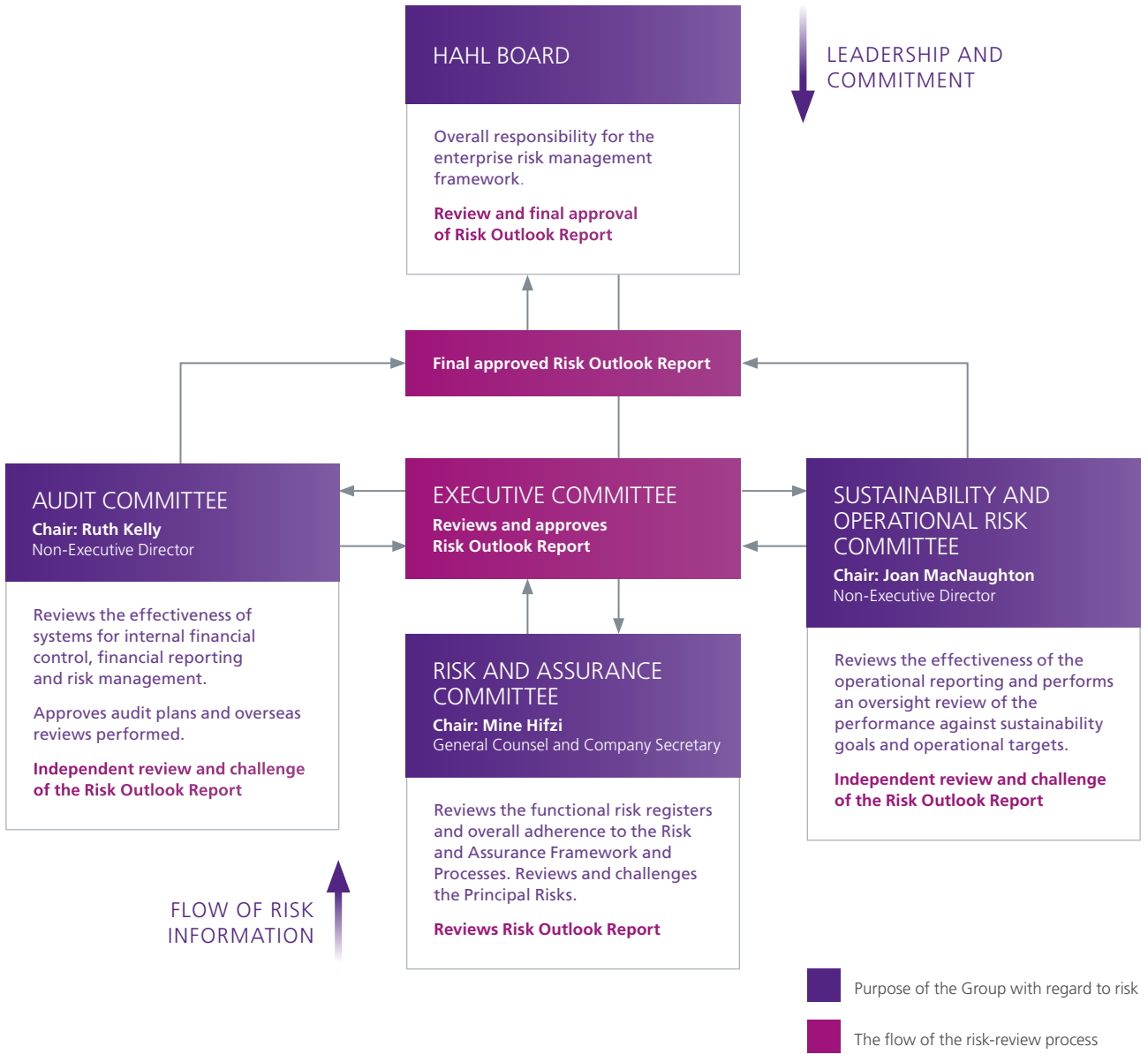
We will continue to invest during the H7 period to mitigate risks across our risk landscape – including significant investments in next-generation security, a new T2 baggage system to drive improved resilience, and investments that will enable us to reduce our carbon emissions. We are also in the process of consulting stakeholders and developing plans for further investments for the upcoming H8 regulatory period.

Climate change remains the most significant long-term risk for both Heathrow and the global aviation sector. Although climate change remains an existential threat to Heathrow, we continue to take a leadership role in reducing carbon emissions from aviation on both national and global levels. The rapid manifestation of physical climate risks from extreme weather events, such as surface water flooding, which has disrupted multiple airports globally within the last year, underscores the urgency of action. This year, we have enhanced our use of scenario modelling to better understand potential climate-related consequences and to develop effective mitigation strategies, detailed in our comprehensive Climate-related Financial Disclosures ('CFD').

We continue to manage the risks of operating at full capacity at Heathrow. We are working to maximise capacity, through enhancing our processes and ways of working, to meet growing passenger demand while operating at our 480,000 air traffic movement ('ATM') cap. Government policy support for airport expansion remains in place and we continue to promote the case for an expanded Heathrow, supporting the UK's economic growth whilst managing the risks as well as uncertainties within a rapidly evolving and volatile external context. This is discussed further on page 34.

We are committed to proactive risk management, ensuring organisational resilience and adaptability in navigating potential risks. This remains a focus at all levels within Heathrow.

RISK MANAGEMENT



OUR PRINCIPAL RISKS

The risks outlined are the principal strategic, corporate and operational risks identified. This is a current point-in-time assessment of the risk profile that the Company faces as of 31 December 2024. As the risk environment evolves these risks are continually reviewed and updated.

PRINCIPAL RISK:

A SAFE AND SECURE OPERATING ENVIRONMENT

CONTEXT:

Our focus on fire, health, safety and wellbeing ('FHSW') and security is driven by our values. It is not only the right thing to do; but by delivering uncompromising standards, we aim to ensure a smooth running and safe airport to facilitate a smooth journey and allow everyone to go home safe and well. If we do not, Heathrow risks causing harm to our colleagues and stakeholders, and risks compromising our service to passengers and damaging our reputation. Ultimately, this will affect our business performance.

Heathrow is a complex and complicated safety critical environment. We are the UK's largest single site employer, with over 400 operating companies. We are an ecosystem reliant on each other to ensure the safe operation of the airport. Increasing passenger numbers, delivering volume and scale of change, the spread of accountability for FHSW is now wider across our ecosystem. Furthermore, the challenges presented by psychosocial risks and mental health to civil aviation as well as different safety cultures across numerous operating companies, are all key factors that we are paying attention to. We are responsible for ensuring that we provide a Safe and Healthy Place, Safe and Healthy Work, Safe and Healthy Teams and Safe and Healthy Decisions across our own operations, and we influence those across Team Heathrow organisations, ultimately to provide a working environment that enables colleagues to thrive and work safely every day.

The current UK threat level is substantial, indicating that an attack is likely. Threats are constantly evolving, driven by significant geopolitical events, and the threat level can change at short notice. We are responsible for ensuring that our assets, information, infrastructure, processes, and electronic systems are appropriately designed, risk assessed and protected to meet all applicable regulations. This includes aviation security, fire safety, and health and safety regulations. Consequently, we aim to deliver high security standards and build confidence with regulators, airlines and passengers. Additionally, we must ensure our colleagues are adequately trained and supported in their work environments to maintain these standards.

CAUSES:

Fire, Health, Safety and Wellbeing

TREND: Stable =

Potential drivers of the FHSW or 'safety' risks:

- We may not fully understand our changing risk profile or our legal obligations.
- There is an ineffective safety management system or non-compliance with control measures.
- Psychosocial risks are not understood or controlled and/or the impact of colleague's health and wellbeing on decision making and behaviours is not understood and responded to.
- Accountabilities are unclear and/or colleagues do not have the tools, training, time or resources to do their jobs.
- Fundamentally that safety culture is not sufficiently mature for a safety critical environment and that performance is prioritised over health and safety.

Security

TREND: Increased ↗

- Security threats can emanate from a variety of sources and are constantly evolving. Aviation will always be an attractive, high-profile target for groups seeking to disrupt operations and damage UK interests. Heathrow has a mature and comprehensive risk management framework and works closely with law enforcement and other agencies to design proportionate mitigations to counteract potential risks.
- Geopolitical events are increasingly challenging established systems of international governance and security. As a key part of UK Critical National Infrastructure, Heathrow invests heavily in building relationships with international partners, across several aviation and non-aviation security thematic areas, to ensure operational resilience can be maintained in the event of future incidents. Although the terrorism threat level has remained stable, the general security threat landscape is diversifying and emerging risks, including serious and organised crime, protest and state actor, are trending upwards.
- The number and variety of customers passing through security and airside areas, within which we operate, contribute to the safety risk profile and therefore the hazards and injuries sustained. Verbal and physical abuse from airport users, along with the manual handling of cabin baggage remain key contributors within terminal security areas and on our campus. Occupational driving and working at height, when screening high-sided vehicles are high consequence risks. Security has integrated competent safety resources within its organisation to identify and mitigate risk under its safety improvement plan.

KEY CONTROLS AND MITIGATIONS:

- Embedding safety as a foundation of Heathrow's strategy, committing to safety excellence and uncompromising standards, and setting targets against leading safety indicators.
- Driving continuous improvement of our Health and Safety ISO45001 certified Safety Management System ('SMS') – Heathrow achieved ISO45001 in 2024 – with the auditors concluding that the SMS is 'industry leading'.
- Setting and promoting FHSW standards as well as governance across the organisation, our supply chain and Team Heathrow organisations.
- Championing a 'just culture' where everyone feels they are supported to be psychologically safe. Actively collaborating with our supply chain and key stakeholders through our Safety Summits, Team Heathrow Safety Network and Safety Council.
- Involving and engaging colleagues, including through our Joint Safety Forum – a Unite the Union led initiative bringing together Trade Union Representatives from across Team Heathrow.

PRINCIPAL RISK:

A SAFE AND SECURE OPERATING ENVIRONMENT (CONTINUED)

- Heathrow continues to contribute to and benefit from membership of a range of industry bodies such as the Institution of Occupational Health and Safety, Aviation and Aerospace Group, and the Ground Handling Operations Safety Team. As part of Business in the Community's Wellbeing Leadership Team and Airports UK H&S Working Group we are driving awareness of psychosocial risks and mental health wellbeing across our industry and the broader UK public. We scored 64% against Business in the Community's Simple and Accessible Wellbeing Measurement Tool, and the results have informed our Health and Wellbeing Strategy, which includes individual and organisational factors.
- We have continued to evolve and strengthen our comprehensive range of Health and Wellbeing products and services for Heathrow colleagues, which now includes access to virtual 24/7 GPs, self-referral for physiotherapy support, unlimited mental health support, second medical opinion as well as proactive offerings such as lifestyle coaching, nutritionist and personal training services. Family members also benefit from a selection of these offerings.
- Specifically relating to fire safety, we continue to assess the implications for Heathrow following publication of the Grenfell Tower Public Inquiry report ahead of a formal government response. A representative group, made up of representatives from key functions is working to discuss the implications and implement viable solutions.
- Promoting an effective security culture and governance across the organisation, and with our supply chain, to identify threats and report them quickly, with particular focus on Insider Threat.
- Heathrow operates to the Aviation Security baseline, as defined by the Department for Transport in the National Aviation Security Plan ('NASP') and overseen by Heathrow's Risk Advisory Group and Security Executive Group, as required under UK Airport Security Planning Guidance. Heathrow's compliance with the NASP is assessed throughout the year through the Civil Aviation Authority ('CAA') observations, testing, inspection, and audit mechanisms.
- Heathrow maintains close relationships and information sharing with a range of government and law enforcement agencies, responsible for the security of UK Critical National Infrastructure.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS



PRINCIPAL RISK:

TREND: Increased

CYBER AND INFORMATION SECURITY

CONTEXT:

Cyber and Information security continues to be a significant risk for Heathrow, primarily concerning our systems, information and the data they contain. There has been an escalation in the risk level due to an increase in malicious activities, motivated both geopolitically and criminally.

CAUSES:

The year 2024 marked a continued rise in incidents affecting Critical National Infrastructure, including Distributed Denial of Service attacks targeting transportation services and associated third-party suppliers. Phishing and ransomware persist as the prevalent attack vectors in the majority of incidents impacting the aviation industry.

KEY CONTROLS AND MITIGATIONS:

- Heathrow has adopted the 'Cyber Security Oversight Process for Aviation' (CAP 1753), as outlined by the CAA, which is based on the National Cyber Security Centre's 'Cyber Assessment Framework'. A strategic, incremental improvement program has been established to enable compliance with CAP1753 via the ASSURE audit process. Confidence in the security of technology, personnel, and processes relevant to essential functions has been bolstered through rigorous assurance activities.
- Cyber and Information Security is a regular item on the Executive Committee's agenda, with frequent updates on the Cyber Delivery Programme, current security posture, and upcoming initiatives. Furthermore, discussions include emerging cyber risks and measures for enhancement. A robust cyber security risk management framework has been instituted to ensure comprehensive understanding and management of system, supplier, and departmental risks. Promoting a culture of cyber security within Heathrow and our supply chain remains a top priority. This is achieved through cyber assurance with third parties, mandatory annual training for all colleagues and privileged users, alongside regular campaigns to enhance cyber hygiene and inform about policy updates. Innovative and realistic phishing simulations are also employed.
- Heathrow maintains a resilient process for managing and responding to threats through regular threat intelligence, robust vulnerability management, and a dedicated Security Operating Centre. This is complemented by close collaboration with business resilience teams. To maintain cutting-edge knowledge and expertise, we collaborate with governing bodies to safeguard the Critical National Infrastructure status of the airport.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS



PRINCIPAL RISK:

TREND: Stable

REGULATION REQUIREMENTS

CONTEXT:

We are subject to economic regulatory review. Changes to economic regulation could materially impact the performance of the business. Failure to comply with laws and regulations could result in loss of licence, penalties, claims and litigation, reputational damage, and loss of stakeholder confidence.

CAUSES:

- Inadequate submissions by Heathrow to the CAA.
- Unfavourable CAA decisions on price limits.
- Unfavourable CAA decisions on regulatory framework.
- Failure to comply with licence requirements including compliance and reporting.

KEY CONTROLS AND MITIGATIONS:

- The risk of an adverse outcome from economic regulatory review is mitigated as far as possible by a dedicated regulatory team together with governance and oversight by the Executive Committee and the HAHL Board.
- The Regulatory team acts to ensure that all submissions to the CAA are accurate and consistent with the wider Heathrow strategy. The team engages regularly with the CAA to ensure good understanding and to be able to provide the CAA with the right form of information.
- The Regulatory team is currently focusing on the right form of regulation for H8 and beyond as well as preparing for an H8 business plan submission in 2025.
- The Regulatory team ensures full compliance with regulatory requirements, establishes a sound relationship with the CAA and advises the Executive Committee and HAHL Board on regulatory matters.
- We engage closely with internal and external legal advisors to ensure that relevant and appropriate advice is received and that our response to reviews, and our actions to ensure compliance with regulatory requirements, reflect such advice.
- Use of Internal Audit to carry out a review in 2024 of Heathrow's compliance with regulatory requirements.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Governance and Financial Resilience

PRINCIPAL RISK:

TREND: Stable

LEGAL STATUS OF AIRPORTS NATIONAL POLICY STATEMENT ('ANPS')

CONTEXT:

In June 2018, Parliament approved the Airports National Policy Statement ('ANPS') which sets out the policy framework for expansion at Heathrow Airport and is the primary basis for decision making on any Development Consent application for a new northwest runway.

Heathrow was making considerable progress towards developing its Development Consent Order application to deliver a sustainable, affordable and financeable expanded Heathrow, including holding multiple consultations to seek feedback on its proposals. However, on 27 February 2020, the Court of Appeal concluded that the UK Government was required but had failed to take into consideration the Paris Climate Agreement when preparing the ANPS. The Court declared that the ANPS had no legal effect until the UK Government carried out a review of the policy.

Heathrow appealed against this decision and in December 2020, the Supreme Court unanimously held that the UK Government had acted lawfully when making the ANPS, overturning the Court of Appeal's decision. The judgment confirmed that the UK Government had properly exercised its discretion and had taken into consideration the Paris Climate agreement by having regard to the Climate Change Act 2008 in the ANPS.

On 6 September 2021, the Secretary of State for Transport decided that it was not appropriate to review the ANPS at this time. Further confirmation of the status of the ANPS has been made through the May 2022 publication of 'Flightpath to the Future' and the July 2022 publication of 'Jet Zero Strategy'. The Government's ANPS continues to provide policy support for Heathrow's plans for a third runway and the related infrastructure required to support an expanded airport.

Following a keynote speech in late January 2025, in which the Chancellor for the Exchequer specifically called for a third runway at Heathrow to support the government's growth agenda, we will be submitting our proposals for the project by the summer of 2025.

CAUSES:

- The ANPS, put in place in June 2018, may in due course be subject to review. The Labour Government elected in July 2024 has stated that it intends to review all National Policy Statements, which includes the ANPS.


KEY CONTROLS AND MITIGATIONS:

- Since the Supreme Court overturned the Court of Appeal's decision and the ANPS was restored, we have positively reiterated the case for expanding Heathrow in line with Government policy.
- We continue to engage with the Government, the CAA and other stakeholders on the next steps to progress our plans and to ensure that Heathrow's position in relation to airport expansion is protected.
- Heathrow remains committed to the Long-term Growth programme.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Service and Operations



TREND: Stable 

PRINCIPAL RISK:

VOLATILITY IN GLOBAL DEMAND AND REVENUES

CONTEXT:

Revenue growth may be inhibited by the lack of certainty over global consumer demand in 2025, driven by volatile inflation, potential slowdowns in economic growth, ongoing pressure on consumer spending, geopolitical tensions and supply chain challenges impacting aircraft availability. A limited capacity for growth dependent on slot trading, combined with the highest aviation taxes in Europe ('Air Passenger Duty'), continue to put pressure on airports and hub airlines.

There is significant revenue risk relating to the continued absence of VAT Free shopping and lack of competitive parity with EU airports.

CAUSES:

- Market volatility.
- Cost inflation.

KEY CONTROLS AND MITIGATIONS:


Aviation

- A Network Strategy is in place to target new routes, grow market share and increase competition in key markets.
- An Aviation Strategy is in place to optimise revenues generated from aviation, with the goal of delivering sustainable growth, increased hub connectivity both globally and domestically, and diversifying revenue.
- Industry monitoring via daily updates from the Centre for Aviation ('CAPA') which is a market intelligence for the aviation and travel industry, media stories and other industry events, as well as attendance at Routes (network) and International Air Transport Association (slots and cargo) conferences.
- Continuous improvement of forecasting models and methodology to produce a more detailed view of the future, allowing monitoring to be more targeted and to enable scenario testing.
- Senior engagement and account plans are in place with key airlines to continue collaboration in order to drive passenger growth.
- There is close alignment internally with the Space, Retail and Property teams to optimise commercial opportunities.

Retail

- Close monitoring and balance of assessed debt and contractual fixed income guarantees to maximise overall retail revenue.
- Targeted scouting of the market to identify potential new entrants with the ability to enter into a commercial deal with minimal disruption and delay (e.g., lending locations to businesses that could make immediate use of the structure 'as is').
- Continued dialogue with officials in HM Treasury around the impact and pitching of an alternative solution for the reintroduction of VAT free shopping for departing passengers and the opportunity to introduce duty free shopping for arriving passengers.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Governance and Financial Resilience

TREND: Stable 

PRINCIPAL RISK:

ABILITY TO ACCESS FINANCIAL MARKETS

CONTEXT:

We need to maintain access to sources of finance to fund our current operations.

CAUSES:

A more challenging H7 regulatory settlement and the realisation of principal risks such as volatility in global demand and revenues, could impact financial performance and lead to a deterioration in our credit rating.

KEY CONTROLS AND MITIGATIONS:

- Long-term forecasting including downside sensitivity analysis, to enable management to assess credit metrics against covenant levels and rating agency thresholds, identifying mitigating actions as necessary, and ensuring protection against minimum thresholds as well as continued access to financial markets.
- We have invested in a suitably skilled Business Planning and Treasury team who have robust procedures in place to ensure that the best quality investment decisions are made and can be appropriately financed.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Governance and Financial Resilience

PRINCIPAL RISK:

TREND: Stable

ORGANISATIONAL RESILIENCE

CONTEXT:

The operating of an airport on the scale of Heathrow presents both known and unforeseen challenges. The purpose of organisational resilience is to ensure a level of preparedness to disruptive events. Following a cycle of activities (Prevent, Mitigate, Prepare, Respond, Recover), Operational and Business Resilience teams develop Heathrow's incident response and business continuity capability.

CAUSES:

A major critical event, leading to significant operational and business impact, as well as resulting in significant disruption and potential closure of the airport. This could be as a result of one or many internal causes, including critical infrastructure or asset failures, loss of resource, and mass congestion due to inadequate planning, or external causes, including extreme adverse weather, terrorism or security threat, and loss of a critical supplier or service.

KEY CONTROLS AND MITIGATIONS:

- Adherence to CAA licence requirement; to secure the availability and continuity of airport operations services, particularly in times of disruption, and to further the interests of users of air transport services in accordance with best practice and in a timely, efficient and economical manner.
- Risk identification and avoidance with systematic reviews of operational as well as non-operational risks and associated control measures and their efficacy.
- Asset management lifecycle, certified to ISO55001, to mitigate the likelihood of asset failures and to support longer term capital replacement programmes.
- Mitigation and contingency planning with development of a series of plans that can be deployed in the event of a disruption.
- Exercising and post incident review which supports increased preparedness and continuous improvement of our incident response.
- Command and Control aligned to the UK standard of Integrated Emergency Management for disruptive events and aligns with industry best practice by adopting the UK Joint Emergency Services Interoperability Principles.
- Collaboration with key partners to develop joint contingency plans.
- The Airport Operations Centre ('APOC') is a 24/7 facility which brings together the operational planning, monitoring and day to day oversight of Heathrow with our service partners. Providing support to front line teams to steer smooth running of the airport is the foundation for command-and-control structures in times of a disruption.
- End to end understanding by taking a holistic approach to resilience, considering the upstream and downstream impacts of a disruption to support wider organisational resilience.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS



Service and Operations



Safety, Security and Compliance

PRINCIPAL RISK:

TREND: Stable

RESOURCE AND TALENT

CONTEXT:

Our people ensure that we can operate the airport effectively and efficiently. Following high volumes of recruitment in 2023 to bring Heathrow's resource position back to pre-pandemic levels, recruitment activity has normalised. 2024 has seen recruitment driven by business activities other than growth, such as backfilling attrition and internal mobility, and responding to organisational changes and improvements. Aligned to our Winning Team beacon, we are focused on providing opportunities for colleagues to grow and develop their careers and we have introduced new leadership development as well as career support programmes. These activities ensure that we provide a compelling colleague proposition that enables us to attract and retain talent.

CAUSES:


After growing back at pace, our focus is on ensuring that we continue to be an attractive place to work so that we can retain talent and drive an inclusive performance culture where our colleagues can be at their best and achieve their full potential. Whilst the external labour market demand is slowing, we will continue to monitor attrition levels and focus on delivering our colleague proposition.

KEY CONTROLS AND MITIGATIONS:

- A dedicated resourcing team supported by external partners to ensure expert reach into the external marketplace.
- A focus on career mobility for existing colleagues who can access all of the available vacancies.
- Continuation of the 'No Place Like Heathrow' campaign, which coherently communicates the Heathrow colleague proposition.
- Launch of a social media strategy to engage passive candidates with Heathrow's employer brand.
- Career and Talent strategy plans have been endorsed to include:
 - Embedding of integrated performance and talent frameworks, focused on colleague engagement through wellbeing, capability, aligning opportunities to aspirations and readiness to progress careers.
 - Regular review of talent and attrition data to ensure stretch opportunities are provided when colleagues are ready to grow.
 - Over 300 individual careers conversations facilitated with colleagues through our internal careers' advice service throughout 2024 (Careers Champions).
 - Re-introduction of early careers programmes with annual intakes of graduates since 2022.
 - Successful delivery of a colleague intern programme in 2024 resulting in career mobility and promotion.
 - Design and implementation of a range of new colleague development and upskilling programmes through 2023 and 2024.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS



TREND: Stable 

PRINCIPAL RISK:

POLITICAL ENVIRONMENT

CONTEXT:

Our ability to meet passenger and cargo demand relies on government support. Following the UK General Election in July 2024, we have a greater degree of political certainty, and good relationships with new Ministers and officials.

The new UK Government’s agenda for change focuses on five key missions, including growing the economy and the clean energy transition, both of which partly rely on Heathrow’s international connectivity and work on sustainable aviation fuel (‘SAF’).

We have seen a range of both new and continued policy changes from the UK Government which will impact the business, the aviation sector and the wider economy. These new policies are both positive, such as possible changes to planning law, and challenging, such as a significant increase in Heathrow’s business rates liability and the inclusion of airside transit passengers in the Electronic Travel Authorisation scheme.



CAUSES:


- Challenging fiscal situation for the UK Government.
- Government developing its policy platform and prioritisation.
- Cross-cutting issues which affect the business.

KEY CONTROLS AND MITIGATIONS:

- We continue to make a strong case for Heathrow’s place in the wider economy and the part we play in delivering Labour’s missions, including economic growth.
- We continue to build strong relationships with the new UK Government and have positive engagement and acknowledgement of our role in supporting the Government.
- Working with key Departments on specific policy areas to ensure understanding of our positions and recommendations on specific policy areas.
- We have a cross functional Policy Coordination Group, reporting to the Executive Committee and HAHL Board, which has implemented a structured approach to the identification and management of all risks related to Government policy.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Service and Operations  Governance and Financial Resilience

TREND: Stable 

PRINCIPAL RISK:

COMPETITION

CONTEXT:

We compete against many other airports both within the UK, Europe and across the world for passengers and cargo. Some of our passengers, particularly those who connect between flights, make marginal choices about which route they will fly. Forwarders choose airports based on the time sensitive nature of their cargo which means the geographical location of an airport and route network offered is key.

Heathrow’s aeronautical charges are higher than other London airports and European hub competitors; this potentially impacts on our competitive position and ability to attract new business. We will need to continue to deliver great value, operational excellence and service quality to our airlines, passengers and cargo stakeholders to retain them as well as keep Heathrow attractive for new customers.


CAUSES:

- Lack of new air traffic movements (‘ATM’) or infrastructure capacity.
- Costs and inflation.
- Regulated framework and pricing.

KEY CONTROLS AND MITIGATIONS:

- Ensure the continuity and continued improvement of safe, secure, efficient and value for money airport operations in the interests of all air transport users.
- In 2024, we took steps to become more competitive relative to other hub airports by increasing discounts for transferring passengers. We continue to maintain commercial strategies to deliver great value for money to airlines, cargo customers and consumers.

LINK TO STRATEGIC FOUNDATIONS OR BEACONS

 Governance and Financial Resilience

CLIMATE CHANGE AND NET ZERO CARBON

CONTEXT:

Climate change remains the most significant mid to long-term risk facing the aviation sector and Heathrow as it directly affects our ability to operate and grow.

At the start of 2020, the UK aviation sector led the global industry by committing to net zero emissions by 2050. By 2021, the International Air Transport Association, aligned with this ambitious goal. This was followed closely by the International Civil Aviation Organisation in 2022, representing 193 member states, which formally committed to net zero carbon emissions for international civil aviation by 2050. In alignment with these industry wide objectives, we published our comprehensive Net Zero Plan in 2022, which outlines our strategic approach to decarbonisation. This plan, in line with the broader UK sector decarbonisation roadmap, establishes our concrete goals and targets to achieve net zero by 2050, reaffirming our commitment to sustainable aviation.

CAUSES:

Heathrow considers climate related risks under the following categories:

- **Transitional risks** – Potential financial, operational, and reputational risks facing Heathrow and the aviation sector, associated with the shift to a low carbon economy that could threaten our ability to operate and grow.
- **Physical risks** – Climate change driven extreme weather events and environmental shifts that can disrupt operations, damage infrastructure, and require significant adaptation measures to maintain safety and reliability.

These risks are presented in greater detail in the Climate-Related Financial Disclosures ('CFD') section on page 52.

KEY CONTROLS AND MITIGATIONS:

- The significant priority is accelerating net zero flying this decade by securing the right policies for sustainable aviation fuel ('SAF') production at scale in the UK and building a high ambition coalition globally for net zero aviation and SAF. We work with the broader aviation sector and the UK Government as part of the Jet Zero Taskforce to progress net zero aviation. We have also established a SAF incentive as part of our aeronautical charges to encourage airlines to uplift SAF at Heathrow and provide a market demand signal.
- We have established a strategic carbon delivery programme in our H7 regulatory settlement period which ends in 2026. The programme, which includes around £250 million of capital investment, will deliver carbon emissions reductions outlined in our Net Zero Plan throughout this regulatory settlement period. Capital investment projects include works at Heathrow to enable airspace modernisation and improve the efficiency of aircraft movements on the ground, replacing and expanding the provision of pre-conditioned air to heat and cool aircraft on the ground, avoiding engine use, delivering electric vehicle charging and design work on our future zero carbon heating and cooling solution.
- To guide and support the delivery of our Net Zero Plan, climate change has been embedded into our governance structures, business planning development and operational processes and is supported by employee training and targets.
- We complete a physical climate risk assessment every five years which informs our overall approach to adapting our airport to future climate conditions which is incorporated into our overall risk management framework. The risk assessment guides our approach to understanding the nature of impacts and the effectiveness of our mitigation measures, as well as informing improvements including updating our asset standards and identifying infrastructure improvements. In 2025, we will develop a climate adaptation strategy which will set out our long-term approach to mitigating impacts of a changing climate on our operations. Additionally, following updates to UK Government requirements, the risk assessment will now include interdependency risks including utilities, transport and supply chain.
- We will continue our assessment and disclosure of physical and transition risks including the impact on passenger demand via annual Climate-related Financial Disclosure ('CFD').

LINK TO STRATEGIC FOUNDATIONS OR BEACONS



CLIMATE-RELATED FINANCIAL DISCLOSURES ('CFD')

On 6 April 2022, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amended the Companies Act 2006 to mandate that large UK companies include Climate-related Financial Disclosures ('CFD') as a part of their strategic reporting. These CFD requirements closely align with the recommendations of the Taskforce on Climate-related Financial Disclosures ('TCFD'). We continue to align our climate risk analysis and disclosures to comply with these requirements.

AT A GLANCE

Climate change remains the most significant mid to long-term risk facing the aviation sector and Heathrow as it could impact our ability to operate and grow in the future. Our commitment to the environment and tackling climate change is embedded in our strategy through our People and Planet beacon. More information on our strategy and our beacons can be found on page 19. Central to our People and Planet beacon is our sustainability strategy, entitled Connecting People and Planet, which outlines our plan to achieve net zero, our Net Zero Plan.

Our CFD disclosure presents the opportunities and the risks of climate change on Heathrow with the aim of helping our investors and stakeholders understand the potential future impacts on the business. It meets the minimum requirements outlined within the TCFD framework. In the table on the following page, we have aligned the CFD's specific requirements with the TCFD pillars of Governance, Strategy, Risk Management, and Metrics and Targets.

Our CFD is continually evolving as we learn more about the long-term impacts of climate change and how the aviation industry is adapting to achieving net zero. The most significant changes made this year have been:

- In 2023 our disclosure focused on two climate scenarios. This year, we built upon the previous two climate scenarios and introduced an additional third climate scenario which assumes there will be no more progress in global climate change policy from March 2024. This acts as a reference point to compare against.
- We have tailored our three climate change scenarios to Heathrow's market and business model. The scenarios are significantly based on external climate change data for the aviation industry so that we continue to represent independent thinking, and further refinements have the benefit of being aligned with our strategic direction.

At this stage, we believe our governance over climate change is appropriate and has the necessary skills and expertise to understand, plan for and respond to climate change risks and opportunities.

Our refreshed strategy has People and Planet as one of its beacons, which provides direction that will enable us to achieve our Purpose and Vision. We have clearly identified climate change as one of Heathrow's Principal risks and our understanding of what it means to our operation, our assets, our customers and our network is ongoing.

In 2024, we have further integrated climate-related risks into our passenger forecast model, allowing for a deeper understanding of how climate transition affects our market and business to inform our scenario forecasting and better support our strategic decisions. Our climate scenario analysis indicates that passenger demand continues to grow through to 2050, which supports the carrying value of our indefinite useful lived assets on the balance sheet. We continue to work on financially quantifying the transition to net zero and the investments required to respond to the physical effects of climate change.

Our Net Zero Plan is clear on our ambition for reductions to carbon 'In the Air' and 'On the Ground', up to 15% and at least 45%, respectively. In 2024, we increased our SAF incentive to 2.5% of all fuel used on departing flights, to support our airline customers. In addition, we have issued additional sustainability-linked financing, with integrated Sustainability Performance Targets, including the first Sustainability-Linked Bond in the Sterling market to include all scopes of emissions.

Aviation is a force for good, connecting people and creating economic growth. The only way we can protect these benefits for future generations is by taking ambitious action to address the sustainability challenges that we face.

Disclosure recommendation	Section Reference	Page	Key highlights
GOVERNANCE			
Description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.	Our approach to risk management	42	<p>The HAHL Board has overall accountability for setting and overseeing the implementation of Heathrow's strategy including climate-related matters.</p> <p>For climate-related risks, in fulfilling its duties, the HAHL Board either delegates responsibilities or is supported by the following Committees:</p> <ul style="list-style-type: none"> • Sustainability and Operational Risk • Audit • Remuneration • Nominations
	Our principal risks	45	
	Climate-related Financial Disclosures	52	
STRATEGY			
<p>Description of:</p> <ul style="list-style-type: none"> • The principal climate-related risks and opportunities arising in connection with the company's operations. • The time periods by reference to which those risks and opportunities are assessed. 	Climate-related Financial Disclosures	52	<p>This year, we used three climate scenarios tailored to Heathrow's market and business model to assess the impacts of climate change by 2050:</p> <ul style="list-style-type: none"> • Net Zero 1.6°C • Announced Policy 1.9° • Climate Catastrophe 2.2°C
Description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.	Our beacons in action: People and Planet	28	<p>According to our evaluation, the three climate scenarios ranging from 1.6°C to 2.2°C, by 2050, indicate a Compound Annual Growth Rate in passenger demand ranging from higher 2% to 1% respectively until 2050 compared to a 2024 baseline.</p>
	Climate-related Financial Disclosures	52	
Analysis of the resilience of the company's business model and strategy, taking into account consideration of different climate-related scenarios.	Climate-related Financial Disclosures	52	<p>Given the projected growth in demand for travel through the airport, we consider our business to be resilient in the short, medium, and long-term under both Net Zero and Announced Policy, including on an expanded basis with a third runway.</p>
RISK MANAGEMENT			
Description of how the company identifies, assesses and manages climate-related risks and opportunities.	Our approach to risk management	42	<p>Climate risk management is embedded within our overall Enterprise risk management framework. We consider both transition and physical risks.</p>
	Climate-related Financial Disclosures	52	
Description of how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management process.	Our approach to risk management	42	<p>Climate-related risks are managed and reported in our functional risk registers, which is consistent across the business.</p>
METRICS AND TARGETS			
Description of key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	Climate-related Financial Disclosures	52	<p>Our Net Zero Plan sets a carbon reduction trajectory to 2050 and covers all the emissions in our carbon footprint 'In the Air' and 'On the Ground', including cruise emissions from departing flights, as well as the Landing and Take-off emissions from flights in our immediate airspace up to 3,000 feet.</p> <p>Our plan includes two 2030 goals to focus on cutting carbon emissions this decade which are supported by science-based targets:</p> <ol style="list-style-type: none"> 1. Up to 15% cut in carbon emissions 'In the Air' using a 2019 baseline. 2. At least 45% cut in carbon emissions 'On the Ground' using a 2019 baseline.
	Our beacons in action: People and Planet	28	
Description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	Our beacons in action: People and Planet	28	
	Climate-related Financial Disclosures	52	

GOVERNANCE

Board oversight

The HAHL Board¹ has overall accountability for setting and overseeing the implementation of Heathrow's strategy including climate-related matters. The Board has shaped, reviewed and endorsed our Net Zero Plan, a comprehensive strategy addressing the climate-related risks confronting our business.

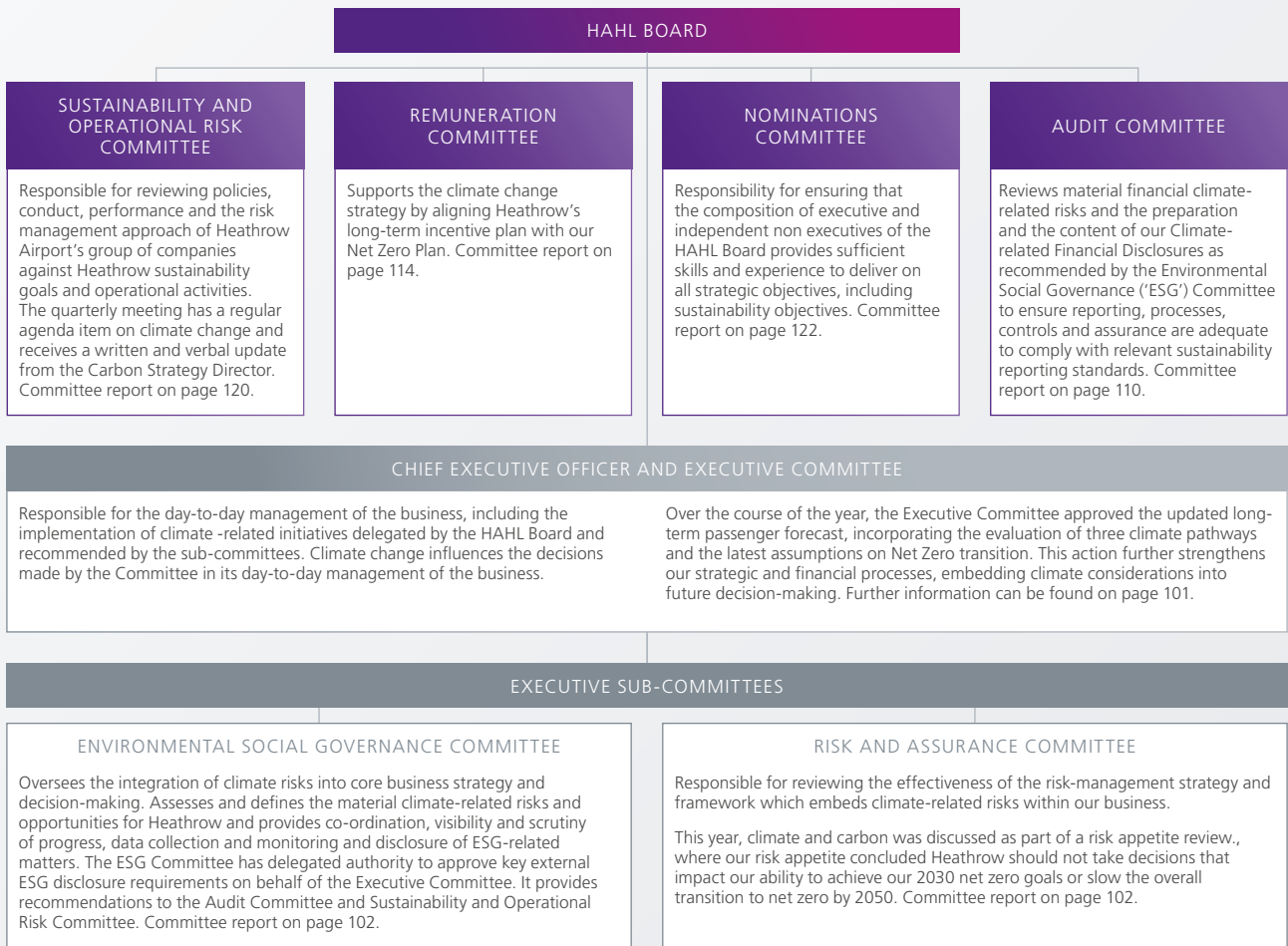
Climate-related risks, similarly to all our principal risks, influence the HAHL Board's decisions in fulfilling its duties to promote the long-term success of Heathrow and the interests of its stakeholders.

The Chair of the Audit Committee Olivier Fortin held the position of Climate Director for the HAHL Board up until his resignation as a Non-Executive Shareholder Director on 12 December 2024.

Going forwards, consideration will be given to the best way in which this role can be fulfilled.

In fulfilling its duties, the HAHL Board either delegates responsibilities or is supported by the following committees, see Governance Structure on page 101 for further detail.

GOVERNANCE STRUCTURE



¹ The HAHL Board is the Board of Directors of Heathrow Airport Holdings Limited as defined on page 90.



Management structure and approach

The CEO has taken responsibility for delivering the climate change agenda and briefs the Board on climate-related developments monthly. Our overall approach to climate change and strategy is led by our Chief Communications and Sustainability Officer who sits on the Executive Committee. The Chief Communications and Sustainability Officer is supported by a dedicated carbon strategy team to provide clear direction and internal capability to shape and drive the climate agenda throughout Heathrow.

We have established a strategic Carbon and Sustainability programme to deliver the solutions required to meet our net zero goals. The Carbon and Sustainability Programme Committee comprises key Directors, who sponsor carbon reduction projects and are responsible for governing the activities in the programme and the associated carbon reduction benefits.

Our management team also partners with important external bodies:

- The Jet Zero Taskforce is a partnership between industry, academia and government to bring together ministers and chief executive officer-level stakeholders, with the aim of delivering sustainable aviation fuel ('SAF') in the UK fuel mix and enabling the introduction of zero emissions aircraft. We work with the UK aviation sector and the UK Government through the Jet Zero Taskforce as it represents a real opportunity to make progress in the UK.
- Our Chief Financial Officer ('CFO') supports Accounting for Sustainability's UK CFO Leadership Network and will continue to be heavily involved in inspiring and coaching future climate leaders.

This year, the Cambridge Institute for Sustainability Leadership ('CISL'), an impact-led institute within the University of Cambridge that activates leadership globally for people, nature and climate, provided a leadership programme session to members of the ESG Committee. In addition, we worked with the CISL to deliver spotlight sustainability sessions for the wider executive members and senior management team.

STRATEGY

Introduction

Climate change is the most significant mid to long-term risk facing Heathrow and the wider aviation sector, as identified in our Principal Risks on page 51. As society navigates the journey toward a net zero economy we are exposed to risks and opportunities of the transition, as well as the physical impacts from a changing climate on our operations. As a result, understanding how climate change could affect our business and strategy is critical to safeguarding our long-term resilience. Our People and Planet beacon, described on page 28, highlights our Net Zero Plan and the steps we are taking to ensure progress on this critical issue.

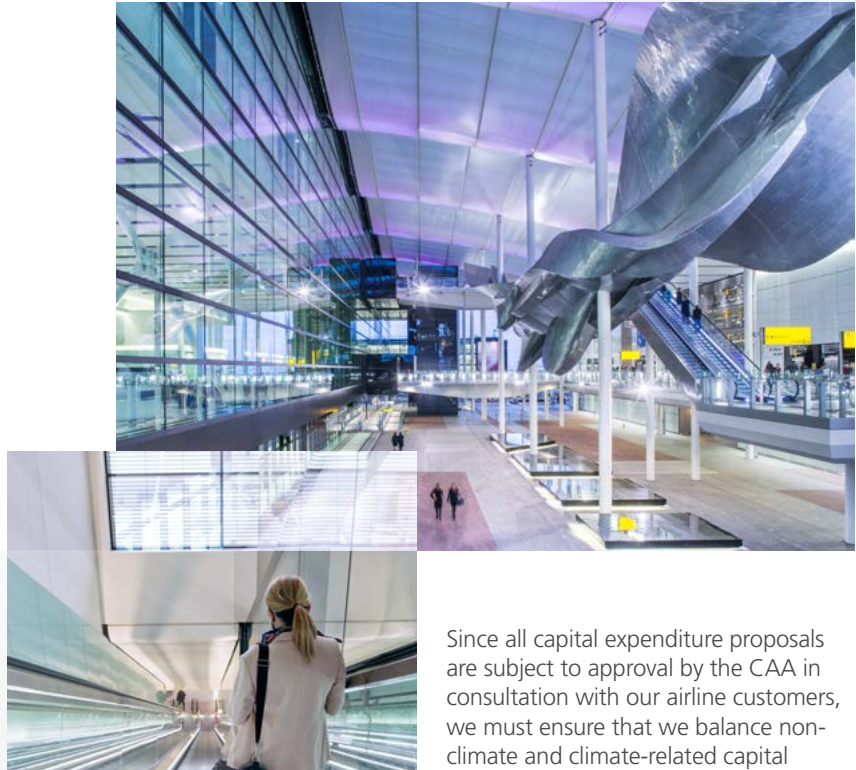
There are two key strategic considerations underpinning our climate-related risks and opportunities:

1. The passenger demand impact of net zero transition, and the physical effects of climate change.

Passenger numbers drive our revenue streams, which in turn dictate our capacity to support the necessary capital investments to achieve net zero. Factors such as evolving government policy, how air fares will vary as a result of our airline customers transitioning to net zero and how climate impacts on the markets and the network destinations we serve, could influence future demand.

2. The impact of climate change on our existing assets.

We must assess whether our existing assets are fit for purpose or need to be replaced earlier than originally expected. In addition, we need to consider the need for investment in new infrastructure to ensure operational continuity in a changing climate, or to adapt to demands for new aviation technologies from our airline customers.



To successfully adapt to these two key strategic considerations, we must work closely with our airline customers, as well as the Civil Aviation Authority ('CAA'). Emissions from the aircraft of our customers make up the significant majority of our scope 3 emissions. Therefore, we must adapt our infrastructure to new net zero technologies, as required, alongside the provision of support by way of using our position to lobby for appropriate government policy. We are subject to economic regulation by the CAA, which is designed to allow us to generate revenues sufficient to finance operating and capital expenditure requirements and to provide a fair rate of return to shareholders, and so we must make investment decisions that are in the best interest of passengers. For further details of how we are economically regulated by the CAA see Regulatory Environment on page 16.

Since all capital expenditure proposals are subject to approval by the CAA in consultation with our airline customers, we must ensure that we balance non-climate and climate-related capital expenditure between now and 2050, whilst ensuring we achieve our net zero goals. For the H7 regulatory period that runs from 1 January 2022 to 31 December 2026, we have £250 million of capital expenditure in our business plan to contribute towards delivering our Net Zero Plan. Future support from the CAA to deliver our Net Zero Plan while providing a fair rate of return to shareholders is a critical assumption and supports our scenario analysis. We assume that capital or operating expenses, will be incorporated into future airport charges set by the CAA and therefore, climate-related impacts would be taken into account as part of our regulatory settlement.

We consider our assumption to be appropriate based on the support we have received from the CAA to date, which includes a traffic risk sharing mechanism which provides some protection against under performance on traffic volumes and sharing of outperformance.

Scenario analysis

We use scenario analysis to evaluate the climate-related risks to our strategy and business model. We recognise the broad range of potential climate-related scenarios and continue to review and adopt those most relevant, to effectively stress test the resilience of our business. This ongoing evaluation ensures we can adapt to evolving risks and opportunities posed by climate change, safeguarding our long-term sustainability.

Previously, we focused on two separate climate scenarios addressing transition and physical risks in isolation. We have now refined our analysis focusing on three scenarios: 'Net Zero', 'Announced Policy' and 'Climate Catastrophe'.

These scenarios are specifically tailored to Heathrow's market and business model, with risks and impacts integrated to provide a more comprehensive understanding of potential future climate conditions. We have developed our climate scenario analysis in collaboration with Oxford Economics, using their Global Economic Model to assess the economic impacts of climate change. This model integrates climate, energy systems and the global economy, and together, we refined the aviation sector assumptions including energy mix, energy efficiency and SAF prices, allowing for a deeper understanding of how climate transition affects our market and business to inform our scenario forecasting.

To maintain independent data within our scenario analysis, we have also closely aligned to Representative Concentration Pathways ('RCPs') and Shared Socioeconomic Pathways ('SSPs'). RCPs are climate change scenarios to project future greenhouse gas concentrations and the physical drivers of climate change and SSPs describe a range of possible futures based on factors such as population growth, economic development, technological advancement and governance, that have been adopted by the Intergovernmental Panel on Climate Change ('IPCC').

Heathrow's Climate scenarios

The results of our analysis must be treated with caution since each scenario is necessarily dependent on numerous assumptions and methodological choices, and each has its own limitations.

While primarily qualitative, our scenario analysis, integrates and is guided by the outcome of quantitative assessments we have developed on the impact of transition and physical risks on passenger demand for our airport. Our current qualitative scenario approach serves our internal decision making needs and aligns with the

disclosure requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We continue to move towards a more advanced quantitative scenario method with scenarios that most accurately describe the transition that Heathrow could experience as our understanding of climate risks deepens and the quality of available data improves.

CFD requirements are that we have a range of scenarios, including one for 2.0°C or lower. Our scenarios are as follows:

HEATHROW'S CLIMATE SCENARIOS

Net Zero: 1.6°C

This scenario represents our strategic aims and follows our Net Zero Plan. It aligns with the growing body of scientific opinion including findings by the United Nations Intergovernmental Panel on Climate Change ('IPCC') of a slight overshoot of 1.5°C degrees by 2050. As a result, this 1.6°C scenario presents a more cautious outlook for Heathrow, as it anticipates more severe impacts and increased pressures on passenger demand compared to a 1.5°C scenario. By adopting this approach, we aim to ensure a resilient and robust plan for achieving net zero by 2050, safeguarding the business against potential challenges associated with less optimistic climate projections.






Announced Policy: 1.9°C

This scenario acts as a reference point, illustrating the climate pathway under individual country government and global policies, as of March 2024, the forecast reflects the stated policy environment, considering policy commitments that are sufficiently detailed to be realised. It assumes no further policy changes.

Climate Catastrophe: 2.2°C

This scenario assumes international governments fail to meet their climate policy pledges and that the concentration of greenhouse gas emissions ('GHG') in the atmosphere intensifies. It assumes higher global warming levels, more extreme temperature volatility and an acceleration of frequent extreme heat events that cause complex physical damage.

The following table outlines the key assumptions used in each scenario.

	CLIMATE SCENARIOS: KEY COMPONENTS AND ASSUMPTIONS		
	Net Zero	Announced Policy	Climate Catastrophe
2050	1.6°C	1.9°C	2.2°C
2100	- ¹	- ¹	4.4°C
Most similar to SSP-RCP climate scenario	SSP-RCP 1-1.9	SSP-RCP 2-4.5	SSP-RCP 5-8.5
Climate and temperature 	<ul style="list-style-type: none"> Net zero is achieved and warming is limited to 1.6°C. 	<ul style="list-style-type: none"> Net zero is not achieved by 2050, with warming of 1.9°C. 	<ul style="list-style-type: none"> Net zero is not achieved by 2050, with warming of 2.2°C. Global warming continues to 2100.
Economy 	<ul style="list-style-type: none"> As a result of carbon pricing on fossil fuel inputs, companies and markets increase prices. As renewables become more price competitive, this allows firms to transition to net zero more quickly than other scenarios, leading to higher inflation and lower Gross Domestic Product ('GDP') growth. Government and private sector investment and government policies support economic growth to recover and boost market stability. 	<ul style="list-style-type: none"> GDP growth is initially in line with existing trends, however, as temperatures increase, the economic damage from climate change softens growth. 	<ul style="list-style-type: none"> Rising global temperatures cause significant economic damage, with world GDP projected to be over 20% below Announced Policy levels by 2050. Disruption of global value chains and operations challenge economic stability.
Policy and Regulation 	<ul style="list-style-type: none"> Implementation of aggressive, coordinated carbon pricing and stringent policies to achieve global net zero. Revenue certainty mechanisms to boost SAF production are put in place. Global enforcement of SAF uptake, following UK and EU mandates. 	<ul style="list-style-type: none"> Carbon prices fall short of the cost needed to achieve net zero. Uptake of SAF follows existing policy commitments with no further policy development. Emissions Trading System ('ETS') and Carbon Offsetting and Reduction Scheme for International Aviation ('CORSIA') are not aligned with net zero targets. 	<ul style="list-style-type: none"> Global governments fail to transition to a low carbon economy or meet nationally determined contributions. Increased reliance on carbon intensive fossil fuels and emissions beyond Announced Policy levels. Minimal transition risks due to limited policy action.
Technological and energy transition 	<ul style="list-style-type: none"> Strong investment in cleaner, efficient energy sources: SAF, hydrogen, low-carbon electricity, and energy system innovations. Introduction of e-SAF with near 100% life cycle efficiency. Significant progress in hydrogen powered aircraft and more energy efficient aircraft development. 	<ul style="list-style-type: none"> Some investment in clean energy, including SAF, hydrogen, low-carbon electricity, and energy system innovations, however, global energy remains heavily reliant on coal, oil, and gas by 2050. Hydrogen powered aircraft enter the market later than in the net zero scenario. 	<ul style="list-style-type: none"> Slower expansion of renewables compared to Announced Policy and low electricity production from low carbon sources, with expanding demand for fossil fuels. Usage of SAF is half of that in the Announced Policy scenario and prices are higher, leading to low development and adoption of SAF aircraft. Key technologies, such as hydrogen, fail to scale.
Physical impacts 	<ul style="list-style-type: none"> Frequency and severity of extreme weather events slightly increases over time. Physical impacts are lesser relative to other scenarios, but uncertainty remains. 	<ul style="list-style-type: none"> Frequency and severity of extreme weather events increases. Physical impacts increase, and uncertainty is heightened. 	<ul style="list-style-type: none"> Higher global warming levels, volatile temperatures, and frequent extreme heat events. Increasing physical damage from extreme weather events. Threats to the geographical location, hub operations, and network diversity of the airport.

¹ Our scenario analysis primarily extends to 2050. However, for Climate Catastrophe scenario we extend this analysis to 2100 to evaluate the physical risks to our asset base, as the impacts of climate change are expected to be more severe beyond 2050.

Climate-related risks and opportunities identified over the short, medium, and long-term

Our scenario analysis outlines current projections for potential future passenger demand and assesses the impact of climate change on our existing assets. All scenarios assume the operation of a third runway at Heathrow Airport and unconstrained terminal capacity.

To understand the impact of climate change on passenger demand, we have integrated climate-related risks into our passenger forecast model which is used for strategic and operational planning.

We have a dedicated passenger forecasting team which estimates the future passenger demand at Heathrow, through modelling various inputs and assumptions including climate change.

Key drivers of long-term passenger demand, such as economic growth and changes in cost of travel now include the predicted macroeconomic impacts of the net zero transition and climate-related physical risks for individual regions. This includes outputs from the Oxford Economics Global Economic Model, for predicted country level GDP trends, and carbon price forecasts.

The following time horizons have been used which map to our typical financial, operational, investing and strategic planning cycles:

Impact time horizon	Years (from – to)	Aligned to	Key
Short term	1-5	Forecasting, budgeting and economic regulatory cycle	1-5
Medium term	5-10	Asset management processes and our 2030 net zero goals to reduce carbon emissions, by up to 15% 'In the Air' and at least 45% 'On the Ground', from 2019 levels	5-10
Long term	10+	Master planning process	10+

The following pages provide a qualitative assessment of the climate-related risks and opportunities at our airport alongside our scenario analysis, which we use to evaluate our strategy and business model.

In evaluating the impacts associated with transition and physical climate risks, we have used lower and higher categories within the table to signify the potential magnitude of these risks to our business on areas such as revenues and expenditures within each of the scenarios. Our intention is to more accurately quantify these in the future as our understanding and analysis matures.

Magnitude	
Lower	L
Higher	H



Market and policy

CONTEXT

RISKS:

The air travel market may experience slower growth rates than historical rates due to several factors, including:

- Higher carbon pricing through taxes or trading schemes.
- Delays in government policies and investments needed to decarbonise the aviation sector.
- Policy measures aimed at limiting aviation demand.
- Shifts in consumer sentiment toward more sustainable travel options.
- Broader macroeconomic impacts affecting passenger demand.
- Increased costs associated with delivering the net zero transition, potentially dampening demand.

OPPORTUNITIES:

Opportunities exist to leverage Heathrow's hub model to maximise economic value.

TIME FRAME: 5-10 10+

RISK IMPACT AREA:
REVENUE LOSS

POTENTIAL FINANCIAL IMPACTS

Heathrow's passenger demand is closely tied to economic growth in the UK and the destinations it serves, with passenger numbers being the primary driver of revenue. Long-term fluctuations in demand could significantly affect future passenger charges. These risks may be driven by the costs of transitioning to net zero, their impact on airfares, or government policy if the sector is perceived as lagging in decarbonisation efforts. Failure to meet long-term projections could materially impact Heathrow's revenue, profitability, and operating cash flows.

For more information, see the business resilience section on page 66.

SCENARIO ANALYSIS

Net Zero

Governments implement stringent policies to achieve global net zero. Carbon prices rise significantly throughout the period resulting in significant fare increases. The UK's net zero transition leads to a slight reduction in GDP growth in the early stages driven by inflationary pressures, causing a negative financial impact. However, by the mid-2030s, the transition is expected to boost the economy through productivity gains from higher investment and by avoiding the more severe climate impacts projected in Announced Policy. By 2050, UK GDP is anticipated to be 2% higher than the Announced Policy, positively influencing passenger demand at Heathrow and supporting long-term growth.

Changes in consumer sentiment are evident in corporate travel policies, focusing on sustainability through reducing business travel where possible.

In this ambitious climate scenario, the adoption of SAF at Heathrow is projected to reach an 11% utilisation rate by 2030, surpassing UK Government targets by 1%, and increasing to a 90% uplift at Heathrow by 2050. This assumption is consistently integrated across several key initiatives, including Heathrow's Net Zero Plan and the Heathrow Sustainability-Linked Bond Framework.

The 90% SAF uptake level is informed by the findings of the 'Mission Possible Report', published by the Energy Transitions Commission in November 2018, which indicated that SAF could potentially fulfil 100% of aviation's fuel needs by 2050.

The initial high costs associated with SAF are likely to dampen passenger demand, leading to a conservative outlook. We assume that the UK Government will implement a revenue certainty mechanism to enhance affordability and stimulate investment in domestic SAF production. Lower SAF prices and increased uptake limits exposure to carbon prices and by the late 2040s airfares fall below Announced Policy.

MAGNITUDE OF POTENTIAL IMPACT: L



IMPACT TIME HOIZON (YEARS):

1-5 5-10 10+

H MAGNITUDE – HIGHER

L MAGNITUDE – LOWER

Announced Policy

Policies and investment do not achieve net zero. As a result, rising fuel costs and exposure to carbon pricing are expected to drive up airfares over time, leading to a softening in passenger demand, marking a shift from the pre-COVID trend of decreasing real term airfares. While initial economic growth aligns with long-term trends, increasing global temperatures will result in escalating climate-related economic damages, ultimately weakening both economic growth and passenger demand.

Changes in consumer sentiment are evident in corporate travel policies like the Net Zero scenario.

The projected uptake of SAF at Heathrow aligns with government targets for 2030, however, by 2040, utilisation is expected to fall short of the mandated 22%, reaching only 17%. While there is no official target for SAF by 2050, penetration is anticipated to increase to 30%, indicating a potential risk of non-compliance in the interim years. On a global scale, SAF adoption varies significantly, and regional disparities may create transition risks for Heathrow, especially in the global destinations Heathrow serves, where compliance costs and competitive pressures can differ across markets.

MAGNITUDE OF POTENTIAL IMPACT:

L

Climate Catastrophe

Governments fail to meet their policy pledges. In the early stages, climate change has relatively minor economic impacts. However, as temperatures rise, the damage escalates significantly due to a severe lack of action. By 2050, the UK's GDP could be up to 18% below the Announced Policy Scenario. The extent of economic damage varies across the destinations served by Heathrow, affecting different regions in different ways.

MAGNITUDE OF POTENTIAL IMPACT:

H

THE ACTION WE ARE TAKING

We are taking proactive steps to meet our Net Zero Plan via a strategic programme in place to implement the necessary solutions. One important aspect of this includes the launch of our SAF incentive programme to increase demand for sustainable fuel. For 2025, we set a target for 3% SAF use at the airport and plan to expand this initiative in 2026 in collaboration with our airline partners. As a result, we fully support the UK Government's plans to decarbonise aviation to enable our plan, including the legislated SAF mandate, which is critical to accelerating the development of SAF plants that are essential for reducing emissions.

In partnership with the wider industry, we are working to implement the UK's net zero aviation roadmap. We are advocating for a revenue certainty mechanism to de-risk SAF investment, which was consulted on in 2024, this is key to securing long-term SAF supply in the UK. Additionally, we are a founding member of Rise, a coalition of leading airlines, airports, manufacturers, producers, engineers and industry associations advocating for building a strong domestic SAF industry, which further underscores our commitment.

To stay ahead of climate challenges, we continuously refine our passenger forecasting models to better understand the potential impact of climate change on future demand. Through these actions, Heathrow is leading the effort to decarbonise aviation and secure a sustainable future for the industry.



Technology

CONTEXT

RISKS:

The adoption of new technologies required to decarbonise aviation needs investment by Heathrow to gradually upgrade airport infrastructure and introduce operational changes that can increase costs or impact revenues compared to our current business models.

OPPORTUNITIES:

SAF is a key element of the sector's net zero roadmap. Heathrow is actively promoting a rapid scale up and adoption of SAF to significantly cut emissions in the next decade. Working with our airline partners, we can seek to maximise technologies that have the least impact to airport infrastructure, such as SAF.

TIME FRAME: 5-10 10+

RISK IMPACT AREA:
CAPITAL EXPENDITURE

POTENTIAL FINANCIAL IMPACTS

The adoption of technologies such as second generation zero emission aircraft and electrification requirements may necessitate substantial new infrastructure investments at Heathrow, impacting overall capital expenditure. Given the nature of our long-term capital programme, investments to support new zero emission aircraft will require backing from our economic regulator, the CAA. Although these investments will be initiated at the request of and for the benefit of our airline customers, they cannot be guaranteed. We will continuously evaluate the associated infrastructure needs, which will inform our ongoing assessment of the required investment magnitude and carbon savings.

SCENARIO ANALYSIS

Net Zero

This scenario hinges on the successful achievement of the UK's net zero objectives, driven by technological advancements and robust supportive policies across the UK, US, EU, and other regions, coupled with sustained public backing. Additionally, we expect ongoing investment in lower carbon technologies, including renewables, hydrogen, nuclear power, and grid infrastructure, to further facilitate the transition.

MAGNITUDE OF POTENTIAL IMPACT: L

Reputation

CONTEXT

RISKS:

Investors prioritise investment in businesses that have smaller climate impacts affecting access to finance at affordable rates.

Increased scrutiny from investors for not meeting our Net Zero Plan targets.

OPPORTUNITIES:

Heathrow manages financing risks by leveraging favourable terms through a commitment to decarbonisation.

TIME FRAME: 1-5 5-10

RISK IMPACT AREA:
EXPENDITURE INCREASE

POTENTIAL FINANCIAL IMPACTS

The cost of borrowing is now more closely tied to efforts to reduce carbon emissions. If our business fails to meet stakeholder expectations on climate change performance, we risk deterring investors and customers and may face higher borrowing costs or loss of customers to competitors. Access to affordable finance and growth expectations is contingent on aligning with debt investors and customers decarbonisation expectations.

SCENARIO ANALYSIS

Net Zero

Net zero is achieved and our current bond commitments are met. Heathrow is seen as market leading from reputational perspective.

MAGNITUDE OF POTENTIAL IMPACT: L

IMPACT TIME HOIZON (YEARS):

1-5 5-10 10+

H MAGNITUDE – HIGHER

L MAGNITUDE – LOWER

Announced Policy

Technological advancements in SAF production and hydrogen powered aircraft are essential to Heathrow's long-term decarbonization strategy. We project a gradual development of hydrogen powered aircraft, with turboprop models expected to enter service by the late 2030s and larger regional aircraft by the late 2040s. Delays in these technologies could impede our ability to meet emission reduction targets, leading to increased reliance on carbon offsets and higher cost fuels.

MAGNITUDE OF POTENTIAL IMPACT:

L

Climate Catastrophe

Governments fail to meet their green pledges. With SAF production levels remaining unchanged and lack of investment into hydrogen and other low carbon alternative technologies, infrastructure requirements are uncertain. Whilst this means less transition costs in updating infrastructure, this increases costs significantly for Heathrow on offsetting.

MAGNITUDE OF POTENTIAL IMPACT:

L

THE ACTION WE ARE TAKING

Delivering our long-term energy strategy which sets out the energy needs for our airport to 2050, including electricity capacity and distribution upgrades, and a roadmap for delivering hydrogen to enable the introduction of zero carbon emission aircraft from the late 2030s. This will inform our future capital plans for agreement with the CAA and our airline customers.

Heathrow is a partner in the Liquid Hydrogen Gas Turbine ('LH2GT') project, which will further assess the infrastructure considerations for introducing hydrogen to Heathrow. This is a follow-on study from Project New Aviation Propulsion Knowledge and Innovation Network which sets out to develop a blueprint for net zero carbon aviation across the UK.

Announced Policy

Failure to meet our Net Zero targets, may result in changed investor priorities and reduced trust in Heathrow's forward-looking targets. Potential for increased costs of borrowing.

MAGNITUDE OF POTENTIAL IMPACT:

L

Climate Catastrophe

Reduced access to borrowing and increased costs of borrowing leading to threat on covenants and increased risk of default.

MAGNITUDE OF POTENTIAL IMPACT:

H

THE ACTION WE ARE TAKING

The changes to our shareholder structure in 2024 are a sign of investor confidence, therefore, there is currently no indication that investor confidence is impaired.

Continually appraising our reputational risk through regular dialogue with investors and credit rating agencies. For our Sustainability-Linked Bonds and associated hedging arrangements, the maximum premium for failing to meet our emissions commitments is currently estimated to be £11.3 million in GBP equivalent, which represents c. 1% of the notional balance of the bonds. We view this as indicative of potential climate-related costs linked to our Sustainability-Linked Bonds and associated hedging arrangements. For further details on how we have evolved our existing Revolving Credit Facility and Working Capital Facility linked to sustainability impacts refer to Describe the impact of climate related risks and opportunities section on page 67.

Continuing to engage with our investor community on the delivery of our Net Zero Plan and performance.

Property and operations

CONTEXT

RISKS:

Chronic and acute changes to the weather and climate may affect airport infrastructure and operations.

OPPORTUNITIES:

Where critical to airport operations, we can design new capital programmes which mitigate these risks.

TIME FRAME: 5-10 10+

RISK IMPACT AREA:
EXPENDITURE INCREASE

POTENTIAL FINANCIAL IMPACTS

Heathrow could see impacts to our infrastructure and operations from a range of weather-related events including increased flooding, which is our biggest risk, heatwaves and maximum temperatures on infrastructure, and extreme winds. The nature of our long-term capital programme means that investing in the necessary equipment and infrastructure needs to be supported through our economic regulation by the CAA. While any such investment would be at the request and to the benefit of our airline customers, it is not guaranteed. We are continuing to develop and refine our assessment of physical risks which will inform our ongoing assessment of their financial materiality.

SCENARIO ANALYSIS

Net Zero

As emissions fall to zero, the temperatures fall towards the level of 1.6 °C. As a result, climate damages are largely avoided. However, the climate will take time to respond, and risks remain around flooding, maximum temperatures and storms which pose risks to our infrastructure operations. Some costs remain in mitigating these through maintenance, improving infrastructure resilience and emergency responses.

MAGNITUDE OF POTENTIAL IMPACT: L

Network and destinations

CONTEXT

RISKS:

Climate change may result in physical, social and economic changes that cause permanent changes to the global aviation network and the destinations that Heathrow serves.

Heathrow's business model cannot respond to market changes in more extreme climate change scenarios.

OPPORTUNITIES:

We can leverage Heathrow's hub model to maximise economic value.

TIME FRAME: 10+

RISK IMPACT AREA:
REVENUE LOSS

POTENTIAL FINANCIAL IMPACTS

Adverse weather conditions could lead to increased fuel burn, higher airline operating costs and unpredictability. The impact on Heathrow's network remains uncertain. The risk may lead to reduced demand for routes affected by climate change impacts. However, Heathrow's large global network of destinations provides a level of resilience to events at individual destinations. The systemic cumulative effect of extreme climate events on groups of airports from a regional perspective could potentially have a more material impact. Our assessment is based on our latest current understanding of the risk and its potential financial impact on Heathrow. It will be refined as we continue to develop our understanding of possible impacts.

SCENARIO ANALYSIS

Net Zero Announced Policy

Shifts in travel patterns would be expected as the market responded to changes in economic growth and extreme weather events. These changes would be reflected in our network over the long term and are consistent with the level of change Heathrow's network has seen historically.

MAGNITUDE OF POTENTIAL IMPACT: L

IMPACT TIME HOIZON (YEARS):

1-5 5-10 10+

H MAGNITUDE – HIGHER

L MAGNITUDE – LOWER

Announced Policy

Heathrow faces growing and more severe exposure to physical climate risks in line with SSP-RCP 2-4.5. Rising global temperatures lead to an increase in the frequency and severity of extreme weather events and physical impacts from pluvial and groundwater flooding, and storms, and maximum temperatures on infrastructure. Heathrow's role as a global hub makes it vulnerable to disruptions caused by impacts at destinations we serve and the wider aviation network, which could affect operations and passenger flow. The increased costs of maintenance, infrastructure resilience and emergency responses are notable risks.

MAGNITUDE OF POTENTIAL IMPACT:

L

Climate Catastrophe

The level of warming increases the likelihood, frequency and severity of extreme weather in both the medium and long term, requiring significant adaptation to airport infrastructure and operations.

We expect more significant disruption impacts and damage to assets from intense rainfall and rising temperatures, as forecasted by UK climate projections. Impacts at destination airports and the wider aviation network would be greater leading to more significant impact to operations and passenger flow. Global warming nearing 5°C would result in severe economic impacts and accelerated physical damages, particularly in the second half of the century.

MAGNITUDE OF POTENTIAL IMPACT:

H

THE ACTION WE ARE TAKING

Completing a full climate risk assessment every five years to understand how climate changes could impact Heathrow. We have completed a detailed assessment of the resilience of our asset base to test the current level of mitigation and inform long-term master planning, and asset and investment planning. We continue to refine and improve our approach to drainage modelling and stress testing to understand the impact of significant rainfall events.

Continually updating asset standards to ensure asset and infrastructure replacement meets the level of mitigation necessary for future expected climate conditions.

Engaging and planning with key stakeholders to understand interdependency risks that we cannot directly control and could impact our operation.

Climate Catastrophe

The economic impact is most pronounced in Europe and North America where temperature anomalies are forecast to be greatest. More frequent extreme weather events will impact operations and route viability. This will require significant structural changes to the global aviation market over the long term which will need to adapt to the effects of significant climate change. Pro-active changes to our current route network and flight routing would be expected to follow changes to the market.

MAGNITUDE OF POTENTIAL IMPACT:

H

THE ACTION WE ARE TAKING

Working with the wider aviation sector to understand the effects of climate change on the aviation network and the markets that drive passenger demand across our network of destinations.

Continuing to assess how climate change could impact our route network and passenger growth.

Business resilience

As part of our climate-related risk and opportunity assessment, we have considered the impact these scenarios would have on our strategy and business model over the short, medium and long-term, taking into account our Net Zero Plan goals where we aim to reduce carbon emissions by up to 15% 'In the Air' and at least 45% 'On the Ground' by 2030.

The primary measure of our business resilience is potential future cashflows due to the significant capital investment required to operate and our reliance on external debt investment. In assessing potential future cashflows, we consider passenger demand at our airport as the fundamental driver, alongside airport charges regulated by the CAA, our economic regulator.

Passenger demand is closely linked to our industry's carbon reduction efforts, with most of our GHG emissions coming from scope 3, originating from our customers' cruise emissions on departure flights. For our detailed carbon footprint please see page 72. The nature of our long-term capital programme means that investing in the necessary equipment and infrastructure needs to be supported through our economic regulation by the CAA. While any such investment would be at the request and to the benefit of our airline customers, it is not guaranteed.

We have assumed that any significant investments required to achieve net zero in our scope 1 and scope 2 emissions, whether capital or operating expenses, will be incorporated into future airport charges set by the CAA. This assumption is a critical judgement in our planning.

KEY INSIGHTS FOR HEATHROW PASSENGER DEMAND

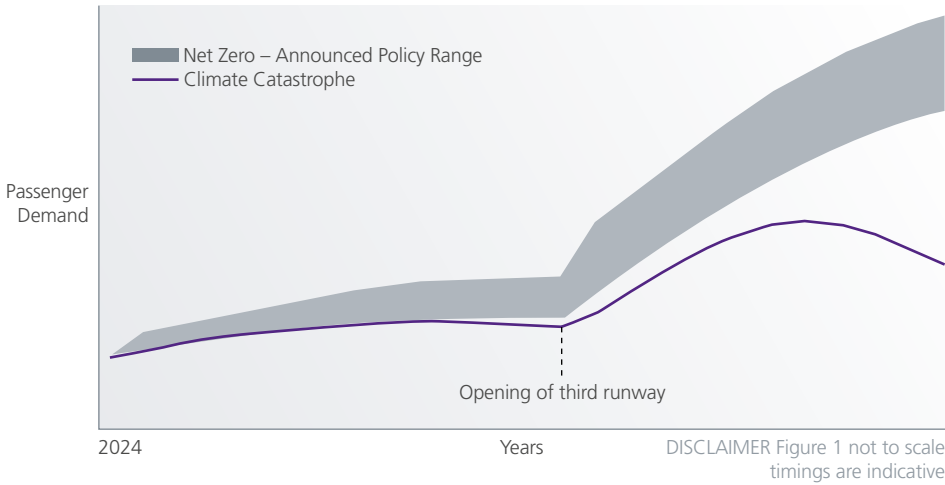
As part of our scenario analysis modelling to evaluate our resilience, we assessed Heathrow passenger demand incorporating assumptions and impacts from our three climate scenarios.

According to our evaluation, the three climate scenarios ranging from 1.6°C to 2.2°C, by 2050, indicate a Compound Annual Growth Rate ('CAGR') in passenger demand ranging from higher 2% to 1% respectively until 2050 compared to a 2024 baseline.

Figure 1 sets out Heathrow's projected passenger demand out to 2050 with the grey section illustrating a range for Net Zero and Announced Policy, and the purple line representing Climate Catastrophe. We still consider the building of a third runway to be probable, further detail provided on page 164. At this stage, we have not yet determined the year in which a third runway would open.



FIGURE 1: HEATHROW PASSENGER DEMAND



Given the projected growth in demand for travel through the airport, we consider our business to be resilient in the short, medium, and long-term under both Net Zero and Announced Policy, including on an expanded basis with a third runway.

In Climate Catastrophe, the highest emissions pathway, we have considered the medium and long-term frame in assessing our businesses resilience to physical risks, particularly those associated with potential extreme weather impacts on our infrastructure and operations.

Our evaluation highlighted that even in the highest emission scenario Climate Catastrophe, passenger demand CAGR is positive, albeit with limited growth through to 2050. However, the impact of higher fares and increased physical risk associated with climate change leads to a downward trend in passenger demand. Nevertheless, based on policy and action to date, we do not believe this is a likely outcome.

Despite challenges in evaluating such risks, due to the uncertainty linked with extended timelines beyond 2050, our assessment offers valuable insights. Considering our airport's location, we are confident in our business's relative resilience. We are positioned as a global hub with a diverse route network providing a platform to mitigate exposure risks. Our mitigation measures are designed to reduce the impact of the transition and physical risks under the three presented scenarios.

Impacts of climate considerations on our financial processes

Climate change influences our financial processes, covering financing, forecasting, budgeting, economic regulatory processes, capital investment, insurance decisions and master planning.

There is growing emphasis from investors on sustainability impacts, capital availability and costs. In 2023, we strategically linked our existing Revolving Credit Facility and Working Capital Facility to sustainability measures, encompassing carbon intensity both 'In the Air' and 'On the Ground', alongside gender and ethnicity representation measures.

We continue to build on our 2023 inaugural Sustainability-Linked Bond ('SLB'), which integrated Sustainability Performance Targets ('SPTs') that combined our entire carbon footprint and align with a science-based 1.5°C carbon emissions reduction trajectory. In February 2024, we issued an additional SLB which utilised the same SPTs as our 2023 bond, however, this bond has a premium payment option. The premium payment option means the amount repaid to the bondholders would be higher should we not meet the SPTs and is in place instead of a step up in margin to compensate for the shorter dated tenor of the bond.

This bond was the first SLB in the Sterling market to include all scopes of emissions, irrespective of sector.

In addition, in May 2024 we priced our first use of proceeds green issuance through the private placement market, which includes our first use of proceeds green issuance. Proceeds will be allocated to pre-agreed projects that have been selected in accordance with the Loan Market Association Green Loan Principles.


This year the HAML Board approved our revised Treasury Policy which includes a requirement that a minimum of 5% of the total of all Heathrow investments must be in ESG investment products, for example but not limited to, Money Market deposits and on-call bank accounts.

We maintain ongoing engagement with the CAA, emphasising the necessity of making investments that contribute to climate adaptation and mitigation. We anticipate that such initiatives will continue to receive support as part of the regulatory settlement process.

Finally, while scenario analysis is not conducted primarily for asset valuation purposes, given that scenarios inherently depict hypothetical future conditions, we have integrated pertinent key assumptions in evaluating the recoverability of specific balance sheet items. Further details on this can be found in the climate change section of Heathrow's accounting policies within the financial statements and asset impairment notes on page 151. The judgments applied to these balance sheet items are regarded as significant and critical accounting judgements. The consideration of these climate change assumptions in our asset valuation does not suggest any issues regarding the recoverability of these assets.

RISK MANAGEMENT

Climate risk management is embedded within our overall enterprise risk management framework. We consider both transition and physical risks. We have adopted similar terminology, clarified our approach to both transition and physical risks and report using a consistent format. Our functional risk registers are aligned in the same way, ensuring that climate-related risks are managed and reported in a consistent way and making it easier for us to assess climate-related risks thematically.

 See our approach to Risk Management on page 42.

METRICS AND TARGETS

Decarbonising aviation is the principal way to mitigate the impact from our most material climate risks. Heathrow has set ambitious targets to cut carbon emissions and a plan to deliver these. We track and report our performance in reducing absolute carbon emissions in our carbon footprint section on page 72.

People and Planet, one of our guiding strategic beacons, ensures that sustainability sits at the heart of how we operate the airport. Connecting People and Planet strategy is the umbrella strategy that consolidates our People and Planet commitments together in one place, including our Net Zero Plan which explains how we will cut carbon emissions working with the wider aviation industry to reach net zero emissions by 2050. We continue to develop and refine our approach based on the latest research, trends and evidence, and delivering our plan and measuring performance.

Our Net Zero Plan and targets

Our Net Zero Plan sets a carbon reduction trajectory to 2050 and covers all the emissions in our carbon footprint 'In the Air' and 'On the Ground', including cruise emissions from departing flights, as well as the Landing and Take-off emissions from flights in our immediate airspace up to 3,000 feet. Our plan includes two 2030 goals to focus on cutting carbon emissions this decade which are supported by science-based targets:

1. Up to 15% cut in carbon emissions 'In the Air' using a 2019 baseline. This goal is supported by a customer engagement target, near-term target validated by Science Based Targets initiative ('SBTi') in March 2023, stating that 67% of Heathrow's airline customers by carbon emissions, covering the scope 3 carbon emission category 'use of sold products and services', will set science-based targets by 2027.
2. At least 45% cut in carbon emissions 'On the Ground' using a 2019 baseline. This goal is supported by the SBTi with validation obtained in March 2023, whereby we commit to reduce our 'On the Ground' emissions by 46.2% by 2030, compared to 2019 levels, excluding those from the supply chain. While our 'On the Ground' goal includes emissions from our supply chain, our SBTi-validated targets are linked to supplier engagement. Specifically, 67% of Heathrow's suppliers by emissions will set science-based targets by 2027, addressing the scope 3 emission categories of 'purchased goods and services' and 'capital goods.'

Our plan aims to meet or exceed the carbon emissions trajectory of the Climate Change Committee's ('CCC') Balanced Net Zero scenario for emissions included in its recommendation to the UK Government for the Sixth Carbon Budget. The plan supports the aviation industry's goal to achieve net zero emissions by 2050 and the roadmap to get there.



The following table provides a summary of the goals, targets and metrics that guide our assessment of progress towards meeting our 2030 goals. There are both direct and indirect connections between our goals and targets and the identified climate-related risks.

Goals	Targets ²	Metrics used	Reference for details
Cut at least 45% carbon emissions 'On the Ground' by 2030 using a 2019 baseline. Associated with both of our Sustainability-Linked Bonds. ¹	Cut 49% by 2030 from surface access.	Greenhouse gas emissions ('GHG') – scope 1,2 and 3.	Page 72
	Cut 87% by 2030 from airport vehicles.	Carbon intensity on the ground. This metric is associated with our Sustainability-Linked Loan.	Page 72
	Cut 35% by 2030 from our supply chain.	Energy usage in megawatt hour ('MWh'). This metric is associated with Streamlined Energy and Carbon Reporting ('SECR').	Page 72
	Cut 39% by 2030 from buildings and infrastructure.		Page 72
Cut up to 15% carbon emissions from flying (or carbon 'In the Air') by 2030 using a 2019 baseline. Associated with our Sustainability-Linked Bonds.	Cut up to 1% by 2030 through more efficient operations and modernising airspace.	Greenhouse gas emissions ('GHG') – scope 3.	Page 72
	Cut up to 8% by 2030 through improvements to conventional aircraft.	Carbon intensity in the air. This metric is associated with our Sustainability-Linked Loan.	Page 72
	Cut up to 7% by 2030 through use of SAF.	Tonnes of SAF uplifted.	Page 72

Measuring carbon performance

Performance against our net zero trajectory, except for the carbon intensity metric associated with the Sustainability-Linked Loan in the near term, is measured in absolute carbon emissions ('CO₂e') and reported annually in our carbon footprint. We apply GHG Protocol standards to calculate our carbon footprint. Selected GHG emissions metrics have been subject to independent limited assurance procedures performed in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information' (ISAE 3000 (Revised)) and the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410), issued by the International Auditing and Assurance Standards Board. Our carbon footprint, including scope 1, 2 and 3 emissions can be found on page 72.

Carbon offsets and removals

Achieving zero gross emissions for all sources of emissions is unrealistic in any context, there will be some residual emissions. This is because in a small number of cases solutions are not yet available, or are lacking in maturity, such as sufficiently low global warming potential refrigerant gases used in air conditioning. In the case of cooling, the issue can be exacerbated where demand for air conditioning increases as a consequence of a warming climate. It will also appear increasingly material as more decarbonisation is achieved in other areas. For these inevitable residual emissions, we are committed to, and use, high integrity 'net zero aligned' carbon offsets, applying the International Council for the Voluntary Carbon Market 'Core Carbon Principles' as a guide. Since 2019, our strategic investments in nature-based removals in the UK, including Peatland Code and Woodland Carbon Code projects are establishing a portfolio of net zero aligned offset which we can retire as they mature in future years in line with our commitments.

Management remuneration reward

To empower our workforce and give our colleagues a stake in delivering our Net Zero Plan, we have incorporated carbon performance in our Share in Success ('SIS') long-term incentive plans' performance metrics, with the objective to reduce carbon emissions at the airport both 'On the Ground' and 'In the Air'. Such carbon performance measures account for a 15% weighting for Senior Management and 10% weighting for Executive Committee awards in the 2024 SIS Grant plan. For further information, please refer to page 118.



The 2024 Sustainability Report, including the assurance statement and the carbon footprint methodology, can be found [here](#).

¹ For the purposes of our Sustainability-Linked Bond Framework, the Sustainability Performance Target ('SPT') is 46.2% reduction.

² Represents solutions to achieve SPTs and KPIs for the purposes of our Sustainability-Linked Bond Framework.

Delivering our Net Zero Plan

Our strategic Carbon and Sustainability programme is backed by £250 million of capital investment and wider business change and management activity. It is already delivering our Net Zero Plan through the H7 regulatory settlement period and keeping us on track to hit our 2030 goals. The focus in H7 includes the following key projects and initiatives that underpin the delivery of our carbon trajectory before the end of 2026:

'IN THE AIR'


- SAF is the key solution to decarbonise aviation. Heathrow works with the UK aviation sector and is supportive of UK Government's focus on developing the sector, such as through the Jet Zero Taskforce. The UK Government set a mandate for 2% SAF by 2025, increasing to 10% on departing flights by 2030 which came into effect in January 2025. This sends a clear demand signal for scaling production of the fuel. During 2024, the UK Government consulted on a 'Revenue Certainty Mechanism' which aims to de-risk investment in the domestic SAF market. Timely implementation by government will be required to maximise its growth. Through our SAF incentive programme, in 2024, we increased our SAF incentive to 2.5% of all fuel used on departing flights. For 2025 we have increased this to 3%.
- Investing in the infrastructure improvements at Heathrow necessary to deliver airspace modernisation and improving the efficiency of aircraft on the ground. This includes a replacement of the pre-conditioned air service we already provide, which cools aircraft when parked on-stand as an alternative to running an aircraft engine called an 'auxiliary power unit'. Discussion is well progressed with airlines to agree the specific technical details.

'ON THE GROUND'

- Investing to deliver our surface access strategy, to increase the proportion of colleagues and passengers that choose to use more sustainable modes of transport to travel to and from Heathrow, including upgrades to active travel infrastructure around the airport to encourage walking and cycling. We also plan to invest in electric vehicle charging infrastructure to meet demand from different vehicle user groups for charging at the airport.
- A balanced scorecard has been developed and implemented across our first-tier suppliers which establishes clear carbon goals. Heathrow is trialling low carbon concrete in an airport setting to build confidence in the performance of products as a step to cutting emissions from construction, which is a material source of emissions from our supply chain.
- Delivering ultra-rapid electric vehicle charging hubs to accelerate the transition of airport operational vehicle fleets to zero emission vehicles. Our first ultra-rapid charging hub went live in 2024, with more sites to roll out over the next three years to provide airport-wide coverage.
- Completing the strategy to decarbonise heating across all Heathrow's terminal buildings, enabling Heathrow to switch off gas for heating by the mid 2030s. The strategy is based on several heat pump energy hubs which will also provide cooling. The design will build in climate adaptation by ensuring the operating range of the solution can cope with future climate conditions. Work has now started to develop and design the first zero carbon heating and cooling hub.

- Completing a net zero energy strategy that sets out the energy requirements for the airport to deliver our Net Zero Plan and the necessary upgrades to Heathrow's electricity distribution network and supply to meet the expected growth in electricity demand. The strategy also considers the energy requirements for future hydrogen supply, to safeguard and plan for the infrastructure required to enable the introduction of zero emission aircraft from the late 2030s.

As explained in the investment plans above, we do not anticipate the net zero investment plan to impact the accounting of our existing assets.

 Our Net Zero Plan can be found [here](#).



Adapting our airport to climate effects

Adapting to climate change is inherently a risk based process that considers the evolving picture of climate effects that we expect to experience and the effectiveness of the controls and mitigations that we have put in place. Heathrow completes a climate risk assessment and adaptation report every five years which provides the basis on which we assess and plan. The assessment considers the physical risks that Heathrow faces, and is a UK Government requirement for Critical National Infrastructure, including airports. Our last assessment was published in 2022. We prepared our latest climate adaptation report in 2024, which has now been published. This was earlier than the five-year usual cycle to meet new timelines set by the Department for Environment, Food and Rural Affairs ('DEFRA').

We have integrated the risks identified into our internal risk management framework. Risks are owned and managed by individual functions. In 2023, we built on our latest risk assessment through a threshold based assessment of our asset base, to build an understanding of the resilience of individual asset systems to the climate conditions that are predicted by international and UK climate models. This year we modelled the potential impacts from extreme rainfall events and extreme wind events. We will continue to further develop this assessment by conducting more detailed modelling.

We also consider the resilience of critical assets and services operated by other organisations that are critical to running our airport and we have completed an interdependency risk assessment to identify vulnerabilities, potential impacts, and develop targeted mitigation strategies for enhancing our operational resilience related to third parties.

The outputs from this work provide a basis to assess where current mitigations should be strengthened and informs changes to asset strategies and standards required to deliver adaptation through normal asset replacement, and the case for capital investment in adaptation as part of normal business planning.



OUR CARBON FOOTPRINT

We monitor our carbon footprint and report on our greenhouse gas ('GHG') emissions annually. This helps us to identify opportunities to reduce our emissions and assess our progress in delivering our carbon reduction goals.

Our methodology for carbon reporting is informed by the Greenhouse Gas Protocol ('GHGP') and the Airport Carbon Accreditation ('ACA') Level 4+ standards. Our carbon and energy disclosure is in line with the reporting requirements of the Streamlined Energy and Carbon Reporting ('SECR'). It includes emissions from fuel consumption and operational vehicles in scope 1, electricity consumption in scope 2, and indirect emissions in scope 3. The latter includes, but is not limited to, emissions from aircraft, business travel, travel to and from the airport, and infrastructure projects. Each annual carbon footprint includes our baseline year 2019, the current reporting year, and two previous years for comparison.

Following the publication of our Net Zero Plan in February 2022, we have mapped its eight goals to cut carbon 'In the Air' and 'On the Ground' to the GHGP scopes.

Scopes 1 and 2: Accounts for only 0.1% of Heathrow's footprint, including buildings and infrastructure and Heathrow owned vehicles.

Scope 3: Accounts for 99% of Heathrow's total emissions, including aircraft, surface access, supply chain and Team Heathrow vehicles, with aircraft accounting for 95% of total emissions.

The ACA requirements were updated in December 2023 to include an expanded scope 3 inventory in line with the GHGP. Heathrow is reviewing data availability and calculation methodologies for those select scope 3 emissions sources that are not currently reported. Additionally, this update clarified how sources correspond to the specified GHGP categories, reflected in our 2024 reporting.

From 2019 to 2023, all well-to-tank ('WTT') emissions were reported under the 'Separately from scopes' table. We are committed to continuous improvement in our reporting and, for the first time in 2024, we have included WTT and transmission and distribution ('T&D') losses associated with our scopes 1 and 2 energy use. These energy losses are now reported as scope 3, under category 3 of our footprint.

In 2024, we included a new data source that was previously not reported or assured, this emission data is associated with the decommissioning of a testing facility for Heathrow's business parking pod test track in Cardiff, 'Cardiff Test Track' which are now reported as part of our 'On the Ground' scope 3 emissions.

Since the beginning of 2022, SAF has been regularly uplifted at Heathrow and forms part of our aeronautical charges incentive scheme. For the years 2022 and 2023, we have restated our 'Savings from SAF' on lifecycle aircraft GHG emissions due to updated processes for monitoring and improving our reporting. In 2024, SAF delivered lifecycle carbon savings of 92% on average.

Guidance from professional bodies and standard setters on how to account for SAF is emerging and we are reviewing our reporting methods. We continue to report the savings from using SAF compared to regular jet fuel in our 'Separately from the scopes' table until further guidance is available.

We are continuously improving the quality of our carbon footprint data to provide more frequent, accurate and accessible carbon reporting. Previously, Bureau Veritas UK Limited provided limited assurance for our GHG emissions data, covering January 1 2020 to December 31, 2023. In 2024 PricewaterhouseCoopers LLP has provided independent, limited assurance for Heathrow's GHG emissions data covering the period January 1 to December 31, 2024.

The published methodology document contains information on the context, scope, reporting period and boundaries, calculation and used emissions factors of the 2024 carbon footprint. This includes a list of all emissions by scope with detailed information on data sources and core assumptions used for calculation. The 2024 Sustainability Report, including the assurance statement and the carbon footprint methodology, can be found on our website on the link below.



More detailed information can be found [here](#).

Net Zero Plan		Emission source		Greenhouse gas emissions (tonnes CO ₂ e)				
Objective	Goal	Greenhouse Gas Protocol Category	Emissions Source Description	2019	2022	2023	2024	
Net zero on the ground		Total scope 1 greenhouse gas emissions¹ (tonnes CO₂e)		26,998	29,806	32,116	28,054	
	8	Stationary sources	Fuel consumption utilities	21,942	21,867	22,588	24,612	
			– Market based	24,335	21,867	25,326	24,612	
			– Location based	35	-	1	-	
	7	Mobile sources	Operational vehicles and equipment	1,668	791	622	523	
	8	Process emissions	Refrigerant losses	2,871	6,671	8,695	2,586	
	6		De-icer	482	477	210	333	
			Total scope 2 greenhouse gas emissions¹ (tonnes CO₂e)		-	-	-	-
	8	Electricity	Grid electricity consumption	-	-	-	-	
			– Market based (tonnes CO ₂ e)	71,163	52,717	56,134	56,339	
			– Location based (tonnes CO ₂ e)	-	-	-	-	
			Total scope 3 greenhouse gas emissions¹ (tonnes CO₂e)		21,013,718	14,908,385	18,742,184	19,374,834
	6	Category 1: Purchased goods and services and Category 2: Capital goods	Supply chain		229,606	174,145	198,440	262,892
						739	220	378
	7 to 8	Category 3: Fuel- and energy-related activities (not in scope 1 or 2)	WTT/T&D of scope 1 and 2	Non-road construction vehicles ²	1,362	1,122	1,763	3,105
	– Market based			Not reported	Not reported	Not reported	13,131	
			– Location based	Not reported	Not reported	Not reported	25,621	
6	Category 5: Waste generated in operations	Waste		563	385	502	167	
			Wastewater	1,329	262	270	286	
	Category 6: Business travel	Business travel		1,070	420	1,133	1,346	
5			Category 7: Employee commuting and home office	Colleague surface access	115,531	89,034	125,133	134,085
5	7	Passenger surface access		632,348	361,856	436,100	429,043	
			Operational vehicles and equipment	33,015	15,768	26,808	17,642	
Net zero in the air	1 to 4	Category 11: Use of sold products	De-icing - aircraft ³	4,584	3,473	3,167	1,789	
			Aircraft in the LTO cycle	1,250,648	985,506	1,267,909	1,291,089	
			Cruise emissions from all departure flights	18,742,505	13,276,039	16,680,512	17,219,805	
Net zero on the ground	6	Category 12: End-of-life treatment of sold products	Decommissioning of Cardiff Pod test Track	N/A	N/A	N/A	10	
			Third party grid electricity	146	-	-	-	
	8	Category 13: Downstream leased assets	– Market based	43,706	24,965	28,630	28,207	
	– Location based		272	155	69	61		
Total Footprint (tonnes CO₂e) - Market-Based				21,040,716	14,938,191	18,774,300	19,402,888	
Total Footprint (tonnes CO₂e) - Market-Based (excludes WTT and T&D from category 3)				21,040,716	14,938,191	18,774,300	19,389,757	

Carbon footprint supporting notes:

We continue to apply the same footprint boundaries to reflect our operational control both at the airport and offsite – including our business parking pod test track and our Business Support Centre ('BSC').

Scope 1 – All direct GHG emissions from activities at Heathrow Airport under our direct control, such as our own vehicles, fuel required to heat our terminals and non-carbon emissions, including refrigerant gases.

Scope 2 – All indirect GHG emissions from the electricity purchased for the organisation's owned and operated activities. Scope 2 market-based emissions are zero as our electricity is sourced using a Renewable Energy Guarantee of Origin ('REGO') backed contract. The REGO certificate covers Heathrow Airport Limited, our business parking pod test track and the BSC in Glasgow, all of which fall under scope 2 electricity.

Energy related emissions:

- Market-based grid electricity and utilities consumption: market-based emissions have been used to calculate total emissions. Carbon intensity metrics, including scope 2, only include market-based scope 2 emissions. In order to ensure like-for-like comparisons in these scenarios, market-based Scope 1 emissions have also been calculated by removing the carbon reductions generated by purchase of green gas from the market.
- Location-based grid electricity and utilities: location-based emissions are based on the emissions intensity of the grid and natural gas and do not take into account the procurement of renewable energy and green gas from the market, hence are not counted in Heathrow's total emissions.
- All scope 1 and 2 emissions are UK based.

Scope 3 – All other indirect GHG emissions from activities in relation to Heathrow Airport, occurring from sources that we do not own or control. We know that getting our own house in order is only the first step and that we must support decarbonisation across the whole industry, including flights.

Well-to-tank and Transmission & Distribution

Well-to-tank ('WTT') emissions are "upstream" emissions related to the production and transportation of fuel to where it will be combusted. Transmission and Distribution ('T&D') are emissions from the transmission and distribution of energy to site. Although we track WTT and T&D emissions of our scope 3, we do not currently include these within our reporting. The industry standards we follow are still developing regarding the inclusion of WTT emissions, determining which aviation stakeholders should report them, and how they relate to attributing the benefits of SAF.

¹ Scope 1, scope 2 and scope 3 totals only include Market based totals.

² It has been updated to include 2019 non-road construction vehicle emissions in line with our Net Zero Plan.

³ De-icing -aircraft has been moved to the Net Zero in the air objective to in line with our Net Zero Plan.

OUR CARBON FOOTPRINT (CONTINUED)

Separately from the scopes		Greenhouse gas emissions (tonnes CO ₂ e)			
		2019	2022	2023	2024
Sustainable Aviation Fuel ('SAF')	Savings from SAF on lifecycle aircraft emissions	-	(94,064)	(260,203)	(634,962)
	Colleague surface access				35,584
WTT and T&D of scope 3	Passenger surface access	182,957	118,275	146,205	110,417
	Non-road construction vehicles				887
	Business travel	8,200	4,389	7,453	125
	Third party operational vehicles and equipment				6,710
	Aircraft LTO and cruise emissions	4,139,566	2,952,203	3,733,589	3,854,312
	Third party grid electricity (Market based) WTT	27,426	20,276	20,414	541
	Third party grid electricity (Location based) WTT	27,426	20,276	20,414	6,794
	Third party grid electricity (Market based) T&D	Not reported	Not reported	Not reported	2,493
	Third party grid electricity (Location based) T&D	Not reported	Not reported	Not reported	2,493
	Fuel consumption utilities	3,950	8,040	5,577	10
	Total WTT and T&D of scope 3 – Market-Based	4,362,099	3,103,183	3,913,238	4,011,079
	Outside of scope (biofuels)¹	Fuel consumption utilities	Not reported	Not reported	Not reported
Operational vehicles and equipment		Not reported	Not reported	Not reported	671
Grid electricity consumption (Location based only)		Not reported	Not reported	Not reported	31,311
Non-road construction vehicles		Not reported	Not reported	Not reported	769
Third party operational vehicles and equipment		Not reported	Not reported	Not reported	11,551
Third party grid electricity (Location based only)		Not reported	Not reported	Not reported	15,676
Total outside of scope (biofuels) – Market-Based		Not reported	Not reported	Not reported	46,672
Total Footprint including SAF, WTT, T&D and outside of scopes (tonnes CO₂e) – Market-Based		25,402,815	17,947,310	22,427,335	22,825,677

Energy		Energy (MWh)			
		2019	2022	2023	2024
Scope 1	Fuel consumption utilities	134,289	268,499	176,633	230,790
	Operational vehicles and equipment	6,732	4,867	4,988	4,806
	LPG for fire training	5	-	3	-
Scope 2	Grid electricity consumption	283,229	272,610	271,080	272,103

Carbon Intensity Metrics		Carbon Intensity (kg CO ₂ e/passenger)			
		2019	2022	2023	2024
Greenhouse Gas Protocol	Scope 1 and 2 carbon intensity	0.3	0.5	0.4	0.3
	Scope 3 carbon intensity (excludes WTT and T&D from category 3)	259.7	242.0	236.6	230.9
	All scopes carbon intensity	260.0	242.5	237.0	231.2
Net Zero Plan	'On the Ground' carbon intensity (scope 1, 2 and 3 excluding aircraft emissions) (excludes WTT and T&D from category 3)	12.9	11.0	10.4	10.5
	'In the Air' carbon intensity (scope 3 aircraft emissions only)	247.1	231.5	226.6	220.8

¹ From 2024, full reporting of any fuel from a biogenic source has included the 'outside of scope' CO₂ value, documented to ensure complete accounting for the emissions created when burning biofuels. The emissions are labelled 'outside of scope' because the scope 1 impact of these fuels has been determined to be a net '0' (since the fuel source itself absorbs an equivalent amount of CO₂ during the growth phase as the amount of CO₂ released through combustion).

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Pursuant to the provisions outlined in sections 414CA and 414CB of the Companies Act 2006, which specify the criteria for non-financial and sustainability reporting, the following table summarises Heathrow's alignment with the required reporting:

Reporting requirement	Where to find in the Annual Report	Page
Environmental matters	Our beacons in action: People and Planet	28
	Our carbon footprint	72
	Nature Positive Plan	32
Climate-related financial disclosures	Climate-related financial disclosures	52
Colleagues	Employment policies	127
	Health and safety	45, 83
	Equality, diversity and inclusion	24, 83
Social matters	Our beacons in action: People and Planet	28
	Our beacons in action: Winning Team	24
	Engagement: Communities and the Environment	82
Human rights	Modern slavery statement	85
Anti-corruption and anti-bribery	Anti-bribery	104
	Whistleblowing policy	110
Description of our business model	Our business	14
Principal risks and uncertainties	Our principal risks	45
Non-financial key performance indicators	Chief Executive's review	10
	Our carbon footprint	72
	Our beacons in action: People and Planet	28
	Alternative performance measures ('APMs')	195

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, they must have regard to the range of factors set out in section 172(1)(a) – (f) in the Companies Act 2006.

In discharging our section 172 duty we, the Directors of the Company, have regard to such factors and take them into consideration when decisions are made. We also have regard to other factors which we consider relevant to the decisions being made. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's vision, purpose and values together with its strategic foundations and beacons, as shown in our Strategic Framework on page 19, and having a process in place for decision making, we aim to ensure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for the day-to-day management of the Company and its subsidiaries to the Executive Committee and then engage management in setting, approving and overseeing execution of the business strategy and related policies. The corporate governance structure and group policies are set by the HAHL Board¹. Group policies set by the HAHL Board are communicated to all group companies and we ensure that, when we are applying these group policies, we have due regard to our fiduciary duties and responsibilities as Directors of the Company. The HAHL Board also reviews health and safety, financial and operational performance, legal and regulatory compliance, business strategy, key risks, stakeholder-related matters, diversity and inclusivity, environmental matters and corporate responsibility.

The Directors of the Company includes two members of the HAHL Board and all of the members of the Executive Committee, which enables the dissemination of core information about the business of the Heathrow Airport Holdings Limited Group (the 'HAHL Group'). There are also Directors of the Company that attend the Audit Committee, Sustainability and Operational Risk Committee and Risk and Assurance Committee, which helps to provide foresight of the principal risks affecting the HAHL Group and specifically those affecting the Company.

The Company's key stakeholders are its passengers, communities and the environment, Team Heathrow colleagues, airlines, investors, suppliers and commercial partner organisations, regulators and government. The views of, and the impact of the Company's activities on, those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups on certain issues, the size and spread of both our stakeholders and the HAHL Group means that generally our stakeholder engagement takes place best at an operational or HAHL Group level. We find that, as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of some of the engagement that takes place at an operational or HAHL Group level with the Company's stakeholders, so as to encourage the Directors to understand the issues to which they must have regard, please see the HAHL stakeholder engagement table starting on page 82.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats, including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, environmental, social and corporate governance ('ESG') matters, and the outcomes of specific pieces of engagement, for example, the results of customer and supplier surveys and focus groups. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote the success of the Company.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a) – (f) when discharging our section 172 duty and the effect of that on decisions taken by us.

¹ The HAHL Board is the Board of Directors of Heathrow Airport Holdings Limited as defined on page 90.

KEY DECISIONS MADE BY THE DIRECTORS OF THE COMPANY

Board Decision	Stakeholders	Considerations	Outcome
Capital Allocation	Investors Passengers Airlines	<p>The Directors of the Company consider the HAHL Group's capital structure and distributable reserves before proposing dividends.</p> <p>The key considerations to ensure efficient deployment of capital are:</p> <ul style="list-style-type: none"> • Maintaining a strong balance sheet to ensure that we can comply with debt covenant and regulatory requirements, as well as being able to insulate us against external economic risks. • Investing in our business to grow and improve Heathrow airport. • Providing a fair return to our ultimate shareholders, who have invested billions into our business, to ensure they receive a fair return on their investment. <p>Where we have met our balance sheet requirements and have concluded we have suitable capital to meet our investment plans, the Directors seek to provide our ultimate shareholders with a fair return through a dividend payment, while delivering our commitment to maintain our current investment grade credit rating.</p> <p>In making this decision the Board takes into account the long-term viability of the Company, its expected cash flow and financing requirements, the strength of the HAHL Group's balance sheet, the balance of current and forecast distributable reserves (including stress-testing to key risks), the potential impact on credit metrics, the common terms of financing agreements, including trigger events, as well as the ongoing need for the business to support the safe and efficient operations of the airport over the long term.</p>	No dividends were recommended by the Directors of the Company in 2024.

KEY DECISIONS MADE BY THE HAHL BOARD

Board Decision	Stakeholders	Considerations	Outcome
Health and Safety	Passengers Communities and the environment Team Heathrow Colleagues Airlines Investors Suppliers and Commercial Partners	<p>Through endorsing Heathrow's new strategy, the HAHL Board has committed to safety excellence and uncompromising standards. This commitment extends to all of Team Heathrow, including our own colleagues, and passengers and builds on the 3-year Fire, Safety, Health, and Wellbeing (Safety) strategy developed in 2023.</p> <p>Safety excellence will be achieved through the implementation of a safety management system and embedding safety culture across Team Heathrow by delivery of the Safety Excellence Programme.</p> <p>Detailed reports on significant incidents and the findings from investigations are overseen by the Sustainability and Operational Risk Committee ('SORC'), a committee of the HAHL Board which provides regular updates.</p> <p>Asset safety and resilience is also monitored, which is particularly important for areas of the airport with ageing infrastructure.</p> <p>In addition, the HAHL Board regularly reviewed Health and Safety matters as part of its monthly "Safety Moment". Throughout the year specific areas of focus were:</p> <p>1. Mental Health Challenges in Civil Aviation: The HAHL Board considered challenges across the aviation industry as a whole and associated learnings for Heathrow. This included consideration of:</p> <ol style="list-style-type: none"> a. Feedback from colleagues and benchmarking mental health information and learnings from other UK airports. b. The effects of increased stress and other mental health issues on airlines, pilots, cabin crew and Team Heathrow colleagues. 	<p>The HAHL Board monitored the performance of key health and safety KPIs, deliverables and mitigation of risks via the SORC with the following key achievements in 2024:</p> <ol style="list-style-type: none"> 1. ISO45001 accreditation was achieved for the HAHL Group. ISO45001 is a global standard for workplace safety, guiding organisations to reduce risks, prevent injuries, and improve health and safety practices. It provides a structured approach to creating safer work environments for employees. The auditors' found that "Heathrow's adherence to ISO 45001 standards sets a benchmark for excellence in health and safety within the industry". 2. Heathrow's Safety Excellence Programme is on track and the safety culture across Team Heathrow (measured by a Safety Culture Index) is improving in line with expectations. 3. Two KPIs: reduction in Lost Time Injury Rates and an increase in Close Call reporting, are both on track.

KEY DECISIONS MADE BY THE HAHL BOARD (CONTINUED)

Board Decision	Stakeholders	Considerations	Outcome
		<p>2. Suicide Prevention: Looking at suicide trends in the UK and the role technology can play to assist and prevent people who are considering taking their own lives – whether they are colleagues, passengers or members of the public.</p> <p>3. Learnings from Grenfell Tower Fire Inquiry: Careful consideration was given to the recommendations from the Grenfell Tower Inquiry Report and related learnings for Heathrow. Heathrow's fire safety measures were reviewed to ensure they are fit for purpose. The HAHL Board acknowledged the importance of having clear lines of accountability, responsibility and communications in complex construction projects and operations at Heathrow, with particular focus on relationships with suppliers and contractors.</p> <p>4. Participation in 'Sandbox' initiatives to mentor technology startups: Working in collaboration with the Health and Safety Executive, Lloyd's Register and technology startups, to explore innovation in safety technology which could reduce risk across the airport.</p>	<p>4. Introduction of our one stop 'Help@Hand Programme' to assist colleagues and families along with additional mental health training provided to managers as part of our Lead the Way training framework. An assessment will be carried out against ISO 45003, which provides a framework for managing psychosocial risks in the workplace, to inform actions to manage psychosocial risks.</p> <p>5. R;pple, an online tool that discreetly intercepts flagged search terms and signposts to free 24/7 mental health support, will be installed on Heathrow browsers and public Wi-Fi. Heathrow management and specific front-line roles will be trained to spot signs of stress and anxiety in colleagues, the public and passengers.</p> <p>6. Recommendations and learnings considered by the Airport Safety Committee, particularly in the context of complex structures and "webs" of accountability.</p> <p>7. Increased awareness of the HAHL Board and identification of opportunities where technology can be used to improve safety across Heathrow.</p>
<p>People and Planet – Sustainability and Carbon</p>	<p>Passengers Communities and the environment Team Heathrow Colleagues Airlines Investors Suppliers and Commercial Partners Regulator Government</p>	<p>During the year, the HAHL Board regularly reviewed progress made in delivering the company's sustainability strategy – Connecting People and Planet to ensure the business remains on track to delivering its environmental and community commitments. This fulfils the new People and Planet beacon of Heathrow's updated business strategy. In doing so, the HAHL Board considered whether the targets remain sufficiently ambitious, address the material issues and stakeholder concerns and what steps, if any, are needed to maintain progress.</p> <p>In January, the HAHL Board reviewed the output of Heathrow's double materiality assessment and endorsed the final materiality matrix. More than 170 internal and external stakeholders took part in the process to review and prioritise eighteen sustainability topics. Their challenge was to think about the current or potential impact of Heathrow on society or the environment for each topic, and the current or potential impact of each topic on Heathrow.</p> <p>In May, the HAHL Board reviewed and approved the draft Modern Slavery Statement outlining the steps the business has taken to ensure there is no slavery or human trafficking in its supply chain or its own business.</p> <p>The HAHL Board endorsed the update of Connecting People and Planet objectives and targets, to reflect published updates to strategies (e.g. Noise Action Plan), strengthening where we have outperformed and reflecting latest business circumstances. This included endorsement of Heathrow's first Nature Positive Plan. The updates in question were developed with consideration of a range of stakeholder factors.</p>	<p>Updated materiality matrix published in Heathrow's annual sustainability report for 2023. Goals and objectives in Heathrow's sustainability strategy (Connecting People and Planet) were reviewed against the materiality matrix to ensure they remain focused on the relevant key issues for the business.</p> <p>Modern Slavery Statement published on Heathrow's website.</p> <p>Updated Connecting People and Planet strategy and targets published and translated into actions for 2025 and beyond. Nature Positive Plan published and implementation continuing.</p>

Board Decision	Stakeholders	Considerations	Outcome
		<p>Carbon footprint and forecast</p> <p>The HAHL Board approved Heathrow's 2024 carbon footprint for publication and also the annual forecast of progress towards the airport's 2030 carbon goals, considering the long-term trajectory for carbon and impact of Heathrow's operations on the environment.</p> <p>Energy</p> <p>The HAHL Board approved Heathrow's energy strategy. The strategy addresses the growing demand for electricity in the short, medium and long-term to support the development of Heathrow as well as the transition to net zero ground operations. It sets targets and plans on energy efficiency, onsite and local renewable power generation, upgrading the airport's electric network, and advocating measures to increase electricity supply in west London. In developing the strategy, Heathrow engaged with local authorities in west London, the Greater London Authority, national Government, our airline customers, and electricity distribution and transmission providers regionally as well as nationally. The HAHL Board considered the need to foster the company's business relationships with this range of stakeholders.</p> <p>SAF</p> <p>The HAHL Board reviewed Heathrow's advocacy plans to inform the UK Government on policies needed to scale decarbonisation solutions for flying. This includes a particular focus on SAF where Heathrow has promoted and engaged with the Government on the "mandate" for SAF and a "revenue certainty mechanism" to enable investment in UK production.</p> <p>The HAHL Board also reviewed Heathrow's proposal for 2025 landing charges to incentivise SAF, considering its role in reducing the company's impact on the environment.</p>	<p>Carbon footprint and forecast</p> <p>These show that Heathrow remains on track to hit its 2030 goals. This is subject to two key external drivers that are outside Heathrow's direct control: the right UK Government policies to scale up sustainable aviation fuel ('SAF') and the national uptake of electric vehicles ('EVs'). Heathrow is actively advocating SAF policy, see below, and investing in and enabling the right EV charging infrastructure at the airport.</p> <p>As part of the forecast, the HAHL Board considered the mid to long-term future development of new hydrogen powered aircraft and agreed that Heathrow should continue to engage actively with industry stakeholders to ensure that the airport's infrastructure investment would support the rollout of any future new technology.</p> <p>Energy</p> <p>Heathrow's energy strategy is being implemented with investment underway to improve efficiency and the airport's electric network. Furthermore, there is extensive ongoing engagement with suppliers and stakeholders on renewable electricity and other supply-side solutions.</p> <p>SAF</p> <p>The UK SAF mandate was signed into law in November 2024 and came into effect in January 2025. The proposal for a Revenue Certainty Mechanism was included in the King's Speech in July 2024 and the Government continues to develop the planned legislation.</p> <p>2025 will be the fourth year that Heathrow has incentivised SAF in landing charges. The 2024 scheme targeted 2.5% of all fuel at Heathrow to be SAF.</p>


KEY DECISIONS MADE BY THE H AHL BOARD (CONTINUED)




Board Decision	Stakeholders	Considerations	Outcome
Passenger Experience	<p>Passengers</p> <p>Team Heathrow Colleagues</p> <p>Airlines</p> <p>Investors</p> <p>Suppliers and Commercial</p> <p>Partners</p> <p>Regulator</p>	<p>The H AHL Board regularly reviewed Heathrow's progress against its annual target for Overall Passenger Satisfaction which forms part of Heathrow's Top 10 Key Performance Indicators ('KPIs').</p> <p>To improve Heathrow's overall Passenger Satisfaction levels, the H AHL Board considered Heathrow's wide range of consumer research and engagement. In 2024, this included obtaining feedback from over 350,000 passengers regarding service and receiving feedback from over 2 million current consumers via real time channels. Additionally, input was sought from Heathrow's passenger engagement forums: Heathrow Passenger Forum ('HPPF'), Heathrow Access Advisory Group and Heathrow Area Travel Forum. Through utilising this passenger insight, the H AHL Board also:</p> <ol style="list-style-type: none"> 1. Considered the Passenger Satisfaction target for 2024 and provisionally approved the 2025-26 targets. 2. Discussed how Heathrow is currently performing, across the end-to-end Passenger Experience, against Heathrow's competitor and comparator airports and where potential opportunities exist to improve customer service. 3. Evaluated Heathrow's progression against its Passenger Experience capital investments that are planned during the current regulatory period 'H7'. 4. Considered feedback from Heathrow's passenger experience focus areas with a view to improving the passenger experience over the next five to seven years, being improving punctuality, reducing bag misconnect rates, improving the security experience and improving the experience of connecting passengers and those who require additional support while at the airport. 	<p>The H AHL Board:</p> <ol style="list-style-type: none"> 1. Approved Passenger Satisfaction Targets for 2024 and provisionally for 2025. 2. Endorsed Heathrow's passenger experience focus areas enabling improvements to be made to punctuality, passengers' security experience, passenger connections, additional support for passengers, and reducing bag misconnect rates. 3. Agreed continued investment to improve the Passenger Experience across Heathrow.
Heathrow's new Corporate Strategy	<p>Passengers</p> <p>Communities and the environment</p> <p>Team Heathrow Colleagues</p> <p>Airlines</p> <p>Investors</p> <p>Suppliers and Commercial</p> <p>Partners</p> <p>Regulator</p> <p>Government</p>	<p>The H AHL Board considered the refresh to Heathrow's corporate strategy, which aims to set the overall business direction and provide guidance to colleagues.</p> <p>The H AHL Board recognised this as an opportunity to update the corporate strategy and provide better internal alignment with business priorities and the external landscape.</p> <p>All stakeholders were considered in the development of the new corporate strategy, particularly:</p> <ol style="list-style-type: none"> 1. The interests and wellbeing of passengers and ensuring passenger experience remains at the core of our business. Heathrow serves over 80 million passengers per annum and strives to provide excellent service to all. 2. The interests of the environment and local communities. As an environmentally conscious business, reducing carbon emissions to reach net zero and improving quality of life in local communities is a priority. 3. The interests of colleagues and Team Heathrow partners. The aim being to provide clear direction for all to ensure they are all working towards the same ambition. 4. The interests of customers, including airlines. Delivering value for our customers and working effectively together to serve passengers is essential. 5. The interests of shareholders and investors. As a regulated business, it is necessary to comply with regulatory standards as well as ensuring effective governance for the benefit of all stakeholders. <p>When considering the new strategy, the H AHL Board acknowledged the importance of having the right foundations in place in order to maintain high standards of business conduct. The new corporate strategy includes three specific foundations:</p> <ol style="list-style-type: none"> (i) Safety, Security and Compliance. (ii) Service and Operations. (iii) Financial Resilience and Governance. <p>The Executive Committee and senior leadership team provided feedback throughout the process, collaborating with the Head of Strategy and strategy team, before the corporate strategy was presented and adopted by the H AHL Board.</p>	<p>The H AHL Board updated the strategic framework to meet the needs of stakeholders.</p> <p>The framework included a new vision, 'to be an extraordinary airport, fit for the future', whilst the purpose remained as 'making every journey better'. Six new beacons, or business priorities, were added to the strategic framework: Winning Team, Focus to go Faster, Value for Customers, Digital Future, People and Planet and Creating Capacity.</p> <p>Full details of Heathrow's new corporate strategy can be found on page 19.</p> <p>The corporate strategy sets a clear direction for the coming years, providing guidance to colleagues and establishing new goals.</p> <p>The new beacons and foundations will enable the business to focus on what needs to be achieved in the short term, as well as providing a platform for Heathrow's future success and growth.</p>

Board Decision	Stakeholders	Considerations	Outcome
Airlines	Passengers Communities and the environment Team Heathrow Colleagues Airlines Investors Suppliers and Commercial Partners Regulator Government	<p>During 2024, the HAHL Board considered Heathrow's customer relationship with airlines and focused on creating additional capacity, continuing to improve facilities for airlines and passengers and finalising the 2025 aero charges tariff.</p> <p>Creating Capacity: The HAHL Board endorsed the establishment of the 'Creating Capacity Portfolio' in order to address Heathrow's increasing capacity constraints with the aim of recovering resilience and increasing stated capacity to 90 million passengers per year by 2027, for the benefit of passengers and our airline partners.</p> <p>The Creating Capacity Portfolio is made up of three pillars:</p> <ol style="list-style-type: none"> 1. Efficient Use of Existing Assets: Resolve constraints, improve throughput and sustain performance. 2. Aligning Growth and Capacity: Balanced growth of T3 and T5, delivery of network strategy and occupancy. 3. Step Change in Capacity through Infrastructure: Modernising Heathrow. <p>Central to Aligning Growth and Capacity was a terminal occupancy review which included engagement with stakeholders through a consultation on possible illustrations. After considering stakeholders' initial feedback. Stakeholders were further consulted on two lead scenarios, both of which achieve the objectives set out – increasing operational efficiency, facilitating resilient growth, building competitive advantage and minimising cost. Achieving these objectives would enable Heathrow to work collaboratively with its airline partners to improve the end-to-end passenger experience, whilst sustaining the increase in passengers seen during 2024.</p> <p>2025 Aero Charges: The HAHL Board endorsed Heathrow's proposals relating to 2025 aeronautical charges and associated updated passenger outlook and Conditions of Use ('COU'). The following key components of the 2025 aero charges framework were approved:</p> <ol style="list-style-type: none"> 1. To postpone the introduction of a 'class of travel' charging differential, recognising airline feedback asking for further engagement prior to its introduction. 2. Implementing an increase to domestic transfer discount thus promoting UK connectivity to our airline partners for the benefit of our passengers. 3. In response to airline feedback, implementing an amended proportion of charges recovered from passenger charges, reducing the fixed cost hurdle for airlines; thereby encouraging establishment of new connectivity, resulting in additional services for the benefit of passengers. 4. Implementing an increase to the sustainable aviation fuel incentive fund alongside improved contractual incentives in COU to encourage our airline partners to align with our ambitions to increase use of more sustainable fuels. 5. Implementing an increase in the amount recovered via aircraft parking charges, to drive improved on-time aircraft towing performance, and recognising the impact on home-based carriers, extending the overnight free parking period by one hour. 6. Adjusting the 'rest of the world' minimum departure charge to incentivise fuller aircrafts. <p>These were incorporated into the calculation of the final 2025 tariffs, associated Decision Document and the 2025 COU, which was published on 31 October 2024.</p> <ol style="list-style-type: none"> 1. Stakeholders were consulted on initial proposals, feedback from which was incorporated into the final position. 2. An updated passenger outlook for 2025 of 84.2 million was used, reflecting the latest information. The Board's consideration of the updated figures will allow Heathrow to deliver the right operating environment for our airline partners. 3. An updated maximum allowable yield calculation and the new 2025 passenger outlook was incorporated, both of which provide airlines with a more up to date position. 	<p>The HAHL Board's endorsement of Heathrow's creating capacity proposals has enabled the terminal occupancy review to progress, which will enable Heathrow to unlock capacity to facilitate growth in the period before any infrastructure led capacity can be realised.</p> <p>The HAHL Board's endorsement enabled Heathrow to publish its 2025 aero charges in compliance with the regulatory timetable, driving airline behaviours that will facilitate and support growth and efficient use of the airport.</p>

STAKEHOLDER ENGAGEMENT

The table below, which forms part of the Section 172 Statement, sets out who the HAHL Board considers to be its key stakeholders and provides details of some of the engagement that takes place at an operational or HAHL Group level. Not all information is reported directly to the HAHL Board and not all engagement takes place directly with the HAHL Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the HAHL Board and/or its committees.

WHY WE ENGAGE	HOW WE ENGAGE	LINK TO STRATEGIC FOUNDATIONS OR BEACONS
PASSENGERS		
<p>Understanding our passengers' changing needs and behaviours helps us to continue to deliver our purpose of making every journey better.</p>	<p>Passenger interactions at the airport and satisfaction surveys drive Key Performance Indicators ('KPIs'), which measure how successful we are, and provide feedback on the impact of our decisions.</p> <p>Heathrow also undertakes a wide range of consumer research to inform how we can improve our services, obtaining qualitative and quantitative feedback from over 350,000 passengers per year. Heathrow receives feedback from over 2 million current consumers via real time channels such as social media, feedback channels and real-time feedback devices. Heathrow uses its consumer engagement to inform investment and prioritise improvement initiatives. In addition, Heathrow has an online community (Horizon) consisting of current and potential Heathrow users which is used when developing new passenger solutions.</p> <p>We have several independent passenger groups whose role is to scrutinise and challenge the service we provide for our passengers. These include the Heathrow Passenger Forum, which is part of the Council for the Independent Scrutiny of Heathrow Airport, and the Heathrow Access Advisory Group who advise Heathrow on how to create an accessible and inclusive experience.</p>	 <p>Safety, Security and Compliance</p> <p>Service and Operations</p>
COMMUNITIES AND THE ENVIRONMENT		
<p>Working with local communities enables us to deliver on the objectives of Connecting People and Planet, our sustainability strategy.</p>	<p>The Council for the Independent Scrutiny of Heathrow Airport ensures independent oversight of the way in which Heathrow engages with local stakeholders and surrounding communities. It is integrated with Heathrow's wider community forum structure and provides a transparent mediation process on key issues arising from the airport's operation and future development as signified in Section 35 of the Civil Aviation Act. It is independently chaired, and its members are the independent chairs of other Heathrow forums, local authority leaders, aviation industry and government bodies, Heathrow Strategic Planning Group and Heathrow.</p> <p>The Local Community Forum ('LCF') facilitates constructive engagement between Heathrow and local communities with the goal of building relationships and trust to make Heathrow a better neighbour. Through the LCF, Heathrow is able to better understand the concerns of communities living near the airport working with them to help minimise local airport related impacts. It is independently chaired, and its members are nominated representatives of local community groups and organisations and residents' associations.</p>	


WHY WE ENGAGE	HOW WE ENGAGE	LINK TO STRATEGIC FOUNDATIONS OR BEACONS
	<p>The Heathrow Sustainable Economic Growth Taskforce was set up in 2023 and is a stakeholder forum that aims to maximise the opportunities to enhance local economies through jobs and skills, supply chain, airport development and local decarbonisation. It is independently chaired, and its members are representatives of local councils, local enterprise partnerships, education and skills providers, business groups, chambers of commerce and Heathrow.</p> <p>The Noise and Airspace Community Forum engages on issues related to noise, airspace and runway operations at Heathrow, including updates on day-to-day operations and future changes. It is independently chaired, and its members are representatives of local authorities, community groups, the aviation industry and government bodies and Heathrow.</p> <p>The Heathrow Area Transport Forum is a partnership forum between organisations in the private and public sectors with a shared goal of improving accessibility and increasing public transport use to and from the airport and the surrounding area. It also provides input into ongoing Heathrow surface access initiatives. It is independently chaired, and its members are transport industry bodies, trade unions and Heathrow.</p> <p>The Heathrow Air Quality Working Group provides a forum for consultation on Heathrow’s air quality strategies and progress towards meeting its targets and to share best practice. It is independently chaired, and its members are representatives of local authorities and Heathrow.</p> <p>The Heathrow Strategic Planning Group is a partnership of many of the local authorities responsible for planning the land use, transport, environment, economic development and sustainable development of the sub-region surrounding Heathrow Airport. It is independent but works constructively with Heathrow.</p> <p>We also use social media, our website and email communications to communicate directly with our communities.</p> <ul style="list-style-type: none">  More information on local community can be found here.  More information on sustainability can be found here.  More details on our People and Planet beacon can be found in the section from page 28. 	

TEAM HEATHROW COLLEAGUES

<p>Driving positive engagement with colleagues is pivotal to ensure that we continue to deliver excellent service to customers and stakeholders. Engaged individuals create high-performance, flexible and diverse teams and will support the achievement of Heathrow’s strategic objectives.</p>	<p>Heathrow Airport Limited Colleagues</p> <p>Pulse surveys are run annually across the whole Heathrow Colleague population, capturing data for the KPI of ‘Heathrow is a Great Place to Work’ and other key engagement metrics. This data is then analysed and used company-wide and locally to inform engagement strategies and activities.</p> <p>In all business areas, People Business Partners work with Leadership Teams to establish and support local engagement teams to create conversation platforms, ensure information sharing, and help create a team spirit and sense of belonging. There are team events and activities to keep colleagues informed and engaged. There are regular company, functional and team updates through Buzz, Hub+ and focus groups organised around relevant topics from specific engagement feedback.</p> <p>To ensure accountability and delivery on engagement every function now has an Engagement Director Sponsor and an Engagement Lead. They feed into our Engagement governance framework, including a robust Engagement Forum representing all functions to create a two-way feedback loop. Some of the actions we have taken so far include: an increased focus on delivering one to one manager to colleague time in Security; using colleague feedback to launch and improve initiatives such as Boost, our new colleague recognition platform; and increasing the offering in our family friendly policies.</p>	    <p> Safety, Security and Compliance</p> <p> Service and Operations</p>
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STAKEHOLDER ENGAGEMENT (CONTINUED)

WHY WE ENGAGE	HOW WE ENGAGE	LINK TO STRATEGIC FOUNDATIONS OR BEACONS
	<p>Every thread of our Equality, Diversity and Inclusion ('ED&I') strategy, from the 'Right Where I Belong' campaign to our Inclusion and Wellbeing Survey, is woven with the voices of our colleagues, helping create a sense of belonging for all. We have five Diversity Networks (Altitude, en-haNCE, Proud, HAND and sPaCe) that use their platforms to promote an inclusive culture through online and in-person events, webinars and campaigns. We continue to build new methods of supporting colleague engagement from dedicated ED&I learning, our Heathrow Mentoring Platform and the recent launches of our ED&I Strategy Group and ED&I Comms Working Group.</p> <p>Colleague safety is a continued top priority and is monitored through business and colleague reporting. The 'Close Call' app enables proactive reporting by colleagues and Team Heathrow, in turn allowing the business to continuously improve the safety of working environments and prevent workplace accidents. Heathrow has a variety of Third parties such as contractors, delivery partners, suppliers, concessionaires and licensees and, utilise multiple communications platforms and approaches to engage on safety related items. These combine in-person engagement, such as Airport Safety Week, Ramp surgeries, joint team Heathrow forums, Team Heathrow Safety Network calls and documented information, including monthly safety six engagement sessions, operational advice notices and safety alerts.</p> <p>The Engagement team work closely with the Internal Communications team to share the right messages at the right time, keep colleagues informed and to continue to highlight the importance of the colleague voice.</p> <p>Team Heathrow Colleagues</p> <p>We actively engage with colleagues across Team Heathrow, which includes our suppliers and partner organisations. Our Heathrow values and service signatures underpin our plans and guide our approach and activities, ensuring consistent alignment. Additionally, our dedicated People Leadership Forum enables HR leaders from across Team Heathrow organisations to collaborate on trends impacting colleagues across Heathrow. Colleagues from across Team Heathrow can also engage with Heathrow on a range of activities for example our Team Heathrow Equality, Diversity and Inclusion Platform which shares news, events and conferences that are open to all Heathrow colleagues including those from Team Heathrow.</p>	
AIRLINES		
<p>Airlines and their customers are at the heart of the Heathrow proposition. It is important that we understand their needs and deliver the right operating and commercial environment for our airline partners.</p>	<p>The Heathrow Leadership Group works collaboratively to improve the end-to-end passenger experience at Heathrow. The group comprises the Chief Executives of Heathrow, British Airways, Virgin Atlantic, NATS and the Civil Aviation Authority. It meets quarterly under the Chairmanship of Heathrow's Chief Executive Officer.</p> <p>We engage formally with airlines throughout the year on key areas including operational and passenger experience, pricing, and regulatory governance connected to capital spend and other regulated charges. This engagement is overseen through a Joint Steering Board of senior airline and Heathrow stakeholders. This is augmented, as is necessary, by further bespoke engagement on a range of issues as an airline or as an airport community.</p> <p>Quarterly joint executive meetings and business review meetings take place with key airline customers.</p> <p>Our Chief Executive Officer regularly visits major current and potential international airlines.</p>	 <p>Safety, Security and Compliance</p> <p>Service and Operations</p>

WHY WE ENGAGE	HOW WE ENGAGE	LINK TO STRATEGIC FOUNDATIONS OR BEACONS
INVESTORS		
<p>Understanding the needs of investors helps us to access a cost-effective, stable, diversified financing base for the business and to make Heathrow an attractive global infrastructure investment.</p>	<p>Shareholders, being either individual investors or combined investors, controlling ten percent or more of the issued ordinary shares of FGP Topco Limited are entitled to appoint one Non-Executive Shareholder Director to the H AHL Board for every ten percent held.</p> <p>We provide quarterly financial updates, semi-annual investor reports and debt investor presentations.</p> <p>We provide an Annual Report which includes optional enhanced disclosures.</p> <p>In relation to Debt Investors, we perform investor roadshows and make prospectus documents available, and we have ongoing dialogue with current and potential investors.</p> <p>We liaise with credit rating agencies to ensure we understand the impact of our strategic decisions on their assessment.</p> <p>We provide ESG reporting which integrates our Connecting People and Planet KPIs into our future financing plans.</p> <p> More information on local community can be found on our Heathrow corporate website www.heathrow.com/company/investor-centre.</p>	 <p> Governance and Financial Resilience</p>
SUPPLIERS AND COMMERCIAL PARTNERS		
<p>The service provided to passengers is the combination of a highly complex and interconnected system of services from different organisations. Heathrow works collaboratively and in partnership with all the organisations in this ecosystem to deliver our vision.</p>	<p>Heathrow is focused on building strong relationships with our strategic suppliers to fulfil our vision of being an extraordinary airport, fit for the future.</p> <p>We prioritise our community and our local recovery plans and, in order to meet our ambitions and commitments, we have several areas of engagement.</p> <p>Our Heathrow Business Summits aim to connect local Small to Medium Size Enterprises ('SMEs') with Heathrow's key suppliers and identify tangible opportunities to do business in the future.</p> <p>We procure our goods and manage our strategic partners and wider supply chain using a Balanced Scorecard approach in order to clearly communicate priorities and standards. Our Balanced Scorecard facilitates a method of working with strategic suppliers which hones them in on the goals of Connecting People and Planet, covering carbon, social value, local economy, innovation and cultural behaviours that we aspire to. This span of objectives attracts commitments from our partner organisations which are then contracted for measurement.</p> <p>In 2022, we launched CompeteFor, a platform that makes contract opportunities visible to other businesses, particularly SMEs. These include opportunities that are direct, within our supply chain, and across London with other clients.</p> <p>We attract innovation and micro-SME activity via our new Lift Off forum which was launched in 2023. Lift Off is a new concept which provides the chance for selected innovative SMEs to present their products and services to a panel made up of Heathrow and its largest supply chain partner organisations.</p> <p> Heathrow's 2023 Modern Slavery Statement was reviewed and approved by the Board. A copy of the statement is available on the corporate website.</p>	    <p> Safety, Security and Compliance</p> <p> Service and Operations</p>
REGULATOR		
<p>Heathrow is subject to economic regulation by the CAA, which is the independent aviation regulator in the UK and is responsible for economic regulation, airspace policy, safety and consumer protection.</p>	<p>We meet regularly with the CAA at all levels from Chief Executive Officer to working level to discuss all issues relating to the economic regulation impacting Heathrow.</p> <p>We respond to various CAA publications related to the economic regulation of the airport. This includes regulatory price control reviews and expansion related matters. As part of our licence, we are required to publish various regulatory documents. Regulatory reporting takes place through the annual Regulatory Accounts.</p>	  <p> Safety, Security and Compliance</p> <p> Service and Operations</p> <p> Governance and Financial Resilience</p>

GOVERNANCE



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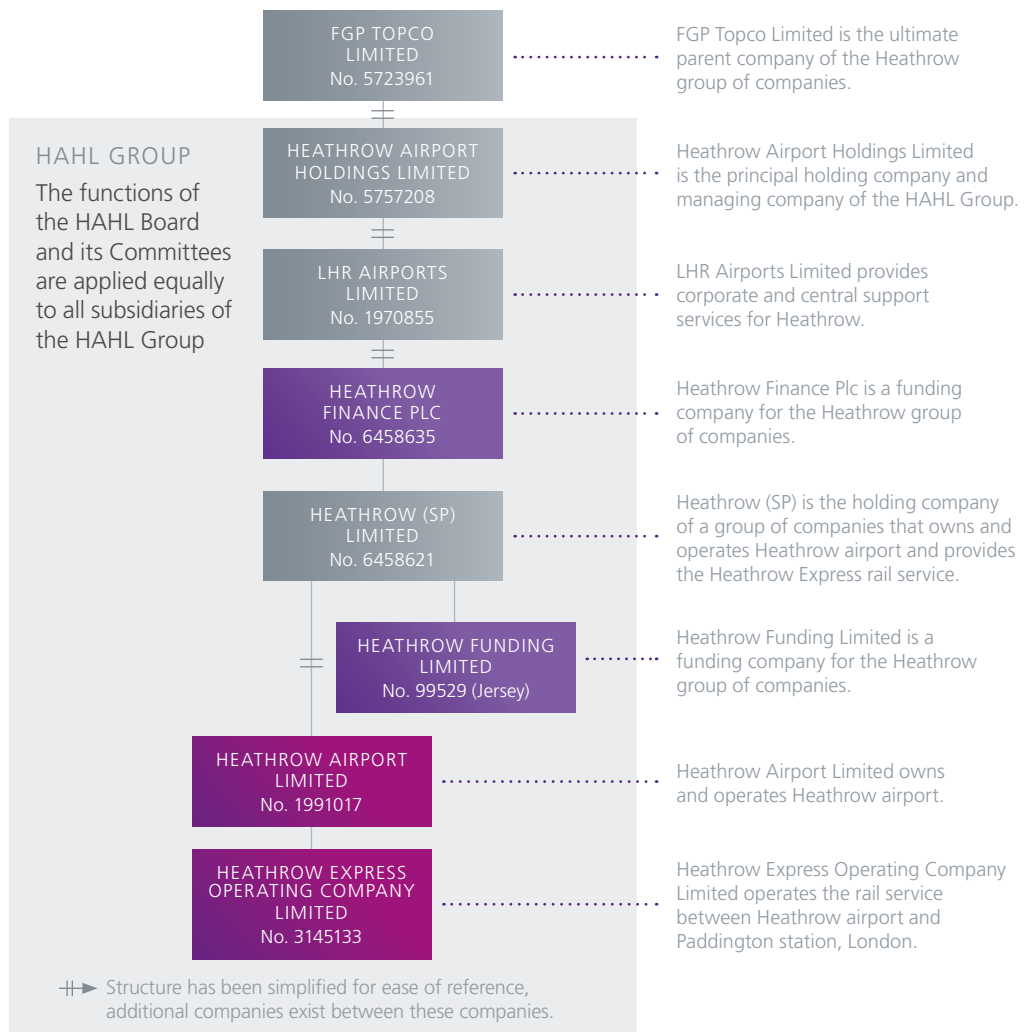
GROUP STRUCTURE

Heathrow Airport Limited (the 'Company') is an indirect subsidiary of Heathrow Airport Holdings Limited. The Company's financial activities are aligned with Heathrow Airport Holdings Limited and the wider Heathrow Airport Holdings Limited Group (the 'HAHL Group') and also with the Heathrow (SP) Limited Group, which is the intermediate parent undertaking of the smallest group to consolidate these financial statements.

The Board of Directors of Heathrow Airport Holdings Limited (the 'HAHL Board') determines the long-term strategy of the HAHL Group, ensuring that it acts ethically, has the necessary resources to meet its objectives, monitors performance, and meets its responsibilities as a major airport group.

As the functions of the HAHL Board and its Committees are applied equally to all subsidiaries of the HAHL Group, including the Company, the discussion in the Corporate Governance section relating to the governance structure and composition of the HAHL Board and its Committees has been extracted from the Annual Report of Heathrow Airport Holdings Limited.

The ultimate parent company of the HAHL Group is FGP Topco Limited. A simplified structure of FGP Topco Limited and its subsidiaries along with their principal activities within the HAHL Group is illustrated in the diagram below.



OUR OWNERS

The HAHL Group is owned by a consortium of investors (the 'Shareholders') who hold shares in FGP Topco Limited. Details of the Shareholders' equity interests, as at 31 December 2024, are shown in the table:

Shareholder ¹	% held	Non-Executive Shareholder Directors
Ardian InfraEuropa SCA (an investment vehicle managed by InfraEuropa Management Sarl)	22.61%	2
Qatar Holding LLC Qatar Holding Aviation (a wholly owned subsidiary of Qatar Holding LLC)	20.00%	2
Saudi Arabia Public Investment Fund ('PIF') Alrahala First Investment Company (wholly owned by PIF)	15.01%	2
GIC Baker Street Investment Pte Ltd (an investment vehicle managed by GIC Special Investments Pte. Ltd)	11.20%	1
Australian Retirement Trust ('ART') QS Airports UK, LP (an investment vehicle managed by ART Asset Operations Limited)	11.18%	1
China Investment Corporation ('CIC') Stable Investment Corporation (an investment vehicle of the China Investment Corporation)	10.00%	1
Ferrovial Hubco Netherlands B.V. (an indirect subsidiary of Ferrovial, S.A.)	5.25%	
Caisse de dépôt et placement du Québec ('CDPQ')	2.65%	1
Universities Superannuation Scheme ('USS') USS Buzzard Limited (wholly owned by the Universities Superannuation Scheme)	2.10%	

Shareholders' Agreement

All the Shareholders are party to a Shareholders' Agreement which determines their relationship as well as certain governance procedures in the HAHL Group.

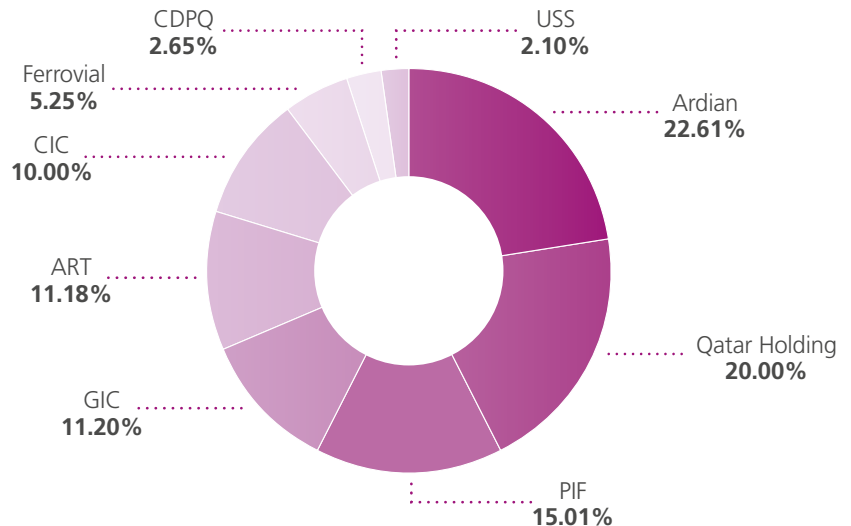
Under the terms of the Shareholders' Agreement, each Shareholder, controlling ten per cent or more of the issued ordinary shares of FGP Topco Limited, or specified combined group of Shareholders together controlling ten per cent or more, is entitled to appoint one Director to the HAHL Board for every ten per cent they hold. There are also a limited number of matters reserved for approval by the Shareholders. Although these matters are reserved for decision by the Shareholders, the HAHL Board would expect to express a view to the Shareholders before any decisions were taken.

Governance arrangements resulting from the Heathrow Group's secured financing platform

In 2008, a secured financing platform was put in place. As part of these arrangements, the Group entered into a Common Terms Agreement ('CTA') with its debt investors. The CTA sets out the terms and conditions of the Group's borrowing and the ongoing management of its secured financing platform.

The CTA also sets out the financial and non-financial covenants that must be complied with in relation to the financing platform.

The governance measures put in place in 2008 are designed to ensure that the Group has the means to conduct its regulated business separately from other companies within the Heathrow Group, and that all dealings between other companies within the Heathrow Group are on an arm's length basis.



¹ On 12 December 2024 Ferrovial, CDPQ and USS completed a sale of a 37.62% stake in the issued share capital of FGP Topco Limited to Ardian and Saudi Arabia Public Investment Fund (PIF) in the proportions shown above. They retained a 10% stake in the ownership of FGP Topco Limited split between them in the proportions shown above.

HAHL BOARD OF DIRECTORS

CHAIR AND EXECUTIVE DIRECTORS

N



LORD PAUL DEIGHTON
CHAIR

Appointed 22 June 2016

Lord Deighton is best-known for delivering the 2012 London Olympic Games to international acclaim as CEO of LOCOG ('London Organising Committee of the Olympic Games'), enhancing the UK's reputation for infrastructure service-delivery and generating national pride. He was Commercial Secretary to the Treasury and was responsible for the UK's National Infrastructure Plan, focusing on getting major projects built, benefits captured, attracting capital into the UK from across the world and creating the right environment for continued infrastructure investment. Lord Deighton also currently chairs the boards of Goldman Sachs International, The Economist Group and Hakluyt and is a Non-Executive Director of Block, Inc. He is responsible for leading the HAHL Board to enable Heathrow to fulfil its vision of being an extraordinary airport fit for the future.

S F

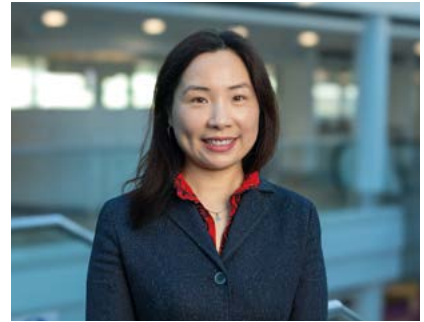


THOMAS WOLDBYE
CHIEF EXECUTIVE OFFICER

Appointed 18 October 2023

Thomas joined Heathrow in October 2023 and has since led a thorough redevelopment of Heathrow's strategy and a drive to increase collaboration and efficiency across the airport. Prior to joining Heathrow in October 2023, Thomas served as the CEO of Copenhagen Airport where he championed passenger service, sustainability and growth. During his tenure at Copenhagen Airport, Thomas put customers and colleagues at the heart of the airport's transformation, turning it into the powerhouse transport hub of northern Europe with an award-winning passenger service ranking. Prior to his role at Copenhagen Airport, he spent 27 years at A.P. Møller-Mærsk, as a leader in the global shipping business as well as CEO of Norfolkline. During his career Thomas has worked in several different countries including 12 years in Asia and delivered significant success in complex operating environments.

F



SALLY DING
CHIEF FINANCIAL OFFICER

Appointed 17 October 2024

Sally was appointed as Heathrow's Chief Financial Officer on 10 October 2024 having spent some time as Acting Chief Financial Officer. She became an Executive Director of the HAHL Board on 17 October 2024. Since joining Heathrow in 2006, Sally has played a key role in shaping Heathrow's capital structure and establishing Heathrow's credit in the financial market. Formerly, as the Director of Treasury and Business Planning, Sally has built robust global financial partnerships, delivered pioneering fundings, led the business through COVID crisis and delivered complicated business plans for the business. Sally is a Chartered Financial Analyst, holds a Master's degree in Finance and has worked in Australia and Hong Kong prior to Heathrow.

COMMITTEE KEY

● Committee chair
 A Audit Committee
 N Nominations Committee
 F Finance Committee
 S Sustainability and Operational Risk Committee
 R Remuneration Committee

INDEPENDENT NON-EXECUTIVE DIRECTORS

R S



MARK BROOKER
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed 1 April 2022

During his executive career, Mark was latterly Chief Operating Officer for Trainline, Europe's largest independent retailer of rail and coach tickets. Before Trainline, he was Chief Operating Officer of Betfair Group plc, a leading online gambling operator and now part of Flutter Entertainment. During his earlier career, Mark spent 17 years in investment banking working for Morgan Stanley, Merrill Lynch, NatWest and NM Rothschild & Sons. Mark brings a diverse range of non-executive board director experience and currently sits on the boards of eCogra, a software testing and certification agency, where he is Chairman; Future plc, a global platform for specialist media and member of the FTSE250; and Paysafe, an online payments system listed on the NYSE. He also recently served as a Non-Executive Director of Equiniti, an international provider of share registration, pension administration and other technology-enabled business outsourcing; William Hill, one of the largest gambling operators in the UK; the AA, the UK's leading provider of roadside assistance; and Findmypast, a leader in online genealogy. Mark holds a Master's Degree in Engineering, Economics and Management from Oxford University.

A S F

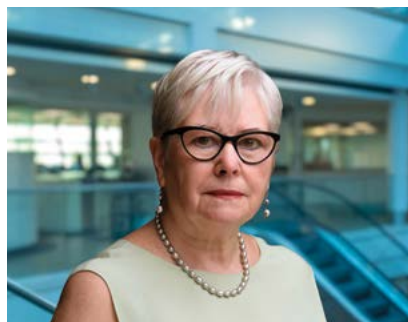


RT. HON RUTH KELLY
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed 8 April 2019

Ruth's previous roles include Secretary of State for Transport and Financial Secretary to the Treasury, and thus she brings a wealth of political, transport and financial experience to Heathrow. This helps Heathrow build on its role as the UK's only hub airport – providing new global trading links post-Brexit and delivering world-class passenger service.

S



JOAN MACNAUGHTON
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed 14 June 2021

Joan has extensive board experience in industry, government, academia and the third sector. After a career in government culminating as Director General of Energy for the UK, she spent five years in a power sector company, where she led the company's global climate change advocacy. She has wide international experience, including as Chair of the International Energy Agency, and Chair of the World Energy Council Trilemma, and has a high-level international network. She is currently a non-executive member of the Thames Freeport Governing Board, where she chairs the Innovation and Net Zero committee; a Trustee of the Green Purposes Company; and Chair of the Board of Dialogue Earth. She sits on several academic advisory boards at energy and climate institutes. As well as energy and climate issues, on which she publishes and lectures, she has public procurement, health and safety, regulatory and ED&I experience at Board level.

NON-EXECUTIVE SHAREHOLDER DIRECTORS

(A) (S) (N) (F)



**HIS EXCELLENCY
AKBAR AL BAKER**
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(QATAR HOLDING LLC)

Appointed 14 January 2013

Currently an advisor to H.E. the Prime Minister and Minister of Foreign Affairs of Qatar, H.E. Akbar Al-Baker concluded his tenure as the CEO of the Qatar Airways Group on 4 November 2023. H.E. Al-Baker is a highly accomplished business leader based in Doha, having served as CEO of several key divisions within Qatar's national airline. His influence extends beyond Qatar Airways, as evidenced by his previous tenure as Chairman of Qatar Tourism, his role as Chairman of the Governing Board of the oneworld Alliance and his membership on the Board of Governors of the International Air Transport Association ('IATA') since 2012, where he assumed the position of Chairman from 2018 to 2019. H.E. Al Baker is currently also the Vice Chairman of Vodafone Qatar appointed since 2020. Additionally, he has been an integral member of the Executive Committee of the Arab Air Carriers Organisation ('AACO') since 2011, serving as Chairman from 2013 to 2016. H.E. Al-Baker holds a private pilot licence and is a graduate in Economics and Commerce.

Alternate: Ali Bouzarif
(appointed 31 January 2018).

(R) (F)



**HIS EXCELLENCY AHMED
ALI AL-HAMMADI**
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(QATAR HOLDING LLC)

Appointed 21 February 2018

H.E. Ahmed Ali Al-Hammadi, is the Director General of the General Retirement and Social Insurance Authority. H.E. Al-Hammadi has held various high-ranking positions, he was previously the Chief Investment Officer for Europe, Russia and Turkey at the Qatar Investment Authority managing the European portfolio across various sectors. H.E. Al-Hammadi has a diverse background and extensive experience in business and finance. He worked at EFG-Hermes managing regional equities before joining the QIA, and garnered valuable experience at consulting firm Booz & Co. (now Strategy&) advising financial services clients on strategy, private equity investment opportunities, and organisation structures. H.E. Al-Hammadi also sits on the boards of SoFi, Borsa Istanbul and Dream International. On a local level, he plays a role as the Chairman of UDC, and Vice-Chairman of QEWC, board member of Masraf Al Rayan, and Industries Qatar. He was named a Young Global Leader by the World Economic Forum in 2019. H.E. Al-Hammadi is a graduate of the Wharton School at the University of Pennsylvania and has obtained his MBA from the Harvard Business School.

Alternate: Deven Karnik (A)
(appointed 25 September 2014).

(F)



TURQI A. ALNOWAISER
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(PIF)

Appointed 12 December 2024

Turqi is a seasoned investment professional with extensive expertise in the global investment markets. Since 2021, he has served as the Deputy Governor and Head of the International Investments Division for the Public Investment Fund of the Kingdom of Saudi Arabia, one of the world's largest sovereign wealth funds. In this role, he oversees investments across a wide range of sectors in Saudi Arabia and internationally. Turqi has led PIF's International Investments division since 2016, where he is responsible for developing and executing the Fund's global investment strategy. This encompasses various asset classes, including public markets, private equity, real estate, and infrastructure. He serves on the boards of several prominent companies and he is the Chairman of Lucid Motors and Manara Minerals, and holds senior board positions at Uber Technologies Inc., Hapag-Lloyd, Azimut Benetti, Sanabil Investments, SITE (Saudi Information Technology Company), King Saud University, and others. Prior to his current role, Turqi held senior positions at leading investment firms, including Saudi Fransi Capital, where he served as Head of Asset Management. He has also worked for international investment banks such as Morgan Stanley. Earlier in his career, he was a Credit Associate at the Saudi Industrial Development Fund and the Capital Markets Authority. He holds an MBA from the University of San Francisco and a Bachelor's degree in International Business from King Saud University.

Alternate: Basil Fannouch (R) (S) (N)
(appointed 17 February 2025).

COMMITTEE KEY

- Committee chair
- A Audit Committee
- N Nominations Committee
- F Finance Committee
- S Sustainability and Operational Risk Committee
- R Remuneration Committee

F



YAZEED ALRUBAIAN
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(PIF)

Appointed 12 December 2024

Yazeed is the Head of Real Estate & Infrastructure Department, International Investments Division at the Public Investment Fund of Saudi Arabia. Yazeed joined the PIF in 2020. He has more than 18 years of combined investment experience, and industry experience throughout global markets. Yazeed also sits on the boards of Aman Group and AccorInvest. Prior positions include Managing Director at Jadwa Investment, and multiple positions with Amwal AlKhaleej, Saudi Aramco and the Boston Consulting Group. Yazeed holds an MBA from Oxford University, a B.S. in Electrical Engineering from the University of Missouri- Columbia, USA and he is also a CFA charter holder.

Alternate: Basil Fannouch R S N
(appointed 17 February 2025).

A R N F



JUAN ANGOITIA
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(ARDIAN)

Appointed 12 December 2024

Juan joined Ardian in 2013. Prior to Ardian, he spent 5 years at Citi Infrastructure Investors ('CII') in London and before that, 10 years at Grupo Ferrovial after starting his career in BUPA Spain. Juan has significant deal and management experience across Europe, the Americas (US, Mexico, Chile, Uruguay and Colombia) and Australia. Juan is, and has previously acted as, a board member of airport portfolio companies such as London Luton Airport, Sydney International Airport and Bristol International Airport, and at other essential infrastructure companies, such as Autopista Vespucio Norte and Tnel San Cristobal, ASR Wind, ASTM and Ecorodovias, Exolum and Tunels Barcelona. Juan holds a Degree in Business and Economics from the Universidad Autonoma de Madrid in Spain and an MBA from the IE in Madrid.

Alternate: William Briggs A
(appointed 12 December 2024).

S F



ALEXIS BALLIF
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(ARDIAN)

Appointed 12 December 2024

Alexis joined Ardian in 2008. Alexis worked at or was on the board of a number of companies across the infrastructure sector including water companies in France and the UK and regulated grids. Alexis now focuses on transport assets, including motorways at Ascendi in Portugal and ASTM in Italy, French greenfield high speed rail line, LISEA, and Italian airports platform, Zi Aeroporti. Alexis is also a board member of French oil pipeline SPMR. Alexis graduated from Ecole Supérieure des Travaux Publics as a civil engineer and from ESSEC Business School with a postgraduate degree in Finance.

Alternate: William Briggs A
(appointed 12 December 2024).

NON-EXECUTIVE SHAREHOLDER DIRECTORS

(F)



LUKE BUGEJA
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(REPRESENTING FERROVIAL,
CDPQ AND USS)

Appointed 12 December 2024

Luke is the Chief Executive Officer of Ferrovial Airports and has been a director on the H AHL Board since 2021 representing Ferrovial. With effect from 12 December 2024, he was appointed as the nominated Non-Executive Shareholder Director representing a consortium of Ferrovial, CDPQ and USS. He has held senior executive positions at Hermes GPE, OMERS, Ontario Airport Investments, and Macquarie Bank Limited/MAP Airports, and has over 30 years' experience in the aviation industry, including senior positions at Changi Airports International, Virgin Blue, and Qantas. Luke has held Board positions at London City, Brussels, and Bristol Airports.

Alternates: Juan Carlos Bullón Alemán, Olivier Fortin, Rob Horsnall (all appointed 12 December 2024).

(A) (F)



RAYMOND CHAN
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(ART)

Appointed 9 May 2023

Raymond Chan is a senior member of the Global Real Assets team at Australian Retirement Trust ('ART'). Raymond has over 25 years of investment management, merchant banking and advisory experience. He has originated, executed, and financed principal investments across various asset classes, including private equity, real estate and infrastructure. Before joining ART, Raymond worked in New York for 10 years in infrastructure investing with Macquarie Bank and corporate development with McGraw Hill. He began his career in Australia in corporate finance with PricewaterhouseCoopers and Deutsche Bank. Raymond earned a Bachelor of Commerce from the University of Queensland and is a fellow of the Financial Services Institute of Australasia. He is also a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Alternates: Richard Hedley and William Loc (both appointed 9 May 2023).

(R) (N) (F)



ANDREW DENCH
NON-EXECUTIVE
SHAREHOLDER DIRECTOR
(GIC)

Appointed 29 May 2024

Andrew Dench is a Managing Director, Head of Asset Management for GIC's global Infrastructure Portfolio and a member of the Infrastructure Investment Committee. Andrew is also a member of GIC's Global Leadership Group. In addition to portfolio responsibilities, Andrew has represented GIC on a number of investee company boards. Andrew joined GIC Infrastructure in 2015, prior to which he held various c-suite and board positions for network utilities, contracting and service delivery businesses in Northern Europe. Andrew also spent 15 years in investment banking largely at Morgan Stanley.

Alternate: Andrew Dallal (appointed 25 April 2023).

COMMITTEE KEY

● Committee chair (A) Audit Committee (N) Nominations Committee (F) Finance Committee (S) Sustainability and Operational Risk Committee (R) Remuneration Committee

(F)



DAVID XIE NON-EXECUTIVE SHAREHOLDER DIRECTOR (CIC)

Appointed 26 September 2018

David is a Director of China Investment Corporation ('CIC'). He is responsible for CIC's infrastructure investments globally, in particular in transport, utilities, digital and energy transition sectors. In addition to Heathrow, David serves on the boards of Cadent Gas and Interpark. Prior to joining CIC, David worked 11 years in various roles at Merrill Lynch. David is a graduate of Pennsylvania State University and has an MBA degree from Georgetown University.

Alternate: Ben Niu (appointed 30 November 2022 and resigned 31 January 2024), Minzhen (Orlando) Wang (appointed 31 January 2024).

COMPANY SECRETARY

(S)



MINE HIFZI GENERAL COUNSEL AND COMPANY SECRETARY

Appointed 1 July 2022

Before joining Heathrow, Mine was General Counsel at Virgin Media, where her remit was expanded to also include regulatory and corporate affairs. Prior to Virgin Media, Mine was at Scripps Networks Interactive as Senior Vice President of Commercial and Legal Affairs, where she held a combined international legal and commercial role. Mine has also held a number of other senior roles including Senior Vice President and Chief International Counsel at Discovery Communications and senior international legal positions at Turner Broadcasting and United International Pictures. She trained and worked as a solicitor at Clifford Chance LLP.

EXECUTIVE COMMITTEE



From left:

Javier Echave, Sally Ding, Ross Baker, Jo Butler, Thomas Woldbye, Mine Hifzi, Nigel Milton, Helen Elsby

ROSS BAKER CHIEF CUSTOMER OFFICER

Ross was appointed Chief Customer Officer in May 2024, when his previous remit as Chief Commercial Officer was broadened to include customer and regulatory responsibilities. As Chief Customer Officer, Ross is focused on creating value for all our customers: passengers, airlines, retailers and tenants. He also Chairs our airport rail subsidiary, Heathrow Express, and is a Non-Executive Director of NATS. Ross joined Heathrow in 2011, serving as Director of Strategy and then Director of Operations prior to becoming Chief Commercial Officer in 2017. He has partnered closely with our airline customers to make Heathrow the most connected airport in the world and has overseen the development of a retail offering that has been recognised as the best in the world for most of the last decade.

Prior to joining Heathrow, Ross gathered a wealth of experience from various advisory and industry roles. His background includes time at Bain & Company, where he consulted on strategic, commercial, and operational projects. Before Bain, Ross spent a decade at British Airways, undertaking a variety of operational and commercial management positions both in the UK and internationally.

JO BUTLER CHIEF PEOPLE OFFICER

Jo Butler joined Heathrow in January 2025 as Chief People Officer, bringing over 25 years of HR leadership experience across diverse sectors, including retail, banking and professional services. Jo is responsible for driving Heathrow's people strategy, fostering an inclusive culture, and empowering colleagues to deliver exceptional passenger experiences.

Prior to joining Heathrow, Jo was Chief People Officer at ASOS Plc and Mitie Group Plc leading large-scale people transformation programmes. She has also held Senior HR roles in Europe and Asia, for Santander and Sainsbury's. Recognised as a thought leader in her field, Jo has been featured in the Financial Times' '100 Most Influential Women in European Engineering' and the HR Director's 'Most Influential' list.

JAVIER ECHAVE CHIEF OPERATING OFFICER

Javier was appointed as Chief Operating Officer on 26 April 2024, having previously served as Chief Financial Officer since November 2016. He joined Heathrow in January 2008, bringing extensive expertise in finance and operations. As Chief Financial Officer, Javier was instrumental in establishing Heathrow's robust capital structure and securing its position as a strong entity in the financial markets. Prior to his role as CFO, he served as Finance Director for Operations and Performance. During this period, he played a pivotal role in the implementation of a cost-efficiency programme and conducted rigorous evaluations of a multi-billion capital investment plan.



HELEN ELSBY
CHIEF SOLUTIONS OFFICER

Helen was appointed as Chief Solutions Officer in September 2021. Previously she was Heathrow's Director of Procurement and before that held multiple roles in Heathrow's Capital team including Programme Management Office Director, Capital Development Director and Expansion Integration Director. Prior to joining Heathrow in 2009, Helen spent ten years at British Airways where she held development management and consultancy roles.

NIGEL MILTON
CHIEF COMMUNICATIONS
AND SUSTAINABILITY OFFICER

Nigel was appointed to the Executive Committee in September 2021. In his role as Chief Communications and Sustainability Officer, he leads Heathrow's Decarbonisation Strategy, Communications, Sustainability and Communities teams. Before that he was Director of Communications, leading Heathrow's Press Office, Public Relations, Internal Comms, Political Affairs, Business Engagement and Policy teams. As Heathrow's Director for External Affairs between 2013 and 2016, Nigel led the communications campaign to win policy and political support for a third runway at the airport. Prior to joining Heathrow in 2010, Nigel worked in Virgin Atlantic's External Affairs department. Before that, he was Assistant Director for International Aviation in the Department for Transport and was also Private Secretary to the Deputy Prime Minister and Secretary for Transport, John Prescott, between 1998 and 2000. He has a law degree from Oxford University and a Master's Degree in Transport Planning and Management from the University of Westminster.

THOMAS WOLDBYE
CHIEF EXECUTIVE OFFICER

SALLY DING
CHIEF FINANCIAL OFFICER

MINE HIFZI
GENERAL COUNSEL
AND COMPANY SECRETARY

For biographical details see pages 90 and 95.

CORPORATE GOVERNANCE

CHAIR'S INTRODUCTION



The HAHL Board has remained focused on taking decisive action to strengthen Heathrow's role as the UK's global gateway, ensuring the business can meet the demands of record passenger growth while laying the foundations for long-term resilience and capacity expansion."

LORD PAUL DEIGHTON
CHAIR



During 2024, Heathrow delivered a year of record passenger numbers, reflecting the strength of demand and the airport's vital role in keeping the UK connected to the world. As we navigated the challenges of operating at full capacity, we remained focused on delivering a high-quality experience for passengers while strengthening our long-term resilience. I am pleased to introduce this report, which outlines the activities of the HAHL Board during the year, along with Heathrow's governance arrangements.

The HAHL Board has remained focused on taking the appropriate action to ensure the business continues to support the UK's global connectivity by maintaining Heathrow as a world-class gateway. This has meant balancing record-breaking passenger volumes with the need for long-term investment in capacity and resilience, ensuring the airport remains fit for the future. Throughout this period, the safety and wellbeing of passengers and colleagues have remained our highest priority, and the HAHL Board has worked to ensure Heathrow operates safely while setting the right plans for the next regulatory period. I am pleased to introduce this report, which describes the activities of the HAHL Board during the year, along with Heathrow's governance arrangements.

There were a number of changes to the composition of the HAHL Board during 2024 which are shown below. These were predominantly as a result of the completion of the share sale on 12 December 2024.

Appointments:

Andrew Dench – Non-Executive Shareholder Director (GIC) on 29 May 2024

Sally Ding – Executive Director on 17 October 2024, following her appointment as Chief Financial Officer

Juan Angoitia – Non-Executive Shareholder Director (Ardian) on 12 December 2024

Alexis Ballif – Non-Executive Shareholder Director (Ardian) on 12 December 2024

Turqi A. Alnowaiser – Non-Executive Shareholder Director (PIF) on 12 December 2024

Yazeed Alrubaian – Non-Executive Shareholder Director (PIF) on 12 December 2024

Luke Bugeja – Non-Executive Shareholder Director (representing the interests of Ferrovial, CDPQ and USS) on 12 December 2024. Previously, Luke had represented Ferrovial, but he was reappointed as a Director to represent the Ferrovial, CDPQ and USS consortium.

Resignations:

Stuart Baldwin – Non-Executive Shareholder Director (GIC) on 29 May 2024

Javier Echave – Executive Director on 17 October 2024, following his appointment as Chief Operations Officer

Luke Bugeja – Non-Executive Shareholder Director (Ferrovial) on 12 December 2024

Ernesto Lopez – Non-Executive Shareholder Director (Ferrovial) on 12 December 2024

Shawn Kinder – Non-Executive Shareholder Director (Ferrovial) on 12 December 2024

Olivier Fortin – Non-Executive Shareholder Director (CDPQ) on 12 December 2024

Mike Powell – Non-Executive Shareholder Director (USS) on 12 December 2024

We welcomed the new Directors who joined the HAHL Board during the year and bade farewell to those that left during the year, thanking them for their significant contributions to the airport.

Also in May, following the recommendation of the Nominations Committee, the HAHL Board extended Joan MacNaughton's appointment as an Independent Non-Executive Director for a further period of three years to 13 June 2027.

My tenure as Chair of the HAHL Board is due to come to an end on 30 April 2025 when I will have served 9 years in the role. However, in light of the recent changes to the HAHL Board resulting from the completion of the share sale on 12 December 2024, and the relatively new appointments of the Chief Executive Officer and Chief Financial Officer, the Nominations Committee, comprising a number of Non-Executive Shareholder Directors, has asked me to extend my appointment for a limited period to help ensure a smooth transition whilst new Non-Executive Shareholder Directors become familiar with the business and a new Chair is appointed. I have therefore agreed to extend my role as Chair for a limited period to ensure continuity and stability on the HAHL Board during this period of transition.

The Nominations Committee oversees the appointment of new Independent Non-Executive Directors (other than the Non-Executive Shareholder Directors) to the HAHL Board, including the Chair of the HAHL Board, as well as the appointment of the Chief Executive Officer and Chief Financial Officer. During the year, the Nominations Committee conducted a thorough search for a new Chief Financial Officer, following which Sally Ding was appointed as Heathrow's new Chief Financial Officer on 10 October 2024 and subsequently appointed as an Executive Director of the HAHL Board and non-voting member of the Finance Committee on 17 October 2024. The Nominations Committee also reviewed and approved the extension of Joan MacNaughton's appointment as an Independent Non-Executive Director.

The HAHL Board undertakes a formal evaluation of its own performance every year. An internal evaluation was undertaken during October 2024, and I am pleased that the HAHL Board was found to be operating effectively. Details of the process followed, the outcomes and the proposed actions can be found on page 107.

The HAHL Board takes account of the impact of its decisions on all of our stakeholders, whether they are passengers, colleagues, suppliers and commercial partners, airlines, investors, local communities or regulators, while taking steps to secure the HAHL Group's longer-term success. Details of how we have engaged with all our stakeholders, to understand their views, can be found on page 82. A statement on how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006 can be found on page 76.

The following pages provide information on the composition of the HAHL Board and its governance structure and processes, together with reports from each of its Committees.

As a Board, we are committed to robust standards of corporate governance and, for the year ended 31 December 2024, the HAHL Group has applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council ('FRC') in December 2018. We believe that high standards of corporate governance are central to the effective management of the HAHL Group and to maintaining the confidence of our stakeholders and investors.

The Wates Principles provide a framework for the HAHL Board to monitor corporate governance of the HAHL Group and consider opportunities where governance standards can be raised to a higher level across the business. We believe this, in turn, will result in better engagement with our stakeholder base and ultimately build trust with our passengers, colleagues and investors. Governance processes are cascaded down from the HAHL Board to other companies in the HAHL Group, including the Directors of the Company, so that the governance framework can provide the right environment for the HAHL Board, and other companies in the HAHL Group, to make decisions for the long-term success of Heathrow.

The following table summarises the six Wates Principles and indicates where more information can be found in the strategic and the governance reports. Throughout 2025, the HAHL Board will continue to review and challenge how the HAHL Group can continue to improve its corporate governance.

HAHL BOARD CORPORATE GOVERNANCE SUMMARY

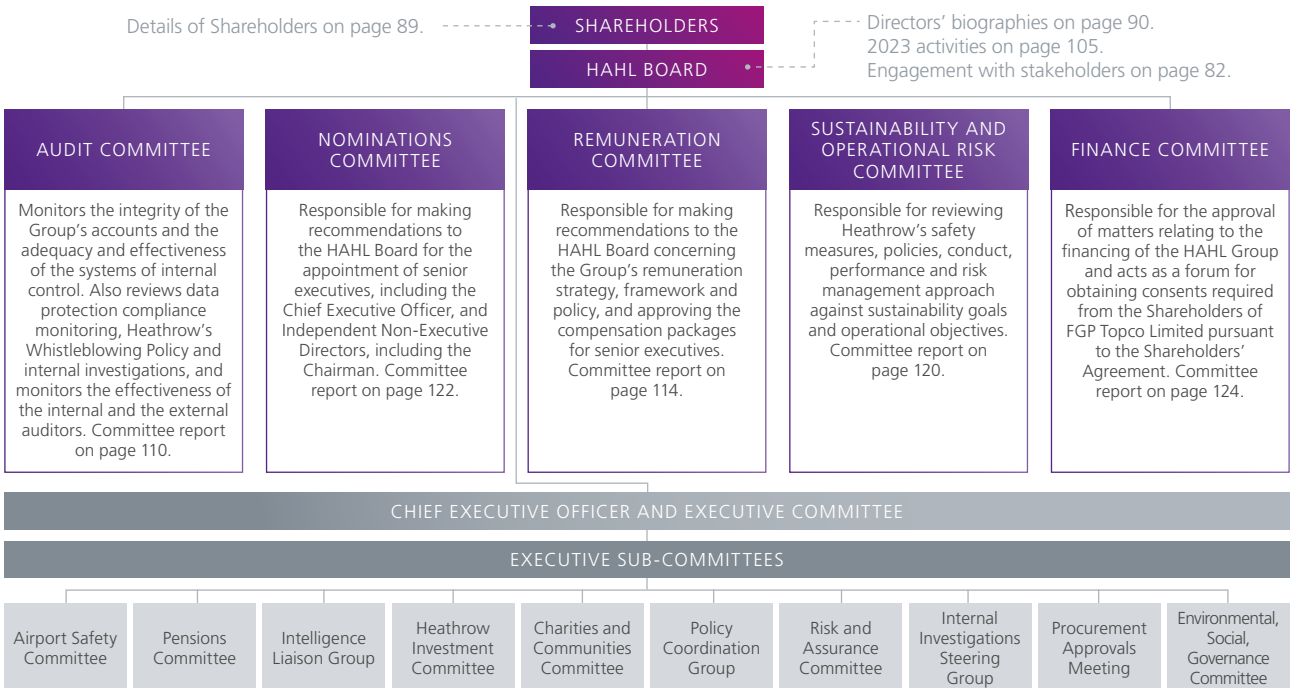
Principle	Summary	Page
Purpose and leadership	<p>The HAHL Board is responsible for the long-term strategy, direction and performance of the HAHL Group. Our vision is to be an extraordinary airport, fit for the future and our purpose is to make every journey better. We strive to ensure that our values, strategy and culture are aligned with our vision and purpose. The HAHL Board recognises that maintaining a healthy culture throughout the organisation is critical in order to create and protect long-term value. The HAHL Board endorsed Heathrow's new strategy which was launched in March 2024. The HAHL Group's strategic framework, shown on page 19, embeds our vision, purpose, foundations, beacons and values with our strategic propositions as key elements to ensure our stakeholders' interests are central to Heathrow's future developments.</p> <p>As well as developing strategy, the HAHL Board is responsible for the business model required to generate long-term sustainable value and for ensuring that strategy is clearly articulated and implemented throughout the business. The Executive Committee identify and recommend business opportunities, for consideration by the HAHL Board. Certain new business opportunities require the approval of the HAHL Board and, in some cases, also require the approval of the Shareholders in accordance with the terms of the Shareholders' Agreement. This includes overseeing the establishment of transparent policies in relation to raising concerns about misconduct and unethical practices and also observing other statutory duties and responsibilities. Directors are required to disclose any conflicts of interest in accordance with the HAHL Board's Conflicts of Interest procedure.</p>	19, 76, 88
Board composition	<p>The HAHL Board consists of the Chair, Chief Executive Officer, Chief Financial Officer, three Independent Non-Executive Directors and ten Non-Executive Shareholder Directors. The Independent Non-Executive Directors bring outside experience and provide constructive challenge and influence. The composition of the HAHL Board is partly determined by the Shareholders' Agreement which provides for shareholder representation on the HAHL Board, and it is considered to be in the best interests of the HAHL Group for its Shareholders to be represented at meetings by senior executives.</p> <p>As a private, investor-owned group with nine shareholders, the HAHL Group benefits from a diversity of viewpoints at the HAHL Board and the Independent Non-Executive Directors enhance this. The HAHL Board acknowledges that, overall, it has good geographical diversity, but it is also committed to improving its diversity in terms of gender, ethnicity, disability and age. The Nominations Committee is responsible for maintaining an appropriate balance of skills, experience, independence and diversity amongst the Executive and Independent Non-Executive Directors on the HAHL Board.</p> <p>Directors receive regular updates on new legislation, regulatory requirements and other changes, to ensure that they are fully equipped when making decisions about the business. The performance of the HAHL Board is reviewed annually and consideration is given to its overall composition and to the effectiveness of its different processes with a view to maximising strengths and highlighting areas for further development. More information about the HAHL Board's effectiveness, including recommendations taken and areas of focus for development, is shown on page 107.</p>	103, 104, 107
Directors' responsibilities	<p>The HAHL Group has a separate Chair and Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained. The HAHL Board receives regular reports on the business, financial performance, health, safety and wellbeing of colleagues, passenger forecasts, commercial and retail performance, regulatory and sustainability matters, colleague engagement, stakeholders and local communities, and management of key business risks, along with updates on the activities and decisions of its formal Committees. The HAHL Board is familiar with Heathrow's governance framework and annually reviews the terms of reference of its formal Committees. Directors have access to the Shareholders' Agreement, Heathrow's Group policies and related governance processes. New Directors receive a comprehensive induction to the HAHL Board and receive regular ongoing training and updates relating to their statutory and fiduciary duties.</p>	100- 103
Opportunity and risk	<p>The HAHL Board seeks out opportunities while mitigating risk. Long-term strategic opportunities are highlighted in the three-year Business Plan presented to the HAHL Board. The HAHL Board has overall responsibility for the risk management framework and ensuring that an effective risk response system is in place. The HAHL Board regularly reviews Heathrow's principal and short-term risks, mitigations, and overall risk appetite. During the year Heathrow's approach to operationalising risk appetite was enhanced in order to assist strategic decision making and support the business to take informed and considered risks where opportunities and benefits outweigh potential risks. The Risk and Assurance Committee and the Executive Committee ensure that significant and emerging risks are identified and managed appropriately and in a timely manner, updating the risk register for any changes in underlying conditions. Operational, safety, security, climate-related and financial risks are regularly reviewed in a joint session of the Sustainability and Operational Risk Committee and the Audit Committee. The HAHL Board also has full visibility of the overall risk landscape on a quarterly basis. More information about Heathrow's risk management process can be found on page 42.</p>	42, 110, 120
Remuneration	<p>The Remuneration Committee has clearly defined terms of reference and is responsible for making recommendations to the HAHL Board concerning the HAHL Group's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. The Committee reviews Heathrow's remuneration structure each year to ensure that the framework supports Heathrow's strategic ambitions and rewards Directors fairly for the contribution that they make to the business. The Committee takes advice from independent external consultants who provide updates on legislative requirements, market best practice and remuneration benchmarking. Pay is aligned with performance, taking into account fair pay and conditions across the HAHL Group's workforce.</p>	114
Stakeholder relationships and engagement	<p>Central to our strategic framework, shown on page 19, are our high-level aspirations for the future of Heathrow for all our stakeholder groups. Our strategic beacons and values are how we deliver our vision. They reflect a simple business logic: engaged people deliver excellent service, which in turn delivers financial returns and growth in a sustainable way. The table within the section 172(1) statement on page 82 provides details of our main stakeholders and some of the engagement that takes place with them at an operational or HAHL Group level.</p>	19, 82

GOVERNANCE STRUCTURE

The HAHL Board determines the long-term strategy, direction, culture and performance of the HAHL Group, including approval of the annual budget and management business plan. It is responsible for ensuring that the HAHL Group acts ethically and meets its legal and regulatory responsibilities, monitoring the HAHL Group's performance and ensuring the HAHL Group has the necessary resources to meet its objectives.

Whilst the HAHL Board retains oversight and accountability for decision making within the HAHL Group, responsibility for day-to-day management and decision making is delegated to the Chief Executive Officer and the Executive Committee. The HAHL Board delegates specific responsibilities to its formal Committees, which consist of individuals with the most appropriate knowledge, expertise, industry experience and independence.

The duties of the HAHL Board are executed partially through its five principal Committees: Audit, Nominations, Remuneration, Sustainability and Operational Risk and Finance. These Committees operate within defined terms of reference, which are reviewed regularly by the HAHL Board. The role of Company Secretary to the HAHL Board is performed by the General Counsel.



The HAHL Board receives regular reports on business and financial performance, employee issues and management of key business risks. The Chairs of the Audit Committee, Remuneration Committee, and the Sustainability and Operational Risk Committee each provide regular updates on matters discussed at those committees. The Finance Committee submits an annual update of its activities. The papers and minutes from each committee are made available to the HAHL Board. Where appropriate, recommendations are made by each of the HAHL Board Committees so that final decisions can be taken by the HAHL Board. Members of the HAHL Board have the opportunity to attend regular Board Working Group sessions to receive more in-depth information about specific aspects of the business. The Board Working Group sessions are available to all HAHL Board members and their advisors. They provide a forum for discussion on specific topics, such

as regulatory and financial matters, and an opportunity for Directors to discuss complex issues at length ahead of HAHL Board meetings.

The Executive Committee is the forum of the senior executive management team of the HAHL Group. The HAHL Board delegates authority for day-to-day management of the HAHL Group to the Chief Executive Officer and his Executive Committee, which meets weekly and is chaired on a rotation basis by the Chief Executive Officer and other members of the Executive Committee. In addition to the Chief Executive Officer, membership of the Executive Committee includes the Executive Directors responsible for each business function. Further information is shown on page 96.

The Executive Committee develops and recommends to the HAHL Board medium and long-term business development strategies. They ensure the delivery of agreed strategies by providing guidance,

approvals, governance and monitoring. The Executive Committee also considers health and safety, financial, legal and regulatory matters, risk assurance and compliance, and it reviews and approves all matters to be presented to the HAHL Board for information or approval. There is a high level of interaction between the HAHL Board and the Executive Committee. Members of the Executive Committee provide regular presentations at board meetings and attend strategy days with the HAHL Board in order to review issues in more detail, and to plan and align views.

The Executive Committee delegates specific matters to a number of formal sub-committees whilst retaining overall accountability. The sub-committees consist of managers and other experts with appropriate knowledge, industry experience and expertise to make decisions and report back to the Executive Committee. Each sub-committee operates in accordance with terms of reference approved by the Executive Committee and is evaluated on a regular basis.

EXECUTIVE SUB-COMMITTEES

AIRPORT SAFETY COMMITTEE

Responsible for reviewing Heathrow's responsibilities, strategies, policies, conduct, performance and risk management approach. It covers all aspects of safety, including fire, physical health and safety, airside safety, psychological safety, environmental safety (compliance) and the potential impact on Heathrow's reputation arising from its performance in these respects. It is chaired by the Chief People Officer. Other members consist of the Chief Financial Officer, Chief Operating Officer, Director of Infrastructure Solutions, Safety, Health and Wellbeing Director and others.

PENSIONS COMMITTEE

Provides oversight on pensions and makes Company decisions with regards to Pension matters in support of the Winning Team beacon and making Heathrow a great place to work, which is in service of Heathrow's vision to be an extraordinary airport, fit for the future. It is chaired by the Chief People Officer and other members consist of the General Counsel and Company Secretary and Chief Financial Officer.

INTELLIGENCE LIAISON GROUP

Responsible for providing a secure forum to safely share secret, sensitive and often time-critical security intelligence. Members require the necessary level of security clearance.

HEATHROW INVESTMENT COMMITTEE

Acts under authority delegated by the Executive Committee as a single accountable forum on capital investment across Heathrow. It is chaired by the Chief Financial Officer. Other members consist of the Chief Operating Officer, Chief Customer Officer and Chief Solutions Officer.

CHARITIES AND COMMUNITIES COMMITTEE

Responsible for agreeing strategy and policy for charitable giving and oversight of investment in local communities at Heathrow. It is chaired by the Chief Communications and Sustainability Officer. Other members consist of the Chief Financial Officer, Chief People Officer, Director of Communities and Sustainability, Head of Equality, Diversity and Inclusion and Head of Services (Transport and Passenger Logistics).

POLICY COORDINATION GROUP

A strategic, senior-policy forum that provides advice and recommendations on Heathrow's policy priorities. Representing each member of the Executive Committee, senior colleagues from different business functions provide input to agree Heathrow's positions and prioritisation on key policy asks. It is chaired by the Chief Communications and Sustainability Officer.

RISK AND ASSURANCE COMMITTEE

Responsible for reviewing the effectiveness of the risk management strategy and framework, and for reviewing the principal risks. It is chaired by the General Counsel and Company Secretary. Other members consist of the Director of Finance (Financial Control), Director of Communities and Sustainability, Director of Heathrow Portfolio Management Office, Director of Business Assurance, Head of Insurance, Head of Risk and Assurance and Director of Operations.

INTERNAL INVESTIGATIONS STEERING GROUP ('ISG')

Responsible for setting and overseeing compliance with the governance framework for relevant internal investigations. It provides the Executive, HAML Board and Audit Committees with assurance that Heathrow has appropriate procedures to ensure appropriate governance and conduct of internal investigations. It is chaired by the General Counsel and Company Secretary. Other members consist of the Head of Security Intelligence and Risk, Director of Business Assurance, Operations and Contentious Matters Lawyer, Engagement and Business Partnering Director and a designated Independent Non-Executive Director. A member of the Internal Audit team acts as the ISG Secretariat.

PROCUREMENT APPROVALS GROUP

Provides appropriate levels of governance with regards to all procurement activities. It is chaired by the Chief Solutions Officer, with responsibility for running the committee delegated to the Director of Procurement. Other members consist of the Head of Portfolio, Head of Infrastructure Procurement, Head of Technology and Corporate Services, Head of Operational Procurement and Head of Legal, Solutions and Commercial.

ENVIRONMENTAL, SOCIAL, GOVERNANCE ('ESG') COMMITTEE

Assesses the ESG-related risks and opportunities and oversees the progress for integrating ESG commitments. It is chaired by the Chief Communications and Sustainability Officer. Other members consist of the Chief Financial Officer, General Counsel and Company Secretary, Communities and Sustainability Director, Director of Carbon Strategy, Programme Director (for the Carbon and Sustainability Programme), Head of Strategy, Director of Finance (Financial Control), Learning and Inclusion Director and Head of Legal, Compliance and DPO.

ROLES AND RESPONSIBILITIES

It is the HAHL Group's policy that the roles of the Chair and Chief Executive Officer are separate, with their roles and responsibilities clearly divided. The key roles and responsibilities of the Directors of the HAHL Board are set out below:

CHAIR

The Chair is responsible for:

- Leading and managing the HAHL Board, its effectiveness and governance.
- Ensuring that HAHL Board meetings operate smoothly and provide a conducive environment for Board members to make effective decisions and discharge their fiduciary and statutory duties.
- Ensuring HAHL Board members are aware of, and understand, the views of key stakeholders.
- Helping set the tone from the top in terms of the purpose, goal, culture, vision and values for the whole organisation.
- Creating the conditions for the overall effectiveness of the HAHL Board.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is responsible for:

- The leadership and day-to-day management of the HAHL Group through the Executive Committee.
- Developing the HAHL Group's strategy and objectives while having regard to its responsibilities to the Shareholders and wider stakeholders.
- Managing the Executive Committee.
- Working with the Chair, and General Counsel and Company Secretary to ensure that HAHL Board meetings operate smoothly.
- Ensuring the effective implementation of HAHL Board decisions.
- Regularly reviewing the operational performance and strategic direction of the HAHL Group's business.
- Optimising as far as possible the use and adequacy of the HAHL Group's resources.
- Working with the Chair to set the HAHL Group's purpose, goal, culture, vision and values.
- Ensuring the long-term sustainability of the business.
- Ensuring all HAHL Group policies and procedures are followed to the highest standards.

CHIEF FINANCIAL OFFICER

The Chief Financial Officer is responsible for the financial performance, capital allocation and financing of the HAHL Group and supporting the Chief Executive Officer in developing and implementing strategy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors are responsible for providing constructive challenge and bringing independence to the HAHL Board and its decision-making process. Particularly:

- Bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance and risk management.
- Scrutinising and challenging the performance of the HAHL Group's business.
- Assessing risk and the integrity of the financial information and controls.

NON-EXECUTIVE SHAREHOLDER DIRECTORS

The Non-Executive Shareholder Directors are nominated and appointed by our Shareholders in accordance with the terms of the Shareholders' Agreement and are therefore not classified as independent. They provide strong experience and constructive challenge, and monitor the performance and delivery of the HAHL Group's strategy.

COMPANY SECRETARY

The role of Company Secretary is performed by the General Counsel who is a member of the Executive Committee. The Company Secretary is available to the Chair and all Directors and is responsible for managing board meetings, information flows to the HAHL Board and advising the HAHL Board on legal, corporate governance and procedural matters. Directors may also take professional advice at the Company's expense.

COMPOSITION OF THE H AHL BOARD

At the date of this report, the H AHL Board comprises the Chair, three Independent Non-Executive Directors, ten Non-Executive Shareholder Directors and two Executive Directors – the Chief Executive Officer and the Chief Financial Officer.

The names and biographies of the principal Directors of the H AHL Board are published on pages 90 to 95. All of the Non-Executive Shareholder Directors have formally approved alternates, who are also listed. The alternates are statutory Directors of H AHL, who attend board and/or committee meetings when Non-Executive Shareholder Directors are unable to do so. Occasionally, and with the prior consent of the Chair, some alternate Directors attend meetings alongside their appointors as observers. The Executive and Non-Executive Directors are equal members of the H AHL Board and have collective responsibility for the H AHL Group's strategy and performance. Each H AHL Board Director has a clear understanding of their accountability and responsibilities.

Recommendations for the appointment of Independent Non-Executive Directors to the H AHL Board are made by the Nominations Committee. Appointments are made on merit and against objective criteria with due regard to diversity (including skills, experience, age, gender, disability and social and ethnic background). Non-executive appointees are also required to demonstrate that they have sufficient time to devote to the role.

The Independent Non-Executive Directors bring outside experience in areas such as aviation, transport, health and safety, sustainability, climate change, energy, regulation, government, finance, retail and technology, and provide constructive challenge and influence from outside the H AHL Group. The Chair holds periodic meetings with all the Non-Executive Directors to discuss the performance of management and the H AHL Board, without the Executive Directors present.

The H AHL Board considered the Chair, Lord Paul Deighton, to be independent in judgment and character on his appointment on 22 June 2016.

The Chair and each of the Independent Non-Executive Directors have letters of appointment with the H AHL Group rather than service contracts, which include the expected time commitment of the appointment.

The Directors are required to comply with Heathrow's group policies, including policies on Professional Conduct, Health and Safety, Conflicts of Interest, Anti-Bribery, Gifts and Hospitality and Anti-Facilitation of Tax Evasion.

The H AHL Board believe that its size and composition are appropriate to meet the strategic needs and challenges of the business and to enable effective decision making. The composition of the H AHL Board is partly determined by the Shareholders' Agreement, which states that each Shareholder or specified combined group of Shareholders together controlling ten per cent or more of the issued ordinary shares of FGP Topco Limited, is entitled to appoint one Director to the H AHL Board. Currently Ardian, PIF and Qatar Holding LLC each appoint two directors, GIC, ART and CIC each appoint one director and the Ferrovial, CDPQ and USS consortium appoints one director between them. It is considered to be in the interests of the H AHL Group for each Shareholder to be represented on the H AHL Board.

In addition, there are four Independent Non-Executive Directors, including the Chair, whose purpose is to challenge and provide external expertise. The H AHL Board does not have a majority of Independent Non-Executive Directors and it is felt that the numbers associated with ensuring a majority of Independent Non-Executive Directors would make the operation of the H AHL Board unwieldy and unduly costly.

It is acknowledged that, although there is international diversity on the H AHL Board in terms of ethnicity, there is a relative lack of gender diversity. Shareholders are encouraged to consider different aspects of diversity, including gender and ethnicity, when nominating their non-executive representatives on the H AHL Board. The H AHL Board is committed to making the H AHL Group an ever-more inclusive environment, thereby fostering a more diverse workforce which should increase diversity at the most senior levels.

Heathrow participates in the FTSE Women Leaders Review, which is an independent, business-led framework supported by Government which sets recommendations to improve the representation of women on the boards and leadership teams of the FTSE 350 and 50 of the UK's largest private companies. The H AHL Board also discloses information about the ethnicity of its directors in accordance with the recommendations of the Parker Report. More information can be found in the Remuneration Committee Report on page 114.



2024 HAHL BOARD ACTIVITIES

The HAHL Board held ten meetings during the year ended 31 December 2024. Eight Board Working Group Meetings were held to provide HAHL Board members with an opportunity to consider certain issues in greater depth, and a joint strategy session was held in conjunction with the Executive Committee in March. In addition, an operational tour of the airport took place in April and a Board dinner was held in July. During the year the HAHL Board focused on a number of areas as set out below:

2024 HAHL BOARD ACTIVITIES

OUR FOUNDATIONS:

<p>SAFETY, SECURITY AND COMPLIANCE</p> <ul style="list-style-type: none"> Monitored and reviewed health and safety across the airport, including the welfare of passengers and colleagues. Monthly Safety Moments, covering a broad range of safety topics. Received updates from the Sustainability and Operational Risk Committee. Next Generation Security Programme and Department for Transport Security Liquid Standard. 	<p>GOVERNANCE AND FINANCIAL RESILIENCE</p> <ul style="list-style-type: none"> Protected and monitored liquidity. Reviewed financial performance and forecasts. Considered and approved the 2025 Management Business Plan. Reviewed and approved quarterly results announcements. Reviewed and approved the 2023 Annual Report and Financial Statements. Approved distributable reserves planning. Approved corporate simplification. Considered improvements to existing corporate governance arrangements, including financial reporting requirements and performance against the Wates Principles. Considered output and actions from the 2023 HAHL Board evaluation process. Reviewed and monitored key principal risks and mitigations and approved new risk appetite framework. Approved 2024 Continuity of Service Plan. Reviewed and approved Group Policies. Received updates from the Audit and Finance Committees. Approved HAHL Board and committee membership changes resulting from completion of the share sale on 12 December 2024.
<p>SERVICE AND OPERATIONS</p> <ul style="list-style-type: none"> Considered operational and business performance. Asset Management Compliance Programme. Considered airport readiness. Executive compensation and incentives. Cargo transformation. Passenger Experience. 	

OUR BEACONS:

<p>WINNING TEAM</p> <ul style="list-style-type: none"> Discussed the approach to workforce engagement. Considered updates on diversity and succession planning. People Change Strategy and Colleague Engagement Plan. Industrial Relations Strategy. Received an update on the remuneration and incentives of senior management. 	<p>VALUE FOR CUSTOMERS</p> <ul style="list-style-type: none"> Received updates on regulatory strategy, communications with the CAA and preparations for H8. Commercial strategy including retail, car parks, 2025 aero charges and other regulated charges. Approved Top 10 KPIs and 2025 Targets. Cargo Strategy. Procurement Strategy. 	<p>CREATING CAPACITY</p> <ul style="list-style-type: none"> Passenger demand and growth strategy. Creating Capacity Programme. Passenger Forecasts.
<p>FOCUS TO GO FASTER</p> <ul style="list-style-type: none"> The Board heard from guest speakers. 	<p>DIGITAL FUTURE</p> <ul style="list-style-type: none"> Digital Strategy, including cyber. 	<p>FUNDING</p> <ul style="list-style-type: none"> In 2024, secured £1.1 billion in new funding across our capital structure and continued to expand our sustainable finance platform. Issued two sustainability-linked bonds: one in the sterling market which was the first to cover all three emissions categories and the first in the Swiss franc market by a non-domestic issuer. Completed two private placements including our first use of proceeds green issuance. Returned to the high yield market with our largest Heathrow Finance issuance ever.
	<p>PEOPLE AND PLANET</p> <ul style="list-style-type: none"> Considered Heathrow's Sustainable Communities and Charity Partnerships. Sustainability and Carbon Strategy, including Connecting People and Planet. Political Updates and government policy asks. Approved Heathrow's 2023 Modern Slavery Act Statement. 	

HAHL BOARD AND COMMITTEE MEETING ATTENDANCE

The Directors' attendance at formally scheduled H AHL Board and Committee meetings during the year is recorded in the following table. It shows the number of formally scheduled H AHL Board and Committee meetings attended by each Director, or their alternate Director. Alternate Directors also occasionally attend H AHL Board meetings in an 'observer' capacity, but this attendance is not shown. The H AHL Board held ten meetings during the year ended 31 December 2024.

	HAHL Board	Audit Committee	Finance Committee ¹⁹	Nominations Committee	Remuneration Committee	Sustainability and Operational Risk Committee
Total meetings held during the period	10	5	1	5	7	4
Independent Non-Executive Directors						
Lord Paul Deighton	10	–	–	5	–	–
Rt. Hon Ruth Kelly ¹	10	5	1	–	–	–
Joan MacNaughton	10	–	–	–	–	4
Mark Brooker	10	–	–	–	7	4
Non-Executive Shareholder Directors and their alternates						
His Excellency Akbar Al Baker (Ali Bouzarif ²)	10	5	–	5	–	4
His Excellency Ahmed Ali Al-Hammadi (Deven Karnik ^{2,3})	10	–	1	–	6	–
Turqi A. Alnowaiser ⁴ (Basil Fannouch ^{2,5})	–	–	–	–	–	–
Yazeed Alrubaian ⁴ (Basil Fannouch ^{2,5})	–	–	–	–	–	–
Basil Fannouch ⁵	–	–	–	–	–	–
Faisal Alkhani ⁶	–	–	–	–	–	–
Juan Angoitia ^{4,7} (William Briggs ^{2,9})	–	–	–	–	–	–
Alexis Ballif ^{4,8} (William Briggs ^{2,9})	–	–	–	–	–	–
Stuart Baldwin ¹⁰ (Jessie Jin/Andrew Dallal ²)	5	–	1	2	4	–
Luke Bugeja ¹¹ (Andrew Carlisle/Laura López Sotomayor/Juan Carlos Bullón Alemán/Diana Chimienti/Juan Carlos Bullón Alemán/Olivier Fortin/Rob Horsnall ^{2,11})	10	5	–	5	6	–
Raymond Chan ¹² (Richard Hedley, William Loc ²)	10	–	1	–	–	–
Andrew Dench ¹⁰ (Andrew Dallal ²)	5	–	–	3	3	–
Olivier Fortin ¹³	10	5	1	–	–	4
Shawn Kinder ¹³ (Andrew Carlisle/Laura López Sotomayor/Juan Carlos Bullón Alemán/Diana Chimienti ^{2,13})	10	–	–	–	–	3
Ernesto Lopez Mozo ¹³ (Andrew Carlisle/Laura López Sotomayor/Juan Carlos Bullón Alemán/Diana Chimienti ^{2,13})	10	3	1	–	1	–
Diana Chimienti ^{2,13,14}	–	–	–	–	5	–
Mike Powell ¹³ (Mary Ann Hogan ^{2,13})	10	–	1	4	–	–
David Xie (Orlando Wang ²)	10	–	1	–	–	–
Executive Directors						
Thomas Woldbye CEO ¹⁵	10	2	1	4	6	3
Javier Echave CFO/COO ¹⁶	6	3	1	–	3	2
Sally Ding Acting CFO/CFO ¹⁷	6	2	1	–	1	–
Company Secretary						
Mine Hifzi General Counsel ¹⁸	10	4	1	5	2	3

¹ Rt. Hon Ruth Kelly became a member of the SORC on 23 January 2025.

² Alternate Directors.

³ Deven Karnik – Non-Executive Alternate Shareholder Director (Qatar Holding LLC) became a member of the Audit Committee on 23 January 2025.

⁴ These Directors were appointed on the 12 December 2024.

⁵ Basil Fannouch – Non-Executive Alternate Shareholder Director (PIF) became a member of the SORC, Remuneration and Nominations Committees on 17 February 2025.

⁶ Faisal Alkhani – Shareholder Representative (PIF) became a voting member of the Audit Committee on 23 January 2025 but is not a director of H AHL.

⁷ Juan Angoitia – Non-Executive Shareholder Director (Ardian) became a member of the Audit and Remuneration Committees on 23 January 2025.

⁸ Alexis Ballif – Non-Executive Shareholder Director (Ardian) became a member of SORC on 23 January 2025.

⁹ William Briggs – Non-Executive Shareholder Alternate Director (Ardian) became a member of the Audit Committee on 23 January 2025.

¹⁰ Stuart Baldwin – Non-Executive Shareholder Director (GIC) resigned from the H AHL Board on 29 May 2024 and was replaced by Andrew Dench.

¹¹ Luke Bugeja, and his alternates Andrew Carlisle, Laura López Sotomayor, Juan Carlos Bullón Alemán and Diana Chimienti, resigned from the H AHL Board and respective Committees on 12 December 2024 as representatives of Ferrovial. Luke was reappointed on 12 December 2024 as Director to represent the Ferrovial, CDPQ and USS consortium along with his alternates (Juan Carlos Bullón Alemán, Olivier Fortin and Rob Horsnall).

¹² Raymond Chan – Non-Executive Shareholder Director (ART) became a member of the Audit Committee on 23 January 2025.

¹³ These Non-Executive Shareholder Directors/alternates resigned from the H AHL Board and respective Committees on 12 December 2024.

¹⁴ Diana Chimienti – Non-Executive Alternate Shareholder Director (Ferrovial) was appointed as a member of the Remuneration Committee on 2 April 2024 and resigned on 12 December 2024.

¹⁵ The Chief Executive Officer is invited to attend meetings of the Audit Committee, Nominations Committee and Remuneration Committee, but is not a member of those committees.

¹⁶ Javier Echave attended some H AHL Board meetings in his capacity as CFO and some in his capacity as COO. He resigned as a director of the H AHL Board on 17 October 2024.

¹⁷ Sally Ding (Chief Financial Officer) was appointed as a director of the H AHL Board on 17 October 2024. She is invited to attend the meetings of the Audit Committee, Remuneration Committee and Sustainability and Operational Risk Committee but is not a member of those committees. The Chief Financial Officer was appointed as a non-voting member of the Finance Committee on 17 October 2024. Sally attended some H AHL Board meetings as Acting CFO and then as CFO.

¹⁸ The General Counsel and Company Secretary is invited to attend all of the H AHL Board's committee meetings and is a member of the Sustainability and Operational Risk Committee.

¹⁹ A number of additional Finance Committee approvals were obtained by email circulation to the members throughout the year and were subsequently ratified.

EFFECTIVENESS

INDUCTION AND INFORMATION

A comprehensive induction programme is provided for all new HAHL Board Directors, including access to our 'Directors Induction SharePoint Site', which has useful governance information and provides an overview of the HAHL Board and its committees. Our Directors update their skills, knowledge and familiarity with the HAHL Group by regularly meeting with senior management, attending operational site visits, strategy sessions with the Executive Committee and regular training sessions. All HAHL Board Directors have access to the advice and services of the General Counsel and Company Secretary and the Heathrow Group's Legal team. They may also take independent professional advice at the Company's expense.

The Chair and General Counsel and Company Secretary are responsible for ensuring that Directors receive accurate, timely and clear information. To ensure that adequate time is available for Board discussion and to enable informed decision making, briefing papers are prepared and circulated to Directors a week prior to scheduled HAHL Board meetings.

The HAHL Board receives regular and timely information (at least monthly) on all key aspects of the business, including information on the health, safety and wellbeing of colleagues and passengers, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by key performance indicators. This information is provided in the form of a monthly Board Information Pack, which was developed with interaction and feedback from the HAHL Board. The HAHL Board also receives regular updates on the passenger demand forecast.

Key financial information is collated from the Heathrow Group's various accounting systems. The HAHL Group's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Annually, the statutory financial information is externally audited by PricewaterhouseCoopers LLP and key financial reporting related controls are also reviewed by the Financial Controls team on behalf of management with oversight from the Group internal audit function.

Other key information is prepared by the relevant internal function. Processes for collecting data, as well as the reporting of that data, are reviewed on a cyclical basis by the HAHL Group's internal audit function, with quarterly reporting provided to the Audit Committee.

TRAINING AND DEVELOPMENT

Directors' training and development needs are of key importance in order to discharge their statutory and other duties effectively. Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development as part of the annual Board evaluation process. Training opportunities are provided through internal meetings, working groups, presentations and briefings by internal advisers and business heads. Our Directors also receive training on their duties (including under section 172(1) of the Companies Act), as part of their induction, to ensure they understand their duty to promote the long-term success of Heathrow.

CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of Heathrow, unless that conflict is first authorised by the HAHL Board. The Company has procedures in place for managing Directors' conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a director is not in breach of his or her duty under company law. Directors are required to disclose any potential conflicts of interest on their initial appointment and regularly thereafter, and a Conflicts Register is maintained to record interests and ensure Directors' conflicts can be managed effectively.

BOARD EVALUATION

The HAHL Board considers the regular review of its function, Committees and Directors to be an essential element of good corporate governance and important for identifying key areas of focus for future improvement and for strengthening its overall performance. Internal self-evaluation assessments were carried out in November 2023 and October 2024. The reviews were conducted by questionnaire, which sought the Directors' feedback on all aspects of the performance of the HAHL Board and its Committees, including board composition, behaviours and dynamics, HAHL Board facilities, the number and length of meetings, agendas, the quality of information, the Chair's leadership and focus, strategic oversight, interaction between the HAHL Board and its Committees, overview of risk, succession planning, induction and training, and priorities for change. The results were collated by the Secretariat team and anonymised before being discussed by the General Counsel and Company Secretary and the Chair, with feedback provided to the HAHL Board for consideration and recommendations, with follow-up actions debated and adopted as appropriate.

EFFECTIVENESS (CONTINUED)

2023 INTERNAL EVALUATION

An internal evaluation was undertaken during November 2023. Overall, there was a majority consensus that the HAHL Board and its committees were functioning well and were effective. One of the key themes which emerged from the review was a desire to further improve the HAHL Board's facilities, with particular focus on improving the board room and tools used to distribute materials to Board and Committee members. Attention would also be given to monitoring and further improving Heathrow's programme of informal Board Working Group meetings. The key areas identified for increased focus and development during the 2024 financial year are set out below:

Areas of Focus Identified

1. To further update the HAHL Board's facilities, with particular focus on relocating the existing board room in order to provide a larger and more conducive space for meetings.
2. To continue to review the HAHL Board's software platform, used for sharing information, with a view to improving its efficiency and making it more user-friendly for HAHL Board and Committee members.
3. To continue to review Heathrow's programme of informal Board Working Group meetings to ensure that Directors have an appropriate balance of formal meetings and informal deep dive sessions.

Actions

Following a review of the feedback received from the HAHL Board during the 2023 internal evaluation, the below actions were undertaken:

1. At the beginning of the year the board room was relocated to a larger dedicated board room at the Compass Centre and improvements were made to the room's sound and visuals to ensure that hybrid meetings could take place effectively. Feedback received from Board members during the year indicated that the new facilities were a great improvement. Management continued to monitor the effectiveness of the HAHL Board's software platform used for sharing information to the HAHL Board and its committees and focus on improvements to elevate the existing platform and make it as efficient as possible. Following directors' feedback during the effectiveness review process, improvements were made to make systems more user-friendly and links added to agendas to improve the accessibility of papers.
2. Heathrow's programme of informal Board Working Group meetings was reviewed during the year with particular focus on their purpose and effectiveness in assisting board discussion and decision making. Following the review, it was found that some meetings were not needed and feedback indicated that meetings were not regularly attended by Independent Non-Executive Directors. As a result, the number and length of meetings was reduced. Focus has also been placed on including more deep dive discussion sessions in the Board agenda so they are more accessible, particularly for Independent Non-Executive Directors, and so that discussion can take place in one forum. Improvements made to the format and quality of papers has also helped to free-up more Board time for discussion.

3. As an additional measure designed to further improve the quality of information provided to the HAHL Board, the Chief Executive Officer launched the 'Better Informed Board Project' which led to the creation of a new monthly Board Information Pack designed to include key information in a succinct and digestible form. Feedback was sought from directors to ensure that the new information pack focused on the most pertinent issues and presented them in the most accessible format.



2024 INTERNAL EVALUATION

An internal evaluation of the H AHL Board was undertaken during October 2024. Overall, there was majority consensus that the H AHL Board and its committees were functioning well and were effective. Three key themes emerged from the results of the evaluation: (1) There was desire to continue to review the effectiveness of H AHL Board meetings, including whether the current number, length and format of meetings continued to be appropriate. Some responses indicated a wish to further reduce the overall number of meetings and focus on including more deep dive sessions within agendas, with more routine matters being circulated in board packs. (2) Responses relating to Internal Controls indicated a desire for the H AHL Board to receive more in-depth information about the effectiveness of Internal Controls. (3) Directors also indicated that they would like to continue to review the effectiveness of the H AHL Board and Committees' software platform with a view to making it more user-friendly.

The key areas identified for increased focus and development during the 2025 financial year are set out below:

Areas of Focus Identified

1. To continue to monitor and review the effectiveness of the format, length and number of annual H AHL Board, Committee, and Board Working Group meetings and look to include more deep dive sessions in the H AHL Board agenda.
2. To provide enhanced information on the design and effectiveness of internal controls to align with the UK Corporate Governance Code (2024). To establish a fraud risk management framework to demonstrate procedures in place to prevent fraud, to ensure compliance with the new 'failure to prevent fraud offence' included in the 2023 Economic Crime and Corporate Transparency Act and to keep the Audit Committee updated on the workstreams related to Internal Controls as they progress.
3. To continue to review the H AHL Board and Committees' software platform with a view to improving the overall user experience and upgrading it to offer additional functionality highlighted by Board members.

Overall, the review showed that there were no material shortcomings in relation to the operation of the H AHL Board and its Committees. The Chair confirms that each Director continues to make a valuable contribution to the H AHL Board and, where relevant, its Committees.



AUDIT COMMITTEE

RUTH KELLY, CHAIR

Independent Non-Executive Director



The Audit Committee monitors the integrity of financial information for the benefit of our Stakeholders."



OTHER COMMITTEE MEMBERS

His Excellency Akbar Al Baker,

Non-Executive Shareholder Director
– Qatar Holding LLC (represented by his alternate Ali Bouzarif)

Deven Karnik,

Non-Executive Alternate Shareholder Director – Qatar Holding LLC

Raymond Chan,

Non-Executive Shareholder Director
– ART

Faisal Alkhani,

Shareholder Representative – PIF

Juan Angoitia,

Non-Executive Shareholder Director
– Ardian

William Briggs,

Non-Executive Alternate Shareholder Director – Ardian

INTRODUCTION

As the newly appointed Chair of the Audit Committee (the 'Committee'), I am pleased to present this report for the year ended 31 December 2024, which has been prepared in conjunction with Olivier Fortin, the outgoing Chair. The Committee's primary responsibility is to provide support to the HAHL Board by exercising oversight of the integrity of the Group's financial and regulatory reporting, engaging with the external auditor, and overseeing the Group's internal control and risk management framework. Heathrow experienced record-breaking numbers of passengers in 2024 and the Committee has continued to oversee, monitor, challenge and support management in ensuring quality and integrity in Heathrow's accounting and reporting practices. There has been ongoing focus on the quality and integrity of Heathrow's reporting of climate-related financial information, ensuring compliance with the recommendations of the Financial Stability Board on Climate-Related Financial Disclosures.

CHANGES TO COMMITTEE MEMBERS DURING THE YEAR AND AFTER YEAR END

Olivier Fortin,

Non-Executive Shareholder Director
– CDPQ (resigned as Chair on 12 December 2024)

Luke Bugeja,

Non-Executive Shareholder Director – Ferrovial (resigned 12 December 2024)

Ernesto Lopez,

Non-Executive Shareholder Director – Ferrovial (resigned 12 December 2024)

Ruth Kelly,

Independent Non-Executive Director (appointed as Chair on 23 January 2025)

Deven Karnik,

Non-Executive Alternate Shareholder Director – Qatar Holding LLC (appointed 23 January 2025)

Faisal Alkhani,

Shareholder Representative – PIF (appointed 23 January 2025)

Juan Angoitia,

Non-Executive Shareholder Director – Ardian (appointed 23 January 2025)

William Briggs,

Non-Executive Alternate Shareholder Director – Ardian (appointed 23 January 2025)

Raymond Chan,

Non-Executive Shareholder Director – ART (appointed on 23 January 2025)

ROLES AND RESPONSIBILITIES

The Committee is a formal committee of the HAHL Board, and its responsibilities include:

- Considering the appointment, relevant ethical guidance and assessing the independence of the external auditor. Ensure key personnel are rotated at appropriate intervals (including overseeing the process for selecting the external auditor and making recommendations to the HAHL Board).
- Recommending the audit fee to the HAHL Board for approval, and pre-approving any fees in respect of non-audit services provided by the external auditor, and ensuring that the provision of non-audit services does not impair the external auditor's independence or objectivity.
- Agreeing with the external auditor the nature and the scope of the audit and reviewing the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- Reviewing reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
- Reviewing Internal Audit reports to the Committee on the effectiveness of the HAHL Group's systems for internal control, financial reporting and risk management.
- Reviewing Heathrow's principal risks, with particular focus on financial-related risks, in conjunction with the Sustainability and Operational Risk Committee.
- Reviewing the external auditor's internal control recommendations and management's responses.
- Considering management's response to any major external or internal audit recommendations.
- Approving the appointment and discharge of the Director of Business Assurance.
- Monitoring the integrity of the financial statements of the HAHL Group, reviewing and challenging where necessary the actions, accounting policies, and key judgements and estimates of management in relation to the interim and annual financial statements, and any press release related to those statements.
- Providing confirmation that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.
- Reviewing Heathrow's reporting of climate-related financial information and ensuring compliance with the recommendations of the Financial Stability Board on Climate-Related Financial Disclosures.
- Overseeing the appointment of the Climate Change Board Director and making recommendations to the HAHL Board for their appointment for approval.
- Review and confirmation of the going concern disclosure for the Annual Report and Financial Statements.
- Overseeing all press releases relating to external financial results.
- Reviewing Heathrow's procedures for handling allegations from whistleblowers and overseeing the handling of allegations.
- Reviewing the ethics policy and monitoring its application throughout the business, considering any ethical issues which arise as a result of audit findings.
- Reviewing Internal Investigations, approving Internal Investigations Protocol and overseeing the handling of Internal Investigations.
- Reviewing Heathrow's tax policy and insurance strategy and arrangements.
- Reviewing the results of the Data Protection Officer's data privacy compliance monitoring programme and ensuring that the Data Protection Office is adequately resourced to carry out its tasks.
- Considering the adequacy of management's response to any major data privacy non-compliance findings as a result of monitoring activities.
- Considering any other topics, as defined by the HAHL Board.

2024 ACTIVITIES

The Committee held five scheduled meetings during the year, with members of senior management required to attend as and when appropriate. Meeting attendance can be found on page 106. An update was provided to the HAHL Board on key issues discussed at each of the Committees' meetings. In addition, the Committee Chair held regular private sessions with the Chief Financial Officer, the senior finance team, the Director of Business Assurance, and the external audit team, to ensure that open and informal lines of communication existed, and that any concerns could be raised outside formal meetings.

The Committee's main activities were to:

FINANCIAL REPORTING

- Review and recommend approval of the interim and preliminary results, Annual Report and Financial Statements and the associated going concern statements, taking into consideration the disclosures against FRC guidance.
- Review the annual statement of responsibility by management with respect to the internal control environment.
- Review financial resilience and assumptions used to support the going concern statements.
- Review the approach to impairment and write-off of assets in the course of construction.
- Independently challenge and endorse critical accounting judgements recommended by management.

- Review accounting developments and their impacts and significant accounting issues.
- Review and approve the approach to Climate-related Financial Disclosures ('CFD') for 2024 and the consistency between the potential future scenarios identified and any impact they may have on these financial statements.
- Review and approve the approach taken to manage the Group's distributable reserves.

EXTERNAL AUDIT

- Consider reports by the external auditor on its audit and its review of the financial statements.
- Review the external audit strategy and assess effectiveness of the external audit.
- Review audit and non-audit fees incurred in 2024.

INTERNAL AUDIT

- Approve the scope of the 2025 Internal Audit plan.
- Review delivery of the 2024 Internal Audit plan and approve any material changes to it.
- Review the conclusions, key findings and actions (remediation plans) from internal audits completed.
- Monitor progress of the implementation of actions from internal audit activity.
- Consider whether the internal audit function is adequately resourced.

RISK MANAGEMENT AND INTERNAL CONTROL

- Review the effectiveness of risk management and internal governance for the HAHL Group, particularly in relation to financial risks. Further detail on our approach to managing risk is included on page 42.
- Review the effectiveness of Heathrow's internal control systems and application of internal control over financial reporting.

GOVERNANCE AND OTHER

- Consider and approve our tax strategy and review tax matters.
- Review the Committee's terms of reference.
- Review and approve the Group's corporate simplification project.
- Receive updates on financial and climate-related reporting and other corporate governance-related matters.
- Receive quarterly updates from the Data Privacy Officer on Data Privacy compliance.
- Review Heathrow's procedures for the handling of allegations from whistleblowers, including reviewing reports from the Internal Investigations Steering Group, which is overseen by a designated Independent Non-Executive Director.

LETTER FROM THE UK FINANCIAL REPORTING COUNCIL ('FRC')

The ultimate parent company, FGP Topco Limited, received a letter from the UK Financial Reporting Council ('FRC') in December 2024 informing the Directors that they had conducted a review of FGP Topco Limited's Annual Report and Financial Statements for the year ended 31 December 2023. The FRC, based on their review, had no questions or queries but included an appendix with suggestions for improvements to the disclosures made in the Annual Report and Financial Statements for future reporting periods, which were considered by the Committee.

The FRC letter provides no assurance that the Annual Report and Financial Statements are correct in all material respects; the FRC's role is not to verify the information provided to it but to consider compliance with reporting requirements. The letter is written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on it by the company or any third party, including but not limited to investors and shareholders.

KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS

The Committee reviewed the critical accounting judgements and key sources of estimation uncertainty outlined in the 'Accounting policies' section of the financial statements. Based on discussions with management, the work and recommendations of the Group finance function, and input from the external auditor, the Committee considered that the most significant financial statements' risk matters are as follows:

Key judgement and financial reporting matters	Audit Committee review and conclusions
<p>Assets held in the course of construction ('AICC') and probability of Long-term Growth</p> <p>The HAHL Group has a substantial capital programme which has been agreed with the regulator (the Civil Aviation Authority).</p> <p>Only those costs which satisfy the requirements of IAS16 'Property, Plant and Equipment' should be capitalised, which in some cases requires management judgement.</p>	<p>The Committee received regular accounting updates on projects in progress and the appropriateness of costs being capitalised.</p> <p>During the year, the Committee reviewed a write-off charge of £22 million on Long-term Growth related AICC assets and concluded that the total charge recognised was appropriate. The write-off arose as a result of management's review of the existing assets for obsolescence.</p> <p>The Committee reviewed management's judgement in relation to the £485 million of Long-term Growth related AICC taking into consideration two primary factors which are the Airports National Policy Statement ('ANPS'), which remains in full force and effect, and the HAHL Board's continued support for Long-term Growth.</p> <p>Considering all factors in relation to the remaining Long-term Growth AICC assets, including the legal and regulatory frameworks remaining in place, and noting the Board's continued support for the programme, the Committee concluded that it was probable expansion would occur. It therefore concluded that it was appropriate to recognise the expansion related AICC, that no additional impairment was required at this time, and that appropriate disclosures should be included in the financial statements.</p>

Key judgement and financial reporting matters	Audit Committee review and conclusions
<p>Climate-related Financial Disclosures ('CFD')</p> <p>On the basis that climate change has been highlighted as a material risk, the Committee reviews CFD. It is also required to assess whether climate change risks provide indication that an asset may be impaired.</p>	<p>The Committee reviewed and approved the CFD in the Annual Report and Financial Statements.</p> <p>The Committee also considered whether there were any indicators of material impairment over property, plant and equipment, Long-Term Growth AICC, goodwill (in regard to Heathrow Airport Holdings Limited and FGP Topco Limited) and other intangible assets, investments in subsidiaries, investment properties and deferred tax assets as result of the potential physical and transition risks arising from climate change that were identified in the CFD. The Committee agreed that it was appropriate that no further impairments were recognised in the year resulting from this exercise.</p>
<p>Deferred tax assets</p> <p>Deferred tax assets are recognised in respect of all deductible temporary differences where it is considered probable that there will be sufficient future taxable income against which these assets will be recovered.</p>	<p>The Committee reviewed management's assessment of whether future taxable profits and reversible taxable temporary differences support the recoverability of the deferred tax assets. The Committee agreed that deferred tax assets as at 31 December 2024 are recoverable, full recognition was appropriate, and that appropriate disclosures should be included in the financial statements.</p>
<p>Fair value of investment properties</p> <p>The HAHL Group holds a variety of investment properties that are accounted for at fair value. In determining the fair value, judgement is required regarding a number of valuation assumptions that include discount rates, property rental growth rate, operating cost and expected yields.</p>	<p>The Committee challenged and approved the key assumptions with reference to expert third party valuation advice. The review included consideration of the sensitivity of the valuation to changes in the key assumptions.</p> <p>The Committee continues to note the sensitivity of the valuation to key assumptions. Further detail of this can be found in note 7.</p>
<p>Valuation of the retirement benefit obligation</p> <p>The HAHL Group operates a defined benefit pension scheme with both open and closed sections.</p> <p>Assessing the defined benefit pension obligation requires significant estimate and judgement, particularly to the discount rate, inflation and mortality.</p>	<p>The Committee considered the methodology for the financial and demographic assumptions used in the calculation of the net defined benefit obligation. After receiving expert third party advice, the Committee concluded that the assumptions adopted for 2024 were based on reasonable methodology and within an acceptable range.</p> <p>The Committee continues to note the sensitivity of the valuation to key assumptions. Further detail of this can be found in note 16.</p>
<p>Going concern</p> <p>The Directors are required to determine that the business is a going concern for at least 12 months from the date of approval of the Annual Report and Financial Statements.</p>	<p>The Committee reviewed the assumptions made and the disclosure in management's assessment of going concern. This included forecast operational cash flows, forecast capital expenditure, the overall group liquidity position, and impact on debt covenants. The Committee also considered the relationship between H7 prices and forecast passenger numbers, as well as the potential resultant impact to liquidity and debt covenant compliance.</p> <p>The Committee concluded that the Group has sufficient liquidity, with no forecast breach of its covenants, including under the severe but plausible downside scenario, for at least 12 months from the date of these consolidated financial statements and that it was appropriate to prepare the financial statements on a going concern basis.</p>
<p>Hedge accounting</p> <p>The HAHL Group designates certain derivative financial instruments as cash flow hedges.</p> <p>Significant changes in the expected quantum of future Sterling refinancing may lead to insufficient Sterling borrowings to support components of the cash flow hedge reserve, requiring the recycling of the cash flow hedge reserves through income statement.</p>	<p>The Committee received quarterly updates on management's assessments, including justification of the key assumptions which support the cash flow hedge reserve.</p>
<p>Fair value of derivative financial instruments</p> <p>The HAHL Group holds a substantial derivative financial instruments portfolio comprising interest rate swaps, cross currency swaps, and index-linked swaps which are accounted for at fair value.</p> <p>In determining the fair value, judgement is used to determine the recovery rate and associated reduction in credit risk of super senior ranking derivatives (interest rate and index-linked swaps).</p>	<p>The Committee received quarterly updates on the estimated fair value of open derivatives and justification of the valuation estimate.</p> <p>The current year fair value position continues to be volatile due to inflationary pressure as RPI rates fall back to around 3% in the UK economy. The Committee was satisfied that the volatility was being appropriately managed and did not risk the financial stability of the HAHL Group.</p> <p>Further detail regarding the sensitivity of the year-end valuation to key assumptions can be found in note 14.</p>

REMUNERATION COMMITTEE

HIS EXCELLENCY AHMED ALI AL-HAMMADI, CHAIR
Non-Executive Shareholder Director – Qatar Holding LLC



The Remuneration Committee has responsibility for determining the remuneration of members of the Executive Committee and, approving the remuneration plans for all colleagues across the business.”

OTHER COMMITTEE MEMBERS

Mark Brooker,
Independent Non-Executive Director

Andrew Dench,
Non-Executive Shareholder Director – GIC

Basil Fannouch,
Non-Executive Alternate Shareholder Director – PIF

Juan Angoitia,
Non-Executive Shareholder Director – Ardian

CHANGES TO COMMITTEE MEMBERS DURING THE YEAR AND AFTER YEAR END

Ernesto Lopez,
Non-Executive Shareholder Director – Ferrovial (resigned 2 April 2024)

Diana Chimienti,
Non-Executive Alternate Shareholder Director – Ferrovial (appointed 2 April 2024 and resigned 12 December 2024)

Stuart Baldwin,
Non-Executive Shareholder Director – GIC (resigned 29 May 2024)

Andrew Dench,
Non-Executive Shareholder Director – GIC (appointed 29 May 2024)

Luke Bugeja,
Non-Executive Shareholder Director – Ferrovial (resigned as Chair on 12 December 2024)

His Excellency Ahmed Ali Al-Hammadi,
Non-Executive Shareholder Director – Qatar Holding LLC (appointed as Chair on 23 January 2025)

Juan Angoitia,
Non-Executive Shareholder Director – Ardian (appointed 23 January 2025)

Basil Fannouch,
Non-Executive Alternate Shareholder Director – PIF (appointed 17 February 2025)

INTRODUCTION

As the newly appointed Chair of the Remuneration Committee (the ‘Committee’) I am pleased to present the Committee’s report for the year ended 31 December 2024, which has been prepared in conjunction with Luke Bugeja, the outgoing Chair. The Committee is responsible for making recommendations to the HAHL Board concerning the Group’s remuneration strategy, framework and policy, and approving the compensation packages for senior executives. To make the best decisions for the Group, the Committee receives training from specialists and takes advice from independent external experts who provide updates on legislative requirements, market practice and remuneration benchmarking, drawing on evidence from across the sectors in which the Group operates as well as from other sectors.

The HAHL Group is an active equal opportunities employer. It promotes an environment free from discrimination, harassment, and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices, including remuneration, are objective, free from bias and based solely upon work criteria and individual merit.

Each year the Group publishes its Gender Pay Gap Report which can be found at www.heathrow.com. The report also includes the Group's Ethnicity Pay Gap.

The FTSE Women Leaders Review is the independent, business-led framework supported by Government which sets recommendations to improve the representation of women on boards and leadership teams of the FTSE 350 and 50 of the UK's largest private companies. In 2022, Heathrow was identified as a Top 50 Private Company and, for the first time, submitted its leadership gender data. 2024 is the third year in which Heathrow has participated in the review.

Heathrow also continues to participate in The Parker Review and submits the ethnic diversity data of the HAHL Board. This business-led and Government backed review seeks to ensure that all have an equal opportunity to make the most of their potential and can progress to the highest levels in their business careers.

ROLES AND RESPONSIBILITIES

The Committee is a formal committee of the HAHL Board, and its responsibilities include approvals of:

- The remuneration framework and policy for all colleagues.
- The compensation package of the members of the Executive Committee including salary, bonus, long-term incentive plans, pensions, and other incentive compensation.
- The remuneration of Independent Non-Executive Directors.
- The contractual terms for the members of the Executive Committee and Independent Non-Executive Directors.
- The design, terms, and outcomes of all annual bonus plans.
- The design, terms, and outcomes of all long-term incentive plans.
- The budget for the annual salary review of all colleagues in management grades and the Pay Deal for colleagues in negotiated grades.

- The design and strategy for Heathrow's pension plans.
- The design and strategy of Heathrow's benefits.

2024 ACTIVITIES

The Committee held seven scheduled meetings during the year as well as three additional meetings; to discuss and approve the 2024 Incentive Plan targets. Meeting attendance can be found on page 106.

The Committee's main activities were to:

- Approve the outcome of the 2023 annual bonus plans.
- Approve the outcome of the 2021 Share in Success Saver and Grant long-term incentive plans.
- Approve the design, targets and launch of the 2024 annual bonus plans.
- Approve the design, targets and launch of the 2024 Share in Success Saver and Grant long-term incentive plans.
- Approve the 2024 Annual Salary Review for the Executive Committee.
- Review the fees for Independent Non-Executive Directors.
- Review 2024 Gender and Ethnicity Pay Gap data and Report.
- Approve the negotiation framework and budget for the 2025 Pay Deal for colleagues in negotiated grades.
- Review 2023 FTSE Women Leaders Review and Parker Review.
- Approve participation in the 2024 FTSE Women Leaders Review and 2024 Parker Review.
- Approve retention bonus payments.
- Approve retention award.
- Review of the Committee Terms of Reference.
- Approved harmonisations of DC Pension arrangements.

- Conduct an effectiveness review and agree follow-up actions.
- The Committee were provided with updates on the following topics:
 - Reward market review and trends including a review of approach to Executive benchmarking.
 - Pensions Master class and DB Pension Member Options.
 - H7 Initiatives – Third Parties Workforce and Absence Review.
 - 2024 People Plan and 2025 People Priorities.
 - Airport benchmarking.

REMUNERATION AND COMPONENTS

The Committee reviews Heathrow's remuneration structure each year to ensure that the framework supports Heathrow's strategic ambitions and rewards directors fairly for the contribution that they make to the business.

Remuneration is set with reference to the market and at a level that will enhance Heathrow's resources by attracting and retaining quality leaders who can deliver Heathrow's strategic ambitions in a manner consistent with its values, purpose, and the interests of its Shareholders.

The remuneration policy reflects the complexity and significance of one of the world's largest airports. An Executive Director's remuneration comprises a base salary, benefits, retirement provisions, annual bonus and long-term incentive plans.

To ensure that remuneration is aligned to Heathrow's carbon and sustainability targets, an environmental, social and corporate governance ('ESG') carbon performance metric is included in all long-term incentive plans, focusing individual behaviour on making sustainable choices and rewarding sustainable outcomes.

EXECUTIVE AND WIDER WORKFORCE REMUNERATION POLICY TABLE

The Committee takes into account fair pay and conditions across Heathrow's workforce when setting the Executive Directors' remuneration policy. Pay components vary by an individual's organisational band (level in the organisation). The key components of the Executive Committee's remuneration relative to the wider workforce are summarised below:

Component and purpose in supporting business strategy	Executive committee ¹	Other management colleagues	Negotiated grade colleagues
Base salary To secure and retain quality individuals to deliver Heathrow's strategy.	Base salaries are typically reviewed annually and are set taking into account: <ul style="list-style-type: none"> • The role's scope, responsibilities and accountabilities. • Remuneration benchmarking and competitive market practice. • Individual performance. • Fair pay and conditions across Heathrow's workforce. 	Base salaries are reviewed annually and are set taking into account: <ul style="list-style-type: none"> • The role's scope, responsibilities and accountabilities. • Remuneration benchmarking and competitive market practice. • Individual performance. • Fair pay and conditions across Heathrow's workforce. 	Salaries are subject to collective bargaining with Heathrow's recognised Trade Unions.
Benefits To comprise part of a market competitive remuneration package.	Benefits include cash travel allowance, private healthcare, private health assessment, life assurance and income protection.	Eligibility for benefits is determined by an individual's organisational band and includes some or all of: cash travel allowance, private healthcare, private health assessment, life assurance and income protection.	Benefits include life assurance and income protection.
Retirement provisions To comprise part of a market competitive remuneration package, rewarding sustained contribution and encouraging retention.	<p>The former Group defined benefit pension arrangement, the BAA Pension Scheme, was closed to new members on 15 June 2008. The Scheme remains open to future accrual for those contributing members who joined prior to the closure date.</p> <p>Pension provision is available for all other colleagues through a Defined Contribution Pension Plan. Colleague contribution rates are either 3%, 5% and 8% of base salary, coupled with an employer contribution of 8%, 10%, 12% respectively.</p> <p>The Chief Executive Officer pension provision is through a Defined Contribution Pension Plan. The Chief Executive Officer contribution rate is 5% of base salary, coupled with an employer contribution of 10%.</p> <p>Colleagues impacted by the Annual Allowance may opt for an Employer Pension Contribution equal to their Annual Allowance, if applicable, and the balance of the Employer Pension Contribution payable as a cash allowance.</p>	<p>The former Group defined benefit pension arrangement, the BAA Pension Scheme, was closed to new members on 15 June 2008. The Scheme remains open to future accrual for those contributing members who joined prior to the closure date.</p> <p>Pension provision is available for all other colleagues through a Defined Contribution Pension Plan. Colleague contribution rates are either 3%, 5% and 8% of base salary, coupled with an employer contribution of 8%, 10%, 12% respectively.</p> <p>Colleagues impacted by the Annual Allowance may opt for an Employer Pension Contribution equal to their Annual Allowance, if applicable, and the balance of the Employer Pension Contribution payable as a cash allowance.</p>	<p>The former Group defined benefit pension arrangement, the BAA Pension Scheme, was closed to new members on 15 June 2008. The Scheme remains open to future accrual for those contributing members who joined prior to the closure date.</p> <p>Pension provision is available for all other colleagues through a Defined Contribution Pension Plan. Colleague contribution rates are either 3%, 5% and 8% of base salary, coupled with an employer contribution of 8%, 10%, 12% respectively.</p> <p>Colleagues impacted by the Annual Allowance may opt for an Employer Pension Contribution equal to their Annual Allowance, if applicable, and the balance of the Employer Pension Contribution payable as a cash allowance.</p>

¹ Also applies to the Directors of Heathrow Airport Ltd.

Component and purpose in supporting business strategy	Executive committee ¹	Other management colleagues	Negotiated grade colleagues
<p>Annual bonus</p> <p>Reward colleagues to work towards a common goal to deliver the overall financial results of the company, strengthen our safety culture and continue to give passengers excellent service and become an extraordinary airport, fit for the future.</p>	<p>The Executive Committee participate in the Heathrow Bonus Plan. In 2024, the company performance multiplier is measured against targets for EBITDA (60% weighting), OPEX per Passenger (15% weighting), Airport Service Quality ('ASQ') metric (7.5% weighting), a Safety Close Call Reporting metric (7.5% weighting) and the plan includes an individual performance (10% weighting) based on the 2024 end of year performance rating.</p> <p>Subject to satisfying individual and financial performance criteria, the maximum incentive opportunity is 180% of base salary for the Chief Executive Officer. This is paid in March of the following year.</p>	<p>Management colleagues participate in the Heathrow Bonus Plan. In 2024 the company performance multiplier is measured against targets for EBITDA (60% weighting), OPEX per Passenger (10% weighting), Airport Service Quality ('ASQ') metric (5% weighting), a Safety Close Call Reporting metric (5% weighting) and the plan includes an individual performance (20% weighting) based on the 2024 end of year performance rating.</p> <p>Eligibility for annual bonus and target bonus opportunity is determined by an individual's organisational band e.g., target value of 10% of salary. Subject to satisfying individual and financial performance criteria, the maximum bonus opportunity for participants is 200% of target e.g., 20% of salary. This is paid in March of the following year.</p>	<p>Frontline colleagues participate in the Airport Profit Bonus with payment determined by EBITDA performance.</p>

EXECUTIVE AND WIDER WORKFORCE REMUNERATION POLICY TABLE (CONTINUED)

Component and purpose in supporting business strategy	Executive committee ¹	Management colleagues	Negotiated grade colleagues
<p>Long-term incentive plan</p> <p>Aligns the interests of Executive Directors with those of our Shareholders, and rewards colleagues for long-term sustainable results, creating shareholder value and encouraging retention.</p>	<p>The Executive Committee participate in the Heathrow Share in Success ('SIS') Grant (long-term incentive plan) designed to reward the most senior leaders for the success of Heathrow over a three-year period. Executive Directors are allocated an award at the start of the plan, with a maximum face value of 280% of base salary for the Chief Executive Officer. Each Executive Director will receive a cash payment provided that Heathrow meets agreed performance conditions measured over a three-year period.</p> <p>The 2022 and 2023 SIS Grants are measured against EBITDA, Service, Carbon: reducing carbon emissions at the airport both 'On the Ground' and 'In the Air', and Engagement. In addition, the 2024 plan included a Diversity metric. For each performance metric, entry-level performance results in zero vesting, target-level performance results in 50% vesting and maximum level performance results in 100% vesting.</p> <p>Currently, there are three SIS Grant plans in operation:</p> <ul style="list-style-type: none"> • 2022 SIS Grant: performance is measured over 2022 to 2024; payable in August 2025. • 2023 SIS Grant: performance is measured over 2023 to 2025; payable in August 2026. • 2024 SIS Grant: performance is measured over 2024 to 2026; payable in August 2027. <p>Each year, the Committee review and can adjust the performance metrics and targets in appropriate circumstances and may impose different eligibility and performance conditions on future awards.</p>	<p>Members of senior management participate in the Heathrow SIS Grant (long-term incentive plan) designed to reward the most senior leaders for the success of Heathrow over a three-year period. Senior Managers are allocated an award with a maximum face value determined by an individual's organisational band. Each participant will receive a cash payment provided that Heathrow meets agreed performance conditions measured over a three-year period.</p> <p>The 2022 and 2023 SIS Grants are measured against EBITDA, Service, Carbon: reducing carbon emissions at the airport both 'On the Ground' and 'In the Air', and Engagement. In addition, the 2024 plan included a Diversity metric. For each performance metric, entry-level performance results in zero vesting, target-level performance results in 50% vesting and maximum level performance results in 100% vesting.</p> <p>Currently, there are three SIS Grant plans in operation:</p> <ul style="list-style-type: none"> • 2022 SIS Grant: performance is measured over 2022 to 2024; payable in August 2025. • 2023 SIS Grant: performance is measured over 2023 to 2025; payable in August 2026. • 2024 SIS Grant: performance is measured over 2024 to 2026; payable in August 2027. <p>Each year, the Committee review and can adjust the performance metrics and targets in appropriate circumstances and may impose different eligibility and performance conditions on future awards.</p> <p>Management colleagues not eligible to participate in the SIS Grant, are eligible to participate in the SIS Saver plan, where colleagues have the opportunity to save in return for a bonus, subject to company performance.</p> <p>The 2022, 2023 and 2024 SIS Saver Plans are measured against EBITDA, Service, and Carbon: reducing carbon emissions at the airport 'On the Ground'. For each performance metric, entry-level performance results in zero vesting, target-level performance results in 50% vesting and maximum level performance results in 100% vesting.</p> <p>Currently, there are three SIS Saver plans in operation:</p> <ul style="list-style-type: none"> • 2022 SIS Saver: performance is measured over 2022 to 2024; payable in October 2025. • 2023 SIS Saver: performance is measured over 2023 to 2025; payable in October 2026. • 2024 SIS Saver: performance is measured over 2024 to 2026; payable in October 2027. 	<p>The wider colleague population are eligible to participate in the SIS Saver plan, where colleagues have the opportunity to save in return for a bonus, subject to company performance.</p> <p>The 2022, 2023 and 2024 SIS Saver Plans are measured against EBITDA, Service, and Carbon: reducing carbon emissions at the airport 'On the Ground'. For each performance metric, entry-level performance results in zero vesting, target-level performance results in 50% vesting and maximum level performance results in 100% vesting.</p> <p>Currently, there are three SIS Saver plans in operation:</p> <ul style="list-style-type: none"> • 2022 SIS Saver: performance is measured over 2022 to 2024; payable in October 2025. • 2023 SIS Saver: performance is measured over 2023 to 2025; payable in October 2026. • 2024 SIS Saver: performance is measured over 2024 to 2026; payable in October 2027.

¹ Also applies to the Directors of Heathrow Airport Ltd.

POTENTIAL REWARD OPPORTUNITIES AT DIFFERENT LEVELS OF PERFORMANCE

The graph represents the Chief Executive Officer's total remuneration levels, summarised in the remuneration policy table, under the different performance scenarios: Minimum, Target and Maximum, if all incentive plans were active. The remuneration policy aligns a high proportion of total executive remuneration with the performance of the Group.



Minimum: Fixed pay comprising annual base salary, pension and benefits (at 31 December 2024).

Target: Minimum plus target annual bonus, at 90% of base salary, and target long term incentives, at 140% of base salary.

Maximum: Minimum plus maximum annual bonus, at 180% of base salary, and maximum long-term incentives, at 280% of base salary.

CHIEF EXECUTIVE OFFICER REMUNERATION

The table below presents the remuneration figures for the Chief Executive Officer for the years ended 31 December 2023 and 31 December 2024:

2024	Fixed pay (£)				Performance pay (£)			Total
	Salary	Benefits ¹	Pension	Sub-total	Annual bonus ²	LTIP ³	Sub-total	
Chief Executive Officer								
Thomas Woldbye	775,000	112,454	83,076	970,530	1,268,906	971,600	2,240,506	3,211,036

¹ Benefits includes cash travel allowance and taxable benefits.

² Actual 2024 annual bonus to be paid in March 2025.

³ Expected 2022 SIS Grant to be paid in August 2025, based on performance measured over the three years 2022 to 2024. Figures are the accrued values prior to Remuneration Committee approval and may differ from the actual final payment made.

2023	Fixed pay (£)					Performance pay (£)		Total
	Salary	Benefits ¹	Pension	Other ²	Sub-total	Annual bonus ³	Sub-total	
Chief Executive Officer								
Thomas Woldbye	153,226	36,303	15,322	506,813	711,664	284,795	284,795	996,459

¹ Benefits includes cash travel allowance and taxable benefits.

² Thomas Woldbye was paid a sign on bonus for forfeited bonus and LTIP from his previous employer. The figure presented last year has been updated to reflect the actual payments made.

³ Actual 2023 annual bonus. The accrued annual bonus figure presented last year has been updated to reflect the actual payment made.

POLICY FOR NON-EXECUTIVE DIRECTORS

The Chair and Independent Non-Executive Directors receive fees for their services and are not eligible to participate in benefit, pension or bonus and other incentive plans.

The Committee approves the contractual terms, remuneration and compensation packages of the Chair and Independent Non-Executive Directors.

The Chair and each of the Independent Non-Executive Directors have letters of appointment with the HAHL Group.

SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE

JOAN MACNAUGHTON, CHAIR
Independent Non-Executive Director



The Sustainability and Operational Risk Committee reviews safety performance and challenges Heathrow's policies, conduct, performance and risk management approach against the Group's sustainability goals and operational objectives."

OTHER COMMITTEE MEMBERS

Thomas Woldbye,
Chief Executive Officer

His Excellency Akbar Al-Baker,
Non-Executive Shareholder Director –
Qatar Holding LLC (represented by his
alternate Ali Bouzarif)

Mark Brooker,
Independent Non-Executive Director

Mine Hifzi,
General Counsel and Company
Secretary

Rt. Hon Ruth Kelly,
Independent Non-Executive Director

Alexis Ballif,
Non-Executive Shareholder
Director – Ardian

Basil Fannouch,
Non-Executive Alternate Shareholder
Director – PIF

INTRODUCTION

I am pleased to present the Sustainability and Operational Risk Committee ('SORC' or the 'Committee') report for the year ended 31 December 2024. The SORC continued to perform a valuable role reviewing and constructively challenging Heathrow's safety performance, measures, policies, conduct, and risk management approach against sustainability goals and operational objectives.

The Committee reviewed safety reports relating to the Heathrow Express rail service, airside safety, fire safety and occupational health and safety in general. Other areas of focus included Heathrow's overall operational resilience, carbon and sustainability plans, Heathrow's Cyber Security Programme, colleague absence trends, and how to facilitate an enhanced safety culture across all of the organisations operating at Heathrow.

CHANGES TO COMMITTEE MEMBERS DURING THE YEAR AND AFTER YEAR END

Shawn Kinder,
Non-Executive Shareholder Director –
Ferrovial (resigned 12 December 2024)

Olivier Fortin,
Non-Executive Shareholder Director –
CDPQ (resigned 12 December 2024)

Rt. Hon Ruth Kelly,
Independent Non-Executive Director
(appointed 23 January 2025)

Alexis Ballif,
Non-Executive Shareholder Director –
Ardian (appointed 23 January 2025)

Basil Fannouch,
Non-Executive Alternate Shareholder
Director – PIF (appointed 17 February
2025)

ROLES AND RESPONSIBILITIES

The SORC is a formal committee of the HAML Board, and its responsibilities include:

- Reviewing and challenging Heathrow's performance, policies, conduct, and risk management approach relating to operational risks and delivery of sustainability goals set out in the Connecting People and Planet strategy.
- Monitoring and challenging management over the effectiveness of the relevant internal control systems, for which it has access to any audit or assurance report it considers relevant.
- Reviewing and assessing management's response to significant operational incidents, for which it has access to any accident and investigation report it considers relevant.
- Monitoring and challenging the appropriateness of sustainability and operational risk assurance strategies and plans, the execution and results of such plans and relevant communications, including ESG-related disclosures.
- Reviewing any material amendments to the Connecting People and Planet strategy or any new sustainability strategy prior to approval by the HAML Board.
- Reviewing the sustainability elements of Heathrow's Annual Report and Financial Statements, with particular focus on non-financial related risks.
- Reviewing Heathrow's Sustainability Report.

2024 ACTIVITIES

The SORC held four scheduled meetings during the year. Meeting attendance can be found on page 106. The Chair provided an update to the HAML Board on key issues discussed at each of the Committee's meetings. The Committee's main activities were to:

SAFETY

- Receive regular fire, safety, health and wellbeing (safety) updates, including learnings, from inside and outside the business.
- Review and advise on safety performance and the actions being taken to ensure compliance, to improve standards and to ensure resilience to the risk of fire and asset failure.
- Review the progress of the 'Safety Culture Programme' aimed at strengthening the safety culture across all operations and organisations at Heathrow.
- Review incidents, using the learnings to develop and promote best-in-class safety performance.
- Consider how best to sustain and improve the health and wellbeing of colleagues at Heathrow.
- Review the Heathrow Express and Aviation Safety Reports.
- Approve Heathrow's Group Policies relating to Health and Safety and Sustainability.

SECURITY

- Review and advise on cyber security strategy, cyber incidents, cyber insurance risks and mitigation initiatives.
- Review and advise on aerodrome security threats, improvements to security, and the learnings from external and in-house assessments.

SUSTAINABILITY

- Review and advise on delivery of Connecting People and Planet targets, in particular carbon, noise, air quality and waste, supported by a programme of internal and external engagement.
- Consider the programme of activity to embed the Connecting People and Planet strategy within the business.

RISK AND ASSURANCE

- Review the principal risks to ensure alignment with the corporate governance framework and strategy, working alongside the Audit Committee and Risk and Assurance Committee to discharge both committees' respective responsibilities.
- Provide challenge to the business with regards to relevant audit and assurance reports.
- Review Heathrow's 2024 Top 10 KPI Targets.

EFFECTIVENESS

- Reviewed the SORC's effectiveness during 2024 and agreed follow-up actions.

NOMINATIONS COMMITTEE

LORD DEIGHTON, CHAIR

Chair of the HAHL Board and Independent Non-Executive Director



The Nominations Committee aims to monitor and maintain an appropriate balance of skills, experience, independence and diversity on the HAHL Board.”



OTHER COMMITTEE MEMBERS

His Excellency Akbar Al-Baker,

Non-Executive Shareholder Director
– Qatar Holding LLC

Andrew Dench,

Non-Executive Shareholder Director
– GIC

Juan Angoitia,

Non-Executive Shareholder Director
– Ardian

Basil Fannouch,

Non-Executive Alternate Shareholder Director – PIF

CHANGES TO COMMITTEE MEMBERS DURING THE YEAR AND AFTER YEAR END

Stuart Baldwin,

Non-Executive Shareholder Director – GIC (resigned 29 May 2024)

Andrew Dench,

Non-Executive Shareholder Director – GIC (appointed 29 May 2024)

Luke Bugeja,

Non-Executive Shareholder Director – Ferrovial (resigned 12 December 2024)

Mike Powell,

Non-Executive Shareholder Director – USS (resigned 12 December 2024)

Juan Angoitia,

Non-Executive Shareholder Director – Ardian (appointed on 23 January 2025)

Basil Fannouch,

Non-Executive Alternate Shareholder Director – PIF (appointed on 17 February 2025)

INTRODUCTION

I am pleased to present the Nominations Committee (the ‘Committee’) report for the year ended 31 December 2024. The purpose of the Committee is to oversee the appointment of new Independent Non-Executive Directors (other than the Non-Executive Shareholder Directors) to the HAHL Board, including the Chair of the HAHL Board, as well as the appointment of the Chief Executive Officer and Chief Financial Officer.

The Committee also considers the extension of existing appointments and ensures that there is a robust and transparent process for the recruitment of new appointments and makes recommendations to the HAHL Board for approval, in respect of new appointments or the extension of existing appointments, as and when required. Throughout the year the Committee’s main focus was to recruit a new Chief Financial Officer following Javier Echave’s appointment as Chief Operating Officer. The Committee also recommended to the HAHL Board the extension of Joan MacNaughton’s appointment as an Independent Non-Executive Director and Chair of the Sustainability and Operational Risk Committee, for a further 3-year period up until 13 June 2027.

ROLES AND RESPONSIBILITIES

The Committee is a formal committee of the HAML Board, and its responsibilities include:

- Identifying and recommending for the consideration of the HAML Board all new appointments of Independent Non-Executive Directors.
- Identifying and recommending for the consideration of the HAML Board the appointment of the Chair.
- Identifying and recommending for the consideration of the HAML Board the appointment of senior executives, including the Chief Executive Officer and Chief Financial Officer.
- Ensuring a formal, rigorous and transparent procedure is followed for the appointment of new senior executives and Independent Non-Executive Directors to the HAML Board.

2024 ACTIVITIES

The Nominations Committee met five times during the year. Meeting attendance can be found on page 106.

APPOINTMENT OF SALLY DING AS CHIEF FINANCIAL OFFICER

The Committee recommended the appointment of Sally Ding as Heathrow's new Chief Financial Officer, who was appointed on 10 October 2024 following a period in the role as Acting Chief Financial Officer.

Recruitment Process

The Nominations Committee commenced a recruitment process for a new Chief Financial Officer in May 2024. Four Executive Search consultancies were invited to present proposals on their approach to recruit for the new Chief Financial Officer. Following the selection process Heidrick & Struggles were identified as the preferred partner for the recruitment and selection process for the Chief Financial Officer role on the basis of their experience and knowledge of the industry.

Identifying Candidates

In order to shape the role profile for the Chief Financial Officer role, members of the Committee were invited to complete an online survey seeking their insights on the key attributes, skills and qualifications required for the role. Following a detailed discussion with Heidrick & Struggles, a role specification was prepared for the search, which focused on strong strategic, operational and technical experience along with excellent leadership skills. Heidrick & Struggles used a rigorous selection approach against the agreed role specification ensuring a cultural fit with the right skills to enable the long-term success of the new Chief Financial Officer.

Assessment Process

A diverse pool of 18 candidates was initially identified from both inside and outside the industry. Following consultation between the Committee and Heidrick & Struggles, the list was reduced to eight candidates (seven external and one internal) to proceed to a deep dive assessment conducted by Heidrick & Struggles.

Following the deep dive assessment, five candidates were short-listed and invited to an interview with the Chief Executive Officer, who received a detailed candidate feedback report on each candidate.

Final Decision

Following the interview with the Chief Executive Officer and a review of feedback from the assessment process, the Nominations Committee approved a recommendation to the HAML Board to appoint Sally Ding as Heathrow's new Chief Financial Officer.

The Remuneration Committee approved the Chief Financial Officer's proposed remuneration package and the HAML Board subsequently approved Sally's appointment as Heathrow's Chief Financial Officer with effect from 10 October 2024.

EXTENSION OF JOAN MACNAUGHTON'S APPOINTMENT AS INDEPENDENT NON-EXECUTIVE DIRECTOR

The Committee reviewed Joan Macnaughton's appointment as an Independent Non-Executive Director of the HAML Board and Chair of SORC. The Committee recommended to the HAML Board that Joan's current appointment be extended, when it came to an end on 14 June 2024, for a further three years up until 13 June 2027. The HAML Board approved the extension on 29 May 2024.

FINANCE COMMITTEE

ALEXIS BALLIF, CHAIR

Non-Executive Shareholder Director – Ardian



The Finance Committee's key role is to review and approve matters relating to financing the HAHL Group and to act as a forum for obtaining consents from Shareholders of FGP Topco Limited pursuant to the Shareholders' Agreement."



OTHER COMMITTEE MEMBERS

Thomas Woldbye,
Chief Executive Officer

Sally Ding,
Chief Financial Officer

Rt. Hon Ruth Kelly,
Independent Non-Executive Director

A Non-Executive Shareholder Director representing each Shareholder entitled to appoint a Director to the HAHL Board

CHANGES TO COMMITTEE MEMBERS DURING THE YEAR AND AFTER YEAR END

Javier Echave,
Chief Financial Officer (resigned 17 October 2024)

Sally Ding,
Chief Financial Officer (appointed 17 October 2024)

Ernesto Lopez,
Non-Executive Shareholder Director – Ferrovial (resigned as Chair on 12 December 2024)

Alexis Ballif,
Non-Executive Shareholder Director – Ardian (appointed as Chair on 23 January 2025)

INTRODUCTION

As the newly appointed Chair of the Finance Committee (the 'Committee') I am pleased to present the Committee's report for the year ended 31 December 2024, which has been prepared in conjunction with Ernesto Lopez, the out-going Chair. The Committee acts as both a HAHL Board Committee for the approval of matters relating to the financing of the HAHL Group and a forum for obtaining consents required from the Shareholders of FGP Topco Limited pursuant to the Shareholders' Agreement. The Committee's primary focus has been on ensuring the HAHL Group maintains sufficient liquidity at all levels of the capital structure at all times and its financial covenant levels were protected.

The HAHL Group has continued to successfully access public and private debt markets through the macro volatility of the UK and US elections, and as inflation and interest rates moderate from elevated levels. Amidst this, the HAHL Group has continued to permeate its sustainability strategy through the capital structure, with pioneering Sustainability-Linked Bonds ('SLB') and green issuances. This includes Heathrow's first Class B SLB, which was the first executed in the GBP market, across all sectors, to cover the entirety of a company's emission exposure. Heathrow also became the first non-domestic issuer to issue an SLB in Swiss Francs and completed its first green use of proceeds debt tranche.

Furthermore, Heathrow Finance plc issued the largest bond that it has ever executed, which as of point of execution was the tightest yielding GBP High Yield Bond issued for over two years.

ROLES AND RESPONSIBILITIES

The Committee is a formal committee of the H AHL Board and is responsible for approving various matters relating to the Heathrow Group's debt financing arrangements, hedging strategies and treasury policies prior to their implementation, including approvals of:

- Any prospectus or other listing document required in relation to the issuance of any capital market instruments or any formal information memorandum in relation to borrowing by any member of the H AHL Group.
- The borrowing of any money or the assumption of any indebtedness by any member of the H AHL Group (including by way of the issue of securities) in excess of certain financial thresholds.
- The refinancing of any existing indebtedness in respect of any member of the H AHL Group in excess of certain financial thresholds.
- The making of any repayments of principal in addition to scheduled principal payments on any debt that may be owing by any member of the H AHL Group.
- Other than as required by the financing arrangements of any member of the H AHL Group, the making of any material loan or advance or the giving of any guarantee, indemnity or provision of any credit, in each case in excess of certain financial thresholds.
- The creation of, or the granting of any permission to create, any mortgage, charge, encumbrance or other security interest on any uncalled capital or on any asset, in each case in excess of certain financial thresholds.
- Any material change, amendment or variation to any of the financing arrangements of any member of the H AHL Group or any request for any waiver thereunder or any entry into any new loan or loan facility, in each case in excess of certain financial thresholds.
- Changes to Heathrow's treasury policies before going to the H AHL Board.
- The entry into any new non-investment grade debt facility.
- The bi-annual publication of investor reports in respect of Heathrow (SP) Limited and Heathrow Finance plc, pursuant to the requirements of the Common Terms Agreement and the Heathrow Finance plc financing arrangements.
- The strategy for mitigating risks relating to the Group's financing arrangements.

2024 ACTIVITIES

The Committee held one meeting during the year, and approved a number of financing matters by written resolution. The Committees and its main activities were to review and/or approve:

- Debt funding for Heathrow, including bond issuances, private placements and term debt.
- The Heathrow (SP) Limited and Heathrow Finance plc 2024 Investor Reports.
- The 2024 base prospectus and supplements to the 2023 base prospectus.
- Early accretion paydown on inflation-linked swaps.
- Cash upstreaming from the Heathrow (SP) Limited Group to Heathrow Finance plc.

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements for the Company for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

Heathrow provides service to a range of market segments, including business and leisure travellers, direct and transfer passengers on long and short haul routes, operated by a diversified range of major airlines. Heathrow generates revenue from a variety of sources, including services to airlines, concession fees from retail operators, income from car parks, advertising revenue, the rental of airport premises and the provision of facilities and services.

RESULTS AND DIVIDENDS

The profit after taxation for the financial year amounted to £961 million (2023: £779 million). No dividends were paid to Heathrow (AH) Limited during the year (2023: £nil). The statutory results for the year are set out on page 144.

The financial statements have been prepared on a going concern basis as detailed in the going concern statement on page 149 in the Company's accounting policies.

DIRECTORS

The Directors who served during the year and since the year end, except where noted, were as follows:

Chris Annetts – Resigned 30 April 2024

Ross Baker

Jo Butler – Appointed 20 January 2025

Yuanyuan (Sally) Ding - Appointed 17 October 2024

Javier Echave

Helen Elsby

Emma Gilthorpe – Resigned 26 April 2024

Mine Ozkan Hifzi

Nigel Milton

Paula Stannett – Resigned 31 August 2024

Thomas Woldbye

COMPANY SECRETARY

Pursuant to section 270 of the Companies Act 2006, a private company registered in England and Wales is not required to have a company secretary.



EMPLOYMENT POLICIES

The Company has no direct employees. The staff are employed by LHR Airports Limited, a fellow subsidiary entity of the HAHL Group. The Company directly incurs the employment cost of services provided to the Company as stated in the accounting policies on page 161.

The Company's employment policies are regularly reviewed and updated to ensure they remain effective. The Company's overall aim is to create and sustain a high performing organisation by building on the commitment of its people.

The Company has defined a set of guiding principles to ensure fair recruitment and selection. The Company continues to aim to recruit, retain and develop high-calibre people and has talent and succession management programmes for managerial roles.

The Company is committed to giving full and fair consideration to applicants for employment. Every applicant or employee will be treated equally whatever their race, nationality, ethnic or national origin, sex, marital status, sexual orientation, religious belief, disability, age or community background. The Company actively encourages a diverse range of applicants and commits to fair treatment of all applicants.

We are an equal opportunities employer, all employment is decided on the basis of qualifications, merit and business need. As an accredited Disability Confident Leader, we are committed to attracting the widest possible pool of talent and are securing, retaining and developing disabled colleagues. We offer the opportunity for any individual with a disability, to be guaranteed an interview if they can demonstrate that they meet the minimum criteria for the role. We provide adjustments at both the recruitment stages and when colleagues are employed by us. We have policies in place and an active network to support colleagues with disabilities or those who develop disabilities whilst working for Heathrow.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Details of corporate governance arrangements can be found on page 100.

EMPLOYEE ENGAGEMENT STATEMENT

Details of how the Directors have engaged with employees and the principal decisions made can be found in the section 172(1) statement from page 82.

STAKEHOLDER ENGAGEMENT STATEMENT

Details of how the Directors have engaged with suppliers, customers and other stakeholders and the principal decisions made can be found in the section 172(1) statement from page 82.

STREAMLINED ENERGY AND CARBON REPORTING

The Company's reporting in relation to Streamlined Energy and Carbon Reporting requirements can be found in the Strategic Report on page 72.

SUBSEQUENT EVENTS

Subsequent events are disclosed in note 24.

FINANCIAL RISKS

Details of the financial risk management objectives and policies, hedging policies and exposure to financial risks can be found in the accounting policies and note 14.

POLITICAL DONATIONS

No political donations were made during the year.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any protection from liability which might otherwise apply, every Director of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by them in defending any proceedings in which judgement is given in their favour, or in which they are acquitted or in connection with any application in which relief is granted to them by the court for any negligence, default, breach of duty or breach of trust by them in relation to the Company or otherwise in connection with their duties or powers or office. This indemnity also applies to the Directors who are Directors of other companies within the Group.

The third-party indemnity provisions (which are qualifying third-party indemnities under the Companies Act 2006) are in place during the 2024 financial year and at the date of approving the Annual Report and Financial Statements.

Matters disclosed in strategic report	Location in the strategic report	Page
Description of our business model	Our business	14
Sustainable growth	Our beacons in action: People and Planet	28
Research and development and innovation	Our beacons in action: People and Planet	28
Carbon footprint and greenhouse gas emissions	Our carbon footprint	72
Corporate responsibility – colleagues	Our beacons in action: Winning Team	24
Corporate responsibility – community	Our beacons in action: People and Planet	28
Charitable donations	Our beacons in action: People and Planet	28
Equality, diversity and inclusion	Our beacons in action: Winning Team	24
Principal risks and uncertainties	Our principal risks	45

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed within the period set out in section 485 of the Companies Act 2006.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The strategic report and Directors' report were approved and authorised by the Board and were issued on behalf of the Board.

YUANYUAN (SALLY) DING

Director

25 February 2025

Company registration number: 01991017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, 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 Company, and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.

- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

YUANYUAN (SALLY) DING

Director

25 February 2025

FINANCIAL STATEMENTS





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Independent auditors' report to the members of Heathrow Airport Limited

Report on the audit of the financial statements

Opinion

In our opinion, Heathrow Airport Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 December 2024; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; the accounting policies; the significant accounting judgements; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We performed full scope audit procedures over the company.

Key audit matters

- Valuation of Long-term Growth asset in construction - the impairment risk of assets in Long-term Growth programme
- Valuation of derivative financial instruments - credit risk adjustment on super senior derivatives (inflation linked swaps and interest rate swaps)
- Valuation of investment properties – the discount rate assumption in relation to commercial car parks

Materiality

- Overall materiality: £57.0m (2023: £57.0m) which reflects the consideration of various factors and benchmarks, together with engagement leader judgement, resulting in this quantum which represents 2.9% (2023: 2.6%) of adjusted EBITDA.
- Performance materiality: £42.8m (2023: £42.8m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="161 219 722 315"><i>Valuation of Long-term Growth asset in construction - the impairment risk of assets in Long-term Growth programme</i></p> <p data-bbox="161 353 244 383">Refer to</p> <ul data-bbox="161 398 730 607" style="list-style-type: none"> • the Audit Committee report on ‘Key Judgement and Financial Reporting Matters’, • the Accounting Policies, • the Significant accounting judgements and estimates; and • note 6 in the financial statements. <p data-bbox="161 656 743 972">Assets in the course of construction include costs of [£476m]in respect of the Heathrow Long Term Growth programme (‘Long-term Growth’) following the Government decision in October 2016 in favour of Heathrow, and subsequent Board decision in October 2016 to apply for the Development Consent Order. These two events were considered by the Directors to be a trigger point for the capitalisation of Long-term Growth related costs to commence.</p> <p data-bbox="161 1028 743 1274">Costs which are directly associated with, and solely for the purposes of, seeking planning consent for the delivery of the programme, including the delivery of new runway capacity, through the Development Consent Order process are capitalised as they are directly attributable to the final design and construction of the project assets.</p> <p data-bbox="161 1330 727 1538">In accordance with IAS 16 Property, plant and equipment, the cost of property, plant and equipment shall be recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.</p> <p data-bbox="161 1594 746 1733">We focused on Long-term Growth due to the nature and timing of this programme. As a result, there is a risk of impairment in the event that it is not probable that the project will generate future economic benefits.</p>	<p data-bbox="783 353 1366 450">We performed the following audit procedures in order to assess the risk of impairment in relation to the Long-term Growth asset:</p> <ul data-bbox="783 479 1366 1839" style="list-style-type: none"> • Assessed the design and implementation of key controls relating to Property, plant and equipment, including Assets in the course of construction; • We challenged management to provide evidence to demonstrate the technical feasibility, commercial viability and financeability (investability) of the project, reflecting the developments that have evolved in the current year. • We also challenged management to consider the current political and economic factors for and against Long-term Growth and the impact of these on what represents a significant infrastructure project in the UK, including the impact of climate change, both to the aviation industry as a whole and to Heathrow’s business plan for Long-term Growth; • We challenged management by identifying both corroborative and contradictory evidence relating to the impairment risk for Long-term Growth . This included assessing UK government policy and commitment from the Board and Shareholders to the project; • With the support of climate change experts, we evaluated the consistency of the available evidence with broader climate change considerations. In particular, we challenged management’s use of climate scenarios and their impact on the probability of Long-term Growth. This included evaluating the appropriateness of management’s assumptions included within its own model which is consistent with the Heathrow Net Zero Plan, as described in the CFD section of the Annual Report as the base case for management’s assessment; and • We evaluated whether details regarding Long-term Growth are disclosed appropriately in the financial statements, including significant estimates and judgements to the extent necessary. <p data-bbox="783 1874 1331 2047">Based on the above work performed, we concur with management’s view that, as at 31 December 2024, it continues to be probable that the Long-term Growth asset in construction will generate future economic benefits.</p>

Valuation of derivative financial instruments - credit risk adjustment on super senior derivatives (inflation linked swaps and interest rate swaps)

Refer to

- the Audit Committee report on 'Key Judgement and Financial Reporting Matters';
- the Accounting Policies;
- Significant accounting judgements and estimates; and
- note 14 in the financial statements.

As at 31 December 2024, the group held derivative assets of £827m and derivative liabilities of £1,260m on the balance sheet. These are held to mitigate interest rate, inflation and foreign exchange risk arising on debt. Included in these derivative balances were inflation linked swaps totalling £194m assets and £617m liabilities and interest rate swaps totalling £633m assets and £640m liabilities.

IFRS 9 Financial Instruments requires derivatives to be accounted for at fair value with movements recognised in profit or loss, unless designated in a hedge relationship.

Due to the nature and complexity in the valuations involved, we identified a significant risk that the fair value of inflation linked and interest rate swaps ranking as super senior in the priority of payments may be misstated. The risk is principally driven by the estimation of the valuation of credit risk of the swaps, in particular the assumed loss given default percentage applied to the valuation of these derivatives.

We, with the support of our Treasury specialists, performed the following audit procedures:

- Assessed the design and implementation of key controls relating to the valuation of derivatives;
- On a sample basis, performed independent valuation testing on the derivatives, including the credit risk adjustment at 31 December 2024;
- Inspected the documentation supporting the super senior nature of interest rate swaps and inflation linked swaps where a higher recovery rate than the currency swaps is used in the valuation and evaluated whether the rate used is in line with the expected market rate;
- Obtained third party confirmations from the financial institutions with which the group holds derivative instruments to assess the completeness of the instruments;
- Tested the estimation of the credit risk and quantum of the recovery rate applied to the super senior derivatives; and
- Assessed management's derivative fair value disclosures in the financial statements, including the sensitivity analysis set out in notes to the financial statements.

The results of our procedures above did not identify any material exceptions. We consider management's derivative fair value disclosures in the financial statements to be adequate.

Valuation of investment properties – the discount rate assumption in relation to commercial car parks

Refer to

- the Audit Committee report on 'Key Judgement and Financial Reporting Matters';
- the Accounting Policies;
- Significant accounting judgements and estimates; and
- note 7 in the financial statements.

The value of investment properties is £2,667m as at 31 December 2024. Investment properties include rental properties (residential and commercial), car parks, airport lounges and advertising sites.

As per the group accounting policies, car parks are accounted for in accordance with IAS 40 Investment Property.

The car park portfolio represents 51% of the investment properties balance as at 31 December 2024. We identified a significant risk in relation to the valuation of commercial car parks, specifically the discount rate assumption as a result of ongoing market uncertainty.

We performed the following audit procedures in order to assess the valuation of investment properties:

- Assessed the design and implementation of key controls relating to valuation of investment properties;
- Engaged our Real Estate Valuation experts to perform specific procedures to assist us in our evaluation of whether the assumptions and methodology used in valuing the investment properties (commercial car parks) were appropriate;
- Held discussions with management's valuation experts and management to understand changes to the valuation methodology and year-on-year movements;
- We challenged management on a number of assumptions, including the discount rate applied to the commercial car parks cash flow forecasts and tested the basis of those assumptions;
- Assessed management's expert's qualifications and independence and read their terms of engagement to determine whether there were any matters that might affect their objectivity or may have imposed scope limitations upon their work; and
- Evaluated the adequacy of disclosures in the financial statements, including the sensitivity analysis set out in notes to the financial statements.

The results of our procedures above did not identify any material exceptions. We consider the disclosures in the financial statements to be adequate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Our audit effort included tests of controls and substantive testing of material financial statements line items.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management and management's climate expert adopted to assess the extent of potential impact of climate risk on the financial statements and support the disclosure made within the "Climate Related Financial Disclosures (CFD)" section where the group has articulated the potential impact of climate change on its operations under different potential future scenarios. In addition, the group has disclosed in the 'Our Carbon Footprint' section, the impact of its own operations on the environment and ways to reduce the group's impact as it continues to work towards its own Net Zero pathway to 2050.

In addition to enquiries with management, we also challenged management's climate risk assessment by:

- Reading external reporting issued by the Heathrow group of companies, including the latest Heathrow Sustainability Report, reading the entity's website and making management aware of any internal inconsistencies in their climate reporting; and
- Challenging the assumptions used by management in determining their own climate risk scenario consistent with the Heathrow Net Zero Plan, particularly those in relation to SAF uptake as described in the CFD section of the Annual Report.

The Directors have made commitments to Heathrow's Net Zero Plan to cut emissions 'in the air' and 'on the ground' in its plan to achieve net zero carbon emissions by 2050.

Management considers the impact of climate risk does give rise to a potentially significant financial statement impact as climate change could materially impact future passenger demand either due to future government or regulator intervention, or an increase in the cost of aviation due to taxation or levies, or as a result of a change in consumer sentiment to aviation.

Using our knowledge of the business and with assistance from our internal climate experts we evaluated management's risk assessment, its estimates as set out in the accounting policies of the financial statements and resulting disclosures, where significant. The key areas of the financial statements where this has been impacted relates to the carrying value of property, plant and equipment (including the Long-term Growth asset under construction), the fair valuation of investment properties, the carrying value of intangible assets and the recoverability of deferred tax assets.

To respond to the audit risks identified in these areas we tailored our audit approach to address these. In particular, we challenged management on how the impact of climate commitments made by the Group and Company would impact the assumptions within the discounted cash flows prepared by management that are used in the underlying analyses.

Where climate risk relates to a key audit matter our audit response is given in the key audit matters section of our audit report. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Climate-related Financial Disclosures (CFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit. This included:

- Understanding management’s model used in CFD scenario analysis and considering if the assumptions in the model are consistent with the assumptions used elsewhere in the financial statements; and
- Challenging the proportionality of the disclosures given in the narrative reporting within the other information to the impact disclosed within the financial statements.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2024.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£57.0m (2023: £57.0m).
<i>How we determined it</i>	Overall materiality reflects the consideration of multiple factors and benchmarks, together with engagement leader judgement, resulting in this quantum which represents 2.9% (2023: 2.6%) of adjusted EBITDA
<i>Rationale for approach</i>	We have determined the most appropriate level of materiality in the context of the nature of the organisation, which is both profit orientated and one with a significant infrastructure base requiring investment and maintenance. We considered the importance of various income statement and balance sheet metrics to the users of these financial statements, the implications of the materiality level on the scoping of financial statement lines items and the prior year materiality level. The overall materiality level represents approximately 2.9% (2023: 2.6%) of adjusted EBITDA, 1.6% (2023: 1.6%) of revenue and 0.3% (2023: 0.3%) of total gross assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £42.8m (2023: £42.8m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £2.9m (2023: £2.8m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental and health and safety regulations, and adherence to data protection requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, Heathrow Airport's continued access to its CAA operating license, and UK corporation, VAT and employment tax. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including those outside of the finance function; representatives from Business Assurance and Internal Audit; and members of the group's General Counsel team. Those discussions included consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading the Board minutes to identify any issues which could indicate non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates in relation to the carrying value of Long-term Growth asset in construction; valuation of derivative financial instruments, investment properties and retirement benefit obligations; impairment assessment of tangible and intangible assets including the recoverability of deferred tax assets in relation to losses (see related key audit matters above);
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations and journals crediting revenue; and
- Testing material adjustment journals to ensure these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sotiris Kroustis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
25 February 2025

Heathrow Airport Limited

Income statement for the year ended 31 December 2024

	Note	Year ended 31 December 2024				Year ended 31 December 2023		
		Before certain re-measurements and exceptional items ⁽¹⁾ £m	Certain re-measurements ⁽²⁾ £m	Exceptional items ⁽³⁾ £m	Total £m	Before certain re-measurements ⁽¹⁾ £m	Certain re-measurements ⁽²⁾ £m	Total £m
Revenue	1	3,482	-	-	3,482	3,602	-	3,602
Operating costs	2	(2,137)	147	(22)	(2,012)	(2,136)	209	(1,927)
Operating profit/(loss)		1,345	147	(22)	1,470	1,466	209	1,675
Financing								
Finance income	4	447	-	-	447	470	-	470
Finance costs	4	(890)	352	-	(538)	(1,451)	373	(1,078)
Net finance costs		(443)	352	-	(91)	(981)	373	(608)
Profit/(loss) before tax		902	499	(22)	1,379	485	582	1,067
Taxation charge	5	(281)	(137)	-	(418)	(162)	(126)	(288)
Profit/(loss) for the year⁽⁴⁾		621	362	(22)	961	323	456	779

(1) Amounts stated before certain re-measurements and exceptional items are non-GAAP measures.

(2) Certain re-measurements consist of: fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.

(3) Exceptional items in 2024 are irregular material write-off charges. Further detail can be found in note 3. There were no exceptional items in 2023.

(4) Attributable to owners of the parent.

The notes on pages 148 to 194 form part of these financial statements.

Heathrow Airport Limited

Statement of comprehensive income for the year ended 31 December 2024

		Year ended 31 December 2024	Year ended 31 December 2023
	<i>Note</i>	£m	£m
Profit for the year		961	779
<i>Items that will not be subsequently reclassified to the income statement</i>			
Actuarial gain/(loss) on pensions			
(Loss)/gain on plan assets	16	(212)	28
Decrease/(increase) in scheme liabilities	16	239	(47)
Other comprehensive income/(expense) for the year, net of tax		27	(19)
Total comprehensive income for the year⁽¹⁾		988	760

(1) Attributable to owners of the parent.

The notes on pages 148 to 194 form part of these financial statements.

Heathrow Airport Limited

Statement of financial position as at 31 December 2024

	<i>Note</i>	31 December 2024	31 December 2023
		£m	£m
Assets			
Non-current assets			
Property, plant and equipment	<i>6</i>	10,904	10,385
Investment properties	<i>7</i>	2,667	2,449
Intangible assets	<i>8</i>	195	221
Investment in subsidiary	<i>9</i>	42	42
Derivative financial instruments	<i>14</i>	826	671
Trade and other receivables	<i>11</i>	4,417	4,108
		19,051	17,876
Current assets			
Inventories	<i>10</i>	17	17
Trade and other receivables	<i>11</i>	755	799
Derivative financial instruments	<i>14</i>	1	-
Term deposits	<i>12</i>	425	1,750
Cash and cash equivalents	<i>12</i>	1,131	189
		2,329	2,755
Total assets		21,380	20,631
Liabilities			
Non-current liabilities			
Borrowings	<i>13</i>	(14,663)	(14,878)
Derivative financial instruments	<i>14</i>	(1,254)	(1,811)
Deferred income tax liabilities	<i>15</i>	(647)	(457)
Retirement benefit obligations	<i>16</i>	(120)	(151)
Provisions	<i>17</i>	(1)	(1)
Trade and other payables	<i>18</i>	(1)	(2)
		(16,686)	(17,300)
Current liabilities			
Borrowings	<i>13</i>	(1,627)	(1,431)
Derivative financial instruments	<i>14</i>	(6)	(27)
Provisions	<i>17</i>	(2)	(2)
Current income tax liabilities		(184)	(121)
Trade and other payables	<i>18</i>	(738)	(601)
		(2,557)	(2,182)
Total liabilities		(19,243)	(19,482)
Total assets less current liabilities		18,823	18,449
Net assets		2,137	1,149
Equity			
Capital and reserves			
Share capital	<i>19</i>	1,605	647
Revaluation reserve		168	72
Capital contribution reserve		23	23
Retained earnings		341	407
Total equity		2,137	1,149

The notes on pages 148 to 194 form part of these financial statements.

These financial statements of Heathrow Airport Limited (Company registration number: 01991017) on pages 144 to 194 were approved by the Board of Directors and authorised for issue on 25 February 2025. They were signed on its behalf by:

Yuanyuan (Sally) Ding
Director

Thomas Woldbye
Director

Heathrow Airport Limited

Statement of changes in equity for the year ended 31 December 2024

	Attributable to owners of the Company					Total £m
	Note	Share capital	Capital contribution reserve	Revaluation reserve	Profit and loss reserve	
		£m	£m	£m	£m	
Balance as at 1 January 2023		35	23	(94)	425	389
Comprehensive income						
Profit for the year		-	-	-	779	779
Other comprehensive income/(expense)						
Actuarial (loss)/gain on pension, net of tax:						
Gain on plan assets	16	-	-	-	28	28
Increase in scheme liabilities	16	-	-	-	(47)	(47)
Total comprehensive income		-	-	-	760	760
Other movements						
Transfer between reserves - investment property fair value movements ⁽¹⁾		-	-	209	(209)	-
Deferred tax on investment properties ⁽¹⁾		-	-	(43)	43	-
Total other movements		-	-	166	(166)	-
Transactions with owners						
Bonus issue of share capital ⁽²⁾		612	-	-	(612)	-
Total transactions with owners		612	-	-	(612)	-
Balance as at 31 December 2023		647	23	72	407	1,149
Comprehensive income						
Profit for the year		-	-	-	961	961
Other comprehensive (expense)/income						
Actuarial gain/(loss) on pension, net of tax:						
Loss on plan assets	16	-	-	-	(212)	(212)
Decrease in scheme liabilities	16	-	-	-	239	239
Total comprehensive income		-	-	-	988	988
Other movements						
Transfer between reserves - investment property fair value movements ⁽¹⁾		-	-	147	(147)	-
Deferred tax on investment properties ⁽¹⁾		-	-	(51)	51	-
Total other movements		-	-	96	(96)	-
Transactions with owners						
Bonus issue of share capital ⁽³⁾		958	-	-	(958)	-
Total transactions with owners		958	-	-	(958)	-
Balance as at 31 December 2024		1,605	23	168	341	2,137

(1) Movements in the valuation of investment properties recorded to the income statement are transferred to the revaluation reserve with the associated deferred tax liability, deferred tax rate change and the deferred tax rate change on revaluation of property, plant and equipment. Details of the amount of deferred tax are in note 15.

(2) Heathrow Airport Limited issued bonus shares from the profit and loss reserve on 24 February 2023 (£352 million) and 4 August 2023 (£260 million).

(3) Heathrow Airport Limited issued bonus shares from the profit and loss reserve on 19 February 2024 (£500 million) and 23 August 2024 (£458 million).

The notes on pages 148 to 194 form part of these financial statements.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024

The principal accounting policies applied in the preparation of these financial statements of Heathrow Airport Limited (the 'Company') are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

The Company

The Company is a private company limited by shares, incorporated in and registered in England, United Kingdom. The registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW. The Company's immediate parent undertaking is Heathrow (AH) Limited. The parent company of Heathrow (AH) Limited is Heathrow (SP) Limited for which consolidated financial statements are prepared. The ultimate controlling undertaking for which consolidated financial statements are prepared is FGP Topco Limited.

Basis of accounting

The individual financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. They are prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value in accordance with FRS 102 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The financial statements are presented in Sterling and are rounded to the nearest million pounds ('£m'), except when otherwise noted.

The Company has adopted the following standards that are relevant to these financial statements instead of those of FRS 102:

- IFRS 9 'Financial Instruments' in accordance with FRS 102.

The individual financial statements of Heathrow Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The Financial Reporting Council ('FRC') issued an updated version of FRS 102 in March 2024. The new FRS 102 is effective for accounting periods beginning on or after 1 January 2026. The Directors have not completed a full review but anticipate that the application of the new FRS 102 requirements could change the Group's future financial statements from 2026 onwards. In particular the new FRS 102 contains new requirements on:

- Revenue—the updated FRS 102 imports the principles of revenue recognition in international standard IFRS 15, thereby introducing the 5-step model to revenue recognition.
- Leases—the updated FRS 102 follows the lease requirements of the international standard IFRS 16 meaning most leases will be brought on balance sheet.

Individual entity financial statements

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of FGP Topco Limited and its subsidiary undertakings are included in the consolidated financial statements of that company for the year ended 31 December 2024. Its registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW. The financial statements present information about the Company as an individual entity only and not as a group.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions, therefore, the company has taken advantage of the following exemptions in its individual financial statements:

- The requirement to present a statement of cash flows and related notes.
- Financial instrument disclosures, including:
 - Categories of financial instruments.
 - Items of income, expenses, gains or losses relating to financial instruments.
 - Exposure to and management of financial risks.
- The requirement from disclosing related party transactions with entities that are wholly-owned subsidiaries of the FGP Topco Limited Group.
- From providing certain other disclosures regarding key management personnel.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Primary financial statements format

The primary financial statements are prepared in accordance with FRS 102, as it applies to the Company financial statements for the year ended 31 December 2024.

A columnar approach has been adopted in the income statement and the impact of certain items is shown in a separate column. This column includes certain re-measurements and exceptional items as listed in (i) and (ii) below, which management separates from the underlying operations of the Company. Also, this column includes the effect on taxation of changes in tax rates in (iii) and (iv) below.

By isolating certain re-measurements and exceptional items, management believes the results provides the reader with an understanding of the underlying performance of the Company, by concentrating on the matters over which it has most influence, whilst recognising that information on these additional items is available within the financial statements, should the reader wish to refer to them.

The column 'certain re-measurements' in the income statement contains the following items:

- (i) Fair value gains and losses on investment property revaluations and disposals.
- (ii) Derivative financial instruments.
- (iii) The associated tax impacts of the items in (i) and (ii).
- (iv) The impact on deferred tax balances of known future changes in tax rates.

Exceptional items

The Company separately presents certain items on the face of the income statement as exceptional as it believes it assists investors to understand underlying performance and aids comparability of the Company's result between periods. Exceptional items are irregular material transactions or events.

Going concern

The Directors have prepared the financial information presented within these financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Background

Heathrow is economically regulated by the CAA which controls Heathrow's maximum airport charges. We are currently operating under the H7 price control period, which runs between 1 January 2022 and 31 December 2026, following conclusion of the CAA Final Decision in July 2024

Passenger forecasts are fundamental to the going concern analysis, and the Directors have considered trends in future expected passenger numbers. Throughout 2024, there has been strong passenger demand for travel which gives confidence in our future expected passenger numbers. Nevertheless this is against a backdrop of high interest rates and high inflation.

The Company is within the Heathrow (SP) Limited independent securitised group. The Directors have considered the wider Heathrow Group given the corporate structure, which involves cash generation across the Group and within the Company, as the main operating company.

The wider Heathrow Group is bound by two types of debt covenant, tested on 31 December each year: the Regulatory Asset Ratio ("RAR"), a measure of the ratio of consolidated nominal net debt to the Regulatory Asset Base ("RAB"); and Interest Cover Ratio ("ICR"), a measure of operating cashflows to debt interest charge. These covenants exist at different levels within the Group's Class A and Class B debt. On that basis the Directors have assessed going concern for the period to December 2026.

Base case

In determining an appropriate base case, the Directors have considered the following:

- Forecast revenue and operating cash flows from the underlying operations, based on a traffic forecast of 84.2 million in 2025.
- Forecast level of capital expenditure based on Heathrow's latest business plan.
- The overall Heathrow Group liquidity position, including cash resources and committed facilities available to it, and its scheduled debt maturities and financing cash flows.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Going concern *continued*

Base case passenger forecast

There is inherent subjectivity in modelling future passenger numbers, nevertheless, passenger numbers have exceeded forecasts, with total passengers to 31 December 2024 of 83.9 million (5.9% increase from 2023). Despite a high-inflationary economic environment impacting the cost-of-living of passengers, demand has remained strong, signalling that passengers are continuing to prioritise travel spend.

Base case tariffs

The base case uses tariffs as set out in the CAA's Final Decision.

Base case cash flow and liquidity

The wider Heathrow Group can raise finance at both Heathrow (SP) Limited ('Heathrow SP') and Heathrow Finance plc ('Heathrow Finance'). Continued support for the Group's credit enabled Heathrow to successfully raise over £1.1 billion of debt in 2024: a Class B GBP sustainability-linked bond of £350 million, a Class A sustainability-linked bond of CHF220 million (£196 million), £400 million of Heathrow Finance public debt and £200 million in Class A & B private placements. In addition, a £50 million junior bank loan was signed in December 2024 with delayed drawdown to mid-2025. As at 31 December 2024, the wider group has total liquidity available of £3.4 billion, comprising of £2.0 billion of cash held at FGP Topco Group and a £1.4 billion undrawn revolving credit facility. Total debt maturity for the period to December 2026 is £2.2 billion at Heathrow SP and £0.4 billion at Heathrow Finance.

While deemed unlikely, the Directors have also assumed that the Heathrow Group would be unable to access debt markets for any new funding. Taking this into account, the Heathrow Group has sufficient liquidity to meet its base case cash flow needs until at least 31 December 2026, with no breaches of its covenants in that period. This includes forecast operational costs, capital investment, debt service costs, and scheduled debt repayments.

Severe but plausible downside case

The Directors are required to consider severe but plausible downside scenarios as part of the going concern assessment. The Directors have considered the inherent judgement in forecasting future passenger numbers – particularly in a highly inflationary economic environment impacting the disposable income of passengers – on cash flow generation, liquidity, and debt covenant compliance.

Under the Heathrow Group's downside scenario, the Directors have considered passenger numbers at the low end of Heathrow's 2025 and 2026 passenger forecast to be a severe but plausible outcome. This considers the Heathrow Group's views of plausible impacts caused by reduced passenger confidence and other economic factors. The low range of passengers represents a 0.9% reduction against the forecast base case for 2025 and 1.1% for 2026. The tariff assumptions remain the same as in the base case. Under the severe but plausible scenario, the Heathrow Group has sufficient liquidity to meet all forecast cash flow needs until at least 31 December 2026, with no breach of its covenants in that period.

Reverse stress test

In forming their assessment, the Directors deem it best practice to perform a reverse stress test. This involved modelling the level of passengers which would result in a covenant breach as at 31 December 2025 or 31 December 2026. The model is based on a reduction in passenger numbers with no impact on costs. The Heathrow Finance plc ICR covenant is the most restrictive, and for there to be a breach at this level, forecast passenger numbers would need to decrease by over 23.3 million (27.7%) versus the base case in 2025 and by an even greater amount in 2026. A further passenger number decrease would be required for the Heathrow Group to breach its RAR covenants. These passenger levels are below the low end of the Heathrow Group's passenger forecast and are not considered plausible by the Directors. Should circumstances arise that require management to take corrective action, many previously utilised tactical actions could be available, including cost reduction, deferral of investment or temporary reprofiling of interest payments.

Conclusion

Having had regard to both liquidity and debt covenants and considering a severe but plausible downside and reverse stress testing, the Directors have concluded that there is sufficient liquidity available to meet the Heathrow Group and Company's funding requirements for at least 12 months from the date of these financial statements and that it is accordingly appropriate to adopt a going concern basis for their preparation.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Alternative performance measures

In addition to performance measures, the Group discloses additional information including profit from operations, if applicable, performance before certain re-measurements and exceptional items. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under FRS 102 and may therefore not be comparable with similarly titled profit measures reported by other companies, as it is not intended to be a substitute for, or superior to, FRS 102 measures of profit. The alternative performance measures are set out on pages 240 to 243.

Climate change

Achieving net zero carbon aviation so as to limit the impacts of climate change is one of the Group's principal risks, as identified on page 51. Climate change could materially impact future passenger demand either due to future government or regulator intervention, an increase in the cost of aviation due to taxation or levies, or as a result of a change in consumer sentiment to aviation. In addition, the Group may need to invest significant amounts of capital in order to future-proof its operations against the impacts of climate change. Both these transition and physical risks are explained fully within the Climate-related Financial Disclosures ('CFD') from page 52. Positive engagement with the CAA and airlines during 2022 supported the inclusion of £250 million of investment in carbon and sustainability improvements in our business plan for the current regulatory settlement period (2022 to 2026). This allows us to deliver the essential projects up to 2026 that will keep us on track to hit our net zero goals in the air and on the ground by 2030. The long-term forecast is the same plan that is used to support the future financial projections that also underpin matters including going concern, impairment, investment properties, and deferred tax assets. Further information on Heathrow's plan on achieving commitment to a global net zero goal for aviation is on page 30.

In preparing these financial statements, management has considered the climate change risk outlined above to ensure consistency between the potential future scenarios identified in the CFD and any impact they may have on these financial statements. Specifically:

- Property, plant and equipment (excluding assets in the course of construction): whether physical risks associated with climate change impact the useful economic lives of existing assets resulting in the need for accelerated depreciation. This could be as a result of assets that will be replaced as part of the Group's Net Zero Plan to decarbonise during their current useful economic life; or could be as a result of the need to replace existing infrastructure in response to increasing temperatures and more unpredictable weather patterns ahead of previous expectations. Management has begun implementing parts of the energy strategy, including working on a design for a new heating and cooling solution for the airport which will replace gas boilers with zero carbon heating technologies. This will enable the turning off of gas for heating the airport by the mid-2030s. In addition we are investing in charging infrastructure to support the switch to electric vehicles across the airport. In the year, there has been no resultant change in the useful economic lives of the Group's assets, and no related accelerated depreciation or impairment. Refer to note 7 for further information.
- Assets in the course of construction: specifically related to Long-term Growth assets and whether the aim to get to net zero aviation impacts the probability of Long-term Growth occurring, and therefore the recoverability of Long-term Growth assets. Refer to the capitalisation critical judgement on pages 164 to 165 for further information.
- Investment properties: whether future passenger demand will impact the valuation of investment properties, or future legislative changes on the energy efficiency of property. Investment properties are initially recognised at cost and subsequently stated at fair value. The fair value of investment properties is based on expected revenue and revenue growth which is proportional to future passenger numbers and other linked factors. Based on management's sensitivity analysis performed, no impairment or fair value impact has been recorded in these financial statements. Refer to note 9 for further information.
- Deferred tax assets: whether future passenger demand impacts the recoverability of deferred tax assets. Deferred income tax assets are recognised in respect of all deductible temporary differences where it is considered probable that there will be sufficient future taxable income against which these assets will be recovered. There are no unrecognised deferred income tax assets. The recognition of these deferred income tax assets is supported by a combination of the reversal of taxable temporary differences and forecast future taxable income. A reduction in future passenger numbers may impact future taxable income. Based on the sensitivity analysis performed, the asset recognised is still fully recoverable under the Group's climate scenario adopted for CFD. Refer to note 15 for further information.

The Directors are satisfied that all information presented in the annual report and financial statements has been consistently applied throughout, particularly regarding forecast information and commitments associated with achieving net zero.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. When the outcome of a transaction involving the rendering of services can be estimated reliably, the Company recognises revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period (sometimes referred to as the percentage of completion method). Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes and consists primarily of:

- Aeronautical.
- Retail.
- Other.

Aeronautical

Aeronautical revenue includes:

- Aircraft movement charges levied according to noise, emissions and weight recognised on landing.
- Aircraft parking charges based on time parked and whether aircraft are wide or narrow bodied as provided.
- Passenger charges based on the number of departing passengers on departure.
- Other charges levied for passenger and baggage operations when these services are rendered.

Landing and terminal services are provided to airlines on demand under the published regulatory prices, rather than through fixed quantity individual contracts. Depending on the service being provided, the transaction price is calculated based on a fixed price per landing, parking, per passenger and by weight. Where applicable, separate incentive agreements are signed with individual airlines. These charges are recognised at a point in time when the Company renders and fulfils the service.

Retail

Retail income includes concession fees from retail and commercial concessionaires at the airport which are based upon reported revenue and/or volumes by concessionaires, taking into account contracted minimum guaranteed income where applicable.

The performance obligation for this revenue stream is the provision of retail unit space to a third party for the purposes of selling goods or providing services to the passengers, in return for a concession fee. Variable consideration from the concessionaire revenue is recognised in the period based on an estimate of the sales occurred, therefore at a point in time, with a true-up when the sales are confirmed.

Retail services also include revenue generated from the provision of parking services to customers, which include for Short Stay, Long Stay, Business parking and Storage. The Company considers the performance obligation is satisfied by the provision of a car park space for each day the car is parked, therefore the revenue is recognised over time.

Customers who book and pay for car parking, but then subsequently cancel before occupying or prematurely curtail the use of the parking space are refunded on a pro-rata case basis.

Other

Significant components of other revenue are:

- Other regulated charges (ORCs).
- Property revenue.

ORCs

Revenue in relation to ORCs is derived from the recovery of certain costs incurred by the Airport. It includes:

- Usage charges made for operational systems (e.g. check-in desks), recognised as each service is provided.
- Charges related to passengers with restricted mobility and other services recognised at the time of delivery.
- Other invoiced sales: recognised on the performance of the service.

The Company typically satisfies its performance obligation as the service is provided. Revenue is recognised on the day the service takes place, therefore at a point in time.

Property revenue

The Company acts as a lessor for various spaces across the Airport. Property rentals are recognised on a straight-line basis over the term of the rental period.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets, until the asset is complete and available for use. Such borrowing costs are capitalised whilst projects are in progress.

Where assets in the course of construction are financed by specific borrowing facilities the interest rate relating to those specific borrowing facilities is used to calculate the amount to capitalise, otherwise an interest rate based on the weighted average cost of debt is used.

Borrowing costs incurred during a period of suspension are not considered to be a necessary cost of development and thus are recognised in the income statement in the period in which they are incurred. All other borrowing costs, including costs incurred in respect of the maintenance of the Company's credit rating, are recognised in the income statement in the year in which they are incurred.

Internally generated intangible assets

Development expenditure incurred in respect of individual projects is capitalised when the future economic benefit of the project is probable and is recognised only if all of the following conditions are met:

- The Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company can demonstrate how the intangible asset created will generate future economic benefits.
- The Company has available the resources to complete the asset.
- The Company intends to complete that asset and has the future ability to sell or use the asset.
- The development cost of the intangible asset can be measured reliably.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be held at cost less any accumulated amortisation and impairment. Amortisation begins when development is complete and the asset is ready for use.

This type of expenditure primarily relates to internally developed software and website projects for the Company and are amortised on a straight-line basis over their useful economic lives of three to seven years. During the period of development, the asset is tested for impairment annually.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Purchased intangible assets (software costs)

Computer software costs principally relate to operating and financial software. These assets are amortised on a straight line basis over their useful lives of between four and fifteen years. The assets are assessed for impairment whenever there is indication that the intangible asset may be impaired.

Cloud computing arrangements

The Company enters into some cloud computing arrangements, including software as a service, platform as a service, infrastructure as a service and other similar hosting arrangements. The Company has recognised the cost of these arrangements as an intangible asset when the Company has a contractual right to take possession of the software during the contract and the Company is able to operate the software on its own hardware. All other costs of cloud computing arrangements are recognised as an expense

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Tangible fixed assets

Operational assets

Terminal complex, airfield, plant and equipment, other land and buildings and rail assets are stated at cost less accumulated depreciation and accumulated impairment losses. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Assets in the course of construction are stated at cost less any impairment. No depreciation is charged, or revaluation made, prior to work in progress being transferred to the appropriate asset category. Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete and the asset is available for use. Where appropriate, cost includes borrowing costs capitalised (see "Borrowing Costs" policy), own labour costs of construction-related project management and directly attributable overheads. Costs associated with projects that are in the early stages of planning are capitalised where the Directors are satisfied that it is probable the necessary consents will be received and the projects will be developed to achieve a successful delivery of an asset such that future commercial returns will flow to the Company. The Company reviews these projects on a regular basis to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for impairment. This includes review of all assets that have a residual economic life greater than the zero-carbon target date.

Long-term Growth

Assets in the course of construction include qualifying costs in respect of Long-term Growth following the Government decision in October 2016 in favour of Heathrow, and subsequent Board decision in October 2016 to apply for the Development Consent Order ("DCO").

These two events were considered by management to be a trigger point for the programme to proceed. Management subsequently announced publicly that the Company would apply for planning permission, deeming it probable that the Long-term Growth programme would be realised. Management considers October 2016 to be the point at which the programme moved from the research phase to the development phase, and therefore eligible development expenditure is capitalised in line with the principles of FRS 102 as 'assets in the course of construction'. Long-term growth costs incurred during the research phase for the Airports Commission process and before Heathrow was named as the preferred location for new runway capacity in October 2016, were expensed in the period incurred.

Costs directly associated with, and solely for the purposes of, seeking planning consent for the delivery of the programme through the Development Consent Order process were capitalised as they are directly attributable to the final design and construction of the project assets.

Refer to pages 164 to 165 for the critical judgements made in applying the capitalisation accounting policy for long-term growth.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Tangible fixed assets *continued*

Depreciation

Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost of the assets less estimated residual value by equal instalments over their expected useful lives as set out below:

	<i>Fixed asset lives</i>
<i>Terminal complex</i>	
Terminal building, pier and satellite structures	20–75 years
Terminal fixtures and fittings	5–40 years
<i>Airport plant and equipment</i>	
Baggage systems	5–20 years
Screening equipment	5–15 years
Lifts, escalators and travelators	10–30 years
Other plant and equipment including runway lighting and building plant	5–50 years
Tunnels, bridges and subways	50–120 years
<i>Airport transit systems</i>	
Rolling stock	20 years
Track	50 years
<i>Airfields</i>	
Runway surfaces	10–15 years
Runway bases	40–100 years
Taxiways and aprons	20–50 years
<i>Rail</i>	
Rolling stock	8–40 years
Tunnels	100 years
Track metalworks	5–10 years
Track bases	10–50 years
Signals and electrification work	20–40 years
<i>Plant and equipment</i>	
Motor vehicles	4–12 years
Office equipment	5–15 years
Computer equipment	4–5 years
<i>Other land and buildings</i>	
Short leasehold properties	Period of lease
Leasehold improvements	Lower of useful economic life or period of lease

Asset residual values and useful lives are reviewed and adjusted at each reporting date. If expenditure maintains the life of the asset or maintains its earning capacity, then it is treated as revenue expenditure and expensed as incurred. Alternatively, if the expenditure provides incremental future benefits so that it improves the earning capacity or extends the life of the asset beyond its originally intended useful economic life, then it is treated as capital expenditure. This is usually the case with non-climate compliant assets where the Group seeks to modify where possible as it works towards its zero-carbon footprint commitment detailed in the strategic report. In certain circumstances, the asset life may fall outside of the boundaries disclosed above.

Climate uncertainty does not have a material impact on the assessment of useful lives as the assets are considered to be fit for purpose over the assessed useful economic lives with reasonable repairs and maintenance. The key assumption in our plan which mitigates our carbon footprint is the adoption of sustainable aviation fuel, as explained in the CFD from page 52, which will use the existing asset infrastructure without material changes to existing assets. Consistent with the physical risk assessment in the CFD, there are no material physical risks associated with climate change due to physical location of the airport and its operations, and therefore at this stage there have been no resultant changes to the useful economic lives of assets.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Tangible fixed assets *continued*

Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. No assets have been impaired this year as a result of this exercise.

If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When performing this review, Heathrow is considered to form one cash generating unit ('CGU') based on the interdependence of the airport cash flows and the functional organisational structure by which the airport is managed.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently stated at fair value at the reporting date as determined by the Directors and supported by external valuations when the fair value can be reliably measured. Gains or losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. Gains or losses on disposal of an investment property are recognised in the income statement on the unconditional completion of the sale.

The revaluation reserve includes historic gains and losses on investment properties. Future gains and losses will be recognised in the income statement and transferred to the revaluation reserve. The gains and losses will remain in the revaluation reserve as a matter of course and will only be transferred to the profit and loss reserve as part of a capital reconstruction or on disposal of the investment property.

Internally generated intangible assets

Development expenditure incurred in respect of individual projects is capitalised when the future economic benefit of the project is probable and is recognised only if all of the following conditions are met:

- The Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company can demonstrate how the intangible asset created will generate future economic benefits.
- The Company has available the resources to complete the asset.
- The Company intends to complete that asset and has the future ability to sell or use the asset.
- The development cost of the intangible asset can be measured reliably.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be held at cost less any accumulated amortisation and impairment. Amortisation begins when development is complete and the asset is ready for use.

This type of expenditure primarily relates to internally developed software and website projects for the Company and are amortised on a straight-line basis over their useful economic lives of three to seven years. During the period of development, the asset is tested for impairment annually.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Purchased intangible assets (software costs)

Computer software costs principally relate to operating and financial software. These assets are amortised on a straight line basis over their useful lives of between four and fifteen years. The assets are assessed for impairment whenever there is indication that the intangible asset may be impaired.

Cloud computing arrangements

The Company enters into some cloud computing arrangements, including software as a service, platform as a service, infrastructure as a service and other similar hosting arrangements. The Company has recognised the cost of these arrangements as an intangible asset when the Company has a contractual right to take possession of the software during the contract and the Company is able to operate the software on its own hardware. All other costs of cloud computing arrangements are recognised as an expense

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company as a lessor

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and with the exception of investment properties discussed above, the assets are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investment in subsidiary

Investments are held at cost less impairment and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Inventories

Raw materials and consumables consist of engineering spares and other consumable stores. Cost is calculated using the weighted average method. These are valued at the lower of cost and estimated selling price less costs to complete and sell.

Cash and cash equivalents

For the purposes of the statement of financial position, cash and cash equivalents comprise of cash at bank, cash in hand and short-term deposits with an original maturity of three months or less. Short-term deposits with an original maturity of over three months are shown within current trade and other receivables.

Deferred income

Amounts received prior to the delivery of goods and services are recorded as deferred income and released to the income statement as the services are delivered or when the goods are delivered.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted, where material, to present value using a current, pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Provisions *continued*

Restructuring

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Home loss payment

A home loss payments provision is recognised where an obligation arises during the year, as a result of a past event. The home loss payment provision is in respect of historic property purchases and related expenditures created in 2016 specifically in respect of Heathrow Expansion, following the Government's decision in October 2016.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost.
- Fair value through profit or loss ('FVTPL').

The Company has no financial assets measured at fair value through other comprehensive income ('FVOCI').

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit and loss ('FVTPL')

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets

Financial assets measured at amortised cost, trade receivables, contract assets and loan commitments are tested for impairment using the Expected Credit Loss ('ECL') impairment model in IFRS 9.

When assessing credit risk and measuring expected credit losses, the Group considers a broader range of information which includes past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the asset.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Financial instruments *continued*

Subsequent measurement of financial assets *continued*

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1').
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- Financial assets that have objective evidence of impairment at the reporting date ('Stage 3').

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third categories.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial asset. For large one-off balances where there is no historical experience, analysis is completed in respect of a number of reasonably possible scenarios.

Financial instruments *continued*

Trade and other receivables

Trade receivables, which generally have 14-day terms, are initially recognised at their transaction price.

The Company records loss allowances on trade receivables as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Company assess impairment of trade receivables on a collective basis where they possess shared credit risk characteristics, and have been grouped based on sector industry global default rates. Refer to note 11 for a detailed analysis of how the impairment requirements of IFRS 9 are applied. The Company has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually).

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against costs in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Intercompany loans receivable

Intercompany advances to other Group entities are all held till maturity; neither party have an option to call or prepay the loan before the contracted maturity date.

Such assets are held under a business model to hold and collect contractual cash flows and therefore meet the Solely Payments of Principal and Interest ('SPPI') test. No embedded derivatives are currently recognised in these advances, and the amortised cost classification is not impacted. All intercompany advances are assessed for impairment under the IFRS 9 'expected credit losses ('ECL') model'.

Equity

An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless part of a fair value hedge relationship.

For index-linked borrowings, the nominal amount is adjusted for movements in the relevant price index. This accretion expense is recorded within finance costs in the income statement.

For sustainability-linked borrowings (sustainability-linked bond, revolving credit and working capital facilities), the Group has assessed the term of the borrowings and concluded that terms of the borrowing are consistent with other borrowings. Accordingly, the Group has accounted for sustainability-linked borrowings at amortised cost.

Debt issue costs

Prepaid fees in relation to the future issuance of debt are held on the statement of financial position on the basis that such issuance is considered probable. If issues do not occur, or are deemed not to be probable, such fees are recognised in the income statement.

Trade and other payables

Trade and other payables are non-interest-bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest method.

Amounts owed to group undertakings

Amounts owed to group undertakings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability where it is less than 12 months.

Certain derivatives, as indicated by their fair value at inception or immediately prior to the restructuring, cannot be supported by observable inputs alone. These 'day 1' fair values are supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. These amounts are deferred on the statement of financial position in compliance with IFRS 9 and recognised in the income statement on a straight-line basis over the life of the underlying derivative instrument.

The fair value changes on these derivatives are recognised within fair value gains/(losses) on financial instruments in the income statement. The interest payable and receivable on those derivatives are recorded at their net amount in finance costs in the income statement.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Employment costs

Employees of Heathrow Airport Limited are directly employed by LHR Airports Limited. In 2008, Heathrow Airport Limited entered into a Shared Services Agreement ('SSA') with LHR Airports Limited in which the latter became the shared service provider for the Group. However, in December 2014, Heathrow Airport Limited became the only operating entity party to the SSA. Accordingly, although employees remain legally employed by LHR Airports Limited, the Company makes all employment decisions.

Management have therefore assessed that LHR Airports Limited is not providing a service, substantive or otherwise in relation to employees, to the Company.

The Company therefore recognises all employment costs, including wages and salaries, pension costs, medical costs and redundancy payments, as well as any other associated expenses properly incurred by the employees.

The exception is the board members of Heathrow Airport Holdings Limited, the costs of which are recharged to the Company with a mark-up of 7.5%. Management concluded that LHR Airports Limited is exposed to the majority of the significant benefits and risks associated with the exchange transaction.

Retirement benefit obligations

LHR Airports Limited has both defined contribution and defined benefit pension schemes. LHR Airports Limited is an indirect subsidiary of HAML Group and is the sponsor of the Defined Benefit ('DB') pension scheme, the Unfunded Unapproved Retirement Benefit ('UURBS') scheme and the Post-Retirement Medical Benefits ('PRM') scheme.

Following a decision in 2015 to re-assess the Company's relationship with the legal sponsor of the retirement benefit schemes, it was determined that the Company should act as the sponsor in relation to these schemes. As a result, the Company now recognises retirement benefit obligations within its financial statements.

Obligations for contributions to the defined contribution pension scheme are recognised as an expense in the income statement as incurred.

The cost of providing benefits under the defined benefit pension scheme is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When the benefit of a plan is changed or when a plan is curtailed, the resulting change that related to past service or the gain or loss on curtailment is recognised immediately in the income statement.

When a settlement occurs, the obligation and related plan asset are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement occurs. Curtailment and settlement events are those that result in a material impact to the defined benefit obligation or which result in a significant change in number of scheme members.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The Company recognises actuarial gains and losses in full in other comprehensive income ('OCI') in the period in which they occur. Re-measurements of the net defined benefit liability are recognised immediately in OCI.

The defined benefit pension asset or liability in the statement of financial position comprises the present value of the defined benefit plan obligation (using a discount rate based on high-quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. Scheme assets include funds for which the fair value is estimated at year-end based on the most recently available audited position with adjustments made for subsequent cash flows.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Current and deferred taxation

The tax (charge)/credit for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

Current tax assets and current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Group relief claimed/surrendered between UK companies is paid for at the applicable tax rate of 25% (2023: 23.5%) for the year, unless there is a specific reason preventing the company from doing so.

Deferred income taxation is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements, at rates expected to apply when they reverse (currently 25%), based on current tax rates and law. Deferred income taxation is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that there are future taxable temporary differences from the unwind of the deferred income tax liabilities, against which these deductible temporary differences can be utilised and other future taxable profits. There are no unrecognised deferred income tax assets. The recognition of these deferred income tax assets is supported by a combination of the reversal of taxable temporary differences and forecast future taxable income. Deferred tax assets and liabilities are not discounted. For deferred tax purposes, investment properties are assessed on a 'held for sale' basis.

Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantively enacted during the year and are expected to apply in the periods in which the related deferred tax asset or liability is reversed.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs allowing for any reductions in the par value. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium reserve.

Dividend distribution

A dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the shareholder's right to receive payment of the dividend is established.

Foreign currency

The Company financial statements are presented in Sterling, which is the Company's functional currency.

Transactions denominated in foreign currencies are initially recorded in the entity's functional currency using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rates of exchange ruling at the reporting date. Differences arising on translation are charged or credited to the income statement.

Related party disclosures

The Company has chosen to take exemption under the terms of FRS 102 from disclosing related party transactions with entities that are wholly-owned subsidiaries of the FGP Topco Limited Group. Under FRS 102 it is also exempt from providing certain other disclosures regarding key management personnel.

Heathrow Airport Limited

Accounting policies for the year ended 31 December 2024 *continued*

Cash flow statement

The ultimate parent entity in the UK is FGP Topco Limited, a company registered in England, United Kingdom.

The results of the Company are included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2024. The results are also included in the audited consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2024 (intermediate parent entity and the smallest group to consolidate these financial statements). Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of accounting standard FRS 102 (1.12 (b) and (e)).

Heathrow Airport Limited

Significant accounting judgements and estimates for the year ended 31 December 2024

In applying the Company's accounting policies management have made judgements and estimates in a number of key areas. Actual results may, however, differ from the estimates calculated and management believes that the following areas present the greatest level of uncertainty.

Critical judgements in applying the Company's accounting policies

Capitalisation

Management is required to make judgements in relation to the capitalisation of costs. This relates to both when amounts may begin to be capitalised, (for example, where there may be doubt about planning consent or the ultimate completion of the asset), and in relation to the nature of costs incurred. Judgement has been exercised in the year including in relation to:

- The assessment of assets in the course of construction, including Long-term Growth costs where judgement is exercised to determine costs that are directly attributable to the assets under construction.
- Capitalised interest costs during the course of assets under construction, refer to the borrowing costs accounting policy above.
- When a project moves from the research phase (where costs must be expensed in the current period) to the development phase and hence may be capitalised as the future economic benefit of the project becomes probable and the principles of FRS 102 are considered and applied.

Assets in the course of construction for the Long-term Growth programme had a net book value of £485 million as at 31 December 2024 (2023: £506 million). This is net of £22 million of impairment expense recognised during 2024 (2023: £nil).

FRS 102 requires it to be probable that future economic benefits associated with an item will flow to the entity for an item to be capitalised. Management considered two triggers in assessing whether future economic benefits are probable—the legal status of the Airports National Policy Statement ('ANPS') and the business case for the programme. In addition, we assess for indicators of obsolescence or physical damage.

ANPS

In December 2020, the Supreme Court unanimously ruled that the policy framework governing expansion – the ANPS – is a lawful UK Government policy, and it remains in place as at 31 December 2024, as do the regulatory frameworks required for Long-term Growth. Management is aware of the UK Government's stated intention to review all National Policy Statements, including the ANPS (see page 47). However, we note supportive comments from the UK Government about the expansion of Heathrow (see page 34).

Business case

Management's current long-term passenger modelling continues to support the business case, and this is why we have already restarted work on the Long-term Growth programme, beginning with 'Modernising Heathrow', a programme to create additional capacity within the existing airport footprint.

To obtain planning consent for the third runway, we have to demonstrate that expanding Heathrow is compatible with the UK's climate change obligations, including the Paris Climate Agreement. The Government has made decarbonising aviation a central part of its green growth agenda, launching a Jet Zero Taskforce, with some of the most senior figures in the aviation sector, and bringing a SAF Mandate into law, with 22% of all jet fuel set to go green by 2040. Our scenario analysis that inputs into our long-term forecast is discussed in the CFD from page 52. We have an ambition to make 2019 the peak year for carbon emissions at Heathrow and a plan to get to net zero aviation by 2050. Please see page 30 for our net zero aviation section.

Conclusion

Management have carefully considered the risks to the programme, particularly climate change risk on long-term passenger numbers, the legislative and regulatory environment, and any likely financeability risks. We consider the completion of the Long-term Growth programme to be a probable outcome. Management will continue to test this judgement as we formalise next steps with investors, Government, airline customers, local communities and regulators. Any future change to this critical judgement, in particular in the event that the conclusion changes to determine that it is not probable that economic benefits will flow, would result in a full impairment of these assets.

Heathrow Airport Limited

Significant accounting judgements and estimates for the year ended 31 December 2024 *continued*

Capitalisation *continued*

Obsolescence

As noted on page 34, we restarted work on the Long-term Growth programme in 2024 with the approval of a phased approach starting with projects within our existing boundary to modernise Heathrow and working towards a third runway. During the work performed in 2024 management identified Long-term growth assets at risk of obsolescence and performed a full review. This resulted in the Group writing off £22 million of assets during the year, representing costs associated with work that will need to be restarted, for example through re-engagement with the community around Heathrow. Management has identified that around 15% of the remaining Long-term Growth related assets in the course of construction could be at risk of future impairment depending on the speed at which the Long-term Growth programme proceeds. In forming this assessment, we acknowledge the speech made by the UK Chancellor of the Exchequer in January 2025. Management is working to meet the ambition we share with Ministers to secure planning permission during this Parliament and we will present our initial plans to the Government by the summer.

Agent versus Principal

The presentation of certain costs including employment costs and pension costs which are a contractual obligation of LHR Airports Limited are presented as Operating costs of Heathrow Airport Limited in the financial statements based on an assessment of which entity is principal in relation to these transactions. This judgement is described in the accounting policies and is based on the balance of risks and rewards between group companies.

Useful economic life ('UEL') and depreciation

Calculation of depreciation and the retention of assets on the fixed asset register requires management to make judgements regarding the useful economic lives of fixed assets. These judgements are based on Heathrow's experience of similar assets, engineering data, and industry standards.

Where management identifies that actual UELs differ from those estimated, the UELs are adjusted in the period that the difference is identified.

Lease classification

A lease contract is classified as an operating or a finance lease based on the substance of the contract and whether the Company or the lessor have the substantial risks and benefits incidental to the ownership of the leased asset.

The Company has a lease agreement with UK Power Networks Services Limited ('UKPNS' / 'Lessor') relating to the electricity distribution network at Heathrow. The lease expires in 2083. The Company has determined this arrangement to be an operating lease rather than a finance lease under section 20 of FRS 102. In this arrangement, the typical primary indicators of a finance lease under section 20 such as the lease term being for the major part of the economic life of the asset, the present value of the minimum lease payment amounts being substantially all of the fair value of the leased asset, appear to be met, largely due to the duration of the agreement.

The substance of the agreement however results in significant risks and rewards associated with the ownership of electrical distribution network remaining with UKPNS. Other features within the contract that are more relevant in this lease determination include that the obligation to operate, maintain, insure and repair rests with the lessor rather than the Company. Accordingly, management believe an operating lease classification to be appropriate.

Car parks classified as investment property

Management have exercised judgement in order to determine the appropriate classification of the car parks as investment properties rather than property, plant and equipment. Heathrow provides insignificant ancillary services as the day-to-day operation of the car parks is outsourced to a third-party provider. The third-party provider receives a portion of fixed fee and variable fee for the use of the car parks and Heathrow does not bear the associated risks and rewards of supplying the car park services to the passengers. The revenue received by the Company in respect to the car park revenue, represents rental income for the use of the space and service provided.

Heathrow Airport Limited

Significant accounting judgements and estimates for the year ended 31 December 2024 *continued*

Deferred tax assets

Deferred income tax assets are recognised in respect of all deductible temporary differences to the extent that it is considered probable that there will be sufficient future taxable temporary differences from the unwind of the deferred income tax liabilities, and other future taxable profits against which these deductible temporary differences can be utilised. Management judgement is required in the assessment of whether future taxable profits and reversible taxable temporary differences support the recoverability of the deferred tax assets.

Management have concluded that the deferred tax assets can be recovered against future forecast taxable profits and the unwind of existing deferred tax liabilities, particularly in light of the fair value gains which have arisen on financial instruments in the period and the improved trading performance.

Key sources of estimation uncertainty

Investment properties

In applying Section 16 of FRS 102, investment properties have been estimated to be worth £2,667 million as at 31 December 2024. To assist in assessing the valuation of our investment properties Heathrow engages a professional valuation firm, CBRE Limited, Chartered Surveyors, that is regulated by the Royal Institution of Chartered Surveyors. Valuations are carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) is capitalised using yields derived from market evidence. Independent valuations are obtained for all investment properties.

Management have reviewed the main assumptions underlying the valuation of Investment properties and provide sensitivity analysis based on reasonable possible changes to relevant assumptions. The main estimations made that have a significant risk of resulting in a material adjustment to the carrying amounts of investment properties within the next financial year have been assessed as those related to commercial Car Parks. Management have deemed the discount rates applied to future cash flows as the key input into the commercial Car Park valuations. Sensitivities have been run to analyse the impact of a reasonable change in discount rates as informed by discussions with CBRE Limited. The results of the sensitivities are shown in note 9 to the financial statements.

Retirement benefit obligations

Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at the period end and charges to the income statement. The assumptions have been determined in consultation with the Company's actuary considering market and economic conditions. Assumptions can vary from period to period because of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations.

The objective when setting pension scheme assumptions for future periods is to reflect the expected actual outcomes, other than the discount rate which must be set by reference to the yield on high quality corporate bonds with a term consistent with the obligations. The impact of the change in assumptions on the valuation of the net financial position of the Company pension scheme is recorded as a net actuarial gain or loss and is reflected in the statement of comprehensive income.

The triennial Trustee valuation of the scheme was completed during 2021 and included updates to mortality rates as well as other key demographic indicators, which have been used to inform management assumptions used at 31 December 2024.

Management have reviewed the main assumptions underlying the valuation of Retirement benefit obligations. The main estimations made that have a significant risk of resulting in a material adjustment to the carrying value of the assets and liabilities relating to the scheme have been assessed as: a) Discount rate, b) Inflation rates, and c) Mortality/Life expectancy changes. Sensitivities have been run to analyse the impact of a reasonable change in these estimations informed by discussions with scheme actuaries ISIO and internal Heathrow experts. The results of the sensitivities are shown in note 18.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024

1 Revenue

The Company is organised into business units according to the nature of the services provided to Airport users. All revenue arises in the United Kingdom and is derived from aeronautical and commercial operations within the Airport and its boundaries.

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue		
Aeronautical		
Movement charges	850	934
Parking charges	76	90
Passenger charges	1,303	1,449
Total aeronautical revenue	2,229	2,473
Retail		
Retail concessions	274	257
Catering	89	83
Other retail	72	64
Car parking	185	170
Other services	152	124
Total retail revenue	772	698
Other		
Other regulated charges	287	240
Property and other	171	162
Other rail income	23	29
Total other revenue	481	431
Total revenue	3,482	3,602
Adjusted EBITDA	1,968	2,153
Reconciliation to statutory information:		
Depreciation and amortisation	(623)	(687)
Operating profit (before certain re-measurements and exceptional items)	1,345	1,466
Exceptional items	(22)	-
Fair value gain on investment properties (certain re-measurements)	147	209
Operating profit	1,470	1,675
Finance income	447	470
Finance costs (after certain re-measurements)	(538)	(1,078)
Profit before tax	1,379	1,067

Revenue of £1,095 million (2023: £1,139 million) was derived from a single external customer and has been included within the aeronautical revenue.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

2 Operating costs

Operating costs comprise:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Employment		
Wages and salaries	405	356
Social security costs	44	39
Pension costs	39	31
Other staff related costs	27	29
Own staff costs capitalised	(41)	(31)
	474	424
Operational ⁽¹⁾	444	411
Maintenance	235	211
Business rates	114	111
Utilities	155	164
Other ⁽²⁾	92	128
Operating costs before depreciation, amortisation, certain re-measurements and exceptional items	1,514	1,449
Depreciation and amortisation:		
Property, plant and equipment	584	643
Intangible assets	39	44
	623	687
Operating costs before certain re-measurements and exceptional items	2,137	2,136
Fair value gain on investment properties (certain re-measurements)	(147)	(209)
Exceptional items (note 3)	22	-
Total operating costs⁽³⁾	2,012	1,927

(1) Operational costs consist of expenditure in relation to the standard operations of the airport.

(2) Other operating costs consist of primarily marketing costs and other general expenditure.

(3) Eligible R&D expenditure is identified retrospectively annually, following detailed review work. It is not therefore known with precision at the accounting date.

Rentals under operating leases

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
<i>Operating costs include:</i>		
Land and buildings ⁽¹⁾	15	15
Other ⁽²⁾	33	33
Total rentals under operating leases	48	48

(1) The Company leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The amounts above are stated net of discounts.

(2) A significant portion of the operating rental costs relates to electricity supply equipment at the airport leased on agreement with UK Power Networks Services Limited ('UKPNS').

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

2 Operating costs *continued*

Auditors' remuneration

Audit fees and non-audit fees for the Heathrow (SP) Group and FGP Topco Group for the current and preceding financial years were borne by Heathrow Airport Limited.

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Fees payable to the Company's auditors for the audit of the:		
Company's ultimate parent	0.3	0.2
Ultimate parent company's subsidiaries ⁽¹⁾	1.3	1.2
Total audit fees	1.6	1.4
Fees payable to the Company's auditors and their associates for other services specific to the Group		
Audit related assurance services	0.5	0.3
Other assurance services	0.3	0.1
Total non-audit fees	0.8	0.4
Total fees	2.4	1.8

(1) Fees payable to the Company's auditor for the audit of the Company's annual report and financial statements were £225,000 (2023: £194,000).

Non-audit fees predominantly relate to audit related assurance services provided in connection with the half-year review of Heathrow (SP) Limited.

Employee numbers

The Company has a monthly average of 7,968 employees (2023: 7,318) who are all employed to provide services to the operation of the airport. The Directors note that although the employees remain legally employed by LHR Airports Limited, the Company makes all employment decisions; consequently, employee numbers for those providing services to the operation of the airport are reported in the financial statements of the Company and not in the financial statements of LHR Airports Limited.

	Year ended 31 December 2024	Year ended 31 December 2023
	Number of employees	Number of employees
By activity		
Operations	6,321	6,044
Support services	1,647	1,274
Total	7,968	7,318

Directors' remuneration

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Aggregate emoluments ⁽¹⁾	4,935	7,330
Value of Company pension contributions	312	88
Termination benefits	233	-
	5,480	7,418

(1) Salaries and benefits include salaries, allowances, Directors' fees, Company pension contributions, accrued bonuses and amounts payable under long-term incentive plans ('LTIP').

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

2 Operating costs *continued*

Directors' remuneration continued

Thomas Woldbye, Javier Echave and Sally Ding were directors of a number of companies within the Heathrow Airport Holdings Limited Group during the year. Their remuneration for the year ended 31 December 2024 was disclosed in the financial statements of Heathrow Airport Holdings Limited. The Directors do not believe it is possible to accurately apportion their remuneration to individual companies based on services provided and therefore their remuneration is not included in the numbers above.

The directors, including the highest paid director, participate in the Heathrow Long-Term Incentive Plan designed to reward them for the success of Heathrow over a three-year period. In respect of the Plans, a cash amount is granted which could vest in future periods contingent on achieving or surpassing EBITDA, return on RAB and other operational targets over a three-year period.

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Highest paid director's remuneration		
Aggregate emoluments ⁽¹⁾	1,346	1,526
Value of Company pension contributions	8	-
	1,354	1,526

(1) Salaries and benefits include salaries, allowances, directors' fees, Company pension contributions, accrued bonuses and amounts payable under long-term incentive plans ('LTIP').

During the year, the highest paid director had no retirement benefits accruing to them under a defined contribution scheme and no retirement benefits accruing to them under a defined benefit scheme.

	Year ended 31 December 2024	Year ended 31 December 2023
Number of directors who are members of a:		
Defined benefit scheme	3	1
Defined contribution scheme	2	2

No directors (2023: none) exercised share options during the year in respect of their services to the Heathrow Airport Holdings Limited Group and no shares (2023: none) were received or became receivable under long-term incentive plans.

3 Exceptional items

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Asset write-off	22	-
Loss on exceptional items after tax	22	-

Asset write-off

In the year ended 31 December 2024, the Company conducted a review of existing Long-term Growth related assets in the course of construction for obsolescence resulting in a £22 million (2023: £nil) non-cash write-off charge. Further details are provided in the significant accounting judgement disclosure on pages 164 to 165.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

4 Financing

(i) Net finance costs before certain re-measurements

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Finance income		
Interest receivable from group undertakings ⁽¹⁾	348	385
Interest on deposits	99	85
Total finance income	447	470
Finance costs		
Interest payable to group undertakings ⁽²⁾	(899)	(1,472)
Interest on borrowings	(75)	(65)
Facility fees and other charges	(2)	(10)
Net pension finance costs	(7)	(6)
	(983)	(1,553)
Less: capitalised borrowing costs ⁽³⁾ (note 6)	93	102
Total finance costs	(890)	(1,451)
Net finance costs before certain re-measurements	(443)	(981)

(1) These amounts relate primarily to interest accrued on balances due from Heathrow (SP) Limited (note 13).

(2) These amounts relate mainly to interest due on the Borrower Loan Agreement ('BLA') advances and back-to-back derivatives not in hedge relationship with Heathrow Funding Limited.

(3) Capitalised interest included in the cost of qualifying assets arose on the general borrowing pool and is calculated by applying an average capitalisation rate of 6.97% (2023: 10.87%) to expenditure incurred on such assets.

(ii) Fair value gain on financial instruments

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Foreign exchange contracts	(4)	(1)
Interest rate swaps	245	83
Index-linked swaps	111	291
Fair value gain on financial instruments	352	373
Net finance costs	(91)	(608)

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

5 Taxation (charge)/credit

	Year ended 31 December 2024			Year ended 31 December 2023		
	Before	Certain re-	Total	Before	Certain re-	Total
	certain re-	measurements		certain re-	measurements	
	measurements	measurements		measurements	measurements	
	£m	£m	£m	£m	£m	£m
UK corporation tax						
Current tax						
Current tax (charge)/credit at 25.0% (2023: 23.5%)	(222)	(10)	(232)	(196)	76	(120)
Prior year charge	(5)	-	(5)	(6)	-	(6)
Deferred tax						
Current year (charge)/credit	(57)	(129)	(186)	35	(202)	(167)
Prior year credit	3	2	5	5	-	5
Taxation charge for the year	(281)	(137)	(418)	(162)	(126)	(288)

The taxation charge on the Company's profit before tax differs from the theoretical amount that would arise by applying the UK statutory tax rate to the accounting profit of the Company for the reasons as set out in the following reconciliation:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Profit before tax	1,379	1,067
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 25.0% (2023: 23.5%)	(345)	(251)
Adjustments in respect of deferred income tax of previous years	5	5
Adjustments in respect of current income tax of previous years	(5)	(6)
Net non-deductible expenses	(58)	(44)
Change in tax rate	-	(11)
Difference in deferred tax movements for investment properties and financial instruments	(15)	19
Taxation charge for the year	(418)	(288)

The total tax charge for the year ended 31 December 2024 was £418 million (2023: £288 million) based on a profit before tax of £1,379 million (2023: £1,067 million).

The tax charge on profits before certain re-measurements and exceptional items was £281 million (2023: £162 million). Based on a profit before tax, certain re-measurements and exceptional items of £902 million (2023: £485 million), this results in an effective tax rate of 31.2% (2023: 33.4%). The tax charge is higher than statutory rate of 25% (2023: higher than statutory rate 23.5%) primarily due to a large amount of depreciation, which is unallowable for tax purposes, increasing the tax charge for the year (2023: primarily due to a large amount of depreciation, which is unallowable for tax purposes, increasing the tax charge).

In addition, for the year ended 31 December 2024, a tax charge of £137 million (2023: £126 million) was recognised on certain re-measurements arising from fair value movements on financial instruments and investment properties of £499 million (2023: £582 million).

The exceptional loss of £22 million (2023: nil) relating to write-offs is non-deductible for tax purposes and therefore does not impact the tax charge for the year.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. Management has performed an assessment of the UK Pillar 2 rules based on the 2024 data and based on the assessment, the Group qualifies for one of the transitional safe harbours provided in the UK Pillar 2 rules.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

5 Taxation charge *continued*

The non-UK entity is within the UK Controlled Foreign Company (CFC) rules, i.e., the entity is a non-exempt CFC and a CFC tax charge is already allocated within the respective "waters-edge" UK parent entity in respect of 100% of its equivalent UK taxable profits. The Company applies the exemption under FRS 102 'income tax' amendment for recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

There are no items which would materially affect the future tax charge.

6 Property, plant and equipment

	Note	Terminal complex £m	Airfields £m	Plant and equipment £m	Other land and buildings £m	Rail £m	Assets in the course of construction £m	Total £m
Cost								
1 January 2023		12,192	2,085	1,111	368	1,242	1,450	18,448
Additions		-	-	-	-	-	632	632
Capital write-offs		-	-	-	-	-	(7)	(7)
Borrowing costs capitalised	4	-	-	-	-	-	102	102
Disposals		(402)	(27)	(73)	(3)	(35)	-	(540)
Transfer to investment properties	7	-	-	-	-	-	(7)	(7)
Transfer to intangible assets	8	-	-	-	-	-	(72)	(72)
Transfer to completed assets		215	139	46	11	10	(421)	-
31 December 2023		12,005	2,197	1,084	376	1,217	1,677	18,556
Additions		-	-	-	-	-	1,050	1,050
Reclassification		155	(151)	-	(4)	-	3	3
Capital write-offs		-	-	-	-	-	(23)	(23)
Borrowing costs capitalised	4	-	-	-	-	-	93	93
Disposals		(34)	(4)	(16)	(1)	(7)	-	(62)
Transfer to investment properties	7	-	-	-	-	-	(1)	(1)
Transfer to intangible assets	8	-	-	-	-	-	(13)	(13)
Transfer to completed assets		139	105	84	141	11	(480)	-
31 December 2024		12,265	2,147	1,152	512	1,221	2,306	19,603
Accumulated depreciation								
1 January 2023		(5,991)	(639)	(727)	(137)	(574)	-	(8,068)
Charge for the year	2	(466)	(56)	(79)	(14)	(28)	-	(643)
Disposals		402	27	73	3	35	-	540
31 December 2023		(6,055)	(668)	(733)	(148)	(567)	-	(8,171)
Charge for the year	2	(426)	(54)	(65)	(15)	(25)	-	(585)
Disposals		34	4	16	1	2	-	57
31 December 2024		(6,447)	(718)	(782)	(162)	(590)	-	(8,699)
Net book value								
31 December 2024		5,818	1,429	370	350	631	2,306	10,904
31 December 2023		5,950	1,529	351	228	650	1,677	10,385

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

6 Property, plant and equipment *continued*

Other land and buildings

Other land and buildings are freehold.

Assets in the course of construction

The major balances in assets in the course of construction include accumulated costs related to the Long-term Growth of Heathrow, baggage programme projects to install the latest generation of baggage screening machines, the Asset Management programme to replace assets at the end of their useful life, and the Airport resilience programme including tunnels and airfield improvements. Also included in additions to assets in the course of construction are intangible asset additions, primarily computer software costs, with an estimated value of £26 million (2023: £28 million), which will be transferred to intangible assets when substantially all the activities necessary to get the asset ready for use are complete and the asset is available for use.

Accelerated depreciation

Depreciation includes £2 million (2023: £1 million) accelerated depreciation.

Management considered climate-related risks (as described in the CFD from page 52) and associated strategic capital projects that could impact the useful economic lives of Property, Plant and Equipment with no resultant change to useful economic lives.

Write-offs

As outlined on page 16, the regulatory environment that the Group operates in provides cash flow predictability, supporting investment. This limits the Group's exposure to impairment of assets in the course of construction to market conditions, though assets remain exposed to physical damage or obsolescence. In 2024, the Group wrote-off £1 million (2023: £7 million) relating to capital projects paused and discontinued. The Group also wrote-off £22 million (2023: £nil) of Long-term Growth related assets in the course of construction as a result of obsolescence. See the Group's Significant Accounting Judgements and Estimates on pages 164 to 165 for more details. Group climate change risk was also considered in the assessment but did not result in a write-off or impairment charge specifically.

Borrowing costs capitalised

During the year ended 31 December 2024, borrowing costs of £93 million were capitalised (2023: £102 million). Capitalised borrowing costs were calculated by applying an average interest rate of 6.97% (2023: 10.87%) to expenditure incurred on qualifying assets. A tax deduction of £93 million (2023: £102 million) for capitalised borrowing costs was taken in the year. Subsequent depreciation of the capitalised borrowing costs is disallowed for tax purposes. Consequently, the capitalised borrowing costs give rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Regulatory asset base ('RAB')

The regulatory asset base is a regulatory construct, based on predetermined principles not based on IFRS. By investing efficiently in the Airport, we add to the RAB over time. The RAB is an important measure as it represents the invested capital on which Heathrow are authorised to earn a cash return and is used in the financial ratios used to assess covenant compliance as detailed in the financial review. It is used in key financial ratios and in our regulatory financial statements.

RAB at 31 December 2024 was £20,422 million (2023: £19,804 million). The year-on-year increase is primarily driven by high levels of inflation as the RAB is directly linked to the Retail Price Index ('RPI').

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

7 Investment properties

	Car parks £m	Airport operations £m	Land and other £m	Total £m
Valuation				
1 January 2023	1,090	509	631	2,230
Additions	-	-	3	3
Transfer to property, plant and equipment	-	-	7	7
Investment property fair value movements ⁽¹⁾	194	(4)	19	209
31 December 2023	1,284	505	660	2,449
Additions	-	-	71	71
Transfer to property, plant and equipment	-	-	1	1
Disposals	-	-	(1)	(1)
Investment property fair value movements ⁽¹⁾	75	43	29	147
31 December 2024	1,359	548	760	2,667

	Car parks £m	Level 2 Airport operations £m	Land and other £m	Level 3 Car parks £m	Land and other £m	Total £m
Valuation						
1 January 2023	284	509	531	802	104	2,230
Additions	-	-	3	-	-	3
Transfer from property, plant and equipment	-	-	7	-	-	7
Investment property fair value movements ⁽¹⁾	18	(4)	4	180	11	209
31 December 2023	302	505	545	982	115	2,449
Additions	-	-	1	-	70	71
Transfer from property, plant and equipment	-	-	1	-	-	1
Disposals	-	-	(1)	-	-	(1)
Investment property fair value movements ⁽¹⁾	-	43	24	75	5	147
31 December 2024	302	548	570	1,057	190	2,667

(1) Fair value gains in 2024 are primarily due to the impact of improved trading performance across the portfolio. Fair value gains in 2023 are primarily due to the impact of improved trading performance across the portfolio, offset by the impact of higher discount rates.

Investment properties valuations are prepared in accordance with the valuation manual issued by the Royal Institution of Chartered Surveyors and appraised by our property management company CBRE Limited, who are independent and have appropriate recognised qualifications and experience in the categories and location of our investment properties being valued.

On 24 December 2024, the Company acquired a new investment property at an acquisition cost comprising of the purchase price, stamp duty, and associated professional and legal fees. The purchase price was appraised by an external valuer during the bidding process. Following the acquisition, management conducted a review as of 31 December 2024 and concluded that the fair value of the investment property approximates the final purchase price in the completed transaction six days prior, as there had been no significant changes in the valuation assumptions that were previously applied.

Management conducts a detailed review of each property to ensure the correct assumptions and inputs have been used. Meetings with the valuers are held on a periodic basis to review and challenge the assumptions used in the valuation techniques, where they are classified into 3 categories as follows:

Level 1 inputs are quoted prices from active markets at the measurement date using relevant information generated by market transactions involving identical or comparable (similar) assets.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

7 Investment properties *continued*

Level 2 inputs are other quoted market prices directly or indirectly observable and involve a combination of inputs. Non-revenue generating employee car parks, airport operations and land valuations were generated by a market approach involving similar observable transactions along with land value reversion whilst the other assets were valued using the capitalised income approach incorporating net initial and equivalent yield. Some of the valuation incorporated rent free and void periods where relevant in order to determine the most reasonable valuation.

Level 3 inputs are based on unobservable inputs which relate to discounted cash flow technique using an appropriate asset discount rate including growth rates for the relevant revenues and costs based on our business plan. Most of this classification is made up of commercial car parks which account for 85% (2023: 89%) of the valuation. In the case of land, the discounted cash flow methodology has incorporated exit yields, occupancy and ancillary revenues.

There were no transfers between the fair value classifications for investment properties during the year.

By their nature, investment property valuations incorporate long-term passenger trends that incorporate market assumptions on climate change.

Changes in fair values are presented in the income statement as part of other income.

The investment property asset class balance consists of 51% (2023: 52%) car parks, 21% (2023: 21%) airport operations and 28% (2023: 27%) land and others. Level 2 to 3 is split according to the following percentiles respectively: 53% (2023: 55%) and 47% (2023: 45%).

Of the level 3 valuations, 85% (2023: 89%) relates to commercial car parks. The discount rate applied in determining level 3 fair value of commercial car parks varies for each car park, with the rates applied across the portfolio ranging from 8.75% to 9.50%. The sensitivity analysis below relates specifically to fair value movements in car parks within the level 3 valuation

(Decrease)/increase in asset valuation	31 December 2024	31 December 2023
	£m	£m
Car parks – discount rate		
+0.5% pa	(47)	(43)
-0.5% pa	50	46

The property rental income earned by the Company from its investment property, amounted to £276 million (2023: £270 million). Direct operating expenses arising on the investment property, all of which generated rental income in the period, amounted to £15 million (2023: £14 million). The Company has entered into contracts for the maintenance of its investment property, which will give rise to an annual charge of less than £1 million (2023: less than £1 million).

Historical cost

The historical cost of investment properties and land held for development as at 31 December 2024 was £812 million (2023: £742 million).

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

8 Intangible assets

	<i>Note</i>	Software £m	Other intangibles £m	Total £m
Cost				
1 January 2023		363	44	407
Disposals		(9)	-	(9)
Transfer from property, plant and equipment	<i>6,7</i>	22	50	72
31 December 2023		376	94	470
Transfer from property, plant and equipment		13	-	13
Disposals	<i>6,7</i>	(11)	-	(11)
31 December 2024		378	94	472
Accumulated amortisation				
1 January 2023		(214)	-	(214)
Charge for the year	<i>2</i>	(40)	(4)	(44)
Disposals		9	-	9
31 December 2023		(245)	(4)	(249)
Charge for the year	<i>2</i>	(33)	(6)	(39)
Disposals		11	-	11
31 December 2024		(267)	(10)	(277)
Net book value				
31 December 2024		111	84	195
31 December 2023		131	90	221

Software costs

These software costs principally relate to operating and financial software, amortised over a period of between four and fifteen years. Amortisation for the year has been charged through operating costs.

Other intangibles

Other intangibles relate to payments made to Crossrail in return for a service level commitment to operate services to Heathrow for a period of 15 years, which forms the amortisation period. Amortisation for the year has been charged through operating costs.

9 Investment in subsidiary

	2024 £m	2023 £m
Cost at 1 January and 31 December	42	42

Subsidiary	Nature of business	% of share capital held	Class of share
Heathrow Express Operating Company Limited	Railway Operator	100	Ordinary shares of £1 each

Heathrow Express Operating Company Limited, a company registered in the England, United Kingdom, operates the express rail service between Heathrow and central London. The registered address of the company is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

The Investment in subsidiary is assessed annually to determine if there is any indication that the investment might be impaired. At 31 December 2024, it was identified that the financial performance of Heathrow Express Operating Company Limited ('HEX') met budget expectations. Management also performed an operational, industry, and market performance review of Heathrow Express Operating Company Limited and there was no indication of impairment on this investment. As a result, similar to previous year, no value in use calculation was performed.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

10 Inventories

	31 December 2024	31 December 2023
	£m	£m
Consumables	17	17

The total value of inventories consumed in the year was £1 million (2023: £1 million). There is no material difference between the value of inventories in the statement of financial position and their replacement cost.

11 Trade and other receivables

	31 December 2024	31 December 2023
	£m	£m
Non-current		
Amounts owed by group undertakings – interest-bearing ⁽¹⁾	4,410	3,972
Less: provision for impairment	(6)	(6)
Prepaid debt fees ⁽²⁾	3	4
Prepayments	10	11
Other receivables ⁽³⁾	-	127
	4,417	4,108
Current		
Trade receivables	142	149
Accrued income ⁽⁴⁾	103	90
Trade receivables and accrued income	245	239
Less: provision for impairment	(10)	(13)
Trade receivables after accrued income after impairment	235	226
Prepayments	103	44
Interest receivable from group undertakings	364	430
Other receivables	53	99
	755	799
Total trade and other receivables	5,172	4,907

(1) Amounts owed by group undertakings – interest-bearing represents loans receivable from Heathrow (SP) Limited of £4,264 million (2023: £3,964 million) and £785 million promissory notes (2023: £785 million) offset by a promissory note payable of £679 million (2023: £815 million) which have interest rates of BoE+1.5% (2023: 7.57%), 5.82% (2023: 11.29%) and 5.82% (2023: 11.29%) respectively, as well as an amount due from LHR Airports Limited of £40 million (2023: £38 million) with an interest rate of 5.88% (2023: 7.09%).

(2) Prepaid debt fees largely relate to financing fees paid on facilities not yet drawn and are amortised over the term of the facility.

(3) Other receivables reflect amounts paid in December 2023 in relation to the acquisition of a property that was completed in January 2024.

(4) Accrued income is net of any amounts received in advance from customers.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

11 Trade and other receivables *continued*

The fair value of trade and other receivables are not materially different from the carrying value. Trade receivables are non-interest-bearing and are generally on 14-day terms. No collateral is held as security.

As at 31 December 2024, trade receivables of £65 million (2023: £69 million) were fully performing. Trade receivables of £76 million (2023: £80 million) were past due. These relate to a number of independent customers for whom there is no recent history of default.

Movement in the provision for impairment of trade receivables is as follows:

	£m
1 January 2023	16
Impairment of trade receivables	(3)
31 December 2023	13
Impairment of trade receivables	(3)
31 December 2024	10

As at 31 December 2024, trade receivables were considered for impairment under IFRS 9 resulting in a decrease in provision of £3 million (2023: £3 million).

During the year, £1 million of trade receivables (2023: £nil) were written off.

The individual impaired receivables mainly relate to customers who are in difficult economic situations. The creation and release of any provisions for impaired receivables have been included within 'other' operating costs in the income statement as shown in note 2. Amounts charged to the provision account are generally written off when there is no expectation of recovery, with additional impairment for forward looking ECL and probable default.

IFRS 9 also required the Company to recognise a provision for impairment against amounts owed by group undertakings for which £6 million (2023: £6 million) was provided. These amounts are expected to be fully recoverable.

The Company is not exposed to significant foreign currency exchange risk as the majority of trade and other receivables are denominated in Sterling.

12 Cash and cash equivalents and term deposits

	31 December 2024 £m	31 December 2023 £m
Cash at bank and in hand	26	23
Short-term deposits	1,105	166
Cash and cash equivalents	1,131	189
Term deposits	425	1,750
Cash and cash equivalents, and term deposits	1,556	1,939

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates and is subject to interest rate risk. The fair value of cash and cash equivalents approximates to their book value.

Heathrow Airport Limited holds investments in term deposits, which have an original maturity of more than three months.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

13 Borrowings

	31 December 2024 £m	31 December 2023 £m
Current		
Secured		
Class A2 term loan due 2025	100	-
BLA advances from Heathrow Funding Limited	945	877
Total current (excluding interest payable)	1,045	877
Interest payable – external	15	15
Interest payable – owed to group undertakings	567	539
Total current	1,627	1,431
Non-current		
Secured		
BLA advances from Heathrow Funding Limited	12,901	13,216
Class A2 term loan due 2025	-	100
Class A3 term loan due 2029	200	200
Term notes due 2026 – 2054 ⁽¹⁾	1,562	1,362
Total non-current	14,663	14,878
Total borrowings	16,290	16,309

(1) During 2024, the Company issued £200 million in US private placements which included a £20 million green bond issuance.

The table below analyses the contractual maturity of the Company's borrowings falling due after more than one year:

	31 December 2024 £m	31 December 2023 £m
One to two years	1,114	944
Two to five years	2,201	2,674
Over five years	11,348	11,260
	14,663	14,878

Borrowings from group undertakings

Heathrow Funding Limited, a fellow subsidiary company, raises funds from external sources through the issuance of external bonds and use of external derivatives. The proceeds raised are distributed to the Company under the terms of the BLAs.

Advances under the BLAs are secured and are issued on substantially the same terms as the bonds issued by Heathrow Funding Limited, taking into consideration certain of the related hedging instruments. Interest rate swaps, index-linked swaps and cross-currency swaps are entered into by Heathrow Funding Limited to hedge Heathrow (SP) Group's exposures. Interest rate and index linked derivatives are mainly passed through to the Company as back-to-back derivatives, or otherwise incorporated into the related BLAs. Cross-currency swaps are packaged with external non-sterling debt and passed through to the Company under the BLAs.

During the year, following new bonds issued by Heathrow Funding Limited, further advances were made to the Company for £541 million (2023: £691 million), net of transaction costs. In the same period, the Company made repayments of £879 million (2023: £751 million). The effective interest rate on the BLA advances varies between 0.01% and 7.39% (2023: 0.01% and 7.39%).

Facilities

All of the facilities are carried at amortised cost.

The Company had £1,436 million undrawn committed borrowing facilities available as at 31 December 2024 (2023: £1,386 million). In addition, as at 31 December 2024, there was an overdraft limit up to a maximum net overdraft balance of £10 million (2023: £10 million).

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

13 Borrowings *continued*

Facilities *continued*

In September 2023, the Revolving Credit Facility ('RCF') was extended by one year to 2027 and in December 2023 the Group converted the RCF and Working Capital Facility to a Sustainability-Linked Loan ('SLL') following unanimous lender approval. The SLL has three ESG KPIs, two of which reference the Group's scope 1, 2 and 3 carbon emissions (together addressing the entire carbon footprint at the airport), and gender and ethnicity representation in senior manager roles.

Securities and guarantees

The Company, Heathrow Express Operating Company Limited, Heathrow (SP) Limited and Heathrow (AH) Limited (together, the 'Obligors') have granted security to Deutsche Trustee Company Limited (in its capacity as the 'Borrower Security Trustee', for itself and as trustee for the Borrower Secured Creditors) over their property, assets and undertakings to secure their obligations under various financing agreements. Each Obligor has also guaranteed the obligations of each other Obligor under such financing agreements.

The total value secured is £15,479 million (2023: £15,897 million), equal to the gross value of Heathrow (SP) Group debt.

BAA Pension Trust Company Limited, as a trustee from time to time of the BAA Pension Scheme, is a Borrower Secured Creditor and ranks equally in an amount up to £284 million with senior (Class A) debt.

The Company and Heathrow Express Operating Company Limited have provided a guarantee and indemnity in favour of Lloyds Bank plc (in its capacity as the Borrower Account Bank) in respect of each other's obligations under the Borrower Account Bank Agreement and associated financing agreements.

14 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2024				
Current				
Foreign exchange contracts	47	-	(1)	(1)
Index-linked swaps	470	1	(5)	(4)
Total current	517	1	(6)	(5)
Non-current				
Foreign exchange contracts	66	-	(2)	(2)
Interest rate swaps	7,378	633	(640)	(7)
Index-linked swaps	4,831	193	(612)	(419)
Total non-current	12,275	826	(1,254)	(428)
Total derivative financial instruments	12,792	827	(1,260)	(433)
	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2023				
Current				
Foreign exchange contracts	15	-	(1)	(1)
Index-linked swaps	100	-	(26)	(26)
Total current	115	-	(27)	(27)
Non-current				
Interest rate swaps	7,378	555	(812)	(257)
Index-linked swaps	5,301	116	(999)	(883)
Total non-current	12,679	671	(1,811)	(1,140)
Total derivative financial instruments	12,794	671	(1,838)	(1,167)

The Company has index-linked derivative financial instruments where changes in RPI are capitalised to the carrying value of the instrument over its life, with scheduled payments every 5 years.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

14 Derivative financial instruments *continued*

During the year, the Company paid scheduled accretion of £10 million (2023: £94 million) and also elected to make early cash repayments of £632 million (2023: £483 million) of its accrued accretion and an additional £28 million (2023: £nil) of prepaid accretion in advance of the schedule repayment dates, which has had the effect of reducing future accretion payments by £684 million (2023: £527 million). The accretion accrual over index linked swaps at 31 December 2024 is £394 million (2023: £807 million). The nominal value of index-linked derivative financial instruments is £5,447 million (2023: £5,547 million), and cumulative accretion over the life of the instruments is £3,281 million (2023: £3,071 million).

Derivative financial instruments at fair value

The Company enters into derivative transactions, principally interest rate swaps, index-linked swaps and foreign exchange contracts. The purpose of these transactions is to manage interest rate, inflation and currency risks arising from the Company's operations and sources of finance. The Company does not apply hedge accounting in relation to any of its derivative financial instruments.

Interest rate swaps

Interest rate swaps are maintained by the Group, and designated as cash flow hedges, where they qualify, against variability in interest cash flows on current and future floating or fixed borrowings. The gains and losses deferred in equity on the cash flow hedges will be continuously released to the income statement over the period of the hedged risk.

Index-linked swaps

Index-linked swaps have been entered into in order to economically hedge debt instruments, RPI linked revenue and the Regulatory Asset Base ('RAB').

Financial instruments at fair value by category

All of the Company's financial assets and financial liabilities that are held at fair value are classified as derivative financial instruments and are disclosed above. At 31 December 2024 and 2023, all fair value estimates on derivative financial instruments are included in level 2.

Treasury risk management

The Company's financial risk management objectives are aligned with Heathrow Airport Holdings Limited, which is the level at which financial risks for the Company are managed. The treasury policies of the Heathrow Airport Holdings Limited have been disclosed in the internal controls and risk management section of the Strategic report in its statutory annual report and financial statements.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (such as derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques and inputs used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Applicable market-quoted swap yield curves adjusted for relevant basis and credit default spreads.
- The recovery rate and associated reduction in credit risk of super senior ranking derivatives (interest rate and index-linked swaps).
- The fair value of derivatives and certain financial instruments are calculated as the present value of the estimated future cash flows based on observable market inputs such as RPI and credit default swap curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

15 Deferred income tax liabilities

The net movement on the deferred income tax account is as follows:

	2024	2023
	£m	£m
1 January	457	301
Over provision in respect of prior periods	(5)	(5)
Charged to income statement (note 5)	186	167
Charged/(credited) to other comprehensive income	9	(6)
31 December	647	457

Deferred tax is analysed as follows:

	31 December 2024	31 December 2023
	£m	£m
Excess of capital allowances over depreciation	308	266
Retirement benefit obligations	(29)	(37)
Other timing differences	(7)	(8)
Financial instruments	(31)	(109)
Revaluation of investment property to fair value	351	302
Tax on rolled over gains	12	12
Revaluations of property, plant and equipment	43	43
Tax losses carried forward	-	(12)
Deferred income tax liability	647	457

Provision has been made for deferred taxation in accordance with FRS 102.

The net deferred tax liability is expected to increase in 2025 by £54 million. This primarily relates to movements in accelerated capital allowances, carried forward losses and financial instruments.

Deferred income tax assets have been recognised in respect of all deductible temporary differences where it is considered probable that there will be sufficient future taxable income against which these assets will be recovered. There are no unrecognised deferred income tax assets. UK tax losses have no expiry date. The recognition of these deferred income tax assets is supported by a combination of the reversal of taxable temporary differences and forecast future taxable income up to 2051, the year the deferred tax assets are expected to unwind fully.

In assessing the risks associated with future taxable income forecasts that have been used to support recognition, management have concluded that there is significant headroom (over 50%) above the amounts required to support recoverability of the deferred income tax assets. The reliance on future taxable profits has been made with a high level of certainty as there is considerable headroom in the Company's long-term forecasts over and above the amount forecast to be utilised to support recoverability of the deferred income tax assets.

Based on the improved trading performance in the year to 31 December 2024, management consider that the conclusion that deferred tax assets may be recovered against the unwind of existing deferred tax liabilities and future forecast taxable profits, remains appropriate.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations

The Company has applied the requirements of the standard IAS 19 'Employee Benefits (Revised 2011)' ('IAS 19R') for the year ended 31 December 2024.

LHR Airports Limited, which is an indirect subsidiary of HAML Group, is the sponsor of the Defined Benefit ('DB') pension scheme, the Unfunded Unapproved Retirement Benefit ('UURBS') scheme and the Post-Retirement Medical Benefits ('PRM') scheme. Following a decision to re-assess the Company's relationship with the legal sponsor of the retirement benefit schemes, it was determined that Heathrow Airport Limited, and therefore the Company, should act as sponsor in relation to these schemes. As a result, the Company recognises retirement benefit obligations within its financial statements.

The Company's primary defined benefit pension scheme (the 'BAA Pension Scheme' or the 'Scheme') is now closed to new employees. As required by UK pension law, there is a Pension Trustee Board that, together with LHR Airports Limited, is responsible for governance of the Scheme. The employer's contributions are determined based on triennial valuations conducted on assumptions determined by the Trustee and agreed by LHR Airports Limited. The defined benefit obligation or surplus is calculated quarterly by independent actuaries.

LHR Airports Limited also provides unfunded pensions in respect of a limited number of former directors and senior employees whose benefits are restricted by the rules of the Scheme. In addition, LHR Airports Limited provides post-retirement medical benefits to certain pensioners.

LHR Airports Limited operates a defined contribution pension scheme for all employees who joined the Group after 15 June 2008. The Company has no further payment obligations once the contributions have been paid. The total cost of defined contribution pension arrangements is fully expensed as employment costs.

Amounts arising from pensions related liabilities in the Company's financial statements

The following tables identify the amounts in the Company's financial statements arising from its pension-related liabilities. Further details of each scheme (except defined contribution schemes) are within sections a) and b).

Income statement - pension and other pension related liabilities costs

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Employment costs:		
Defined contribution schemes	26	21
BAA Pension Scheme	10	9
Past service charge - BAA Pension Scheme	3	1
	39	31
Finance charge - BAA Pension Scheme	7	5
Finance charge - Other pension and post-retirement liabilities	1	1
Total pension charge	47	37

Other comprehensive income – gain/(loss) on pension and other pension-related liabilities

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
BAA Pension Scheme gain/(loss)	35	(24)
Unfunded schemes gain/(loss)	1	(1)
Actuarial gain/(loss) recognised before tax	36	(25)
Tax (charge)/credit on actuarial gain/(loss)	(9)	6
Actuarial gain/(loss) recognised after tax	27	(19)

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

Amounts arising from pensions related liabilities in the Group's financial statements *continued*

Other comprehensive income – (loss)/gain on pension and other pension-related liabilities continued

For the year-ended 31 December 2024, a past service charge of £3 million (2023: £1 million) was recognised. The past service charge in both years is in relation to a change to scheme rules which ensures the final pensionable salary of scheme members was not impacted by 2020 salary changes.

Statement of financial position – net defined benefit pension (deficit)/surplus and other pension-related liabilities

The net deficit or surplus of the LHR Airports Limited retirement benefit schemes, being the BAA Pension Scheme, Unfunded Unapproved Retirement Benefit Scheme and Post-Retirement Medical Benefit Scheme, are recognised within non-current assets or non-current liabilities if the pension schemes are in a surplus or deficit position respectively. The net surplus or deficit is presented below for the current and previous four financial years.

	31 December				
	2024	2023	2022	2021	2020
	£m	£m	£m	£m	£m
Fair value of plan assets	2,497	2,782	2,735	4,886	4,796
Benefit obligation	(2,596)	(2,910)	(2,839)	(4,543)	(4,784)
(Deficit)/surplus in BAA Pension Scheme	(99)	(128)	(104)	343	12
Unfunded pension obligations	(20)	(22)	(21)	(29)	(30)
Post-retirement medical benefits	(1)	(1)	(1)	(1)	(1)
Deficit in other pension related liabilities	(21)	(23)	(22)	(30)	(31)
Net (deficit)/surplus in pension schemes	(120)	(151)	(126)	313	(19)
Group share of net (deficit)/surplus in pension schemes	(120)	(151)	(126)	313	(19)

The Company has the ability to recognise any surplus in the BAA Pension Scheme in full, because the Company has an unconditional right to a refund of surplus upon gradual settlement of liabilities.

There are no reimbursement rights included within scheme assets which require separate disclosure.

(a) BAA pension scheme

The BAA Pension Scheme is a funded defined benefit scheme with both open and closed sections. The Scheme closed to employees joining the Group after 15 June 2008. The Scheme's assets are held separately from the assets of the HAHG Group and are administered by the trustee.

The value placed on the Scheme's obligations as at 31 December 2024 is based on the full actuarial valuation carried out at 30 September 2021. This has been updated at 31 December 2024 by ISIO Group Limited to take account of changes in economic and demographic assumptions, in accordance with IAS 19R. The Scheme assets are stated at their bid value at 31 December 2024. As required by IAS 19R, the Group recognises re-measurements as they occur in the statement of comprehensive income.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

(a) BAA Pension Scheme *continued*

Analysis of movements in plan assets and defined benefit obligations

	2024	2023
	£m	£m
Fair value of plan assets at 1 January	2,782	2,735
<i>Income statement:</i>		
Interest income on plan assets	122	126
Administration costs	(3)	(3)
<i>Other comprehensive income:</i>		
Re-measurement (loss)/gain (return on assets in excess of interest income on plan assets)	(283)	37
<i>Cash flows:</i>		
Employer contributions (including benefits paid and reimbursed)	15	16
Members' contributions	1	1
Benefits paid (by fund and Group)	(137)	(130)
Fair value of plan assets at 31 December	2,497	2,782
Defined benefit obligation at 1 January	(2,910)	(2,839)
<i>Income statement:</i>		
Current service cost	(7)	(6)
Past service cost	(3)	(1)
Interest cost	(129)	(131)
<i>Other comprehensive income:</i>		
Re-measurements of defined benefit obligation:		
Arising from changes in financial assumptions	321	(70)
Arising from changes in demographic assumptions	5	42
Experience loss	(8)	(33)
<i>Cash flows:</i>		
Members' contributions	(1)	(1)
Employer contributions	(1)	(1)
Benefits paid (by fund and Group)	137	130
Defined benefit obligation at 31 December	(2,596)	(2,910)

The net actuarial gain before tax of £35 million (2023: £24 million loss) for the BAA Pension Scheme resulted from a decrease in obligations due to higher net discount rate of £321 million (2023: £70 million increase), offset by a decrease in assets of £283 million due to over performance relative to discount rates (2023: £37 million increase). In addition, there was a £5 million gain (2023: £42 million) attributable to updated demographic assumptions and an £8 million experience loss (2023: £33 million) when allowing for actual inflation.

The actuarial gain on change in financial assumptions is mainly attributable to an actuarial gain on liabilities resulting from an increase in the net discount rate of 0.90% over the year, based on a discount rate assumption of 5.40% and an RPI inflation assumption of 3.40% which outstripped a loss on assets. The discount rate used has increased from 4.50% in 2023 to 5.40% in 2024 and is derived from the yield on 'high quality corporate bonds' of duration consistent with liabilities of the scheme. The Company adopted a multi-agency approach to setting the discount rate, i.e. for a bond to be treated as high quality it must have a rating of AA (or equivalent) from at least two of the major ratings agencies.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

(a) BAA Pension Scheme *continued*

Analysis of fair value of plan assets

Fair value of plan assets	31 December 2024			31 December 2023		
	Quoted ⁽¹⁾ £m	Unquoted £m	Total £m	Quoted ⁽¹⁾ £m	Unquoted £m	Total £m
Equity	63	456	519	68	423	491
Bonds	257	177	434	224	183	407
Cash	-	42	42	-	33	33
Liability driven investment	-	815	815	-	1,104	1,104
Buy in	-	364	364	-	410	410
Other ⁽²⁾	-	323	323	-	337	337
Total fair value of plan assets	320	2,177	2,497	292	2,490	2,782

(1) Quoted assets have prices in active markets in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(2) Other assets include multi-strategy funds which include diverse holdings in a number of small markets.

At 31 December 2024, the largest single category of investment was a liability driven investment ('LDI') mandate, with a value of £815 million, being 33% of the asset holding (2023: £1,104 million, 40%).

LDI holdings are portfolios of bonds, repurchase agreements, interest rate and inflation derivatives which are intended to protect the Scheme from movements in interest rates and inflation, so that the fair value of this element of the portfolio moves in the same way as the fair value of Scheme's obligations.

Risk exposure

Through its defined benefit pension plans, the Company is exposed to a number of risks as detailed within the statement of investment principles and below:

- Funding: that the Scheme has insufficient assets to cover 100% of the accrued liabilities.
- Mismatching: arising from a difference in the sensitivity of asset and liability values to financial and demographic factors.
- Cash flows: arising from a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- Investment managers: arising from a failure to meet target returns.
- Diversification: an inadequate spread of investments and sources of return.
- Covenant: the possibility of failure of the Scheme's sponsor.
- Counterparty: arising from the failure of a third party to fulfil its obligations under a financial (e.g. derivative or bulk annuity) contract entered into with the Scheme.
- Operations: fraud, poor advice or negligence.
- Leverage: an additional risk introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.
- Regulatory: arises from investing in a market environment where the regulatory regime may change.
- Liquidity: the ease with which assets are marketable and realisable.

These risks are reduced by careful structuring of the Scheme's funding and investment management arrangements, and through the contracts with the investment managers. Counterparty risk is reduced by limiting the exposure to any one counterparty, together with the use of a collateral mechanism for derivative positions that is calculated daily. Operational risk is reduced as far as possible by due diligence on the appointment and review of investment managers, annuity providers and advisors, and by contracts of engagement.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

(a) BAA Pension Scheme *continued*

Analysis of financial assumptions

The financial assumptions used to calculate Scheme assets and liabilities under FRS 102 were:

	31 December 2024	31 December 2023
	%	%
Rate of increase in pensionable salaries	1.90	1.90
Increase to deferred benefits during deferment	3.40	3.30
Increase to pensions in payment:		
Open section	3.15	3.05
Closed section	3.40	3.30
Discount rate	5.40	4.50
Inflation assumption	3.40	3.30

The assumptions relating to longevity underlying the pension liabilities at the reporting date are in line with those adopted for the 2021 actuarial funding valuation, removing prudence, and are based on standard actuarial mortality tables with an allowance for future improvements in longevity. The assumptions are equivalent to a life expectancy for a 65 year old male pensioner of 21.4 years (2023: 21.4 years) and 22.3 years (2023: 22.3 years) from age 65 for a 45 year old male non-pensioner.

The expected rate of inflation is an important assumption for salary growth and pension increase. A rate of inflation is 'implied' by the difference between the yields on fixed and index-linked government bonds.

Interest income on the plan assets is calculated by multiplying the fair value of the plan assets by the discount rate discussed above.

As required under FRS102, interest income on the plan assets is calculated by multiplying the fair value of the plan assets by the discount rate discussed above.

The funding valuation is used to judge the amount of cash contributions the Company needs to put into the pension scheme. It will always be different to the IAS 19 accounting deficit, which is an accounting rule concerning employee benefits and shown in the statement of financial position. Note that for the valuation at 31 December 2024, the assumptions have been updated from those detailed at the September 2021 triennial valuation to allow for actual realised inflation up to November 2024. The future inflation assumptions above are applied for future periods.

Analysis of future cashflows

UK legislation requires that pension schemes are funded prudently. In December 2021, the trustee of the BAA Pension Scheme concluded a formal actuarial valuation of the Scheme as at September 2021. The next actuarial valuation of the BAA Pension Scheme will be measured as at 30 September 2024. Work on the valuation has commenced and is expected to conclude in 2025.

The September 2021 funding valuation identified a surplus of £119 million, consequently LHR Airports Limited have agreed that no deficit repair contributions are required. Previously, deficit repair contributions of £20 million per annum were paid.

The valuation also considered the cost of the benefits that will be built up over the remaining future lifetime of active members. The table below gives a breakdown of the future service cost at 30 September 2021 and the cost at 30 September 2018 for comparison. Active members pay contributions to the Scheme as a condition of membership.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

(a) BAA Pension Scheme *continued*

Analysis of future cashflows continued

Future service contributions over the future lifetime of active members whilst employed by the Group	30 September 2021	30 September 2018
	% of base salary including shift pay	% of base salary including shift pay
Cost of pension benefits	29.0	26.4
Plus administration expenses (including the PPF levy)	-	2.6
Less members' contributions	(3.4)	(3.4)
Employer future service contribution rate	25.6	25.6

Sensitivity analysis of significant assumptions

The following tables present a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected, before and after tax, by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

The standard market practice is to include sensitivity to a change of between 0.1% and 1%. We considered 1.0% for discount rate and 0.5% for inflation rate to be reasonable and in line with market practice and the movements in assumptions observed in 2024.

(Decrease)/increase in defined benefit obligation	31 December 2024		31 December 2023	
	Before tax £m	After tax £m	Before tax £m	After tax £m
Discount rate				
+1.00% (2023: +1.00%) discount rate	(323)	(242)	(386)	(290)
-1.00% (2023: -1.00%) discount rate	400	300	484	363
Inflation rate				
+0.50% (2023: +0.50%) inflation rate	130	98	162	121
-0.50% (2023: -0.50%) inflation rate	(128)	(96)	(154)	(115)
Mortality				
Increase in life expectancy by one year	77	58	89	67

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant, therefore interdependencies between assumptions are excluded, with the exception of the inflation rate sensitivity which also impacts salary and pension increase assumptions. The analysis also makes no allowance for the impact of changes in gilt and corporate bond yields on asset values. Sensitivities calculated for 2024 have been updated for the CMI 2023 model as noted above in the analysis of financial assumptions.

The total contributions by the Company to the defined benefit pension scheme in 2025 are expected to be £14 million. The levels of contributions are based on the current service costs and the expected cash flows of the defined benefit pension scheme. The Company estimates the present value of the duration of the Scheme liabilities on average fall due over 15 years (2023: 16 years).

The Group is aware of the High Court's June 2023 judgement in the case of Virgin Media Limited vs NTL Pension Trustees II Limited, which was upheld on appeal in July 2024. The High Court's judgement means that for some defined benefit pension schemes, amendments made between 1997 and 2016 will be void unless the amendment was accompanied by confirmation that specific criteria were met.

The trustees of the Scheme are investigating the effect of the High Court's decision on the Scheme. The Group is not currently aware of any effect on the Scheme. Therefore, the defined benefit obligation for the Scheme has been calculated on the basis of the pension benefits currently being administered.

Management believes that the scheme has no significant plan specific or concentration risks.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

16 Retirement benefit obligations *continued*

(b) Other pension and post-retirement liabilities

LHR Airports Limited also provides unfunded pensions in respect of a limited number of former directors and senior employees whose benefits are restricted by the Scheme rules. The unfunded pension obligations amount to £20 million (2023: £22 million) and are included in the statement of financial position.

In addition, LHR Airports Limited provides post-retirement medical benefits to certain pensioners. The present value of the future liabilities under this arrangement is £1 million (2023: £1 million) and this is also included in the statement of financial position.

The value of these unfunded pensions has been assessed by the actuary using the same assumptions as those used to calculate the Scheme's liabilities.

17 Provisions

	Home loss payments	Other	Total
	£m	£m	£m
Current	2	-	2
Non-current	-	1	1
31 December 2023	2	1	3
Current	2	-	2
Non-current	-	1	1
31 December 2024	2	1	3

Home loss payments

Between 2005 and 2011, the Company entered into a number of agreements (Property Market Support Bonds) to buy residential properties in the previous third runway blight area. The purchase price for these properties included a deferred 10% payment ('deferred payment') which was to be settled in cash when planning consent was obtained. In October 2016, the Government announced its decision in favour of expansion at Heathrow and following board approval, a public statement was issued by the Company stating its intention to apply for planning consent. Legal advice was that the Company would be required to pay the deferred payment. As a result, in the year ended 31 December 2016, Heathrow created a provision for the deferred payment equal to the amount it expects to pay of £8 million.

As at 31 January 2020 any unredeemed bond payments have lapsed. Heathrow does not have any further obligation to purchase properties or make any home loss payments.

Heathrow had continued to locate previous bond holders and as at year ended 31 December 2023 and 31 December 2024, total cumulative amount utilised was £5 million paid resulting in a closing balance of £2 million. These payments were proactively paid as per the residential property agreement. In some instances, there were difficulties in tracing core dependants of the original property and securing robust documentation and hence payments had been slower than anticipated. Heathrow is no longer locating bond holders, however, carries a provision of £2 million, equal to the closing balance.

Other

These provisions relate to insurance claims liability from incidents which occurred at Heathrow Airport.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

18 Trade and other payables

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Non-current		
Other payables	1	2
	1	2
Current		
Deferred income	12	17
Trade payables ⁽¹⁾	231	251
Other tax and social security	9	9
Other payables	115	56
Capital payables	181	123
Amount owed to group undertakings – interest-free	83	49
Amount owed to group undertakings – interest-bearing ⁽²⁾	107	96
	738	601

(1) Trade payables are non-interest-bearing and are generally on 30-day terms.

(2) Amounts owed by group – interest-bearing represents loans payable to Heathrow Express Operating Company Limited with an interest rate of Bank of England base rate+1.5%.

The fair value of trade payables and other payables are assumed to materially equate to their carrying value due to their short-term nature.

19 Share capital

Called up, allotted and fully paid

	Number	£m
Ordinary shares of £1.00 each		
1 January 2024	647,051,095	647
Bonus issue share capital	958,000,000	958
31 December 2024	1,605,051,095	1,605

The Company issued bonus shares from retained earnings on 19 February 2024 (500 million ordinary shares at £1 each for £500 million) and 23 August 2024 (458 million ordinary shares at £1 each for £458 million).

20 Dividends paid

No dividends were paid during the year ended 31 December 2024 (2023: £nil).

21 Commitments and contingent liabilities

Non-cancellable operating lease commitments – Company as a lessee

Total future minimum rentals payable as at the year-end are as follows:

	31 December 2024		31 December 2023	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	5	35	4	33
Within two to five years	17	135	16	125
After five years	24	463	28	488
	46	633	48	646

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

21 Commitments and contingent liabilities *continued*

Non-cancellable operating lease commitments – Company as a lessee *continued*

The Company leases various offices, warehouses, plant and machinery under non-cancellable operating lease agreements. A significant portion of the commitments classified as 'other' relate to the UK Power Networks Services Limited ('UKPNS') lease. The amounts disclosed are the total estimated charges under the agreement including both the actual lease commitment and the significant maintenance element of the fee payable to UKPNS, as neither the Company nor UKPNS are able to split the base fee between a 'capital' and 'maintenance' charge. This is because the component parts within the distribution network will be replaced throughout the arrangement.

Non-cancellable operating lease commitments – Company as a lessor

Total future minimum rentals receivable as at the year-end are as follows:

	31 December 2024	31 December 2023
	Land and buildings	Land and buildings
	£m	£m
Within one year	84	75
Within two to five years	270	259
After five years	2,068	2,072
	2,422	2,406

The Company uses a number of different leasing and contractual structures depending on the type and location of the investment property. Typically, in multi-let offices and industrial premises a standard indefinite tenancy is used, which is terminable by the tenant on three months' notice at any time. However, it is common for the accommodation to remain let or be quickly re-let should it be vacated. For larger, stand-alone premises, e.g., cargo sheds, longer leases of multiples of three years are used.

Car rental facilities are operated under concession agreements subject to minimum guaranteed payments and the amounts are included above. Public car parks are covered by a single management contract.

Commitments for capital expenditure

Commitments for property, plant and equipment

The figures in the following table are contractual commitments to purchase goods and services at the reporting date.

	31 December 2024	31 December 2023
	£m	£m
Contracted for, but not accrued:		
Asset management and compliance	258	226
Carbon and sustainability	16	7
Commercial proposition	29	10
Improve efficiency and service	12	2
Terminal 2 baggage system	176	23
Next generation security	146	112
Modernising Heathrow	2	-
	639	380

During 2023, the Company entered into a financial commitment for the acquisition of property amounting to £127 million. As disclosed in note 11, the amount was paid in December 2023 and recognised in other receivables. The property transaction was completed on 2 January 2024 at which point the property was reflected as an addition to property, plant and equipment.

Contingent liabilities

As at 31 December 2024 the Company has no external contingent liabilities (2023: £nil).

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

22 Related party transactions

The Company is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are wholly-owned subsidiaries of the FGP Topco Limited Group.

During the year the Company entered into the following transactions with related parties that are not wholly owned subsidiaries of the FGP Topco Limited Group.

Purchase of goods and services from related parties	Year ended	Year ended
	31 December 2024	31 December 2023
	£m	£m
Amey OWR Ltd	1	-
Ferrovial Construction	85	59
Heathrow Enterprises Limited	3	3
LHR Building Control Services Limited	1	1
LHR Airports Limited	22	21
	112	84

Sales to related parties	Year ended	Year ended
	31 December 2024	31 December 2023
	£m	£m
Harrods International Limited	10	10
Qatar Airways	67	68
	77	78

Balances outstanding with related parties

	31 December 2024		31 December 2023	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	£m	£m	£m	£m
Ferrovial Construction	-	3	-	6
Qatar Airways	2	-	6	-
	2	3	6	6

The related parties above are related through ownership by the same parties. Related party transactions relate primarily to construction projects, loans and interest payable, and are conducted on an arms-length basis.

Heathrow Airport Limited

Notes to the Company financial statements for the year ended 31 December 2024 *continued*

23 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Heathrow (AH) Limited, a company registered in England, United Kingdom.

The ultimate parent entity is FGP Topco Limited, which is the parent undertaking of the largest group to consolidate these financial statements.

Prior to 12 December 2024, the shareholders of FGP Topco Limited all held ordinary shares in the following proportion; Hubco Netherlands B.V. (25.00%) (an indirect subsidiary of Ferrovial, S.A., Spain), Qatar Holding Aviation (20.00%) (a wholly owned subsidiary of Qatar Holding LLC), Caisse de dépôt et placement du Québec (12.62%), Baker Street Investment Pte Ltd (11.20%) (an investment vehicle managed by GIC Special Investments Pte. Ltd), QS Airports UK, LP (11.18%) (an investment vehicle of Australian Retirement Trust), Stable Investment Corporation (10.00%) (an investment vehicle of the China Investment Corporation) and USS Buzzard Limited (10.00%) (wholly owned by the Universities Superannuation Scheme).

On 12 December 2024, Ferrovial, S.A., Caisse de dépôt et placement du Québec and the Universities Superannuation Scheme completed a sale of 37.62% of issued share capital of FGP Topco Limited to entities owned by Ardian and the Public Investment Fund. Following this transaction, the shareholders of FGP Topco Limited all hold ordinary shares in the following proportion; InfraEuropa SCA (22.61%) (an investment vehicle of Ardian), Qatar Holding Aviation (20.00%) (a wholly owned subsidiary of Qatar Holding LLC), Alrahala First Investment Company (15.01%) (a wholly owned subsidiary of Saudi Arabia Public Investment Fund), Baker Street Investment Pte Ltd (11.20%) (an investment vehicle managed by GIC Special Investments Pte. Ltd), QS Airports UK, LP (11.18%) (an investment vehicle of Australian Retirement Trust), Stable Investment Corporation (10.00%) (an investment vehicle of the China Investment Corporation), Hubco Netherlands B.V. (5.25%) (an indirect subsidiary of Ferrovial, S.A., Spain), Caisse de dépôt et placement du Québec (2.65%) and USS Buzzard Limited (2.10%) (wholly owned by the Universities Superannuation Scheme).

The Company's results are also included in the audited consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2024, which is the parent undertaking of the smallest group to consolidate these financial statements. They are also included in the audited consolidated financial statements of Heathrow Finance plc, Heathrow Airport Holdings Limited and FGP Topco Limited for the year ended 31 December 2024.

Copies of the financial statements of FGP Topco Limited, Heathrow Airport Holdings Limited, Heathrow Finance plc and Heathrow (SP) Limited can be obtained by writing to the Company Secretarial Department at The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW. This is the registered office for the smallest and the largest undertaking to consolidate these financial statements.

24 Subsequent events

On 20 February 2025 the Directors of Heathrow Airport Holdings Limited proposed a dividend of £250 million. The proposed dividend is intended to finance a future dividend being paid by the ultimate parent company of the Group, FGP Topco Limited. To facilitate the future dividend to shareholders of FGP Topco Limited the Company will be required to undertake a capital reduction in which £250 million of share capital will be returned to the parent company, Heathrow (AH) Limited.

Registered office

Heathrow Airport Limited, The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW

Registered in England Number: 01991017

Heathrow Airport Limited

Alternative Performance Measures (APMs) - Unaudited

The Company presents its results in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') - Financial Reporting Standard 102 ('FRS 102'). Management also produces Alternative Performance Measures ('APMs') which are other financial measures not defined by FRS 102. Management relies on these APMs for decision making and for evaluating the Company's performance. Below we provide an explanation of each APM.

EBITDA

EBITDA is profit or loss before interest, taxation, depreciation and amortisation. EBITDA is a useful indicator as it is widely used by investors, analysts and rating agencies to assess operating performance.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Profit for the year	961	779
Tax charge	418	288
Net finance costs	91	608
Operating profit	1,470	1,675
Depreciation and amortisation	623	687
EBITDA	2,093	2,362

Adjusted EBITDA

Adjusted EBITDA is profit or loss before interest, taxation, depreciation, amortisation, fair value gains and losses on investment properties and exceptional items. Fair value gains and losses on investment properties are excluded as they can vary significantly from one year to the next due to market perceptions of the value of the property and the accounting method used to calculate the fair value. Exceptional items are outlined in note 3. These are excluded due to their size and the fact that they are not representative of a normal trading year. Adjusted EBITDA is an approximation of pre-tax operating cash flow and reflects cash generation before changes in working capital and investment. The APM assists investors to value the business (valuation using multiples) and rating agencies and creditors to gauge levels of leverage by comparing adjusted EBITDA with net debt.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Profit for the year	961	779
Tax charge	418	288
Net finance costs	91	608
Operating profit	1,470	1,675
Depreciation and amortisation	623	687
Exceptional items	22	-
Fair value gain on investment properties	(147)	(209)
Adjusted EBITDA	1,968	2,153

Adjusted operating profit

Adjusted operating profit or loss shows operating results excluding fair value gains and losses on investment properties and exceptional items. These are excluded as they can vary significantly from one year to the next due to market perceptions of the value of the property and the accounting method used to calculate the fair value. The adjusted measure is used to assess underlying performance of the trading business.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Operating profit⁽¹⁾	1,470	1,675
Exceptional items	22	-
Fair value gain on investment properties	(147)	(209)
Adjusted operating profit	1,345	1,466

(1) Operating profit is presented on the Company income statement; there is no mandatory requirement to disclose an operating profit line however it is a generally accepted profit measure.

Heathrow Airport Limited

Alternative Performance Measures (APMs) - Unaudited *continued*

Net finance costs before certain re-measurements

Net finance costs before certain re-measurements exclude fair value gains and losses on financial instruments. Excluding fair value gains and losses can be useful to investors and financial analysts when assessing the Company's underlying profitability, as measured by adjusted EBITDA, because they can vary significantly from one year to the next. A significant portion of the fair value gains and losses on financial instruments occur due to the business entering into arrangements to hedge against future inflation. As the Company does not apply hedge accounting, fair value gains and losses create significant volatility in our income statement.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Finance income	447	470
Finance costs	(538)	(1,078)
Net finance costs after certain re-measurements	(91)	(608)
Fair value gain arising on re-measurement of financial instruments	(352)	(373)
Net finance costs before certain re-measurements	(443)	(981)

Adjusted profit before tax

Adjusted profit or loss before tax excludes fair value gains and losses on investment properties and financial instruments and exceptional items. Excluding these can be useful to investors and financial analysts when assessing the Company's underlying profitability, because they can vary significantly from one year to the next.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Profit before tax	1,379	1,067
Exceptional items	22	-
Fair value gain on investment properties	(147)	(209)
Fair value gain arising on re-measurement of financial instruments	(352)	(373)
Adjusted profit before tax	902	485

Adjusted profit after tax

Adjusted profit or loss after tax excludes fair value gains and losses on investment properties and financial instruments, exceptional items and the associated tax. Excluding these can be useful to investors and financial analysts when assessing the Company's underlying profitability, because they can vary significantly from one year to the next.

	Year ended 31 December 2024	Year ended 31 December 2023
	£m	£m
Profit after tax	961	779
Exceptional items	22	-
Fair value gain on investment properties	(147)	(209)
Fair value gain arising on re-measurement of financial instruments	(352)	(373)
Tax charge on fair value gain on investment properties and re-measurement of financial instruments	137	126
Adjusted profit after tax	621	323

Heathrow Airport Limited

Alternative Performance Measures (APMs) - Unaudited *continued*

Regulatory Asset Base ('RAB')

The regulatory asset base is a regulatory construct, based on predetermined principles not based on UK GAAP. By investing efficiently in the Airport, we add to the RAB over time. The RAB is an important measure as it represents the invested capital on which Heathrow are authorised to earn a cash return and is used in the financial ratios used to assess covenant compliance as detailed in the financial review. It is used in key financial ratios and in our regulatory financial statements.

	31 December 2024	31 December 2023
	£m	£m
Regulatory Asset Base ('RAB')	20,422	19,804