

ANNUAL REPORT 2021



#WEARENATO



CONTENTS

| | |
|---|--------------|
| INTRODUCTION | 4-11 |
| NSPA at a Glance | 5 |
| Executive Summary | 6-7 |
| Foreword | 8-9 |
| Governance | 10-11 |
| BUSINESS CAPABILITY DELIVERY | 12-29 |
| Support to Operations | 13-14 |
| Life Cycle Management (LCM) | 15-19 |
| Central Europe Pipeline System (CEPS) | 20 |
| NATO Airlift Management (NAM) | 21 |
| BUSINESS SUPPORT | 22-26 |
| Procurement | 23 |
| Finance | 24-25 |
| Information Technology (ICT) | 26 |
| Internal Control (IC) | 26 |
| Customer Satisfaction | 26 |
| CONCLUSION AND WAY FORWARD | 27 |

INTRODUCTION

NSPA AT A GLANCE

The NATO Support and Procurement Agency (NSPA) brings together, in a single organisation, acquisition, logistics, medical and infrastructural capabilities, operational and systems support and services to the NATO nations, NATO Military Authorities and partner nations.



NSPA is headquartered in the Grand Duchy of Luxembourg, with main operational centres in France, Hungary, Italy and the United States.

The Agency employs around 1,550 staff and oversees over 300+ contractors in NATO's missions across the world.

Established in 1958, NSPA enables the consolidation and centralisation of logistics management functions, providing a "cradle to grave" support and allowing its customers to achieve economies of scale.



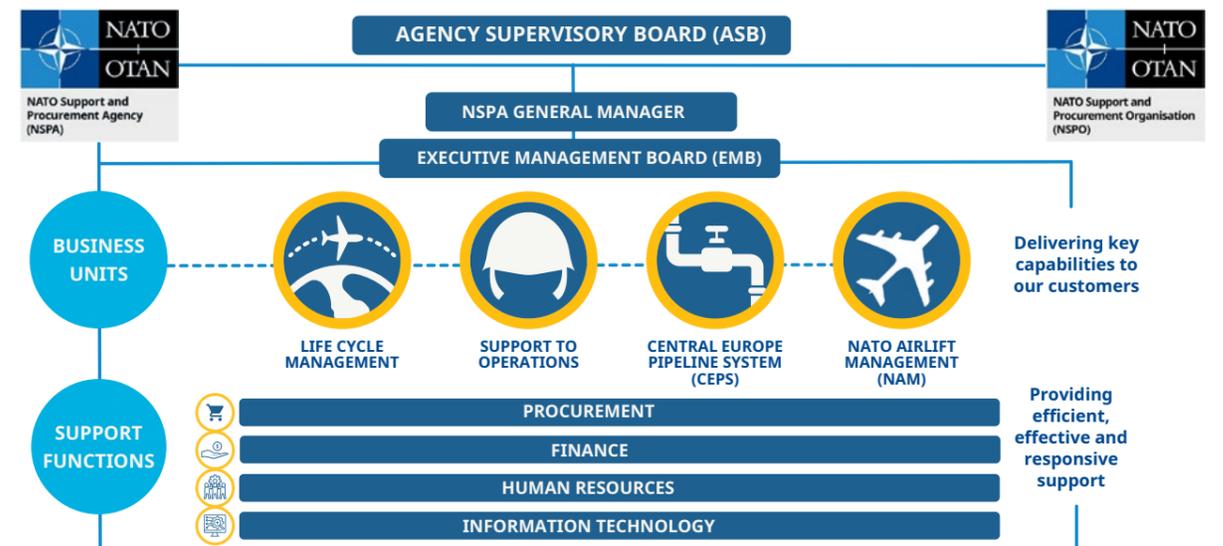
An unbiased link between industry and the nations

60,000 +
Companies registered in
NSPA Source File

~10,000
Companies actively doing
business with NSPA

As one of the four NATO Agencies, the NSPA operates under the North Atlantic Council-approved charters.

The Agency is the executive body of the NATO Support and Procurement Organisation (NSPO), of which all 30 NATO nations are members. Those nations are represented in the NSPO Agency Supervisory Board (ASB), which directs and controls the activities of the NSPA.



EXECUTIVE SUMMARY

In 2021, the NATO Support and Procurement Agency (NSPA) delivered major projects and programmes in support of NATO's goals, objectives and priorities, which were reinforced by the General Manager (GM) objectives and Lines of Development (LOD).

Promoting the NATO 2030 Agenda for the Future through Agency business activities included an increase in Partnership Agreements, the delivery

to establish a new Medical Support Partnership. Delivery to and for our customers is underpinned by strong teams of business enablers.

For the third year in succession, NSPA was awarded an unqualified audit opinion for compliance with NATO Financial Regulations (NFR) and Civilian Personnel Regulations (CPR). Additionally, and also for a third successive year, the International Board of Auditors



of logistics, infrastructure, pre-positioning, medical support, exploiting upcoming technology in NATO's Emerging and Disruptive Technology (EDT) work and the Defence Innovation Accelerator for the North Atlantic (DIANA), and capability overhaul and maintenance. Due to the closure of the Resolute Support (RS) Mission in Afghanistan, NSPA's business turnover dropped to 3.2 BEUR in 2021. Business turnover 2013 to 2021 is displayed in Figure 1.

for NATO (IBAN) issued an unqualified audit opinion on the financial figures presented in the NSPO Financial Statements for 2020. This demonstrates that the Agency has successfully embedded the major changes to financial governance and that financial reporting adheres to internationally accepted standards.

Enabling nations' response to the COVID-19 pandemic endured, with the transport of a cumulative total of over 1000 tonnes of medical equipment and disposables, remote maintenance of key military capabilities, and the ongoing negotiation and procurement of medical contracts that seek best value and assurance to our nations. Furthermore, the emergency response to the crisis has resulted in nations agreeing, in principle,

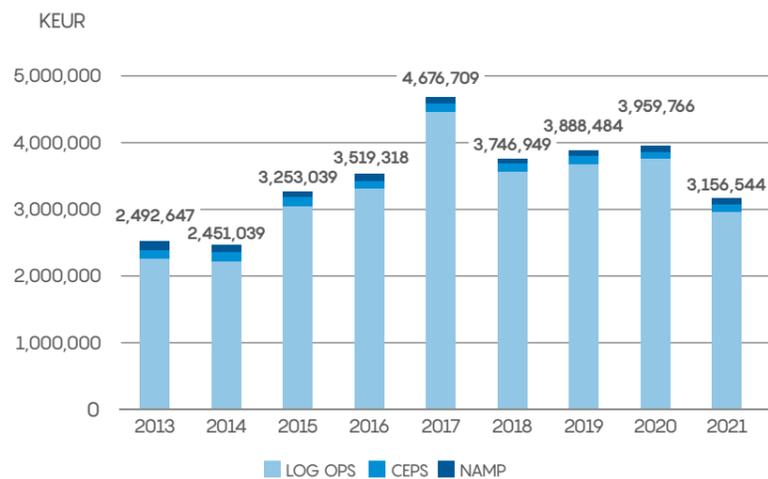


Figure 1 – NSPA Business turnover 2013 – 2021

Capability delivery

The closure of the RS Mission triggered the drawdown of NSPA support and the termination of current and future contracts. Agency staff adapted to ensure retrograde activities took place as effectively as possible and deployed staff were key in the NATO-coordinated evacuation from Kabul. The NATO Airlift Management (NAM) Programme also flexed its capabilities to assist the air evacuation (17 missions, 2500 people evacuated). By supporting NATO military forces during the evacuation, our staff were amongst the last NATO civilians to leave the area, which was recognised in NATO Headquarters with five Meritorious Service Medals awarded to NSPA staff. Support to the non-NATO coalition Mali operation is a first for NSPA, also demonstrating our flexibility and capability to our customers.

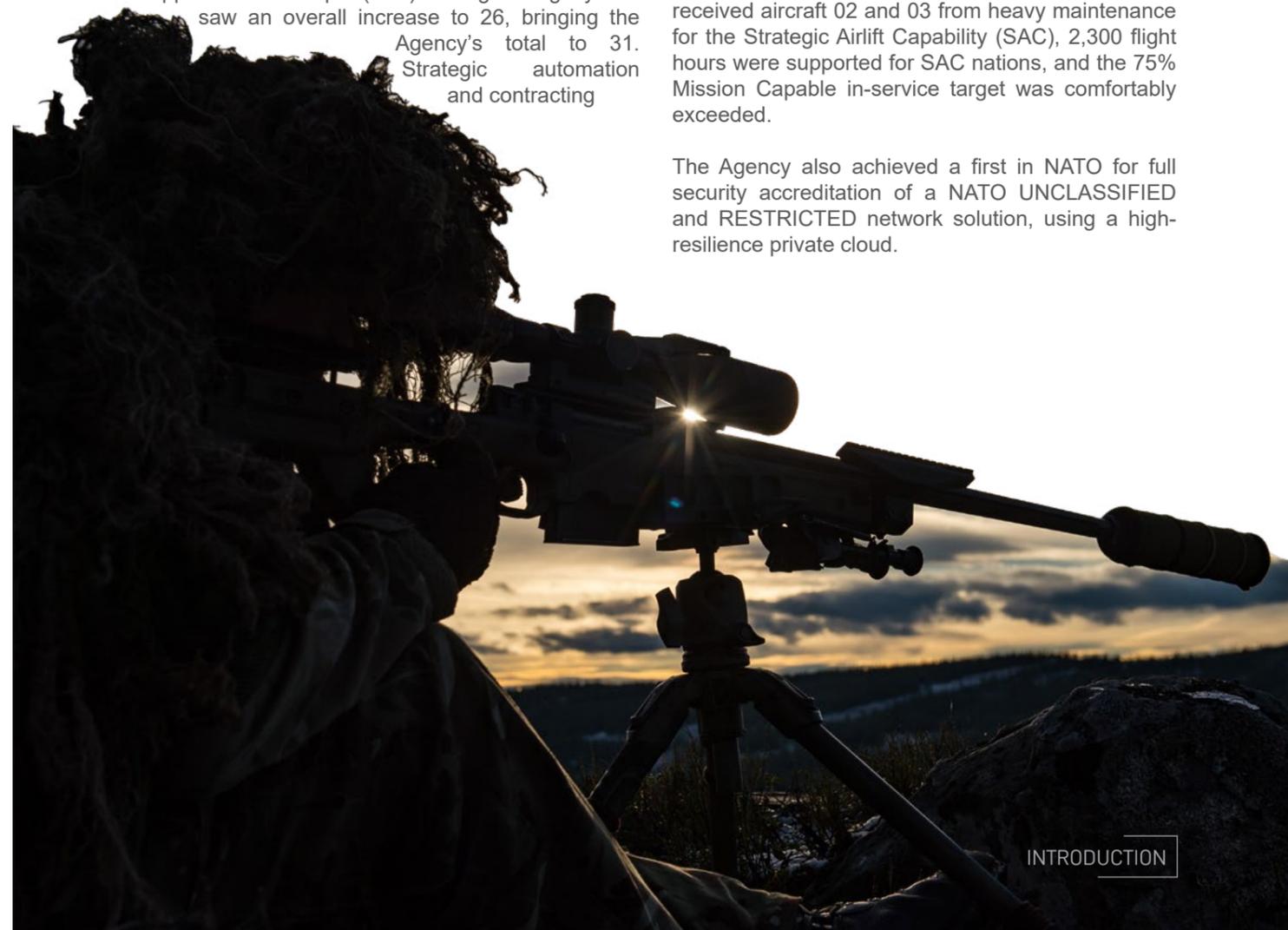
In the Life Cycle Management (LCM) domain, the Support Partnerships (SPs) changed slightly but saw an overall increase to 26, bringing the Agency's total to 31. Strategic automation and contracting

of spares and supply chains generated savings and efficiencies across the SPs and capabilities. Supported by the Procurement Directorate, LCM made progress with all of the flagship programmes in 2021. Of particular note was NATO's Alliance Ground Surveillance (AGS) reaching Initial Operational Capability (IOC), and participating nations tasking NSPA as the Acquisition Agent for the Concept Stage of the Next Generation Rotorcraft Capability (NGRC).

Over 90 weapons systems, small to large, are managed through stages or throughout their acquisition lifecycle.

The Central Europe Pipeline System (CEPS) Programme and NATO Airlift Management (NAM) Programme were both highly effective in delivering their core objectives and customer requirements. CEPS transported 9.7 Million Cubic Meters (Mm3) of fuel with a 100% storage usage, and maintained oversight of 438 infrastructure projects. NAM received aircraft 02 and 03 from heavy maintenance for the Strategic Airlift Capability (SAC), 2,300 flight hours were supported for SAC nations, and the 75% Mission Capable in-service target was comfortably exceeded.

The Agency also achieved a first in NATO for full security accreditation of a NATO UNCLASSIFIED and RESTRICTED network solution, using a high-resilience private cloud.



FOREWORD

In approaching the end of my three-year tenure as the ASB Chairperson, I can indeed state that NSPO's longstanding governance frameworks and structures remain intact, and that our processes continue to support our decision-making - all of which has allowed me to facilitate our Organisation's continuous adaptation to new challenges and progress in various areas.

Dealing with the pandemic during the course of 2021 has been challenging by any measure. Nevertheless, the ASB and its subordinate bodies demonstrated resilience by making full use of informal pre-meetings, out-of-committee procedures and seeking comments from Allies in advance of our virtual meetings. In doing so, we were able to maintain, and in some areas enhance, the context and flow of information between National Representatives and the Agency.

By recognizing the changes and impacts of the geopolitical, economic and technical environment, the Board agreed that further consultations with our new General Manager will be required to reflect her ideas and initiatives within a new Strategic Guidance and Direction. Steady progress was made and decisions were taken to implement the Strategic Infrastructure Programme in Capellen, for which



we are grateful to Luxembourg for its generous contributions. The Board also decided on the migration of the Agency's aging ERP system, which is not only aimed at enhancing the digital integration between customers and suppliers, but will also provide a broader basis for internal digitization and improve the efficiency and automation of the Agency's processes.

During 2022 the Board will review proposals targeted to retain the Agency's operational support capabilities and sustain its acquisition role. Additionally, in order to address concerns over ever-increasing administrative costs, the ASB will consider the Agency's initial assessments regarding its value proposition to its broad customer base. In sum, this Report speaks for itself. Notwithstanding, I am pleased to recognize both the National Representatives and the Agency for their unwavering commitment, commendable achievements and mutual support provided during this unprecedented year.

Wolfgang Gäbelein

Chairperson of the NATO Support and Procurement Organisation (NSPO) Agency Supervisory Board (ASB)

I joined the NSPA team at the start of September. The Agency has a strong and positive reputation amongst customers and nations and, with my background in military acquisition and experience as a leader of large and effective teams, my transition into this position was well supported by the leadership team of NSPA. My seamless assumption of responsibilities from the former GM was also assisted by the existing, carefully considered plans for the current and future mission in support of NATO.

This report conveys a summary of the Agency's successes and challenges in 2021. NSPA is at the forefront of NATO activities, supporting our Allies and Partner Nations through multinational acquisitions using economies of scale: NSPA acquires, operates, provides services and maintains everything through an unbiased link between industry and the nations. Furthermore, when the Resolute Support Mission abruptly ended, due to their absolute commitment to service delivery and our people, NSPA staff were amongst the last NATO



civilians to leave Kabul. In the last few months of 2021, I began to review the structures, activities and purpose of the Agency. In 2022, my team will seek clarity of mission, vision and priorities. Our Strategic Framework will be updated with the goal to identify ways to be more efficient, effective and responsive.

Our contribution to NATO's 2030 Agenda for the Future is mature. However, further opportunities will be sought to support the environmental narrative and leverage technology to adapt to a more complex and competitive world. I look forward to leading the Agency into the next chapter of its long and successful history as the lead organisation for multinational acquisition, support and sustainment to NATO nations.

Stacy A. Cummings

General Manager of the NATO Support and Procurement Agency (NSPA)



GOVERNANCE

The NSPO is a subsidiary body within the framework of NATO with a view to meet, to the best advantage, the collective requirements of some or all Allies. Its Governance Structure is at Figure 2. The requirements are in the fields of acquisition, capability, support and logistics provision to NATO and its constituent nations individually and collectively, in time of peace, crisis and war. Through its Charter, the Council has granted NSPO a clearly defined organisational, administrative and financial independence.

Governance oversight and control are exercised by the NSPO ASB, the sole entity reporting to the

Council on NSPO/A activities, composed of a representative of each NATO Nation. Its principal functions are outlined in the NSPO Charter¹. ASB decisions are reached by consensus. To facilitate the decision-making process, the Board is assisted by three subordinate advisory bodies: the Finance, Administration and Audit Committee; the Logistics Committee and the ASB Strategic Advisory Group. With the exception of a certain number of organic capabilities, such as NSPA Random Brokerage, or special projects, programmatic governance and oversight are typically delegated to NSPO subordinate governance bodies².

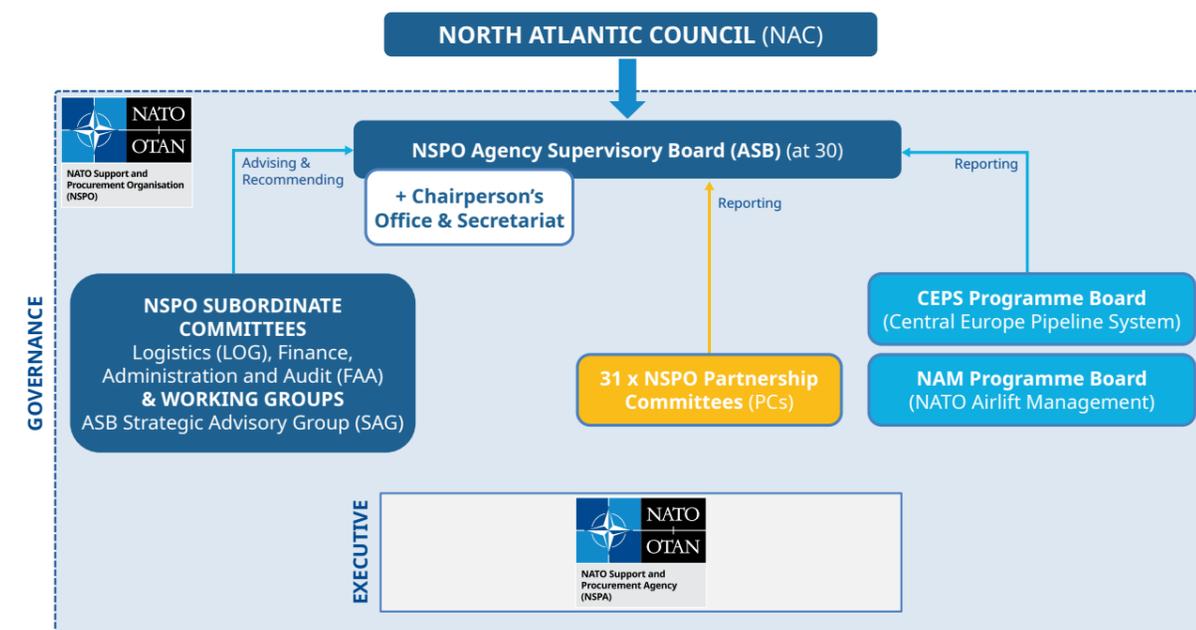


Figure 2 – NSPO Governance Structure

¹ Charter of the NATO Support and Procurement Organisation (including Corrigendum dated 13 October 2017).

² Programme Boards, established by the Council to oversee and govern the execution of the respective multinational Programmes (CEPS and NAM); Support or Procurement Partnership Committees for two or more member Nations wishing to organise common support for specific activities.

The Central Europe Pipeline System (CEPS) Programme Board

As an integrated cross-border, multi-product petroleum distribution and storage system, the CEPS is NATO's largest pipeline system covering 5,273 kilometers and 36 storage depots. Belgium, France, Germany, Luxembourg, the Netherlands and the United States are the six member Nations leading the governance of the Programme. In 2021, the COVID-19 pandemic continued to have an impact on the CEPS activity. Demand was still low, and the 2020 exceptionally high-level of planned volumes that could not be executed were not compensated by Ship-or-Pay penalties, which would have applied under normal circumstances. The decision to waive those penalties (amounting to 21 MEUR) was taken based on the declaration of Force Majeure by many non-military customers. Nevertheless, the CEPS 2021 operational revenues amounted to 99.5 MEUR, which reflected a positive trend when compared to 2020. In addition to the regular decisions on investments and budget authorisations, the Programme Board (PB) reaffirmed the importance of the near future introduction of Sustainable Aviation Fuel into the CEPS and approved the Contributions Cost Share Key for the 2023 to 2027 period. The establishment of a management band for the CEPS Operating Fund enables the CEPS Programme to remain focused on sustaining network readiness.

NATO Airlift Management (NAM) Programme Board

Bulgaria, Estonia, Hungary, Lithuania, the Netherlands, Norway, Poland, Romania, Slovenia and the United

States, and two NATO Partner Nations (Finland and Sweden), are operating three C-17 Globemaster III aircraft through the Strategic Airlift Capability (SAC). The SAC Participants rely on the NAM Programme for the acquisition, management, and sustainment of the fleet. The twelve Nations are represented in the SAC Steering Board and the NAM PB. They are responsible for the guidance and oversight of Programme activities for operational requirements, and funding and requirement fulfilment respectively. In 2021, operational capacity was demonstrated through the successful Afghanistan retrograde emergency missions and the Aircrew Training System progressed and should lead to a final decision in 2022.

NSPO Procurement or Support Partnership Committees

Partnerships may be established within NSPO on the initiative of two or more NATO Nations wishing to organise in common the procurement, support and / or service provision activities within the scope of NSPO's mission and guidance provided by the Council. Each Partnership comprises a Partnership Committee (PC), established by the ASB as a subordinate NSPO governance body, to exercise the authority of the Partnership, define its objectives and policy and keep results under review. As an integral part of the NSPO and sharing the juridical personality of NATO, NSPO PCs serve as the backbone within the NSPO governance structure. They oversee and guide the execution of individual projects along a diverse spectrum of defence logistics, service and procurement activities, representing 62% of the Agency's operational turnover. At the end of 2021 the NSPO comprised 31 NSPO Partnerships.



BUSINESS CAPABILITY DELIVERY

SUPPORT TO OPERATIONS

- RESOLUTE SUPPORT Mission close down.
- Supported the evacuation from Kabul.
- Cumulative total of 1065 tons of COVID equipment and disposables transported by air and sea.
- 15 different locations in 5 NATO countries supported during Exercise DEFENDER 21.
- Established the Global Fuel capability with a contract value of \$4 Billion over 5 years.

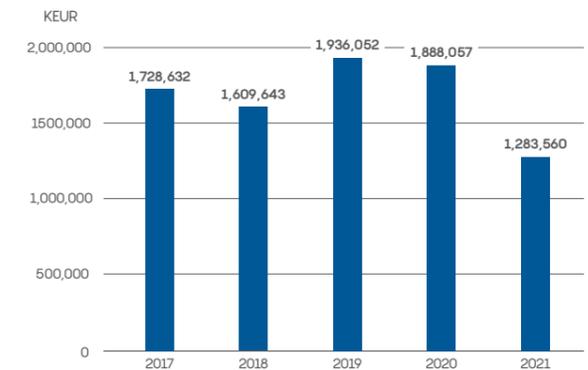


Figure 3 – Operational Commitments 2017-2021

The Operations Directorate focused on the delivery of three LOD in 2021. Objectives delivered included NSPA's role in Deterrence and Defence of the Euro-Atlantic Area (including NATO Command Structure (NCS) Adaptation), optimising the Agency's capacity, capabilities and resilience to respond to a crisis, and increasing the Agency's multi-nationally funded capabilities to support its customers during peace, crisis and war.

Reacting to events in Afghanistan, by the end of July, framework nation support in Kandahar, Herat and Mazar-e-Sharif had been successfully drawn down and support to the NATO civilian presence was increased in Kabul. Focus then moved to maintaining supplies and services to Hamid Karzai International Airport and assisting with the evacuation. The closure of the RS Mission has reduced business volume by approximately 800 MEUR, resulting in staff reallocation to vacant posts and job losses. Operational Commitments for 2017 to 2021 are shown at Figure 3. This loss of capability and experience for

support to operations will take time to regenerate in a future crisis or a new operation.

Enduring COVID-19 Response

Support during the pandemic has continued but at a reduced pace as nations have had time to build their resilience. A running total of 1065 tons of COVID-related medical equipment and disposables have been transported by air and sea, which includes 973 tons through the Strategic Airlift International Solution (SALIS).

As a result of growing medical support requirements, nations have agreed in principle to establish a new Medical Support Partnership that will be fully operable by mid-2022. New members are welcome to exploit this capability. The pandemic has also caused a reduction in business activities in many areas, for example a reduction in naval activities has led to a decrease in maritime-support business.



LIFE CYCLE MANAGEMENT (LCM)

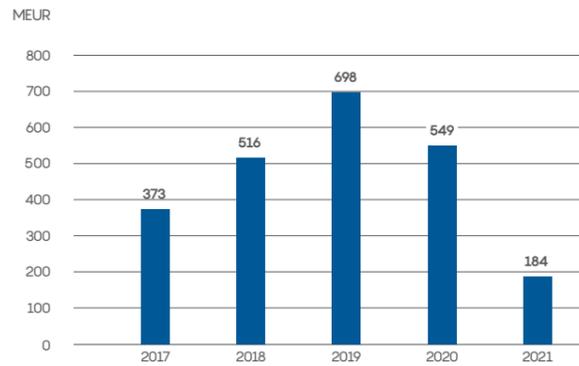


Figure 4 – Fuel Commitments 2017 – 2021

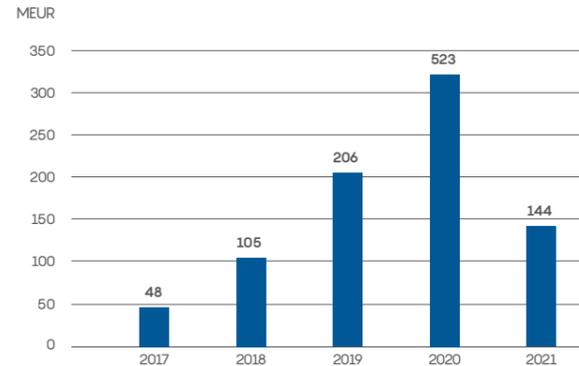


Figure 5 – Construction Engineering and Deployable Infrastructure Growth 2017 – 2021

Current Operations and Collective Defence

Support of NATO current operations has continued in Kosovo, and directly in support of nations in Mali and Iraq. In June, the NSPO signed a Framework Technical Arrangement with the French Republic for the provision of services in support of the Task Force in Mali. This is the first time NSPA will provide non-NATO coalition support. Due to political uncertainty, the level of aspiration was scaled back to intra-theatre air and ground transportation, although it is expected that the level of service will increase from mid-2022.

The Agency increased support to exercises by providing deployable camps, camp support and food services to exercises, including DEFENDER 2021 and NIGHT HAWK 2021. Figures 4 and 5 show the Fuel Commitments and Construction and Deployable Infrastructure Growth from 2017 to 2021. Permanent and deployable infrastructure for NATO and nations in support of NATO Deterrence, Defence and Stabilisation operations continued to grow. More nations are turning to the Agency to provide support in delivery of NATO Security Investment Programme (NSIP) projects, as well as national construction and deployable infrastructure projects.

NCS Adaptation

The Agency finalised, in close collaboration with SHAPE, a Special Relationship for crisis and conflict with ASB agreement and the Memorandum of Agreement with the Joint Support and Enabling Command. A programme of work will follow in 2022.

Opportunities and Future development

The Operational Logistic Support Partnership (OLSP) finalised a global fuel contract with strategic partners for use by nations during operations and exercises, which has a contract value of \$4Bn over 5 years. The rail feasibility study is complete and a new task for camp services is planned, both of which will deliver results in 2022.

To address the potential capability loss from the closure of the RS Mission, NSPA has developed a concept for capability retention to deliver the three LODs, meet the intent of NCS Adaptation and improve responsiveness and resilience. The Agency will increase support to all NATO activities, particularly to enhance the 2030 Agenda for the Future in fuel supply, infrastructure, transportation, pre-positioning and medical support.

- Supported AGS transition into IOC.
- Secured AWACS support and sustainment for a further 10 years.
- Developed MRTT in-service maintenance contract and integration of a further two aircraft.
- Selected as contracting agent for the NGRC.

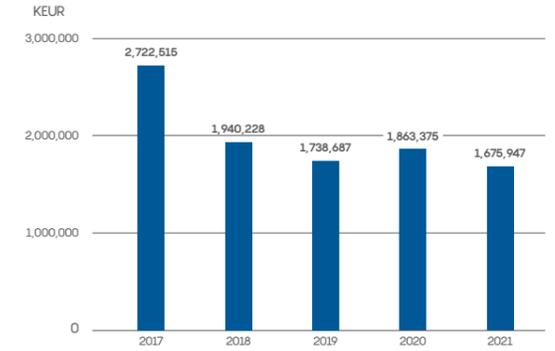


Figure 6 – LCM Commitments 2017 – 2021

The LCM Directorate supported NATO's goals, objectives and priorities through the Agency's projects and services in the Business Delivery Focus Area and contributed to the Business Development, Compliance and Stakeholder Engagement Focus Areas. LCM LODs also progressed significantly. With the selection of a new director, 2021 began by improving business delivery in the COVID environment. Collaborative tools and video communication were exploited to enhance customer engagement and ensure tempo was maintained despite disruptions.

Remote access for routine lifecycle activities and automation reinforced customer support and satisfaction. Support Partnership activity grew in 2021, with eight SPs restructuring and two new SPs forming. LCM now holds responsibility for 26 Partnerships. Figure 6 indicates LCM Commitments from 2017 to 2021. Except for Alliance Future Surveillance and Control (AFSC), all other Flagship projects achieved transition to different levels of operational support and new service support contracts will ensure sustainability.



FLAGSHIP PROGRAMMES

Multinational Multi-role Tanker Transport (MRTT) Fleet (MMF)

Further progress towards IOC was made through the receipt and integration of two additional aircraft, bringing the total to 5. The Management Office structure was consolidated and is composed of MMF Stakeholders; 2000 flying hours were achieved with NSPA support; the Follow-on Support concept was developed and is in the final steps of the procurement phase.

AFSC

The Agency continues to manage the concept stage of the programme to deliver the NATO surveillance and control capabilities that will follow the retirement of the Airborne Early Warning and Control System (AWACS) fleet in 2035. The Risk Reduction and Feasibility Studies for the technical approaches opened for competition with bids now under evaluation. Selection will lead to further refinement of the strategy in 2022.

AGS

Achieving IOC in February with the initiation of one 12-hour flight per week, NSPA In-Service Support officially started in September. The Agency worked closely with NAGSMA and the NATO AGS Force (NAGSF) on asset-by-asset handover of the AGS Core System to the AGS SP. Further successes include the establishment of the In-Service Support contracts to replace the Initial Contract and the creation of the Capability Roadmap for system sustainment requirements.



AWACS

Through aggressive negotiation and monitoring of suppliers' spares market, NSPA sustained the aging B707 airframe. Additionally the Aircraft Depot Level Maintenance Contract was developed and signed in October; the International Aerospace Management Company was successfully contracted to provide maintenance support to sustain the E-3As for the next ten years.



BOXER

To create strategic coherence with other flagship programmes such as MRTT and AGS, and to provide additional value to our customers, BOXER logistics processes were automated. This delivered clear results with an overall 21% reduction in requisition response times and 6% of savings. NSPA now supports more than 650 BOXER armoured vehicles

Next Generation Rotorcraft Capability (NGRC)

Participating nations tasked NSPA as the Acquisition Agent for the Concept Stage of the NGRC planned to start in 2022.



CAPABILITY SUSTAINMENT AND IN-SERVICE SUPPORT

Air Surveillance and Ground Based Air and Missile Defence Systems

Support to radar systems expanded to cover the Italian Air Traffic Control Systems and Meteorological Radars. Ground Based Air Defence and Counter Rockets Artillery and Mortar are under consideration for a separate SP. The Global Commercially Contracted Satellite Communications SP initiative with the United States and Luxembourg progressed to final review.



Cryptographic, Communications and Electronic Equipment

NSPA initiated the Dismantling and Disposal of approximately 9,000 pieces of NCIA-owned crypto equipment, which will take two years to complete.



Air Domain

New customers and new projects emerged over the course of the year. Italy added a support requirement for the Navy NH-90 helicopter. New customer support activities were triggered for Cougar helicopters from our Albania and Bulgaria customers. Greece requested C-130 Depot Level Maintenance support and upgrade for its Unmanned Aerial Systems (UAS). NSPA is also acquiring and supporting Nano-to-Micro UAS for the United Kingdom. Southern Europe summer firefighting activities were assisted again with helicopter support contracts. Bulgaria and Albania joined the HELI SP in January and July respectively.

The NATO Depot & Support System (NDSS)

Reliable data, provided by NDSS during RS Mission closure, enabled the identification of assets requiring disposition and destruction.

Land Domain

NSPA continued to deliver full life cycle maintenance, management, upgrade and user training capabilities through multiyear acquisition projects. Armoured Vehicles, Missile Systems and Night Vision and Optoelectronics equipment were supported. As a direct result of successful delivery, the number of participating nations increased. The PzH2000 / Leopard SP was created to provide a focused approach for these major weapon systems. Furthermore, Demilitarisation, Dismantling and Disposal (D3) of Armoured Personnel Carriers and Main Battle Tanks generated a net revenue for owning nations of more than six MEUR.



Automation

An NH90 helicopter global support invoicing module for NAHEMA was implemented and the Tiger helicopter and A400M Service Level Agreements with OCCAR were extended to 2024. NSPA also assisted OCCAR with a technical data collaboration platform in support of several German projects.



Capability Development and Acquisition

The Acquisition Planning and Development Office (APDO), as the entry point for Agency acquisition support, established a Structured Partnership Organisation. This will raise awareness of emerging technology in support of capability development and NATO's 2030 Agenda for the Future. The APDO also supported the Conference of National Armaments Directors multinational initiatives, which can be delivered by the Agency, and contributed to the EDT work, including the further development of DIANA. Our strong and positive reputation as a NATO delivery Agency also led to NSPA selection as the Contracting Agent for the Concept Stage of NGRC initiative.

CENTRAL EUROPE PIPELINE SYSTEM (CEPS)

- 9.7 Mm3 of fuel transported.
- 99.5 MEUR in operational revenues.
- 100% use of available storage (882,156m3).
- 13 infrastructure projects completed and formally accepted.
- 28 CEPS-funded infrastructure projects authorized (13.5 MEUR).
- 40 NSIP-funded infrastructure projects authorized (27.1 MEUR).
- Oversight of 460 projects, valued at 347 MEUR.

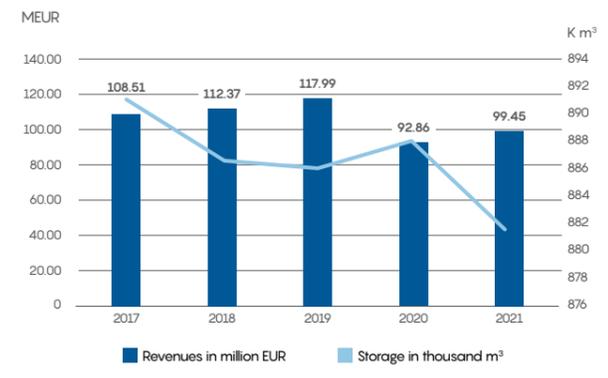


Figure 7 – CEPS Operational Revenues and Storage 2017-2021

In 2021, the CEPS Programme effectively supported all of the CEPS-related NSPA Strategic Objectives, and NATO goals and priorities. Military and non-military customer satisfaction, optimisation of non-military use, infrastructure modernisation, cybersecurity resilience, integration of Enterprise Resource Planning (ERP) modules and functional database tools, and meeting storage requirements, all contributed to a successful capability delivery.

The first phase of the Multi-Protocol Label Switching Information Technology project was completed, providing initial accreditation and technical requirements identification for communication network resilience at critical nodes. The second phase of this project was awarded in September and is planned for completion in early 2022. Agreement was achieved for a NATO Joint Cybersecurity Exercise with the Science and Technology Organization and NATO Energy Security Centre of Excellence, which is scheduled for October 2022.

Operational activity showed continued business recovery from the impact of the COVID-19 pandemic, with revenues achieving over 99% of the annual forecast. Operational Revenues and Storage from 2017 to 2021 are shown at Figure 7. To modernise and sustain the resilience of the physical network and increase capacity throughput, the Programme continued to finance and implement critical infrastructure projects. This includes the four strategic projects identified in the NATO HQ lead assessment of NATO's east flank fuel supply chain.

Looking forward, to successfully support NATO's operational military and readiness requirements, the CEPS Programme will continue to deliver across its six main lines of effort: support to military requirements, non-military use optimisation, infrastructure modernisation, ERP integration, network resilience, and the sustainment of a professional workforce.

NATO AIRLIFT MANAGEMENT (NAM) PROGRAMME

- 2,300 flight hours for the SAC nations.
- Exceeded target 75% MC-in-service rate.
- Supported medical supply deliveries for the COVID-19 response.
- Supported 17 evacuation missions to Kabul.
- SAC 02 and 03 aircraft delivered from heavy maintenance.

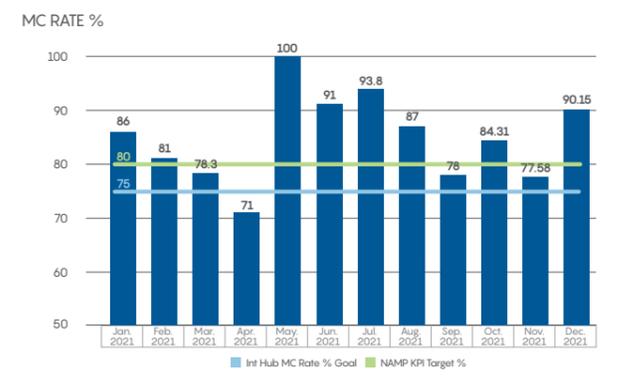


Figure 8 – SAC MC Rate % (Percentage of Fully plus Partially Mission Capable aircraft)

The Programme continued to reinforce NATO's goals, objectives and priorities through mission support to the Heavy Airlift Wing (HAW), airworthiness of the C-17 fleet and delivering NSPA's objectives and NAM LODs.

was provided to the 12 SAC nations and the HAW, focussing specifically on three key areas:

The NAM Programme Office (PO) facilitated more than 2,300 flight hours on behalf of the Strategic Airlift Capability (SAC) nations, successfully enabling and comfortably exceeding the target Mission Capable (MC) in-service rate of 75%. Figure 8 illustrates the SAC MC Rate, Goal and Key Performance Indicator (KPI) Target percentages for 2021.

Business Continuity (BC)

By ensuring BC during the pandemic, whilst enforcing workforce safety, our organisational capacity provided the resilience required to manage the crisis and support key operations, such as the Emergency Response Missions.

Other successes in 2021 saw the further development of the SAC building, completion of host-nation funded Pápa Base infrastructure improvement projects and the delivery of critical medical supplies in response to the COVID-19 pandemic. Additionally the Programme provided support to 17 evacuation missions with over 2,500 people rescued from Afghanistan and a White Paper endorsing Pápa Air Base in becoming a NATO strategic logistics hub.

Infrastructure Development

Following the award of the Architectural and Engineering Design Services Contract, the SAC Steering Board approved the Project Plan for the Combined Aerial Port Facility. The co-financed construction project to improve the base gymnasium's Heating Ventilation Air Conditioning system and building insulation was also managed by the team.

OPERATIONS

Maintenance Efficiency

The NAM PO rose to the challenges of the pandemic by operating at a higher tempo in every way, delivering essential support to military missions conducted by the HAW. This also enabled the successful completion of the second six-year heavy maintenance cycle despite restrictions. The NAM PO team's operational capability and flexibility was demonstrated during the Afghanistan retrograde and emergency evacuation missions from Kabul. Furthermore, dedicated support

Aircraft availability and utilisation has been a critical operational imperative for the HAW Commander, so the NAM Weapon System Management team initiated actions to improve Boeing support and to ensure that routine maintenance activities were as efficient as possible. SAC 02 and 03 aircraft were delivered successfully from heavy maintenance at Boeing's San Antonio facility, allowing the HAW and SAC nations to exploit the use of a three aircraft fleet for the next several years.



BUSINESS SUPPORT

PROCUREMENT

Throughout the year, Procurement demonstrated endurance, creativity and adaptability in its delivery of core NSPA business.

The sole source negotiation for the Depot Level Maintenance Contract of the NATO AWACS fleet, conducted by the Life Cycle Management Procurement Division, is a good example of cooperation with a National Pricing Authority for the benefit of the Alliance. Significant savings in comparison to the initial industry offer were achieved.

The Procurement Division leveraged the outcome of a Competitive Dialogue (CD) with companies identified as capable of supporting the MRTT MMF Aircraft fleet. The AFSC project moved ahead with our support, through the preparation of the Risk Reduction and Feasibility Studies Contract. Despite tight budget pressures, the Contract award is expected early in 2022.

The Support to Operations Division rapidly adapted to the new conditions caused by the withdrawal of the Alliance from Afghanistan. More than 100 active contracts were amended to ensure a controlled contract phase-out and demobilisation. Most contracts close out should be completed by mid-2022. Key lessons learned for the closure of the RS Mission were captured and will feature in a new Contracting Operating Instruction (OI) in Support of Operations.

The SALIS contract was negotiated during the course of 2021 and awarded in October. It will allow an Assured Access to ANTONOV 124 aircraft from January 2022 until December 2026. Working closely with the APDO, Procurement supported the organisation of an NSPA Industry Day for the NGRC project, and a further six National Industry days were held: four by teleconference (Poland, Norway, Canada and the Netherlands) and two (Slovakia and France), in line with COVID-19 measures, in Capellen.

Taking into account the evolution of Best Value Procurement and CD practice and doctrine, the Agency continued its effort to update the NSPA Procurement Regulations and OIs. The Agency constantly aims to ensure it can conduct effective and timely acquisition procedures. Specific provisions to manage the Diminishing Manufacturing Sources and Material Shortage challenges of the NATO AWACS fleet were also developed.

The Purchase Card is now used habitually in the majority of Programmes, although the project has not yet reached its full potential.

The Agency consistently publishes its business opportunities on its eProcurement portal, and over 700 Future Business Opportunities were advertised to interested companies and national authorities in 2021.

FINANCE

Overview

The Agency's total financial operational business turnover in 2021 fell to 3.2 BEUR. As illustrated in *Figure 9*, Business turnover 2013 to 2021, this represents a dip in financial performance relative to previous years, where an average turnover of 4 BEUR was achieved. The cause was primarily due to NATO's August withdrawal from Afghanistan. Operational business turnover represents financial commitments made by customers for direct purchase, facilitated by NSPA operations, services and processes.

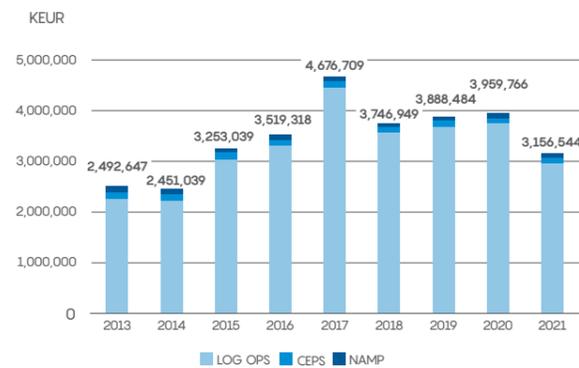


Figure 9 – NSPA Business turnover 2013 – 2021

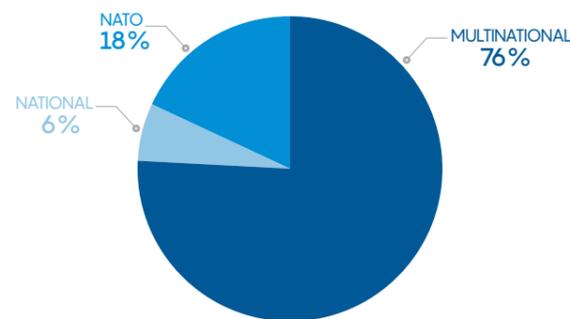


Figure 10 – NSPA Business Funding Source

While financial growth is not a prerequisite for NSPA success, growth since establishment in 2013 demonstrates the Agency's affordability. Customers not only appreciate the capabilities offered but also have continued trust in the services available. The multinational, NATO and national business opportunities accessed by our customers is demonstrated by NSPA's Business Funding Source at *Figure 10*.

The Agency's internal administrative costs for delivering 3.2 BEUR of goods and services to customers were 208 MEUR (202 MEUR in 2020).

Affordability / Value for Money

Over the last ten years the Agency has experienced a prolonged period of growth in business turnover. To enable the business and to support customers, growth in business turnover is accompanied by growth in administrative support costs. While the rate of growth in administrative costs has been much slower than the growth in business turnover, there has been an increase that led the Agency to review its costs to ensure that it remains affordable and a good value for its customers. This internal assessment began during 2021 and will be finalised in 2022. Areas of potential growth remain, yet concurrently some areas of business have plateaued or even declined. To ensure that the Agency continues to remain relevant to customers, the ongoing affordability review involves a deep dive into business trends, costs and resource requirements. Throughout the review, remaining responsive to our current customers' needs will be paramount while also exploring areas of growth.

Audit opinions on the NSPO Financial Statements 2020

For the third year in succession, the IBAN issued an unqualified audit opinion for compliance; all material respects, the financial transactions and information contained within the NSPO Financial Statements for 2020 were in compliance with the NFR and CPR. This demonstrates that, following the 2017 revision of the NSPO Financial Rules and Procedure, the Agency has successfully embedded the major changes to

financial governance and that financial reporting adheres to internationally accepted standards. Additionally, and also for the third year in succession, NSPA received an unqualified audit opinion on the financial figures presented in the NSPO Financial Statements for 2020.

Modernizing Tools and Processes

The Agency's finance function has continued to prepare for the implementation of an upgrade of our Enterprise Resource Planning (ERP) tool at the start of 2025. Key system processes have been baselined to assist with the design of the future ERP system. NSPA will implement more modern financial and management reporting solutions and enhance transactional processing solutions.

Implementation of Value Added Tax (VAT) processes

The 2020 amendment of the European Union VAT Directive impacted the Agency's ability to conduct business without the use of a VAT number. Despite proactively reviewing and modifying many of its processes, some significant challenges remain for some of the Member Nations. The use of the VAT number has enabled a Reverse Charge mechanism where the final customer bears the responsibility for the reporting the VAT transaction.

INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The NSPA ICT services that enable business delivery continue to be highly reliable and available. Resilience and protection has increased as part of the continued investment in cyber security and ICT infrastructure. This includes a first in NATO as NSPA achieved full security re-accreditation of the NATO RESTRICTED Communication Information Systems, using a high-resilience Private Cloud.

To meet the Agency's future business requirements, using ERP solutions, a multiyear investment plan has been approved for the migration to the latest generation of SAP, known as S/4 HANA. Rising to the challenge posed to the working environment during the pandemic, 2021 also saw continuous improvement in ICT mobility capabilities.

INTERNAL CONTROL (IC)

The Agency has developed a more mature and embedded system of IC based on the principles described in the NSPA Internal Control Framework. A consistency assessment of the Agency's IC system to Framework principles produced a Statement of IC that was issued in March as part of NSPO Financial Statements. These gained an unqualified opinion by the IBAN.

Notable enhancements to IC were improvements to the Risk and Control Matrix in all Functional Areas and risk assessments at process level, which formalised the need to consider fraud-related risks and the need to link the risks to objectives. Efforts to share practices and foster consistency across the Agency and training sessions for the IC community have contributed to

instilling dynamic continuous improvement to the IC system. Key milestones and KPIs have been enhanced for the GM to monitor IC activity.

The Agency worked to integrate compliance functions, including IC, Risk Management (RM), Quality Assurance and Process Management. The organisational structure was approved, the technical integration of the process and project risks into one single RM platform began, an Integrated Compliance Manager will lead and manage the capability to bring coherence and greater effectiveness to these vital subject areas. The IC Office will promote a strong message from the GM and encourage employees, at all levels, to embrace their role in ensuring processes are adequately monitored and controlled.

CUSTOMER SATISFACTION

Following the successful full-scale survey in 2020, the Agency launched the second survey across all customer levels for all Programmes in Spring. The survey reached 1527 customers and had a 32% response rate. For comparison, the 2020 survey reached 964 customers and had a 34% response rate. Quantitative focus areas were general perception, Agency organisation and Agency performance.

Customer satisfaction reflected the ease of access to Programmes, strong staff skills, positive attitude and high integrity, and professionalism and delivery

performance. Areas of concern were cost, resource planning and slow decision-making. Customers received feedback during the autumn cycle of the Support Partnership Committee meetings and other customer meetings.

The next survey is scheduled for Q4 2022 for reporting in the spring 2023 meetings. The Agency continues to work on the level of satisfaction, Country Liaison Officer cooperation and improvement in the response rate.

CONCLUSION AND WAY FORWARD

The Agency met the demands of rapidly-evolving operational situations, provided the best lifecycle and procurement capabilities to fulfil nations' requirements and improved our internal dynamics to provide best value to our customers, whilst fulfilling the mandate and assurance requirements as a NATO body.

The closure of the RS Mission and the non-NATO nation Framework Technical Arrangement for Mali demonstrate the Agency's flexibility, adaptability and determination on behalf of the customer. Flagship procurement and multinational acquisition projects made progress, with AGS reaching IOC and MRTT MMF receiving two additional aircraft. AFSC moved forward with the next stage: technical studies. The AWACS programme achieved success through aggressive negotiation on behalf of our customers. NSPA continued to support nations' response to the pandemic and in-service capabilities benefitted from innovative maintenance to ensure there was no loss of capability.

As the Agency leverages staff previously assigned to Afghanistan and the experience and drive of a new GM, it will continue to achieve the high levels of customer satisfaction whilst exploiting resource efficiencies with no loss of service. NSPA will continue to support key NATO exercises, such as the DEFENDER series, and operations. Opportunities to seek cost-effective procurement and life cycle solutions, leveraging economies of scale and providing better value to SPs, will be a priority.

In 2022 the NATO 2030 Agenda for the Future will be fully embraced and a business review will shape the new Strategic Framework. NSPA will continue to be NATO's multinational acquisition, lifecycle and services provider of choice. The GM will also seek to build on existing strengths to deliver logistics, medical and infrastructure capabilities, operational and systems support and services to the NATO nations, Military Authorities and partner nations.



NATO Support and Procurement Agency
Agence OTAN de soutien et d'acquisition
11 rue de la Gare, L-8325 Capellen - Luxembourg
Tel. + 352 3063-1 | www.nspa.nato.int |   