Directors' remuneration report

> The response of the Executive Directors, the GLT and all of our employees to the profit challenges in the second half of the year was outstanding."

QinetiQ's Gender Pay Gap data can be found on our website at **www.QinetiQ.com**

Dear Shareholder,

As the Group Chair outlined in his statement on page 12, FY22 was a challenging year for the company; our good underlying performance was impacted by two discrete short-term profit issues. The impact of these issues has been contained and I am confident that FY23 will see a return to sustainable profit growth.

The response of the Executive Directors, the Global Leadership Team (GLT) and all of our employees to the profit challenges in the second half of the year was outstanding. Orders and revenue both saw strong growth over FY22 to create a sound platform for the future.

Incentive out-turn for FY22

The annual contribution to the Bonus Banking Plan (BBP) for FY22 for the CEO, the new CFO (Carol Borg) and the former CFO (David Smith) is 71.4%, 69.4% and 69.4% of the maximum respectively, recognising their personal performance during a year when the company delivered stretch orders and cash performance; with the disappointing profit performance recognised by a 0% outturn for this element (which had a 25% weighting).

The FY22 contingent share award under the Deferred Share Plan (DSP) will be made at 60.2% of the maximum reflecting above target revenue growth in-year. This DSP award will not vest in full unless the performance hurdle is met in FY25.

The FY22 CEO single figure on page 123 is lower than FY21 largely due to the smaller BBP contribution. The FY22 single figure includes the second award under the DSP based on FY19 performance, which I am pleased to confirm has now ceased to be contingent as the performance underpin has been met; that is, our FY22 profit performance of £137.4m exceeded that delivered in FY19 of £124.9m[1]. The FY19 DSP vests as shares which must be retained for a further two years.

The Committee considered the FY22 BBP and DSP outturns in detail from the perspective of our key stakeholders (shareholders, customers and employees) and agreed that it was appropriate not to exercise the discretion available to amend the outcome; that is, no adjustment was made to incentive targets or outcomes.

CFO succession

FY22 saw the retirement of our CFO, David Smith. I would personally like to thank David for the support he provided to the work of the Remuneration Committee.

Carol Borg joined QinetiQ in October 2021 taking over as CFO effective 1 December 2021. Carol brings a strong focus on Environmental, Social and Governance (ESG) issues to QinetiQ which will support the work of the Remuneration Committee as such issues are of increasing importance to the company and key stakeholders; this is reflected in our approach to incentives.

The Remuneration Committee considered and approved the Good Leaver retirement terms for David and the appointment terms for Carol as detailed on page 130. Also, following the approval of his remuneration terms in FY21, Sam Lewis joined the GLT in April 2021 as Group Business Development Director. Two further critical roles were appointed to the GLT in FY22 for which the Committee appoved the remuneration terms - Shawn Purvis as President and CEO of our US business and Amanda Nelson as Group HR Director. At the end of FY22, the Committee also approved the remuneration terms for Mike Sewart as Chief Technology and Operating Officer, effective April 2022.

Implementation for FY23

The Bonus Banking Plan for FY23 is based on the same financial metrics as in FY22 (orders, profit and cash) with stretch targets set against the delivery of the Integrated Strategic Business Plan (ISBP). Financial metrics have a 70% weighting for FY23 (previously 75%) and non-financial targets have a 30% weighting (previously 25%) based on the achievement of individual, common and collective goals. Payment for target performance is 50% of the maximum.

The changes for FY23 in terms of the weightings for the financial and non-financial elements of the BBP provide for an enhanced focus on ESG measures and a reduction in the cash metric (20% weighting for FY23, was 25% previously).

1. Restated in FY20 for a change in accounting policy.

The Committee considered return on investment as an annual incentive metric and is monitoring it for potential future use. At this time it is not considered appropriate as it may not drive the right behaviours at this point in the company investment cycle.

In support of the ISBP, the FY23 DSP strategic growth performance measure is revenue growth across the Group excluding in-year acquisitions, as per FY21 and FY22. Underpins ensure that FY23 profit margins are strong and Group operating profitability must be at least equal to FY23 performance in FY26 for full vesting.

Employee engagement and reward

QinetiQ's employees are key to the delivery of our ambitious growth strategy. Our employees have been outstanding this year, demonstrating extraordinary agility, focus, commitment and drive to continue to deliver to our customers.

The CEO and the Group HR Director have held regular discussions with our Global Employee Voice on reward matters. The people section on page 54 details our employee engagement activity.

I met with the Chair and other representatives of the Global Employee Voice during the year and I found the discussions very helpful in terms of understanding employee views. I understand that they have also found the meetings helpful and it is our intention to continue to meet at appropriate intervals.

In FY19 the company introduced an All Employee Incentive Scheme (AEIS) whereby every eligible employee can earn a payment if the company achieves a level of operating profit within a predetermined range from target to stretch. For FY22 I am disappointed that the profit target for AEIS payment was not achieved; however I am pleased that the CEO and the GLT chose to pay a discretionary award of £500 to all employees to reflect the way our employees rose to the challenge of the profit issues and ensured that other key performance metrics were delivered.

The AEIS is a key element of the company's Rewarding for Performance framework and aligns employees and shareholder interests by incentivising and rewarding profitable growth. The company will operate the AEIS again for FY23 and thereafter. Looking forward, the company will increase investment significantly in FY23 in our enhanced global reward strategy and wider employee offering.

The Directors' Remuneration Policy and pensions

The Directors' Remuneration Policy was presented for the triennial binding vote at the AGM in July 2020 and the Committee noted that we received a 87% vote in favour of the Policy and, at the July 2021 AGM, a 94% vote in favour of the Directors' Remuneration Report for FY21.

The Policy approved at the 2020 AGM confirmed that incumbent Executive Directors' pension allowances would be reduced to the UK employee level (10.5% of salary) over the three-year life of the 2023 Policy. This reduction from 20% to 10.5% has been brought forward for the CEO to be effective from 1 January 2023, and the new CFO received a 10.5% pension allowance on her appointment.

The Committee acknowledges that the incentive plans can appear complex as we have received this feedback from shareholders and new hires. Over the coming year the Committee will conduct a full review of the incentive approach in preparation for the Policy vote at the 2023 AGM, with the overall aim of simplification.

Conclusion

Supporting leadership to drive the response to the profit issues and implementing the Directors' Remuneration Policy in the interests of shareholders were the primary areas of focus of the Remuneration Committee in FY22. The Committee believes that we have a talented GLT that deal with issues with commitment and integrity. As the company continues to grow and expand internationally we need to be mindful of our global competitive environment and the increasing levels of responsibility.

FY22 was a challenging year for QinetiQ, delivering growth in orders and revenue, but with a disappointing profit performance. The Remuneration Committee carefully scrutinises financial performance as it relates to incentive payments. The Committee considered a discretionary adjustment to the scheme outturns but this facility was not used. We are satisfied that payments are appropriate and fair, reflecting overall performance delivered in FY22 and in consideration of the profit challenges. The Committee was pleased to note the share price response (£3.42 close on 29 April 2022) to the 20 April 2022 trading update which confirmed that the profit write-downs were fully contained in our first half results.

As we look to FY23, we anticipate that the company will return to the trajectory of sustainable organic profit growth which we delivered for six years prior to FY22.

I am very grateful for the time shareholders and their representative bodies have given us throughout the year and I hope that we can rely on your vote in support of the Directors' Remuneration Report at the AGM on 21 July 2022.

I would welcome comments and questions from shareholders in relation to this Directors' Remuneration Report and I can be contacted through companysecretariat@qinetiq.com.

Susan Searle
Remuneration Committee Chair
20 May 2022

Remuneration at a glance

Components, alignment, application and changes

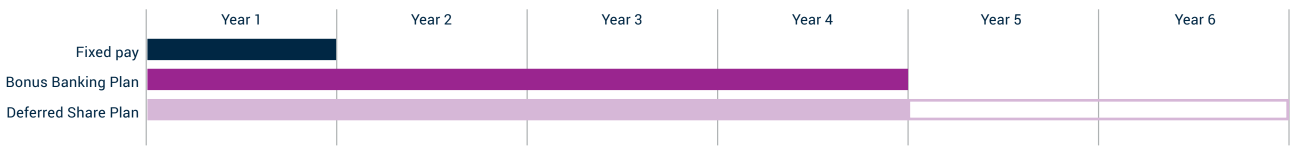
F Annual fixed pay	Link to strategy	Application in FY23
Salary Executive Directors' base salaries are set on appointment and reviewed annually, or when there is a change in position or responsibility. Typically, base salaries will be increased by a similar percentage to the average pay increase for all employees of the Group.	Fixed pay is set at a level that enables us to attract and retain high-quality Executive Directors, who are capable of successfully leading and executing our strategy and delivering long-term sustainable growth. Our Policy aims to ensure that fixed pay remains attractive and competitive.	No change to current Policy.
Benefits Benefits include a car allowance, health insurance, life assurance, income protection and taxable expenses.		No change to current Policy.
Pension Existing Executive Directors currently receive 20% of base salary allowance as cash in lieu of pension.		New Executive Directors will receive 10.5%, as will existing ones effective January 2023, to align with the UK workforce.

M Medium-term variable pay (one to four Years)	Link to strategy	Application in FY23
The Bonus Banking Plan (BBP) The BBP is a partially deferred annual bonus scheme where a maximum award of 200% of salary is available. 70% weighted on financial metrics (for FY23 orders, operating profit and operating cash flow) and 30% weighted on non-financial metrics (key strategic, operational and personal goals). In the first year of the BBP cycle, 50% of the annual award is paid as cash with the remainder deferred and held as notional shares in a deferred pot. Each year the annual award is added to this notional pot, with 50% of the balance then paid as cash. At the end of the fourth year the entire residual pot is paid as shares and a new three-year performance cycle initiated.	The BBP rewards strong financial performance through a 70% weighting to financial metrics. Over the long-term this financial performance is driven by the successful implementation of our strategy. The scheme also rewards non-financial performance in areas such as implementing safety programmes and transforming the culture. The BBP therefore supports our ongoing transformation which is critical to our long-term success. The partial deferral of the bonus and exposure to share price drives a long-term and sustainable focus, aligning interests with shareholders. Furthermore, 50% of the value of the deferred BBP pot is subject to forfeiture should minimum performance requirements-not be met.	No change to current Policy; some reweighting of metrics to provide a greater focus on ESG.

L Long-term variable pay (one to six years)	Link to strategy	Application in FY23
The Deferred Share Plan (DSP) The DSP is a long-term incentive scheme that provides a contingent share award up to a maximum of 125% of salary for success against an annual metric aligned with QinetiQ's long-term strategic growth plan. Initial entry into the DSP is based on an annual growth measure with a pre-grant margin underpin, to ensure that Executive Directors are not incentivised to pursue low-margin growth. The award is then held in contingent shares for a period of three years. If at this point the level of profit in the year that gave rise to the award has been maintained, the contingent award is considered 'vested' and is included in the single figure. Shares are then subject to a further two-year holding period.	The DSP enables us to reward Executive Directors for delivering against key strategic priorities. We retain the flexibility to select an appropriate strategic growth metric on an annual basis ensuring that the DSP is agile and drives the long-term strategic success of the Group. With a four-year period before DSP shares vest, and then a further two-year holding requirement, the DSP is inherently long-term in nature with various underpins ensuring growth is both sustainable and profitable over the long-term.	No change to current operation.

Timing

To create strong alignment between executive remuneration and the long-term interests of our shareholders, the annual BBP awards remain, in part, subject to forfeiture based on performance for three years after the award was earned. Annual DSP awards also have a similar forfeiture period, after which any vested shares must be retained by the executive for a further two years.

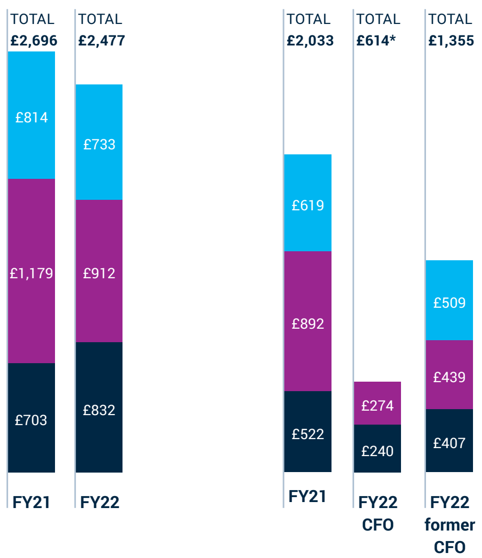


Pay at risk, shares held, subject to certain performance conditions
Shares held, not subject to performance conditions

Single Figure FY22

(£'000)

Chief Executive Officer **Chief Financial Officer**



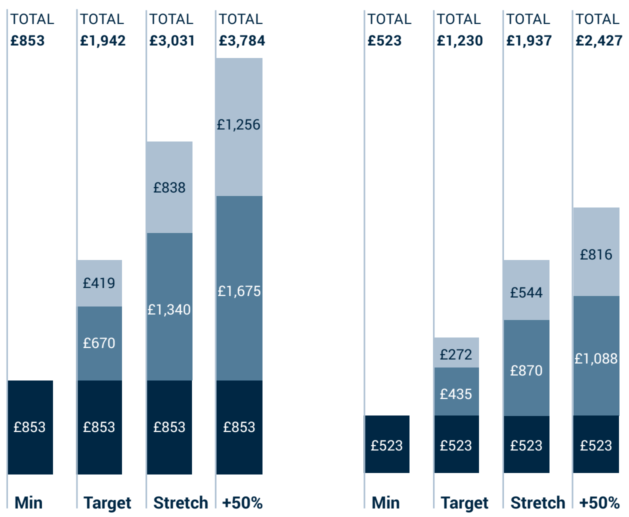
Key
- Fixed pay
- Medium-term variable pay
- Long-term variable pay

* Including the £100,000 'Other' payment, see page 123

Illustration of FY23 potential

(£'000)

Chief Executive Officer **Chief Financial Officer**



Minimum – Fixed pay (FY23 base salary, plus taxable benefits and pension allowance)

Target – Fixed pay plus BBP at Target (100% of base salary) and DSP at Target (62.5% of base salary)

Stretch – Fixed pay plus BBP at Maximum (200% of base salary) and DSP at Maximum (125% of base salary)

+ 50% Share price appreciation – Stretch plus 50% share price appreciation (on 50% of BBP and 100% of DSP)

Key
- Fixed pay
- Medium-term variable pay
- Long-term variable pay

Remuneration in context

Our remuneration principles

Flexible	Stretching	Aligned
The Committee can select measures and set tough targets each year to ensure that executives are incentivised, aligned to the delivery of each stage of our strategy.	Targets are set by the Committee to ensure executives are incentivised to outperform, while delivering sustainable levels of performance.	While our incentive targets are initially assessed on an annual basis, the BBP has a deferred share-based element with the risk of forfeiture, and the DSP has a "meet or exceed" performance underpin, whereby performance must be met or exceeded pre-grant and in year three, after which any vested shares must be retained for a further two years.

Summary Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 14 July 2020. The full Policy is provided in the Corporate Governance section on the company's website, and it will remain in effect until the 2023 AGM. When developing the Policy, the Committee was mindful of the six factors as set out in the Code: clarity, simplicity, proportionality, predictability, alignment of culture and risk. A summary of the Policy is set out below:

Element	Policy summary description	Maximum opportunity
Base salary	When determining an appropriate level of salary, the Committee considers: • general salary rises to employees • remuneration practices within the Group • any change in scope, role and responsibilities • the general performance of the Group • the experience of the relevant Director • the economic environment • when the Committee determines a benchmarking exercise is appropriate, salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking	Typically, the base salaries of Executive Directors in post at the start of the Policy period and who remain in the same role throughout the Policy period will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The exceptions to this rule may be where: • an individual is below market level and a decision is taken to increase base pay to reflect proven competence in the role; or • there is a material increase in scope or responsibility to the Executive Director's role.
Pension	The company provides a non-consolidated pension contribution allowance in line with practice relative to its comparators.	Any new Executive Directors will have a maximum contribution of 10.5% which is the level available to UK employees. The allowance paid to the CEO will reduce to 10.5% effective 1 January 2023.
Benefits	Benefits include car allowance, health insurance, life assurance, income protection and membership of the Group's employee Share Incentive Plan which is open to all UK employees.	Benefit values can vary year-on-year depending on premiums and the maximum is the cost of providing the relevant benefits.
Incentive Plan	The Incentive Plan supports the company's objectives by: • allowing the setting of annual targets based on the strategic objectives at that time; and • providing substantial deferral in shares and ongoing adjustment by requiring a threshold level of performance to be achieved during the deferral period. The Incentive Plan consists of two elements: **Bonus Banking Plan (BBP)** Annual contributions are earned based on the satisfaction of the performance conditions. Contributions are made for three years with payments made over four years. Half the value of a participant's bonus account is paid out annually for three years with 100% of the residual value paid out at the end of year four. Half of the unpaid balance of a participant's bonus account is at risk of annual forfeiture. **Deferred Share Plan (DSP)** Deferred share-based element earned based on the satisfaction of pre-grant annual performance assessment, which is subject to a three-year vesting period and a further two-year holding period. A minimum 50% of the unvested award will lapse after three years if a performance underpin, set annually by the Committee, is not achieved.	Maximum 325% of salary (200% of salary under the Bonus Banking Plan and 125% of salary under the Deferred Share Plan). **Bonus Banking Plan** Maximum = 200% of salary. Target = 80%–120% of salary. Threshold = 0% of salary. **Deferred Share Plan** Maximum = 125% of salary. Target = 30%–75% of salary. Threshold = 0% of salary

Element	Policy summary description	Maximum opportunity
Shareholding requirements	Executives have five years to accumulate the required shareholding by retaining at least 50% of the post-tax vested shares from company incentive plans. 300% of base salary for the CEO. 200% of base salary for the CFO. On cessation of employment, Executive Directors are required to maintain a shareholding of 100% of salary for one year post-cessation, then 50% of salary for a further one year.	n/a
Chairman and Non-executive Directors		
Fees	Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.	The fees for Non-executive Directors and the Group Chairman are broadly set at a competitive level against the comparator group.

Annual Report on Remuneration

The following section of this report details how the Directors' Remuneration Policy has been implemented for the year ended 31 March 2022.

Audited information

Executive Directors' single total figure of remuneration

Executive Director	Year	Salary £'000	Benefits £'000	Pension £'000	Total fixed pay	Bonus Banking Plan £'000	Deferred Share Plan £'000	Other £'000	Total variable pay	Total remuneration £'000
Steve Wadey (CEO)	2022	639	65	128	832	912	733	–	1,645	2,477
	2021	512	68	123	703	1,179	814	–	1,993	2,696
Carol Borg (CFO)	2022	199	20	21	240	274	–	100	374	614
(Appointed 11 October 2021)	2021	–	–	–	–	–	–	–	–	–
David Smith (Former CFO)	2022	315	29	63	407	439	509	–	948	1,355
(Retired 30 November 2021)	2021	392	37	93	522	892	619	–	1,511	2,033

Benefits can include travel and subsistence expenses incurred in relation to the execution of their duties with the company that are considered by HMRC to be taxable.

The 'Other' payment to the CFO is a payment in part compensation for performance-based annual bonus lost on resigning from her former employer as detailed on page 130.

Fixed pay

Salary

Salaries are reviewed effective 1 July, which is the same timing for the rest of the UK employee population. There was no base salary review in FY21 as part of the response to COVID-19 and both the CEO and former CFO entered into a voluntary salary waiver for six months of the year of £104,450 and £74,450 respectively. Carol Borg was appointed on a salary of £420,000.

	Salary as at 1 April 2021 £'000	Increase in the year	Salary as at 1 July 2021 £'000	FY22 salary actually paid £'000
CEO	616	5.0%	647	639
CFO	–	–	–	199
Former CFO	466	2.5%	478	315

Benefits

Benefits comprise a car allowance, travel allowance, private medical expenses insurance, life assurance, income protection, and taxable expenses.

	Taxable expenses £'000	Car allowance £'000	Insurance benefit £'000	Total benefits £'000
CEO	28	19	18	65
CFO	11	6	3	20
Former CFO	8	9	12	29

Pensions

The Executive Directors did not participate in the QinetiQ pension scheme for FY22 and have not done so in prior years. The pension figure consists of cash in lieu of pension equating to 20% of base salary for the CEO and the former CFO and 10.5% of base salary for the CFO.

	Cash in lieu of pension £'000	Total in lieu of pension £'000
CEO	128	128
CFO	21	21
Former CFO	63	63

Bonus Banking Plan

The Bonus Banking Plan operates on a three-year performance cycle mirroring the financial year, with a four-year payment cycle, i.e. running from 1 April to 31 March. FY22 represents the second year of cycle 3 as detailed on page 126.

Each year any incentive award earned is added to the total plan balance, with 50% of the total plan balance being paid in cash in June after the FY. The remaining 50% is held in the plan in notional shares. In year four, the total remaining plan balance is paid in shares.

	BBP cycle 3 balance brought forward £'000	Dividend equivalent payment £'000	BBP award in year £'000	June 2022 payment in cash (50% value) £'000	BBP cycle 3 balance carried forward £'000
CEO	553	13	912	739	739
CFO	–	–	274	137	137
Former CFO	419	10	439	868	-

Deferred Share Plan

The FY21 DSP figures represent the actual vesting of the of the FY18 award replacing the estimate provided last year. The share price at vesting was 348.9p and the FY21 figure includes £43,274 and £32,923 paid to the CEO and former CFO respectively as income in respect of a dividend equivalent payments.

The FY19 Deferred Share Plan award achieved the performance underpin based on FY22 profit exceeding that in FY19 (£124.9m) and, therefore, the shares ceased to be contingent and are disclosed in the single figure for FY22. The 100% vesting refers to the shares which have passed the underpin of those initially granted based on FY19 performance, which was 93.4% of the maximum available. The share value used is the 3-month average to 31 March 2022 (280.4p) and the estimated value includes CEO £49,461 and former CFO £34,331 as dividend equivalent payments.

	FY19 Shares Awarded	Vesting %	Shares Vesting	Estimated value £'000
CEO	243,650	100%	243,650	733
Former CFO (pro-rata)	184,401	100%	169,118	509

Bonus Banking Plan

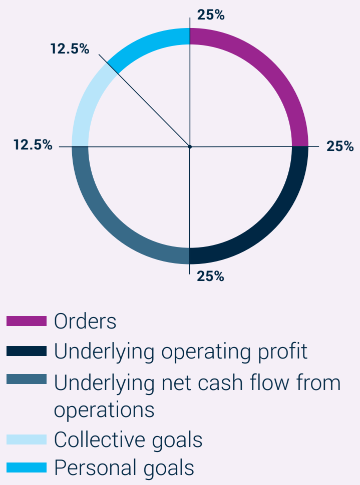
FY22 performance measures and operation

For the year ended 31 March 2022 achievement of on-target performance provides a payment equal to 100% of base salary, rising on a linear scale to 200% of base salary for achievement of stretch performance.

The scheme begins to pay out once threshold performance measures have been achieved. For the year ended 31 March 2022, the CEO, former CFO and CFO were measured against the targets as shown in the chart to the right. The target payment was 50% of maximum for financial and non-financial objectives.

Setting performance targets – the Remuneration Committee takes into account the budget and the company's strategy set in relation to the ISBP, shareholder expectations and the external environment. The aim is to set stretching targets which incentivise the Executive Directors to deliver annual results which will exceed the expectations of investors, but which are also sustainable and do not create undue risk. Financial performance measures exclude the contribution from businesses acquired in the year.

% of base salary



Audited information

FY22 performance outcomes

	Weighting (%)	Threshold	Target	Stretch	Actual	% of maximum reward achieved	CEO contribution	CFO contribution	Former CFO
CEO/CFO financial performance measures:									
Orders[1]	25%	£975.0m	£1,100.0m	£1,225.0m	£1,226.6m	100%	£319,561	£98,959	£158,190
Underlying operating profit[1,2]	25%	£137.5m	£150.0m	£162.5m	£137.4m	0%	£0	£0	£0
Underlying net cash flow from operations[1,2]	25%	£152.5m	£165.0m	£177.5m	£215.3m	100%	£319,561	£98,959	£158,190
CEO/CFO collective goals (as detailed on page 125): • Performance against key stretching objectives	12.5%	40%	50%	100%	85%	85%	£135,813	£42,058	£67,231
CEO personal goals • Performance against stretching goals relating to growth and leadership	12.5%	40%	50%	100%	86%	86%	£137,411		
CFO personal goals • Performance against stretching goals - strategic, growth and operational	12.5%	40%	50%	100%	70%	70%		£34,636	
Former CFO personal goals • Performance against stretching goals - strategic, growth and operational	12.5%	40%	50%	100%	70%	70%			£55,367
CEO overall result						71.4%	£912,346		
CFO overall result (pro-rated)						69.4%		£274,612	
Former CFO overall result (pro-rated)						69.4%			£438,978

1 Performance measures exclude the contribution from businesses acquired during the year and have been adjusted for disposals during the year.

2 Definition of underlying measures and performance can be found in the glossary on page 207.

Collective and personal goals (25.0% weighting)

Measures	FY22 Performance	Outcome (% maximum)
Collective goals (12.5% weighting)		
Safety and security culture – 40% weighting	Stretch performance levels were met to improve safety and security through high visibility safety and security tours and leading safety and security engagements.	
Employee engagement – 30% weighting	Employee engagement fell slightly in FY22 as measured by the independent Peakon tool. Leaders delivered diversity and inclusion events and interventions with strong feedback.	
Productivity and efficiency –30% weighting	Leaders achieved stretch performance levels to simplify processes, drive innovation, improve productivity of our facilities, implement collaborative actions and improve ESG across the Group.	
Total		85%

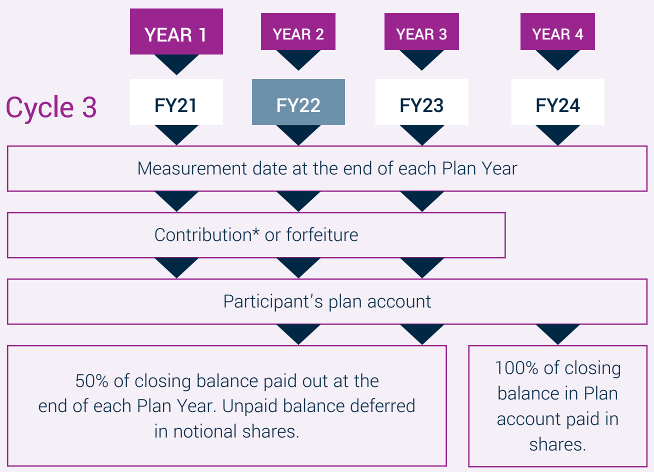
Personal goals (12.5% weighting)

Measures	FY22 Performance	Outcome (% maximum)
CEO		
Growth	Active management of the portfolio to drive higher margins and strengthen strategy implementation through acquisitions and global campaigns. Deliver US integration and return the US business to profitable growth.	
Leadership	Establish a GLT for FY23 that reflects diversity and provides the capability required to fulfil global ambitions with succession plan implemented. Improve ESG focus including publishing Net Zero Plan and improving safety focus and culture.	
Total		86%
CFO		
Strategic	Deliver minimum result at company level.	
Growth	Agree FY23 budget with improved process for UK recoveries.	
Operational	Deliver new model for Group Assurance and Audit.	
Total		70%
Former CFO		
Strategic	Deliver on financial commitments.	
Growth	Explore innovative ways to lead growth.	
Operational	Adopt best practice operating model for Finance team.	
Total		70%

How the plan operates

- The Plan operates on a fixed three-year performance cycle with a four-year vesting cycle. FY22 represents year two of Cycle 3. Plan years commence on 1 April.
- Performance targets are set at the beginning of each Plan year.
- At the end of each of the first three Plan years the performance against targets is assessed and the level of the incentive earned is determined and paid into the Plan account.
- Each year 50% of the account balance is subject to forfeiture.
- At the end of each of the first three Plan years, 50% of the account balance will be paid in cash and the balance retained and held in the Plan as notional shares.
- At the end of the fourth year, any remaining balance in the Plan account is paid out in shares.

BBP payout mechanism



* Single figure BBP value for a Plan/financial year.

Audited information

Operation during FY22

Cycle 3

	Notional shares on account at start of Plan year 2 (1 April 2021)	30-day average share price to 31 March 2022 (p)	Share value as at measurement date (£)	Bonus plan contribution for Plan year 2 (£)	Dividend equivalent payment (£)	Bonus pool total value as at measurement date (£)	Gross payment in cash for Plan year 2 (£)	Bonus pool total value after cash payment (£)	Notional shares on account at end of Plan year 2 (31March 2022)
CEO	183,140	302.1	553,266	912,346	12,820	1,478,432	(739,216)	739,216	244,692
CFO	–	302.1	–	274,612	–	274,612	(137,306)	137,306	45,450
Former CFO	138,544	302.1	418,541	438,978	9,698	867,217	(867,217)	–	–

Forfeiture

For BBP Cycle 3 the CEO and former CFO retained notional shares in their Plan accounts of which 50% were subject to forfeiture. Forfeiture would have been enacted if Group underlying operating profit was less than the level determined by the Remuneration Committee at the start of the year of £124.9m for FY22. FY22 Group underlying operating profit was £137.4m (excluding contribution from acquisitions) therefore no notional shares were forfeited.

The BBP Cycle 3 notional shares held by the former CFO as at 31 March 2022 will be paid as cash in June 2022 based on the notional share price over March 2022. The pro-rata FY22 BBP payment to the former CFO will be paid in cash in June 2022 with no deferred element.

Discretion

For BBP Cycle 3, for the year ended 31 March 2022, targets were largely achieved providing a contribution of 71.4% of the maximum award for the CEO and 69.4% for both the CFO and former CFO. CEO £912,346, CFO £274,612 and former CFO £438,978 has been reported in the single figure table which represents the contributions to the plan related to FY22 performance. No discretion was applied to these contributions as the Committee considers them appropriate reflecting Group performance. In reviewing the BBP out-turn the Remuneration Committee was mindful of the wider stakeholder experience across the financial year.

Deferred Share Plan (DSP)

Scheme interests awarded during the financial year ended 31 March 2022

The Deferred Share Plan was first approved by shareholders at the 2017 AGM and further approved as a key element of the Directors' Remuneration Policy at the 2020 AGM. A maximum award of 125% of salary may be made to Executive Directors with the amount contingent on meeting a stretching annual performance target based on QinetiQ's strategic growth plan. Once the award has been made, it is deferred for three years and remains subject to a performance underpin; any vested shares are then subject to a further two-year holding period. FY21 DSP contingent shares granted in the year are detailed on page 129. The FY21 award was 97.3% of the maximum available.

Setting performance targets FY22

The FY22 DSP performance measure was group revenue excluding in-year acquisitions. Calibration was set with a maximum of 125% of salary available for achieving stretch and 50% of the maximum payable at target performance. The performance targets were set by the Remuneration Committee so as to be stretching.

Audited information

FY22 performance outcome

The FY22 Deferred Share Plan award was measured against Group revenue with the following calibration.

Measure	Weighting	Threshold	Target	Stretch	Actual	% Max award achieved	% Salary awarded	Total £'000
Group Revenue								
CEO	100%	£1,200m	£1,300m	£1,400m	£1,320.4m	60.2%	75.3%	£480,939
CFO[1]								£148,933
Former CFO[2]								£59,699

1 As an in-year joiner, pro-rated 172/365 days to reflect the portion of FY22 served.

2 As a good leaver, pro-rated 244/1,460 days to reflect the portion of the 4-year performance period served.

The FY22 DSP award was also subject to a pre-grant performance underpin that FY22 profit margins are higher than 10%, which was achieved. Group revenue achieved at £1,320.4m was between the Target and Stretch levels of performance resulting in a FY22 DSP contingent award of shares at 60.2% of the maximum available.

The FY22 DSP award will be subject to a further performance underpin before vesting:

- Group underlying profit out-turn for FY22 must be maintained at the end of the three-year vesting period. If this is not maintained then, at a minimum, 50% of the award will lapse. For the purposes of the FY22 DSP award, this will be the actual underlying operating profit £137.4m for FY22 which must be achieved in FY25.

The FY22 DSP award which vests based on the achievement of the FY25 performance underpin must be held as shares for a further two years.

The FY19 DSP award achieved the performance underpin based on FY22 profit exceeding that in FY19 (£124.9m) and, therefore, the shares ceased to be contingent and will be released on 28 June 2022. Had the FY22 profit not been greater than FY19, 50% of the DSP award would have lapsed. The net shares vesting from the FY19 DSP must be retained for a further two years for continuing Executive Directors. The value of this award is shown in the single figure table, in line with the reporting regulations, calculated as CEO £683,195 and former CFO £474,207 based on the share amounts due to vest of 243,650 and 169,118 (pro-rata) respectively and a share price of 280.4p (3-month average to 31 March 2022). The cash in lieu of dividends payment on these awards at vesting included in the single figure table is estimated at CEO £49,461 and former CFO £34,331. Actual share values at vesting and the cash payment in lieu of dividends will be reported in a restated FY22 single figure in the FY23 DRR.

Audited information

Statement of Directors' shareholding and share interests

In relation to the shareholding requirement adopted on 1 April 2017 the company requires Executive Directors to hold shares equivalent to 300% (CEO) and 200% (CFO) of base salary. Executive Directors have five years from the adoption of the guideline to achieve the required level through, at a minimum, retaining 50% of the after-tax shares vesting from company incentive plans.

The CEO has achieved his shareholding requirement and currently holds actual shares equivalent to 359% of base salary using a share price of 280.4p (three-month average to 31 March 2022).

The CFO was appointed during 2021 and does not currently meet the minimum shareholding requirement; with a current holding of actual shares equivalent to 0% of base salary.

The Remuneration Committee continues to monitor progress towards the shareholding requirement.

	Shares beneficially owned	Shares subject to performance conditions	Shares not subject to performance conditions	Total shares held at 31 Mar 2022
Steve Wadey	829,280	476,396	588	1,306,264
Carol Borg (Appointed 11 October 2022)	–	193,199	–	193,199
David Smith (Resigned 30 November 2021)	426,428	242,561	533	669,522
Michael Harper	45,000	–	–	45,000
Susan Searle	48,300	–	–	48,300
Lynn Brubaker	25,000	–	–	25,000
Neil Johnson	100,000	–	–	100,000
Ian Mason (Resigned 26 April 2021)	10,000	–	–	10,000
Shonaid Jemmett-Page	7,000	–	–	7,000
General Sir Gordon Messenger	–	–	–	–
Lawrence Prior III (Appointed 2 August 2021)	–	–	–	–

Shares beneficially owned comprise shares purchased under the Share Incentive Plan (SIP) and shares owned by the Director and any connected persons. SIP matching shares are identified as shares not subject to performance conditions.

On 11 April 2022 Steve Wadey purchased 61 shares, then on 9 May 2022 he purchased 55 shares, through his participation in the SIP. There have been no other changes to the shares shown above between 31 March 2022 and 20 May 2022.

Shares subject to performance conditions comprise awards made under the Deferred Share Plan which remain contingent subject to the performance underpin as detailed on page 127. The Compensation Share Plan award to Carol Borg is only subject to continued employment.

Notional shares held by the CEO and CFO in the BBP Cycle 3 do not appear in the table above as they are not actual shares at 20 May 2022. However, in reviewing compliance with the shareholding requirement, the net of tax value of notional shares (i.e. 51.75% in the UK) of the 50% of the BBP balance which is not subject to forfeiture is included within the calculation.

Audited information

Total scheme interests summary

Total scheme interests, including those awarded during the financial year ended 31 March 2022, are as follows.

Plan name	Date of grant	Number 1 April 2021	Granted in year (maximum potential of awards)	Vested in year	Lapsed in year	Number 31 March 2022	Share price on date of grant	Vest date
Steve Wadey								
DSP 2018	8 Jun 18	220,785	–	220,785	–	–	206.0	8 Jun 21
DSP 2019	28 Jun 19	243,650	–	–	–	243,650	304.0	28 Jun 22
DSP 2021[1]	25 Jun 21	–	232,746	–	–	232,746	321.9	25 Jun 24
		464,435	232,746	220,785	–	476,396		
David Smith								
DSP 2018	8 Jun 18	167,975	–	167,975	–	–	206.0	8 Jun 21
DSP 2019	28 Jun 19	184,401	–	–	15,283	169,118	304.0	28Jun 22
DSP 2021[1]	25 Jun 21	–	176,070	–	102,627	73,443	321.9	25 Jun 24
		352,376	176,070	167,975	117,910	242,561		
Carol Borg								
Compensation Share Plan	5 Jan 22	–	193,199	–	–	193,199	258.8	5 Jan 25
		–	193,199	–	–	193,199		

1. The FY21 DSP contingent share award granted on 25 June 2021 at a share price of 321.9p (30-day average to 31 March 2021) is calculated on awards of 97.3% of the maximum (121.6% of salary) with a face value of £749,210 and £566,773 for the CEO and former CFO respectively. If the FY21 Group underlying profit (£150.0m) is not achieved in FY24, a minimum of 50% of the award will lapse.

The contingent share award for the FY22 DSP will be granted in June 2022. The Committee estimates that 159,198 contingent shares will be awarded to Steve Wadey, 49,299 to Carol Borg and 19,761 to David Smith (both the latter awards pro-rata for length of service). This is calculated based on awards of 75.3% of salary and a share price of 302.1p (30-day average to 31 March 2022).

As part of the package approved by the Remuneration Committee for Carol Borg at recruitment, it was agreed that she would receive a share award in part compensation for share awards which were forfeited on resigning from her former employer. On 5 January 2022 Carol was granted an award over 193,199 shares which will vest in 3 years. The QinetiQ share price used was the average closing price over the 30 days prior to the award with a value at grant of £500,000. The award was structured as a conditional award granted under a one-off arrangement and will lapse in the event of Carol's cessation of service ahead of the award's vesting date, save for good leaver treatment. The award is limited to settlement with existing shares sourced from the company's employee benefit trust (no new issue or treasury shares will be used in relation to the award). Exceptionally, the award may be cash settled but there is no intention to do so. The award includes a dividend equivalent entitlement by reference to the value of dividends with record dates arising during the vesting period. Market standard terms apply in respect of scope for the company to make appropriate adjustments to the award in the event of a variation of share capital or in the event of demerger, payment of special dividend or similar event materially affecting the price of shares. Best practice malus and clawback terms apply. The award is not pensionable. The award was granted under Listing Rule 9.4.2(2) to implement terms agreed to facilitate Carol's recruitment as an Executive Director; the unusual nature of the awards forfeited meant that they could not be replicated by the QinetiQ DSP. No advantageous amendment to the terms of the award (except for minor administrative changes) will be made without prior shareholder approval in general meeting.

The average 3-month market share price to 31 March 2022 of the FY19 DSP was 280.4p, leading to an estimated loss of £57,501 and £39,912 for the CEO and former CFO respectively based on share price depreciation of the shares due to vest on 28 June 2022.

There have been no other changes to the interests shown above between 31 March 2022 and 20 May 2022.

Payments to past Directors and payment for loss of office

No payments were made to past Directors during the year and no payments were made for loss of office during the year.

Audited information continued

CFO succession

David Smith retired from the role of CFO effective 30 November 2021, succeeded by Carol Borg effective 1 December 2021 having joined the company as CFO Designate on 11 October 2021 to enable a smooth transition of responsibilities.

Carol Borg was appointed on a base salary of £420,000. Her appointment terms also included a grant of restricted stock with a value of £500,000, deemed to be less than the value of long-term incentives forfeited on resigning, and a cash payment for annual bonus lost with her former employer for the 2021 financial year, capped at £100,000.

David Smith received his normal remuneration until retirement with no payment for loss of office. On 1 December 2021 David entered into a Friend of QinetiQ agreement with the company which is a contract for occasional consultancy which the company provides to selected former employees to retain their expertise and skills on an 'as needed' basis. The agreement with David provides no guarantee of future work and has no impact on the treatment of his incentives.

The Remuneration Committee determined that Good Leaver status be provided to David as regards BBP and DSP participation including -

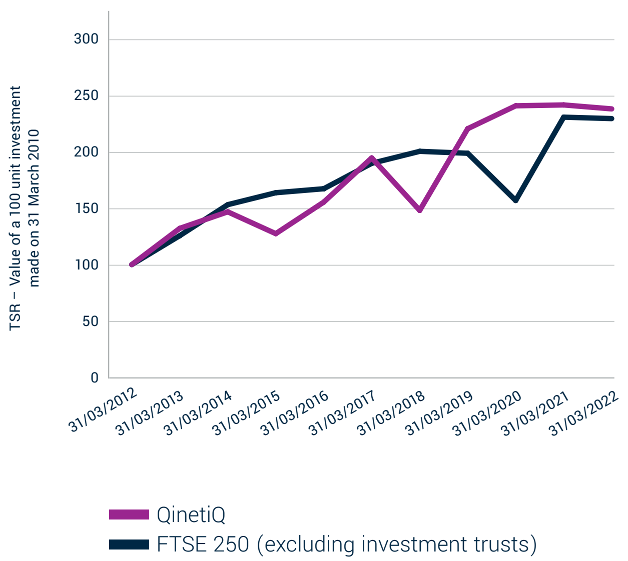
a) FY22 BBP paid on a pro-rata basis, subject to performance, in cash in June 2022 with no deferred element.
b) FY22 Cycle 3 account balance released as cash in June 2022 based on the notional share price averaged over March 2022.
c) FY19 and FY21 DSP awards will be preserved on a pro-rata basis and will remain available to vest subject to the achievement of the performance underpins.
d) The FY22 DSP will be awarded on a pro-rata basis in June 2022, vesting on June 2025, subject to the achievement of the performance underpin.

David will be required to maintain a shareholding in line with the Directors' Remuneration Policy.

Performance review

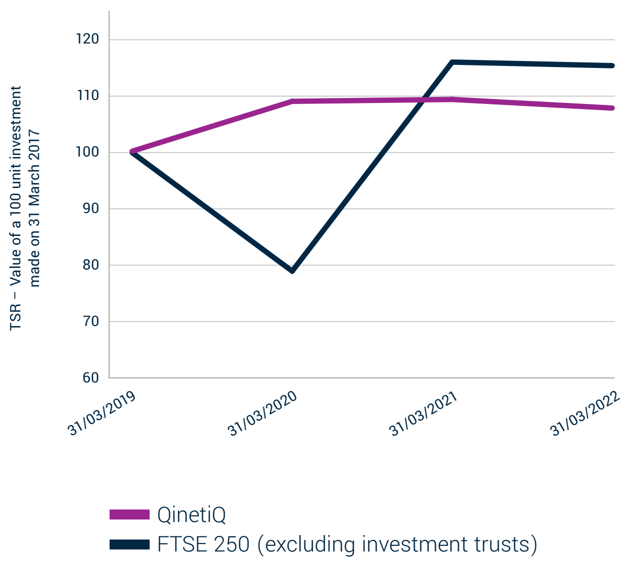
The ten-year and three-year charts show the company's Total Shareholder Return over the period from 31 March 2012 to 31 March 2022 and 31 March 2019 to 31 March 2022 compared with the FTSE 250 (excluding investment trusts) over the same period based on spot values. The Committee has chosen to demonstrate the company's performance against this index as it is the index in which the company is listed.

Ten-year comparator chart



Source: Datastream (Thomson Reuters)

Three-year comparator chart



Source: Datastream (Thomson Reuters)

CEO remuneration

The table below shows the CEO's remuneration over the same performance period as the Total Shareholder Return chart (31 March 2012 to 31 March 2022):

Year ended 31 March	CEO	Salary/fees	Single figure	Annual bonus (% of maximum)	Long-term incentives (% of maximum vesting)
2022	Steve Wadey	639,121	2,477,069	71.4%	100.0%
2021	Steve Wadey	511,550	2,695,414	95.7%	100.0%
2020	Steve Wadey	610,357	1,978,247	87.5%	38.4%
2019	Steve Wadey	596,422	2,339,474	94.4%	31.7%
2018	Steve Wadey	582,167	1,522,460	66.7%	–
2017 (restated)	Steve Wadey	568,166	1,829,470	86.4%	–
2016	Steve Wadey	520,219	1,654,546	85.4%	–
2016	David Mellors	455,885	1,423,382	82.9%	–
2015	David Mellors	501,227	1,725,960	88.6%	13.9%
2015	Leo Quinn	469,776	673,979	–	–
2014	Leo Quinn	610,844	2,177,742	77.0%	15.4%
2013	Leo Quinn	593,050	3,992,001	100.0%	40.3%

CEO pay ratio

The calculation below is based on the FY22 single figure for the CEO of £2,477,069 and similar calculations for the UK workforce (i.e. 'Option A' as defined by the Companies (Miscellaneous Reporting) Regulations 2018). The Remuneration Committee chose Option A as it is the approach generally favoured by investors and GC100. The calculations for the UK workforce were performed as at 31 March 2022.

Total remuneration

Ratio of the CEO's pay to UK employees

Year	25th percentile	Median	75th percentile
FY22	67 : 1	49 : 1	37 : 1
FY21	70 : 1	52 : 1	39 : 1
FY20	56 : 1	41 : 1	31 : 1

The CEO pay ratios have reduced between FY21 and FY22. The primary reason for this is the lower CEO single figure for FY22 due to the lower BBP outturn.

Year on year movements in the CEO pay ratio are likely to be volatile due to the wide range of incentive outcomes for the CEO single figure, but the Remuneration Committee does note the ratio and will monitor long-term trends.

Total pay of UK employees

£	25th percentile	Median	75th percentile
Total pay and benefits	£37,286	£50,831	£66,297
Salary component	£34,196	£44,910	£61,740

The Remuneration Committee welcomes the opportunity to provide this information to shareholders. The company aims to reward all employees fairly for the success and growth they create, hence the inception of the All Employee Incentive Scheme in FY19 which paid a discretionary amount of £500 to all eligible employees for performance delivered in FY22 even though the profit target was not met.

Remuneration policy for all employees

All employees of QinetiQ are entitled to base salary, benefits and pension. UK and Australia-based employees are entitled to participate in the QinetiQ Share Incentive Plan. The maximum incentive opportunity available is based on the seniority and responsibility of the role. Participation in the DSP is available to Executive Directors, senior leaders and selected employees throughout the organisation.

In FY19 the company introduced an All Employee Incentive Scheme (AEIS) whereby every employee has the opportunity to earn a cash bonus based on company and personal performance. For FY22 the company element of the AEIS was paid at a discretionary level of £500 as the profit target was not met. The AEIS will be operated again in FY23 and thereafter.

The Committee reviews (but does not decide) the general reward policy for all employees and any significant changes proposed. Alignment with the workforce is delivered through the Rewarding for Performance framework, including a transparent and consistent approach to the annual salary review, the AEIS to drive company and personal performance, recognition schemes and market competitive benefits in our countries. For FY23 the company has agreed significant investment in the employee offering across the Group.

Audited information

Single figure total remuneration for the Chairman and each Non-executive Director

Non-executive Directors' remuneration is shown as a single figure to provide an annual comparison between the remuneration awarded during the financial year ended 31 March 2022 and the preceding year. Amounts in brackets were waived in FY21.

	Salary/fees £'000		Benefits £'000		Committee Chair fees £'000		US/UK attendance fee £'000		Single figure £'000	
Non-executive Director	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Lynn Brubaker	54	46 (7)	5	2	–	–	6	3	65	51
Admiral Sir James Burnell-Nugent (Resigned 31 December 2020)	–	33 (7)	–	–	–	6 (1)	–	–	–	39
Michael Harper	54	46 (7)	1	–	10	9 (1)	–	–	65	55
Shonaid Jemmett-Page (Appointed 19 May 2020)	54	41 (3)	1	–	12	7 (1)	–	–	67	48
Neil Johnson	250	219 (31)	3	–	–	–	–	–	253	219
Ian Mason (Resigned 26 April 2021)	4	46 (7)	–	–	–	–	–	–	4	46
General Sir Gordon Messenger (Appointed 12 October 2020)	54	25	1	–	14	–	–	–	69	25
Paul Murray (Resigned 14 July 2020)	–	17 (5)	–	–	–	2 (1)	–	–	–	19
Lawrence Prior III (Appointed 2 August 2021)	36	–	2	–	7	–	3	–	48	–
Susan Searle	54	46 (7)	1	–	12	9 (1)	–	–	67	55

Benefits include travel and subsistence expenses incurred in relation to the execution of their duties with the company that are considered by HMRC to be taxable.

The Committee Chair fee paid to General Sir Gordon Messenger in FY22 includes a true-up of £2,000 of unpaid Committee Chair fees for FY21 due to an administrative error by the company. Lynn Brubaker and Larry Prior are US residents and are entitled to receive a $4,000 fee for attending UK meetings. UK-based Non-executive Directors are entitled to receive a £2,500 fee for attending US meetings. The Committee Chair fees figure for Michael Harper is a payment of £10,000 as Senior Independent Director, and that for Larry Prior is a payment of £10,000 as the senior US Non-executive director.

Percentage change in Directors' remuneration

The following table compares the percentage change in each of the Director's salary/fees, bonus and benefits to the average percentage change in salary, bonus and benefits for a comparison group (4,000 employees) in the UK business in service between 1 April 2021 and 31 March 2022. The analysis only includes Directors who served for the whole of FY22 and FY21 and is impacted by the temporary salary/fee sacrifice in FY21.

	% change between FY22 and FY21			% change between FY21 and FY20		
	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
Steve Wadey	24.9%	-4.3%	-22.7%	-16.2%	35.9%	10.3%
David Smith	–	–	–	-15.2%	0%	11.1%
Carol Borg	–	–	–	–	–	–
Neil Johnson	14.3%	100%	–	17.1%	-100%	–
Michael Harper	18.4%	100%	–	-15.9%	0%	–
Susan Searle	21.2%	100%	–	-6.8%	-100%	–
Ian Mason	–	–	–	-9.8%	-100%	–
General Sir Gordon Messenger	–	–	–	–	–	–
Lawrence Prior III	–	–	–	–	–	–
Shonaid Jemmett-Page	–	–	–	–	–	–
Lynn Brubaker	33.0%	127.5%	–	-35.5%	-77.8%	–
Average UK employee	2.9%	10.9%	-38.2%	1.2%	-1.2%	62.2%

1 UK employees were chosen in order to avoid the impact of exchange rate movements over the year. QinetiQ Group plc has no employees so QinetiQ Group Ltd employees were used.

The reduction in salary and fees which the Board implemented as a waiver for six months in FY21 impacted the analysis above, as did the reduced travel and physical meeting attendance as the benefits paid to Non-executive Directors are largely travel and subsistence expenses incurred in relation to the execution of their duties with the company that are considered by HMRC to be taxable.

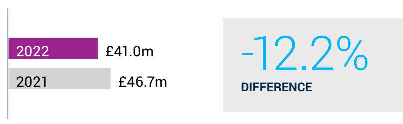
Relative importance of spend on pay

The graph below shows actual spend on all employee remuneration, shareholder dividends and buy-backs and any other significant use of profit and cash within the previous two financial years.

Total employee remuneration

Share-based profit distribution

Dividend cash payment plus purchase of own shares (see page 151).



Other significant profit distribution

There were no other significant profit distributions in 2021 or 2022.

Gender related pay

QinetiQ is subject to gender pay reporting for UK employees and a copy of our latest report is available on the company's website.

Service contracts/letters of appointment

The company's policy is that Executive Directors have rolling contracts which are terminable by either party giving 12 months' notice. The Group Chairman and the Non-executive Directors do not have service contracts but are appointed under letters of appointment. All service contracts and letters of appointment are available for viewing at the company's registered office and at the AGM. Non-executive Directors typically serve two three-year terms but may be invited by the Board to serve for an additional period (see table in the Nominations Committee report on page 100).

Director	Date appointed	Arrangement	Notice period
Lynn Brubaker	27 January 2016	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Michael Harper	22 November 2011	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Shonaid Jemmett-Page	19 May 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Neil Johnson	02 April 2019	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
General Sir Gordon Messenger	12 October 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Lawrence Prior III	2 August 2021	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Susan Searle	14 March 2014	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Carol Borg	11 October 2021	Service contract	12 months
Steve Wadey	27 April 2015	Service contract	12 months

Implementation of Policy for the year ended 31 March 2022

Fees

Non-executive Directors' fees were reviewed effective 1 July 2021, the last increase being in July 2019, and are now as follows –

- Basic fee £55,000 (previously £52,000)
- Committee Chair fee £12,000 (previously £10,000)
- Senior Independent Director fee £10,000 (no change)

The Non-executive Group Chairman receives a fee of £250,000 per annum which has not been adjusted since appointment.

Fees are reviewed in line with Policy. In FY21 a voluntary fee waiver was implemented for six months as detailed on page 132.

Executive Directors are permitted to accept one external Non-executive Director position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive Director. The CEO and CFO do not hold any Non-executive Directorships in other companies.

	Fees effective 1 July 2021 £
Group Chairman	250,000
Basic fee for UK Non-executive Director	55,000
Additional fee for chairing a Committee	12,000
Additional fee to Deputy Chairman/Senior Independent Non-executive Director	10,000
Additional fee for attendance at a Board meeting held in US by UK resident Non-executive Director	2,500
Additional fee for attendance at a Board meeting held in UK by US resident Non-executive Director	$4,000

Implementation of Policy for the year ending 31 March 2023

At the 11 May 2022 meeting of the Remuneration Committee, base salary increases of 3.6% (to £670,000p.a.) and 3.6% (to £435,000p.a.) were approved for the CEO and CFO respectively, effective 1 July 2022. Both salary reviews are aligned with the Rewarding for Performance guidance used for all UK employees which included a 4.0% budget for the July 2022 salary review.

Incentives for Executives

The table below shows the measures and relative weighting for the Bonus Banking Plan for the CEO and CFO:

	Performance measure (excluding FY23 acquisitions)	Relative weighting(%)
Bonus Banking Plan	Underlying operating profit	25.0%
Target performance 100% of base salary	Underlying net cash flow from operations	20.0%
Stretch performance 200% of base salary	Orders	25.0%
	Common, ESG and Personal goals	30.0%

For FY23 the Remuneration Committee agreed to reduce the weighting of Bonus Banking Plan financial metrics to 70% (previously 75%) by reducing the cash metric to 20% (previously 25%). This enables an increased focus on ESG goals as part of the non-financial metrics with a 30% weighting (previously 25%).

For FY23, the Remuneration Committee set the target level of performance at 50% of stretch for the financial measures, collective and personal goals. Details of specific performance targets for the Bonus Banking Plan have not been provided as they are deemed commercially sensitive. The targets will be disclosed retrospectively in next year's Annual Report on Remuneration.

The Deferred Share Plan will award a maximum of 125% of base salary for achieving stretch performance. For FY23 the strategic growth performance measure is revenue growth (excluding in-year acquisitions) across the Group to incentivise our senior leaders globally to collaborate across the Group to deliver sustainable profitable growth, as per FY22. There will be a pre-grant margin underpin to ensure that profit performance remains strong in FY23.

Performance metrics have been set for FY23 based on the ISBP FY23. At the end of the year the Committee will look back at the impact on shareholders and the performance of comparators and, if appropriate, will apply discretion. It is important that the rewards overall to executives are balanced and fair in the context of the shareholder journey.

The FY23 DSP award will be subject to a performance underpin before vesting:

- Group underlying profit out-turn for FY23 must be maintained at the end of the three-year vesting period. If this is not maintained then, at a minimum, 50% of the award will lapse. For the purposes of the FY23 DSP award, this will be the actual underlying operating profit (£m) for FY23 which must be achieved in FY26.

Awards of contingent shares will be made in June 2023 based on FY23 performance. Details of performance targets for the Deferred Share Plan have not been provided as they are deemed commercially sensitive. They will be disclosed retrospectively in next year's Annual Report on Remuneration.

Remuneration Committee meetings, activities and decisions FY22

The following table provides a summary of all the key activities during the year. The attendance at each meeting is detailed on page 90. The membership of the Remuneration Committee in FY22 was Susan Searle (Chair), Michael Harper, Neil Johnson, Lynn Brubaker, Ian Mason (resigned 26 April 2021), General Sir Gordon Messenger, Shonaid Jemmett-Page and Lawrence Prior III (joined 2 August 2021).

Base salary	Incentives	Share awards	Governance	Salaries and Resourcing
May 2021	Review of FY21 Company performance and final results for BBP and DSP	Approval of FY18 DSP Performance underpin and vesting FY21 DSP awards	Market update Approve Directors' Remuneration Report.	GLT base salary reviews
July 2021			AGM preparation	CFO succession
November 2021	FY22 half-year forecast		Market update Review of GLT shareholdings Review of company reward practices Review of Terms of Reference	Terms of a GLT-level appointment
January 2022	'Blue Sky' session in preparation for the 2023 AGM Directors' Remuneration Policy vote			
March 2022	FY22 provisional results FY23 target setting	FY19 DSP provisional vesting	2023 Directors' Remuneration Policy vote	

Remuneration Committee effectiveness review

In 2022 the effectiveness review was conducted by The Effective Board LLP. This process is described further on page 80.

Remuneration consultants

The Committee appointed FIT Remuneration Consultants LLP, an independent firm of remuneration consultants, to provide advice on market practice, corporate governance and investors' views. FIT were appointed by the Committee in 2017 after a competitive tendering exercise. Fees paid during the year for services provided were £55,000 determined on a fixed-fee annual retainer basis, with fees agreed in advance for out-of-scope work, if any. FIT provided no additional services to the company during the year and the Committee is satisfied that the advice received is independent and objective.

Statement of voting

Annual Report on Remuneration – 2021

Votes for	436,288,423 (93.6%)
Votes against	29,698,657 (6.4%)
Total votes cast	465,987,080 (80.5% of share capital)
Abstained	10,345,055

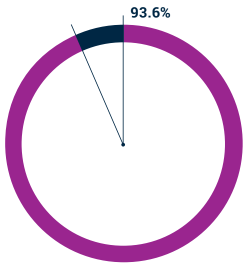
Directors' Remuneration Policy – 2020

Votes for	393,525,108 (87.0%)
Votes against	59,006,721 (13.0%)
Total votes cast	452,570,726 (79.7% of share capital)
Abstained	19,408,696

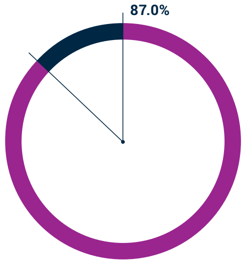
Details on the voting on all resolutions at the 2022 AGM will be announced via the RNS and posted on the QinetiQ website after the AGM.

Susan Searle
Remuneration Committee Chair
20 May 2022

Directors' Remuneration Report 2021 % of votes
(%)



Directors' Remuneration Policy 2020 % of votes
(%)



Votes for
Votes against