

Corporate Governance

Corporate governance

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Neil Johnson
Non-executive
Group Chair

Introduction to Governance



//At a time of heightened world conflict, the Company's clear, proportionate and well-embedded system of corporate governance, which effectively supports and guides how we deliver against our mission and objectives, is key to giving our customers, partners and shareholders transparency and confidence in how our Company executes against its strategy.//

The following corporate governance statement provides an overview of the system of governance adopted by the Company and will enable our shareholders to evaluate the manner in which UK Corporate Governance Code Principles and Provisions have been applied by the Company for the year ended 31 March 2024.

Key Board activities

During this reporting year, the Board has made improvements to its Board Diversity Policy, announced the commencement of a £100m share buyback programme and has overseen a number of changes to the make-up of the Board. The Audit Committee has been planning to implement the changes to the audit, risk and internal control provisions in the recently published 2024 UK Corporate Governance Code, as well as the proposed changes in the non-financial reporting and audit environment.

A fuller summary of the Board's activity during the year can be found on [page 87](#), and further information about the Group's stakeholder engagement can be found on [page 65](#).

I have already covered a number of areas in the Group Chair Statement earlier in this Report, so rather than repeat those comments, I set out below a few further additions.

Environmental, Social and Governance (ESG)

QinetiQ is committed to responsible and sustainable business practice and is proud to be acting as a catalyst, by driving and leading these important issues within our sector. During the year, the Board have had many discussions on how to best keep evolving our approach to ESG matters including our Net-Zero programme and the evolution of non-financial reporting. As part of our regular business review, we are able to oversee and monitor management of ESG aspects, which are being delivered through our ESG function. We are proud of the significant progress made to date on our ESG strategy and programmes, and we continue to support the business in its ambition to embed this further into corporate strategy and decision-making.

Health, safety and wellbeing

At QinetiQ, health, safety and wellbeing remain our number one priority. Our commitment to look after our people, customers and visitors while ensuring the public is never harmed by the work we do is at the heart of our culture.

This year, considerable effort has been made to further enhance the Company's safety culture, especially at senior leadership level, and further information on health, safety and wellbeing can be found on [page 48](#).

Culture

Promoting a culture of openness and debate in the Boardroom is one of my key responsibilities as Group Chair, and as a Board we play an important leadership role in promoting the desired culture throughout the organisation. By spending time with the business and its people, the Board and I have seen that the culture and values of QinetiQ (integrity, collaboration and high performance), are clearly embedded and are genuinely lived. In QinetiQ, I have found a culture that is grounded, responsible and humble, where people have confidence in their capabilities and our strategy, with a strong desire to learn and develop. The Company continues to spend considerable time on engagement with our people to embed and harness the benefits of our Company values.

Board succession and evaluation of the Board's performance

I have already set out in the Group Chair Statement, earlier in the Report, the changes that are being made to the composition of the Board and I will say more about this in the Nominations Committee Report.

Central to setting the correct tone is the review of the Board's own performance. Following on from the external assessment carried out in FY22 and FY23 by Tom Bonham-Carter of The Effective Board LLP, an internal review was conducted in FY24 to assess how the Company is progressing against the last two years' recommendations. Please see [pages 97 to 98](#) for details of the outcome of the review.

Remuneration

During the year, the Board's Remuneration Committee has focused on ensuring that the Remuneration Policy approved at the 2023 AGM is operating as intended, to reward, retain and incentivise appropriately the Executive Directors who are driving the Company's success. It has done so by seeking to ensure that the Company's remuneration schemes and their outcomes for Executive Directors continue to be transparent, aligned with the Company's strategy and also aligned with the interests of, our shareholders and the returns we deliver to them.

The Company has also continued to enhance the reward schemes for its people, aimed at supporting them with the continued high cost-of-living in a number of its home countries, including additional support through a hardship fund available to those who have been most affected.

Application of the provisions of the 2018 UK Corporate Governance Code (the "Code")

In respect of the year ended 31 March 2024, the Company was subject to the Code. The Board confirms that it applied the principles and complied with the provisions of the Code throughout the year, with the exception of Provision 4. At the AGM in July 2023, the Chair received more than 20% of votes cast

against his reappointment as a Director of the Company. Provision 4 of the Code requires the Company to publish an update on the views received from shareholders and actions taken, no later than six months after the shareholder meeting. The Company released an announcement on 14 May 2024 giving further details in this regard. The reason for delay after 20 January 2024 until 14 May 2024 was to enable the Company to make a full response to the issues raised. Further details can be found on [page 90](#).

Further information on compliance with the Code can be found on [page 74](#).

Annual General Meeting

We are delighted this year to again welcome shareholders to our AGM. The AGM will be held at 11:00 on Thursday 18 July 2024 at the office of Ashurst LLP, London Fruit and Wool Exchange, Duval Square, London E1 6PW. Further details will be provided in our Notice of AGM and on our website www.QinetiQ.com.

Neil Johnson

Non-executive Group Chair

Governance framework and Board at a glance

The Board is accountable to shareholders for its standards of governance and as a UK-listed company our governance is based on applying the principles and provisions of the UK Corporate Governance Code. The UK Corporate Governance Code is publicly available at www.frc.org.uk. Further information on compliance with the Code can be found as follows:

Board leadership and Company purpose

Provides an overview of the activities undertaken by the Board in the year, how the Board has considered its section 172(1) responsibilities and its governance framework.

- Section 172(1) statement [pages 65 to 67](#).
- Board of Directors [pages 78 to 80](#).
- Company purpose [page 76](#).
- Social [pages 48 to 53](#).
- Stakeholder engagement [pages 65 to 67](#).
- Employee engagement [page 89](#).

Division of responsibilities

- Governance structure [page 81](#).
- Division of responsibilities [page 82](#).
- Board of Directors [pages 78 to 80](#).
- Time commitment [page 83](#).
- Board and Committee processes [pages 83 to 84](#).

Composition, succession and evaluation

- Nominations Committee report [pages 92 to 99](#).
- Board of Directors [pages 78 to 80](#).
- Director effectiveness [pages 97 to 98](#).

Audit, risk and internal control

- Audit Committee report [pages 100 to 105](#).
- Risk & Security Committee report [pages 106 to 109](#).

Remuneration

- Directors’ Remuneration Committee report [pages 110 to 129](#).

FY24 Board gender diversity

56%

Male

44%

Female

FY24 Board independence

78%

Independent

7

Independent Non-executive Directors

2

Executive Directors

FY24 Board Ethnicity

89%

White

11%

Ethnic Minority

Non-executive Director tenure

Name	Tenure (as at 22 May 2024). Average 3.3 years
Neil Johnson (Chair)	5
Shonaid Jemmett-Page	4
Dina Knight	0
Ross McEwan	0
Gordon Messenger	3
Steve Mogford	1
Susan Searle	10

Skills and experience

The chart below demonstrates the skills and experience of the Board members:

	0	1	2	3	4	5	6	7	8	9
R&D/Technology	[Bar chart showing 9]									
Cyber security	[Bar chart showing 4]									
M&A	[Bar chart showing 7]									
Transformation	[Bar chart showing 9]									
Remuneration	[Bar chart showing 5]									
Strategy	[Bar chart showing 8]									
Finance and financial reporting	[Bar chart showing 5]									
Emerging markets	[Bar chart showing 4]									
International business	[Bar chart showing 9]									
Defence	[Bar chart showing 5]									
Aerospace and aviation	[Bar chart showing 5]									
Government services	[Bar chart showing 6]									

Board members: Age

Age Group	Percentage
41-50	11%
51-60	22%
61-70	56%
71-80	11%

Board members: Gender balance

Gender	Percentage
Women	44%
Men	56%

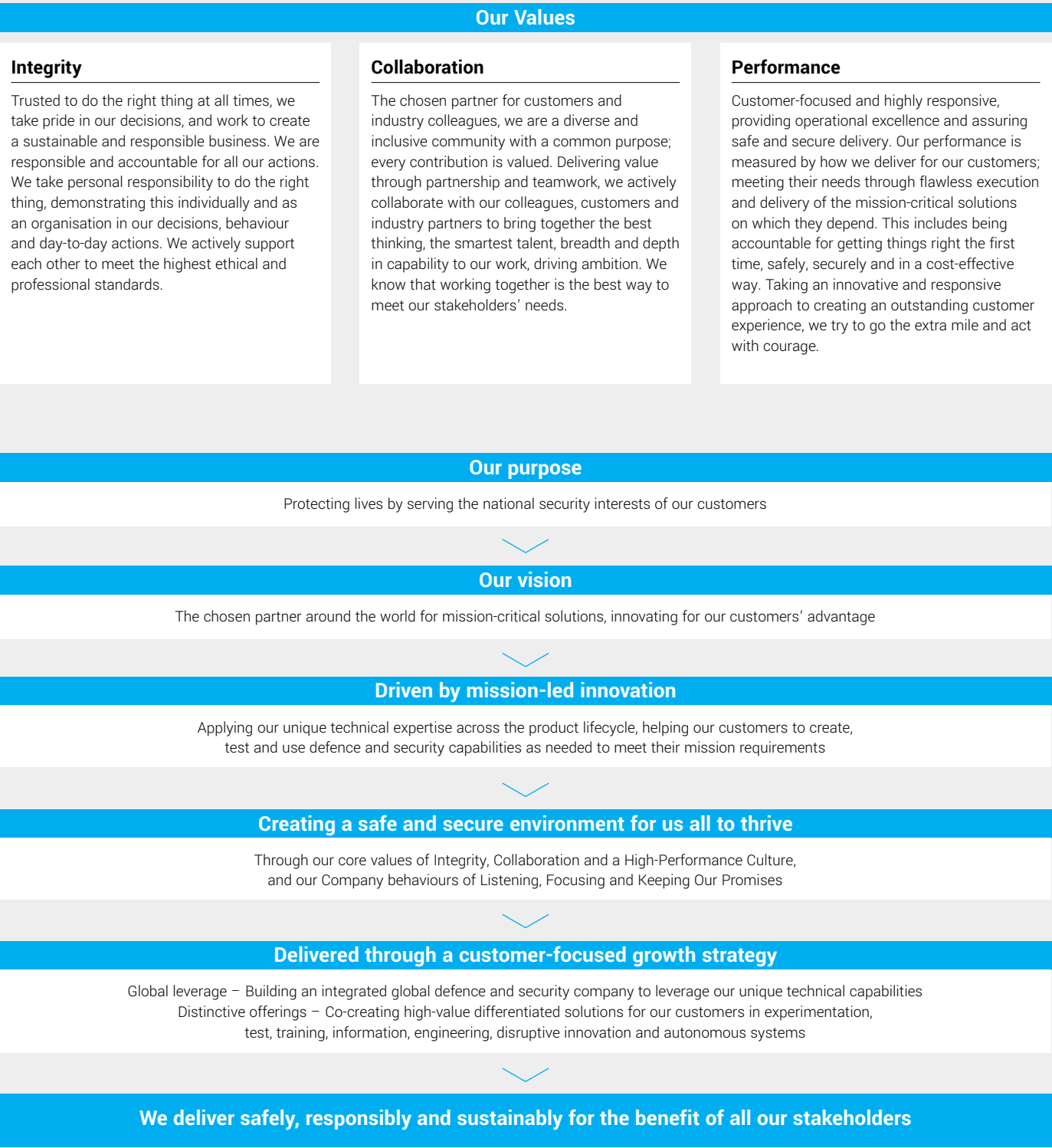
QinetiQ Leadership Team: Gender balance

Gender	Percentage
Women	40%
Men	60%

Direct reports to the QLT: Gender balance

Gender	Percentage
Women	27%
Men	73%

The significance of our purpose, values and strategy



The Board has supported the review and further refinement of the Company's purpose, to ensure it continues to capture the Board's view of the Company, its evolving global strategy and its role in society. Our purpose communicates the Group's strategic direction and intentions to customers, employees, partners, investors, the local communities we work in and its wider stakeholders. Our values make clear our priorities and form the foundations of the Company's culture.

While the Recognition Gala and Thank Q programmes raise awareness of, and recognise and reward, the behaviours that demonstrate our values, there are many other actions which contribute to the creation of a healthy corporate culture. These include:

- Our corporate policies, reviewed and approved by the Board, which set a clear expectation, and mandate, for every member of the workforce to perform the Company's business with integrity and in accordance with applicable laws, including anti-bribery and corruption, anti-slavery and human trafficking, data protection and 'Speak Up' policies and procedures.
- Fair and transparent employee policies and practices which ensure that employees' rights are respected in accordance with applicable laws and employment contracts, together with a number of programmes and initiatives which support the health and wellbeing of our people, develop talent and promote diversity.
- Supplier protocols and procedures which seek to ensure that our key suppliers operate their businesses and respect their employees' rights in the same way that we do.
- The application and monthly assessment by business and functional executive teams and the QinetiQ Leadership Team of safety and operational KPIs to enable management to monitor and drive continuous improvements in safety, reliability and efficiency of our services.
- Implement the work of Group support functions to advise on the Group's policies, procedures and standards at every level and location of the business around the world, including dedicated safety and operational excellence teams, finance, legal and governance teams, procurement, the People function, and the Group internal audit function.

In addition, we as a Board use a number of other methods to understand and monitor the Company's culture and assess whether our people reflect our values. These include:

- Reviews, in the Boardroom, of the outcomes of the Company's staff Peakon surveys, customer satisfaction scores and updates on confidential reporting 'Speak Up'. These give us insights into what the Company does well and what could be improved, as well as any particular areas of concern.
- The employee interaction with the Global Employee Voice (GEV), discussing the issues which matter most to our people
- Directors' attendance at Company events, such as the bi-annual virtual Global Employee Roadshows.

Through feedback from all of these monitoring activities, the Board is satisfied that the Company's culture is aligned with our values. Where the Peakon surveys, workforce engagement events or other interactions between Directors and employees and other stakeholders, have revealed matters that can be improved upon or have flagged concerns, the Board has discussed these and assured itself that management is putting action plans in place that are designed to drive improvements or address those concerns.

Safety culture

QinetiQ's Health and Safety strategy sets the direction for how we look after ourselves, each other and our partners. Our Safety culture journey, is constantly progressing and adapting. The Safety Improvement Programme, established by the Board and led by the QLT is driving a step-change in our safety culture. More information on the SIP can be found on [page 48](#).

Stakeholder engagement

Engagement and collaboration through our value chain is essential. Partnering with our stakeholders, understanding their challenges and managing risks, we can find solutions to enable shared success, sustain our business and benefit all our stakeholders. We have aligned our strategic priorities with the requirements and needs of our stakeholders to enable delivery of profitable, sustainable value. The Board recognises that it has a duty to act in the best interests of the Company for the benefit of its shareholders, as well as considering other stakeholder interests.

In its decision-making, the Board considers all relevant factors, including:

- How the decision would align with the Group's over-reaching purpose
- The likely short-, medium- and long-term consequences of the decision
- The value created for our investors
- The enhancement of our performance created by the decision
- The potential impacts on our people, local communities and environment of making the decision
- The need to create strong, mutually-beneficial customer and supplier relationships
- The Group's commitment to business ethics

The section 172(1) statement on [pages 65 to 67](#) explains how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, when performing their duty under section 172. The Board aims to promote the success of the Company for the benefit of its shareholders as a whole, taking into account the long-term consequences of its decisions while giving due consideration to the interests of the Company's stakeholders (including employees, customers, suppliers, shareholders, as well as the environment and local communities which are impacted by our operations), while also considering the importance of maintaining our reputation for high standards of business conduct. Examples of what that has looked like in practice over the past year can be found as follows:

Shareholders	pages 65 to 67 & 90
Employees	page 89
Customers/suppliers	page 6
Environment	pages 36 to 47
Social	pages 48 to 53

Further information about how the Directors have accounted for stakeholders in their decision-making is set out on [pages 85 to 86](#).

Experienced and strategically focused



Neil Johnson
Group Chair

Committees	<div><div>N</div><div>R</div><div>RS</div></div>
Nationality	British
Appointed	April 2019

Skills, competence and experience

Neil’s former CEO experience and current roles as a plc Group Chair and Non-executive Director brings to the Board relevant knowledge, challenge and leadership.

Starting his career at Sandhurst and the army, Neil spent much of his early career in the automotive and engineering industries. He was worldwide Sales and Marketing Director at Jaguar before being seconded to the UK Ministry of Defence to command 4th Battalion The Royal Green Jackets. He returned to the industry with British Aerospace, initially running Land Rover and then all of its European automotive operations. Neil was later CEO of the RAC, and former Director General of the EEF and a Home Office appointed Independent Member of the Metropolitan Police Authority. He was previously Chair of Motability Operations Group Plc, Synthomer Plc and Electra Private Equity Plc.

Other appointments

Chair of Dialight plc, Trustee and Council Member - National Army Museum.



Steve Wadey
Group Chief Executive Officer

Committees	<div><div>RS</div></div>
Nationality	British
Appointed	April 2015

Skills, competence and experience

Steve’s proven track record of driving growth, and his in-depth experience of defence and technology industries is of essential importance and benefit to the Board.

Steve is a Fellow of the Institution of Engineering and Technology, the Royal Aeronautical Society, and the Royal Academy of Engineering. He was previously a member of the Prime Minister’s Business Advisory Group, Co-Chair of the National Defence Industries Council Research and Development Group, and a Non-executive Director of the UK MOD Research and Development Board. He has held various roles with MBDA, including as Managing Director, MBDA UK. Previously he held various roles with Matra BAe Dynamics and British Aerospace. He was also Chair of the Defence Industry Liaison Board of the UK Department for International Trade, Defence and Security Exports.

Other appointments

Co-Chair of UK Defence Growth Partnership and Climate Change and Sustainability steering group with UK MOD.



Steve Mogford
Senior Independent
Non-executive Director

Committees	<div><div>A</div><div>N</div><div>R</div><div>RS</div></div>
Nationality	British
Appointed	August 2022

Skills, competence and experience

Steve has vast experience in both executive and non-executive roles across a range of sectors. In particular, his long and comprehensive international defence and security sector experience equip him to further develop the skill sets of our Board. Steve has a first class honours degree in astrophysics, maths and physics from London University.

Formerly the CEO of United Utilities Group PLC, Steve started his career at British Aerospace. During his long career with them, he held a number of senior positions before being appointed COO and a member of the BAE Systems plc Board. Steve then joined Finmeccanica as Chief Executive of SELEX Galileo. He also served on the Board of G4S plc as Senior independent Director up to its acquisition in 2021.

Other appointments

Independent Non-executive Director of Costain Group PLC.

Committee membership key

- A

Audit
- N

Nominations
- R

Remuneration
- RS

Risk & Security
- Committee Chair



Shonaid Jemmett-Page
Independent
Non-executive Director

Committees	<div><div>A</div><div>N</div><div>R</div><div>RS</div></div>
Nationality	British
Appointed	May 2020

Skills, competence and experience

Shonaid has widespread experience as an Executive and Non-executive Director spanning a variety of sectors, including industrial and technology-based businesses with international operations. This, combined with her extensive financial experience, is invaluable in her role as Chair of the Audit Committee. Shonaid is a Fellow of the ICAEW.

Previously she was the Chief Operating Officer of CDC Group plc, the UK Government’s development finance institution, having joined from Unilever, where she was Senior Vice-President Finance and Information, Home and Personal Care, originally in Asia and later for the Group as a whole. Her early career was spent at KPMG, latterly as a partner. Her Board-level experience includes Non-executive Chair of Greencoat Wind plc, MSAmIn plc and Non-executive Director at GKN plc.

Other appointments

Non-executive Chair of Cordiant Digital Infrastructure Limited and ClearBank Limited and Non-executive Director of Aviva plc.



Dina Knight
Independent
Non-executive Director

Committees	<div><div>A</div><div>N</div><div>R</div><div>RS</div></div>
Nationality	British
Appointed	March 2024

Skills, competence and experience

Dina has over thirty years’ HR experience gained across private and PLC business environments. She is highly experienced in working across international workforces, building strong teams to deliver change and drive results, whilst ensuring that the workforce and business’s well-being remain a top priority. Dina read Business Studies and gained a Post Graduate Diploma in Personnel Management from Teeside University.

Dina is Chief People Officer of global technology provider Datatec Group and Logicalis International, accountable for its people operations and strategy. Previously she was Global HR Director at Truphone, responsible for driving a collaborative and innovation-centred culture. She has also held positions as Group HR Director for Teledyne e2v and Northgate Information Solutions.

Other appointments

Chief People Officer of Datatec Group.



Ross McEwan
Independent
Non-executive Director

Committees	<div><div>A</div><div>N</div><div>R</div><div>RS</div></div>
Nationality	New Zealand
Appointed	March 2024

Skills, competence and experience

Ross has more than thirty years’ experience in the finance, insurance and investment industries, and brings a strong focus on customers, business performance, capital management, technology transformation, risk management, and people and culture. He holds a Bachelor of Business Studies from Massey University, New Zealand.

Ross has been Chief Executive Officer and Managing Director of National Australia Bank Limited since December 2019. He was previously Group CEO of Royal Bank of Scotland. He also held the positions of Group Executive for Retail Banking Services and Executive General Manager at the Commonwealth Bank of Australia, as well as Managing Director of First NZ Capital Securities and Chief Executive Officer of National Mutual Life Association of Australia Limited/AXA New Zealand Limited.

Other appointments

Chief Executive Officer and Managing Director of National Australia Bank Limited (until 1 July 2024) and Non-executive Director of BHP Group Limited.

- A Audit
- N Nominations
- R Remuneration
- RS Risk & Security
- Committee Chair



General Sir Gordon Messenger
Independent Non-executive Director

Committees	<div>A N R RS</div>
Nationality	British
Appointed	October 2020

Skills, competence and experience

Gordon brings considerable experience from the armed forces having served for 37 years as a Royal Marine. Throughout his military career he served in key appointments in various UK and NATO headquarters, overseeing the planning and execution of UK and coalition military and humanitarian relief operations worldwide. He most recently served as Vice Chief of the Defence Staff, a position he held for three years until his retirement in 2019.

Gordon’s unique experience enables him to provide invaluable insight in his role as the Chair of the Risk & Security Committee.

Other appointments

A Board member of the UK Health Security Agency, a member of the Advisory Board of C3.ai Inc., Senior Independent Advisor to BUPA, Trustee of Historic Royal Palaces, Trustee of the Kings Foundation, and serves as Constable of His Majesty’s Tower of London.



Susan Searle
Independent Non-executive Director

Committees	<div>A N R RS</div>
Nationality	British
Appointed	March 2014

Skills, competence and experience

Susan brings to the Board essential experience of investing in growing technology businesses, acquisitions and exploitation of new technologies. Her extensive experience as a plc Remuneration Committee Chair enables her to efficiently and valuably chair the QinetiQ Remuneration Committee.

Susan was a founder of Touchstone Innovations plc, and formerly its CEO. She has served on a variety of private company boards in engineering, healthcare and advanced materials, and held a variety of commercial and business development roles with Shell Chemicals, the Bank of Nova Scotia, Montech (Australia), and Signet Group plc. Previously she was the Senior Independent Director and Remuneration Committee Chair of Horizon Discovery Group plc and Benchmark Holdings PLC, as well as Chair of Mercia Asset Management plc and Schroder UK Public Private Trust plc.

Other appointments

Non-executive Director and Chair of the Sustainability Committee of Gooch & Housego PLC, Chair of Greenback Recycling Technologies Ltd and Non-executive Director of Bibby Line Group.



James Field
Company Secretary and Group Director Legal

Committees	
Nationality	British
Appointed	July 2022

Skills, competence and experience

James joined QinetiQ as an in-house lawyer in 2004, progressing through various roles to Head of the Group Legal and Intellectual Property team, before becoming Group Director Legal and Company Secretary. Prior to QinetiQ, James worked as in-house Legal Counsel at Transport for London, and has a background in London-based private legal practice.

Other appointments

N/A

Governance structure

This is the structure through which the Company is managed. It has evolved over time, and continues to evolve to meet the needs of the business and the Company’s stakeholders. Boards of large companies invariably delegate day-to-day management and decision-making to Executive Management. Directors should maintain oversight of a company’s performance and ensure that management is acting in accordance with the strategy and its delegated authorities. At QinetiQ, the culture, values and standards that underpin this delegation help to ensure that when decisions are made, their wider impact has been considered. The Board has reserved certain matters (posted at www.QinetiQ.com) for its own consideration so that it can exercise judgement directly when making major decisions, and in doing so, promoting the success of the Company.



Carol Borg was Group Chief Financial Officer during all of FY24 and stepped down from the Board on 16 April 2024. Larry Prior was a Non-executive Director until he stepped down from the Board on 16 March 2024. More details can be found on [page 3](#).

Division of responsibilities

Role of the Board Underpinned by good corporate governance, the Board is focused on delivering an effective and entrepreneurial Board which: <ul style="list-style-type: none">– Provides challenge, advice and support to management– Drives informed, collaborative and accountable decision-making– Creates long-term sustainable success and value for our shareholders, having regard to the interests of all our stakeholders			Roles and responsibilities The Board has agreed a clear division of responsibilities between the Group Chair and the Group CEO. Other Directors and the Company Secretary’s roles are also clearly defined to assist in enhancing the effectiveness of the Board. A summary is set out below.		
Group Chair Neil Johnson	<ul style="list-style-type: none">– Provides overall leadership and ensures effectiveness of the Board– Sets the agenda, character and tone of the Board meetings and discussions	<ul style="list-style-type: none">– Maintains an effective working relationship with the Group CEO– Leads the annual performance evaluation of the Board, its Committees and ensures that each Non-executive Director makes an effective contribution			
Group CEO Steve Wadey	<ul style="list-style-type: none">– Develops the Group’s strategy for consideration and approval by the Board and provides effective leadership of the QinetiQ Leadership Team in its delivery of strategy– Develops the Group’s business model and manages the Group’s operations– Overseas the development and implementation by the QinetiQ Leadership Team’s corporate, safety and environmental policies and standards	<ul style="list-style-type: none">– Establishes and services relationships with key stakeholders– Reinforces the Group’s values and sets expected employee behaviours– Communicates (alongside the Group CFO) the Group’s financial performance and strategic progress to investors and analysts– Ensures the Board is kept fully appraised of the Group’s operational and safety performance, risks and opportunities			
Group CFO Heather Cashin (Interim)	<ul style="list-style-type: none">– Responsible for the financial stewardship of the Group’s resources through appropriate accounting, financial and other internal controls– Directs and manages the Group’s finance, tax, treasury, risk management, ESG, legal and governance and insurance functions	<ul style="list-style-type: none">– Communicates (alongside the Group CEO) the Group’s financial performance and strategic progress to investors and analysts			
Senior Independent Non-executive Director Steve Mogford	<ul style="list-style-type: none">– Acts as sounding board for the Group Chair and a trusted intermediary for the other Directors– Available to shareholders to discuss any concerns that cannot be resolved through the normal Group Chair or Group CEO channels	<ul style="list-style-type: none">– Leads the Board in the annual performance evaluation of the Group Chair and in developing the long-term plans for the Group Chair’s succession– Meets with the Non-executive Directors without the Group Chair present at least annually, and as required, to discuss Board matters			
Independent Non-executive Directors Shonaid Jemmett-Page, Dina Knight, Ross McEwan, General Sir Gordon Messenger, Steve Mogford, Susan Searle	<ul style="list-style-type: none">– Monitor and scrutinise the Group’s performance against its strategic goals and financial plans– Provide an objective perspective on the Board’s deliberations and decision-making, drawing on their own broad collective experience and individual expertise and insights	<ul style="list-style-type: none">– Monitor and assess the Group’s culture, use appropriate and effective means to engage with employees and acquire an understanding of other stakeholders’ views– Assess the effectiveness of, provide support to, and constructively challenge, the Executive Directors– Play a lead role in the functioning of the Board’s Committees			
Company Secretary James Field	<ul style="list-style-type: none">– Provides advice and support to the Board, its Committees, the Group Chair and other Directors individually as required, primarily in relation to corporate governance matters, and Non-executive Directors’ training and development needs	<ul style="list-style-type: none">– Responsible, with the Group and Committee Chairs, for setting the agenda for Board and Committee meetings and for high-quality and timely information and communication between the Board and its Committees, and between the Directors and senior management as required– Ensures that Board and Committee procedures are complied with			

Composition, succession and evaluation

Composition of the Board

The Board considers that its composition reflects the requisite balance of skills, experience, challenge and judgement appropriate for the requirements of the business and full Board effectiveness. The skills and experience of the Board’s individual members, particularly in the areas of UK defence and security, the commercialisation of innovative technologies, corporate finance and governance, international markets and risk management, have brought both support and challenge to the Group CEO, Group CFO and the QinetiQ Leadership Team during the year.

Independence

A majority of the Board is comprised of independent Non-executive Directors. The independence of the Non-executive Directors is considered annually by the Nominations Committee, using the independence criteria set out in Provision 10 of the UK Corporate Governance Code. The Group Chair was independent upon his appointment in April 2019 and continues to use objective judgement in his leadership of the Board.

As part of this process, the Board keeps under review the length of tenure of all Directors, as this is a factor when assessing independence. The independence of Susan Searle, who has served on the Board for more than nine years, was again subject to a rigorous review by the Nominations Committee in March 2024. When making this assessment for Susan (who has served on the Board since March 2014), the Nominations Committee based its decision on the fact that Susan continues to demonstrate integrity and independence in her advice and challenge. Susan was not in attendance during the review and the Nominations Committee remains satisfied that the length of her tenure has not impacted on her level of independence or contributions.

Time commitment

Each Non-executive Director must be able to devote sufficient time to their role as a member of the Board to discharge their responsibilities effectively. As part of the appointment process, consideration is given to assess Non-executive Directors’ ability to devote time to an additional directorship.

Prior to undertaking an additional external role or appointment, the Non-executive Directors are asked to confirm that they will continue to have sufficient time to fulfil their commitments to the Company. This means not only attending and preparing for formal Board and Committee meetings, but also making time to understand the business of the Company. The Non-executive Directors’ commitment is reviewed as part of the Board and Director evaluation process.

The Group Chair is conscious that some shareholders have concerns regarding Directors taking on too many non-executive roles. Consequently, he has assessed the ability to meet the commitments required by QinetiQ for those members of the Board who hold more than one other Board position, and he is satisfied that all Board members are able to meet the Company’s time commitment. In addition to their work on the QinetiQ Board and its Committees, the members of the Board also regularly make themselves available for Board calls, sub-Committee meetings and Executive leadership events and engagement with employees at the Company’s global facilities.

Shonaid Jemmett-Page holds appointments in three other companies, Aviva plc, Cordiant Digital Infrastructure Limited and ClearBank Limited. She is the Chair of Cordiant Digital Infrastructure Limited, which is an investment trust listed on the Special Funds Segment of the FTSE, rather than a full operating company. Therefore, by its nature, the time requirements for this role are not as significant as at a FTSE 250 operating company such as QinetiQ. The Group Chair has reviewed Shonaid’s current commitments and contribution to the QinetiQ Board, and he confirms that during the year she has provided significant input and advice at QinetiQ’s Board and Committee meetings, in particular in her role as the Audit Committee Chair. He is therefore confident and satisfied that Shonaid has the time and availability to commit fully to her role on the QinetiQ Board.

Board and Committee processes

The Board has a formal schedule of matters reserved for its approval, which includes (but is not limited to): strategy; risk appetite and review of Group-wide principal and emerging risks; major M&A, contracts and bids; share capital, debt financing and other liquidity matters; financial results and budgets; key policies; Board and Committee membership; and governance.

Other matters, responsibilities and authorities have been delegated by the Board to its standing Committees, comprising Nominations, Audit, Risk & Security, Remuneration and Disclosure. Any matters outside of the schedule and the responsibility of the Committees fall within the authority of the Group CEO and/or Group CFO. The schedule of matters reserved for the Board and the terms of reference of each Committee, which are regularly reviewed and approved by the Board, can be found on the Company’s website at www.QinetiQ.com.

The Group Chair and the Company Secretary are responsible, in consultation with the Group CEO and the Chairs of the Committees, for maintaining a scheduled 12-month programme of business for the Board and its Committees, with flexibility for additional business to be discussed as required. The programme ensures that all necessary matters are covered and appropriate time is given for discussion and, if thought fit, approval of relevant business. At each scheduled Board meeting, the Board rigorously reviews updates from the Executive Directors on Group and operational sector safety, operating and financial performance, investor relations, and from the Group Director Legal & Company Secretary on legal compliance and corporate governance. Other regular Board agenda items include strategic proposals (including those relating to M&A, major contract bids and capital allocation), transformation and digital programme, risk management (including reviews of risk appetite and Group-level risks), tax and treasury updates, pension updates, people updates (including on employee relations, talent development and diversity promotion), and stakeholder engagement. Senior management and external advisers regularly attend both Board and Committee meetings, which allows for detailed and informed discussions on specific matters on which their input or advice is needed.

The Board also seeks to hear external viewpoints inside and outside the Boardroom, including from customers, suppliers and experts in areas relevant to the Company’s strategy.

Composition, succession and evaluation continued

In advance of each Board and Committee meeting, Directors receive, via a secure web portal, high-quality briefings, prepared by the Executive Directors, senior management, the Company Secretary and/or external advisers where appropriate, on the agenda items to be discussed. The secure web portal also gives Directors immediate access to a range of other resources, including previous meeting papers, minutes, financial reports, business presentations, investor reports, Company policies and governance guidelines, and details of Board and Committee procedures. If a Director is unable to attend a meeting due to illness or exceptional circumstances, they will still receive all supporting papers in advance of the meeting and are directed to discuss with, and provide input, opinion and any instructions to, the Group Chair or relevant Committee Chair on the business to be considered at that meeting.

The Board has access to the Company Secretary for support and advice as required, and the Company operates a policy which allows Directors to obtain, at the Company's expense, independent professional advice

where required to enable them to fulfil their duties effectively. In addition to Board and Committee meetings, the Non-executive Directors hold private meetings without the Executive Directors present, including to discuss Executive Director performance. There are also opportunities during the year for Directors to have informal discussions outside the Boardroom, either between themselves or with senior management or external advisers.

Conflict of interest

The Board operates a policy to identify and manage situations declared by the Directors (in accordance with their legal duty to do so) in which they or their connected persons have, or may have, an actual or potential conflict of interest with the Company. In accordance with the Companies Act 2006, and the Articles of Association, the Board has the authority to authorise conflicts of interest. This ensures that the influence of third parties does not compromise the independent judgement of the Board. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interest of the Group.

The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period and are reviewed annually by the Nominations Committee, which also considers the effectiveness of the process for authorising Directors' conflicts of interest. The Board reserves the right to vary or terminate these authorisations at any time. No Director conflict of interest currently exists.

Board and Committee Meetings

During the year, the Board has seven meetings, each scheduled over two days, for Board and Committee business. Additional Board sub-Committee meetings and conference calls are held between the scheduled meetings as required. The table below sets out the Board and Committee membership and attendance by members at meetings held in FY24.

NED board attendance FY24

Board and Committee attendance – 1 April 2023 to 31 March 2024

Members	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk & Security Committee
Carol Borg ^{5, 6}	7/7	–	–	–	4/4
Michael Harper ³	2/2	1/1	0/0	2/2	2/2
Shonaid Jemmett-Page	7/7	4/4	2/2	4/4	4/4
Neil Johnson	7/7	–	2/2	4/4	4/4
Dina Knight ²	0/1	0/1	0/1	0/1	0/0
Ross McEwan ¹	1/1	1/1	1/1	1/1	0/0
General Sir Gordon Messenger	7/7	4/4	2/2	4/4	4/4
Steve Mogford	7/7	4/4	2/2	4/4	4/4
Larry Prior ⁴	6/6	3/3	1/1	3/3	4/4
Susan Searle	7/7	4/4	2/2	4/4	4/4
Steve Wadey ⁶	7/7	–	–	–	4/4

1 Ross McEwan was appointed to the Board on 1 March 2024.

2 Dina Knight was appointed to the Board on 1 March 2024, but was unable to attend the Board meeting on 20 March 2024, and the Audit, Remuneration and Nominations Committee meetings on 21 March 2024, due to a conflict with a prior commitment.

3 Michael Harper resigned from the Board on 20 July 2023.

4 Larry Prior resigned from the Board on 16 March 2024.

5 Carol Borg resigned from the Board on 16 April 2024.

6 In compliance with the UK Corporate Governance Code, and the Committee Terms of Reference, Steve Wadey is not, and Carol Borg was not a member of the Audit, Nominations, and Remuneration Committees, and Neil Johnson is not a member of the Audit Committee.

Board decision-making

In making decisions, the Board of Directors is cognisant of undertaking its legal duties, including its duty under section 172(1), in the way that is most likely to promote the success of the Company for the benefit of its members as a whole, and the need to have regard to the factors set out therein; see [pages 65 to 67](#) for more information.

Examples of some of the most important decisions taken by the Board during the year of reporting, and an explanation of which factors the Board had regard to when reaching such decisions, are set out below.

1. Share Buy-back Programme

Background	In January 2024 the Company announced a 12-month, £100m share buyback programme.
Board discussion	Prior to a decision being made in January 2024 to commence a buyback programme, the Board held a number of meetings to consider and understand various factors which informed their decision: direct feedback from shareholders; advice from the Company's brokers; the views of its analysts; considering the application of the Company's capital allocation policy, including return of value to shareholders; and considering impact on the Company's five-year strategy and planned investments.
Board stakeholder considerations and impact	In arriving at its decision, the Board took account of the views of a number of its largest shareholders, through direct engagement at investor roadshows and one-to-one meetings held by the Group Chair. The Board also considered the cost impact the buyback would have on (i) its ability to invest in its facilities for the benefit of delivering to its customers; (ii) investment in operational improvements to reduce its carbon footprint; and (iii) planned investments for the benefits of its employees.
Outcome and next steps	The Board concluded that, based on and balancing the various considerations, a share buyback was in the best interests of its investors, including delivering returns on investment in the short term, and could be undertaken at a level of £100m without materially reducing the Company's ability to make planned investments in the medium to long term for the benefit of its customer delivery, employees and environmentally focused improvements to its operations.

2. Board succession planning

Background	FY24 saw a number of planned changes to the composition of the Board, driven by the implementation of succession planning aimed at ensuring the skills and experience of the Board remained best aligned to the Company's evolving global strategy and its geographic focus areas, and provided appropriate diversity of experience, culture and thought.
Board discussion	Succession planning during the year was supported by discussion at both Nominations Committee and at Board-level, which included input from the CEO and various senior leaders on the strategic focus of the Company and its businesses, and the support an input they would require from the Board, and advice from the Chief People Officer on people strategy and diversity plans within the Company, both of which would need to be well aligned with Board skills, experience and culture.
Board stakeholder considerations and impact	In setting its succession plans, the Board took consideration of the Company's strategic focus on the AUKUS partnership to meet the needs of its core US, UK and Australian government customers; its investors desire to see continued strong strategic input and direction at Board level, with the right experience to guide the effective growth of the Company, both organically and inorganically; and, from an employee perspective, the support needed for the continuing development of cultural diversity, especially in the areas of gender and ethnicity.
Outcome and next steps	During the year, as a result of its succession planning, the Board saw the planned retirement of Michael Harper, with Steve Mogford taking on the role of Senior Independent Director. As well as the appointments of Ross McEwan and Dina Knight who respectively bring additional experience of financial controls and intimate knowledge of the Australian market, and talent management, cultural diversity and leadership in multi-national corporates.

Board decision-making continued

3. Ten-year strategic outlook

Background	Conscious of a dynamic and fast-changing geopolitical environment and rapid advances in disruptive technology enablers, such as artificial intelligence, the Board perceived the need to enhance the Company's Integrated Strategic Business Plan (ISBP) process to ensure a longer-term lens was applied to the Company's strategic plans.
Board discussion	Board considerations included the time horizon for strategic planning; the need for a variety of external views points across industry, political, customer and academic perspectives to fully inform planning; and inputs and information required from the Company's businesses to inform the strengths, weaknesses, opportunities and threat position of the organisation. Board discussion also focused on how the individual Board members could most effectively bring their experience to bear on the long-term strategic decisions of the Company, which required a more interactive engagement in the planning process.
Board stakeholder considerations and impact	The Board brought to bear its experience of customer requirements and how those changed in a dynamic geopolitical environment, including where global allies are operating on a war-footing, which would drive how the Company needed to plan and position itself to respond to both changing customer needs and the changing nature of warfare. Thought was also given to potential impacts on partnerships on the Company's supply chain and how the Company would need to respond to those dynamics. Employee perspectives included the future changing needs and expectations of employees, and impacts that would have on planning for talent attraction and retention. From an investor perspective, thought was given to the Company's ability to set strategy in a way which enabled the rapid realisation of the benefits of critical technology enablers, such as artificial intelligence, in an ethically responsible and organisationally secure way.
Outcome and next steps	The FY24 ISBP process was initiated with a revamped approach to the Board Strategy meeting in October 2024, unpinned by a 10-year strategic outlook, beyond the Company's usual five-year ISBP process, and informed by external experts who provided longer term perspectives across a combination of industry, politics, customer relationships and academia, and UK, US and Australian geographical axes aligned to the Company's core operational centres. Board members' inputs were gained through interactive scenario setting sessions, providing richer and deeper insights for the strategy planning process. The output of those sessions were fed into the process for constructing the Company's FY25 ISBP, which was further reviewed and refined through regular engagement with the Board and its Committees at meetings between November and March 2024.

4. Board Diversity Policy update

Background	The Board considered updates to its Diversity and Inclusion policy to reflect the latest guidance in the UK Corporate Governance Code and from the Parker Review.
Board discussion	Board discussions centred on the current diversity culture of the Company and its plans for further development of its diversity and inclusion programmes, taking advice and input from the Chief People Officer, to ensure its own diversity policies were reflective of the Company's position and plans, as well as latest corporate governance guidance.
Board stakeholder considerations and impact	The Board was cognisant of its ESG commitments, in terms of social responsibility and from a governance perspective, in ensuring that its own diversity and inclusion policies were reflective of the Company's own cultural journey, including gender and ethnic diversity; and ensured that the make-up of the Board included the necessary diversity of perspectives and experience needed to recognise and promote opportunities for increased diversity within the Company. A key focus would be to create the diversity of thinking and operating which would ultimately provide benefit to the Company's customers and investors by ensuring that its operations and strategic planning harnessed a broad range of experience, skills and perspectives.
Outcome and next steps	The Board approved an updated version of its Diversity and Inclusion Policy, and committed to continue to review this through its Nominations Committee on a regular basis.

Board activity

The key business and activities of the Board during the year were as follows:

Topic	Key activities	
Strategy and operations	<ul style="list-style-type: none">Reviewed and considered the Company's purpose, values and strategy. See more on page 76Approved the FY25 component of the Group's five-year Integrated Strategic Business Plan (ISBP). See more on page 62Undertook in-depth reviews of business strategy and performanceUndertook in-depth reviews of M&A pipeline and specific opportunitiesReviewed and approved material bid, contract and M&A proposals, divestments and assessed performance against these	<ul style="list-style-type: none">Received updates from each of the Group's Sectors and Functions on their performance vs strategy and budget, and their priorities and initiativesReceived reports and discussed the Group's Transformation strategy and investmentsReviewed progress of the Group's Digital & Data improvement programmeMonitored the economic, environmental, legislative and geopolitical landscape, particularly as regards the political climate in Ukraine and Gaza and regarding other global economic pressures
Financial performance	<ul style="list-style-type: none">Approved the Company's annual budget, business plan and KPIs, and monitored performance against them. See more on page 32Reviewed and approved the Group's full and half-year results and interim trading updatesApproved the full-year and half-year dividendsApproved the Company's Annual Report, including its fair, balanced and understandable nature	<ul style="list-style-type: none">Reviewed and confirmed the Group's viability statement and going concern statusReviewed the Group's capital, debt and other liquidity arrangementsApproved the Group's tax strategy and treasury policyConsidered and approved expenditure and guarantees related to material bids, acquisitions and contracts
Internal control and risk management	<ul style="list-style-type: none">Reviewed and approved the Group's risk appetite and reviewed the Group's principal and emerging risks, the processes for identifying them, and actions to mitigate thoseReceived reports from the Chair of the Risk & Security Committee on its activitiesReceived reports from the Chair of the Audit Committee on its activities and assessments	<ul style="list-style-type: none">Reviewed and validated the effectiveness of the Group's system of internal controlReviewed the status of the Group's internal Delegation of Authority frameworkReviewed and approved confidential reporting policy and processRegularly reviewed reports on confidential reporting made within the Company (the process of which is described further on page 90)
Leadership, people and culture	<ul style="list-style-type: none">Received recommendations from the Nominations Committee on the appointment of new Directors, the re-election of Directors and other advice regarding the structure, size and composition of the BoardReviewed and actioned succession plans for the Board and senior management, having regard to skills, experience and diversityReviewed and approved amendments to the Board Diversity Policy	<ul style="list-style-type: none">Received reports from the Chair of the Remuneration Committee on its activities, recommendations regarding remuneration strategy and decisions regarding the Group Chair's, Executive Directors' and senior management pay, and reviewed and approved Non-executive Director feesReviewed people reports, including updates on talent development, retention and acquisition programmes and diversity and inclusion programmes
Engagement, environment and community	<ul style="list-style-type: none">Undertook an annual review of the Group's stakeholders – who they are, methods of engagement, outcomes and feedback. See more on pages 65 to 67Reviewed feedback from investors and analysts and the output of engagement with major shareholders and other stakeholdersReviewed workforce engagement activities and outcomes, including the results of the Peakon surveys and received reports on the Group Chair's workforce engagement activities	<ul style="list-style-type: none">Reviewed regular reports on our approach to ESG issues - see more on page 34Reviewed the activities of, and approved a financial commitment to, the Company's environmental programmes, Net-Zero plan and charitable and community initiativesReviewed the reasons for having received a more than 20% against vote at AGM in respect of re-appointment of the Group Chair
Governance and legal	<ul style="list-style-type: none">Approved the Group's section 172(1) statement. See more on pages 65 to 67Approved the Notice of the AGMUndertook an annual compliance review of the UK Corporate Governance Code and DTR7	<ul style="list-style-type: none">Reviewed the results of the internal Board and Committee effectiveness evaluationsReviewed and approved matters reserved for the Board and its Committees' terms of referenceReviewed and approved the Group's annual Modern Slavery and Human Trafficking statement, published on www.QinetiQ.com

Management and control of US subsidiaries

QinetiQ’s US sector is comprised of QinetiQ Inc and its subsidiary operating companies, including Foster Miller Inc and the Avantis Federal group. These companies operate under a Special Security Agreement (SSA) between QinetiQ and the US Defense Counterintelligence & Security Agency (DCSA), which governs how the rest of the QinetiQ Group interfaces, collaborates and works with the companies in the US sector. The controls established by the SSA are required by the US National Industry Security Program for cleared facilities security, to appropriately mitigate foreign ownership, control or influence to the extent that it could adversely affect the interests of US national security. QinetiQ Group plc, QinetiQ Inc and the US Department of Defense (DoD), represented by the DCSA, are parties to the SSA, which establishes procedures that regulate the management and operation of our US sector, to achieve that mitigation. Under the SSA, the Board of Directors of QinetiQ Inc is comprised of three types of Directors, all nominated by QinetiQ Group plc, as the foreign owner of QinetiQ Inc., and approved by the DCSA. The three types of Director appointments are Outside Directors, Inside Directors and Officer Directors of QinetiQ Inc.

The Inside Directors are the means by which QinetiQ maintains appropriate visibility of the management and operations of the Companies in the US sector. These positions are held by the Group CEO and Group CFO of QinetiQ Group plc. The Inside Directors serve as a minority representative of QinetiQ Group plc as the foreign owner, to ensure there is no undue control or influence on the actions of the US sector. Inside Directors do not need to be US citizens, and are excluded from access to US classified and export-controlled information in possession of QinetiQ Inc and its subsidiaries.

The Officer Directors are responsible for the day-to-day operations of the US sector, and serve as a liaison with the wider QinetiQ Group. These positions are held by Shawn Purvis, President and CEO of the US sector and Andy Maner, who is a consultant to Shawn. The Officer Directors must ensure that the procedures and requirements of the SSA are effectively implemented, and have an obligation to maintain the security of classified and export-controlled information entrusted to QinetiQ Inc and its subsidiaries, as well its ability to perform on classified contracts and participate in classified programmes. They must be resident US citizens who either have, or are eligible to possess, personal US security clearance.

Outside Directors must be resident US citizens who are objective individuals, who have no prior relationship with QinetiQ, and possess personal US security clearance. Our appointed Outside Directors are John Hillen, Chair of the QinetiQ Inc Board, Pamela Drew and Tom Vecchiolla. The number of Outside Directors must outnumber the Inside Directors. The Outside Directors also form the Government Security Committee, which is in place to ensure US national security interests are upheld.

Employee engagement

We have experienced, diverse and dedicated people who are recognised as key assets to our business and who are critical to our success.

The Group has a long-standing commitment to the importance and value of employee engagement.

The Board recognises the value of engaging directly with employees to ensure an understanding of their views and inform its decision-making in considering employee interests. The Board typically holds a number of its meetings at different Company sites and undertakes site visits outside of scheduled board meetings, both in the UK and other home countries, to take the opportunity to meet with employees in person.

The engagement channels set out below describes how the Board continued to be able to effectively gain the views of employees throughout the year.

How we engage with our people

Dedicated Non-Executive Director
Neil Johnson is the dedicated Non-executive Director for gathering the views of employees.

- At least two meetings with the Global Employee Voice (GEV) each year
- Attends the Global Recognition Gala and also Global Employee Roadshows
- Reports back to the Board

Global Employee Voice (GEV)
The GEV is a global forum that acts as the collective voice of all QinetiQ employees. Elected employees from across QinetiQ sites in all home countries represent the employees to the leaders of the Company

- Regular contact with Neil Johnson
- Two meetings annually with Susan Searle, the Chair of the Remuneration Committee
- Regular meetings with the Chief People Officer, who reports to the Board on culture, employee and people strategy, and employee engagement

Global Employee Roadshows
Delivered bi-annually by the QinetiQ Leadership Team, the Global Employee Roadshows give an update on the progress we are making against our vision and strategy, and provide an understanding of our key priorities for the future

- Employees have the opportunity to ask questions, either in person or through a number of online mediums
- Reported on to the Board by the CEO

Regular QinetiQ Leadership Community (QLC) events – delivered by the QinetiQ Leadership Team (QLT)
Providing updates to the direct reports of the QLT on latest operational, financial, strategic, and key stakeholder issues

- The members of the QLC feedback to their teams by way of Q-Talks, team meetings and regular one-to-one engagement

Monthly Q-Talks
Delivered by members of the QLC to their teams, with the purpose of keeping employees up-to-date with what is currently important across QinetiQ

- A mechanism accessible for employees to get a thorough understanding of what is happening in the Company and also to provide individual feedback

Peakon Employee Engagement surveys
Quarterly surveys enabling the Board and the Leadership team to assess and understand issues affecting employee engagement throughout the Group See more on [page 33](#)

- After each survey, the Group Director Employee Experience has a meeting with the CEO where they discuss the results, trends and any matters for concern
- The CEO feeds back to his fellow Board members at each Board meeting
- QLC members interact directly with their team to identify tangible actions in response to feedback from each survey

Global Portal – our intranet
A platform where all employees can access our policies and be kept fully informed of the latest Group news through internal communications and community groups

- Enables employees to ask questions and discuss topics internally

Confidential Reporting
Our ‘Speak Up’ programme includes an anonymous reporting line for employees to raise any concerns with escalations to the Board as necessary

- Issues raised reported to the Board at each Board meeting

How does it work?

- By using a number of different employee engagement mechanisms and accessibility ensuring flexibility
- By having a direct link to the Board via the designated Non-executive Director
- By way of a dedicated forum to relay the voice of the employees
- By regularly reporting to the Board on culture, people strategy and employee engagement
- By drawing on each individual Board member’s accessibility and unique experience as business leaders

Shareholder engagement

Shareholder engagement timeline

2023

May

- Full-year results announcement
- Analyst briefings
- Full-year results investor roadshow

June

- Annual Report published

July

- Governance meetings ahead of AGM
- Trading update and analyst briefings
- AGM
- Farnborough International Air Show

October

- Q2 post-close trading update
- New York Investor seminar
- US Shareholder meetings

November

- Interim results announcement
- Analyst briefings
- Interim results investor roadshow

December

- Shareholder perception audit

2024

January

- Q3 Trading update
- Analyst briefings
- Buyback programme announced
- Group Chair meetings with shareholders

February

- Approval of Buyback at General Meeting

Approach
The Board is committed to communicating in an open and transparent manner with all shareholders, and places a clear importance on shareholder engagement. The Investor Relations programme is managed by the Investor Relations team, which provides day-to-day contact with investors. This is complemented by engagement with the CEO and CFO, who regularly attend meetings with institutional investors. In addition, the Group Chair and other Non-executive Directors make themselves available to discuss matters such as governance, ESG factors, remuneration and other relevant topics. The Board is also kept up to date on shareholders' views and concerns through regular Board papers, presentations and feedback from the Investor Relations team.

The AGM provides an opportunity for shareholders to engage directly with the Board and receive an update on business performance. The Company's results, presentations and other investor events are also webcast live, and made readily available on the company's website, enabling a wider audience to access them.

Activities during the year
During FY24 the CEO, CFO and Investor Relations team collectively met with over 30% of the share register, and hosted a number of meetings with non-shareholders. This contact was conducted during routine roadshows after results announcements, ad-hoc roadshows and at various conferences. The Group's Chair, Neil Johnson, engaged with a number of shareholders on governance-related matters and the Chair of the Remuneration Committee, Susan Searle, engaged with shareholders ahead of the AGM on remuneration matters.

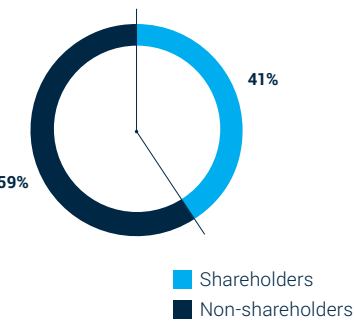
This year has seen increasing engagement, particularly with investors in North America. The Investor Relations team and Management held a US Investor Conference and roadshow in November; overall North American institutional ownership of QinetiQ represents 24% of the share register as at 31 March 2024, increasing from 22% last year, and 14% the year before. We continue to be proactive in investor engagement.

Constructive use of the Annual General Meeting (AGM)
The Notice of AGM and related papers will, unless otherwise noted, be sent to shareholders at least 20 working days before the meeting. For those shareholders who have elected to receive communications electronically, notice is given of the availability of the documents via www.QinetiQ.com. This year's AGM will be held at 11:00 on Thursday 18 July 2024 at the offices of Ashurst LLP, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW.

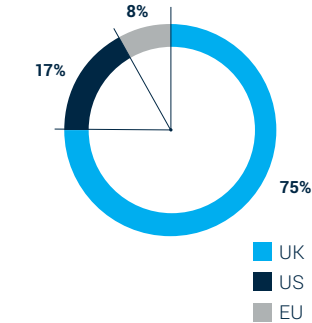
After receiving more than 20% votes against the re-election of its Group Chair at the 2023 AGM, the Company engaged with a number of shareholders to understand the reasons for that. It related to concerns about the number of external Board mandates held by the Group Chair, and the Board composition not including anyone from a minority ethnic background. These concerns have been addressed through the Group Chair having resigned as Chair of Unbound Group plc in July 2023 as part of a planned succession; and the Company having made changes to its Board appointments which promote its objective to achieve and maintain targets on gender and ethnic diversity. More information on the Board's and the Company's progress towards its gender and ethnic diversity targets can be found on [page 96](#). Any updates to the arrangements for the conduct of the meeting will be communicated via www.QinetiQ.com.

Confidential reporting process
QinetiQ has in place a Group-wide Speak up programme, which includes a confidential reporting process, and this is detailed on the Company's intranet and in its Code of Conduct. If an individual does not feel that they can resolve any concerns with the Company directly through discussions with their functional manager, they can use an externally provided confidential internet and telephone reporting system. All concerns are passed by the external third party to the Group Director – Internal Audit, who ensures that they are held in strict confidence and properly investigated. Reports on confidential reporting activity and outcome of investigations are reported to the Board at each of its meetings. The Board reviewed the effectiveness of the Group's confidential reporting process, provided challenge and advice on the issues raised, and was satisfied that the process in place is fit for purpose. More information on the Group's Speak up programme can be found on [page 54](#).

Investors met: By type



Investors met: By investor location



Case study Board engagement

In January 2024, Neil Johnson, Steve Wadey, General Sir Gordon Messenger, Steve Mogford and Susan Searle visited the Group's operations and facilities based in Australia, including its recently acquired Air Affairs group. The objective was to gain a deeper understanding of the nature and technical capability of, and risks being managed by, that business; and to engage with a range of people working there, to take a perspective on the issues important to them. Following an overview of the Australia-based operations and its sites, from the Chief Executive and leadership team of the Australia sector, the

Directors visited the Air Operations Centre in Nowra and had a tour of the Air Manufacturing facilities, enabling them to gain an in-depth understanding of the intricacies of operating in a highly-regulated air environment. The Directors also visited the Australia sector headquarters in Canberra; to meet with the sector's extended leadership team and gain insights into the issues and opportunities in the various businesses which operate in the Australia sector, including its plans to leverage its capabilities for the benefit of the AUKUS partnership which comprises three of the Group's core government customers.

A BBQ lunch with employees based at Canberra gave the Directors access to a valuable range of views and perspectives across a broad spectrum of roles within the Australia sector workforce. The visit allowed engagement with a significant number of employees, all of whom have a role to play in delivering a safe and compliant environment for our Australia-based people and facilities. The Directors were able to constructively engage with them to understand the strategy for the Australia sector, and directly input into thinking for its future development.

Neil Johnson
Nominations
Committee Chair

Nominations Committee report



//QinetiQ’s strategy includes the retention and attraction of highly skilled and inspirational people delivering world-class engineering and technology for the benefit of our customers and the national defence and security of the countries we work in, both today and tomorrow.//

The Nominations Committee continues to mature and develop its focus on bringing diverse perspectives into the Company, to help form our strategic decisions in a way that complements and reflects both the strategy, and the breadth of skills, of the Company’s growing business.

This year has seen continued development of our succession plans designed to maintain the effectiveness of the Board and its Committees, in-line with the Company’s strategic priorities.

Further details of the changes to the Board during the last year can be found on [page 3](#).

This year we are pleased to have met the new Listing Rules targets on Diversity and have refreshed the Board’s Diversity policy.

You can read more, later in this report, about the development of our Directors and our talented senior management team.

The Nominations Committee undertook its usual assessment of Directors’ continued independence for the year in review, and further information on the Committee’s effectiveness can be found on [pages 97 to 98](#).

Key responsibilities:

- Keep under review the structure, size and composition of the Board
- Succession planning for Directors and other senior Executives
- Keep under review the leadership needs of the organisation, both Executive and Non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- In accordance with the Board Diversity Policy, identifying and nominating, for the approval of the Board, appropriately diverse candidates to fill Board and Committee vacancies, as and when they arise
- Review annually the time required from Non-executive Directors
- Undertake performance evaluation to assess whether the Non-executive Directors are spending sufficient time to fulfil their duties
- Review the independence of the Non-executive Directors and any potential conflict of interest for all Directors

FY24 activity highlights:

- Reviewed the structure, size and composition of the Board and its Committees, including the skills, experience, independence and diversity of its members, in anticipation of Non-executive Director changes to the Board and its Committees
- Led the process to recruit two new Non-executive Directors
- Reviewed the Board and senior management succession plans, including via a review of potential internal successors and other high potential talent for executive and senior management positions
- Reviewed and updated the Board’s Diversity Policy as well as the Company’s inclusion initiatives
- Ensured leadership succession plans enabled
- Diversity targets under Listing Rules would be met
- Oversaw the setting of Parker Review targets for diversity balance within Senior Management of the Company

Succession planning
Board and Committees

The Committee annually reviews the composition of the Board and its Committees and the Nominations Committee expects to continue to implement its succession plans for the Board and its Committees in

2024/2025 and beyond. We use the process outlined below to ensure that we continue to recruit only candidates of the highest standard, that we continue to make progress towards our diversity and inclusion targets, and that we have the right balance of an experienced Board, yet with a fresh perspective.

Following this year’s review the Committee is satisfied that we have an appropriate mix of skills, knowledge and experience to operate effectively.

Process step	Action	Outcome/impact
Identifying current and future needs and skills gaps	<p>The Committee maintains and regularly reviews a matrix of the Directors’ experience and skills to ensure that the Board and its Committees are composed of individuals who have the right experience and skills to enable them to shape (and, in the case of the Executive Directors, deliver) the Company’s strategy and to monitor and assess the effectiveness of the Company’s control environment and management of risk.</p> <p>The matrix considers the following:</p> <ul style="list-style-type: none">– Diversity, including age, gender and ethnicity– Background, professional skills and experience– The number and balance of Executive and Non-executive Directors– Length of tenure– Independence	<ul style="list-style-type: none">– The appointment of Ross McEwan and Dina Knight as Non-executive Directors– At the conclusion of the 2023 Annual General Meeting, Michael Harper stepped down as a Director of the Company, and Steve Mogford assumed the role of Senior Independent Director thereafter.
Ensuring that we get access to the best candidates	<p>Regularly reviewing the recruitment agencies that we use to ensure that they are best placed to find QinetiQ the right mix of candidates capturing the clear benefits of greater diversity. In addition, we pick the best suited agency for the specific role currently recruited for.</p>	<p>Odgers (who has no other connection to the Group or to any individual Directors) was used for the recruitment of Dina Knight. No recruitment agency was used for the recruitment of Ross McEwan.</p>
Ensuring accountability and success of the Board’s performance	<ul style="list-style-type: none">– Annual Board effectiveness and performance evaluation, using an external provider every three years. See more on pages 97 to 98– Annual review of the Group Chair’s performance led by the Senior Independent Director. See more on page 99– Annual independence review of the Non-executive Directors. See more on page 83– Continued assessment of the Non-executive Directors’ time commitment. See more on page 83– Policy on Board members’ appointments to other Boards– Annual performance review of the CEO and CFO, supplemented by the Group Chair’s and Non-executive Directors’ continual assessment of their performance. See more on page 99– A thorough induction programme for new Directors. See more on page 99– Annual training for the Board as a whole and on an individual basis. See more on page 99	<ul style="list-style-type: none">– The FY24 Board effectiveness review concluded that the Board has been effective, engaged with and helpful to the organisation– A summary of the Board’s decision-making, considering section 172(1) can be found on pages 65 to 67

The effectiveness of the Committee’s succession plans is demonstrated by the appointment in FY24 of Ross McEwan and Dina Knight, who have further enhanced the Board’s experience in financial controls, talent management and corporate strategy. Ross brings valuable Executive and Non-executive Director experience as well as intimate knowledge of the Australian market, while Dina has great experience of executive leadership in multinational corporates.

The process that the Committee has established, together with the particular considerations it takes into account, in identifying and nominating Director candidates, is set out below.



Senior management succession
planning programme

The Committee has undertaken its usual programme of senior management succession planning. Senior management for this purpose includes the members of the QinetiQ Leadership Team, as well as those talented individuals who have demonstrated the potential for promotion to higher or broader positions in the Group’s senior management structure.

The programme includes an annual review of such senior managers’ experience and skills and their progress and notable achievements to ascertain their potential for further career progression. The Committee also keeps the performance of potential successors to Executive Director roles under regular review throughout the year during Board interactions and visits to the Company’s operations.

This gives Committee members the opportunity to observe senior managers’ working practices and relationships with their stakeholders first-hand. These reviews complement the Executive Directors’ assessment of these individuals’ performance through a formal process of annual reviews and continual feedback and support. This programme enables the Committee to identify any gaps in the senior management succession pipeline and any requirements for senior managers’ further development.

In FY24, the Group’s leadership has embedded the new operating model, implemented in the previous year, which was restructured into four sectors, supported by six Group functions.

This year has seen further focus on both promotion of internal talent and the strengthening of key aspects of the executive QinetiQ Leadership Team. This has resulted in leadership changes announced in April 2024, including the recruitment of Martin Cooper as a new CFO and Iain Stephenson in a newly created Chief Operating Officer role, as well as the internal promotion of Will Blamey to Chief Executive UK Defence.

Board and company commitment to diversity

The Board is committed to ensuring diversity in all aspects (including as regards to gender, ethnic and social background), at Board and senior management-level and throughout the Company's employees. This is because we believe diversity can:

- Improve decision-making at all levels of the business by ensuring diverse perspectives
- Attract and retain the best talent with a culture of inclusion where all individuals are respected and supported to reach their full potential
- Better serve our customers, other stakeholders and the communities in which we operate by ensuring that the diversity of our workforce demographic is representative of the diversity of such stakeholders

This commitment is aligned with our values (see more on [page 76](#)), which in turn support our strategy of growth by retaining and winning business through having the best talent delivering the best service for our customers.

Board Diversity Policy

Our commitment is confirmed in the Board's Diversity Policy, which has been updated and strengthened this year, and which applies to the Board and all of its Committees – the main objectives of which are:

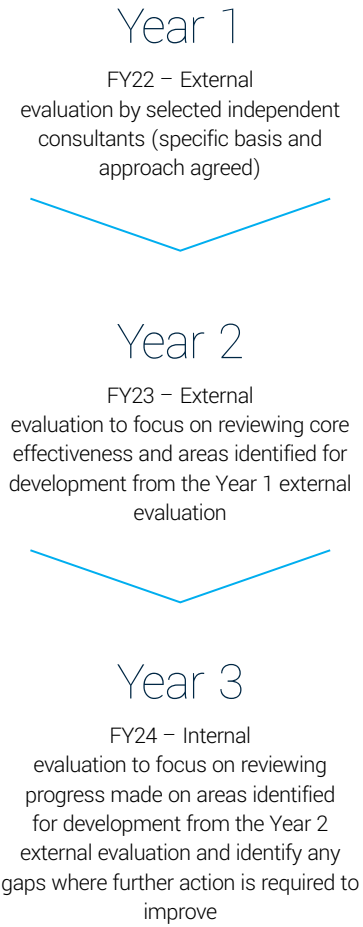
- To achieve and maintain targets on gender and ethnic diversity on the Board and its Committees
- To ensure that the membership of the Board and its Committees reflects the diversity of the geographies and communities we operate in, and the customers that the Group serves
- To respect the differences of its members, and value and encourage the diversity of thought that such differences can bring - in each case within the context of Board members having, between them, the experience and skills required to support the development, oversight and delivery of the Company's strategy

We are pleased to have seen the positive benefits to these initiatives, which have resulted in improvements in both gender and ethnic diversity at a number of levels of the business, including:

- One member of the Board comes from an ethnic minority background
- The Audit and Remuneration Committee Chairs are female

- Female representation on the QLT has increased from 36.4% in 2023 to 40% in 2024
- Female representations of the direct reports to the QLT has remained at 27%, and remains a key area of focus
- Data obtained on a voluntary basis through a secure electronic portal detailing the ethnic representation of the senior management team.

Further to the appointment of Dina Knight in March 2024, the Company has, as at 31 March 2024, met the following targets, as referenced in Listing Rule 9.8.6(9): that one of the senior positions on the Board (Chair, CEO, SID or CFO) is held by a woman and that there should be a Director from a minority ethnic background on the Board. Although we note the subsequent departure of our CFO Carol Borg at the beginning of FY25 has taken us below the targets, we believe that our established and effective process, as outlined above, will help us once again achieve and maintain these important targets in the future. The Company's mandatory requirement for a diverse candidate pool ensures that we continue to have the opportunity to recruit candidates from all gender, cultural and ethnic backgrounds, while we remain focused on recruiting the best candidate for any role based on merit.



The employee Inclusion, Diversity and Belonging Strategy

[Pages 49 to 53](#) describe the progress of our Inclusion, Diversity and Belonging Strategy in relation to employees and other diversity policies and procedures of the Company.

Our Inclusion, Diversity and Belonging strategy can be found on www.QinetiQ.com which outlines our approach to creating an environment where everyone feels they belong and can thrive. We encourage inclusion and diversity to be fully embraced in our workplace so that each and every one of our colleagues can be themselves, fulfil their potential and feel inspired to deliver for our customers.

The effectiveness of the policy is governed by our assurance processes and with oversight by our Executive Team. To help us reach our goals we have various tools in place, including global employee mandatory training, inclusive leadership development and employee network groups. During the year we continued to see an increase in employee activity and engagement around Diversity and Inclusion including the launch of a global 'Count Me In' campaign enabling employees to voluntarily share information about their diversity to inform our strategic priorities. We are confident that this focus will continue in 2024 and beyond to ensure we create an environment where people have a true sense of belonging, enabling us to attract and retain the very best people who will make us a stronger company.

Director effectiveness

A performance evaluation of the Board, its Committees and the individual Directors is conducted annually, with an externally facilitated review required at least every three years. As illustrated by the adjacent chart, FY22 was the first in the three-year cycle when an external evaluation was undertaken by Tom Bonham-Carter of The Effective Board LLP. In FY23 a follow-up independent review was undertaken through The Effective Board LLP. Neither Tom Bonham-Carter, nor The Effective Board LLP has any other connection to the Group. In FY24 an internal review was undertaken to identify whether further actions were required to meet recommendations made in the FY22 and FY23 external reviews.

The principal sources of data used to assess the effectiveness of the Board and its Committees were questionnaires completed by each Board member, the Company Secretary and a selection of members of the senior management team.

The FY22 and FY23 reviews were designed to understand whether the Directors have thoroughly discussed and agreed the use and investment of the shareholders' funds to ensure the Company is successful while managing the risks inherent in its strategy, operational plans and operating environment. This was augmented by an assessment of how effective the Board is in ensuring that the Executive team implements the strategy and plans and manages all the other activities of the Company including engaging across the spectrum of its stakeholders.

The FY24 internal review analysed evidential progress against recommendations made in the FY22 and FY23 reviews and identified any potential gaps in recommendations being met. The questionnaires were designed to understand the need for further actions to be taken to address gaps and what those actions should be.

The Company Secretary, in consultation with the Group Chair and Committee Chairs, analysed the results of the evaluation by reference to the scores given, the specific observations made, and any recommendations given or improvements suggested. Following which, those results were presented to and discussed by the Board and its Committees.

The overall outcomes of the evaluations were positive, evidencing that significant improvements had been made, acting on the prior two year's recommendations, and demonstrating that the Board and each of its Committees continue to function effectively with a high level of probity, integrity and independence, through the mediums of both open and challenging debate in meetings and appropriate engagements outside of meetings.

Voluntary disclosures required under Listing Rule 9.8.6 as at 31 March 2024

(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	56%	3	1	50%
Women	4	44%	1	1	50%
Not specified/prefer not to say	N/A	N/A	N/A	N/A	N/A

(b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	89%	4	2	22%
Mixed/Multiple Ethnic Groups	N/A	N/A	N/A	N/A	N/A
Asian/Asian British	1	11%	N/A	N/A	N/A
Black/African/Caribbean/Black British	N/A	N/A	N/A	N/A	N/A
Other ethnic group, including Arab	N/A	N/A	N/A	N/A	N/A
Not specified/ prefer not to say	N/A	N/A	N/A	N/A	N/A

The above data was obtained on a voluntary self-reported basis. Participants were invited to provide information through a secure electronic portal, wherein they were asked to share detail such as ethnic background. As part of our inclusion, Diversity and Belonging strategy, we are focusing on increasing our ethnic minority representation within our Senior Management team by the end of 2027. This will be achieved through creating diverse recruitment and talent pipelines and creating an inclusive culture where everyone can feel they belong and thrive.

Director effectiveness continued

The key strengths and material areas for further attention identified by the FY24 Board and Committee evaluation are shown below.

Key strengths	Areas for further attention
The Board has evolved its review of the Group strategy to ensure that a longer five to 10-year view is taken when considering factors that impact the operational, financial and competitive performance of the Company’s businesses; to take into account broad external perspectives; and to support its review with SWOT analysis. This has increased the effectiveness of the Board’s support to the development and implementation of the Company’s strategy, aligned to its purpose and vision.	Achieving a deeper level of Board understanding of material risks in the Company’s supply chain and how those risks are managed and mitigated by its businesses.
The Board has continued to work well as a unit during the year, with Board discussions being constructive and appropriately challenging, the Executive Directors being transparent with the Board and open to advice. This way of working has been effectively preserved throughout the recent planned changes to the Board’s composition.	Supporting the further maturation of the Company’s Three Lines Model within its Group-wide control and assurance framework, including the embedding of defined roles and responsibilities for the first and second lines of assurance
The Board has further strengthened its oversight of, and input to, the Company’s ESG agenda. This has included a particular focus on progress against the Net-Zero plan and implementation of non-financial reporting on climate change, including TCFD, and planning for development of internal controls to meet the upcoming changes to the UK Corporate Governance Code. This has been enabled by review of both of these areas at each Audit Committee meeting during the year. See more information on ESG on page 34 .	Undertaking re-assessment of the Board’s skills and experience, following a number of recent changes in Board composition, to be reflected in an update to the Board’s skills matrix, aligned to the Company’s evolving strategy

When comparing the outcome of the FY24 evaluation against principal areas for improvement identified through the FY23 review process, the following progress has been seen:

Areas for further attention	Progress during the year
Increased assessment of emerging risks which have impacted the Company and lessons learned as a result. A specific example being assessment of the effectiveness of business continuity plans and procedures	The Annual Planners of matters considered by the Board and its Committees have been further evolved to ensure regular Board updates and oversight of (i) the operational performance of the Company’s four business sectors; (ii) the strategic development and operational delivery of its four Global Campaigns; and (iii) deep dives in to areas of key transformational improvement across its Group. These have included tangible examples of emerging risk issues which have affected areas of the business, business continuity response to those issues and actions taken to mitigate the impact of those risks. This has allowed the Board to engage in lessons learned from such risk issues and input into improvements made to better manage emerging risk issues.
Review needed for improvements to the Group-wide control and assurance framework, including clarity between the roles and responsibilities of the first and second lines of assurance within the company’s ‘three lines model’	Throughout the year, the Board has been actively engaged in evaluating and inputting guidance into the Company’s programme for strengthening and maturing its Three Lines Model, with a particular focus on improvements required to its first-line capability and second-line controls. This has been facilitated through updates to the Board and its Committees by the Chief Risk Officer and Group Director Internal Audit; facilitated workshops outside of the regular Board meeting cycle; the provision of more granular data enabling the Board to assess progress against improvement plans; and site visits allowing members of the Board to gain tangible and contextualised insights into the control environment for some of the Company’s more highly regulated operations.

The Group Chair’s individual performance

As part of our annual evaluation process, Steve Mogford, as Senior Independent Director, led a review of the Group Chair’s performance. At a private meeting, the Non-executive Directors, with input from the Executive Directors, assessed the Group Chair’s ability to fulfil his role as such. It was concluded that the he showed effective leadership of the Board and his actions continued to influence the Board and the wider organisation positively.

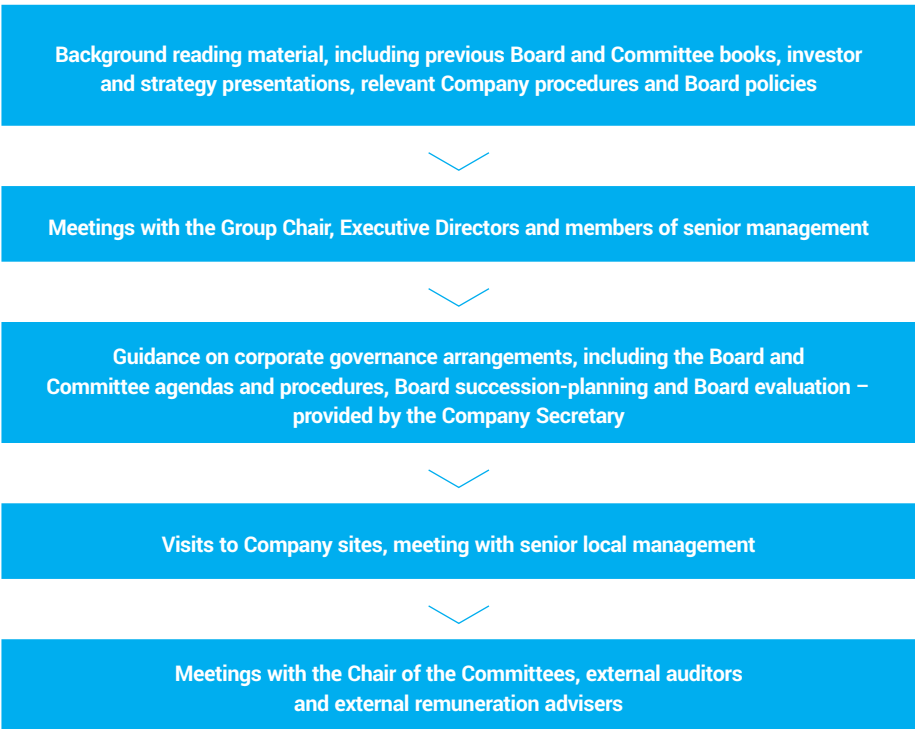
The Directors’ individual performances

The Group Chair, Neil Johnson, held performance meetings with each Board member to discuss their individual contribution and performance over the year, and their future training and development needs. Following these meetings, Neil Johnson confirmed to the Nominations Committee that, during the year, all Directors have demonstrated a clear commitment to their roles.

Director induction

On joining the Board, whether in an Executive or Non-executive role, each Director undertakes an induction programme covering subject areas relevant to the requirements of their role. This programme is designed to fast-track a new Director’s understanding of the Group’s purpose, values, strategy and operations, thereby equipping them to perform their role.

Details of the induction programme, organised by the Company Secretary in conjunction with the Group Chair, for new Non-executive Directors, is illustrated by the diagram below:



Meetings and Director site visits

Physical Board meetings and Director visits are scheduled throughout the year at our sites, both in the UK and internationally. Locations for meetings and site visits are agreed annually and are arranged by the Company Secretary with assistance from the QLT as appropriate.

During the year the Board held physical meetings in Farnborough, London and Portsmouth in the UK, as well as some Board meetings that continue to be held virtually.

In May 2023, the Group Chair paid a visit to our Inzpire business headquarters in Lincoln, where he received briefings, including the DMI project in Qatar, and had a demonstration of both GECO and JTAC Case firsthand. He was able to engage with Early Careers employees and plans for further developing their career opportunities.

In July 2023 the Group Chair visited the Applecross site and MOD Hebrides, and in October he visited the Haslar site.

In September 2023 Shonaid Jemmett-Page, General Sir Gordon Messenger and Steve Mogford spent two days visiting MOD Pendine and MOD Aberporth.

In January 2024 a number of the Directors visited sites in Australia. For more information on this trip see [page 91](#).

Ongoing Director training

The Directors have the opportunity to participate in an ongoing training programme organised by the Company Secretary. This includes the Company Secretary keeping the Board briefed on relevant regulatory changes, and arranging external training, as required.

During the year PwC briefed the Board on forthcoming changes to the external audit and governance environment and training on safety was provided to the Board, including a special session on the use of defibrillators.

Further training on recent legal and regulatory updates, as well as further safety and security training is planned for FY25.

Shonaid Jemmett-Page
Audit Committee Chair

Audit Committee report



//We continue to strive for continuous improvement and I am proud of the progress that has been made this year in enhancing the internal control environment.//

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the work carried out by the Committee over the course of the year. This report outlines the key topics the Committee has considered during FY24 and how it has discharged the responsibilities.

The main purpose of the Committee continues to be the oversight of a robust system of internal controls and risk management across the business. This includes considering both financial and non-financial risks and ensuring the integrity of all reporting, including the Annual Report and Accounts. The key areas for focus, which are addressed by the internal audit plan, the approach of the external auditors and 'deep dive' reviews are determined by the needs of the business and the risks it faces. The full terms of reference of the Committee can be found at www.QinetiQ.com.

We continue to strive for continuous improvement and I am proud of the progress that has been made this year in enhancing the internal control environment, including evolving the assurance model with the risk function in alignment with the updated UK corporate governance code. A particular focus during FY24 was the Group's capital allocation model, with discussion around the priorities for capital allocation and the £100m share buyback programme which was initiated during the second half of the financial year.

The US continues to be an area of focus for the business and therefore for the Committee. This year has seen the first year of post-acquisition performance of the Avantus business, which has been a key topic during the year. As the business continues to evolve and the integration progresses, we need to ensure that there remains a robust system of internal control and risk management which is appropriate for the scale of operations in the US. The Committee maintains regular dialogue with the US Special Security Arrangement (SSA) Audit Committee, regarding scope and coverage and the sharing of best practice.

The Committee continues to embrace the relevant aspects of the evolving sustainability agenda, including target-setting, assurance and reporting. The Task Force on Climate-related Financial Disclosures (TCFD) reporting, on [pages 34 - 55](#), have been reviewed and endorsed by the Committee.

In May 2023 the FRC published its Audit Committees and the External Audit: Minimum Standard. The Committee is content that it meets the relevant responsibilities set out in the Standard.

I hope you find the information in this report about the Committee's work helpful and I will be pleased to answer any questions you have about it at this year's AGM.

Shonaid Jemmett-Page
Audit Committee Chair

Activities during the year Financial reporting

Following the Group entering into a net debt position for the first time in several years in FY23, the Committee held deep-dive sessions into covenant management, operating cash performance management and foreign exchange management. Foreign exchange management is increasingly important with the expansion of overseas operations and the associated internal financing arrangements.

The Committee again spent significant time reviewing the critical accounting estimates and judgments inherent within the annual financial results. These include judgments relating to the Group's complex long-term contract accounting, the assumptions within the Goodwill Impairment calculations, the quality of income generated during the year and the distinction between specific adjusting items and those which impact underlying performance. The quality of income review includes considering one-off items such as provision releases within the income statement and the overall sustainability of earnings. The assessment informs the Committee's work on whether the accounts are fair, balanced and understandable, and whether any adjustments should be considered in remuneration calculations.

Fair, balanced and understandable

In accordance with the Code, the Board has established processes to ensure that all reports and information it is required to present in accordance with regulatory requirements, represent a fair, balanced and understandable assessment of the Company's performance, position and prospects.

As such, the Audit Committee was requested to provide advice to the Board on whether the FY24 Annual Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Company's financial position and future prospects and provide all information necessary to a shareholder to assess the Group's performance, business model and strategy.

Following the established process, the Committee reflected on the information it had received and its discussions throughout the year. The review is a well-established and documented process involving senior management and the core reporting team. The assessment was assisted by an internal verification of the factual content by management, a review at different levels of the Group to ensure consistency and overall balance, and a comprehensive review by the senior management team and the external auditors.

The Board considers that the FY24 Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, and performance, business model and strategy.

Rigour over non-financial reporting (TCFD and other sustainability metrics)

In FY22 we were one of the first companies required to report, in line with Listing Rule 9.8.6(R)(8) which addresses the four TCFD recommendation pillars (Governance, Strategy, Risk and Metrics) and 11 disclosures. We are committed to continuous improvement as guidance and methodologies mature. For the FY24 reporting (see [pages 43 - 47](#)) aligned with the TCFD and BEIS recommendations, we are able to demonstrate a number of refinements, for example reviewing and updating our risk profile. The Committee reviewed the proposed disclosures and endorsed assumptions and judgements applied by management.

With the growing body of non-financial reporting requirements ahead, the Committee have a standing agenda item to continue to be briefed regularly on this evolving area of interest. An overview of the various new requirements across relevant geographies was discussed, including the International Sustainability Standards Board (ISSB) sustainability-related financial reporting standards; reporting in both the US and Australia and the next steps and investment needed. The Audit Committee charter has been extended into ESG, which strengthens the Audit Committee's oversight of non-financial reporting (including TCFD), increasing its reviews to quarterly.

Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process.

The main elements include:

- Assessment by Internal Audit of the effectiveness of operational controls
- Clear terms of reference setting out the duties of the Board and its Committees, with delegation to management in all locations
- Group Finance and Group Tax and Treasury manuals outlining accounting policies, processes and controls
- Weekly, monthly and annual reporting cycles, including targets approved by the Board and regular forecast updates
- Leadership teams reviews of results against forecast and agreed performance metrics and targets with overall performance reviewed at region and Group levels
- Specific reporting systems covering treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its Committees on a regular basis
- Confidential reporting procedures allowing individuals to report fraud or financial irregularities and other matters of concern without risk of retaliation
- Data protection policies to detect breaches and other issues

Key issues and Judgements impacting FY24 accounts

Issue	Key uncertainties and judgement	Review and challenge	Conclusion
Impairment of goodwill and acquired intangibles An impairment review has been undertaken confirming that sufficient headroom (the gap between the assessed net present value of future cash flows and the carrying value of net operating assets) exists in respect of these CGUs and no impairment is required. There is a reduced level of headroom in respect of the US CGUs however applying a reasonable level of sensitivity to the assumptions would not lead to an impairment.	The Group holds goodwill on its balance sheet in respect of various Cash Generating Units (CGUs). The Committee reviewed the outputs of management’s annual impairment testing exercise, noting the use of external advisors to prepare the technical assumptions (discount rates, long term-inflation) which have also been verified as appropriate by the external auditors. The Committee held detailed discussions with management and the external audit team, specifically challenging revenue and profit assumptions, as well as the technical assumptions.	There are a wide range of outcomes to the impairment test which is very sensitive to outer year cash flows. On challenging management, the Committee concluded that no impairments need to be recorded in the year. The committee also agreed that the disclosures made within the financial statements were adequate.	
Long-term contract accounting Risk assessment on key contracts	The Group has a large number of contracts which span multiple periods and are accounted for on a percentage of completion’ basis in accordance with IFRS 15. Long-term contract accounting requires a number of judgements and management estimates to be made, particularly in calculating the forecast costs to complete the contract, and resultant contract profitability.	The Committee received commentary from both management and the external auditors in respect of the most significant contracts being delivered by the Group and discussed the main financial assumptions (including level of risk reserves, assumed forecast savings challenges and the use of Monte-Carlo modelling).	The Committee concluded that management’s best estimates were reasonable.
Provisions and contingent liabilities Pendine and other provisions	The Group holds provisions in respect of legal, regulatory and environmental issues. Judgement is required in determining whether provisions are required. Specifically, a provision is held in respect of a serious incident at the MOD range at Pendine in a previous financial year.	The key judgements considered by the Committee were: (i) the likelihood of QinetiQ being prosecuted, found guilty and subject to financial penalties; (ii) the quantum of the liability in respect of such penalties; (iii) that insurance will cover the cost of any civil damages (with a provision of c£12.8m being recorded together with an equally offsetting Other Receivable).	The Committee concluded that management’s best estimates were reasonable.
Specific adjusting item Digital investment Acquisition and disposal related costs	The Group reports underlying performance which excludes the impact of specific adjusting items. Following the change in accounting policy relating to the capitalisation of intangible assets for software as a service, the ongoing one-off period of digital investment is included as a specific adjusting item. Specific adjusting items also include a number of acquisition and disposal related costs including post-acquisition integration costs and one-off post-acquisition remuneration costs.	The Committee receives an update on the nature and quantum of specific adjusting items, as well as management assessment as to their appropriate use.	The Committee agreed with management’s assessment that the current Digital investment and other such items are distorting in nature and it is therefore helpful to the reader to separate their impact.

Issue	Key uncertainties and judgement	Review and challenge	Conclusion
Pensions Net pension asset valuation	The Group’s net pension asset increased during the year, with a significant increase in the value of the assets being partially offset by changes in the demographic assumptions and liability experience data.	The Committee reviewed and challenged the results of the valuation exercise, and the key assumptions used, noting the use of external advisers to prepare the calculations.	The Committee concluded that the assumptions and outputs made by management and the external advisers were reasonable.
Taxation Key judgments including recoverability of losses	The key accounting assumptions relating to tax include tax provisioning, acquisition related tax balances, the recoverability of deferred tax balances relating to historical losses and the impact of statutory rate changes.	The Committee reviewed and challenged the key judgments taken by management, particularly relating to the future recoverability of deferred tax relating to losses, which will depend on the future financial results of the relevant entities.	The Committee concluded that the judgments made by management were reasonable.

Going concern and long term viability statements

The acquisitions of Avantus and Air Affairs during FY23 took the Group into a net debt position. It has been pleasing to see leverage reduce during FY24 and we continue to pay particular attention to these assessments, specifically considering if covenants may be breached, debt capacity and the implications of the share buyback programme which was announced in the year. With consideration to the available information, following review and challenge, the Committee concluded that the Group will be able to continue in operation and meet its liabilities as they become due through to 31 March 2029. The Committee considered it appropriate that the long term viability statement covers a five-year period. In reaching its conclusion, the Committee reviewed the budget for the next financial year, the five-year forecast, the stress tests applied and the mitigating actions available to the Company. The viability statement and the going concern statement can be found in full on [pages 62 - 64](#), including the detail on how the process was conducted.

Internal Audit

The Group Internal Audit function operates independently within the business, as part of the third line under QinetiQ’s adoption of the Three Lines Model (see [page 57](#) for further details). The function is well integrated within the business, providing an independent input to help maintain a robust system of risk management and internal control, and also to ensure there remains a collaborative approach to assurance across the Group.

Group Internal Audit have formally reported to the Audit Committee four times during the year. The Committee approves the annual audit plan, reviews findings, and assesses the overall effectiveness of the internal audit process. A key aim for the audit plan is to ensure that significant financial and non-financial risks are reviewed within a rolling four year period.

The audit plan was built around a number of priorities including a US integration review, a review of the internal cultural change programme, an assessment of large contract renewal and facilities management processes, and a review of the operating model adoption across the Group. The overall assessment following the audit and assurance activity is that the control environment is considered effective, with a culture conducive to improving internal controls and risk management processes.

The effectiveness of the Group Internal Audit function, and the internal assurance model more generally, was assessed by the Committee in the year using a survey and questionnaire completed by members of the Committee, the external auditors, and a number of senior managers from across the business. The outcome was that the Group Internal Audit function remains effective in its activities, noting the period of transition in the last 12 months, as a new team has been built.

Looking forward into the next financial year the Committee recognise the importance of addressing the new UK corporate governance requirements including those relating to material risks and controls whilst allowing sufficient time to provide assurance over other key internal projects such as the business systems upgrade in the UK and Australia. Other priorities include the Group-wide project management improvement programme and fraud risk management, which is planned to be reviewed following the release of new UK legislation.

Risk Management

The Group Risk Management function operates independently within the business, as part of the second line under QinetiQ’s adoption of the Three Lines Model (see [page 57](#) for further details). The function works closely with the business, providing an independent input to help develop a robust system of risk management and internal control, and also to ensure there remains a collaborative approach to assurance across the business. The Committee notes the continual activity to monitor the risk landscape and ensure the principal risks to the business are mitigated effectively through robust and transparent risk management activity.

Treasury strategy and compliance

The Group Treasury policies and procedures provide a robust framework of internal controls for the management of treasury risks faced in a net debt environment. These include monitoring of leverage and availability of liquidity through Group cash forecasting, meeting our covenant compliance and legal requirements for our banking partners, and managing our financial exposures to foreign exchange and interest rate fluctuations. The Committee continually challenges and reviews this framework to ensure that it is fit for purpose and robust to meet the changing nature of financial and counterparty risks, the new higher interest rate environment and the banking sector’s policies on investing in the defence sector, which impact the availability of liquidity.

Tax strategy and compliance

The Group Tax policies and procedures provide the framework of internal controls for the management of tax risks for the growing business in an ever-changing global regulatory environment, in which tax transparency has increasing prominence. The Committee reviews the Group’s tax affairs annually, which includes considering the Group Tax Strategy, status of any tax audits and filings, tax accounting judgements and disclosures, the structuring of key transactions and important regulatory changes. Group tax policies and procedures were tested last year with the identification of a significant VAT error and the issuance of a suspended penalty by the tax authority. The matter has now been resolved without any penalties in large part due to the Group’s open and transparent approach with the tax authority.

External Audit

PwC audit scope

Consistent with last year QinetiQ Australia, QinetiQ Inc. (C5ISR) and QinetiQ Limited, are full scope. Following its first full year of trading post the acquisition, and its significance to the Group’s overall results, Avantus has been included as a full scope component in the FY24 audit. The scope for Foster Miller Inc. (Technology Solutions) consists of audit procedures being performed over Cash and cash equivalents, Inventory, Revenue and associated balances only. Consistent with the prior year, QinetiQ Target Systems Limited is also in scope for inventory only. The Committee viewed it appropriate for the audit scope to be enhanced for Avantus so as to provide sufficient audit coverage over the consolidated financial statements.

Non-audit work and auditors’ independence

The Committee is responsible for the Group’s policy, the Code of Practice on non-audit services and the approval of non-audit services. The Code of Practice is applicable to all employees and sets out the principles for regulating the award of non-audit work to the external auditors.

To safeguard the auditor’s independence and objectivity, and in accordance with the 2019 FRC’s ethical standard, the Group does not engage PwC for any non-audit services except where it is work that they must, or are clearly best suited to perform. Accordingly, the Group’s policy for the engagement of the auditors to undertake non-audit services broadly limit these to audit-related services such as reporting to lenders and grant providers, where there is a requirement by law or regulation to perform the work. All other non-audit services are considered on a case-by-case basis in light of the requirements of the ethical standards and in compliance with the Group’s own policy.

The Committee approves the terms of all audit services as well as permitted audit-related and non-audit services in advance. Pursuant to the Code of Practice, any non-audit services conducted by the external auditors require the prior consent of the Group Chief Financial Officer or the Chair of the Audit Committee, and any services exceeding £50,000 in value require the prior consent of the Committee as a whole. For work that is permissible by type, the Committee will take into consideration the size of the contract in proportion to the Group’s revenue and profit, and also the total size when

aggregated with other contracts with PwC, noting that some non-auditing services are subject to an annual regulatory 70% spending cap of the average of the audit fees billed over the last three year period.

It is also the Group’s policy that no former PwC employee may be appointed to a senior position within the Group without the prior approval of the Group Chief Financial Officer.

Review of non-audit work during the year

The Committee reviews the cost and nature of non-audit work undertaken by the external auditors at three meetings during the financial year as a standing item, with a fourth meeting considering the auditor’s fees as part of the year-end review. The Committee concluded, prior to engaging PwC for the provision of these services, that there had not been any conflict of interest that might compromise the independence of PwC’s audit. Fees paid to PwC are set out in note 8 to the Consolidated Financial Statements on [page 151](#).

Non-audit related fees paid to the auditor QinetiQ Group plc | Annual Report & Accounts 2024 105 Corporate governance during the year were £0.15m (FY23: £0.15m), representing 9% (FY23: 8%) of the audit fee. This included £0.12m (FY23: £0.11m) relating to the review of the half-year results. Our annual review of the external auditors takes into account the nature and level of all services provided.

Review of the effectiveness and the independence of the external auditors

At its September meeting the Committee discussed the effectiveness of the external audit for FY23. It concluded that there had been several improvements implemented since the FY22 audit, following learnings for both PwC and the Group. It was confirmed that PwC continues to perform its audit work to a high standard, in particular as a result of its comprehension of the Company’s business, control processes and the matters on which significant accounting judgements or estimates are required and its appropriate validation or challenge of management’s views.

Audit appointment and partner succession

PwC was appointed as auditor of the Group at the 2017 Annual General Meeting (AGM) following a tender process. PwC are now in their seventh year as auditor, with the external audit engagement partner, John Ellis, in his second year, having taken the lead for the FY23 audit cycle. The external audit contract will be put out to tender at least every 10 years, and the Committee considers that it would be appropriate to conduct an external audit tender during FY27 to ensure that new auditors are appointed for the FY28 audit cycle. The timing for the audit tender strikes an appropriate balance between continuity for the current audit firm and consideration of alternative firms.

The Committee and the Board will be recommending PwC’s re-appointment at the 2024 AGM.

Governance

Audit Committee structure

The Audit Committee is comprised entirely of independent Non-executive Directors and is chaired by Shonaid Jemmett-Page, who is considered by the Board to fulfil the Code requirement of recent and relevant experience from the financial sector.

The Board considers the members of the Audit Committee to be independent and, in accordance with the Code, the Board concludes that the Committee as a whole possesses competence relevant to the Group’s sector, having a range of financial and commercial experience in the industry and the commercial environment in which the Group operates. The Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Group Director Internal Audit, Chief Risk Officer and representatives of the external auditor attended all Committee meetings by invitation during the year. Twice a year we also welcome the Chair of the US SSA Audit Committee to update us specifically on the internal controls and risk management across the US business.

The Committee met with PwC and the Group Director Internal Audit on two separate occasions, without Executive Directors present, to discuss the audit process and assure itself regarding resourcing, auditor independence and objectivity.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Committee was conducted alongside the Board effectiveness review. See more on [pages 97 - 98](#). The outcome of the evaluation confirmed that the Committee continues to operate highly effectively and determined that Committee members have good oversight of, and are able to raise appropriate challenges in respect of, important financial matters, such as management’s significant accounting judgements and the implementation of new accounting standards.

Statutory audit services compliance

The company confirms that during the year under review it applied and was in compliance with the Competition and Market’s Authority’s Order on statutory audit and services, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

General Sir Gordon Messenger
Risk & Security Committee Chair

Risk & Security Committee report



//We continue to strengthen our processes to protect tomorrow, navigating risk and security in a dynamic world.//

Dear Shareholder,

I am pleased to present our Risk & Security Committee report for FY24, which describes our activities and areas of focus during the year.

The Risk & Security Committee risk management responsibilities

The Risk and Security Committee has a close relationship with the Audit Committee which enhances the efficiency and effectiveness of Board oversight. The Committee provides further scrutiny and assurance to the Board that the required UK and international standards in risk management, quality, security and health and safety are achieved. This includes ensuring that the organisation fulfils its statutory requirements and duty of care. This assists the Board in setting the risk appetite and reviewing and assessing the Group's risk management systems.

Risk profile of the Group

During the year, the Committee has focused on further developing the maturity of the Group's risk management system. This includes robust review and progress updates on various process enhancements including a deep-dive workshop on risk management and internal controls, dynamically reviewing new risks and successfully reducing the Group's risk profile. The continual cyclical review of the Group Risk Register, which is described further on [pages 58 - 61](#) continues to be key for the Committee to undertake its duties. The Principal Risk Register contains details of the Group's principal risks, their impact on the Group and how they are managed.

Security profile of the Group

One of our core responsibilities is to oversee the Group's physical and non-physical security systems. As our future success is dependent on our ability to exploit and operate technology at pace while still retaining the rigorous levels of security required by our customers and partners, the Committee members and I have, together with the Chief Enterprise Services Officer, Group Director Security, and Chief Risk Officer, developed a schedule of security-related agenda items, ensuring that the Committee continues to be able to oversee this key pillar. As a defence, technology and engineering Company, we are set to remain continuously aware about our risks and adapt our tools, processes, systems and people to address increasing risks arising from changing cyber, climate, technological and geopolitical instability.

I hope you find the information in this report about the Committee's work helpful and I will be pleased to answer any questions you have about it at this year's AGM.

General Sir Gordon Messenger
Risk & Security Committee Chair

Key Highlights FY24:

- Strengthened our risk and security teams
- Progressed the implementation of the Three Lines model contributing to improved first line compliance and second line assurance activities
- Embedded the Security & Information and Risk & Assurance Councils as key bodies to reinforce Group-wide awareness of risk and assurance
- Progressed our transformation activities including the Global Interoperable Infrastructure (GII) Programme that strengthens the security and agility of the Group
- Improved the consistency of enterprise risk reporting

FY25: Priorities

- Fully embedding the Three Lines model
- Further enhancing our enterprise risk management framework
- Driving a positive and mature risk culture to ensure we stay on top of our global dynamic view of risk
- Enhance exiting and embed new tools that help us manage our governance, risk and control activities
- Continuing to ensure that we are recruiting, building and retaining the right workforce skills and talent to drive our environment, health and safety and physical and non-physical security focus
- Further build on foundations set to ensure our compliance to the announced changes to the FRC UK Corporate Governance Code

Key responsibilities

The Committee's primary functions are:

- To oversee the sound operation of the Group's risk management systems
- The ongoing review of the Group's principal and emerging risks (see [pages 56 - 61](#))
- To oversee the Group's physical and non-physical security systems, including monitoring security exposures and security culture, and considering emerging security issues
- To ensure that health and safety risks are being effectively managed across the Group
- To oversee the Group's second line assurance activity over the first line compliance activity taking place across the Group's functions and businesses
- To monitor adherence to the generic MOD compliance system
- To review the Group's policies, processes and controls for the detection and prevention of bribery, corruption and modern slavery and compliance with applicable laws, regulations and codes of conduct

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and ensuring that each operating Sector implements appropriate internal controls. The Group's risk management systems are designed to appropriately manage the risk of failure to achieve business objectives, and thus can only provide reasonable and not absolute assurance against material misstatement or loss.

These systems are also designed to be sufficiently agile to respond to changes in circumstances, such as increased competition and disruptive business models, technological advancements, economic volatility and supply chain disruptions.

Risk & Security Committee structure

All members of the Board are members of the Risk & Security Committee, which is chaired by General Sir Gordon Messenger. The Chief Enterprise Services Officer, the Group Director Security, the Chief Information Officer, the Chief Information Security Officer, the Chief Risk Officer and the Group Director – Internal Audit attend Committee meetings by invitation.

To enable the Committee to get a comprehensive understanding of how risk management processes have been implemented and to ensure that these are fully embedded within the business's day-to-day work, deep-dives are presented to the Committee by employees who have first-hand knowledge of such matters, i.e. perform the work on a daily basis.

Risk monitoring and reporting is incorporated into the management of the business through the QinetiQ Leadership Team and monthly performance reviews feed into the Group strategy at the Executive and Board level.

The risk management and risk monitoring processes are divided as following:

Risk management	- Review risk management structures and reporting lines (i.e. effectiveness of control environment)
	- Evaluate the effectiveness of risk reporting processes including risk control assessment
	- Review the effectiveness of risk identification processes
	- Consideration of any security issues relating to the appointment of external auditors
Risk monitoring	- Review of risk register and key exposures
	- Monitor Health, Safety and Environmental performance
	- Scrutinise Internal Audit reports with respect to risk and security issues
	- Oversee international business governance
	- Oversee application of applied anti-bribery and corruption measures

Security management

The business has progressed towards a proactive threat assessment process with effective horizon scanning for future and emerging threats to the business- a move from ‘risk identification’ process to one of ‘risk management’. Security Incident Management has demonstrably improved through maturing of the Security and Information Governance process with a defined structure and escalation process through Sectors, Group, Security and Information Council, Security Steering Group and on to the Risk and Security Committee to ensure visibility of current and emerging risks and their management. This has been evidenced by the timely reaction and successful resolution to matters that happened over the course of the year.

The Committee is assured by the progress made by the Group in the year, although, with the ever-increasing incidence and sophistication of cyber-attacks and the consequent need for the Group to remain vigilant, the Committee expects security to remain one of its key areas of focus. As part of the drive to further control our risk exposure, we are further refining our risk appetite definitions. The Security Culture Survey, conducted by the Group Security team covering the whole Group and aimed at understanding the security maturity levels across four areas – information, physical, cyber and personnel security – proved invaluable in identifying areas for focus.

Cyber security

Given the nature of our business, emergent security threats such as the adoption of artificial intelligence and the broader geo-political landscape, we continue to invest in our Digital and Cyber Security Programmes.

In combination with our wider education and culture initiatives, we continued to strengthen our policies, procedures and tooling to ensure we can appropriately identify, assess and manage cyber security risks. We have expanded our Cyber Security Operations team with further improvements to our protective monitoring and response capability. Our strategy remains under constant review and our refreshed Cyber and Information Security Operating Model ensures we best utilise our technical expertise and knowledge across all business areas.

The Committee continues to receive regular reports from the CIO and CISO on our cyber and information security risks, the performance of protective controls and the progress of any ongoing security improvement activities.

All employees must complete mandatory cyber, information, physical and personnel security training each year, which focuses on our policies, procedures, culture and behaviours aligned to known threats. Our Group intranet also includes a comprehensive Security Knowledge Library which is used both individually and by leaders for regular security engagements at team level. This approach substantially improved security culture and behaviour during FY24.

Business continuity and crisis management

Our business continuity and crisis management procedures have been designed for flexible arrangements when responding to incidents and emergencies. They are scalable and can be adapted to work in a wide range of specific scenarios. We focus on resilience, informed by our risk identification and assessment rather than individual emergency scenarios. Our Crisis Management Plan sets out a decision-making model and overarching management response which supports the Leadership Team and ultimately the Board in making effective decisions during an incident. This has proved to be an effective approach with incidents managed well without causing adverse effects on the business. Supplementary training has been provided to the Leadership Team and we will continue with this approach in FY25.

Self-certification process

An annual process of self-certification on the effectiveness of internal controls has been established and embedded across the Group. This process provides a documented and auditable trail of accountability for the operation of the system of internal controls and continues to be our preferred tool to tangibly assess the effectiveness of those controls in all functions and sectors across the Group. It is informed by a rigorous and structured self-assessment that addresses compliance with Group policies and processes, and provides a comprehensive level of assurance to be given at higher levels of management and, finally, to the Board.

Each sector and functional Chief Officer are required to make a declaration that their system of internal controls are effective, are fit for purpose and are being monitored throughout the year. Any material risks, control failures or non-compliance with the Group’s risk policies, legislation and/or local delegations of authority must be highlighted as part of this process. The outcomes of the self-certification process, which is carried out at the full and half-year, is reported to the Risk and Security Committee by the Chief Risk Officer.

Generic MOD compliance system

A key aspect of the Committee’s work is the oversight of the UK Ministry of Defence’s (MOD) generic compliance system. This is integral to the work of QinetiQ in its relationship with the UK Government. The system is designed to give the MOD customer confidence that QinetiQ is able to provide impartial advice during any competitive evaluation of a procurement opportunity where the Group wishes to operate on both the ‘buy’ and the ‘supply’ sides. The aim is to achieve a balance between meeting the needs of the procurement customers in the MOD (principally Defence Equipment & Support) and the need to allow QinetiQ the flexibility to commercialise research into the supply chain and pursue its planned business activities, without compromising the defence or security interests of the UK. The Board nominates two senior managers to act as Compliance Implementation Director (CID) and Compliance Audit Director (CAD).

Anti-bribery and corruption

The Committee oversees a zero-tolerance approach to bribery and corruption, as confirmed by the company’s anti-bribery and corruption policy and the supporting local policies that apply to members of its Group. The Group also has in place a range of procedures, including regular training targeted at potentially risk-exposed roles of the employees, Group and local gifts and hospitality policies, and Group and divisional procurement, contracting and partnering practices, which are designed to prevent bribery. See more on page 69.

Data privacy

The company respects the personal data privacy of its customers, employees and other individuals in respect of whom it and members of its Group process personal information. The Group therefore has in place policies which mandate the lawful processing and protection of such personal information in accordance with applicable laws and procedures which are designed to achieve the same. A report on GDPR compliance is presented to the Committee at each Committee meeting.

Effectiveness review

In 2024 an effectiveness review was conducted internally. This process is described further on pages 94 - 99. The performance of the Committee was rated highly overall. The Committee agreed it would continue to focus on cyber and security risks in FY25.

Frameworks for risk management and internal control

The Board is responsible for promoting the long-term success of the company for the benefit of shareholders, as well as taking account of other stakeholders including employees and customers. To discharge this responsibility, the Board has established frameworks for risk management and internal controls using the Three Lines Model, see page 57, and reserves for itself the setting of the Group’s risk appetite. In-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Group’s operations is delegated to the Audit Committee, complemented by the work of the Risk & Security Committee. However, the Board retains ultimate responsibility for the Group’s systems of internal controls and risk management and has reviewed their effectiveness during the year. The frameworks are regularly reviewed for prudence. They were in place throughout the financial year under review and up to the date of this report. They help ensure the Group complies with the Financial Reporting Council’s (FRC) guidance on Risk Management, Internal Controls and related financial and business reporting.

After discussions with the Audit Committee and the Risk & Security Committee, the Board conducts a robust six-monthly assessment of the Group’s emerging and principal risks and specifically considered the principal risks facing the company including the impacts to the Group’s business model and future performance and therefore require management prioritisation and action when approving the Group business plan.

During the year, as part of the oversight process, the Board and the Risk & Security Committee received updates on risks and associated mitigating actions. Principal risks were also taken into account in the design of scenarios which are intended to stress-test the Group’s five-year strategic business plan, recovery plan, climate change impacts, decisions on the return of capital to shareholders and operational resilience.

Our risk management framework is designed to consistently identify, evaluate, manage, monitor and report the principal risks to the achievement of the Group’s strategic objectives and is embedded throughout the Group. It is codified through risk policy and associated processes and procedures which set out the risk appetite, requirements and controls for the Group’s worldwide operations. This is further described on pages 56 - 61.

The Group maintains a manual of financial reporting policies which is compliant with International Financial Reporting Standards (IFRS). An internal control framework is in place across the Group which covers Group financial reporting and local statutory reporting activity. The process follows a risk-based approach, with management identification of key financial reporting-related controls.

Board oversight of risk management

The Board’s delegated responsibilities regarding oversight of risk management and the approach to internal controls are set out on pages 56 - 58 and 104. There are strong working relationships between the Board Committees, which enable robust oversight of internal controls and risk management. Committees provide regular reports to the Board on their activities and escalate significant matters where appropriate. The responsibilities and activities of each Board Committee are set out in the Committee reports.