

## **QinetiQ Limited**

### **Strategic report for the year ended 31 March 2023 (continued)**

#### **Section 172 (1) statement**

The Directors welcome their responsibilities to promote the success of the Company in accordance with section 172 of the 2006 Companies Act.

The Board of QinetiQ Limited confirm that during the year under review, it has acted to promote the long term success of the Company for the benefit of the shareholders and ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, the Directors acknowledge that the business can only grow and prosper over the long term if they understand and respect the views and needs of the Company's investors, customers, employees, suppliers and other stakeholders to whom the Company is accountable, as well as the environment the Company operates within.

Typically, in large and complex companies such as QinetiQ Limited, the Directors fulfil their duties through a Group wide governance framework that delegates day-to-day decision making, which is part of the wider QinetiQ Group (the 'Group') to the employees of the QinetiQ Group companies. The Board recognises that such delegation needs to be part of a robust governance structure, which covers the Group's values, how the Group engages with its stakeholders, and how the Board of Directors of QinetiQ Limited assures itself that the governance structure and systems of controls continue to be robust. Although QinetiQ Limited is used for trading and employment purposes within the wider QinetiQ Group, the majority of decisions concerning employee engagement and stakeholder relationships are made by the Board of QinetiQ Group plc, the Company's ultimate parent company.

By way of example, the Group operates a Group Delegation Matrix which ensures that:

- Decisions put before the Directors are within approved budgets and previously approved management/project plans, and operate in conjunction with our Operating Framework processes.
- Contentious issues (in particular any proposed contracting: (i) in new markets; or (ii) with non-traditional customers; or (iii) with non-familiar technologies; or (iv) where the sale of a technology or capability to a particular customer or for a particular use could give rise to adverse publicity through ethical or reputational risks; or (v) which could give rise to competition issues; or (vi) which has the potential to cause business disruption; or (vii) which involves regulatory issues that are not usual course of business; or (viii) in geographical territories recognised to be higher risk to operate in; or (ix) where the contract could give rise to a situation which would have a material negative impact on a group company's overall profit margin; or (x) involving any other factor that could introduce unfamiliar and/or difficult to mitigate risks) are always referred to the ultimate parent company, QinetiQ Group plc.
- Managers are able to delegate authority provided to them in the Group Delegations Matrix. However, they remain responsible for any resulting approval of decisions and are therefore not able to delegate accountability or responsibility.
- Authorising managers must obtain and follow appropriate professional advice (eg: technical, commercial, procurement, HR, legal, financial, treasury, tax and trade controls).

Information about how the Directors of QinetiQ Group plc have fulfilled their duties under section 172 of the 2006 Companies Act is provided on pages 86 and 87 of the QinetiQ Group plc Annual Report and Accounts 2023.

#### **Board training and support on section 172 duties**

The Directors are supported in the discharge of their duties by the Company Secretary of QinetiQ Group plc, who is also a Director and the Secretary of QinetiQ Limited. All Directors have received guidance on their statutory duties, including those under section 172 and those under the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

## **QinetiQ Limited**

### **Strategic report for the year ended 31 March 2023 (continued)**

#### **Environment, Social and Governance (ESG)**

Our ESG approach underpins our business strategy and is designed to meet stakeholder expectations across environmental, social and governance themes. The ESG landscape continues to evolve rapidly so we regularly review our ESG priorities by considering our business strategy and purpose, the views of our stakeholders, the landscape and best practice. This approach ensures we are confident that ESG issues are integral to our business strategy and we are meeting the expectations of our stakeholders. Regular papers and briefings are provided to the Group Board by the Group Director ESG on all material ESG issues (including ESG strategy, stakeholder engagement and reporting, ethics, Speak Up, Climate change, D&I and community). In addition progress and plans are reviewed at the ESG Steering committee, chaired by the Group CEO.

#### **Environment**

Information on environmental issues including greenhouse gas emissions (GHG), our Net-Zero plan, environmental management, waste management, our contribution to biodiversity and our sustainable solutions for customers is provided on pages 54-60 of the QinetiQ Group plc Annual Report and Accounts 2023.

In FY22, the Group set new targets of reaching Net-Zero by 2050 or sooner (aligned with the Science Base Targets Initiative), details are provided in our new Net-Zero GHG emission plan on our website: [www.qinetiq.com/en/our-company/sustainability/climate-change/net-zero](http://www.qinetiq.com/en/our-company/sustainability/climate-change/net-zero). Our Scope 1 and Scope 2 emissions and intensity ratio are published on page 56 of the QinetiQ Plc Annual Report 2023. Group Scope 3 emissions have been published (see page 55 of the QinetiQ Plc Annual Report 2023) and we have also completed our disclosures in line with the Taskforce on Climate Related Financial Disclosures (TCFD) (see page 61 of the QinetiQ Plc Annual Report 2023). Environmental matters are now overseen by a new Environment Council.

#### **Streamlined Energy and Carbon Reporting (SECR)**

To meet the Streamlined Energy and Carbon Reporting (SECR) requirements, the Group also presents its energy performance on page 56 of the QinetiQ Plc Annual Report 2023 identifying the proportion that is for the UK and the following are examples of energy reduction projects in FY23:

- LED lighting has been installed in our Haslar, Malvern and Portsdown Technology Park sites and planning is underway for further sites.
- Reviewing our data has allowed us to identify and address anomalies. For example at the MOD Loch Goil site an unexpected increase in consumption was attributed to an incorrectly controlled heating unit.
- Preparation for installation of new Photovoltaic (PV) power solutions across UK sites, to enable greater self-generation of renewable energy.
- Installation of Telematics systems in UK corporate fleet vehicles, to identify usage patterns and opportunities to rationalise our corporate fleet, supporting a transition to low-emission vehicles.
- Changes to air-traffic control procedures, with the introduction of performance-based navigation approaches and revised continuation training for pilots to reduce requirements for flying time and so reduce consumption of jet fuel.
- Procurement of new electric aircraft tugs to replace diesel units, and procurement of lower-emission diesel ground power units and a new low-emission diesel runway sweeper vehicle.

A more comprehensive list of the activities that have been delivered in FY23, and planned activities for FY24 and beyond, can be found in the table on pages 58 and 59 of the QinetiQ Plc Annual Report 2023. These directly support the Group's Net-Zero plan.

#### **Social**

Information in respect of employee safety and wellbeing, employee engagement, learning and development, Early Careers, community investment reward and recognition is provided on pages 66-72 of the QinetiQ Plc Annual Report 2023.

## **QinetiQ Limited**

### **Strategic report for the year ended 31 March 2023 (continued)**

#### **Employee engagement**

During the year the Directors ensured themselves that the QinetiQ Group, and hence the Company, operates an intensive employee engagement programme, which includes the following:

The Group's Adaptive Working approach and global operating model means that we need to communicate with a geographically and temporally dispersed workforce. Two-way communication channels, including our Global Portal intranet, monthly live events through Q-Talk, and virtual communities, encourage our people to share their thoughts, feedback and experience. To further our commitment of listening to employees we have a global Site Champion network, who focus on creating a sense of community, and our Speak Up programme provides our people with a number of ways to seek advice or raise any concerns they may have.

Critical to all of our people is feeling valued and engaged, ensuring that the employee voice is considered. Views are represented by the Global Employee Voice (GEV), a group of employees who work alongside leaders to help shape ideas and initiatives that make QinetiQ a great place to work. The GEV representatives meet regularly with the Group CEO and Chief People Officer and have also met with the Group Chair and members of QinetiQ Plc Board during the year (see page 106 of the QinetiQ Group Plc Annual Report 2023). In FY23 the GEV demonstrated that feedback has been listened to and is helping to shape our actions through supporting a number of changes, including the significant investment into our employee offering, support for cost of living, the introduction of financial wellbeing webinars, and the implementation of the QinetiQ Hardship Fund.

More information regarding employee engagement is provided on page 69 of the QinetiQ Group Plc Annual Report and Accounts 2023.

Reward & Recognition is key to our people strategy and an important part of our global employee offering. Our approach is designed to enhance our employees' wellbeing and incentivise both collective performance and individual contribution; enabling us to make choices about what works best for ourselves and for our families. Through our Rewarding for Performance framework, our people have been able to collectively share in our success such as our All Employee Incentive Scheme (AEIS) for contribution in FY23 paid £1,250 to each employee.

We continue to invest in Pay & Progression, addressing market anomalies and managing in-year role and grade progression, with an investment of £1.8m in FY23. Through Thank Q, our global recognition scheme, we celebrated 3,386 individual people and 1,140 teams, with 5,152 awards

We also made market improvements for our Global Grade 13 and 14 population (mid-level managers), by extending our Leadership Incentive Scheme. In June 2022 we once again celebrated the contribution of our people at our Global Recognition Gala. Bringing together colleagues at live events in Australia, the UK, and the US, as well as virtually from Germany and Canada, we recognised 145 people, via 47 awards in eight categories. In addition, the Project Vampire team were recognised with the Outstanding Achievement award for their work in facilitating the launch of a Banshee Jet 80+ from the deck of the Royal Navy's HMS Prince of Wales aircraft carrier for the first time, off UK waters.

More information regarding pay and progression is provided on page 71 of the QinetiQ Group Plc Annual Report and Accounts 2023.

In addition, we hold Global Employee Roadshows twice a year, providing an opportunity for our people to hear from the QinetiQ Group Leadership Team about our growth strategy and important topics from across the global business, and to enable them to ask questions of leaders.

The Group is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing employee becomes disabled, the Company makes every effort to enable them to continue their employment and career development, and to arrange appropriate training, wherever practical.

## **QinetiQ Limited**

### **Strategic report for the year ended 31 March 2023 (continued)**

#### **Safety, Health and wellbeing of employees**

We are creating a safe and secure environment for us all to thrive, sharing expertise and knowledge across our whole Group and strengthening the positive impact we have on health and safety. Across the Company, we have seen a steady decrease of our Lost Time Incident (LTI) rate from 2.05 in FY22 to 1.20 in FY23. Our wellbeing strategy focuses on the five pillars of physical health, mental health, personal growth, working environment and financial wellbeing. We have been gaining insights from employee focus Group events in the UK, the US and Australia which will allow us to develop meaningful and impactful learning interventions for leaders, managers and our people in respect of psychological safety. Last year we continued to develop our global wellbeing offering.

More information is provided on page 67 of the QinetiQ Plc Group Annual Report and Accounts 2023.

#### **Diversity and Inclusion**

Advancing Diversity & Inclusion (D&I) is both a business and a social imperative. Our commitment centres on the success of our people and our ability to attract and retain the best talent in order to deliver for our customers. We aim to build a workplace that is inclusive, where our differences are not only embraced but make us stronger. Our focus in FY23 has been across three key themes: awareness of the importance of inclusion and diversity, inclusive leadership, and employee inclusion and belonging.

In FY23 we have expanded the range of our gender pay gap from just QinetiQ Limited, and our latest report now includes key UK subsidiaries. QinetiQ Limited reported a reduction in its gender pay gap from 12.6% in 2021 to 11.3% in 2022.

Our gender diversity breakdown for QinetiQ Group is provided on page 68 of the QinetiQ Group Annual report FY23.

#### **Governance and business ethics**

The Group's approach to governance is described in detail from page 73 of the QinetiQ Group Plc Annual Report and Accounts 2023. This includes business ethics, anti-bribery and corruption, human rights and modern slavery.

#### **Business ethics**

The Group's Code of Conduct defines our ethical standards, providing clear direction and guidance on how we do business. It contains information on ethical decision-making and also how to seek help and advice. We review the Code annually to reflect the evolving needs of our business, the regulatory environment and best practice.

We published the 2023 version of the Code, which is available on our website.  
[www.qinetiq.com/en/our-company/sustainability/business-ethics](http://www.qinetiq.com/en/our-company/sustainability/business-ethics)

Annual business ethics training is mandatory across the Group and supports our people in understanding and using the Group's Code of Conduct. The training is undertaken by all Group employees and is also available to our suppliers and customers. We provide a number of challenging scenarios to help our people know what to do if they were to come across issues such as bribery, fraud, harassment, conflict of interest and modern slavery.

We strive to create an environment where our people feel confident to speak up and we provide a number of different ways for them to seek help or raise concerns. Group employees can talk to a manager, use our ethics email advice services, our global network of Ethics Champions and our independently run, 24/7, confidential reporting line. These are also available to third parties via the Group's Code of Conduct and Group's Supplier Code of Conduct, both published on our website (see above).

## **QinetiQ Limited**

### **Strategic report for the year ended 31 March 2023 (continued)**

#### **Business ethics (continued)**

Throughout the year, we have promoted the importance of speaking up and the various different contact routes, via awareness campaigns, in the Group Code of Conduct and in our mandatory ethics training. We have improved how employees can find and access Speak Up contact details, launching a new highly visible button on the homepage of the Global Portal (our Group Intranet). We promoted our Speak Up Guide for Managers, supporting them in creating an open and inclusive environment, where our people feel confident to raise concerns, and managers know how to listen to and support anyone who may come to them with an issue. For third parties, we have promoted our Speak up contacts via our website and in our supplier Code of Conduct. We have responded to all queries received via our ethics email advice services and confidential reporting line. Our Group Audit Committee oversees our approach to confidential reporting (see page 108 of the QinetiQ Group Plc Annual Report 2023). Our Business Ethics Committee, chaired by the Group Chief Ethics Officer (the Company Secretary), oversees our ethics programme. We are members of our trade association, ADS, Business Ethics Network where members can share best practice on ethics, human rights and anti-bribery. Our focus in FY24 will be to continue to promote and raise awareness on Speak Up.

#### **Anti-bribery and corruption (ABC)**

The Group's anti-bribery and corruption (ABC) programme is designed to support our people and business partners to demonstrate the highest standards of ethical conduct within all jurisdictions in which we operate. Our zero tolerance approach to bribery and corruption in any form is explicitly stated in our Group Code of Conduct, which provides a decision tool to support ethical decision making, helping us to operate our business responsibly and maintain the trust of our stakeholders. This is supported by the provision of practical guidance through our ABC training, which includes challenging scenarios to help our people know what to do if they were to come across issues such as bribery and fraud. Our Group-wide ABC procedures include measures and guidance for our people to assess risks, understand relevant laws and speak up about concerns. We identify and assess any exposure to bribery and corruption risk when engaging third parties, and these risks are subject to on-going monitoring and periodic updating. We have enhanced ABC procedures for the appointment of Commercial Intermediaries, including the use of external third-party due diligence, with all appointments and renewals subject to Group CEO approval, with increased reporting requirements for all payments made to Commercial Intermediaries overseen by the Group Board. We take a continuous improvement approach to enhancing our ABC programme, acting upon findings from our internal assurance programmes, engaging with industry peers and seeking feedback from our people

#### **Human rights and modern slavery**

As part of our ongoing programme to address modern slavery, we operate and manage an action plan across the Group. We continue to provide in-depth training to those in key roles (we have moved from e-learning to live training), and develop new supporting resources for all employees and suppliers, including industry engagement events such as our Collaborate programme. We regularly review our policies and our approach to risk in the supply chain. Our updated supplier Code of Conduct helps to ensure our suppliers have clarity of their responsibilities on human rights, modern slavery and speaking up.

Our annual modern slavery and human trafficking statement is published on the homepage of our website. We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes, which underpin our commitment to responsible business practices. For example, we address salient human rights issues through our Code of Conduct, our ethical trading policy, international business risk management process, grievance mechanisms, due diligence and export controls process. The Group's third-party confidential reporting mechanism provides routes for third parties to raise concerns. We monitor the application of these policies and procedures through our business and supplier assurance processes and regular self-assessment, with oversight by the Group's Business Ethics Committee (see page 89 of the QinetiQ Plc Annual Report 2023). We believe that this integrated approach is effective in ensuring our business acts responsibly and respects all human rights. More information, including all our annual modern slavery statements, can be found on our website: [www.qinetiq.com/en/our-company/sustainability/business-ethics](http://www.qinetiq.com/en/our-company/sustainability/business-ethics). In FY24 we will continue to make progress against our modern slavery action plan and we will be reviewing and updating policy to support our approach to human rights.