

Governance

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Corporate governance statement

An introduction from our Chairman



"I believe that as a Board we have a wide ranging combination of diversity, skills, experience and knowledge, required to steer the Company through the next years."

Dear Shareholder,

I am pleased to present this year's corporate governance statement. As in previous years, this report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code on pages 62 to 109.

Response to COVID-19

In dealing with the fast developing COVID-19 pandemic emergency, the Board and I ensured we took swift actions to protect the health and wellbeing of our employees and their families, (further information can be found on page 11), to ensure that we continued to deliver critical work for our customers and in doing so maintaining the strength of QinetiQ for the long-term and protecting our stakeholders.

One of our first actions as a Board, was to call an additional Risk & CSR Committee meeting, of which further information can be found on page 79. We used this meeting to test and confirm a strategy of necessary actions to be taken going forward.

We considered several ways of protecting the Company and all our stakeholders, and by way of example decided to postpone the decision to propose a dividend until later in the year. You can read more about this in the CFO's section on page 27.

Our CEO and CFO immediately agreed a temporary salary reduction of around 33%, and in addition, the Global Leadership Team and senior leaders volunteered temporary salary reductions of up to 25%. The Non-Executive Directors and I also volunteered to temporarily reduce our fees by 25%.

In order to limit the spread of COVID-19 through public gatherings, we also took the difficult decision to not allow shareholders to attend this year's AGM in person. However, we want to ensure that shareholders are able to exercise their rights to vote and to ask questions on the business of the meeting. The details of how this will be facilitated are described further on page 67.



Further information of the Code can be found on www.frc.org.uk

Purpose, Values and Strategy

The 2018 UK Corporate Governance Code (the Code) became effective for us from 1 April 2019. The Board and its Committees have spent considerable time reviewing the 2018 Code to ensure our compliance. This has proved invaluable during the year in considering our purpose and values and progressing with the delivery of our strategy, and in testing and supporting the Board's and our Executives' decision making, a process which is further described in the Section 172 Statement on pages 50 to 53.

Understanding our Stakeholders

The Board continues to take account of the impact of its decisions on all our stakeholders, as set out in the 172 Statement on pages 50 to 53 and the examples of our Stakeholder engagement on pages 48 to 49 and 66 to 67. The 2018 UK Corporate Governance Code emphasises the need for boards to develop effective relationships with all stakeholders, including understanding their views. In particular, boards are encouraged to ensure they find ways to hear the voice of employees. My fellow Directors and I have worked extensively on our approach to these important matters, to ensure that all voices – those of shareholders, employees, customers and communities – find their way to the Boardroom. More information about how the Board and the Company considers stakeholders, can be found on pages 66 and 67 and a deep-dive into the interaction between the Board and the Group's workforce can be found on pages 64 to 66.

Management Changes

It is now 13 months since I joined QinetiQ, initially as a Non-Executive Director. It has been a pleasure to get to know my new colleagues on the Board and I believe that as a Board we have a wide ranging combination of diversity, skills, experience and knowledge, required to steer the Company through the next years. At the AGM in July we will be saying good bye to Paul Murray. Paul has made valuable contributions during his tenure through his leadership of the Audit Committee. In May 2020 we welcomed Shonaid Jemmet-Page to the Board. Shonaid is an experienced Non-Executive Director in the energy and financial sectors and will be taking on the role as Audit Committee Chair when Paul Murray steps down in July.

In July 2019, Michael Harper stepped down as the Chair of the Remuneration Committee, and I would like to take this opportunity to thank him for his work and dedication to this role. Michael continues to serve as the Deputy Chairman and Senior Independent Director on the Board and its Committees.

Susan Searle, who has been a valuable member of the Board as a Non-executive Director since 2014, took on the responsibility as the Chair of the Remuneration Committee when Michael stepped down. In addition to her experience from the QinetiQ Board, Susan also brings to this challenging role previous and current experience as the Remuneration Committee Chair of other listed companies.

The Nominations Committee continues to review the skills that we need whilst always considering diversity and the need for independent thinking and challenge. The Committee will also continue to review the size of the Board and confirm that it is appropriate with a good mix of skills, experience and knowledge and the ability to maintain appropriate oversight of the Executive, including providing constructive challenge and support.

Culture

During my time at QinetiQ, my initial very positive impressions of its culture and values have been further confirmed. By spending time with the business and its people I have seen that the culture and values of QinetiQ; integrity, collaboration and performance are clearly embedded and 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, and with a strong desire to learn and develop. A priority for my Chairmanship is to see that the Board continues to help sustain and evolve this positive culture by having the right capability around the table and the right engagement with stakeholders outside the boardroom.

Remuneration

At the 2020 AGM we are bringing a new and continued robust Remuneration Policy to the vote of the shareholders. Susan Searle has been working tirelessly with the Remuneration Committee over the year to develop a fair, flexible, stretching and aligned Remuneration Policy, of which further information can be found on pages 88 to 108.

Conclusion

I would especially like to thank the CEO, his Executive team and my fellow Directors for their work during the year. QinetiQ has an exciting future ahead and I believe that the right team is in place to take the Company forward and transition into a global business.

Neil Johnson

Non-Executive Chairman

Board of Directors

The Chairman considers all of the Directors to contribute valuably, and to continue to be paramount to the Company's long-term sustainable success.



Neil Johnson
Chairman

Skills, competence and experience: Neil's former CEO experience and current roles as a plc Chairman 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 Chairman of Motability Operations and Centaur Media plc.

Other appointments: Chairman of Synthomer Plc (and Chair of its Nominations Committee) and Electra Private Equity plc. Senior Independent Non-Executive Director of the Business Growth Fund.



Steve Wadey
Chief Executive Officer

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 Co-Chair of the UK Defence Growth Partnership, 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. Steve has held various roles with MBDA, including as Managing Director, MBDA UK. Previously he held various roles with Matra BAE Dynamics and British Aerospace.

Other appointments: Chair of the Defence Industry Liaison Board of the UK Department for International Trade, Defence & Security Organisation.



David Smith
Chief Financial Officer

Skills, competence and experience: David provides significant expertise to the Group from his broad and comprehensive executive experience in blue-chip companies and work in the aerospace and defence, technology, and automotive sectors.

David is an Associate of the Chartered Institute of Management Accountants and a member of its Advisory Panel. He was previously the CFO of Rolls-Royce Holdings plc, having joined as CFO of its Aerospace Division. Prior to that, David was CFO of Edwards Group and CEO of Jaguar Land Rover, having previously been its CFO. He has also held a variety of roles with the Ford Motor Company.

Other appointments: Motability Operations Group plc.



Michael Harper
Deputy Chairman and Senior Independent Non-Executive Director

Skills, competence and experience: Michael brings to the Board a wealth of operational and corporate experience from a lengthy career as a business leader and Board member within, amongst others, the engineering and aviation industries. He continues to provide highly valuable advice to the Board and its discussions, in particular in his capacity as the Senior Independent Director.

Michael has served as Chairman of Ricardo plc, Vitec Group plc, and BBA Aviation plc, having previously been its CEO. He was Senior Independent Director of Catlin Group Limited. In addition, he was a Director of Williams plc and CEO of Kidde plc.

Other appointments: Non-Executive Director of the Aerospace Technology Institute.



Lynn Brubaker
Independent Non-Executive Director

Skills, competence and experience: Lynn's experience from a number of senior Board positions at various US-based companies, in particular in the aerospace sector, makes her a valuable member of the Board and enables her to provide insightful advice on matters such as strategy and customer stakeholder management.

Lynn has held positions as Non-Executive Director of Force Protection, Inc., Seabury Group, Graham Partners, Cordiem, the Nordam Group, the Flight Safety Foundation (as Chair), and as a member of the Management Advisory Council of the Federal Aviation Administration. Lynn was also the Vice President and General Manager of Commercial Aerospace at Honeywell International.

Other appointments: Non-Executive Director of FARO Technologies Inc. and Hexcel Corp.



Admiral Sir James Burnell-Nugent
Independent Non-Executive Director

Skills, competence and experience: Sir James brings to the Board unique senior experience from the armed forces and of contracting with government. During a 37 year career in the Royal Navy, which culminated in his appointment as Commander-in-Chief Fleet, he commanded the aircraft carrier HMS Invincible and three other ships and submarines.

Between operational duties, Sir James held several positions at the MOD and gained cross-Whitehall experience while on secondment to HM Treasury.

Other appointments: N/A

Committee Membership Key

- A** Audit
- RC** Risk and CSR
- N** Nominations
- S** Security
- R** Remuneration
- Chairman of Committee**



Ian Mason
Independent Non-Executive Director

Skills, competence and experience: Ian brings to the Board extensive experience in strategy, business transformation, eCommerce and international business development. His current and previous experience as a CEO and Non-Executive Director, enables him to provide the Board with highly relevant business and board experience. His advice continues to be particularly valuable for the Board and the leadership team in the work of implementing and enhancing the transformation and strategy of the Company.

Previously Ian was Group Chief Executive of Electrocomponents plc. He has also worked for the Boston Consulting Group and served as a Non-Executive Director of Sage Group plc.

Other appointments: Chief Executive Officer of Domestic & General Group Limited and subsidiaries.



Paul Murray
Independent Non-Executive Director

Skills, competence and experience: Paul's broad range of experience in finance and corporate governance has been of significant value to the Board. As a result of his previous roles as Group Finance Director of a number of plc companies and a plc Audit Committee Chair, he has gained a deep understanding of governance, financial reporting, and regulatory issues.

Paul has held positions as Non-Executive Director and Chair of the Audit & Risk Committee at Royal Mail Group plc, Senior Independent Director of Taylor Nelson Sofres plc, Non-Executive Director of Thomson SA, Tangent Communications plc and Independent Oil & Gas plc. He has also been Group Finance Director of Carlton Communications plc and LASMO plc, and Treasurer of Pilotlight.

Other appointments: Director of Ventive Ltd and Naked Energy Ltd.



Shonaid Jemmet-Page
Independent Non-Executive Director

Skills, competence and experience: Shonaid brings to the Board a wealth of experience from previous roles as an Executive and Non-Executive Director from a breadth of sectors, including industrial and technology based businesses with international operations. This, combined with extensive financial experience, makes her the ideal candidate to take over as Chair of the Audit Committee in the summer.

Previously Shonaid 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 Origo Partners plc and MSAmlyn plc, and Non-Executive Director roles at GKN plc, Close Brothers Group plc and APR Energy plc.

Other appointments: Non-Executive Chairman of Greencoat UK Wind plc, Senior Independent Director of ClearBank Ltd and Non-Executive Director of Caledonia Investments plc.



Susan Searle
Independent Non-Executive Director

Skills, competence and experience: Susan brings to the Board essential experience of investing in growing technology businesses, acquisitions and exploitation of new technologies. Her experience as a plc Remuneration Committee Chair enables her to efficiently and valuably chair the 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. Previously, she held a variety of commercial and business development roles with Shell Chemicals, the Bank of Nova Scotia, Montech (Australia), and Signet Group plc.

Other appointments: Senior Independent and Non-Executive Director and Chair of the Remuneration Committee of both Benchmark Holdings plc and Horizon Discovery Group plc. Chair of Schroder UK Public Private Trust plc.



Jon Messent
Company Secretary and Group General Counsel

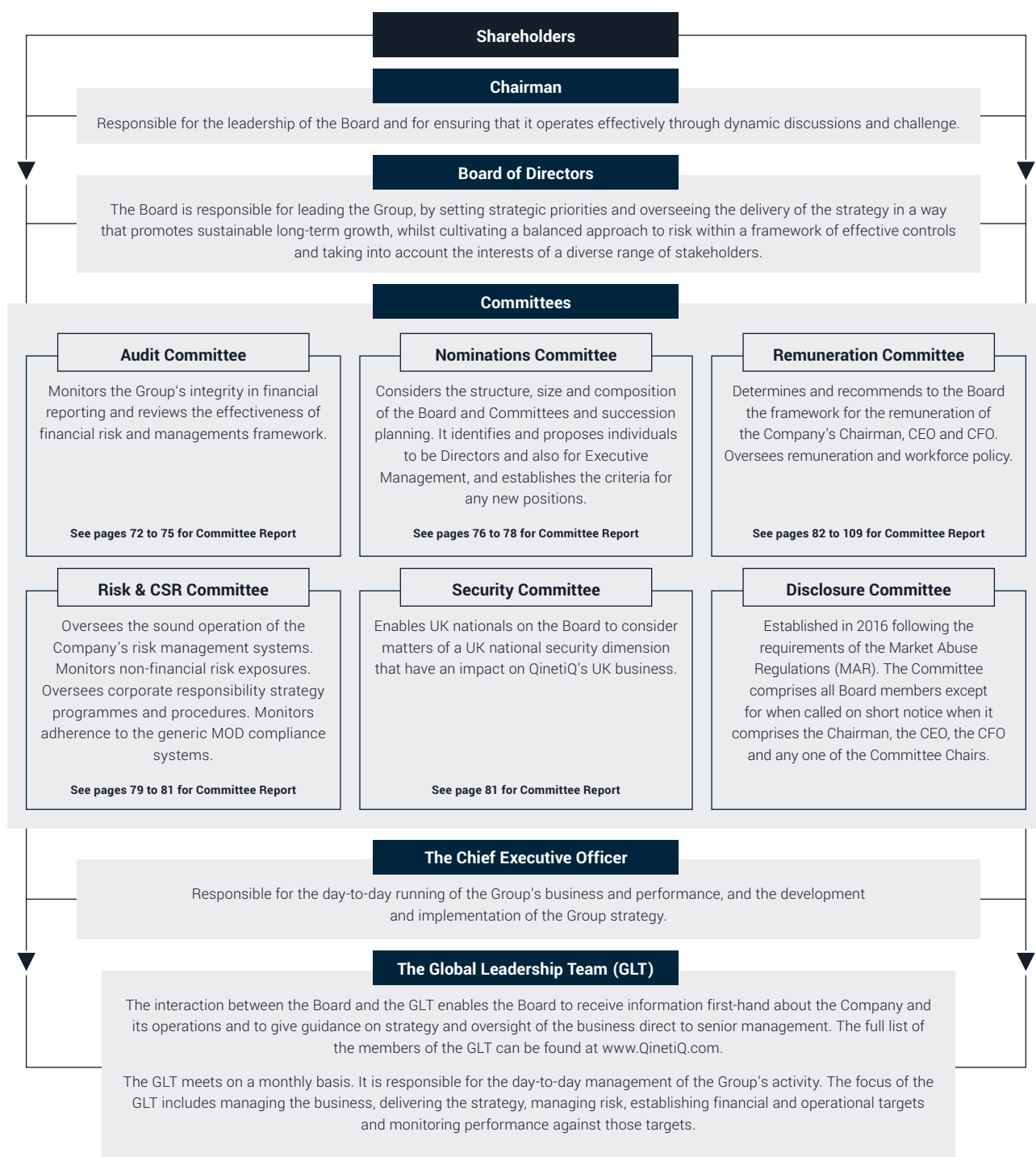
Skills, competence and experience: Jon joined QinetiQ from Chloride Group plc where he held a similar role. He has a background in legal private practice as well as General Counsel and Company Secretarial experience in other FTSE 250 companies.

Corporate governance statement

Governance framework

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 whilst having regard to all necessary matters. The Company's success depends on the Board's continued commitment to high standards of corporate governance and a strong, positive culture across the business, whilst managing effectively the risks and uncertainties of the markets in which it operates.



The significance of our purpose, values and culture

Purpose – why we do what we do, and what we do

The Board has established the Group's purpose which is outlined on page 12.

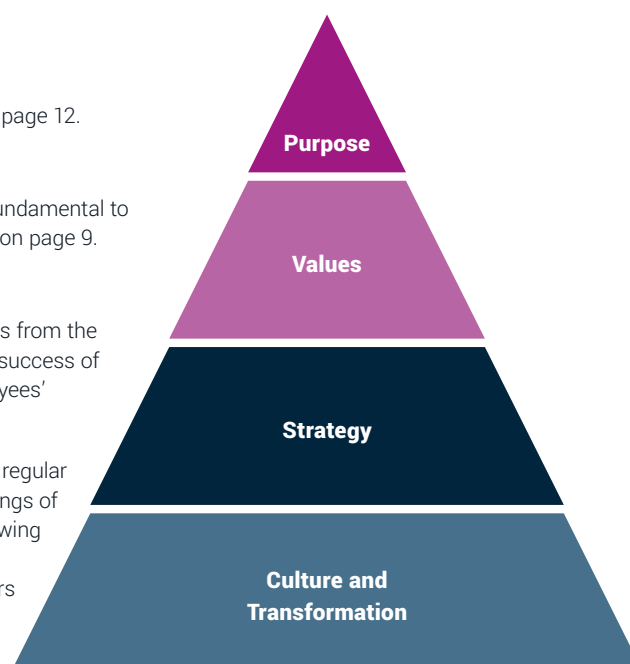
Values – underpin who we are and what we do

We weave our values into everything we do and living our values is fundamental to our success and the delivery of our strategy. Our values are outlined on page 9.

Culture – how we work together

As a Board we recognise that the cultural tone of our business comes from the Boardroom. At QinetiQ we see the benefits of a strong culture in the success of delivering our strategy, in becoming a chosen partner and our employees' engagement, retention and productivity.

The Board monitors and assesses the culture of the Group receiving regular updates on culture strategy and progress, by taking part in the meetings of the Leadership Community (further described on page 65) and reviewing the outcomes of the Peakon Employee Engagement surveys (more details on page 41). The Board also assesses cultural indicators such as management's attitude to risk, behaviours, and compliance within the Group's policies and procedures.



Board activity

An insight into the year – practicing good governance

Information about how the members of the Board discharge their duties in relation to Section 172 of the 2006 Companies Act can be found on pages 50 to 53.

Topic	Key activities
Strategy	<ul style="list-style-type: none"> – Reviewed and considered the Company's purpose, values and strategy. Further information about the purpose can be found on page 12 – Approved the FY21 component of the Group's five-year Integrated Strategic Business Plan – Approved the Group's overall five-year Integrated Strategic Business Plan – Approved the acquisition of Manufacturing Techniques Inc. (MTEQ) – Approved the acquisition of Newman & Spurr Consultancy Limited (NSC) – Received presentation from management in relation to business strategy and performance – In-depth reviews of the M&A pipeline and specific M&A opportunities
Operations and business performance oversight	<ul style="list-style-type: none"> – Approved the annual budget, business plan and KPIs (further details of the KPIs can be found on pages 28 to 31) – Reviewed and approved the Group's full year and half year results (including dividends), as well as its quarterly trading updates – Approved the Group's Annual Report (including its fair, balanced and understandable status) and Notice of AGM
Internal control and risk management	<ul style="list-style-type: none"> – Reviewed the Group's risk management framework and principal risks (further details can be found on pages 32 to 36) – Reviewed and confirmed the Group's Viability Statement and going concern status (further details can be found on page 37) – Reviewed and validated the effectiveness of the Group's systems of internal control and risk management (further details can be found on page 71)
Leadership, people and culture	<ul style="list-style-type: none"> – Continued focus on the composition, balance and effectiveness of the Board. The Effectiveness review can be found on pages 69 and 70 – Received regular updates from the Nominations Committee on the recruitment process of Shonaid Jemmet-Page as a Non-Executive Director – Reviewed the key operational roles and identified gaps in experience needed to deliver the Group's strategy – Considered the outcomes and approved the actions arising from the Board evaluation process (further details of this process can be found on pages 69 and 70) – Reviewed the Group's people strategy, culture, vision and values, including receiving reports on cultural change throughout the business – Approved the Board skills matrix – Reviewed and approved the Non-Executive Directors' fees – Held separate Non-Executive Director sessions with the Chairman after each Board meeting to discuss leadership and other Board matters
Governance and legal	<ul style="list-style-type: none"> – Annual exercise to review who the Board's stakeholders are and methods of interaction - further information can be found on page 66 – Received and reviewed regular updates on the corporate governance developments and legal and regulatory issues, including the 2018 Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018 – Approved the Group's fourth annual Modern Slavery Statement for publication on the Group's website – Received reports on engagement with institutional shareholders, investor and other stakeholders throughout the year. Further details of the Board's engagement with stakeholders can be found on pages 65 to 67 – Approved the appointment of Numis to replace JP Morgan as the Company's joint corporate brokers
COVID-19	<ul style="list-style-type: none"> – Received regular reports on the strategic planning of the impact on the business of COVID-19. An additional Risk & CSR Committee meeting was called in March 2020, to ensure swift, prudent and responsible actions. Further information can be found on pages 10 and 11

Corporate governance statement continued

Management of US subsidiaries

During the year the Group acquired the US based company Manufacturing Techniques Inc (MTEQ), now known as QinetiQ Inc, a wholly owned company by the QinetiQ Group. QinetiQ Inc together with its subsidiaries Foster Miller Inc (FMI), formerly referred to as QinetiQ North America (QNA), and QinetiQ Special Projects Inc (QSPI), manage the Group's US Global Product division, which contributed approximately £124m to the Group's revenue in FY20. QinetiQ is operating in accordance with the terms of a Special Security Agreement (SSA), which will shortly be formally entered into with the US Defence Counterintelligence & Security Agency (DCSA), and which governs how the rest of the QinetiQ group interfaces, collaborates and works with QinetiQ Inc and QSPI. FMI operates its business under an existing Proxy agreement with DCSA. To ensure consistent operations and governance across QinetiQ's US defence and security business interests, by agreement with DCSA, it is intended that the Proxy agreement will be terminated once the SSA is formally in place, and that FMI will operate under the SSA arrangement from that point.

US Global Products business and the SSA

QinetiQ Inc. and its subsidiaries have been placed under a SSA as is required by the US National Industry Security Program for main facility security clearances and to be insulated from foreign ownership, control or influence. Under the SSA, QinetiQ Inc. and the US Department of Defense (DoD) are parties to the SSA that regulates the management and operation of these two entities.

QinetiQ Inc and its subsidiaries operate under a SSA, as required by the US National Industry Security Program for main facility security clearances, 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 the US business 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. The DCSA has approved all these appointments. The three types of Directors are Outside Directors, Inside Directors and Officer of the Board of QinetiQ Inc.

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

The Officer Director is responsible for the day-to-day operations of QinetiQ Inc and serves as a liaison between the wider QinetiQ group and QinetiQ Inc. This position is held by Mary Williams, President of QinetiQ US. The Officer Director must ensure that the procedures and requirements of the SSA are effectively

implemented and has an obligation to maintain the security of classified and export-controlled information entrusted to QinetiQ Inc, as well as QinetiQ Inc's ability to perform on classified contracts and participate in classified programmes. This individual must be a resident US citizen who either has or is eligible to possess personal US security clearance.

Outside Directors must be resident US citizens who are objective Individuals, who had 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 Mills. The number of Outside Directors must outnumber the number of Inside Directors. The Outside Directors also form the Government Security Committee that is in place to ensure US national security interests are upheld.

Colleague Engagement

The Group has a long-standing commitment to the importance and value of colleague engagement. Our colleagues drive our success. More information about our commitment to colleagues and the importance of our culture can be found on pages 39 to 43.

One of the focuses of the Code is the Board's engagement with the Company's workforce, as outlined in Provision 5 of the Code. The Board recognises that achieving the Company's strategy depends on the people of our business.

During the year the Chairman, as the member of the Board designated for workforce engagement, and the Non-Executive Directors attended on a rotational basis the meetings of the EEG. The EEG is a workforce advisory panel acting as the collective voice of the workforce, including the wider workforce affected by the Board's decision making. The Directors attending the meeting subsequently report back to their fellow Directors at their next Board meeting.

The EEG provides the Board a valuable mechanism for Directors to engage directly with colleagues on topics of strategic interest affecting QinetiQ and the workforce; and offering our colleagues a greater understanding of the Board's role. The outputs reported back to the Board influenced its considerations during the year on these important topics.

The Board find visits to various Companies sites and involvement in the Company's leadership community meetings (further information below), to be excellent opportunities to meet the workforce and to gain an understanding of how the Company's culture and values are embedded within the business. The Board will continue these important visits in FY21.

The Leadership Community meetings are meetings for senior managers across the business, which are held four times a year. The Members of the Board each attend two of these meetings annually. In addition, the members of the Board are invited to attend the annual Employee Recognition Gala. These are further opportunities for the Board to engage with employees.

Statement from William Bowers, EEG Chair:

As part of the Chairman's role as the Non-Executive Director designated for workforce engagement, he met with members of the EEG on numerous occasions during the year. Each time he was accompanied by a different additional Board member, one of which was the Senior Independent Director whom provided engagement on Executive Director remuneration. The Chairman was interested in how the EEG operates, and how the shift in focus to a global Company is affecting UK employees. We explained how transformation and initiatives are experienced differently in various parts of the UK business depending on culture, and what drives the culture. Keen to seek validation on employees' behavies to ensure that the employee voice brought by the EEG is valued by leaders, he committed to challenging the Global Leadership Team on how the Employee Voice has shaped direction and priorities. The EEG welcomes the collaboration with the Chairman and the members of the Board, benefiting both parties, and as such the employees of the Group.

Visiting the business – Meeting our people

During FY20 the Board held two of its seven meetings at operational locations, enabling the Board to see first-hand how our operations are run and, importantly, engage with local teams at all levels. These are invaluable opportunities for the Board to experience the day-to-day work of the business and to gain a real insight into the Company's culture and values in an operational setting, outside of the Boardroom. All other Board meetings were held at the London office.

Farnborough, UK – meeting with the Employment Engagement Group

In November 2019 the Board conducted a two-day meeting at QinetiQ's offices and technical facilities in Farnborough. During its visit, the Board was able to meet members of the Employee Engagement Group (EEG) informally over lunch. Further information about the EEG can be found on page 40.

The visit, which was scheduled over two days, included opportunities for the Board to meet with and liaise with the local employees and teams, and to receive presentations from the management team.

"Our meetings with the EEG are of fundamental importance to the Board's engagement with the Group's employees. The Board greatly benefited from the opportunity to meet informally over lunch gaining an understanding of the issues that matters to our people."

Michael Harper
Non-Executive Director



Portsdown Technology Park (PTP), Portsmouth, UK – site tour of new facilities

For over 45 years PTP has integrated and tested combat and communications equipment and software for all Royal Navy warships prior to their deployment at sea. In 2019, the Board held its September meeting at PTP, taking the opportunity to attend the 'topping out' ceremony of the new site development to create a modern National Maritime Systems Centre. The new development will sustain the current jobs at the site and create up to 100 new jobs. It also enables PTP to continue its work and enable an even greater degree of innovation. For instance, the National Maritime Systems Centre will be able to test new software for a radar tracking system that spots otherwise difficult to detect missiles. This testing will ensure that when installed at sea, the software will work first time, enabling continued protection of onboard personnel and military assets.

In addition the Board spent time with local employees and management, gaining valuable feedback on how QinetiQ's culture and values are operating at a local level.

"The visit at PTP brought alive the significant value of the new site development. How it enables local job sustainability, creating value for our customers, investors and local community."

Neil Johnson
Chairman

Corporate governance statement continued

How we comply

For the year ended 31 March 2020 QinetiQ has applied the principles and been compliant with the provisions as set out in the 2018 UK Corporate Governance Code (the Code). The Remuneration Committee report on pages 82 to 109 outlines the details on how the Company has complied with Section 5 in relation to Remuneration of the Code. A copy of the Code can be found on frc.gov.uk.

Board leadership and Company purpose

Role of the Board

Underpinned by good corporate governance, the Board is focused on delivering an effective and entrepreneurial Board which is:

- Effective in providing challenge, advice and support to management
- Provides checks and balances and encourages constructive challenge
- Drives informed, collaborative and accountable decision making
- Creates long-term sustainable success and value for our shareholders, having regard to all our stakeholders.

Culture

Our Integrated Strategic Business Plan sets out the Group's People and Culture strategies by way of a five year plan to deliver a Group-wide approach, supported by a global mindset to deliver business growth and performance, and with three programmes being the main drivers: (1) the HR Global Transformation Programme, (2) the High Performance and Inclusive Culture Programme and (3) deliver and embed a Strategic Workforce Planning approach.

Confidential reporting process

QinetiQ has in place a confidential reporting process which is detailed on our intranet and in our Code of Conduct (see page 44 for further details). 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 Head of Internal Audit, who ensures that they are held in strict confidence and properly investigated. Reports on confidential reporting activity and outcome of investigations are regularly reported to the Board. The Board reviewed the effectiveness of the Group's confidential reporting processes during the year.

Stakeholder engagement

QinetiQ seeks to deliver value for all our stakeholders and the Board is aware that its actions impact all stakeholders of the Company and the communities we operate within. Effective engagement strengthens the business and helps to deliver a positive result for all stakeholder groups. The Board is committed to engage closely with the Company's diverse range of stakeholders and to take their views into account. During the year the Board undertook a rigorous review of the Company's current stakeholder activities. The review considered:

- Who the Group's key stakeholders are
- The Board's engagement activities with each key stakeholder and the appropriateness of this engagement
- The information the Board receives on the Group's stakeholders, including details on the outcome of the engagement activities
- Whether appropriate stakeholder feedback loops are in place
- Whether there was a need for greater engagement with any stakeholders at Board level
- The outcome and effect of stakeholder engagement.

More information on the Group's stakeholders can be found on pages 48 and 49.

Specific details about the Board's workforce and colleague engagement is outlined on the previous page.

Investor Engagement

The Board places clear importance on communications with shareholders, both institutional investors and individual shareholders. QinetiQ has a comprehensive investor relations programme, managed by a professional and well-respected Investor Relations team, who provide day-to-day contact with our investors. The CEO, and the CFO supplement this programme by way of regular meetings with the Company's institutional investors. The Board is continuously informed about the views of key shareholders, including noting any concerns. In addition, the Chairman proactively offers to attend meetings with key stakeholders, and he met with a number of the Company's major shareholders during the year.

Throughout the year investor roadshows were attended by the CEO, CFO and Investor Relations team, who collectively met with nearly 50% of the Company's share register. Our Board members also make themselves available to engage with shareholders as required. Our Chairman was particularly proactive in trying to understand shareholders views, meeting with approximately 35% of the share register. Live webcasts of results presentations were provided and briefings for analysts and investors took place in conjunction with these. An investor seminar was also held to explain key aspects of QinetiQ's strategy in more depth.

The Chairman and the Chair of the Remuneration Committee, also regularly engaged with major shareholders throughout the year on the Company's executive remuneration matters, including the Remuneration Policy, which will be presented to the shareholders for their vote at the 2020 AGM. Further detail on this can be found in the report of the Remuneration Committee on pages 82 to 109.

The information about major shareholders can be found on page 111 and the analysis of shares held can be found on page 184.

Constructive use of the Annual General Meeting (AGM)

The health and wellbeing of our employees, shareholders and the wider community which we operate within is of paramount importance to us. In light of the outbreak of the Coronavirus (COVID-19) the 2020 AGM is scheduled to be held at our registered office at Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX at 11am on 14 July at QinetiQ's offices.

Regrettably, as a consequence of the COVID-19 pandemic, it will not be possible for shareholders to attend the AGM in person and shareholders will not be permitted entry. We very much regret the need to impose this restriction on attendance as we regard the AGM as an important opportunity to engage with shareholders. However it is paramount that we, our employees and our shareholders comply with the law, latest guidelines and restrictions on non-essential travel, public gatherings and social distancing, and that we prioritise the steps needed to slow down the spread of the virus .

The AGM will be purely functional in format with employee shareholders attending to satisfy the quorum requirement, but, importantly, we will ensure that shareholders are able to vote and raise question on the business of the meeting. Therefore the Board strongly recommends shareholders to appoint the Chairman of the Meeting as their proxy by submitting a proxy appointment in accordance with the Notice of AGM (the Notice). In addition, the Board encourages shareholders to submit their questions relating to the business to be conducted at the AGM in advance, by email to investors@qinetiq.com, no later than 5pm on 10 July 2020. We will consider all questions received and, if appropriate, address them at the AGM. Questions submitted and the answers to them, will be made available on our website. There will also be an opportunity for shareholders to attend the AGM electronically via webcast, of which further details will be included in the Notice.

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 in the 'Investors' section on the Group's website.

Conflict of interest

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.

Corporate governance statement continued

Division of responsibilities

Roles on the Board

Executive and Non-Executive Directors share the same duties. However, in line with the principles of the Code, a clear division of responsibilities has been established. The Chairman is responsible for:

- Leading the Board and its overall effectiveness
- Demonstrating objective judgement
- Promoting a culture of openness and constructive challenge and debate between all Directors
- Facilitating constructive Board relations and the effective contribution of all Non-Executive Directors
- Ensuring Directors receive accurate, clear and timely information.

Further information about the Board's structure and the day-to-day management of the Group can be found on page 62.

The Chairman and the CEO

The roles of the Chairman and CEO are separate, clearly established, set out in writing, and agreed by the Board. The Chairman is responsible for the operation of the Board and the CEO is responsible for leading and managing the business within the authorities delegated by the Board.

Non-Executive Directors

The Non-Executive Directors provide effective oversight and scrutiny, strategic guidance and constructive challenge, whilst holding the Executive Directors to account against their agreed performance objectives. The Non-Executive Directors, led by the Nominations Committee, have primary responsibility for the appointment and removal of the Executive Directors.

Senior Independent Director

Michael Harper is Senior Independent Director and Deputy Chairman. In this role, Michael provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary. He is also available to address shareholders' concern should it occur that these have not been resolved through the normal channels of communication with the Chairman, CEO or CFO.

Information provided to the Board

The Board has a formal schedule of matters specifically reserved for its decision, which can be seen at www.QinetiQ.com.

The Chairman, working with the Company Secretary sets the agenda for the Board meetings and encourages an open and constructive debate.

The Chairman, working in conjunction with the Company Secretary, ensures that the Board receives accurate, timely and clear information, allowing the Board to make sound decision and promote the success of the Company. Working together with the Chairman, the Company Secretary is responsible for ensuring good governance and information flow, ensuring an effective Board.

All Directors have access to the advice of the Company Secretary. Directors may take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their duties as Directors.

The appointment and removal of the Company Secretary are matters requiring Board approval.

Attendance

The Board has seven scheduled meetings for Board and Committee business throughout the year, and these are held over two days. Additional Board sub-Committee meetings and conference calls are held between the scheduled meetings as required.

The Chairman meets with the Non-Executive Directors, without the Executive Directors present, after each Board meeting. The Non-Executive Directors, led by the Senior Independent Director, meet with the Directors at least once a year without the Chairman being present, to evaluate the Chairman's performance. Further details can be found on page 70.

Directors are expected to attend every Board meeting. In FY20, attendance was strong, both at scheduled meetings and additional meetings (including those called at short notice), reflected in the table below.

Board and Committee attendance – 1 April 2019 to 31 March 2020

Members	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk & CSR Committee
Lynn Brubaker	7/7	4/4	6/6	8/8	5/5
Admiral Sir James Burnell-Nugent	7/7	4/4	6/6	8/8	5/5
Michael Harper	7/7	3/4*	6/6	8/8	5/5
Neil Johnson	7/7	–	6/6	8/8	5/5
Ian Mason	7/7	4/4	6/6	8/8	5/5
Paul Murray	7/7	4/4	5/6#	7/8#	4/5#
Susan Searle	7/7	4/4	6/6	8/8	5/5
David Smith	7/7	–	–	–	5/5
Steve Wadey	7/7	–	–	–	5/5

* Michael Harper was unable to attend the Audit Committee meeting on 11 November 2019 due to a prior engagement.

Paul Murray was unable to attend the Nominations Committee meeting, the Remuneration Committee meeting and the Risk & CSR Committee meeting on 21 January 2020 due to a prior engagement.

- Shonaid Jemmett-Page was appointed to the Board of Directors on 19 May 2020.

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 CEO, CFO and executive management team during the year. Full biographical details of all the Directors appear on pages 60 and 61.

Independence

A majority of the Board is comprised of independent Non-Executive Directors, as is required by the Code. The independence of the Non-Executive Directors is considered annually by the Nominations Committee, using the independence criteria set out in the Code. As part of this process, the Board keeps under review the length of the tenure of all Directors, as this is a factor when assessing independence. The Chairman was independent upon his appointment in April 2019.

The independence of Michael Harper, Ian Mason and Susan Searle, all of whom have served on the Board for more than six years, was subject to a rigorous review as recommended by the Code. The Board remains satisfied that the length of their tenures has no impact on their respective levels of independence or their respective contributions.

Admiral Sir James Burnell-Nugent has this year served 10 years as Non-Executive Director and Chairman of the Risk & CSR Committee. The Nominations Committee has during the year worked with Russel Reynolds, an external executive search firm, to find candidates with relevant Senior Crown Servant experience, equivalent to that of Sir James. More information on this process and the challenges to find a suitable candidate to replace Sir James can be found on page 77. At the date of this report Sir James has agreed to continue in his role for the foreseeable future until this occurs. In accordance with Provision 10 of the Code, the Nominations Committee has undertaken a rigorous review, without Sir James in attendance, to determine his continued independence. Following this review, the Nominations Committee was satisfied that he remains independent, and advised the Board as such. The Nominations Committee based its decision on its view that Sir James is able to demonstrate independence and integrity in his advice and challenge, and has been, and continues to contribute strongly to the Board in his role as Non-Executive Director and Chairman of the Risk & CSR Committee, all of which is evidenced by the annual Board and Committee evaluations.

Time Commitment

Each Non-Executive Director must be able to devote sufficient time to their role as a member of the Board in order to discharge his or her responsibilities effectively. Prior to undertaking an additional external role or appointment, the 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 Chairman 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 going forward. 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.

The Chairman, Neil Johnson, who was appointed to the Board on 2 April 2019, holds two other Chairmanships. One of them is Electra Private Equity, a former private equity firm which has returned over £2bn to shareholders in recent years and is now running off its final few investments prior to closing the fund, at which point he will also resign from this position. Neil will remain the Chairman of Synthomer Plc. In considering his appointment, the Board gave careful consideration to Neil's other appointments, how they would reduce in time, and subsequently concluded he would be able to give the Company the time and commitment necessary.

Composition, succession and evaluation

The Company has a Nominations Committee, the purpose and activities which are described on pages 76 to 78.

Board appointments

The Nominations Committee oversees the appointments to the Board and regularly reviews the composition of the Board, its Committees and senior management team, the GLT. Further details can be found in the report of the Nominations Committee on page 78.

Disclosure on diversity can be found pages 40 and 78.

Evaluation

Every three years an external Board effectiveness review of the Board itself and its Committee is carried out. Following an external evaluation in 2019, the Chairman worked closely with the Company Secretary in 2020, to conduct a thorough in-house evaluation of the Board and the Committees' work during the financial year. The evaluation was administered by way of a questionnaire. The external review undertaken in 2019 was performed by Duncan Reed of Condign Board Consulting, neither of which has any other connection with the Board or the Group.

The outcome of the evaluation of the Committees of the Board can be found in the respective Committee Reports further below in this corporate governance statement. The Report of the Nominations Committee, see pages 76 to 78, also describes in detail its effect on the composition of the Board.

Corporate governance statement continued

Progress against prior year's review	Outcome
Enhanced focus on matters that will be transformative in relation to results and performance and with applicability beyond individual countries, projects, companies or sites	Revisiting and setting the purpose of the Company has allowed the Board to focus its attention on matters which have the potential to drive significant growth, both domestically and globally.
Agree key issues and new priorities for the Board mandate for the upcoming year	The Board has an agreed 'deep dive' calendar for the year. The deep dives held this year included consideration of a wide range of topics, covering selected individual business units as well as Group-wide matters such as transformation, customer engagement, investor relations, costbase, culture and risk profile.
Cultural discussions – ensure a greater emphasis on experiences and examples to support the Board's debate	The Group Human Resources Director reported twice to the Board on QinetiQ's cultural strategy and focus, and outlined QinetiQ's five year people and culture strategy. The focus was on performance from leadership, cultural, structural and engagement perspectives, which will enable a step change in sustainable performance. In addition, a strategic workforce planning approach was agreed. This will embed and sustain talent management, develop more agile end to end resourcing approaches to support growth and develop the right skills and capabilities for today and tomorrow.
Extend the programme of guests at the Board with the aim of gaining further understanding of stakeholders and competitors	At its March and May meetings the Board agreed a schedule of outside speakers on specialist subjects for the Board meetings and/or Board dinners.

Priorities for the coming year:

The Board effectiveness review concluded that it was clear the Board was seen to be effective, engaging and helpful to the organisation.

The effectiveness review took in commentary from a broad population, comprising Board members, senior Executives who have high exposure to the Board and Committees, and some of its professional advisors. This has provided the Board and the Chairman with a comprehensive picture of its strengths and opportunities as it continues to develop, and to help drive forward the Company's strategy.

The Chairman's individual performance

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

The Directors' individual performances

The Chairman 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, the Chairman confirmed to the Nominations Committee that each Director demonstrated commitment to the role, that their performance continued to be effective, and that they have sufficient time available to perform their duties.

Induction

New Directors receive a comprehensive induction on joining the Board, which is tailored to their experience and background, and their role on the Board. The induction schedule is designed to provide the new Directors with an understanding of how the Group works and key issues that it faces. The Company Secretary consults the Chairman when preparing a new induction schedule, giving consideration to the needs of the new Director.

Neil Johnson, who was appointed Chairman in FY19, has during the year completed his induction. As part of this process, he has met with investors, the members of the GLT, certain other senior members of staff, the EEG (further information on page 65) and attended Leadership events (further information on page 65).

Training

The Company Secretary organises site visits and training to suit Directors' individual requirements. This year Director site visits included Portsmouth Technology Park in Portsmouth, and the Group's facilities in Farnborough. External training was conducted by Ashurst LLP on relevant corporate governance matters. The Company Secretary also keeps the Board briefed on relevant regulatory changes.

Audit, Risk and Internal Control

Accountability

The Board has established processes to ensure that all reports and information, which 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. Details of the process for ensuring that this is the case, are set out on page 73. The Board considers that the Annual Report 2020, 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.

The going concern statement and viability statement are included on page 37, and a summary of the statements of Directors' responsibilities in respect of the Annual Report and the financial statements is set out on page 113.

Risk Management and Internal Control

The Board oversees the systems of risk management and internal control through the Audit Committee (financial risk) and the Risk & CSR Committee (non-financial risk) in conjunction with the risk management and assurance processes detailed in this report. These processes are underpinned by an appropriate mix of techniques used to obtain the level of assurances required by the Board. All Board members attend these Committee meetings, either as a Committee member or as a guest, so as to receive at first-hand the findings of the Committees. Matters of particular concern are escalated for presentation at Board meetings.

The internal audit function, which is independent of the business and has a direct reporting line to the Audit Committee, provides assurance to the Board and its Committees over the effectiveness of the internal control environment. The internal audit function prioritises its work according to risk, including those risks identified by the Group through its risk management processes. Additionally, regular discussions are held between the internal audit function and the external auditor regarding internal audit reports, internal audit plans and the wider control environment.

The Board routinely challenges management to ensure that the systems of internal control are constantly improving in order to maintain their effectiveness. At its meeting in March 2020, the Board reviewed the effectiveness of the systems of internal control that were in operation during the year. Further to this meeting, the Board confirms that it has carried out a robust risk assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The report of the Audit Committee can be found on pages 72 to 75 and the report of the Risk & CSR Committee can be found on pages 79 to 81.

The Strategic Report contains details of the Company's principal risks and uncertainties (see pages 2 to 55), their impact on the Company and how they are managed, including the Company's Three Lines of Defence Model (see page 32).

Audit Committee and Auditors

The Audit Committee is comprised entirely of independent Non-Executive Directors and is chaired by Paul Murray. In May 2020 Shonaid Jemmett-Page was appointed as a Non-Executive Director to the Board. She will take on the role as Audit Committee Chair at the conclusion of the AGM in July 2020, as Paul Murray will not stand for re-election following nine years in post as the QinetiQ Audit Committee Chair. Further details of Shonaid's background and experience, making her the right candidate to take over after Paul and fulfilling the Code requirement of recent and relevant experience from the financial sector, can be found on www.qinetiq.com. The Board considers the members of the Committee to be independent, and in accordance with the Code, the Board concludes that the Committee as a whole possesses competence relevant to the Company's sector, having a range of financial and commercial experience in the industry and the commercial environment in which QinetiQ operates.

The Group Chairman, CEO, CFO, Group Financial Controller, Group Head of Internal Audit and representatives of PwC attended all Committee meetings by invitation during the year.

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

Remuneration

The Company has a Remuneration Committee, the purpose and activities of which are described on pages 82 to 109.

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, the Executive Directors, other senior Executives and certain Group employees to the Remuneration Committee. The Remuneration Committee, considers remuneration policies and practices, seeks to ensure that they support the Company's strategy and promote the long-term success of the business, and that they are aligned to the successful delivery of the Group's strategy. All Executive Directors and senior management remuneration policies are developed in accordance with the Group's formal and transparent procedures (ensuring that no Director is involved in deciding his/her own remuneration outcome) and having regard to workforce remuneration and related policies, and the alignment of incentives and rewards with culture.

All Remuneration Committee members demonstrate independent judgement and discretion when determining and approving remuneration outcomes. The Board as a whole, with the Non-Executive Directors abstaining, considers the fees paid to Non-Executive Directors.

Audit Committee report



“The Committee continues to operate on the basis of an open but challenging dialogue with management and with the internal and external auditors, and the application of an appropriate level of scrutiny.”

Dear Shareholder,

I am pleased to present the report of the Audit Committee on the work carried out by the Committee during FY20. This report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code on pages 62 to 71. The Committee continues to operate on the basis of an open but challenging dialogue with management and with the internal and external auditors, and the application of an appropriate level of scrutiny.

The main responsibilities of the Committee are set out in this report. It details the activities, discussions and decisions which enabled the Audit Committee to fulfil its objectives effectively during the year of reporting.

I will be stepping down as Chairman of the Audit Committee and Non-Executive Director of the Board at the 2020 AGM, having served in these roles for just over nine years. Shonaid Jemmett-Page, who joined the Board in May 2020, will be taking on the role as the Chairman of the Audit Committee.

I would like to take this opportunity to thank my current and previous fellow Committee members for their work and support during the year and during my tenure, and to wish Shonaid well in her new role.

Paul Murray
Audit Committee Chair

Activities during the year

The Committee has an annual calendar of activities, and in addition, it identifies particular areas on which the Committee wishes to focus on.

The significant issues that the Committee considered during the year are set out in the table below:

Areas of focus: Longer-term viability assessment

Action taken by the Committee: The Committee scrutinised and challenged the process for assessing the prospects of the Group, including the stress-testing applied to the financial forecasts through various identified risks (as described on pages 32 to 36). Noting that the Group's Integrated Strategic Business Plan was prepared prior to the unfolding of the COVID-19 crisis, the Committee specifically requested to review an updated financial forecast for the full year to 31 March 2021.

Following such review and challenge the Committee concluded that the Group will be able to continue in operation and meet its liabilities as they become due. The Committee also considered it appropriate that the statement covers a five-year period. The statement can be found in full on page 37.

Financial reporting

Action taken by the Committee: As a standing agenda item, the Committee focused on understanding the reasonableness of provisions and liabilities, both in terms of consistency of policy application and as key judgements made by management and professional advisors. Comprehensive discussions were held by the Committee throughout the year where the Committee reviewed whether suitable accounting policies had been adopted, and whether management had made the appropriate estimates and judgements. In addition, support and assessment were sought from the external auditor. To facilitate this process, the Committee received presentations from the CFO and the Group Financial Controller and also received reports from the external auditor covering the key risk areas addressed during the interim review and the year end audit, and the auditors' view of key judgements made by management.

Specific issues addressed by the Committee for the periods ended 30 September 2019 and 31 March 2020 include the following:

- The basis for, and judgements made by management in determining, the liabilities recorded for onerous contracts and risks. Specific items discussed include the financial gains/losses reported as 'specific adjusting items' (see note 4 to the financial statements) and 'non-recurring' trading items included within the reported underlying operating profit (including a £4m benefit in respect of finalising business rates agreements, a £3m benefit related to cost recovery on a major contract in the EMEA Services division and a number of other contract-related releases/charges).
- The carrying values of the Group's cash-generating units (CGUs) and the impairments to goodwill in respect of Germany and Advisory Services that were reflected in the year. The major assumptions impacting on the net present value of future expected cash flows were also discussed (specifically considering the potential impact of COVID-19), noting the standard impairment reviews conducted in January 2020 were revisited and updated post year end in light of the COVID-19 pandemic. Certain discount rate assumptions and market growth forecasts were advised by external consultants.
- Assumptions used to value the net pension asset of £309.7m (as advised by the Company's external actuaries), noting additional disclosures in respect of market volatility exacerbated by the COVID-19 pandemic.
- The disclosures in the interim statement, the preliminary announcement and Annual Report and Accounts, in particular those relating to 'specific adjusting items', 'non-recurring trading items' and risk.
- The disclosures and key accounting judgements in respect of the acquisition of QinetiQ Inc. (formerly Manufacturing Techniques Inc.) and Newman & Spurr Consultancy Limited were reviewed. The valuations of acquired intangible assets were undertaken by an external firm of specialists.
- The financial impact, and associated disclosures, in respect of the implementation of IFRS16 'Leases'.
- The Company's response to a letter from the Financial Reporting Council (FRC) in respect of the FY19 Annual Report & Accounts and the disclosure enhancements subsequently implemented in the FY20 financial statements. The FRC had reviewed the Group's 2019 Annual Report & Accounts in accordance with their operating procedures. Such review was of limited scope and had inherent limitations, providing no assurance that the Report and Accounts are correct in all material aspects. Several queries raised in the FRC's letter, primarily in respect of revenue recognition on various types of contracts, were closed off through detailed explanation in a response letter from the Company, following which the FRC confirmed that their enquiries were now closed. Other queries raised have been addressed by specific disclosure enhancements made to the accounting policies note in the 2020 Annual Report & Accounts; specifically in respect of 'specific adjusting items' and 'non-recurring items', and in respect of significant accounting judgements.

Based upon the business assurance process and discussions with management and the external auditor, the Committee was satisfied that the accounting disclosures and assumptions were reasonable and appropriate for a business of the Group's size and complexity, that the external auditor had fulfilled its responsibilities in scrutinising the financial statements for any material misstatements and that the disclosures were satisfactory.

Areas of focus: Fair, balanced and understandable:

Action taken by the Committee: The Committee was required to provide advice to the Board on whether the 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 process established and reported on in previous years, and in forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. 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. Following its review, the Committee was of the opinion that the FY20 Annual Report and Accounts were representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Board's statement in this respect can be found on page 37.

Audit Committee report continued

Financial reporting process

The Committee regularly reviews the effectiveness of the financial risk management framework, including reviewing key financial risks and assessing the effectiveness of management's remedial action plans.

The Company operates a financial management and control framework, comprising a system of targets, reporting (external and internal), and controls, that is embedded throughout the businesses and on which progress is reported to the Audit Committee and to the Board. The finance function consists of various financial reporting teams who report to the CFO. The Group Finance team comprises qualified and experienced accountants, and is responsible for the preparation of the half-year and annual reports and for internal financial reporting to senior management and the Board. To ensure consistency of approach and accuracy in financial reporting, the team provides advice on accounting and financial reporting issues to QinetiQ's businesses and sets the Group's accounting policies, which are contained in the Finance Accounting Manual. The team also liaises with the external auditor.

The internal control and risk management systems described on page 71 apply to the Company's process of financial reporting and the preparation of consolidated accounts. The internal audit and external audit functions, and the reviews by the Audit Committee and the Board, provide a structured approach to the review and challenge of financial information and financial reporting.

Internal controls

During the year under review, the Committee monitored the effectiveness of the systems of internal control to gain assurance that an effective control framework was maintained. Reports on the effective operation of the control framework were received from management and reviewed by the Committee along with key policies and processes.

As in previous years, particular attention was given to the timely and effective implementation of remedial actions, either identified by the business directly, or by the internal audit function, with updates on improvement actions being scheduled for follow up at a later meeting during the year.

During the year of reporting the process of monitoring the effectiveness of internal controls in respect of Foster Miller Inc (FMI), formerly referred to as QinetiQ North America, was adjusted to take into account the Proxy agreement (further explained on page 64) which it operates under. The CEO had regular contact with the Chair of the Proxy Board and US Executive Management, and the Group's internal controls were applied as far as possible within the terms of the Proxy agreement. In addition, the internal audit function worked closely with US management to gain assurance that an effective control environment was in place. FMI is now a subsidiary of QinetiQ Inc, as described on page 64, and going forward, this process in respect of QinetiQ Inc, FMI and QinetiQ Special Projects Inc, will be governed by a Special Security agreement, which is also further explained on page 64.

The Committee confirms its view that it has received sufficient, reliable and timely information from management in the last financial year to enable it to fulfil its responsibilities.

Internal audit

The Group Head of Internal Audit reported on four occasions to the Committee on the operation of internal control and risk management processes. The internal audit function's risk-based annual plan was presented, and formally reviewed twice during the year by the Committee to provide assurance that resources were adequate and directed towards key risk areas. The annual plan is structured to ensure that all significant financial and non-financial risks are reviewed within a rolling three-year period. The audits cover financial systems, programmes and projects, as well as reviews of specific risks identified through the Group's risk management processes. During the year the internal audit function audited the controls in place over a range of key functions across the Group in line with the risk based plan. Particular areas of focus were imports and sanctions, financial controls in subsidiary businesses, and the management of general health and safety risks and hazardous activities across the Group.

The Board Assurance Map ('BAM') continues to provide further assurance to the Committee. The BAM is based on the three lines of defence framework (set out on page 32) and addresses the following:

- It identifies and documents relevant compliance and assurance providers across the Group
- It exposes potential gaps in compliance assurance coverage as well as any duplication of effort and identifies whether improved assurance coverage can be achieved by leveraging more of the second defence activities currently being undertaken
- It enables an objective review through each line of defence to support senior management and the Board to establish an appropriate level of assurance of a system of internal controls in the Group.

Internal audit activity in the year continued to indicate that, overall, an effective control environment was in place, with an open culture of continuous improvement being demonstrated by regular management requests for internal audits to be undertaken.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Committee was conducted alongside the Board effectiveness review and carried out by way of a questionnaire. Further details of this process can be found on page 69.

The following actions had been noted from the 2019 effectiveness review:

- Continued focus on the development of the internal audit function by way of extended support from the Audit Committee and the senior finance team
- Enhanced presentation time from the CFO to enable the Audit Committee to further support the finance function.

These items were covered during the year under review.

The effectiveness of the Committee continued to be rated highly. It was agreed that the Committee should focus on the following areas over the coming year:

- The transition to the new Audit Committee Chair
- Enhanced focus on the Group's international businesses.

External audit

Policy on the regulation of non-audit work and safeguarding auditor independence

The Company views it as essential that the external auditor is both independent of any conflict of interest and perceived to be so. To safeguard auditor independence and objectivity, the following process is operated by the Company.

The Company has a Code of Practice applicable to all employees which sets out the principles for regulating the award of non-audit work to the external auditor. During the year the Code of Practice was updated to reflect PwC's own amended practice in this area. PwC has made a voluntary commitment to stop providing non-audit services to FTSE 350 companies whom they audit, unless these are services closely related to the audit, i.e. services that meet the definition of 'independent audit or assurance with or without an opinion'.

The Code of Practice clearly articulates the non-audit services which are prohibited, the non-audit services which can be purchased and the key approvals that are necessary prior to the provision of non-audit work.

Pursuant to the Code of Practice, any non-audit services conducted by the external auditor require the prior consent of the CFO or the Chair of the Audit Committee, and any services exceeding £50,000 in value require the prior consent of the Audit Committee as a whole. For work that is permissible by type, the Audit Committee will take into consideration the size of the contract in proportion to QinetiQ'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 QinetiQ's policy that no PwC employee may be appointed to a senior position within the QinetiQ Group without the prior approval of the CFO.

Review of non-audit work during the year

The Committee reviews the cost and nature of non-audit work undertaken by the external auditor 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 had 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 work. Details of the external auditor's remuneration can be found in note 8 on page 112.

	2020		2019	
	£m	% of audit fee	£m	% of audit fee
Audit fees	0.8		0.7	
Non-audit:				
Audit-related assurance services	0.1	10%	0.1	12%
All other non-audit services	0.0	5%	0.0	6%
Total non-audit fees	0.1	15%	0.1	17%

Fees related to non-audit work services amounted to £123k, including £81k for audit related assurance services (2019: £111k including £74k for audit related assurance services).

Review of the effectiveness and the independence of the external auditor

At its September meeting the Committee reviewed the results of an effectiveness survey of the previous year's audit process, which allowed the learnings to be fed into the current year's planning process. At its May meeting, the Committee again reviewed the effectiveness and the independence of the external auditor during the year. The members of the Committee have declared themselves satisfied with the performance of PwC as the Company's auditor in the last financial year.

Audit appointment

PricewaterhouseCoopers LLP, as the external auditor, is engaged to conduct a statutory audit and express an opinion on the Company's financial statements. Its audit includes the review and testing of the data which is used to produce the information contained in the financial statements. PwC was appointed as auditor of the Group at the 2018 AGM following a tender process.

The current external audit engagement partner is Julian Gray, Senior Statutory Auditor, who has held his role since 2018. The time line for the mandatory appointment of a new external audit lead partner is five years. Under the EU audit reform legislation, companies are required to have a mandatory rotation of auditors after ten years, or 20 years if there is compulsory re-tender at ten years.

The Committee and the Board will be recommending PwC's reappointment at the 2020 AGM.

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.

Nominations Committee report

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



“The make-up of the Board has evolved, and I expect this to continue in the future as we seek to ensure that we have the right balance of skills, experience and diversity on the Board.”

Dear Shareholder,

I am pleased to present the Nominations Committee report covering the Committee's key activities during the year of reporting. This report should be read in conjunction with the separate report on compliance with the UK Corporate Governance Code, which can be found on pages 62 to 71.

The make-up of the Board has evolved, and I expect this to continue in the future as we seek to ensure that we have the right balance of skills, experience and diversity on the Board. Whilst the effectiveness review of the Board and its Committees, further described on page 69, shows that the Board currently has an appropriate mix of skills, knowledge and experience to operate effectively, and whilst we will always need a cadre of members of with global experience from similar industries, the Nominations Committee recognises that different specialist skills may also be valuable in the future.

In order to ensure that the composition of the Board continues to evolve and to broaden our approach in finding the right talents, the Committee took the opportunity to appraise the market to identify the most suitable executive search firm to find candidates with the right technical capabilities and cultural/style attributes. This process, which is described below in this report, resulted in the decision to use MWM Consulting Ltd (MWM) for this year's Board recruitment.

The Committee also oversaw the implementation of the new Global Leadership Team (the GLT).

In FY21 the Committee will focus on the implementation of the changes to the corporate governance framework, Non-Executive Directors' succession planning, diversity and findings of the Board and Committee evaluation.

Main 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 ensure the continued ability of the organisation to compete effectively in the marketplace
- Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies, as and when they arise
- Review annually the time required from Non-Executive Directors – the performance evaluation is used 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

Neil Johnson

Nominations Committee Chair

Board succession planning

Paul Murray will be stepping down as Chairman of the Audit Committee at the conclusion of the 2020 AGM. In October 2019, a process was launched to identify a Non-Executive Director to replace Paul. The candidate specification for this role was carefully prepared by the Committee as a whole, underpinned by the Board Diversity Policy, and as such ensuring that it was specific to skills and experience, appropriately neutral, and supportive of QinetiQ's diversity and inclusion strategy.

To ensure that we would be able to capture the clear benefits of greater diversity of background and opinion, the Committee recognised that a fresh perspective on Board recruitment would be beneficial. Having used Zygos (now part of Russell Reynolds) as the independent external search firm for some time, the Committee considered three potential external executive search firms, all of international standard and fully conversant with the benefits of what diversity and inclusion brings. MWM was chosen to conduct the search and they produced a diverse list of candidates. MWM does not have any connection to QinetiQ or any of the Directors other than to assist with searches for Non-Executive Directors. The members of the Committee individually met with all candidates and based on merit, the Committee ultimately established Shonaid Jemmett-Page, being the third female Director on the Board, to be the best candidate for the position as Non-Executive Director and Chair of the Audit Committee.

Upcoming changes to the Board

The search for a candidate with relevant Senior Crown Servant experience, equivalent to that of Admiral Sir James Burnell-Nugent, has continued this year. As described in the 2019 Annual Report and Accounts, the guidance from the Advisory Committee on Business Appointments (ACOBA) restricts appointments of former Senior Servants to the Crown from working in the UK defence market for two years from their last day in post. In addition, work as a consultant or advisor in the defence sector, can also not be undertaken under the same time limit. Owing to this restriction, the Committee has thus far not identified a candidate who would provide the requisite experience and be available in the near term. In light of this, Sir James has agreed to continue his role for the foreseeable future. A description of the independence assessment of Sir James can be found on page 69.

The Committee acknowledges the tenure of a number of current Board Directors and will in FY21 continue to focus on Board succession planning. Non-Executive Directors are appointed for an initial three year term, subject to annual re-election at the AGM. Following assessment by the Committee they may be appointed for a further three year term. Non-Executive Directors may then continue to serve beyond six years, subject to a maximum tenure of nine years.

Name	Appointment date	6-year date	9-year date
Admiral Sir James Burnell-Nugent	10 Apr 2010	10 Apr 2016	10 Apr 2019*
Paul Murray #	25 Oct 2010	25 Oct 2016	25 Oct 2019
Michael Harper	22 Nov 2011	22 Nov 2017	22 Nov 2020
Susan Searle	14 Mar 2014	14 Mar 2020	14 Mar 2023
Ian Mason	3 June 2014	3 June 2020	3 June 2023
Lynn Brubaker	27 Jan 2016	27 Jan 2022	27 Jan 2025
Neil Johnson	2 Apr 2019	2 Apr 2025	2 Apr 2028
Shonaid Jemmett-Page	19 May 2020	19 May 2026	19 May 2029

* Details of the succession plan for Admiral Sir James Burnell-Nugent are described above in this report.

Paul Murray will not stand for re-election at the 2020 AGM.

Board experience and balance

The Committee annually reviews the composition of the Board and its Committees, taking the following into account:

- Diversity, including age, gender and ethnicity
- Background, professional skills and experience
- The number and balance of Executive and Non-Executive Directors
- Committee memberships
- Length of tenure
- Independence.

The Committee considered how well the skills, knowledge and experience of the Board continued to ensure that it remains supportive to the business to deliver effectively against our strategy, both now and in the future. The Committee also discussed emerging requirements for skills and experience on the Board.

Following this review the Committee is satisfied that the Board currently has an appropriate mix of skills, knowledge and experience to operate effectively. The Directors, individually, bring a range of skills gained in diverse business environments and have excellent track records obtained from working in a number of sectors. Further details about the particular skills, knowledge and experience each Director brings to the Board can be found in the Directors' biographies on pages 60 to 61.

Nominations Committee report continued

Executive succession planning

Executive succession is a key consideration and during the year the Committee closely monitored the status and progress of QinetiQ's strategies for attracting and retaining the best talent. The Committee played an important role in the management changes at executive level by overseeing the transformation of the Executive Committee into a smaller, more empowered Global Leadership Team (the GLT). The Committee recognises that the GLT has the latent strengths needed to deliver further and to drive the next stage of our growth. The GLT came into effect on 1 April 2020.

As in previous years, the Committee has spent substantial time discussing the important area of senior management succession planning and career development, receiving regular updates from the Group Human Resources Director on this topic, also taking into account the immediate, emerging and longer-term succession plans for these roles. Particular focus included hearing about how the Company is making best use of the many highly talented individuals employed throughout the Group and that the Company is ensuring that we use such individuals to create a culture that supports a diverse and inclusive working environment. The Committee was satisfied that the plans were sufficiently robust to fill vacancies on a short to medium-term interim basis, as well as taking into account individuals of sufficient calibre to fill vacancies on a longer-term basis. The Committee also sought to ensure that the succession plans provide sufficient support in developing a diverse pipeline of candidates for Directors and senior management vacancies.

Diversity and inclusion

Board diversity policy

QinetiQ recognises the value of and welcomes the current discussions around diversity in the boardrooms of UK companies. The Board Diversity Policy can be found on www.QinetiQ.com. The objective of this policy affirms the Board's belief in the benefits of diversity and inclusion in the Boardroom as well as throughout the business. The policy applies to the Board, the GLT and direct reports to the GLT. Additional policy is in place to address diversity and inclusion for the whole workforce.

The Board continues to have regard to the Hampton-Alexander Review recommendations to improve gender diversity among FTSE boards and leadership teams, and the Parker Review on ethnic diversity on UK boards. The Board aspires to meet the voluntary targets set out in those reports.

Objectives and progress

As at the date of this Annual Report the Board comprises 30% women. This number will change to 33% when Paul Murray steps down from the Board at the conclusion of the 2020 AGM. The Board is delighted that the number of female Directors on the Board has increased from 22% from last year, as a consequence of the appointment of Shonaid Jemmett-Page.

All members of the Board are British citizens, with the exception of Lynn Brubaker who is a US citizen. All members of the Board are of white background.

Further details about the gender balance of the Executive Committee, now known as the Global Leadership Team (GLT), and their direct reports can be found in 'Our People' section on pages 41. The Committee is pleased to note that the new GLT comprises 25% women, in comparison to the previous Executive Committee which comprised 14% women.

The Board is committed to progress against the targets as set out in the Board Diversity Policy. 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 ethnical backgrounds, while we remain focused on recruiting the best candidate for any role based on merit. The recruitment process for Shonaid Jemmett-Page is an example how the Board Diversity Policy was applied in practice.

Page 40 describes the progress of our Diversity and Inclusion Programme in relation to employees and other diversity policies and procedures of the Company. Succession plans are continually being reviewed in light of opportunities to develop high calibre employees and improve diversity.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by Neil Johnson, as the Chairman of the Committee and Chairman of the Board, and as part of the Board performance evaluation. The overall outcome of the FY20 review of the Committee was positive (further details of this process can be found on page 69).

Risk & CSR Committee report



“At QinetiQ we realise that our business has an impact on the communities and environment in which we operate.”

Dear Shareholder,

I am pleased to report that, during the year, the Committee continued to effectively oversee the operation of non-financial risk management processes within the Group. Building on our work from last year, the Committee continued to focus on in-depth reviews of ‘red’ risks, and deep-dives into key risk areas.

The review of the Group Risk Register, which is described further on pages 33 to 36, continues to be fundamental for the Committee to undertake its duties. This year the Committee spent further time on ensuring that the Group Risk Register remains relevant and accurate. ‘Red’ risks are made the subject of a report to the Committee or become the subject of a deep-dive review as part of the Company’s risk management processes.

The Committee meets four times a year, however in March 2020, the Committee scheduled an emergency meeting to discuss the serious situation of COVID-19. The Committee discussed in-depth QinetiQ’s risk exposure, strategy going forward, as well as the health and well-being of the Company’s employees and stakeholders in relation to COVID-19, which is further described in the Strategic Report on pages 10 & 11 and 51.

At QinetiQ we realise that our business has an impact on the communities and environment in which we operate. We recognise the importance of leading a responsible and sustainable company and were pleased to receive reports from the Group Director Corporate Responsibility and Sustainability during the year, covering areas such as environment, business ethics and code of conduct, emerging reputational risk, diversity and inclusion, stakeholder engagement, trading policy and Modern Slavery Act reporting. You can read more about all of the above in the ‘Our people’ section on pages 39 to 43 and Responsible and ‘Sustainable Business’ pages 45 to 47.

Details of risk management and internal control processes and the Company’s principal risks and uncertainties can be found on page 71 and 32 to 36, respectively. In addition, further details about internal controls and financial risks, can be found in the Report of the Audit Committee on pages 72 to 75.

This report should be read in conjunction with the section on compliance with the UK Corporate Governance Code, which can be found on pages 62 to 71.

Admiral Sir James Burnell-Nugent

Risk & CSR Committee Chair

Main responsibilities:

The Committee has three primary functions:

- To oversee the sound operation of the Company’s risk management systems
- To monitor non-financial risk exposures, including security, trade controls, ethics, corporate responsibility and health, safety and environment
- To monitor adherence to the generic MOD compliance system.

Risk & CSR Committee report continued

Good governance supporting the Group's risk management activities

During the year the Committee met on five occasions. All the members of the Board attend the Committee meetings as a Committee member. In addition, the Group Director, Governance and Safety Assurance and the Group Head of Internal Audit are invited to attend and present at each meeting. Other senior leaders, such as the Group Director Corporate Responsibility and Sustainability, the Group Head Enterprise and Risk Management, and the Group Director Health, Safety and Environment are also regular attendees. 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' 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 reporting is incorporated into the management of the business through the GLT and monthly performance reviews feed into the Group strategy at the Executive and Board level.

Risk management	<ul style="list-style-type: none"> Review risk management structures and reporting lines (i.e. effectiveness of control environment) Effectiveness of risk reporting processes Review effectiveness of risk identification processes Consideration of external auditor recommendations relating to risk management
Risk monitoring	<ul style="list-style-type: none"> Review of risk register and key exposures Health, Safety & Environmental Performance Internal Audit reports International business governance Anti-bribery and corruption Cyber & Security
Corporate responsibility and sustainability	<ul style="list-style-type: none"> Corporate Responsibility and Sustainability Programme and focus including: <ul style="list-style-type: none"> CR&S reporting and stakeholder engagement Ethics, including code of conduct training Modern Slavery Act Diversity and inclusion Community investment
Deep-dives	<ul style="list-style-type: none"> Marine operations – BUTEC Aviation Boscombe Down – Non-ionising radiation Section 5 Firearms – Pendine Corporate Responsibility and Sustainability

Self-certification process

An annual process of hierarchical self-certification on the effectiveness of internal controls has been established. This process provides a documented and auditable trail of accountability for the operation of the system of internal control in operation. It is informed by a rigorous and structured self-assessment that addresses compliance with Group policy, and provides for successive assurances to be given at increasingly higher levels of management and, finally, to the Board. The self-certification process, which is carried out at the full year and the half year, is reported to the Committee by the Group Director, Governance and Safety Assurance.

The self-certification process continues to be a valuable tool in assessing the effectiveness of internal controls in all functions and business units across the Group.

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 executives to act as Compliance Implementation Director (CID) and Compliance Audit Director (CAD).

Oversight of the operation of the compliance system is provided by the Committee. During the year the Committee received an annual report from the Group Director, Safety and Governance and the internal audit function on the compliance areas that it monitored. A typical report includes a summary of the scope and an Executive summary of the findings with an audit opinion, with agreed associated time-bound action plans.

Effectiveness review

The evaluation of the effectiveness of the Committee during FY20 was conducted internally, by way of a questionnaire (further details of the review process can be found on page 69).

The performance of the Committee was rated highly overall. The following action for the Committee was agreed for the upcoming year:

- Continued focus on COVID-19 situation.
- Continued focus on Cyber Risk and resilience.

REPORT OF THE SECURITY COMMITTEE

There was no requirement for the Committee to meet during the year.

Membership and attendance during the year

The Security Committee is chaired by Admiral Sir James Burnell-Nugent and the other Committee members during the year were Michael Harper, Neil Johnson, Ian Mason, Paul Murray, Susan Searle, David Smith and Steve Wadey.

Main responsibilities

The Committee was established in June 2009 to enable UK nationals on the Board to consider matters of a UK national security dimension that have an impact on QinetiQ's UK business. The Committee's full terms of reference can be found in the Governance section of the QinetiQ website at www.QinetiQ.com.