

QinetiQ Limited

Strategic report for the year ended 31 March 2024 (continued)

Section 172 (1) statement

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

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

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

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

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

Information about how the Directors of QinetiQ Group plc have fulfilled their duties under section 172 of the 2006 Companies Act is provided on pages 65 and 67 of the QinetiQ Group plc Annual Report and Accounts 2024.

Board training and support on section 172 duties

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

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Environment, Social and Governance (ESG)

A summary of the QinetiQ ESG framework is shown on page 35 of the QinetiQ Group plc Annual Report and Accounts 2024.

Delivering our sustainability strategy, based on key ESG material factors, ensures we are addressing risks and creating value for our shareholders and customers. The evolution of a range of new reporting requirements is shaping our programmes to ensure we are better able to articulate the sustainability-related risks and opportunities that could reasonably be expected to affect QinetiQ's prospects over the short, medium or long term. To ensure we understand future requirements, we actively horizon scan and this year have invested in new tools to support us. We provide monthly updates to the ESG Steering Committee, chaired by our Group CEO, and regular updates in our ESG reports to the QinetiQ Group plc Board.

A core driver for our focus is meeting the needs and expectations of our stakeholders, so regular engagement with them is vital. Throughout the year, we engage with shareholders, customers and employees about ESG directly, so we are able to listen, understand, and identify what matters most to them. Based on this approach, we believe that the aspects of sustainability that we are focusing on are the most material to our business and to our stakeholders, and our approach is to embed ESG into strategy, and our business processes.

Environment

Information on environmental issues including greenhouse gas emissions (GHG), our Net-Zero plan, environmental management, waste management, our contribution to biodiversity and our sustainable solutions for customers is provided on pages 36-42 of the QinetiQ Group plc Annual Report and Accounts 2024.

QinetiQ is committed to reducing our contribution to climate change. Building on our environmental stewardship and reductions in Greenhouse Gas (GHG) emissions, our journey to Net-Zero began in earnest in 2021, with the creation of a Climate Change Steering Group (CCSG), chaired by the Group CFO and attended by senior stakeholders from across the business. A commitment to setting science-based GHG emissions targets, and a Net-Zero Plan followed in early 2022. In the same year we introduced new metrics into our Leadership Incentive Scheme.

Streamlined Energy and Carbon Reporting (SECR)

To comply with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements, we present our energy performance in QinetiQ Group's plc Annual Report and Accounts 2024 on page 38 (indicating the proportion for the UK). Our re-baselining exercise has resulted in adjustments to previous years' data and so we have included both re-baselined and previously reported figures in QinetiQ Group's plc Annual Report and Accounts 2024 on page 38 for completeness. The following are examples of energy reduction projects undertaken in FY24:

- Implementation of a new energy monitoring software platform across our UK estate, to provide dynamic consumption figures, helping to highlight anomalies and forecast future demand;
- Installation of low-energy LED lighting solutions at various UK sites;
- Integration of a new multi-engine aircraft within our UK fleet, to increase capability while reducing the utilisation of larger less fuel-efficient platforms;
- Reductions to our UK vehicle fleet, and sourcing hybrid or pure electric alternatives to replace existing assets where possible;
- A trial of bio-fuel as a low emission alternative to diesel; and
- UK "Energy Shutdown" campaigns across extended holiday periods in the UK.

Social

Information in respect of employee safety and wellbeing, employee engagement, learning and development, Early Careers, community investment reward and recognition is provided on pages 48 to 53 of the QinetiQ Group plc Annual Report and Accounts 2024.

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Employee engagement

Critical to all of our people is feeling informed and ensuring that the employee voice is heard. We hold Global Employee Roadshows twice a year, providing an opportunity for our people to hear from the QinetiQ Leadership Team about our growth strategy and important topics from across the global business, and to enable them to ask questions of leaders. Employee views are represented by the Global Employee Voice (GEV), a group of employees who work alongside leaders to help shape ideas and initiatives that make QinetiQ a great place to work. The GEV representatives meet regularly with the Group CEO and Chief People Officer and have also met with the Chair and Board members during the year. In FY24 the GEV gave feedback that contributed to changes including significant investment in our employee reward offering (reward uplifts), changes in working schedules (compressed working), and the introduction of new learning solutions.

More information regarding employee engagement is provided on page 69 of the QinetiQ Group plc Annual Report and Accounts 2024.

Safety, Health and wellbeing of employees

We continue to reinforce the positive impact we have on the health, safety and wellbeing of our people, creating a safe and secure environment for us all to care and thrive. Our safety performance over the past 12 months shows:

- A fall in our Total Recordable Incident Rate (TRIR) rate from 2.75 in FY23 to 2.54 in FY24. (TRIR is calculated using the total number of recordable incidents, multiplied by 1000, divided by the average number of employees in that year).

Our wellbeing strategy provides direction and a common approach for our wellbeing programme, which ensures we have the tools, techniques and support networks to take care of our people. Our strategy includes not only physical and mental health, but also personal growth, working environment and financial wellbeing. Senior Level-led governance is in place with oversight of both wellbeing and safety through our Wellbeing Steering Group

For more on Safety and wellbeing, please see page 48 & 49 of the QinetiQ Group plc Annual Report and Accounts 2024.

Diversity and Inclusion

Creating an environment where everyone feels they belong and can thrive is a vital part of our culture. In FY23 we launched our Inclusion, Diversity and Belonging Strategy (published on our website www.qinetiq.com/en/our-company/sustainability/diversity-and-inclusion).

- In our latest UK Gender Pay Gap report (for the FY23 reporting period) we report a mean pay gap of 10.2% which is a reduction compared with the previous year (11.3% for the FY22 reporting period);
- We also participate annually in the FTSE Women Leaders Review. During FY24 we reported 28.2% female representation in our Executive Committee (the QLT) plus direct reports, compared with 27.8% in FY23; and
- Our gender diversity breakdown for QinetiQ Group is 25% female for all employees. Further information is provided on page 50 of the QinetiQ Group plc Annual Report and Accounts 2024.

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

For more information on diversity and inclusion, see pages 49 and 50 of the QinetiQ Group plc Annual Report and Accounts 2024.

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Governance and business ethics

The QinetiQ Group's approach to governance is described in detail from page 54 of the QinetiQ Group plc Annual Report and Accounts 2024. This includes business ethics, anti-bribery and corruption, human rights and modern slavery.

Business ethics

Our Code of Conduct defines our ethical standards, providing clear direction and guidance on how we do business. It contains information on ethical decision-making and also how to seek help and advice. We review the Code annually to reflect the evolving needs of our business, the regulatory environment and best practice. The Code is for our people but we also make it available for customers, suppliers and other partners.

The 2024 version of the Code is available on our website. www.qinetiq.com/en/our-company/sustainability/business-ethics.

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

We strive to create an environment where our people feel confident to speak up and we provide a number of different ways for them to seek help or to raise concerns. Employees can talk to a manager, use our ethics email advice services, our global network of Ethics Champions and our independently run, 24/7, confidential reporting line. These are also available to third parties via our Code of Conduct and Supplier Code of Conduct (page 55 of the QinetiQ Group plc Annual Report and Accounts 2024), both of which are published on our website.

Throughout the year we have promoted the importance of speaking up and the various different contact routes, via awareness campaigns, in the Code of Conduct and in our mandatory business ethics training. We promoted our Speak Up Guide for Managers, supporting them in creating an open and inclusive environment, where our people feel confident to raise concerns, and managers know how to listen to and support anyone who may come to them with an issue. For third parties, we have promoted our Speak Up contacts via our website and in our supplier Code of Conduct. We have responded to all queries received via our ethics email advice services and confidential reporting line. Our Audit Committee oversees our approach to confidential reporting (see page 90 of the QinetiQ Group plc Annual Report and Accounts 2024). Our Business Ethics Committee, chaired by our Chief Ethics Officer (Group Director Legal & Company Secretary), oversees our ethics programme. We are members of our trade association, ADS, Business Ethics Network where members can share best practice on ethics, human rights and anti-bribery.

Anti-bribery and corruption (ABC)

The Group's anti-bribery and corruption (ABC) programme is designed to support our people and business partners to demonstrate the highest standards of ethical conduct within all jurisdictions in which we operate. Our zero tolerance approach to bribery and corruption in any form is explicitly stated in our Group Code of Conduct and our global anti-bribery and corruption procedures require that all business activity is conducted without the intent to bribe or corrupt; is reasonable and transparent; is appropriately documented with a business rationale and is authorised at an appropriate level. We provide practical guidance, including regular training, to ensure that our people understand what is expected of them and where they can get support or raise concerns. Risk-based due diligence procedures are in place to identify and assess exposure to bribery and corruption in our operations; these are subject to on-going monitoring and periodic review. We review our programme regularly to ensure that it remains effective and incorporates improvements identified through internal assurance activity and feedback from our people.

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Human rights and modern slavery

As part of our ongoing programme to address the risk of modern slavery, we operate and manage an action plan across the Group. We continue to provide in-depth training to those in key roles (we have moved from e-learning to live training), and develop new supporting resources for all employees and suppliers, including industry engagement events such as our Collaborate programme. We regularly review our policies and our approach to risk in the supply chain. Our updated supplier Code of Conduct helps to ensure our suppliers have clarity of their responsibilities on human rights, modern slavery and speaking up. Our annual modern slavery and human trafficking statement is published on our website homepage. We achieved 82% against the UK Government Modern Slavery Assessment Tool. We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes, which underpin our commitment to responsible business practices. For example, we address salient human rights issues through our Code of Conduct, our ethical trading policy, international business risk management process, grievance mechanisms, due diligence and export controls process. Our confidential reporting mechanism (page 54 of the QinetiQ Group plc Annual Report and Accounts 2024) provides routes for third parties to raise concerns. We monitor the application of these policies and procedures through our business and supplier assurance processes and regular self-assessment, with oversight by our Business Ethics Committee. We believe that this integrated approach is effective in ensuring our business acts responsibly and respects all human rights. More information, including all our annual modern slavery statements, can be found on our website: www.qinetiq.com/en/our-company/sustainability/business-ethics.


Fostering relationships with partners, suppliers, customers and others

Customers are at the heart of everything that the Company does. During the year, the Directors closely monitored how the Group worked with its customers and how it addressed key customer issues. Every QinetiQ customer has a delivery team continually engaging with it and adapting its approach to the customer, ensuring that the customer's objectives are achieved.

The Directors take a keen interest in ensuring a collaborative environment where all partners and suppliers can contribute and add value and be treated fairly regardless of their respective size. In addition to the day to day engagement through normal business activity, the Directors actively engage with key partners through a series of meetings between our executive team and their counterparts at key industry partners.

The Group's approach to stakeholder engagement is summarised in the QinetiQ Group plc Annual Report and Accounts 2024 on page 65 and 66.

Approved by the Board on 22 July 2024 and signed on its behalf by:


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